

ABBNEYFIELD SOUTH DOWNS LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MARCH 2018**

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ABBNEYFIELD SOUTH DOWNS LIMITED

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ABBNEYFIELD SOUTH DOWNS LIMITED

THE BOARD, EXECUTIVE OFFICERS , ADVISERS

The Board as at the date of approval of this Annual Report	Mr D Byrne FCII (Chairman) Mrs L Phair MA, BSc (Hons) Nursing RMN RGN DPNS (Deputy Chairman) Mr M Paris MBE MCI0B Mr D Carver FCIS
Note: all Board members are also trustees of the charity	Miss J Sorenson BA (Hons) PGDipM Chartered Marketer Mr W Rendall ACII MA Oxon Mr A T Davy BA(Hons) ACA (appointed 1 December 2017) Mr J Timbs (appointed 9 July 2018)
The following were also Board members during part of the year covered by this Annual Report	Mr C Allanson (until 1 December 2017) Mr I Thomas BSc (Hons) CEng MRICS MStructE MCI0B (until 9 July 2018) Mr R Woolley FCA (until 27 April 2017)
Executive Officers as at the date of approval of this Annual Report	Mr Nolan Taylor (Chief Executive Officer) Mr I Thomas (Development Director from 9 July 2018) Ms Nikki Moss (Operations Manager)
Company secretary	Mr D Carver
Registered office and principal address	Holdenhurst Mill Road Heathfield East Sussex TN21 0XD
Independent auditors	Lindeyer Francis Ferguson Limited Chartered Accountants Statutory Auditors North House 198 High Street Tonbridge Kent TN9 1BE
Bankers	Barclays Bank plc 63/67 Terminus Road Eastbourne East Sussex BN21 3NE
Legal status	
Registered company limited by guarantee	No. 00736150
Registered with the Regulator for Social Housing	No. H0375
Registered with the Charity Commission	No. 216779

ABBNEYFIELD SOUTH DOWNS LIMITED

REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2018

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 2018.

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 2018 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 2018
Eastbourne	2	16	1	
Brighton & Hove	3	25	1	2 houses in Aymer Road have been joined to create two additional social housing unit and 1 non-social housing unit. Following a review of viability, Bringeman House has been closed and is for sale removing 8 social and 1 non-social unit from the estate
Heathfield	1	0	6	Subsequently closed to start development of a 48 unit residence (17 social housing units)
Hastings	1	7	-	
Tunbridge Wells	1	14	-	
Alfriston	1	9	-	

In achieving our objectives, the Charity aims to create a surplus of income over expenditure which is sufficient to maintain 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 period of consolidation and preparation. As reported last year the Charity made great strides in realising the vision of developing 'assisted living with care' (or 'extra care') facilities so that we can provide for the growing needs of older people in our area. 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 been working hard towards

ABBNEYFIELD SOUTH DOWNS LIMITED

REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2018

discharging those conditions and vacating the property so that preconstruction work will soon be able to start on site.

Other activity completed which is associated with the redevelopment includes:

- Transfer of the remaining residents of Holdenhurst to the Alfriston house as a suitable alternative
- Managing the move of offices to Alfriston, closure of the day centre and vacating the bungalows
- Submission of grant submissions to Homes England and The Abbeyfield Society, both of which were successful with funds being received in May 2018
- Appointment of BDO LLP as Corporate Finance advisers in raising the development funding.

In July 2018, Ian Thomas, who as trustee led the development project on behalf of the Board, agreed to become an employee of the Charity acting as Development Director. Consequently Ian stepped down as a trustee. The Board are delighted to have secured Ian's experience and knowledge of both development and the social housing sector to lead this exciting project.

Aside from the Holdenhurst project, other notable activity and achievements during the year included:

- Completion of the investment to join our two Aymer Road houses together, upgrade facilities and increase the number of units and thus potential revenue
- Completion in April 2017 of independent maintenance surveys of the Charity's estate so that a 10 year maintenance plan can be devised to ensure that facilities are kept to a high standard for residents and the Board can identify the financial requirements
- Successful integration of the houses in Tunbridge Wells and Alfriston into the Abbeyfield South Downs operations following the transfers from those local societies

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.

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

We are focussed on the Holdenhurst development and accept that extra care developments are the future to meet 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.

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.

