

Company registered number: 00736150

Charity number: 216779

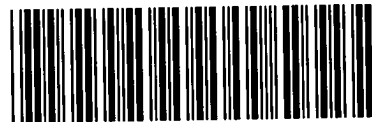
Regulator for Social Housing registered number H0375

**ABBNEYFIELD SOUTH DOWNS LIMITED**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 MARCH 2019**

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# **ABBNEYFIELD SOUTH DOWNS LIMITED**

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# ABBEYFIELD SOUTH DOWNS LIMITED

## THE BOARD, EXECUTIVE OFFICERS, ADVISERS

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<b>The Board as at the date of approval of this Annual Report</b>	Mr D Byrne FCII (Chairman) Mrs L Phair MA, BSc (Hons) Nursing RMN RGN DPNS (Deputy Chairman) Mr M Paris MBE MCIOB
<b>Note: all Board members are also trustees of the charity</b>	Mr D Carver FCIS Miss J Sorenson BA (Hons) PGDipM Chartered Marketer Mr W Rendall ACII MA Oxon Mr A T Davy BA(Hons) ACA Mr J Timbs (appointed 9 July 2018)
<b>The following was also a Board member during part of the year covered by this Annual Report</b>	Mr I Thomas BSc (Hons) CEng MRICS MStructE MCIOB (until 9 July 2018)
<b>Executive Officers as at the date of approval of this Annual Report</b>	Mr Nolan Taylor (Chief Executive Officer) Mr I Thomas (Development Director from 9 July 2018) Ms Nikki Moss (Operations Manager)
<b>Company secretary</b>	Mr D Carver
<b>Registered office and principal address</b>	Alfriston House North Road Alfriston East Sussex BN26 5XB
<b>Independent auditors</b>	Lindeyer Francis Ferguson Limited Chartered Accountants Statutory Auditors North House 198 High Street Tonbridge Kent TN9 1BE
<b>Bankers</b>	Barclays Bank plc 63/67 Terminus Road Eastbourne East Sussex BN21 3NE
<b>Legal status</b>	
<b>Registered company limited by guarantee</b>	No. 00736150
<b>Registered with the Regulator for Social Housing</b>	No. H0375
<b>Registered with the Charity Commission</b>	No. 216779

# ABBEYFIELD SOUTH DOWNS LIMITED

## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2019

The trustees (who are also directors of the charity for the purposes of the Companies Act 2006) present their annual report together with the audited financial statements of Abbeyfield South Downs Limited for the year ended 31 March 2019.

### Objectives and activities

The Charity's principal objective is to continue to provide comfortable housing in a safe environment complemented by good nutrition and companionship for lonely older people. We do this through a dedicated and well trained workforce complemented by a committed and well-motivated group of volunteers. At 31 March 2019 we operated in the following areas:

	No of sheltered houses	No of social housing units (Abbeyfield model)	No of non-social housing units	Changes since 31 March 2019
Eastbourne	2	16	1	
Brighton & Hove	2	17	1	
Heathfield	-	-	-	The house in Heathfield has been demolished and site cleared in preparation for the development of a 48 unit Extra Care residence (33 social housing units)
Hastings	1	7	-	The former manager's flat has been refurbished and let on a non-social basis
Tunbridge Wells	1	15	-	
Alfriston	1	9	-	

In achieving our objectives, the Charity aims to create a surplus of income over expenditure which is sufficient to maintain the properties and services to a high standard. The Charity's ongoing aim is to ensure that these standards are maintained and improved wherever possible and that the Charity adheres to all current legislation governing the services it offers.

When reviewing the Charity's aims and objectives, and planning its activities, the members of the Board of Trustees have due regard to the Charity Commission's public benefit guidance, including its guidance on fee-charging, and that the Charity complies with all current legislation.

### Achievements and performance

The year under review has been a busy period of activity to realise the Charity's long held vision of developing 'assisted living with care' (or 'extra care') facilities so that we can provide for the growing needs of older people. The planning permission granted for the redevelopment of Holdenhurst, our Heathfield property, to provide 48 apartments came with many onerous planning conditions. Our staff team, ably led by Nolan Taylor and Ian Thomas, have worked hard in discharging those conditions so that the old buildings could be demolished and site cleared ready for construction to start in August 2019. Alongside the physical work on site much effort has been put in to agreeing a facility agreement with Charity Bank and Big Society Capital, agreeing and signing a design and build contract with our development partner, CastleOak Care Partnerships Ltd., and securing a new grant from Homes

# **ABBNEYFIELD SOUTH DOWNS LIMITED**

## **REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2019**

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England and reassigned grant from The Abbeyfield Society. The Trustees would like to express their gratitude to these partners for their support in enabling the project to proceed. In particular we extend our thanks to Adam Ruffinato of Charity Bank for his positive and constructive assistance and also the team at Asteros Advisers Limited (formerly BDO Infrastructure Advisory) for helping us secure the funding necessary to undertake this exciting project.

