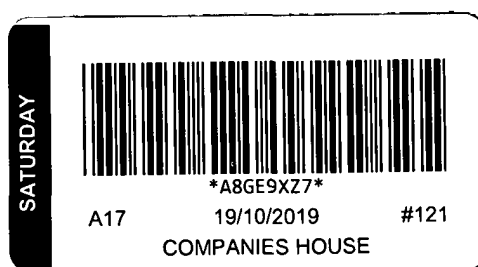




# Annual Report and Accounts 2019



# **The Abbeyfield Society**

## Annual Report and Accounts

### 31 March 2019

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# The Board, Executive Officers, Advisers and Patrons

## **Board at 31 March 2019**

Ian Plaistowe  
*Chairman*

Jenny Lawrence  
*Deputy Chair*

André Decraene

Amanda Houlihan

Jeff Medlock

Chris Smith

The Rt. Rev Dr Stephen Venner

Sara Beamand

Norman Greville

Andrew Larpent OBE

Brian Williams

Ken Staveley MBE

Cedric Meiring

Note: All Board members are also trustees of the charity.

## **Executive Committee at 31 March 2019**

**Chief Executive Officer**  
David McCullough

**Director of Finance**  
Nigel Hopkins

**Director of Retirement Living**  
Douglas Webb

**Director of Development**  
Richard Virr

**Director of Marketing**  
Anna Boyes

**Director of Fundraising**  
Alastair Mulvie

**Director of Legal & Compliance and Company Secretary**  
Jonathan Sweet

**Director of North Region**  
Julie Robinson

**Director of West Region**  
Heather Mohammed (from 01.06.2018)

**Director of East Region**  
Kirstan Sparshott (from 03.09.2018)

The following were also Executive Committee members during part of the year covered by this Annual Report:

**Director of East Region**  
Anna Humphries (until 30.06.2018)

**Director of West Region**  
Paul Boulton (until 31.05.2018)

**Director of Membership**  
Michael Valenzia (until 23.07.2018)

## **External Auditors**

BDO LLP  
2 City Place  
Beehive Ring Road  
Gatwick  
West Sussex  
RH6 0PA

## **Internal Auditors**

Mazars  
Tower Bridge House St.  
St Katherine's Way  
London  
E1W 1DD

## **Bankers**

Barclays Bank Plc  
1 Churchill Place  
London  
E14 5HP

## **Solicitors**

Bates Wells & Braithwaite  
London LLP  
2-6 Cannon Street  
London  
EC4M 6YH

# The Board, Executive Officers, Advisers & Patrons (cont.)

## **Board Committees at 31 March 2019**

### **Nominations Committee**

Ian Plaistowe (Chairman)  
Chris Smith  
Stephen Venner

### **Audit & Risk Committee**

Chris Smith (Chairman)  
Jenny Lawrence  
André Decraene

### **Remuneration Committee**

Amanda Houlihan (Chairman)  
Ian Plaistowe  
Stephen Venner

### **Finance and Operations Committee**

Jeff Medlock (Chairman)  
Stephen Venner  
Norman Greville  
Ian Plaistowe

### **Members Committee**

Jenny Lawrence (Chairman)  
Ian Plaistowe  
Eifion Bowen  
Robert Stout  
Pam Fensome  
Cheryl Dean  
André Decraene  
Amanda Houlihan  
Suzanne Geoghegan  
Alan Innes  
Adrian Swenson (until 28.03.2019)

### **Quality Committee**

Amanda Houlihan (Chairman)  
Andrew Larpent  
Sara Beamand

### **Property Committee**

Norman Greville (Chairman)  
Jeff Medlock  
Chris Smith

## **Registered Office**

St Peter's House  
2 Bricket Road  
St Albans  
Hertfordshire  
AL1 3JW

Telephone:  
01727 857536  
Fax: 01727 846168  
Email: [post@abbeyfield.com](mailto:post@abbeyfield.com)

## **Legal Status**

Registered company limited by  
guarantee with the Registrar of  
Companies, No 574816.

Registered with the Regulator of  
Social Housing, No H1046.

Registered with the Charity  
Commission, No. 200719.

Registered with the Care Quality  
Commission, No.1-102642859.

## **Royal Patron**

**His Royal Highness The Prince  
of Wales, KG KT GCB OM**

## **Patrons**

The Rt. Hon Baroness Bottomley of  
Nettlestone

Michael Brooks

Dame Judi Dench, DBE

The Lord Elis-Thomas

Aled Jones

Ron Kenyon, OBE

The Rt. Hon Lord Howard of Lympne,  
QC

Dame Vera Lynn, DBE LLD M.Mus

The Duchess of Northumberland

The Rt. Hon Lord John Prescott of  
Kingston upon Hull

John Robinson, CBE

Patricia Routledge, OBE

Martin Shreeve, OBE MBA DSW BSc  
(Econ)

Professor Alan Walker, DLitt FRSA

The Rt. Rev & Rt. Hon Baron Williams  
of Oystermouth

Dame Gillian Wagner, DBE PhD

The Carr-Gomm family (David Carr-  
Gomm, Adam Carr-Gomm, Harriet  
Carr-Gomm, Elizabeth Parker and  
Anna Newton)

Michael Staff, MBE

## **President**

Vacant

## **Vice-President**

John Robinson, CBE

# Chairman's Statement

2018-19 has been a year full of interest and challenge for Abbeyfield. Interesting because we have spent much of the year developing a strategy not just for The Abbeyfield Society but for the whole Abbeyfield family. We set up a group to undertake research and prepare proposals comprising individuals drawn from member societies, TAS trustees and staff. They reviewed the market and considered future trends in housing and care for the elderly and have held many discussions with our members. As a result, the TAS Board has accepted their view that it is right to return to an Abbeyfield that has a much greater focus on Membership and we look forward to discussing the opportunities with our Members at our conference in October.

In the meantime, we have continued to experience some of the issues we have faced in the past with voids and impairment. Last year the Board took decisive action, under accounting regulations, to provide for impairment to our housing stock and to start to reduce our cost base. As a result, we have reduced our deficit considerably, from £6.4m last year to £0.7m this year and our underlying operating performance approaches break even. There remains more work to be undertaken on our finances but we are on track to deliver a much improved performance, and improve the quality of our homes for the benefit of current and future residents.

Our cash position remains strong. Not only do we hold cash and investments totaling £11.5m but we have also renewed our borrowing facility of £22.5m with Barclays Bank for a further five years so that we have adequate financing for our new developments. We also made a loan of £5m to Abbeyfield Southern Oaks, recycled £1.5m of Homes England grant from TAS to Member Societies and, since the year end, have sold Fern House in Bingley to the newly merged Societies in Bradford and Ilkley and supported the formation of a new Member Society, Abbeyfield The Dales.

The Regulator of Social Housing undertook an In Depth Assessment towards the end of the financial year and this, understandably, took up a considerable amount of

management time. At the time of writing, we await the formal judgement but I am pleased that the Board, David McCullough and his Executive team were able to give the regulator evidence of the enhancements in process and governance that have taken place. This was the Society's first assessment, and these assessments will now be done on a two-year cycle.

In regulated care, Douglas Webb and his team have focused a great deal of attention on the standard of care with which our residents are provided. I am pleased that our CQC inspections report 87% of Key Lines of Enquiry at Good or Outstanding.

After the successful International Conference last year, it is good to report that, not only is Abbeyfield progressing well in Australia, Belgium, Canada, South Africa and New Zealand but also Malawi and Poland are starting the journey towards full accreditation as Abbeyfield societies. I think this demonstrates that Richard Carr-Gomm's values and beliefs not only remain relevant in 2019 but that they resonate across the world where older people experience the kind of loneliness that Abbeyfield was created to resolve.

Finally, may I offer the thanks of the Board and myself to all our volunteers, staff, Members and supporters who enable us to deliver the outstanding support and care for which Abbeyfield is rightly known. Our volunteers make a real difference to our residents and the quality of our homes.

When David McCullough joined us nearly two years ago, we asked him to focus on strategy and improving our relations with our members. I am excited by the progress we have since made and am very much looking forward to the future in which Abbeyfield will stand out even more clearly as looking after elderly people in its distinctive manner and I am confident that we will see further progress and success in the year ahead.

# Report of the Board (incorporating the Strategic Report)

The Board presents its report, which incorporates the Strategic Report requirements, as set out in company law and the audited financial statements for the year ended 31 March 2019.

The Society's principal activities are:

- The provision and development of accommodation, care and support services for older people.
- The promotion and support of the activities of Member Societies, including the provision of technical, operational and administrative advice.

## The year in review

Our mission as a charity is to enhance the lives of older people and to maintain and recognise our principles of care, service, compassion and relief of loneliness. Throughout the UK and across the world our drive to offer companionship, peace of mind and independence for older people in a homely environment runs through every Abbeyfield home.

As noted in the Chairman's statement, Abbeyfield has made considerable progress in a number of areas despite the challenges which are evident in the sectors in which we operate.

The annual accounts include the results for the Society, Abbeyfield Property Limited ("APL") and our research company, Abbeyfield Research Foundation ("ARF") (together, the "group").

The result for the year is a £0.7m deficit (2018: £6.4m deficit).

Turnover for the year reduced by £0.6m from £55.4m in 2017/18 to £54.8m in the current year. In 2017/18 turnover included the surplus on merged societies of £3.8m (2018/19 £nil).

Operating costs increased marginally, with higher vacancy costs, and the full cost impact of new homes which opened in 2017/18, offset by lower repairs expenditure.

As a result of the impact on turnover on the merged societies, the Operating surplus before impairment of £1.2m became a deficit of £2.1m.

The main reason for the deficit in 2018 was an additional impairment provision charge of £7.7m. In 2019 £0.9m of this provision has been reversed with some of the impaired properties being sold and other changes to the provision being made where the economic circumstances of the homes have changed. As in 2018, a complete review of the financial viability and market standard of all of our homes against the relevant accounting standards has been carried out.

We have £151.9m of housing assets and are committed, through our strategy, for the family to develop 750 new units. Work has commenced on £18m worth of new units. This will add 163 new units in Southampton and Plymouth. Southampton's 80 units are scheduled to open in July 2019. In the Society's pipeline there are an additional 53 units and 170 in Member Societies. Five homes (81 units) have been closed in the year.

In 2018, in order to support our continued strive for excellence across operations, the Society created Retirement Living to manage all of its housing and care services. Retirement Living is committed to the provision of safe, high quality and affordable letting units for our many elderly and/or vulnerable service users, and has created a new regional structure which has helped increase focus on residents while improving consistency across our operations.

# Report of the Board (incorporating the Strategic Report) continued

In common with other operators in the sector, clients in our homes and housing schemes arrive later in life, with greater care needs and stay for a shorter time. As a consequence, we experienced lower occupancy in the year, but we have plans in place to improve performance in a changing and competitive environment.

We continue to invest in our properties and spent £2.6m in the year on repairs and capital improvements, and continue to improve our investment analysis.

In 2018, we renewed our 5 year revolving credit facilities with Barclays for £22.5m, which will enable us to fund our development strategy.

The Society continues to work with our Member Societies, and through our Membership Consultants we offer them advice and support, including financial support such as completing the financing of £5m for the new development by Abbeyfield Southern Oaks. The loan to Abbeyfield Worcester of £2.24m was repaid in the year, following completion of the development.

We continue to support our international Member Societies, and are in regular dialogue with them. This included holding an international Chairs Committee (ICC) meeting in South Africa, in March 2018, which looked at how we can best support and develop our international members. The next International Chairs Committee / International Working Group (ICC/IWG) will be held in the UK at the 'Our future together' conference in October 2019.

The Board confirms that the Society complies with the Regulator of Social Housing's Governance and Financial Viability Standard, with the exception of a technical breach relating to rent setting which has been notified to the Regulator, and corrective action has already been put in place.

We continue to fund research into issues affecting older people, through The Abbeyfield Research Foundation ("ARF").

## **Overview of performance and financial position**

The Board is pleased to note that the strategy we outlined last year of creating Retirement Living, has been a success both in terms of qualitative and financial results with the continuing businesses having increased their profitability year-on-year by over £0.7m.

Some tough trading conditions and the decision to close poorly performing properties meant that we fell short of our operating surplus budget overall.

