



Annual Report and Accounts 2020

The Abbeyfield Society

Annual Report and Accounts

31 March 2020

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Annual Report

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The Board, Executive Officers, Advisers and Patrons

Board at 31 March 2020

Ian Plaistowe

Chair

Jenny Lawrence

Deputy Chair

Sara Beamand

André Decraene

Norman Greville

Amanda Houlihan

Andrew Larpent OBE

Jeff Medlock

Cedric Meiring

Chris Smith

Ken Staveley MBE

Rev Dr Stephen Venner

Brian Williams CBE

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

Executive Committee at 31 March 2020

Chief Executive Officer

David McCullough

Director of Finance

John Clark (interim from 18.11.19)

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 Human Resources

Gail Manley (from 7.10.19)

Director of North Region

Julie Robinson

Director of West Region

Heather Mohammed

Director of East Region

Kirstan Sparshott

External Auditors

BDO LLP

2 City Place

Beehive Ring Road

Gatwick

West Sussex

RH6 OPA

Internal Auditors

Mazars

Tower Bridge House,

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

Director of Finance

Nigel Hopkins (until 31.10.19)

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

Board Committees at 31 March 2020

Remuneration & Nominations Committee

Amanda Houlihan (Chair of
Remuneration)
Ian Plaistowe (Chair of
Nominations)
Chris Smith
Stephen Venner

Audit & Risk Committee

Chris Smith (Chair)
André Decraene
Jenny Lawrence

Finance and Operations Committee

Jeff Medlock (Chair)
Norman Greville
Ian Plaistowe
Stephen Venner

Members Committee

Jenny Lawrence (Chair)
Eifion Bowen
John Connelly (interim)
Cheryl Dean
André Decraene
Pam Fensome
Suzanne Geoghegan
Amanda Houlihan
Alan Innes
Robert Stout

Quality Committee

Amanda Houlihan (Chair)
Sara Beamand
Andrew Larpent

Property Committee

Norman Greville (Chair)
Jeff Medlock
Chris Smith

Registered Office

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

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01727 857536
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Email: 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,
(sadly deceased 18.06.20)

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)

Michael Staff, MBE

Dame Gillian Wagner, DBE PhD

Professor Alan Walker, DLitt FRSA

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

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

President

Vacant

Vice-President

John Robinson, CBE

Chairman's Statement

This year has been challenging for the Abbeyfield Society (TAS). Much of our focus has been dominated by the Covid-19 pandemic, when, understandably, the key priority was ensuring the safety of our residents, staff and volunteers. Whilst every death is a personal tragedy and our heartfelt sympathy extends to all family members affected, I am relieved to report that, due to the exceptional diligence of many individuals throughout the organisation, and the early preventative action taken, the outbreak has been largely successfully managed to date.

Last year the Board made the strategic decision to move TAS towards a much closer relationship with its member societies, and in October 2019, we held a successful conference for the whole Abbeyfield family, with members from both the UK and overseas, where the conclusions from the strategic review were presented and received wide-scale support.

At the heart of the issue is a general perception that our current structure does not bring clarity to the roles and inter-relationships between TAS, Retirement Living (the centrally managed housing portfolio) and Member Societies as we strive to build a new Abbeyfield model and a more streamlined governance structure.

Tackling these structural issues will not happen overnight, as they affect not only TAS, but every society that is part of the Abbeyfield family and will bring changes to the organisation, regulation and governance, and financial model.

In September 2019, following a lengthy and detailed process assessing the standard and viability of our centrally managed houses, the Board took the difficult decision to commence consultation on the potential closure of 22 of our homes and houses. The project was conducted compassionately and efficiently with 240 residents being assisted into new homes and a similar number of staff leaving the organisation for new opportunities. This was a challenging programme with difficult outcomes for our residents and staff, but

we faced up to some long overdue issues in examining whether all our 124 properties could be said to truly represent modern market standards which residents and their relatives naturally expect. The monies received from the sale of these properties will provide much needed funds to invest in our retained homes for the benefit of both current and future residents.