The integration of the houses in Tunbridge Wells and Alfriston into the Abbeyfield South Downs operations has been successfully completed. Plans for improvements to the Alfriston house are being advanced in accordance with the wishes of the members of the now dissolved Alfriston society. The formal launch event for the refurbished and upgraded Aymer Road houses in Hove was held on 7<sup>th</sup> September 2018 with Cllr. Dee Simson, the Mayor of Brighton and Hove, in attendance.

The Charity continues to follow the 10 year maintenance plan devised from the independent surveys commissioned by the Charity to ensure that facilities are kept to a high standard for residents and so the Board can identify the financial requirements. In addition the Charity ensures that timely improvements are made so that the houses are compliant with legislation and the Regulator's expectations. As reported last year Bringeman House in Hove, which had been identified by the survey as requiring significant expenditure to enable continued operation as sheltered housing against a backdrop of falling demand, was closed on 30<sup>th</sup> June 2018. 2 residents transferred to Aymer House and the third moved to more suitable accommodation. The tenant of the non-social housing unit moved to a newly refurbished flat at Abbeyfield House, Aymer Road. The sale of the property realised a significant gain of £1.35M and the total funds received are being reinvested in the development of the new extra care facility in Heathfield.

The Charity relies heavily on its willing staff team to provide the support and efficiencies necessary to ensure our houses provide a happy and well run environment. The Charity values its staff and is committed to paying the living wage. The Charity and residents are also indebted to the teams of Volunteers at each of the houses whose assistance and friendship improves the lives of the residents in their chosen communities.

Feedback from residents and relatives continues to show satisfaction. In providing a safe environment, particular effort has been made to meet the evolving requirements of health and safety and fire regulation. Support is provided to residents, by directing them to services appropriate to their needs. Every effort has been made to provide excellent meals that the residents enjoy and to involve them in all aspects of the day to day management of their homes.

### **Plans for the Future**

The Holdenhurst development is underway, fully funded and with the chosen development partner on site. This will be the primary focus for the Board and senior management as work progresses towards the March 2021 target for completion and launch. Following comprehensive business modelling and grant negotiations throughout the year, the Board is pleased that the projected number of rental social housing units within the scheme has increased from 17 (35%) to 33 (69%).

The Board is of the opinion that extra care developments are the future in meeting the changing expectations and requirements of an ageing population and consequential policy realignments. We shall explore how this model can be best replicated across our geographical area of operation.

# **ABBNEYFIELD SOUTH DOWNS LIMITED**

## **REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2019**

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Nevertheless, we continue to look to maintain and develop our existing services where we feel there is sufficient demand. Some of our properties enjoy very high occupancy levels and we can see the benefit provided by well-run supported sheltered houses which offer between 15 and 20 units. With this in mind we will be considering whether any of our existing housing stock can be developed in the way we have approached the linking of our two Aymer Road properties.

### **Financial review**

Much of the increase in cash held and reserves derives from preparations for the extra-care facility development. However, it is pleasing to record that control of the Charity's core provision of housing remains well managed and generating a healthy surplus which can be invested in improving facilities and services. Turnover has fallen by 9% compared to 2018 but this is due to the net removal of 6 supported housing units from the Charity's stock (down 8.5% on 2018) and 6 general housing units (down 75% on 2018) due to demolitions at Heathfield (see Note 14). Thanks to the tremendous efforts of our staff team overall occupancy came in on budget for the year at 90%.

### **Financial highlights include:**

- An operating surplus after depreciation of £98,604 or 9.9% (£29,675 surplus as restated in 2018) on turnover of £996,435 (£1,098,315 in 2018)
- The Board revised the policy for calculating depreciation on adopting Component Accounting for Housing properties in compliance with the Statement of Recommended Practice for Registered Social Landlords (Housing SORP 2014). This resulted in a prior year adjustment increasing the 2018 surplus by £11,199 (see Note 1.12).
- Net cash generated from operating activities of £930,819 (£179,846 in 2018)
- A former general needs rental property, Bringeman House in Hove, was sold for £1,629,696
- Government Grants given for the Holdenhurst development amounted to £ 1,899,500. Further grant, not recorded in these accounts, has been awarded conditional on the start and completion of work on site.
- Cash at bank increased to £3.93M (£2.10M in 2018)
- An increased level of reserves, amounting to £8.06M up from £6.63M last year

### **Reserves policy**

It is the policy of the Charity that unrestricted funds which have not been designated for a specific use should be maintained at a level equivalent to at least three month's operating expenditure (currently about £235,000). The Board of Trustees considers that reserves at this level will ensure that, in the event of a significant drop in income, the Charity will be able to continue its current activities while consideration is given to ways in which additional funds may be raised or alternative options explored. Free reserves currently exceed this level as funds have been accumulated in respect of proposed development projects. The Charity's reserves now total £8.06M, including endowment funds of £0.25M and other unrestricted funds held as fixed assets of £5.01M, leaving free unrestricted reserves of £2.8M.