As in 2018, a detailed impairment review of all properties was carried out this year, in accordance with FRS 102 and the Housing SORP. The process included a full viability review and comparisons of recoverable amount against the net book value, and these valuations, carried out on an Existing Use Value for Social Housing, were compared against the Net Book Value of these properties. This review identified 15 properties requiring impairment. There was a decrease in the Impairment provision of £0.9m for the year, bringing the net impairment provision (fixed assets and properties) to £7.4m

# Report of the Board (incorporating the Strategic Report) continued

The Society has managed its working capital and cash flow to ensure financial commitments and development requirements have been met during the year. Our Balance Sheet continues to be strong, with significant property assets and good cash reserves. New developments include schemes that are well-advanced and which will be ready for occupation in the forthcoming years. Our existing cash balances together with the £22.5m of available facilities, will be used to complete these developments and to commence new projects at a pace in line with the Board's approach to risk.

## Developments

The Society and the wider Abbeyfield family are in a period of growth and together we have eight new-build developments which have either opened or are under construction. These are Winnersh, Culverden, Plymouth, Sunderland, Bingley, Worcester, Malmesbury, Southampton and Abbeyfield Southern Oaks (Epsom). Southampton will open in July 2019 and Plymouth will open in 2020.

The Board agreed not to proceed with the Tiverton development during the year, as the scheme would not deliver Value for Money due to rapidly increasing build costs. This resulted in a write down in value of £1.1m. Options on the site are being investigated.

The Bingley property was sold to Abbeyfield The Dales (ATD) on April 15, 2019 (and this transaction is recorded as a post balance sheet event (see note 33).

The current breakdown of our houses and bed spaces by category is as follows

	31 March 2019		31 March 2018	
	Number of houses	Number of bed spaces	Number of houses	Number of bed spaces
Care homes	25	706	27	763
Retirement Apartments	7	282	7	282
Supported housing	94	1,107	94	1,107
	<b>126</b>	<b>2,095</b>	<b>128</b>	<b>2,152</b>



# Report of the Board (incorporating the Strategic Report) continued

## Risk Management

The Board continues to strengthen the risk management process, to ensure that it can adequately monitor and control all significant risks. The Board uses a risk appetite approach, which sets out the level of risk the Society is willing to take, and has broadened the risk mapping process to embed it deeper within the organisation. There are three lines of defence and control and risk owners are identified for all risks. The Board continually seeks to improve the risk management process, with quarterly risk meetings, as well as a quarterly review by the Audit & Risk Committee. The risk registers are also reviewed by the Internal Auditors and External audit use the risk register as part of their planning process.

The risk map ranks risks and identifies the actions to reduce them. These actions are agreed by the Executive Committee and the Board.

The risks to the Society of the implications of Brexit have also been examined, and these together with the more significant risks, in order of significance, are noted overleaf, with mitigations to cover most of the identified risks.

RISK	MITIGATION
<b>Reputation:</b> Our reputation could be impacted by poor safeguarding or malpractice either within the Society or its extended network, or if our customer service deteriorates.	The Society has a Board and a Quality Committee. The Director of Legal & Compliance monitors and encourages the reporting of quality and compliance issues reported by our staff and residents. The complaints process has been revised in line with this new approach, and enhanced training and awareness has taken place. A crisis management plan exists. Media training is to be undertaken by executive and Board members. A strategic communication agency (PLMR) has been appointed to help the Society with communications.
<b>Viability and Financial:</b> Ongoing operational funding can be impacted by high vacancy rates / costs, delays in completing new units, loss making Care at Home and marginal Care businesses, and other cost challenges. These may impact the Society's ability to meet its covenants. The property impairment risk increased due to the factors above.	A Retirement Living management structure is in place to focus on improving the viability and market standard of the Society's homes and the Care at Home business. This includes a performance improvement plan, with special focus on vacancies, including improved marketing, training and regular monitoring of completion plans on new sites. The Finance Committee and Board regularly review the covenant cover linked to detailed cash flows, which are then stress tested over five years together with the financial forecast submission to the Regulator of Social Housing. A new five year revolving credit facility for £22.5m was agreed in December 2018.
<b>Strategy:</b> Abbeyfield's strategy needs to be modified and updated to take into account market changes and the needs of the Abbeyfield family. There is increasing demand for care for older people, but both public and private funding is challenged, impacting the prices we can charge for our services.	A Strategic Leadership Team (SLT) was created in 2018 and this Team has continued to lead on the development of the new Strategy, which will be published in 2019. The SLT has commenced by looking at ethos, markets, residents, products and the viability of our properties.
<b>Regulation and External Environment:</b> The Society operates in a complex and ever changing market, which creates a wide range of risks. These include competition, regulation, and changes to funding, Brexit and other market factors. In 2018 RSH reduced the Society's governance rating from G1 to G2, and an in-depth assessment is currently being carried out by RSH.	The Board and the Executive Committee continue to review these challenges as part of the Strategic Review.

## Report of the Board (incorporating the Strategic Report) continued

RISK	MITIGATION
<b>Developments:</b> The Society continues to develop new homes. Some recent developments have suffered from additional costs or delays to opening. Also, and most importantly, we have experienced lower returns than predicted in the first two years of operation.	The Development and Retirement Living teams continue to review the lessons learnt from each development, especially around sales and advanced marketing. An improved process is in place for Southampton and will be put in place for the new Plymouth development.
<b>People:</b> Abbeyfield is dependent on its staff and volunteers for its success. Staff leaving without adequate succession plans in place or because of poor training will have an impact on future services and morale. The health and safety of staff and residents is of utmost importance to the Society. Brexit and the uncertainties surrounding it, has reduced the Society's ability to attract key frontline staff. Staff turnover remains in line with the market as challenging at 32.7%.	An experienced Senior Management team and the new Retirement Living management team is in place. The Society has used almost the full amount of the Apprenticeship levy to continue its investment in training. The National Living wage contract is very important in terms of staff retention. Improvements in mandatory training processes and systems are being implemented by Retirement Living.
<b>Digital:</b> Serious loss of IT systems and related data, cyber crimes and other digital / physical threats, may cause loss of, or leak of, data.	Business Continuity and Disaster Recovery plans are in place and have been successfully tested. Cyber insurance is now in place. Physical processes are in place to stop people entering our buildings and this is tested regularly
<b>Brexit:</b> The Society has identified that the main risks surrounding Brexit relate to funding, staffing, and the availability of key materials	Funding: the new banking facility mitigates most funding risks. Staffing: only 12% of our employees are EU Nationals and most materials and components are sourced from the UK. This risk will continue to be monitored closely while the Brexit process continues.

# Report of the Board (incorporating the Strategic Report) continued

## **Reserves**

After transfer of the deficit for the year of £0.7m (2018: £6.4m deficit), revenue reserves decreased to £131.4m (2018: £132.7). In addition, the Society has restricted reserves of £11.8m (2018: £11.8m).

## **Donations**

The Society and its subsidiaries made no political donations during the year.

## **Payment of creditors**

In line with Government guidance, the Society's policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

## **Employees**

The Society shares information on its objectives, progress and activities through regular office and departmental meetings involving Board members, the Executive Committee, volunteers and staff.

The Society is committed to the principles of diversity and equality regardless of age, gender, ethnicity, race, disability, religion, gender re-assignment or sexual orientation. These principles are reflected in the Society's approach to the recruitment, development and promotion of staff. It is a primary objective of the Board that staff should feel valued and be appropriately rewarded. The Society continues to adopt the National Living Wage.

The Society's Gender Pay report is available on our website. It has also been submitted on the Government sponsored website. We are broadly compliant with the sector's average on gender pay but recognise that there is room for improvement.

## **Health and safety**

The Society is aware of its responsibilities on matters relating to health and safety. The Society has prepared detailed health and safety policies and provides training and education to our staff on health and safety matters. There have been 34 serious accidents reported in 2018/19, a reduction of 27, compared with the last financial year. During the year, additional guidance on reporting accidents has been issued together with a new online accident reporting system. This has enabled management to better monitor and address performance going forward.

## **Compliance with the RSH Governance and Financial Viability Standard**

The Board confirms that the Society complies with the requirements of the Governance and Financial Viability Standard applicable for the year from 1 April 2018, with the exception of a technical breach relating to rent setting which has been notified to the Regulator, and corrective action has already been put in place.

The Strategic Report and Report of the Board of Management were approved by the Board on 1 August 2019, and signed on its behalf by the Chairman of the Trustees.

# Operating and Financial Review

The result for the year is a £0.7m deficit compared with last year's deficit of £6.4m. In this year's results there were no transfers from Member Societies (2018: £3.8m).

Turnover for the year reduced by £0.6m from £55.4m in 2017/18 to £54.8m in the current year. In 2017/18 turnover included the surplus on merged societies of £3.8m (2018/19 £nil). Details of the split of turnover are shown in the chart on the right.

Supported Housing operating surplus of £0.9m (note 5) has improved by £0.5m from last year. Care operating deficit of £6.2m (note 5) has improved from £13.3m to £6.2m due to a lower impairment charge, offset by higher vacancy costs. These figures exclude losses at closed homes (discontinued operations).

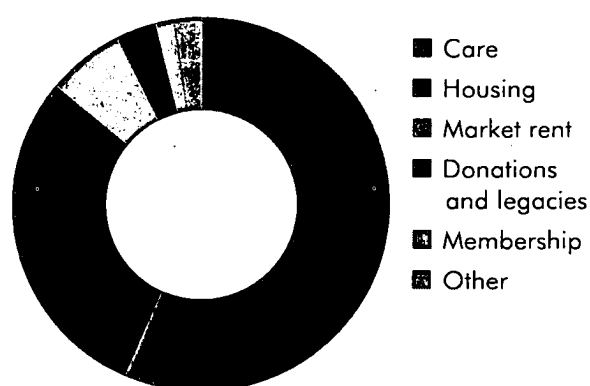
The surplus on the disposal of development properties increased in the year by £0.8m, with a higher level of sales.

We have released part of the 2018 impairment provision of £7.9m in 2018/19, and the related credit to the Statement of Comprehensive Income is £0.9m. The net changes to impairment in 2018/19 are reflected in notes 16 and 20.

The deficit before taxation was marginally improved by a surplus of £0.5m on disposal of closed houses (2018 surplus £0.1m).

There are cash reserves of £10.0m (2018: £13.4m) and investments of £1.5m (2018: £2.6m). The current developments are fully funded, with agreed loan facilities in place for £22.5m

## Turnover 2018/2019 Total £54.8m



Many of the residents of the Society's Supported Houses are in receipt of financial assistance towards the cost of support.

The principal regulator for the Society is the Regulator of Social Housing (RSH), which regulates all registered providers of social housing. Following the implementation of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014 (as amended), all care homes are now assessed as to whether they are fully compliant under the new regulations and meet Fundamental Standards. The Society is a registered charity and therefore subject to the requirements of the Charity Commission.

# Operating and Financial Review continued

Legacies and charitable donations received for the year were £2.1m (2018: £2.2m). Since 2018, the Society has updated its policies and procedures to comply with GDPR. This supports our fundraising activities as described on page 24 (Governance).

Loans and grants made to Member Societies are shown on in Note 21.

## Capital structure

The Society is financed from retained surpluses, part of which have arisen through the receipt of legacies and donations which may be restricted in use. In addition, cash and other net assets have been transferred from Member Societies and any surplus arising from the disposal of property, following the closure of these facilities when deemed not financially viable, has contributed to our capital structure.

The Society, because of its legal form, is unable to raise equity funding.

## Employees

The number of full time equivalents (FTEs) has risen due to the impact of new homes opening, offset by the closure of supported houses. As at 31 March 2019, the total number of Society FTE employees the Society was 1,207 (2018: 1,141 (note 9)). Of these, 74 were in Central functions and 1,133 in Retirement Living.

## Reserves policy

The Board's policy is to retain sufficient reserves, which in the Board's judgement are adequate to cover future contingencies and liabilities, and which continue to provide essential services. These include:

- Day-to-day operational expenditure, including contingencies for large, unforeseen items.
- Funding of development projects.
- Major repairs across the Society's housing property portfolio.
- Funding of major refurbishment or new projects to be undertaken by Member Societies, where sufficient external funding is not available.

## Treasury management

The Society's financial resources consist mainly of cash and bank deposits. The Society holds sufficient funds to meet day to day requirements and, in line with the Society's strategy and has agreed bank facilities of £22.5m to fund the strategic development programme.

The 5-year bank facility was arranged in December 2018 and is secured on the Society's assets and contains bank covenant tests, which are reviewed at all Board meetings.

# Operating and Financial Review continued

As required by the Regulator of Social Housing (RSH), thirty-year financial and cash flow forecasts are prepared annually to ensure that an adequate funding strategy is in place.

Net interest income and fees have improved on last year by £0.4m. The future timings of projects and current funding, means that no draw-downs of the Barclays facility will be needed until 2021/22.