ABBNEYFIELD SOUTH DOWNS LIMITED

REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2018

Financial review

The financial result reflects both a year of consolidation following the mergers with the Tunbridge Wells and Alfriston societies and preparation for the development of the Holdenhurst site. Both factors influenced occupancy levels which have now recovered to 94% due in no small part to the tremendous efforts of our staff team. The financial performance was also influenced by the Board's decision to implement the 10 year maintenance plan for the houses which resulted in planned maintenance costs increasing 49.5% or £47,796. Despite these disruptions it is pleasing to report an overall increase in reserves and cash as the Charity prepares to embark on the Holdenhurst development.

Financial highlights include:

- An operating surplus after depreciation of £18,476 or 1.7% (£97,381 surplus in 2017 after restatement for removal of non-operational costs) on turnover of £1,098,315 (£940,097 in 2017)
- A further gift of £67,086 was made by Abbeyfield Alfriston. This was paid in July 2018 on dissolution of that Charity
- Net cash generated from operations of £179,846 (£166,637 in 2017)
- A former general needs rental property in Cadogan Gardens, Tunbridge Wells was sold for £573,000
- Cash at bank increased to £2.10M (£1.53M in 2017)
- An increased level of reserves, amounting to £6.62M up from £6.56M last year

As a consequence of the projected expenditure identified by the independent maintenance survey and a review of operations, the Board decided to close Bringeman House in Hove. One of the 2 residents transferred to Aymer House and the other moved to more suitable accommodation. The tenant of the non-social housing unit moved to a newly refurbished flat at Abbeyfield House, Aymer Road. Bringeman House closed on 30 June 2018 and is being marketed for sale as a residential property. The net asset value of the house (£281,284) has been transferred from Fixed Assets to Current Assets as per note 9 to the accounts.

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 £275,000). 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 £6.62M, including endowment funds of £0.25M and other unrestricted funds held as fixed assets of £4.07M, leaving free unrestricted reserves of £2.30M.

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.

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

ABBNEYFIELD SOUTH DOWNS LIMITED

REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2018

Risk	Mitigation
<p>Strategic 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>The Board remains alert to external changes and monitors closely internal feedback from residents to ensure the Charity's strategy is appropriate to future demands. The main focus of this strategy is to move to an 'extra care' model and larger more efficient sheltered housing units.</p>
<p>Financial viability 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>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 Corporate Finance advisers and preferred 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>Reputation 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>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 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>People 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 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</p>

ABBNEYFIELD SOUTH DOWNS LIMITED

REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2018

The Board and management team must have an appropriate mix of skills to oversee existing operations and future plans.	and equal opportunities employer. 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.
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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	2017/18	2016/17
1. Reinvestment %	0.8%	0%
2. New supply delivered		
- social housing units	2.8%	11.8% ^A
- non-social housing units	0.0%	0.0%
3. Gearing %	N/A ^B	N/A ^B
4. EBITDA MRI interest cover %	N/A ^B	N/A ^B
5. Headline social cost per unit	£15,402 ^C	£10,616 ^D
6. Operating margin %		
- social housing lettings only	-4.2% ^E	3.6%
- overall	1.7% ^E	10.2%
7. Return on capital employed	0.3%	1.5%

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 increase in provision in 2016/17 arises from the gift from Abbeyfield Alfriston and District Society rather than investment.
- 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 closure of Holdenhurst in February 2018. The costs are included in the numerator but the number of units (7) is excluded from the denominator (number of social units at 31 March 2018).
- D. 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 £12,042.
- E. 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.

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REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2018

Scrutiny of VFM is provided by the Operations Committee, which considers service and financial performance in detail on a house by house basis, and quarterly by the Board through the receipt of management accounts with KPIs considered appropriate for the management of the Charity. 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 of the Board of Trustees are members of the company

Members of the Board of Trustees are appointed by an ordinary resolution of the members or by a decision of the trustees for a term of 3 years. 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 where a subject of mutual interest is identified, for example GDPR, Board training is provided. The Board is in the process of identifying and implementing an appropriate method for Board Skills and Diversity appraisal.

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. 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 benchmarking 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.

The recommendations from the remuneration committee are approved by the Board of Trustees.

The Charity is a member of The Abbeyfield Society (TAS). TAS affiliation benefits to member societies. These include providing relevant information on national developments in the charitable housing sector and professional services in support of the affiliated member societies. 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.

ABBNEYFIELD SOUTH DOWNS LIMITED

REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2018

Statement of board of trustees' responsibilities

The trustees (who are also directors of the 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, 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 2019.

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 10/09/2018 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

Opinion

We have audited the financial statements of Abbeyfield South Downs Limited (the 'company') for the year ended 31 March 2018 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 2018, 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.