### **Risk management**

The Board continues to strengthen the risk management process to ensure that it can adequately identify, monitor and control all significant risks. The Board has established a Risk Committee comprising members from the Board and management which has reviewed in detail the risks facing the Charity and the controls in place. The Risk Register has been revised as a result of this review and will be further developed to form an embedded dynamic tool for management and the Board.

# ABBEYFIELD SOUTH DOWNS LIMITED

## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2019

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The key risks to which the Charity is exposed and their mitigations are noted below:

Risk	Mitigation
<p><b>Strategic</b></p> <p>The Charity operates in a changing and complex market dependent on numerous external factors, including regulation, competition, customer expectations and requirements and the economic environment.</p>	<p>Operating expenditure is carefully monitored and controlled by the Operations Committee with regular reporting to the Board. All budget planning and major capital expenditure is subject to approval by the Board. The Charity strives to maintain high residential occupancy levels by sustaining local awareness as to the benefits which the Charity has to offer those in need, in the communities we serve.</p> <p>The Board is working closely with its advisers and contractors to model both the development and future operation of the 'extra care' facility. A timeline including key decision points and milestones has been developed which identifies fall back risk management positions. The funding model provides for a minimum cash reserve position in accordance with or exceeding the Charity's reserves policy to safeguard operations.</p>
<p><b>Financial viability</b></p> <p>Operations continue to generate sufficient funds to maintain high standard services and maintenance of the houses.</p> <p>Adequate funding is available for future developments.</p>	<p>Services are continually reviewed by the Operations Manager and monitored by the Operations Committee. A clear complaints procedure is in place for use by residents.</p> <p>The Board agrees an annual financial budget on a timely basis and receives quarterly reports to monitor progress against expectations. The Operations Committee receive monthly operations income and expenditure reports.</p> <p>The Board commissioned an independent maintenance survey of all houses and has adopted a 10 year planned maintenance programme to ensure compliance with accepted standards.</p> <p>The Board has agreed a Facility Agreement with Charity Bank and Big Society Capital to fund the development and provide for residual debt following completion. This was secured following exhaustive modelling to 2060 by the Charity and its advisers, the results of which were made available to the Board.</p>

# **ABBEEFIELD SOUTH DOWNS LIMITED**

## **REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2019**

<p><b>Reputation</b></p> <p>The Charity's reputation may be impacted by inadequate safeguarding of residents, a fall in service standards and deteriorating accommodation.</p>	<p>The Board, under guidance of the Quality and Services Director, has adopted a clear policy and process to safeguard all residents and staff.</p> <p>Members of the Board are actively engaged with The Abbeyfield Society, to which Abbeyfield South Downs is affiliated, and contribute to developments at a national level.</p> <p>The Board has adopted a 10 year planned maintenance programme across the housing stock to ensure compliance with accepted standards</p>
<p><b>People</b></p> <p>The success of the Charity is dependent on its staff and volunteers. The welfare of the staff and residents is of central importance to successful operations.</p> <p>The Board and management team must have an appropriate mix of skills to oversee existing operations and future plans.</p>	<p>The Board support the management team to ensure appropriate policies and procedures are in place to protect the health and safety of staff and residents at all times.</p> <p>The Charity is committed to being both a Living Wage and equal opportunities employer.</p> <p>The Board regularly assesses its own composition and diversity to ensure an adequate mix of skills and experience is present to direct the Charity and provide substantive support to the management team.</p>

### **Value for Money**

Value for Money is about being effective in how we plan, manage and operate the Charity. It requires making the best use of the resources available to us to provide quality homes to improve the quality of life of our residents, together with high quality services and support.

The Regulator for Social Housing (RSH) issued a new Value for Money Standard in April 2017 and a Technical Note in April 2018. These identified 7 metrics which social housing providers are expected to report their performance against in the annual report. The latter document acknowledges that the metrics will not necessarily be appropriate for all providers and any influencing factors should be explained in the commentary.