The Society invests surplus funds in interest-bearing deposit accounts. These amounts are held with a small number of financial institutions which have a good credit rating, in accordance with the Society's Treasury Policy. The average rate of return on interest bearing deposits during the year ended 31 March 2019 has been 1.2% (2018: 0.66%). A review of restricted funds, and a reduction of bank accounts with improved control procedures, has also taken place in the year and this improvement process will continue.

## **Cash flow and liquidity and security**

The consolidated statement of cash flows on page 32 of the financial statements shows that during the year the Group generated net cash inflow from operating activities of £2.6m (2018: £4.5m inflow), made interest payments primarily relating to charges, new facility and non-draw down fees and RCGF interest of £367k (2018: £598k), and invested £5.1m (2018: £10.7m) in fixed assets. The Society did not draw down any new finance in the year.

The bulk of the Society's net cash inflow has been from rental income, legacies and donations, and sales proceeds from the disposal of properties.

As at 31 March 2019 all bank facilities, with the exception of grants from the RSH, were secured against our properties.

## **Membership costs**

The fee income from Member Societies is broadly the same as the direct costs of membership. As part of the Strategic review the basis of charging membership fees will be reviewed.

## **Going concern and viability**

The going concern assessment considers whether it is appropriate to prepare the Financial Statements on a going concern basis. The Board has also considered the net asset position of £143.2m as at 31 March 2019. The Society meets its funding requirements through its own resources and a 5-year revolving credit facility. It is not planned to use that facility until 2022.

The Board has reviewed the future viability of the Society by carrying out a detailed review of the Society's business plan. It has carried out a full financial and market viability process, looking at the future viability of all of the Society's homes, reviewed the risks in the business, as detailed in the risk section of this report, and then stress-tested the outcome of these plans. The Board has agreed appropriate mitigations and triggers to cover stress test outcomes where appropriate. The detailed review covers a three-year period from April 2019 to March 2022.

In addition, the Board has considered the Brexit impact in this review, and the mitigations against potential Brexit issues are considered to be adequate.

The Board, and the Finance and Audit Committees will continue to review viability as part of the overall governance process.

On this basis the Board is satisfied that it has adequate resources to continue in operational existence for the foreseeable future and accordingly continues to adopt the going concern basis as the basis for preparing accounts.

## **Our Finances**

We have a clear understanding of our financial return and performance. We manage our finances to invest in the right assets, improve void management, deliver savings through operational efficiency and improve systems. We benchmark our services within and outside Abbeyfield and look for savings in procurement.

# Operating and Financial Review continued

## Strategic Review

In 2018 the Board initiated a review of the Group's Strategy to ensure that it is up to date and relevant in the current economic climate. The outcome of that review will be announced at the 2019 conference, to be held in October 2019.

## Our Homes

We have a clear strategy for new developments. We target geographical priority areas and offer social value in our communities. At the same time, we look to reduce our carbon footprint and fund new developments as well as invest in our existing properties.

## Our Quality

We are dedicated to making time for older people, through excellent quality care, housing and support services, as well as through direct involvement within local communities. Low demand for many of our supported living schemes is caused because of the unsuitable nature of some of our historic buildings, and we continue to modernise our asset base and provide a greater number of personalised care services.

## Making time for older people

Staff structures continue to be reviewed to improve our services. This has enabled additional time to be made available to residents and volunteering action plans are prepared on a regular basis.

## Abbeyfield as a Charity

We have recognised the need to develop a more comprehensive programme for evaluating the social impact and value of our community-based and volunteering activities. Also recognised is the need to streamline business systems, to ensure that members of staff have more time to spend with individual residents. We embody our care ethos through initiatives such as Companionship at Christmas, and research into older persons' care needs.

## Financial and non-financial Key Performance Indicators (KPIs)

The Board and the Executive Committee review many KPIs on a regular basis. In addition to those required by the RSH, the most important ones are:

Metric	2017/18	2018/19	2019/20 Budget
Operating Margin % (continuing operations excluding impairment)	3.8%	-4.7%	0.4%
Occupancy			
Care occupancy %	90%	86.4%	94%
Housing occupancy %	92%	88.2%	90%
Number of major injuries	60	34	30
Fundraising Income	£2,180k	£2,118k	£1,400k
Development Expenditure	£10.7m	£4.8m	£24.3m

# Operating and Financial Review continued

We benchmark KPIs against similar societies in our sector where care and support are the main services, using Acuity to provide this information.

Our financial strategy is to improve operating surplus through efficiency and value for money initiatives and cost savings. We are active in the local community, promoting our services to improve occupancy rates and marketing our excellent care services. We are committed to train and develop all levels of staff, with succession planning for key roles.

We have invested in our website, attracting a high number of viewings, and we continue to work hard to increase donors.

Restatements have been made following the completion of the reconciliation of fixed assets and other reserve changes.

## Highlights, four year summary

	Current Year ending 31 March 2019 £'000	Restated Year ending 31 March 2018 £'000	Restated Year ending 31 March 2017 £'000	Restated Year ending 31 March 2016 £'000
<b>Statement of Comprehensive Income</b>				
Turnover	54,793	55,373	54,268	43,070
<b>Total comprehensive (deficit) / surplus for the year</b>	<b>(713)</b>	<b>(6,435)</b>	<b>8,550</b>	<b>1,944</b>
<b>Statement of Financial Position</b>				
Housing properties	151,947	150,347	148,284	126,394
Other fixed assets	604	781	1,061	1,279
Investment properties	800	800	–	–
Investments and cash	11,518	15,993	24,790	29,608
Other net current (liabilities) / assets	1,627	814	(6,784)	3,446
Creditors due after more than one year	(23,332)	(24,858)	(17,695)	(20,939)
<b>Net Assets</b>	<b>143,164</b>	<b>143,877</b>	<b>149,656</b>	<b>139,788</b>
<b>Capital and Reserves</b>				
Income and expenditure reserves	131,385	132,109	139,349	130,565
Restricted and other reserves	11,779	11,768	10,307	9,223
<b>Total</b>	<b>143,164</b>	<b>143,877</b>	<b>149,656</b>	<b>139,788</b>



# Value for Money

The Regulator of Social Housing (RSH) issued a new Value for Money Standard in April 2018. The Society recognises the importance of these Standards on its regulated housing provision. However, Supported Housing only represents part of the Society's revenue with the rest being made up of care provision and membership services.

The strategy for the Society is currently under review and new KPI targets will be set as part of that plan. The Board has set three intermediate targets which relate to the new Standard:

- New supply delivered – 205 units;
- Gearing – the maximum gearing cap is 25%;
- Efficiency – operating margin targets of 5%.

The current performance for the Society and its related social housing KPI's include the impact of impairment are detailed on pages 18 and 19.

VFM Metrics	2017/18	2018/19	Target 19/20	Top 20 Supported Housing Providers
				As per Acuity
1 Reinvestment %	25.8%	3.0%	10.7%	5.6%
2 New Supply delivered				
– Social Housing Units	7.1%	2.2%	8%	11.05%
New Supply delivered				
– Non Social Housing Units	6.8%	0%	4%	0.45
3 Gearing %	0%	0%	0%	23.4%
4 EBITDA	-62.5%	-139.2%	349.6%	1813.1%
5 Headline Social Cost per Unit	£24,245	£21,811	£21,127	£12,300
6 Operating margin %				
- Social Housing lettings only	5.00%	8.1%	2%	10.5%
Operating margin % - Overall	-11.6%	-1.3%	3.2%	6.8%
7 Return on Capital Employed	-3.4%	-0.3%	1.0%	7.0%

## Value for Money continued

The Board has reviewed these KPIs against the benchmark of 20 peer supported housing providers, as provided by Acuity, and is pleased to note that the Society's performance is better than that benchmark for Reinvestment and Gearing.

The Society's headline cost per unit has improved by 10% on last year.

The cost per unit for Social Housing is £10,620 and for our Care Activities is £42,572.

The Board recognises that this headline social cost per unit is much higher than the median of all Housing Associations and this is due to our concentration in the provision of supported housing for older people.

The RSH has identified some factors which explain higher unit costs across the sector and these include: the provision of supported housing, operating in regions with higher wages; the provision of older persons' housing and proportion of properties requiring investment to maintain them at the Decent Homes Standard.

Additional costs not highlighted in the RSH's analysis, but which are incurred by the Society's model of service provision, include food costs. Once adjusted for these factors, early indications are that our specific service model accounts for an additional £7k per unit, and we will be undertaking further analysis in 2019/20.

As part of the current Viability and Strategic Review, the Board is developing a plan to further reduce the social cost per unit, and improve performance where applicable on these costs.

In 2018/19 the Society achieved the following: -

- The creation of an effective, strong and stable operational structure for Retirement Living (RL) focusing on improving Retirement Living's performance;
- Improved quality as evidenced by metrics for the regulatory bodies, including improving on CQC inspection outcomes and improved housing quality measures such as gas safety, water safety, and fire & risk assessments;

- Labour utilisation within housing of 33.9%, which was in line with that achieved in 2017/18;
- A continuous improvement plan has been created to deliver more efficient ways of delivering back-office processes;
- A new Procurement team has been created with specific focus on procurement savings.

### **For 2019/20 the planned actions are as follows:-**

- Continuing to draw together Retirement Living's structure in order to continue to drive improvements in quality, occupancy and performance across the housing portfolio;
- Reducing labour turnover and labour efficiency/ utilisation to benchmark standards by better planning and rostering of staff;
- Centralising the RL HR team, which will improve consistency, reporting, and learning and development, through a better quality service;
- Introduce Purchase to Pay;
- Manage the portfolio of properties in our estate to divest ourselves of inefficient/under-performing properties and invest the proceeds from these disposals in the Society to improve quality, improve energy efficiency and reduce cost.

The Finance Committee also scrutinises the development of the value for money strategy, which supports the five-year corporate strategy.

In addition, the Audit & Risk Committee considers management accounting and audit information in detail, and receives a range of financial health reports, including internal audit reports on the regional structure to ensure it delivers value for money.

There have been no significant control failures in 2018/19 and complaints are investigated and resolved promptly.

# Statement of Responsibilities of the Board

The Board is responsible for preparing the Strategic Report, Annual Report and the Financial Statements, in accordance with applicable law and regulation.

Company law and social housing legislation require the Board to prepare Financial Statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Board must not approve the Financial Statements unless it is satisfied that they give a true and fair view of the state of affairs of the Society and of the surplus or deficit of the Society for that period.

In preparing these Financial Statements, the Board members are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice "Accounting by Registered Social Housing Providers 2014" and FRS102 have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Society will continue in business

Board members are also responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society 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 2015.

The Board is also responsible for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Board members are also responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice "Accounting by Registered Social Housing Providers 2014" and FRS 102. The Board is responsible for ensuring that the assets of the Society are properly applied under charity law. The annual report and accounts are published on the Society's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## **Slavery and human trafficking statement**

The Modern Slavery Act 2015 introduced new obligations in relation to slavery and human trafficking. The Society is fully supportive of the legislation as it is in keeping with our ethos and principles. The statement includes compliance for our supply chain partners.

# Governance

## **Board members and Executive Committee members**

The Board members and the Executive Committee of the Society who served during the year are set out on page 3.

The Board members are drawn from a wide background bringing together professional, commercial and other relevant experience.

The Board, which comprises the company directors, has overall responsibility for direction, management and control of the Society. Overall operational management is delegated to the Chief Executive and the Executive Committee. The Board adopts the NHF Code of Governance and the Company Secretary and the Executive Committee provide support to the Board in monitoring compliance with the Code.

The Board may comprise up to 15 individuals, of whom, at least four must be involved in the Society's movement in the UK. At least two must be independent and up to two must be involved in Abbeyfield outside the UK. The above individuals must be elected by the members. The Board may co-opt up to four individuals.

Applications to be considered for election or appointment to the Board of trustees are invited following recruitment and advertising. The Society's candidates are interviewed by the Nominations Committee and are appointed according to relevant skills, competencies and experience.

The Chairman may hold office for a term of three years terminating at the end of the third Annual General Meeting (AGM) after his or her election, but can be re-elected to serve one further term of three years calculated in the same way. All the trustees can serve terms of three years terminating at the end of the third Annual General Meeting

after their election by the members and every trustee can be re-elected by the members at an AGM for one further term of three years. The Board met five times formally during the year, with additional sessions to discuss the strategy review.

Throughout the year, the trustees continue to monitor effectiveness and overall terms of reference for the various committees of the Board, to ensure that they are following best practice in the sector. The Board is encouraged to acquaint itself with all aspects of the charity, particularly operational aspects.

The Executive Committee holds no financial interest in the Society, except for their remuneration arrangements, and act as executives within the authority structure delegated by the Board.