ABBNEYFIELD SOUTH DOWNS LIMITED

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

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.

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.

ABBEYFIELD SOUTH DOWNS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABBEYFIELD SOUTH DOWNS LIMITED

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.

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.

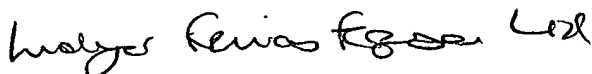
Auditor's responsibilities for the audit of the financial statements

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. 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: 13 September 2018

Lindsey 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 2018

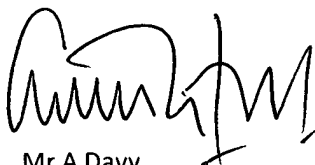
	Notes	2018 £	2017 £
Turnover	2	1,098,315	940,097
Operating expenditure	2	(1,093,536)	(858,132)
Other operating income	2	13,697	15,416
Operating surplus		18,476	97,381
Development property costs expensed		(41,748)	(30,403)
Interest receivable		12,384	778
Gain on disposal of investments		170	-
Other income		400	534
Movement in fair value of investment properties		-	73,000
Gift of assets from merging societies	18	67,086	2,885,021
Surplus on ordinary activities for the year and total comprehensive income	3	56,768	3,026,311

The accounts were approved by the Board of Trustees on

10/09/2018



Mr D Byrne
Chairman



Mr A Davy
Finance Director

ABBNEYFIELD SOUTH DOWNS LIMITED

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2018

	<i>Income and expenditure reserve</i>	<i>Endowment reserve</i>	<i>Total</i>
	£	£	£
Balance at 1 April 2016	2,945,295	595,020	3,540,315
Total comprehensive income for the year	3,026,311	-	3,026,311
Transfer from endowment reserve	337,979	(337,979)	-
Balance at 31 March 2017 and 1 April 2017	6,309,585	257,041	6,566,626
Total comprehensive income for the year	56,768	-	56,768
Transfer from endowment reserves	3,384	(3,384)	-
Balance at 31 March 2018	6,369,737	253,657	6,623,394

ABBNEYFIELD SOUTH DOWNS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2018

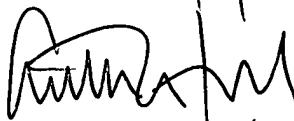
	Notes	£	2018 £	£	2017 £
Fixed assets					
Tangible fixed assets	7		4,321,670		4,502,068
Other investments			-		913
			<u>4,321,670</u>		<u>4,502,981</u>
Current assets					
Debtors	8	85,261		86,551	
Housing property held for sale	9	281,284		-	
Investment property held for sale		-		573,000	
Cash at bank and in hand		2,104,120		1,530,307	
		<u>2,470,665</u>		<u>2,189,858</u>	
Creditors: amounts falling due within one year	10	(168,941)		(126,213)	
Net current assets			<u>2,301,724</u>		<u>2,063,645</u>
Net assets			<u><u>6,623,394</u></u>		<u><u>6,566,626</u></u>
Reserves					
Income and expenditure reserve			6,369,737		6,309,585
Endowment reserves			253,657		257,041
			<u><u>6,623,394</u></u>		<u><u>6,566,626</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 10/9/2018



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 2018**

		2018 £	2017 £
Net cash generated from operating activities	A	179,846	166,637
Cash flow from investing activities			
Purchase of tangible fixed assets		(192,500)	(634,020)
Cash received from merging societies		-	607,678
Proceeds from sales of investments		1,083	-
Proceeds from sales of investment properties		573,000	1,400,000
Interest received		12,384	778
Net cash provided by investing activities		393,967	1,374,436
Cash flow from financing activities			
Repayment of bank loan		-	(189,905)
Net cash used in financing activities		-	(189,905)
Net increase in cash and cash equivalents		573,813	1,351,168
Cash and cash equivalents at the beginning of the year		1,530,307	179,139
Cash and cash equivalents at the end of the year		2,104,120	1,530,307
Cash and cash equivalents consists of:			
Cash at bank and in hand		2,104,120	1,530,307
A. Reconciliation of net cash generated from operating activities			
		£	£
Cash flow from operating activities			
Surplus for the year		56,768	3,026,311
Adjustments for:			
Interest receivable		(12,384)	(778)
Fair value gains and losses on investment properties		-	(73,000)
Gain on disposal of investments		(170)	-
Gift of assets from merging societies		-	(2,812,171)
Depreciation and loss on disposal of tangible fixed assets		91,614	76,359
Movements in working capital:			
Decrease/(increase) in debtors		1,290	(60,871)
Increase in creditors		42,728	10,787
Cash generated from operating activities		179,846	166,637

ABBNEYFIELD SOUTH DOWNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 Holdenhurst, Mill Road, Heathfield, East Sussex, TN21 0XD.