Metric	2018/19	2017/18
1. Reinvestment %	1.8%	0.9%
2. New supply delivered		
- social housing units	-8.5% <sup>A</sup>	2.8%
- non-social housing units	-75.0% <sup>A</sup>	0.0%
3. Gearing %	N/A <sup>B</sup>	N/A <sup>B</sup>
4. EBITDA MRI interest cover %	N/A <sup>B</sup>	N/A <sup>B</sup>



# ABBNEYFIELD SOUTH DOWNS LIMITED

## REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2019

5. Headline social cost per unit	£14,056	£16,912 <sup>C E</sup>
6. Operating margin %		
- social housing lettings only	6.7%	-3.1% <sup>D E</sup>
- overall	9.9%	2.7% <sup>E</sup>
7. Return on capital employed	0.9%	0.4% <sup>E</sup>

The basis for the metrics is as follows:

1. Reinvestment % – the investment in properties (existing stock and new supply) as a percentage of the value of total properties held.
2. New supply delivered (social housing units) % – the number of new social housing units delivered as a proportion of total social housing units owned.
3. Gearing % – net debt as a percentage of the value of total properties held.
4. EBITDA MRI Interest cover % – the level of surplus generated compared to the interest payable.
5. Headline social housing cost per unit – social housing costs (as defined by the regulator) divided by total units owned and / or managed.
6. 6A. Operating margin (social housing lettings only) % – operating surplus/(deficit) from social housing lettings divided by turnover from social housing lettings.
- 6B. Operating margin (overall) % – overall operating surplus/(deficit) divided by overall turnover.
7. Return on capital employed (ROCE) % – compares the overall operating surplus to total assets less current liabilities.

- A. The fall in supply is due to the demolition of the Holdenhurst properties currently being redeveloped to provide 48 new units from 2021
- B. These metrics do not apply as the Charity had no short or long term borrowings during the years under review.
- C. This metric is distorted by the inclusion of social units at Alfriston (9) which were transferred to the Charity on 31 March 2017. The related social costs during the year were borne by Abbeyfield Alfriston & District Society. Excluding the Alfriston units gives a headline cost per unit of £14,068.
- D. The decline in the operating margin metrics is primarily due to the increased spend on non-capitalised planned maintenance across the estate as a result of the surveys being completed and a 10 year plan implemented.
- E. The overall surplus has been restated for the prior year adjustment arising from the change in depreciation calculation to adopt component accounting (see Notes 1.6 and 1.12)

Scrutiny of VFM is provided by the Board through the receipt of management accounts with KPIs considered appropriate for the management of the Charity and a report from the Management Committee which meets weekly to oversee operations. In particular the Board are aware that the headline social cost per unit metric as reported at 5 above is high for the sector. This is due to the Charity following the Abbeyfield service model which incorporates at its heart the provision of nutritious meals for residents. The cost of preparing and providing food are not factors highlighted by the Regulator for Social Housing in its analysis of additional costs which may influence the calculation of unit cost.

### Governance

The Board of Trustees, who are also the directors for the purpose of company law, and who served during the year are set out on page 1. Each member is recruited for his/her relevant experience and skills to provide substantive support to the management team. The Charity is managed by the directors in accordance with the company's Memorandum and Articles of Association dated 25 July 2016. None of the Board of Trustees has any beneficial interest in the company. All members of the Board of Trustees are members of the company.

Appointments to the Board of Trustees are proposed and ratified by the Board at their regular meetings. Co-option is permitted prior to ratification. They are recruited by invitation and by advertisement. Those with regular access to residents are subject to DBS (Disclosure and Barring Service) checks plus two other references. New trustees are given an induction in accordance with the Charity's Trustee Induction Process which not only covers governance and operational issues but also a briefing on the Abbeyfield ethos. Trustees are given access to the comprehensive Directors' Information folder in the Charity's shared cloud storage. Trustee training is available on request and

# **ABBEYFIELD SOUTH DOWNS LIMITED**

## **REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2019**

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where a subject of mutual interest is identified, for example GDPR, Board training is provided. The Board continues to develop an appropriate method for Appraisal of Board Skills and Diversity.

The Board of Trustees meets quarterly to review performance and ensure that the Charity is being managed in accordance with established policies. The Board approves any changes in operating policy when deemed necessary and is responsible for approving and monitoring all major expenditure.

It is an objective of the Board that staff should feel valued and be appropriately rewarded. To further this objective the Society has adopted the voluntary living wage. Overall pay awards are approved by the Board as part of the annual budget setting process. The salaries of senior staff are considered by an ad-hoc Remuneration Committee which is chaired by the Chairman and includes the trustee responsible for finance. The committee considers:

- The overall performance of the management team and the financial position of the Society
- The bench marking of salaries against similar roles in comparable charities and organisations operating in the sector and the same geographical area
- The salaries paid within the Abbeyfield movement for comparable roles.
- Recommending discretionary bonus awards, although no formal method or basis for performance related pay has been adopted.

The recommendations from the Remuneration Committee are approved by the Board.

The Charity is a member of The Abbeyfield Society (TAS). Benefits to member societies include providing relevant information on national developments in the charitable housing sector and professional services in support of the affiliates. The Charity pays an annual fee to TAS.