Insurance policies indemnify Board members and officers against liability when acting for the Society.

The Executive Committee is entitled to join the Society's stakeholder pension scheme on the same terms as other employees. Details of their remuneration are disclosed in note 10 (directors' emoluments).

## **National Housing Federation ("NHF") Code of Governance**

The Society has adopted the 2015 NHF Code of Governance. We diverge from the Code in one regard, which is that The Abbeyfield Society has 13 trustees rather than the Code's recommended maximum of 12. However, this is compliant with the charity's constitution and is a reflection of the required representation of both UK and international membership on The Abbeyfield Society's Board.

## **Charity Code of Governance**

The Society adheres to all the principles of the 2017 Code of Governance.

# Governance continued

## Resident involvement

We actively encourage resident involvement in decision-making by promoting forums where residents can contribute to decisions that affect them.

## Risk framework

The process for identifying, evaluating and managing risks, and related risk appetite, has been on-going throughout the period.

Risk management procedures and considerations are embedded in the culture of the Society. The Society has in place a risk management framework.

## Board committees

The following committees have been established by the Board:

- **Audit & Risk Committee:** its purpose is to review and approve the financial statements and recommend them to the Board. It also receives reports from internal and external auditors, reviews Audit & Risk management activities across the Society and delivers an annual assessment of the quality of the internal control environment and the effectiveness of risk and audit systems to the Board. It actively monitors risk management activity across the Society to ensure consistent and effective usage of internal systems, and identifies trends and aggregate risks;
- **Members Committee:** its purpose is to help maintain good relationships between Members and the Society;
- **Quality Committee:** its purpose is to monitor and report on a range of compliance issues including safeguarding, and to identify learning and good practice;
- **Remuneration Committee:** its purpose is to review and set the remuneration of the Chief Executive Officer, Finance Director and Company Secretary, and HR policies within the Society;
- **Nominations Committee:** its purpose is to support the Board on governance arrangements and the optimal composition of the Board, including recruitment of new Board members;
- **Property Committee:** its purpose is to ensure that Property transactions are completed in accordance with S.119 of the Charities Act 2011 and represent value for money for the Society.
- **Finance and Operations Committee:** its purpose is to monitor the Society's financial performance and approve budgets and cash resources, new developments and operational effectiveness and value for money.

The Chairpersons of the committees report back to the Board. The Board receives reports from its committees at all Board meetings.

# Governance continued

## Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The Board recognises that any system can only manage, and not eliminate, risk and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Board is satisfied that controls are in place. These are subject to ongoing review and formalisation, as part of a process of continuous improvement. The key elements of the system of control which has been in place across the period includes written policies and procedures covering the most significant areas of operations, finance and human resources. From March 2018, Mazars have provided an internal audit function.

The Board reviews and approves budgets, business plans and risk management, and monitors results against them. Delegated authority is in place for incurring and approving expenditure, with formal involvement of the Board for larger transactions. Regular monitoring by the Board of financial performance and achievement of other principle objectives is in place.

There is close involvement of Board committees, and of individual Board and committee members, in the activities being undertaken.

The Board reviews any significant new projects or initiatives. As part of the preparation of the annual business plan, risks are identified which could threaten the achievement of objectives, and an assessment is made of the probability of occurrence and likely impact. Controls which mitigate these risks, and are proportionate to them, are also identified.

There are clear staff recruitment and appraisal processes, which include monitoring of performance and training programmes to ensure staff are well versed in health and safety and quality.

The Board cannot delegate ultimate responsibility for the system of internal control, but it delegates day to day responsibility to the Audit & Risk Committee to review on a regular basis the effectiveness of the system of internal control. The Audit & Risk Committee also considers any control failures resulting in financial loss or near misses to ensure that lessons are learned and processes improved for the future. The Board receives minutes of all meetings of the Audit & Risk Committee.

The Board confirms that arrangements are in place to manage the risk of fraud and that these arrangements include a review of the fraud register on a periodic basis, and delegates responsibility to the Audit & Risk Committee to ensure the arrangements and controls are appropriate.

## Fundraising

Section 162A of the Charities Act 2011 requires charities to make a statement regarding fundraising activities. Although we do not undertake widespread fundraising from the general public, the legislation defines fund raising as soliciting or otherwise procuring money or other property for charitable purposes. Such amounts receivable are presented in our accounts as voluntary income and includes legacies and grants.

## Governance continued

In relation to the above we confirm that all solicitations are managed internally, without involvement of commercial participators or professional fundraisers, or third parties. The day to day management of all income generation is delegated to the executive team, who are accountable to the trustees.

The charity is registered with the Fundraising Regulator and is a member of the Institute of Fundraising and conforms to their codes of practice, particularly with relevance to the General Data Protection Regulation (GDPR).

We have received no complaints in relation to fundraising activities. The Society terms of employment require staff not to approach individuals for funds. We do not consider it necessary to design specific procedures to monitor such activities.

### Disclosure of information to auditors

Each person who is a Board member at the date of approval of this report confirms that:

- So far as the Board member is aware, there is no relevant audit information of which the Society's auditors are unaware; and
- The Board member has taken all the steps that they ought to have taken as a Board member in order to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

### Structure

The Society is a registered charity, constituted as a Company limited by guarantee and is governed by its Articles of Association. It is part of the Abbeyfield

movement, an organisation comprising legally independent Member Societies (including devolved country members), International Member Societies, which are separate legal entities, and individual members. The Society is established for the public benefit for the following objects:

- The relief and care of elderly persons of all classes, beliefs and nationalities suffering from the disabilities of old age or otherwise in need.
- The spreading of Christian principles to all human relationships and the application of humanitarian aims to promote the relief of the elderly.
- The provision of further education in the sphere of voluntary work, social work and similar activities so as to inculcate the principles of good citizenship.
- The provision and management of housing, accommodation or assistance, for the relief and care of elderly persons.
- Such other purposes recognised by English law as charitable as the Society shall determine from time to time.
- The Board acts as the ultimate governing body and monitors the system of internal control. The Board has received an annual assurance statement from the Chief Executive on the system of internal control, and has identified a framework for continuously monitoring risk and risk mitigations.
- Individual Board members made 75 visits to Abbeyfield UK homes and 9 visits to Abbeyfield international homes during the financial year. In addition, visits for are made by the Board when attending weekly management meetings and the Annual General Meeting.

## Governance continued

### Statement of public benefit

Charity trustees have a duty to report in the trustees' Annual Report on their charity's public benefit. They should demonstrate that they are clear about what benefits are generated by the activities of the charity. This report sets out in some detail the activities, as noted on page 7.

The benefits must be related to the objectives of the charity. The Society's strategic plan is related to and intended to further the Society's charitable objectives.

There is a programme in place to provide financial support which is targeted at older people in need.

The views and opinions of residents are regularly sought. For example, there was considerable consultation with residents in developing the Society's strategic plan. The Society's Board of Trustees are confident that Abbeyfield meets the public benefit requirements, and confirm that they have taken into account the guidance contained in the Charity Commission's general guidance on public benefit where applicable.

### Annual General Meeting

The Annual General Meeting will be held on Thursday 5 September 2019, at St Peter's House, 2 Bricket Road, St Albans, AL1 3JW.

### External auditors

A resolution for the re-appointment of BDO LLP as auditors is proposed at the Annual General Meeting.

The report of the Board was approved by the Board on 1 August 2019 and signed on its behalf by:



**Ian Plaistowe**

Chairman

1 August 2019



# Independent Auditor's Report to the Members of the Abbeyfield Society

## Opinion

We have audited the financial statements of The Abbeyfield Society ("the Society") and its subsidiaries ("the Group") for the year ended 31 March 2019 which comprise the consolidated and Society statements of comprehensive income, the consolidated and Society statement of financial position, the consolidated statement of cash flows, the consolidated and Society statement of changes in reserves, 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 Group's and of the Society's affairs as at 31 March 2019 and of the Group's and the Society's 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 properly 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 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 Group and Society 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 members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Society'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.

# Independent Auditor's Report to the Members of the Abbeyfield Society continued

## Other information

The Board are responsible for the other information. Other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 including the Chairman's statement, Report of the Board (incorporating the Strategic Report), Governance, Operating and Financial Review, and Value for Money Statement 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 incorporating the Strategic Report, and operating and financial review for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Report of the Board incorporating the Strategic Report and operating and financial review, and
- have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Group and the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board incorporating the Strategic Report and operating and financial review.

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 by the parent Society, or returns adequate for our audit have not been received from branches not visited by us; or

# Independent Auditor's Report to the Members of the Abbeyfield Society continued

- the parent Society financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Board trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

## Responsibilities of the Board

As explained more fully in the Board members responsibilities statement set out on page 20, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members 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 are responsible for assessing the Group and the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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/auditors](http://www.frc.org.uk/auditors) responsibilities. This description forms part of our auditor's report.

## Use of our report

This report is made solely to the members of the Society, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Society'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 Society and the members as a body, for our audit work, for this report, or for the opinions we have formed.

*E. Kulczycki*

Elizabeth Kulczycki (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor Gatwick

*15 August 2019.*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Financial Statements

## Consolidated Statement of Comprehensive Income for the year ended 31 March 2019

		Continuing operations 2019 £'000	Discontinued operations 2019 £'000	Total 2019 £'000	Restated Continuing operations 2018 £'000	Restated Discontinued operations 2018 £'000	Restated Total 2018 £'000
	Note						
Turnover	4	53,028	1,765	54,793	54,915	458	55,373
Operating costs		(50,642)	(6,249)	(56,891)	(53,345)	(803)	(54,148)
Impairment		41	810	851	(6,557)	(1,105)	(7,662)
Total Operating Costs	4	(50,601)	(5,439)	(56,040)	(59,902)	(1,908)	(61,810)
Operating (deficit)/ surplus	4,8	2,427	(3,674)	(1,247)	(4,987)	(1,450)	(6,437)
Surplus/(deficit) on disposal of Housing Properties	12	73	422	495	(208)	285	77
Other interest receivable and similar income	13	267	-	267	139	-	139
Interest and financing costs	14	(327)	(40)	(367)	(598)	-	(598)
Movement in fair value of investment properties	18	-	-	-	338	-	338
Movement in fair value of investments	22	139	-	139	-	-	-
(Deficit) / surplus before taxation		2,579	(3,292)	(713)	(5,316)	(1,165)	(6,481)
Taxation	15	-	-	-	46	-	46
(Deficit)/surplus after taxation and total comprehensive (expense) / income for the year		2,579	(3,292)	(713)	(5,270)	(1,165)	(6,435)

The notes on pages 34 to 59 form part of these financial statements

The notes on pages 34 to 59 form part of these financial statements

# Financial Statements continued

## Society Statement of Comprehensive Income for the year ended 31 March 2019

	Note	Continuing operations 2019 £'000	Discontinued operations 2019 £'000	Total 2019 £'000	Continuing operations 2018 £'000	Discontinued operations 2018 £'000	Total 2018 £'000
Turnover	4	53,220	1,765	54,985	55,494	458	55,952
Operating costs		(51,953)	(4,812)	(56,765)	(53,064)	(803)	(53,867)
Impairment		41	810	851	(6,557)	(1,105)	(7,662)
Total Operating Costs	4	(51,912)	(4,002)	(55,914)	(59,621)	(1,908)	(61,529)
Operating (deficit)/ surplus	4,8	1,308	(2,237)	(929)	(4,127)	(1,450)	(5,577)
Surplus/(deficit) on disposal of Housing Properties	12	73	422	495	(208)	285	77
Other interest receivable and similar income	13	266	-	266	139	-	139
Interest and financing costs	14	(326)	(40)	(366)	(598)	-	(598)
Movement in fair value of investment properties	18	-	-	-	338	-	338
Movement in fair value of investments	22	139	-	139	-	-	-
(Deficit) /surplus before and after taxation and total comprehensive (expense) / income for the year		1,460	(1,855)	(395)	(4,456)	(1,165)	(5,621)