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.

ABBNEYFIELD SOUTH DOWNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 and other fixed assets received as part of a transfer of undertakings are initially recorded at fair value.

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 as improvements.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	-	2% per annum on cost
Fixtures, fittings and equipment	-	10% per annum on cost

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

The gain or loss on disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

ABBNEYFIELD SOUTH DOWNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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

1.8 Investment properties

Investment properties consist of properties not held for the social benefit or for the use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

1.9 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.

1.10 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.

1.11 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.

1.12 Government grants

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

ABBNEYFIELD SOUTH DOWNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 MARCH 2018**

2 Turnover and costs

	2018 £	2017 £
Rent receivable		
Social housing	1,281,672	981,883
General housing	50,065	50,862
Void losses		
Social housing	(231,907)	(91,748)
General housing	(1,915)	(1,300)
Amortised government grants	400	400
Turnover from housing lettings	1,098,315	940,097
Income from other activities	13,697	15,416
Total	1,112,012	955,513
Operating costs from social housing activities:		
Management expenses	679,648	534,179
Property maintenance and refurbishment costs	144,425	96,629
Depreciation of housing properties	69,545	51,350
Other costs	199,918	175,974
Total	1,093,536	858,132
Net surplus from housing activities	18,476	97,381

3 Surplus on ordinary activities

	2018 £	2017 £
This is stated after charging/(crediting):		
Depreciation of housing properties	69,545	51,350
Depreciation of other tangible assets	22,069	15,659
Auditors' remuneration for audit	5,700	5,700
Auditors' remuneration for non-audit services	7,380	4,440
Movement in fair value of investment properties	-	(73,000)

ABBNEYFIELD SOUTH DOWNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

4 Staff costs and key management personnel

	2018	2017
	£	£
Wages and salaries	458,955	374,671
Social security costs	22,536	18,568
Other pension costs	5,164	3,845
	<u>486,655</u>	<u>397,084</u>

The weekly average number of employees was 47 (2017 - 34).

	2018	2017
	Number	Number
Housekeeping	43	30
Administration	4	4
	<u>47</u>	<u>34</u>

One employee was remunerated above £60,000.

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 £680 for travel and stationery expenses (2017: £670).

The total remuneration, including social security and pension costs, for key management personnel amounted to £100,638 (2017: £96,714). The highest paid employee received remuneration, excluding pension contributions of £60,394.

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

6 Taxation

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

ABBNEYFIELD SOUTH DOWNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

7 Tangible fixed assets

	<i>Housing Properties £</i>	<i>Housing Properties under development £</i>	<i>Fixtures, fittings and equipment £</i>	<i>Total £</i>
Cost				
At 1 April 2017	4,358,424	651,384	249,237	5,259,045
Additions	27,020	144,559	20,921	192,500
Transfers:				
To current assets (Note 9)	(348,406)	-	-	(348,406)
From property under development	133,855	(159,581)	25,726	-
To property under development	(595,955)	397,779	-	(198,176)
At 31 March 2018	3,574,938	1,034,141	295,884	4,904,963
Depreciation				
At 1 April 2017	677,953	-	79,024	756,977
Charge for the year	69,545	-	22,069	91,614
To current assets (Note 9)	(67,122)	-	-	(67,122)
Transfer to property under development	(198,176)	-	-	(198,176)
At 31 March 2018	482,200	-	101,093	583,293
Net book value				
At 31 March 2018	3,092,738	1,034,141	194,791	4,321,670
At 31 March 2017	3,680,471	651,384	170,213	4,502,068

Housing properties include 27 Boscobel Road, St Leonards-on-Sea, net book value £473,280, which is subject to a legal charge by the Abbeyfield Society.

The transfer to current assets is in respect of Bringeman House, which was designated for closure and sale at the year end. An impairment review was carried and no change to the carrying value was required.

Housing properties under development carried forward include the sites at Gray Court and Holdenhurst, Heathfield, which are to be developed into new housing. The housing property at Holdenhurst was closed in the year and transferred to properties under development. An impairment review was carried out and no change to the carrying value was required. Works to existing properties were completed in the year and transferred to the relevant asset category.