The Charity complies with the Governance and Financial Viability Standard (April 2015) issued by the Regulator for Social Housing and principal recommendations of the 2015 National Housing Federation Code of Governance. The Charity also adheres to the principles of the Code of Governance for Smaller Charities.

### **Statement of Board of trustees' responsibilities**

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006,

# **ABBNEYFIELD SOUTH DOWNS LIMITED**

## **REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2019**

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the Housing and Regeneration Act 2008 and the Accounting Direction for registered providers of social housing in England 2015. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure to auditor**

Each of the persons who are trustees at the time when this trustees' report is approved has confirmed that:

- so far as the trustees are aware, there is no relevant audit information of which the company's auditors are unaware, and
- the trustees have taken all reasonable steps that ought to have been taken as trustees in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

### **Auditor**

The Trustees resolved to reappoint Lindeyer Francis Ferguson Limited as auditor of the company for the year ended 31 March 2020.

In preparing this report, the Trustees have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Board of Trustees on [ 27/09/19 ] and signed on their behalf by:



Mr D Byrne  
Chairman of trustees

# ABBNEYFIELD SOUTH DOWNS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABBNEYFIELD SOUTH DOWNS LIMITED

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### Opinion

We have audited the financial statements of Abbeyfield South Downs Limited (the 'company') for the year ended 31 March 2019 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows and 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 Financial Reporting Standard 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 company's affairs as at 31 March 2019, and of its incoming resources and application of resources, including 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 prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 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 company 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 company'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.

### Other information

The board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

# **ABBNEYFIELD SOUTH DOWNS LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABBNEYFIELD SOUTH DOWNS LIMITED**

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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.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the report of the board of trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the board of trustees has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the board of trustees.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the board was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.

### **Responsibilities of the board**

As explained more fully in the board's responsibilities statement set out on page 8, the board members (who are also the directors of the association for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# ABBNEYFIELD SOUTH DOWNS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABBNEYFIELD SOUTH DOWNS LIMITED

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In preparing the financial statements, the board is responsible for assessing the company'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 intends to liquidate the company or to cease operations, or has 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.

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](http://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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 137 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jonathan Healey BA FCA (Senior statutory auditor)  
for and on behalf of

Date: 27 September 2019.

**Lindeyer Francis Ferguson Limited**  
Chartered Accountants  
Statutory Auditors  
North House  
198 High Street  
Tonbridge  
Kent TN9 1BE

# ABBNEYFIELD SOUTH DOWNS LIMITED

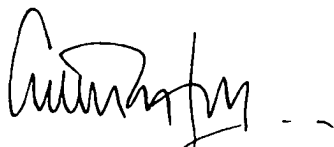
## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

		2019	As restated 2018
	Notes	£	£
Turnover	2	996,435	1,098,315
Operating expenditure	2	( 899,600)	( 1,082,337)
Other operating income	2	1,769	13,697
<b>Operating surplus</b>		<b>98,604</b>	<b>29,675</b>
Gain on disposal of housing property		1,348,412	-
Development property costs expensed		( 41,705)	( 41,748)
Interest receivable		23,638	12,384
Gain on disposal of investments		-	170
Other income		1,774	400
Gift of assets from merging societies		-	67,086
<b>Surplus on ordinary activities for the year and total comprehensive income</b>		<b>1,430,723</b>	<b>67,967</b>

The accounts were approved by the Board of Trustees on 27/09/19



Mr D Byrne  
Chairman



Mr A Davy  
Finance Director

# **ABBNEYFIELD SOUTH DOWNS LIMITED**

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

	<i>Income and expenditure reserve</i>	<i>Endowment reserve</i>	<i>Total</i>
	£	£	£
<b>Balance at 1 April 2017</b>	6,309,585	257,041	6,566,626
Total comprehensive income for the year			
As previously reported	56,768	-	56,768
Prior year adjustment	11,199	-	11,199
As restated	67,967	-	67,967
Transfer from endowment reserve	3,384	(3,384)	-
<b>Balance at 31 March 2018 and 1 April 2018 (as restated)</b>	6,380,936	253,657	6,634,593
Total comprehensive income for the year	1,430,723	-	1,430,723
Transfer from endowment reserves	3,384	(3,384)	-
<b>Balance at 31 March 2019</b>	7,815,043	250,273	8,065,316