The notes on pages 34 to 59 form part of these financial statements

The notes on pages 34 to 59 form part of these financial statements

# Financial Statements continued

## Consolidated and Society Statements of Financial Position at 31 March 2019

		Group 2019 £'000	Restated Group 2018 £'000	Society 2019 £'000	Restated Society 2018 £'000
	Note				
<b>Fixed assets</b>					
Tangible fixed assets - housing properties	16	151,947	150,347	152,769	150,971
Tangible fixed assets - other	17	604	781	604	781
Investment properties	18	800	800	800	800
		<b>153,351</b>	<b>151,928</b>	<b>154,173</b>	<b>152,552</b>
<b>Current assets</b>					
Properties held for sale	20	2,058	4,545	2,151	4,545
Debtors - receivable within one year	21	3,993	5,789	3,993	5,853
Debtors - receivable after one year	21	5,674	465	5,674	465
Investments	22	1,504	2,567	1,504	2,567
Cash and cash equivalents		10,014	13,426	9,984	12,962
		<b>23,243</b>	<b>26,792</b>	<b>23,306</b>	<b>26,392</b>
<b>Creditors: amounts due within one year</b>	23	<b>(10,098)</b>	<b>(9,985)</b>	<b>(10,334)</b>	<b>(9,935)</b>
<b>Net current assets</b>		<b>13,145</b>	<b>16,807</b>	<b>12,972</b>	<b>16,457</b>
<b>Total assets less current liabilities</b>		<b>166,496</b>	<b>168,735</b>	<b>167,145</b>	<b>169,009</b>
<b>Creditors: amounts after more than one year</b>	24	<b>(23,332)</b>	<b>(24,858)</b>	<b>(23,073)</b>	<b>(24,542)</b>
<b>Net assets</b>		<b>143,164</b>	<b>143,877</b>	<b>144,072</b>	<b>144,467</b>
<b>Capital and reserves</b>					
Income and expenditure reserve		131,385	132,109	132,293	132,699
Restricted reserve		11,779	11,768	11,779	11,768
<b>Total reserves</b>		<b>143,164</b>	<b>143,877</b>	<b>144,072</b>	<b>144,467</b>

The financial statements were approved by the Board and authorised for issue on 1 August 2019 and signed on their behalf by:



**Ian Plaistowe**  
Chairman

The notes on pages 34 to 59 form part of these financial statements

# Financial Statements continued

## Consolidated statement of Cash Flows for the year ended 31 March 2019

		2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
(Deficit) / surplus for the financial year		(713)	(6,435)
Adjustments for:			
Taxation	15	-	(46)
Impairment of Tangible Fixed Assets - other		(438)	6,469
Depreciation of fixed assets - housing properties	16	2,544	2,482
Accelerated Depreciation on disposal of components	5	288	124
Impairment of current assets		(413)	1,105
Investment property revaluation		-	(338)
Depreciation of fixed assets - other	17	400	374
Amortisation of grant	5	(169)	(94)
Grant recycled from property lease sales		-	99
Movement in fair value of investments	22	(139)	
Interest payable and finance costs	14	325	598
Interest received	13	(267)	(139)
(Surplus) on the sale of housing properties	12	(495)	(77)
Receipt of donated land/assets	16	(350)	(3,753)
Decrease/(increase) in trade and other debtors	21	(477)	2,101
Decrease in properties held for sale	20	2,900	1,363
Increase in creditors		(418)	635
<b>Net cash inflow/(outflow) from operating activities</b>		<b>2,578</b>	<b>4,468</b>
<b>Cash flows from investing activities</b>			
Cash acquired with transfer of merging societies		-	411
Transaction costs for sale of housing properties	12	56	(324)
Transaction costs for merged societies		-	(216)
Grant repaid	26	(1,435)	(1,068)
Sale of current asset investments	22	1,202	70
Proceeds from sale of fixed assets - housing properties	12	2,292	3,131
Proceeds from sale of fixed assets - other		-	-
Purchase of fixed assets - housing properties		(4,750)	(10,664)
Purchase of fixed assets - other	17	(411)	(144)
Receipt of grant and other movements	25	50	902
Net loan advances to member societies		(2,936)	266
Interest received	13	267	139
<b>Net cash used in investing activities</b>		<b>(5,665)</b>	<b>(7,497)</b>
<b>Cash flows from financing activities</b>			
Interest paid	14	(325)	(577)
Bank loans repaid		-	(5,611)
New loans - bank		-	-
<b>Net cash (outflow)/inflow by financing activities</b>		<b>(325)</b>	<b>(6,188)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(3,412)</b>	<b>(9,217)</b>
Cash and cash equivalents at beginning of year		13,426	22,643
<b>Cash and cash equivalents at end of year</b>		<b>10,014</b>	<b>13,426</b>

The notes on pages 34 to 59 form part of these financial statements

# Financial Statements continued

## Consolidated statement of changes in reserves for the year ended 31 March 2019

	Income and expenditure reserve £'000	Restricted reserves £'000	Total £'000
Balance at 31 March 2018	132,109	11,768	143,877
(Deficit) / Surplus for the year	(724)	11	(713)
<b>Balance at 31 March 2019</b>	<b>131,385</b>	<b>11,779</b>	<b>143,164</b>

## Society statement of changes in reserves for the year ended 31 March 2019

	Income and expenditure reserve £'000	Restricted reserves £'000	Total £'000
Balance at 31 March 2018	132,699	11,768	144,467
(Deficit) / Surplus for the year	(406)	11	(395)
<b>Balance at 31 March 2019</b>	<b>132,293</b>	<b>11,779</b>	<b>144,072</b>

## Consolidated statement of changes in reserves for the year ended 31 March 2018

	Income and expenditure reserve £'000	Restricted reserves £'000	Total £'000
Balance at 31 March 2017 - re-stated	140,005	10,307	150,312
(Deficit) / Surplus for the year	(7,896)	1,461	(6,435)
<b>Balance at 31 March 2018 as restated</b>	<b>132,109</b>	<b>11,768</b>	<b>143,877</b>

## Society statement of changes in reserves for the year ended 31 March 2018

	Income and expenditure reserve £'000	Restricted reserves £'000	Total £'000
Balance at 31 March 2017 re-stated	139,781	10,307	150,088
(Deficit) / Surplus for the year	(7,082)	1,461	(5,621)
<b>Balance at 31 March 2018 as restated</b>	<b>132,699</b>	<b>11,768</b>	<b>144,467</b>

The notes on pages 34 to 59 form part of these financial statements



# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 1. Legal status

The Group consists of the following three trading entities: The Abbeyfield Society Limited ("The Society", company number 574816), Abbeyfield Properties Limited (company number 9482576) and The Abbeyfield Research Foundation (company number 9705217).

The Society is a company limited by guarantee, incorporated in England and Wales, having no share capital and with solely charitable objectives. The Society is registered with the Regulator of Social Housing and the Charity Commission. The Society's registered address is St. Peter's House, 2 Bricket Road, St. Albans, AL1 3JW. The Society is a member of each separate independent, Abbeyfield Member Society. The Society holds one £1 share in any Abbeyfield Member Society which is registered under the Co-operative and Community Benefit Societies Act 2014. The Society and the Group do not have a controlling interest in any Abbeyfield Member Society. The Society is a public benefit entity. These financial statements do not reflect any of the Member Societies assets, liabilities or financial transactions.

Abbeyfield Properties Limited is a company limited by shares, incorporated in England and Wales, having a share capital of £1. Abbeyfield Properties Limited is wholly owned by the Society. It is deployed by the Society as a design-and-build company for its new developments.

Abbeyfield Research Foundation is a company limited by guarantee, incorporated in England and Wales, having no share capital and with solely charitable objectives. It is registered with the Charity Commission (Charity No. 1167685). Abbeyfield Research Foundation is wholly owned by the Society. Abbeyfield Research Foundation is a fundraising and grant making body, which focuses on funding research into issues that affect older people.

## 2. Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for The Society includes the Companies Act, Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland", and the Statement of Recommended Practice (SORP) for Registered Social Housing Providers, "Accounting by Registered Social Housing Providers" 2014 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

The accounts are prepared under the historic cost basis except for the modification to a fair value basis for certain financial instruments and investment properties, as specified in the accounting policies below. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

In preparing the separate financial statements of The Society, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the society;
- Disclosures in respect of The Society's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole and
- No disclosure has been given for the aggregate remuneration of the key management personnel of The Society as their remuneration is included in the totals for the Group as a whole.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

The following principal accounting policies have been applied:

## **Basis of consolidation**

The consolidated financial statements present the results of The Abbeyfield Society, a registered provider of social housing and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

## **Transfers of undertakings**

The Society has had transferred to it the assets, liabilities and undertakings of a number of Abbeyfield and other societies, which were previously wholly independent bodies. With effect from the date of transfer the Society has taken on responsibility for providing the accommodation-based support services to the entire resident group. Each transfer has been the subject of a formal agreement, under which the assets and liabilities of the society have been transferred to the Society for nil consideration.

## **Accounting for transfers**

Each of the transfers above has been accounted for using the principles of acquisition accounting. Assets and liabilities of each society at the date of transfer have been brought into the Society's balance sheet at their fair values. In the case of housing properties, fair value has been taken to be the existing use value, for social housing purposes (EUV-SH). The transfers relating to the houses that will be closed, were brought in at the open market value less Social Housing Grant (SHG). Valuations of housing properties have been carried out by an independent firm of chartered surveyors.

Other tangible fixed assets have been brought into the balance sheet at their estimated value to The Society. Listed investments have been brought into the balance sheet at their market value as at the date of transfer. Properties which were held for sale as at the date of transfer are held at the lower of cost and net realisable value. Net realisable value is based on actual or

estimated selling price after the deduction of selling and related costs and less all further costs to complete.

On transition to FRS 102, the Society chose not to apply retrospectively the standard to business combinations that occurred before the date of transition to FRS 102, being 31 March 2014.

The transfers of Member Societies are treated within FRS102 as a business combination that is in substance a gift. Any excess of fair value over the assets received over the fair value of the liabilities assumed is recognised as a gain in the income statement. This gain represents the gift of the value of one entity to another and is recognised as income. Where the fair value of the liabilities exceeds the fair value of the assets, the loss represents net obligations assumed and shall be recognised as an expense.

## **Income**

The Society's turnover principally comprises residents' charges receivable from homes, annual membership fees due from Member Societies, donations from third parties and fund-raising activities. The residents' charges are composite amounts covering rent, service charges and support. Income is measured at the fair value of the consideration received or receivable. The Group generates the following material income streams: -

- Rental income (after deducting lost rent from void properties available for letting);
- Service charges receivable;
- Donations and legacies;
- Membership fees;
- Property sales;
- Market rent.

Turnover from social housing lettings is recognised on delivery of services to end users, as the Society performs its obligations. Income from donations and legacies is accounted for on a receivable basis when it is more likely than not that the economic benefits will flow to the Society and the amount of the income can be measured reliably together with any related costs. Turnover from sale of properties is recognised on legal completion of sales.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

Rental income is recognised from the point when properties under development reach practical completion and are formally let. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

## **Service charges**

The Group adopts either fixed or variable method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

## **Value Added Tax**

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

## **Finance costs**

Finance costs are charged to the income statement over the term of the debt using the applicable interest rate so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

## **Pension costs**

Contributions to the Group's defined contribution pension scheme are charged to the income statement in the year in which they become payable.

## **Holiday pay accrual**

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

## **Property, Plant and Equipment - Housing Properties (PPE)**

Housing properties constructed or acquired (including land) on the open market are stated at cost less depreciation and impairment where applicable. Housing properties received as part of a transfer of undertakings were initially recorded at fair value; depreciation and impairment has been deducted as applicable.

The cost of freehold land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income with the exception of components, which are capitalised as they have a life of more than one year.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in PPE and held at cost less any impairment, and are transferred to completed properties when ready for letting.

## **Depreciation of housing properties**

Housing properties are split between freehold land, structure and other major components that are expected to require replacement over time.

The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the expected annual depreciation charge for such assets is considered material, individually or in aggregate.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

Assets in the course of construction are not depreciated until they are completed and ready for use.

Freehold land is not depreciated on account of its indefinite useful economic life.

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful lives of the assets on the following basis:

Description	Estimated useful life (years)
Structure	100
Roofs	50
Kitchen	30
Bathroom	30
Windows and doors	30
Electrical	20
Heating	15
Lifts	15
Furniture and Equipment	10

## Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure type costs are allocated on a unit basis.

## Property, Plant and Equipment - Other

Other tangible fixed assets are stated at historic cost less accumulated depreciation and any accumulated impairment losses. Historic cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Society. The carrying amount of the replaced part is written off. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

## Depreciation of Other Property, Plant and Equipment

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives are as follows:

Description	Estimated useful life (years)
Furniture & equipment	10
Motor vehicles	5
Office furniture	5
Office equipment and computers	3-5

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised below operating surplus/(deficit), in the statement of comprehensive income.

## Investment Properties

Investment properties consist of properties not held for social benefit or use in operations. They are properties held to earn rental income or for capital appreciation. They are initially measured at cost and subsequently at fair value as determined by external valuers. No depreciation is provided. Changes in fair value are recognised in income or expenditure.

## Government grants

Grant received in relation to constructed or acquired housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received.