ABBNEYFIELD SOUTH DOWNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 MARCH 2018**

8 Debtors: amounts falling due within one year

	2018	2017
	£	£
Rent and service charges receivable	2,582	5,218
Prepayments	15,593	23,044
Other debtors	67,086	58,289
	<u>85,261</u>	<u>86,551</u>

9 Housing property held for sale

	2018	2017
	£	£
Transfer from fixed asset housing properties (Note 7)	<u>281,284</u>	<u>-</u>

10 Creditors: amounts falling due within one year

	2018	2017
	£	£
Government grants (Note 11)	12,268	12,668
Trade creditors	33,118	61,866
Rent and service charges received in advance	7,955	3,764
Accruals and deferred income	84,074	16,389
Other creditors	31,526	31,526
	<u>168,941</u>	<u>126,213</u>

11 Deferred grant income

	2018	2017
	£	£
At 1 April 2017	12,668	20,000
Transfer to fixed asset depreciation	-	(6,932)
Released to income in the year	(400)	(400)
	<u>12,268</u>	<u>12,668</u>

ABBNEYFIELD SOUTH DOWNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

12 Financial instruments

	2018	2017
	£	£
Carrying amount of financial assets		
Investments measured at fair value through surplus	-	573,913
Debt instruments measured at amortised cost	69,668	63,507
	<u>69,668</u>	<u>63,507</u>
Carrying amount of financial liabilities		
Measured at amortised cost	156,673	113,545
	<u>156,673</u>	<u>113,545</u>

13 Housing stock

	2018	2017
	£	£
The number of units in management at the end of the year were:		
General housing - social rent	8	8
Supported housing	71	76
	<u>79</u>	<u>84</u>

14 Capital commitments and post balance sheet events

At 31 March 2018 the charity had capital commitments as follows:

	2018	2017
	£	£
Contracted for but not provided for in the financial statements	69,914	
Authorised but not contracted for	-	60,938
	<u>69,914</u>	<u>60,938</u>

After the year end date, the trustees agreed to proceed with the proposed re-development of the site at Grays Court and Holdenhurst in Heathfield. The re-development will be for 48 units of which 23 will be for sale. The project is expected to cost around £13 million and take approximately 18 months to complete. The project will be funded by grants of £1.4m, development loans of £8m and from reserves.

15 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.

16 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 £10,708 (2017: £3,845).

ABBNEYFIELD SOUTH DOWNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

17 Endowment reserves

Current year

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

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.

Prior year

	Balance at 1 April 2016 £	Income £	Expenditure £	Transfers £	Balance at 31 March 2017 £
Expendable endowments					
Eastbourne Society capital	595,020	-	-	(595,020)	-
Permanent endowment					
Angus Lodge endowment	-	-	-	257,041	257,041
	595,020	-	-	(337,979)	257,041

The Eastbourne Society capital fund has in previous years been shown as an endowment reserve. However, the trustees have reviewed the origins of the fund and concluded that it should be classified as a designated reserve as it was created to designate funds held in housing properties rather than funds held by way of an endowment. It has therefore been transferred to the income and expenditure reserve. Designated reserves are not separately disclosed.

The Angus Lodge endowment fund was created as a result of the merger during the year with the Abbeyfield Tunbridge Wells Society Limited. The permanent endowment fund represents the funds of Angus Lodge Trust, a linked charity of the Abbeyfield Tunbridge Wells Society 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. Transfers noted above include £258,733 transferred on merger less depreciation of £1,692.

ABBNEYFIELD SOUTH DOWNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

18 Gifts of assets from merging societies.

Current year

	Abbeyfield Alfriston Society	Total
Gift receivable	67,086	67,086

An additional gift from the Alfriston Society was confirmed in the year on final closure of the society. The cash sum was received after the year end and is include in Debtors in Note 8 above.

Prior year

	Abbeyfield Tunbridge Wells Society	Abbeyfield Alfriston Society	Total
Freehold properties	1,000,000	600,000	1,600,000
Other fixed assets	103,580	-	103,580
Investments	913	-	913
Investment properties	500,000	-	500,000
Cash	607,678	-	607,678
Other net assets	14,561	58,289	72,850
	2,226,732	658,289	2,885,021

The assets of the Abbeyfield Tunbridge Wells Society were gifted on 30 September 2016 following the merger of the society with Abbeyfield South Downs.

The Abbeyfield Alfriston Society transferred its operations to Abbeyfield South Downs on 31 March 2017. Under the terms of the agreement the freehold property and a cash sum were gifted to Abbeyfield South Downs. The cash sum was not received until after the year end and the amount is included in other debtors in Note 8 above.

The gifts were included at fair value.