# **ABBNEYFIELD SOUTH DOWNS LIMITED**

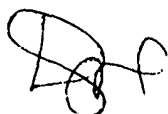
## **BALANCE SHEET**

**AS AT 31 MARCH 2019**

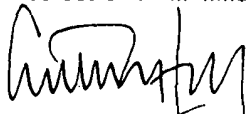
	Notes	£	2019 £	£	As restated 2018 £
<b>Fixed assets</b>					
Tangible fixed assets	7		5,009,310		4,332,869
			<u>5,009,310</u>		<u>4,332,869</u>
<b>Current assets</b>					
Debtors	8	1,221,182		85,261	
Housing property held for sale	9	-		281,284	
Cash at bank and in hand		3,929,011		2,104,120	
		<u>5,150,193</u>		<u>2,470,665</u>	
<b>Creditors: amounts falling due within one year</b>	10	( 194,687)		( 168,941)	
<b>Net current assets</b>			<u>4,955,506</u>		<u>2,301,724</u>
<b>Total assets less current liabilities</b>			<u>9,964,816</u>		<u>6,634,593</u>
<b>Creditors: amounts falling due after one year</b>	12		( 1,899,500)		-
<b>Net assets</b>			<u><u>8,065,316</u></u>		<u><u>6,634,593</u></u>
<b>Reserves</b>					
Income and expenditure reserve			7,815,043		6,380,936
Endowment reserves			250,273		253,657
			<u><u>8,065,316</u></u>		<u><u>6,634,593</u></u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The accounts were approved by the Board of Trustees on 27/09/19



Mr D Byrne  
Chairman



Mr A Davy  
Finance Director

Company registration number: 00736150

# **ABBNEYFIELD SOUTH DOWNS LIMITED**

## **STATEMENT OF CASH FLOWS** **FOR THE YEAR ENDED 31 MARCH 2019**

		2019 £	2018 £
<b>Net cash generated from operating activities</b>	<b>A</b>	930,819	179,846
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		( 759,262)	( 192,500)
Proceeds from sales of investments		-	1,083
Proceeds from sales of housing properties		1,629,696	-
Proceeds from sales of investment properties		-	573,000
Interest received		23,638	12,384
<b>Net cash provided by investing activities</b>		894,072	393,967
<b>Net increase in cash and cash equivalents</b>		1,824,891	573,813
Cash and cash equivalents at the beginning of the year		2,104,120	1,530,307
<b>Cash and cash equivalents at the end of the year</b>		3,929,011	2,104,120
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		3,929,011	2,104,120
<b>A. Reconciliation of net cash generated from operating activities</b>			
		£	£
<b>Cash flow from operating activities</b>			
Surplus for the year		1,430,723	67,967
Adjustments for:			
Interest receivable		( 23,638)	( 12,384)
Gain on disposal of investments		-	( 170)
Depreciation and loss on disposals		82,821	80,415
(Profit) / loss on disposal of housing property		( 1,348,412)	-
Movements in working capital:			
(Increase) / decrease in debtors		( 1,135,921)	1,290
Increase in creditors		1,925,246	42,728
<b>Cash generated from operating activities</b>		930,819	179,846

# **ABBNEYFIELD SOUTH DOWNS LIMITED**

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

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### **1 Accounting policies**

#### **1.1 Legal status**

Abbeyfield South Downs Limited is a private company limited by guarantee incorporated in England and Wales and is a registered housing provider. The registered office is Abbeyfield House, North Road, Alfriston, East Sussex, BN26 5XB.

#### **1.2 Basis of preparation**

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for private registered providers of social housing in England 2015. The Charity is a public benefit entity as defined by FRS 102.

The accounts have been prepared on the historical cost convention, modified to include certain items at fair value. Transfers from other societies are accounted for on an acquisition basis as gifts and recognised in income at the fair value of the assets and liabilities of each society at the date of transfer.

At the time of approving the accounts, the Board of Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the Board of Trustees' continue to adopt the going concern basis of accounting in preparing the accounts.

The financial statements are presented in pounds sterling and rounded to the nearest pound.

The principal accounting policies adopted are set out below.

#### **1.3 Income**

Income is measured at the fair value of the consideration received or receivable net of VAT and trade discounts.

Turnover represents rental income receivable in the year net of losses from voids. Rental income is recognised in the period the rents fall due.

#### **1.4 Expenditure**

All expenditure is accounted for on an accruals basis and has been classified under the headings that classify all costs related to the category. Expenditure is inclusive of VAT.

# ABBEYFIELD SOUTH DOWNS LIMITED

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

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### 1 Accounting policies (continued)

#### 1.5 Charitable funds

Endowment reserves are those reserves which are only expendable in accordance with the wishes of the funder or regulatory body. Revenue and expenditure cannot be directly set against endowment reserves but is taken through the Statement of Comprehensive Income and then a transfer to endowment reserves is made as appropriate.

#### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets, other than freehold land, are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses.

##### Housing Properties

Housing properties are held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Costs include the cost of acquiring land and buildings, development costs, and interest charges incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised.

Depreciation is provided on housing properties, excluding land, so as to write off the net cost less estimated residual value of each asset over its remaining estimated useful life. Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, as follows:

Freehold buildings	-	50 years straight line
Roof	-	40 years straight line
Windows	-	25 years straight line
Kitchens	-	10 years straight line
Lifts	-	15 years straight line

Freehold land and assets in the course of construction are not depreciated.