Where social housing grant ("SHG") funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account. Where properties with grant attached are received as part of a transfer of undertakings the ultimate requirement to recycle/repay grant sits within The Society and is recorded as a contingent liability. When properties are identified for sale and a grant liability will crystallise that is not covered by the anticipated sales proceeds, additional provision for impairment is recorded.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

## **Recycled Capital Grant Fund**

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct the Society to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three-year period, grant will be repayable to Homes England with interest.

Any unused recycled capital grant held, is disclosed in the balance sheet under "creditors due after more than one year", except where the property disposal was greater than two years previous and this is disclosed, as creditors due less than one year.

## **Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment. Investments in listed company shares, which have been classified as current asset investments, are stated at fair value at each balance sheet date. Gains and losses are recognised in the income statement for the period.

## **Impairment of Property Plant and Equipment**

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Some properties have been valued at value-in-use service potential. The Society defines cash generating units at unit level. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

## **Stock**

Stock represents work in progress and completed properties, including housing properties developed for transfer to other registered providers; closed properties received as part of a transfer of undertakings that are held for sale; properties developed for outright sale; and shared ownership properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

## **Debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

**Recoverable amount of rental and other trade receivables**  
The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historic collection rates and the class of debt.

## **Loans to Member Societies**

Loans to Member Societies are regarded as concessionary loans (FRS 102). Those loans are made at a rate of interest which is below the prevailing market rate of interest.

These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment. Any associated grant is recognised as deferred income until the loan is redeemed.

## **Rent and service charge agreements**

The Group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

## **Loans, investments and short term deposits**

These instruments are initially recorded at the transaction price less any transaction costs (historic cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost. Loans and investments that are payable or receivable within one year are not discounted.

## **Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

## **Cash and cash equivalents**

Cash and cash equivalents in the Group's balance sheet consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

The Group has also identified some investments, which meet the definition of cash and cash equivalents but are restricted in their use; these investments have been classified as restricted cash equivalents.

## **Contingent liabilities**

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made. A contingent liability exists on grant repayment which is dependent on the disposal of related property.

## **Reserves**

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Restricted funds arise from either the conditions of the legacy, or surplus from transfer of merging societies, donation of merger of Societies. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- the anticipated costs to complete on a development scheme are based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, the Board then determines the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the Board's best estimate of sales value based on economic conditions within the area of development.
- the appropriate allocation of costs relating to shared ownership between current and fixed assets.
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- Investments (see note 22)  
The most critical estimates, assumptions and judgements relate to the determination of carrying value of investments are determined using the valuation provided by Barclays Wealth and Investment Management and Charles Stanley & Co Limited.
- Rental and other trade receivables (see note 21) The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an aging profile basis to consider whether each debt is recoverable.
- Investment properties (see note 18)  
Investment properties are professionally valued annually using yield methodology. This uses market rental values capitalised at market capitalisation rate, there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself. Key input into the valuation in the last financial year, which had been retained for the year to 31 March 2019, were:
  - o Rent payable;
  - o Net initial yield;
  - o Location and condition of the property;

### Other key sources of estimation uncertainty:

- Property Plant and Equipment (PPE) (see note 16)  
PPE is depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 4. Particulars of turnover, operating costs and operating surplus - Group

		Turnover 2019 £'000	Operating costs 2019 £'000	Operating (deficit) / surplus 2019 £'000
	Note			
Social housing lettings*	5	44,394	(49,659)	(5,265)
Activities other than Social Housing Activities				
Market rent (Independent Living) and other**		3,464	(2,231)	1,233
Membership activity		724	(710)	14
International activity		3	(69)	(66)
Disposal of development properties		3,905	(2,503)	1,402
Surplus from transfer of merging societies		26	(17)	9
Other		159	(127)	32
Donations and legacies		2,118	(493)	1,625
Grants to member societies		-	(231)	(231)
<b>Total</b>		<b>54,793</b>	<b>(56,040)</b>	<b>(1,247)</b>

\*Social housing lettings excludes operating costs and depreciation for non social housing properties previously included in FY 2018 (Op costs £4.2m plus Depn £309k, Total £3,799k).

\*\*Market rent operating costs includes depreciation for non social housing properties (£44k).

		Turnover 2018 £'000	Operating costs 2018 £'000	Operating (deficit) / surplus 2018 £'000
	Note			
Social housing lettings	5	43,595	(55,327)	(11,732)
Activities other than Social Housing Activities				
Market rent (Independent Living) and other		2,564	(2,065)	499
Membership activity		770	(1,098)	(328)
International activity		6	(121)	(115)
Impairment of current assets		-	(1,105)	(1,105)
Disposal of development properties		2,215	(1,612)	603
Surplus from transfer of merging societies		3,753	-	3,753
Other		290	284	574
Donations and legacies		2,180	(628)	1,552
Grants to member societies		-	(138)	(138)
<b>Total</b>		<b>55,373</b>	<b>(61,810)</b>	<b>(6,437)</b>



# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 4. Particulars of turnover, operating costs and operating surplus - Society

	Note	Turnover 2019 £'000	Operating costs 2019 £'000	Operating (deficit) / surplus 2019 £'000
Social housing lettings*	5	44,394	(49,659)	(5,265)
<b>Activities other than Social Housing Activities</b>				
Market rent (Independent Living) and other**		3,464	(2,231)	1,233
Membership activity		724	(710)	14
International activity		3	(69)	(66)
Surplus from sale of current assets		3,905	(2,503)	1,402
Surplus from transfer of merging societies		26	(17)	9
Other		351	(1)	350
Donations and legacies		2,118	(493)	1,625
Grants to member societies		-	(231)	(231)
<b>Total</b>		<b>54,985</b>	<b>(55,914)</b>	<b>(929)</b>

\*Social housing lettings excludes operating costs and depreciation for non social housing properties previously included in FY 2018 (Op costs £4.2m plus Depn £309k, Total £3,799k).

\*\*Market rent operating costs includes depreciation for non social housing properties (£44k).

	Note	Turnover 2018 £'000	Operating costs 2018 £'000	Operating (deficit) / surplus 2018 £'000
Social housing lettings	5	43,595	(55,327)	(11,732)
<b>Activities other than Social Housing Activities</b>				
Market rent (Independent Living) and other		2,564	(2,065)	499
Membership activity		770	(1,098)	(328)
International activity		6	(121)	(115)
Impairment of current assets		-	(1,105)	(1,105)
Disposal of development properties		2,215	(1,612)	603
Surplus from transfer of merging societies		3,753	-	3,753
Other		289	565	854
Donations and legacies		2,760	(628)	2,132
Grants to member societies		-	(138)	(138)
<b>Total</b>		<b>55,952</b>	<b>(61,529)</b>	<b>(5,577)</b>

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 5. Income and expenditure from social housing lettings - Group

	Care £'000	Supported Housing £'000	Total 2019 £'000	Total 2018 £'000
<b>Income</b>				
Rents net of identifiable service charges	28,748	2,282	31,030	30,521
Service charge income	18	13,177	13,195	12,980
Grant amortisation	169	-	169	94
<b>Turnover from social housing lettings</b>	<b>28,935</b>	<b>15,459</b>	<b>44,394</b>	<b>43,595</b>
<b>Expenditure</b>				
Management	(6,345)	(1,876)	(8,221)	(9,167)
Service charge costs	(1,804)	(2,409)	(4,213)	(4,184)
Charges for support services *	(23,053)	(7,619)	(30,672)	(29,346)
Routine maintenance	(1,066)	(1,299)	(2,365)	(2,465)
Major repairs expenditure	(86)	(137)	(223)	(548)
Bad debts	(86)	(26)	(112)	(81)
Impairment (Housing Properties) 16	376	62	438	(6,557)
Accelerated depreciation	(142)	(146)	(288)	(124)
Depreciation (Housing Properties)	(1,490)	(1,054)	(2,544)	(2,482)
Depreciation (Other Fixed Assets)	(391)	(9)	(400)	(373)
Abortive Costs	(1,059)	-	(1,059)	-
<b>Operating expenditure on social housing lettings</b>	<b>(35,146)</b>	<b>(14,513)</b>	<b>(49,659)</b>	<b>(55,327)</b>
<b>Operating (deficit)/surplus on social housing lettings</b>	<b>(6,211)</b>	<b>946</b>	<b>(5,265)</b>	<b>(11,732)</b>
<b>Void losses</b>	<b>(4,590)</b>	<b>(2,855)</b>	<b>(7,445)</b>	<b>(6,382)</b>

\*These include membership costs £710k (2018 £727k), international costs £3k (2018 £121k), fundraising costs £422k (2018 £564k) and grants £620k (2018 £570k).

Care expenditure includes £1.2m of aborted costs/impairment on development schemes.

Void losses exceeded 2018/19 Budget by £2,336k.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 5. Income and expenditure from social housing lettings - Society

	Care £'000	Supported Housing £'000	Total 2019 £'000	Total 2018 £'000
<b>Income</b>				
Rents net of identifiable service charges	28,748	2,282	31,030	30,521
Service charge income	18	13,177	13,195	12,980
Grant amortisation	169	-	169	94
<b>Turnover from social housing lettings</b>	<b>28,935</b>	<b>15,459</b>	<b>44,394</b>	<b>43,595</b>
<b>Expenditure</b>				
Management	(6,345)	(1,876)	(8,221)	(9,167)
Service charge costs	(1,804)	(2,409)	(4,213)	(4,184)
Charges for support services *	(23,053)	(7,619)	(30,672)	(29,346)
Routine maintenance	(1,066)	(1,299)	(2,365)	(2,465)
Major repairs expenditure	(86)	(137)	(223)	(548)
Bad debts	(86)	(26)	(112)	(81)
Impairment (Housing Properties) 16	376	62	438	(6,557)
Accelerated depreciation	(142)	(146)	(288)	(124)
Depreciation (Housing Properties)	(1,490)	(1,054)	(2,544)	(2,482)
Depreciation (Other Fixed Assets)	(391)	(9)	(400)	(373)
Abortive Costs	(1,059)	-	(1,059)	-
<b>Operating expenditure on social housing lettings</b>	<b>(35,146)</b>	<b>(14,513)</b>	<b>(49,659)</b>	<b>(55,327)</b>
<b>Operating (deficit)/surplus on social housing lettings</b>	<b>(6,211)</b>	<b>946</b>	<b>(5,265)</b>	<b>(11,732)</b>
<b>Void losses</b>	<b>(4,590)</b>	<b>(2,855)</b>	<b>(7,445)</b>	<b>(6,382)</b>

\*These include membership costs £710k (2018 £727k), international costs £3k (2018 £121k), fundraising costs £422k (2018 £564k) and grants £620k (2018 £570k).

Care expenditure includes £1.2m of aborted costs/impairment on development schemes.

Void losses exceeded 2018/19 Budget by £2,336k.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 6. Particulars of turnover from non-social housing lettings - Group and Society

	2019 £'000	2018 £'000
Market rent	3,465	2,564
<b>Total</b>	<b>3,465</b>	<b>2,564</b>

## 7. Units of housing stock - Group and Society

	2019 Units	2018 Units
Supported Housing	1,107	1,107
Residential care home bed spaces	706	763
Market Rent	282	282
<b>Total Owned and Managed accommodation</b>	<b>2,095</b>	<b>2,152</b>
Units under construction	194	171
<b>Units owned by the society but managed by others</b>	<b>87</b>	<b>87</b>

## 8. Operating (deficit)/surplus

		Group 2019 £'000	Group 2018 £'000	Society 2019 £'000	Society 2018 £'000
<b>This is arrived at after charging:</b>					
Depreciation of housing properties: charge for the year	16	2,544	2,482	2,544	2,482
Depreciation of other tangible fixed assets	17	400	374	400	374
Accelerated depreciation		302	124	302	124
Impairment (Housing Properties)	16	(437)	6,469	(437)	6,469
Impairment (Current Assets)	20	(413)	1,327	(413)	1,327
Amortisation of grants		135	94	135	94
Operating lease charges - other		32	32	32	32
<b>Auditors' remuneration:</b>					
Group accounts		114	108	114	101
Subsidiaries		8	7	-	7
other audit related assurance		25	5	19	5
tax advice		17	17	17	9

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 9. Employees

	Group 2019 £'000	Group 2018 £'000	Society 2019 £'000	Society 2018 £'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	28,671	26,473	28,671	26,473
Social Security Costs	2,028	1,963	2,028	1,963
Cost of defined contribution scheme	565	378	565	378
<b>Total</b>	<b>31,264</b>	<b>28,814</b>	<b>31,264</b>	<b>28,814</b>

Defined pension contributions payable of £37k (2018: £37k) are included in creditors.