We continue to experience issues with voids in some areas, and Covid-19 has also created extra costs in the form of additional Personal Protective Equipment (PPE) and agency staff which will continue to impact us in 2020/21. In addition, we made further provision for impairment in our books of £6.4m, the majority relating to the homes earmarked for sale as part of the viability programme. This provision was partially mitigated by the surplus on sale of properties of £2.8m.

Work continues to build on the efforts to further increase consistency and efficiency across our managed houses and to improve the cost effectiveness of our support structures. This work is now a main strategic programme for the Board for the next two years as we endeavour to move TAS to a break-even or better operating performance by 2022/23.

Whilst our cash position remains strong, with cash and investments totalling £12.4m, we are exploring alternative strategies for financing our continuing development work.

We continue to build a strong relationship with the Regulator of Social Housing (RSH) and are pleased to have retained our V2 grading following an in-depth assessment.

At our Annual General Meeting we will be saying “goodbye” to Norman Greville. He has provided us with excellent advice on property matters, and applied his common sense in helping us to handle day to day issues facing the Board.

I'd like to finally offer the thanks of the Board and myself to all our staff, volunteers, and members who enable us to deliver outstanding and compassionate care and support to all our Abbeyfield residents.

In spite of the issues we have faced this year, I am uplifted by the diligent and determined way we have set about tackling some of our long-overdue structural challenges.

A handwritten signature in black ink that reads "Ian Plaistowe". The signature is written in a cursive style with a long, sweeping underline for the 'e'.

Ian Plaistowe
Chairman

There is much more to be done, and tough decisions to take, but I am confident that the Abbeyfield Society will remain true to the original values of Richard Carr-Gomm and its mission to enhance the lives of older people by providing a caring and compassionate support and company for older persons in later life when loneliness can be a real factor affecting individual well-being and quality of life.

Report of the Board (incorporating the Strategic Report)

The Board presents its report, which incorporates the Strategic Report as set out in company law, including the audited financial statements for the year ended 31 March 2020.

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 at Abbeyfield is a simple one - to enhance the lives of older people by providing a caring and compassionate service which aims to minimise the occurrence of loneliness in later life. We believe that everyone, irrespective of their age, has a unique and invaluable contribution to make to the lives of others. By helping to create and grow communities which encourage people to remain happily together, for longer, we will deliver on that mission.

As noted in the Chairman's statement, Abbeyfield has faced a number of significant challenges this year, most notably the closure of 22 under-performing homes and the re-housing of residents, followed quickly by the Covid-19 outbreak in early 2020. We have performed detailed stress-testing on our financial projections for 2020/21 and beyond, in conjunction with the Regulator for Social Housing (RSH). This has provided comfort that we have adequate financial headroom whilst delivering our strategic programme, and hence ensuring the financial viability and sustainability of the Society for future generations.

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

Overview of performance and financial position

The result for the year is a deficit of £(10.7)m (2019: £(0.7)m) after an impairment charge of (£6.4)m (2019: £0.9m write-back).

Turnover for the year reduced by £3.9m (7.0%) from £54.8m in 2019 to £50.9m in the current year as a consequence of the reduction in the sales of development properties.

Operating costs before impairment increased by £1.0m, with higher costs incurred managing and delivering the Viability programme.

As in previous years, an independent impairment review of all properties was carried out, in accordance with FRS 102 and the Housing SORP. The process included a full review and comparison of appropriate values of properties designated as Care Homes, Social Housing, investment properties, development properties and properties for sale against their net book values. The impairment provision increased to £12.1m representing an increase in year of £6.4m. This charge was partially mitigated by a surplus on disposal of property of £2.8m (2019: £0.5m).

We have £139.1m (2019:£151.9m) of housing assets and continued to invest in the properties by spending £2.0m (2019: £1.4m) in the year on repairs and capital improvements.