##### Other fixed assets

Depreciation is provided on other fixed assets, so as to write off the net cost less estimated residual value of each asset over its remaining estimated useful life as follows:

Fixtures, fittings and equipment	-	10 years straight line
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# **ABBNEYFIELD SOUTH DOWNS LIMITED**

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

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

#### **1.7 Impairment of fixed assets**

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. Where indicators are identified an assessment for impairment is undertaken comparing the carrying amount to its recoverable amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in expenditure through the Statement of Comprehensive Income.

#### **1.8 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

#### **1.9 Financial instruments**

The society only has financial instruments which are classified as basic financial instruments.

Short-term debtors and creditors are measured at the settlement value. Any losses from impairment are recognised in income and expenditure.

Loans and borrowings are initially recorded at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

#### **1.10 Retirement benefits**

The Charity operated a defined contribution pension scheme. Contributions are charged in the accounts as they become payable in accordance with the rules of the Scheme.

#### **1.11 Government grants**

Government grants include grants receivable from Homes England (HE), 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, where applicable, its individual components (excluding land) under the accruals model.

# ABBEYFIELD SOUTH DOWNS LIMITED

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

### 1 Accounting policies (continued)

#### 1.12 Prior year adjustment

The accounting policy for the treatment of Abbeyfield's housing properties was reviewed in the year to fully comply the Housing SORP and as a result the cost of land has been revised and, buildings, roofs, kitchens, windows and lifts are now considered as a separable components (see note 1.6). The effect of this change is that fixed assets at 31 March 2018 have been increased by £11,199 with a corresponding increase in revenue reserves. In the Statement of Comprehensive Income, operating expenditure for the year to 31 March 2018 has also been reduced and the surplus increased by the same amount. The 2018 comparative figures in these financial statements have also been restated. Prior year adjustments have been shown in the Statement of Changes in Reserves and also in Note 7, Housing properties.

### 2 Turnover and costs

	2019 £	2018 £
Rent receivable		
Social housing	1,120,142	1,281,672
General housing	31,501	50,065
Void losses		
Social housing	( 155,608)	( 231,907)
General housing	-	( 1,915)
Amortised government grants	400	400
Turnover from housing lettings	996,435	1,098,315
Income from other activities	1,769	13,697
Total	998,204	1,112,012
Operating costs from social housing activities:		
Management expenses	574,880	679,648
Property maintenance and refurbishment costs	81,318	144,425
Depreciation of housing properties and losses on disposal	59,557	58,346
Other costs	183,845	199,918
Total	899,600	1,082,337
Net surplus from housing activities	98,604	29,675

# ABBEYFIELD SOUTH DOWNS LIMITED

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

3	Surplus on ordinary activities	2019 £	2018 £
	This is stated after charging:		
	Depreciation of housing properties and losses on disposal	59,557	58,346
	Depreciation of other tangible assets	23,264	22,069
	Auditors' remuneration for audit	5,700	5,700
	Auditors' remuneration for non-audit services	4,898	7,380

4	Staff costs and key management personnel	2019 £	2018 £
	Wages and salaries	391,200	458,955
	Social security costs	19,085	22,536
	Other pension costs	5,857	5,164
		416,142	486,655

The weekly average number of employees was 31 (2018 - 38).

	2019 Number	2018 Number
Housekeeping	27	34
Administration	4	4
	31	38

### 5 Board and key management personnel remuneration

None of the Board of trustees (or any person connected with them) received any remuneration during the year, but three were reimbursed a total of £427 for travel and stationery expenses (2018: £680).

The total remuneration, including social security and pension costs, for key management personnel amounted to £100,888 (2018: £100,638). No one person received remuneration over £60,000 during the year (2018: one person received £60,394).

The Chief Executive is a member of the company's defined contribution pension scheme. Contributions payable for the year were £2,799 (2018: £2,778).

# **ABBNEYFIELD SOUTH DOWNS LIMITED**

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

### **6 Taxation**

The Society, having exempt charitable status, is not liable to taxation.

### **7 Tangible fixed assets**

	<i>Housing Properties £</i>	<i>Housing Properties under development £</i>	<i>Fixtures, fittings and equipment £</i>	<i>Total £</i>
<b>Cost</b>				
At 1 April 2018	3,574,938	1,034,141	295,884	4,904,963
Additions	56,608	683,635	19,019	759,262
Disposals	( 10,799)	-	-	( 10,799)
At 31 March 2019	3,620,747	1,717,776	314,903	5,653,426
<b>Depreciation</b>				
At 1 April 2018				
As previously reported	482,200	-	101,093	583,293
Prior year adjustment	( 11,199)	-	-	( 11,199)
As restated	471,001	-	101,093	572,094
Charge for the year	56,555	-	23,264	79,819
Elimination on disposal	( 7,797)	-	-	( 7,797)
At 31 March 2019	519,759	-	124,357	644,116
<b>Net book value</b>				
At 31 March 2019	3,100,988	1,717,776	190,546	5,009,310
At 31 March 2018	3,103,937	1,034,141	194,791	4,332,869

Housing properties include 27 Boscobel Road, St Leonards-on-Sea, net book value £468,537 which was subject to a legal charge by the Abbeyfield Society. The legal charge was satisfied on 1 July 2019.