## Employee numbers

The average number of employees (including Executive Management Team) expressed as full time equivalents (calculated based on a standard working week of 35 hours) during the year was as follows:

	Group 2019	Group 2018	Society 2019	Society 2018
Administration	128	122	128	122
Development	7	7	7	7
Housing, Support and Care	1,072	1,012	1,072	1,012
<b>Total</b>	<b>1,207</b>	<b>1,141</b>	<b>1,207</b>	<b>1,141</b>

## 10. Board and executive remuneration

None of the members of the Board received any emoluments (2018: £nil). Board expenses for the year are £31,186.17 (2018: £43,883).

	Group 2019 £'000	Group 2018 £'000	Society 2019 £'000	Society 2018 £'000
Executive emoluments	1,185	1,276	1,185	1,276
Contributions to money purchase pension schemes	46	59	46	59
<b>Total</b>	<b>1,231</b>	<b>1,335</b>	<b>1,231</b>	<b>1,335</b>

The total amount payable to the Chief Executive post, who was also the highest paid director, in respect of emoluments was £172,013 (2018: £151,151). Employer pension contributions totalling £10,596 were made during the year for a defined contribution scheme which is open to all employees.

The remuneration paid to staff (including the Executive Management Team) earning over £60,000:

	Group 2019 number	Group 2018 number	Society 2019 number	Society 2018 number
£60,001 - £70,000	7	7	7	7
£70,001 - £80,000	4	4	4	4
£80,001 - £90,000	1	2	1	2
£110,001 - £120,000	1	2	1	2
£120,001 - £130,000	1	1	1	1
£130,001 - £140,000	1	-	1	-
£170,001 - £180,000	1	-	1	-

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 11. Board/Committee Members

Board/Committee Member	Member of:							
	Nominations Committee	Members Committee	Audit and Risk Committee	Finance & Operations Committee	Remuneration Committee	Quality Committee	Group Board	Property Committee
Ian Plaistowe	✓	✓	✓	✓	✓		✓	
Jenny Lawrence		✓	✓				✓	
Chris Smith	✓		✓				✓	✓
Andre Decraene		✓	✓				✓	
Norman Greville				✓			✓	✓
Amanda Houlihan		✓		✓	✓	✓	✓	
Jeff Medlock				✓			✓	✓
Rt. Rev Dr Stephen Venner	✓			✓	✓		✓	
Sara Beaman						✓	✓	
Andrew Larpent						✓	✓	
Cedric Meiring							✓	
Ken Staveley							✓	
Brian Williams							✓	
Adrian Swenson		✓						
Alan Innes		✓						
Pam Fensome		✓						
Eifion Bowen		✓						
Cheryl Dean		✓						
Bob Stout		✓						
Suzanne Geoghegan		✓						
CEO/Finance Director in attendance	✓		✓	✓				

## 12. Surplus/(deficit) on disposal of fixed assets housing properties - Group and Society

	2019	2018
	£'000	£'000
Disposal proceeds	2,292	3,081
Cost of disposals	(692)	(2,055)
Selling costs	(56)	(324)
Grant recycled	(1,049)	(625)
	495	77

## 13. Interest receivable and income from investments - Group and Society

	Group	Group	Society	Society
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Abbeyfield member societies	158	85	158	85
Interest receivable	109	54	108	54
Total	267	139	266	139

## 14. Interest payable and similar charges - Group and Society

	Group	Group	Society	Society
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	325	577	324	577
Recycled capital grant fund	42	21	42	21
Total	367	598	366	598

## 15. Taxation

A tax charge of £46k was reversed in 2017/18 from Abbeyfield Property Limited. This was from the surplus of APL in 2017/18 being gift aided to the Society. No tax charge has been made during the current tax year.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 16. Property, Plant and Equipment - Housing properties - Group

	Care, Housing and Independent Living completed £'000	Care, Housing and Independent Living under construction £'000	Shared ownership completed £'000	Total £'000
<b>Cost:</b>				
As at 1 April 2018	169,448	4,256	793	174,497
<b>Additions:</b>				
Construction costs	-	3,601	-	3,601
Additions to completed schemes	249	(249)	-	-
Replaced components	1,149	-	-	1,149
Component disposals	(482)	-	-	(482)
Closed property disposals	(1,894)	-	-	(1,894)
Transferred to current assets	-	-	-	-
Transferred (to)/from investment properties	-	-	-	-
Construction assets completed during the year	500	(500)	-	-
Additions from transferring societies	350	-	-	350
<b>At 31 March 2019</b>	<b>169,320</b>	<b>7,108</b>	<b>793</b>	<b>177,221</b>
<b>Depreciation:</b>				
As at 1 April 2018	17,138	-	129	17,267
Restatement	32	(867)	(129)	(996)
<b>Restated balance at 1 April 2018</b>	<b>16,271</b>	<b>-</b>	<b>-</b>	<b>16,271</b>
Charge for the year	2,544	-	-	2,544
Eliminated on disposals: components	(194)	-	-	(194)
Eliminated on disposals: other	(789)	-	-	(789)
<b>At 31 March 2019</b>	<b>17,832</b>	<b>-</b>	<b>-</b>	<b>17,832</b>
<b>Impairment:</b>				
As at 1 April 2018	7,879	-	-	7,879
Charge for the year	988	-	-	988
Reversed PY impairment	(555)	-	-	(555)
Released in the year at sale	(870)	-	-	(870)
<b>At 31 March 2019</b>	<b>7,442</b>	<b>-</b>	<b>-</b>	<b>7,442</b>
<b>Net book value at 31 March 2019</b>	<b>144,046</b>	<b>7,108</b>	<b>793</b>	<b>151,947</b>
<b>Net book value at 31 March 2018 as restated</b>	<b>145,298</b>	<b>4,256</b>	<b>793</b>	<b>150,347</b>

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 16. Property Plant and Equipment - Housing properties - Society

	Care, Housing and Independent Living completed £'000	Care, Housing and Independent Living under construction £'000	Shared ownership completed £'000	Total £'000
<b>Cost:</b>				
As at 1 April 2018	169,448	4,880	793	175,121
<b>Additions:</b>				
Construction costs	-	3,799	-	3,799
Additions to completed schemes	249	(249)	-	-
Replaced components	1,149	-	-	1,149
Component disposals	(482)	-	-	(482)
Closed property disposals	(1,894)	-	-	(1,894)
Construction assets completed during the year	500	(500)	-	-
Additions from transferring societies	350	-	-	350
<b>At 31 March 2019</b>	<b>169,320</b>	<b>7,930</b>	<b>793</b>	<b>178,043</b>
<b>Depreciation:</b>				
As at 1 April 2018	17,138	-	129	17,267
Restatement	(867)	-	(129)	(996)
<b>Restated balance at 1 April 2018</b>	<b>16,271</b>	<b>-</b>	<b>-</b>	<b>16,271</b>
Charge for the year	2,544	-	-	2,544
Eliminated on disposals: components	(194)	-	-	(194)
Eliminated on disposals: other	(789)	-	-	(789)
Transferred (to)/from investment properties	-	-	-	-
<b>At 31 March 2019</b>	<b>17,832</b>	<b>-</b>	<b>-</b>	<b>17,832</b>
<b>Impairment:</b>				
As at 1 April 2018	7,879	-	-	7,879
Charge for the year	988	-	-	988
Reversed PY impairment	(555)	-	-	(555)
Released in the year at sale	(870)	-	-	(870)
<b>At 31 March 2019</b>	<b>7,442</b>	<b>-</b>	<b>-</b>	<b>7,442</b>
<b>Net book value at 31 March 2019</b>	<b>144,046</b>	<b>7,930</b>	<b>793</b>	<b>152,769</b>
<b>Net book value at 31 March 2018 as restated</b>	<b>145,298</b>	<b>4,880</b>	<b>793</b>	<b>150,971</b>
<b>16. PPE - Housing properties - Group and Society (continued)</b>	<b>Group 2019 £'000</b>	<b>Society 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>Society 2018 £'000</b>
Freehold	150,446	151,267	148,813	149,437
Long leasehold	1,501	1,501	1,534	1,534
<b>Total</b>	<b>151,947</b>	<b>152,769</b>	<b>150,347</b>	<b>150,971</b>
Works to properties included above				
Improvements to existing properties capitalised	1,149	1,149	445	445
Major repairs expenditure to SOCI	223	223	475	475
<b>Total</b>	<b>1,372</b>	<b>1,372</b>	<b>920</b>	<b>920</b>
<b>Capital grant - Housing Properties in Reserves</b>				
As at 1 April 2018	30,635	30,635	31,685	31,685
Capital grant - Housing Properties in creditors	18,012	18,012	18,931	18,931
Recycled Capital Grant Fund	5,319	5,319	6,062	6,062
<b>Total</b>	<b>53,966</b>	<b>53,966</b>	<b>56,678</b>	<b>56,678</b>

The Society had property with a book value of £37.1m pledged as security at 31 March 2019 (2018: £37.1m)



# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 17. Tangible fixed assets - Other - Group and Society

	Fixtures, fittings and furniture £'000	Computer and other office equipment £'000	Total £'000
<b>Cost:</b>			
As at 1 April 2018	656	1,495	2,151
Additions	25	386	411
Disposals	-	(496)	(496)
<b>At 31 March 2019</b>	<b>681</b>	<b>1,385</b>	<b>2,066</b>
<b>Depreciation:</b>			
As at 1 April 2018	468	902	1,370
Charge for the year	133	267	400
Disposals	-	(308)	(308)
<b>At 31 March 2019</b>	<b>601</b>	<b>861</b>	<b>1,462</b>
<b>Net book value at 31 March 2019</b>	<b>80</b>	<b>524</b>	<b>604</b>
<b>Net book value at 31 March 2018</b>	<b>188</b>	<b>593</b>	<b>781</b>

## 18. Investment properties

Investment properties consist of properties not held for social benefit or for use in the business. Investment properties are measured at the cost on initial recognition. Subsequently they are carried at fair value determined annually by professionally qualified valuers and derived from the current market rent and investment property yield for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the statement of comprehensive income.

### Group and Society

	Market rent £'000
<b>Cost:</b>	
As at 1 April 2018	800
Revaluation	-
<b>At 31 March 2019</b>	<b>800</b>

The valuations were undertaken by JLL in accordance with the RICS Valuation Global Standards 2017 and the RICS Valuation - Professional Standards 2014. In valuing investment properties an investment method of valuation was used. Details of the assumptions made and the key sources of estimation uncertainty are given in note 3.

The surplus on revaluation of investment property of £0 (2018 £338k) has been credited to the statement of comprehensive income for the year.

If investment property had been accounted for under the historic cost accounting rules the properties would have been measured as follows:-

	Group 2019 £'000	Group 2018 £'000	Society 2019 £'000	Society 2018 £'000
<b>Cost:</b>				
Historic cost	591	591	591	591
Accumulated Depreciation	(132)	(129)	(132)	(129)
<b>At 31 March 2019</b>	<b>459</b>	<b>462</b>	<b>459</b>	<b>462</b>

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 19. Investments

	Country of incorporation or registration	Voting rights % held	Nominal value of the shares held	Nature of business	Nominal value of the share held
<b>Subsidiary Undertakings</b>					
Abbeyfield Properties Limited	England	100%	£1	Design-and-build	Incorporated company, limited by shares
The Abbeyfield Research Foundation	England	100%	£nil	Fundraising and Grant making	Incorporated company, limited by guarantee
Abbeyfield UK Limited	England	100%	£nil	Dormant	Incorporated company, limited by guarantee
Pebblemist Limited	England	100%	£nil	Dormant	Incorporated company, limited by guarantee
Abbeyfield Elland Society Limited	England	100%	£nil	Dormant	Incorporated company, limited by guarantee
Abbeyfield The Dales Limited	England	33%	£nil	Cost sharing Group	Incorporated company, limited by guarantee

The ownership of Abbeyfield The Dales Limited is shared equally between Abbeyfield Ilkley Society Limited, Abbeyfield Bradford Society Limited and The Abbeyfield Society together ("the Members"). Abbeyfield The Dales Limited is a cost sharing group which provides property management services to the Members. As per note 33, the investment in Abbeyfield The Dales Limited was realised on April 15th 2019.

All above Subsidiary undertakings are registered at St Peters House, 2 Bricket Road, St Albans, Hertfordshire, AL1 3JW.