Housing properties under development carried forward include the sites at Gray Court and Holdenhurst, Heathfield, which are being developed into new housing (see note 15). An impairment review was carried out and no change to the carrying value was required.



# **ABBNEYFIELD SOUTH DOWNS LIMITED**

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

### **8 Debtors: amounts falling due within one year**

	2019	2018
	£	£
Rent and service charges receivable	8,501	2,582
Grants receivable	1,200,000	-
Prepayments and accrued income	12,681	15,593
Other debtors	-	67,086
	<u>1,221,182</u>	<u>85,261</u>

### **9 Housing property held for sale**

	2019	2018
	£	£
Transfer from fixed asset housing properties	-	281,284
	<u>-</u>	<u>281,284</u>

### **10 Creditors: amounts falling due within one year**

	2019	2018
	£	£
Government grants (Note 11)	11,868	12,268
Trade creditors	124,121	33,118
Other taxation and social security	6,549	-
Rent and service charges received in advance	6,621	7,955
Accruals and deferred income	35,830	84,074
Other creditors	9,698	31,526
	<u>194,687</u>	<u>168,941</u>

### **11 Deferred grant income**

	2019	2018
	£	£
At 1 April 2018	12,268	12,668
Released to income in the year	( 400)	( 400)
At 31 March 2019	<u>11,868</u>	<u>12,268</u>

# **ABBNEYFIELD SOUTH DOWNS LIMITED**

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

### **12 Creditors: amounts falling due after one year**

	2019	2018
	£	£
Government grants	1,899,500	-

Grants due in more than one year relate to housing properties under development and include a grant of £1.5m Recycled Capital Grant Funds received via the Abbeyfield Society and £399,500 being the first stage of a total grant of £998,750 from Homes England. See Note 15 in relation to the development.

### **13 Financial instruments**

	2019	2018
	£	£
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	8,501	69,668
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	176,270	156,673

### **14 Housing stock**

	2019	2018
	£	£
The number of units in management at the end of the year were:		
General housing - social rent	2	8
Supported housing	64	71
	66	79

### **15 Capital commitments and post balance sheet events**

At 31 March 2019 the charity had capital commitments as follows:

	2019	2018
	£	£
Contracted for but not provided for in the financial statements	-	69,914

On 26 July 2019, the ASD Board approved and signed a Facility Agreement for £7.6M with Charity Bank and Big Society Capital. Also on 26 July 2019, the ASD Board approved and signed a JCT Design and Build Contract with Castleoak Care Partnerships Limited for £11,764,547.

All planning conditions precedent were discharged, demolition of Holdenhurst and Grey Court was completed and construction of the new extra care facility started on site in August 2019.

# **ABBNEYFIELD SOUTH DOWNS LIMITED**

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

### **16 Financial commitments**

Social Housing Grant was received in prior years totalling £40,129 in connection with work on improving one of the houses. This would be repayable if the relevant property was sold.

### **17 Retirement benefit schemes**

The charity operates a defined benefit contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Charity in an independently administered fund. Contributions payable for the year were £14,122 (2018: £10,708).

### **18 Endowment reserves**

#### *Current year*

	Balance at 1 April 2018 £	Income £	Expenditure £	Transfers £	Balance at 31 March 2019 £
<b>Permanent endowment</b>					
Angus Lodge endowment fund	253,657	-	-	( 3,384)	250,273
	<u>253,657</u>	<u>-</u>	<u>-</u>	<u>( 3,384)</u>	<u>250,273</u>

#### *Prior year*

	Balance at 1 April 2017 £	Income £	Expenditure £	Transfers £	Balance at 31 March 2018 £
<b>Permanent endowment</b>					
Angus Lodge endowment	257,041	-	-	( 3,384)	253,657
	<u>257,041</u>	<u>-</u>	<u>-</u>	<u>( 3,384)</u>	<u>253,657</u>

The permanent endowment fund represents the funds of Angus Lodge Trust, a linked charity of the Abbeyfield South Downs Limited, that were applied in purchasing 28.2% of the freehold land and buildings at 3, 5 and 7 Cadogan Gardens Tunbridge Wells (Abbeyfield House). A transfer is made to income and expenditure reserve, in respect of depreciation on the property.