## 20. Properties for sale - Group

	Closed properties held for sale 2019 £'000	Developed units 2019 £'000	Total 2019 £'000	Total 2018 £'000
Work in progress	-	894	894	567
Completed properties	1,116	962	2,078	5,305
Less: Provision for impairment	(914)	-	(914)	(1,327)
<b>Total</b>	<b>202</b>	<b>1,856</b>	<b>2,058</b>	<b>4,545</b>

## 20. Properties for sale - Society

	Closed properties held for sale 2019 £'000	Developed units 2019 £'000	Total 2019 £'000	Total 2018 £'000
Work in progress	-	894	894	567
Completed properties	1,116	1,055	2,171	5,305
Less: Provision for impairment	(914)	-	(914)	(1,327)
<b>Total</b>	<b>202</b>	<b>1,949</b>	<b>2,151</b>	<b>4,545</b>

Properties developed for sale do not include capitalised interest.

Developed units with a value of £nil have been pledged for security for bank borrowings (2018: £nil) The provision for impairment is reduced by £568k from the previous year, to account for the sale of 2 properties during the year (2018: £1,327k).

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 21. Debtors - Group and Society

	Group 2019 £'000	Group 2018 £'000	Society 2019 £'000	Society 2018 £'000
<b>Due within one year</b>				
Rent and service charge arrears	688	664	688	664
Less: Provision for doubtful debts	(337)	(275)	(337)	(275)
	351	389	351	389
Abbeyfield member societies	90	2,363	90	2,363
Other debtors	938	1,213	938	1,277
Prepayments and accrued income	2,614	1824	2,614	1824
<b>Total</b>	<b>3,993</b>	<b>5,789</b>	<b>3,993</b>	<b>5,853</b>
<b>Due after one year</b>				
Due from Abbeyfield member societies	5,674	465	5,674	465

## 22. Current asset investments - Group and Society

	2019 £'000	2018 £'000
Opening fair value	2,567	2,147
Additions	-	490
Fair Value Adjustment	139	-
Disposals	(1,202)	(70)
<b>Closing fair value</b>	<b>1,504</b>	<b>2,567</b>

All current asset investments are shares held in listed companies which trade on a regular basis. These investments are managed by Barclays Wealth Management and Charles Stanley & Co Limited. Original cost was £1.5m.

## 23. Creditors: falling due within one year - Group and Society

	Group 2019 £'000	Group 2018 £'000	Society 2019 £'000	Society 2018 £'000
Trade creditors	1,328	1,365	1,322	1,189
Taxation and social security	640	432	632	432
Other creditors	612	819	612	819
Recycled Capital Grant Fund (note 26)	2,076	1,132	2,076	1,132
Accruals and deferred income	5,442	6,237	4,296	5,532
Amount owed to group undertakings	-	-	1,396	831
<b>Total</b>	<b>10,098</b>	<b>9,985</b>	<b>10,334</b>	<b>9,935</b>

# Notes forming part of the Financial Statements for the year ended 31 March 2019

<b>24. Creditors: falling due after one year - Group</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Deferred capital grant (note 25)	<b>18,012</b>	18,931
Recycled Capital Grant Fund (note 26)	<b>4,443</b>	4,930
Licence deposits	<b>52</b>	108
Other creditors	<b>825</b>	889
<b>Total</b>	<b>23,332</b>	24,858

<b>24. Creditors: falling due after one year - Society</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Deferred capital grant (note 25)	<b>18,012</b>	18,931
Recycled Capital Grant Fund (note 26)	<b>4,443</b>	4,930
Licence deposits	<b>52</b>	108
Other creditors	<b>566</b>	573
<b>Total</b>	<b>23,073</b>	24,542

<b>25. Deferred capital grant - Group and Society</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
At 31 March 2018	<b>18,931</b>	10,572
Grants receivable during the year	<b>50</b>	903
Grants recycled from the recycled grant fund	<b>-</b>	7,550
Amortisation Prior Year Adjustment	<b>(34)</b>	-
Grant Reversed to RCGF	<b>(800)</b>	-
Released to income during the year	<b>(135)</b>	(94)
<b>Total</b>	<b>18,012</b>	18,931

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 26. Recycled capital grant fund - Group and Society

	Homes England 2019 £'000	GLA 2019 £'000	Total 2019 £'000	Homes England 2018 £'000	GLA 2018 £'000	Total 2018 £'000
<b>Capital grant: relating to development activities funded by</b>						
At 31 March 2018	2,970	3,092	6,062	10,200	3,190	13,390
Prior year allocation correction			-	(960)	960	-
<b>Inputs to fund:</b>						
Grants recycled from reserves at point of sale	921	128	1,049	625	-	625
Restated Grant Allocated to Tiverton	800	-	800	-	-	-
Grants recycled from reserves property leased to non registered provider	-	-	-	99	-	99
Grants recycled from statement of comprehensive income from business combinations	-	-	-	545	-	545
Interest accrued	26	17	43	11	10	21
Transfer to Member Society	(300)	-	(300)	-	-	-
Allocated to schemes in development	-	-	-	(7,550)	-	(7,550)
Repayment to GLA	-	(1,135)	(1,135)	-	(1,068)	(1,068)
<b>At 31 March 2019</b>	<b>4,417</b>	<b>2,102</b>	<b>6,519</b>	<b>2,970</b>	<b>3,092</b>	<b>6,062</b>
<b>Included in creditors: amounts due within one year</b>	<b>1,071</b>	<b>1,005</b>	<b>2,076</b>	<b>-</b>	<b>1,132</b>	<b>1,132</b>
<b>Included in creditors: amounts due after more than one year</b>	<b>3,346</b>	<b>1,097</b>	<b>4,443</b>	<b>2,970</b>	<b>1,960</b>	<b>4,930</b>
<b>At 31 March 2019</b>	<b>4,417</b>	<b>2,102</b>	<b>6,519</b>	<b>2,970</b>	<b>3,093</b>	<b>6,062</b>

The GLA grant of £1,005k is over 3 years old and is repayable in the next financial year.

The transfer of HCA grant of £1.2m was approved during the financial year and was transferred in April 2019.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 27. Loans and borrowings - Group and Society

	Bank loans 2019 £'000	Bank loans 2018 £'000
<b>Maturity of debt:</b>		
On demand or within one year	-	-
More than one year and up to two years	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

The Group has a revolving credit facility of £22.5m (2018: £22.5m) with Barclays Bank, it is secured by specific charges on the housing properties of the Group. At 31 March 2019 the Group has available facilities of £22.5m (2018: £22.5m).

Loans are secured by specific charges on the housing properties of the Group, as disclosed in note 16.

	2019 £'000	2018 £'000
<b>Financial assets</b>		
<b>Financial assets measured at fair value:</b>		
Investments	1,504	2,567
<b>Financial assets measured at historic cost:</b>		
Trade receivables	688	664
Other receivables	10,892	3,848
Investment in short term deposits	1,907	9,613
Cash and cash equivalents	8,107	3,813
<b>Total financial assets</b>	<b>23,098</b>	<b>20,505</b>
<b>Financial liabilities</b>		
	2019 £'000	2018 £'000
<b>Financial liabilities measured at amortised cost:</b>		
Loans payable	-	-
<b>Financial liabilities measured at historic cost:</b>		
Trade creditors	(1,328)	(1,365)
Other creditors	(6,694)	(8,329)
<b>Total financial liabilities</b>	<b>(8,022)</b>	<b>(9,694)</b>

For cash and cash equivalents, short term deposits, current receivables, current payables and loans payable, the carrying amounts approximate fair value, because of the short maturity of these instruments, and therefore fair value information is not included in the table above.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 28. Contingent liabilities

The Group receives grants from Homes England and from the Greater London Authority, which are used to fund the acquisition and development of housing properties and their components. Where member societies and other organisations have transferred their net assets to the Group through a transfer of undertakings, any related grants are taken into account in the fair value of the assets and this is credited to reserves as part of the surplus/deficit on transfer. The Group has a future obligation to recycle such grants once the properties are disposed of. The amount of grant on properties which are not operational which will be recycled on disposal, where not already accrued is £2,438k.

An amount of £1,049k (2018: £553k) was released from a provision recognised in previous years relating to a property which the Group disposed of during the current year where the anticipated sales proceeds were not expected to cover the grant liability arising on sale.

Through the Abbeyfield Research Foundation, grants are awarded to fund research into issues affecting the care of older people, with the aim of developing practical solutions to improve care. At 31 March 2019 the outstanding commitment made by Abbeyfield Research Foundation is £643k (2018 £325k).

Total Grants in reserves amount to £30.63m (2018 £31.68m).

## 29. Operating leases - Group and Society

The Group and the Society had minimum lease payments under non-cancellable operating leases as set out below:

	2019 £'000	2018 £'000
<b>Amounts payable as Lessee:</b>		
Within one year	32	32
After one year but within five years	-	-
After five years	-	-
<b>Total</b>	<b>32</b>	<b>32</b>

## 30. Capital commitments - Group and Society

	2019 £'000	2018 £'000
<b>Commitments contracted but not provided for:</b>		
Maintenance	-	-
Construction	12,433	15,655
<b>Commitments approved by the Board but not provided for:</b>		
Maintenance	-	-
Construction	11,129	18,376
<b>Total</b>	<b>23,562</b>	<b>34,031</b>

## Capital commitments for the Group and Society will be funded as follows:

Social Housing Grant	856	3,862
New loans	-	-
Sales of properties	-	3,550
Existing cash and utilisation of facilities	22,706	26,619
<b>Total</b>	<b>23,562</b>	<b>34,031</b>

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 31. Related party disclosures

Total invoices received from Abbeyfield Properties Limited ("APL") for design-and-build fees amount to £4,535k (2018: £7,784k) that includes 5% mark up by APL. The costs relating to the design-and-build invoices from the contractors amount to £4,319k (2018: £7,413k). APL made a charitable donation to TAS of £193k during the year (2018: £580k).

A grant of £300k (2018: £300k) was made to Abbeyfield Research Foundation ("ARF") by the Society during the year.

During the year £710k (2018: £371k) of costs were incurred as part of the society's support for member societies.

Four of the Society's trustees are also Chairs of Member / International Societies and as such transactions with these member / international societies are considered to be related parties.

The Trustees and their relevant Societies and transactions of membership fees and for Abbeyfield South Africa payment for International Partnership Manager are as follows:

Name	Society	Value of transactions
Amanda Houlihan	Abbeyfield Buckinghamshire Society	£8,522
Jeff Medlock - Vice Chairman	Abbeyfield Beaconsfield Society	£9,983
Andre Decraene	Abbeyfield Belgium	£746
Cedric Meiring	Abbeyfield South Africa	£1,337



# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 32. Prior year adjustment - Group

	As previously stated	Adjustment	Restated
	<b>Group</b>		
	<b>01/04/2018</b>		
	£'000	£'000	£'000
<b>Tangible fixed assets - housing properties</b>			
Depreciation	(17,267)	996	(16,271)
<b>Designated Reserves</b>			
Transfer of ARF Designated Reserve to Creditors	375	(340)	35
<b>Income and Expenditure Reserves</b>	<u>139,349</u>	<u>656</u>	<u>140,005</u>
<b>Debtors: falling due in one year</b>	1,295	(82)	1,213
<b>Creditors: falling due in one year</b>	(6,295)	58	(6,237)
<b>Creditors: falling due after one year</b>	(573)	(316)	(889)

## 32. Prior year adjustment - Society

	As previously stated	Adjustment	Restated
	<b>Society</b>		
	<b>01/04/2018</b>		
	£'000	£'000	£'000
<b>Tangible fixed assets - housing properties</b>			
Depreciation	17,267	996	(16,271)
<b>Income and Expenditure Reserves</b>	<u>138,785</u>	<u>996</u>	<u>139,781</u>

During the year an exercise was undertaken to reconcile detailed fixed assets and depreciation. This has resulted in a prior year adjustment impacting housing properties, other tangible fixed assets, and properties for sale. The cumulative adjustments reduced opening reserves 1st April 2017 by £996k.

A change in the treatment of Designated Reserves, affecting amounts owed to Group Undertakings, has resulted in a prior year adjustment. Details of which can be found in the accounts of The Abbeyfield Research Foundation.

# Notes forming part of the Financial Statements for the year ended 31 March 2019

## 33. Post Balance Sheet Events - Group and Society

On April 15 2019, the Society sold the freehold interest in the property Fern House, Bingley to Abbeyfield The Dales for £9,392k. On the same date, the Society ceased being part of the cost sharing agreement with Abbeyfield The Dales, and as a result the investment noted in Note 19, Abbeyfield The Dales was realised.

On 29 April 2019 the Society completed the lease with Castleoak Care Developments Ltd on the care home at Speedwell Southampton. The lease was originally entered into on 24 March 2017, and an annual rent of £749k will become payable on 22 July 2019. The Society will account for this lease as a finance lease.

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