We continue to strive to extend the Abbeyfield services to more people, and the development of extra housing capacity is a key strategic objective. We currently have 125 units in development within TAS, and in the wider membership are supporting developments in the Southern Oaks and South Down Societies. We are keen to take advantage of

Report of the Board (incorporating the Strategic Report) continued

the wide-range of development finance opportunities which are available to the commercial housing sector, and lease arrangements (such as our Southampton premises) provide us with a ready-source of development finance without exclusive recourse to Abbeyfield reserves.

We will continue to seek opportunities to add to our housing stock, but only if the economic case can be made for investment following robust financial due diligence.

Our new Care Home, Speedwell Court, opened in Southampton to much local acclaim and the home continues to meet its budgeted expectations. Our newest housing facility, Hope Bank View in Sunderland which opened the previous year is now full and operating as expected.

Key performance indicators, as defined by the Regulator for our care homes, remain ahead of the market average but more work is required to achieve even higher standards as our residents would expect.

The Board confirms that the Society complies with the Regulator of Social Housing's Governance and Financial Viability Standard.

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

Towards the end of 2019 we launched our Development Academy which is an online platform for all colleagues to access high quality learning via a blended approach. It allows immediate reporting and improved monitoring of training completion which has been invaluable in continuing to drive high levels of compliance with mandatory learning in all of our services. It has also provided a valuable tool for assisting with the induction of new staff during the Covid-19 pandemic.

We are now an accredited centre for the assessment of trainers which means we can train our own trainers within Abbeyfield to deliver high quality specialist training on subjects such as Assisting and Moving of People.

Report of the Board (incorporating the Strategic Report) continued

Risk Management

The Audit Committee has undertaken a comprehensive review of the risk framework for the Society. The review includes an updated policy on risk management and the rolling out of training to all relevant members of staff. A new corporate risk register is in the process of being developed along with a comprehensive suite of departmental risk registers. Work on this will be completed by October 2020 and takes into account the Regulator of Social Housing's Sector Risk Profile.

The Board have confirmed their risk appetite for the year:

| Key Areas | Risk Appetite |
|----------------------------|---------------|
| Quality of Service | Low |
| Developments | Medium |
| People | Low |
| Reputation | Low |
| Finance | Low |
| Regulatory | Low |
| Membership | Low |
| Disaster and Emergency | Low |
| Strategy | Low |
| Viability of Housing Stock | Medium |
| External Environment | Medium |
| Digital | Medium |

Once the full suite of risk registers have been implemented, the Audit Committee will review in detail a number of different department's risk registers each quarter. The new corporate risk register will also inform the future of the internal audit plan, which will provide assurance to the Board. In response to the Covid-19 outbreak, the Audit Committee continue to actively monitor a specific risk register to ensure that risks surrounding the outbreak can be mitigated to the fullest extent possible.

After mitigation, the Board have identified the following as the top five risks to the Society:

1. Strategy
2. Reputation
3. Finance
4. Regulatory
5. Viability of Housing Stock

Report of the Board (incorporating the Strategic Report) continued

Reserves

After transfer of the deficit for the year of £(10.7)m (2019: £(0.7)m deficit), revenue reserves decreased to £120.1m (2019: £131.4m).

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 regularly shares information on its objectives, progress and activities through a variety of communications, including office and departmental meetings involving Board members, the Executive Committee, volunteers and staff.

The Society is committed to the principles of equality, diversity and inclusion 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. Informed by its pay benchmarking activities, the Society is confident that pay is competitive within the marketplace.

The Society's Gender Pay report is available on our website. It has also been submitted on the Government sponsored website. The mean gender pay gap has reduced slightly in the 2019 report although there is still work to be done in reducing the gap.

In addition, the Society has restricted reserves of £12.4m (2019: £11.8m).

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 97 serious accidents and incidents reported in 2019/20. This includes a variety of incidents which range from a resident falling and sustaining a fractured hip, to positive COVID-19 cases. The inclusion of all serious accidents and incidents (rather than solely accidents), as well as the addition of COVID-19 cases, demonstrates why this figure has increased so significantly from last year (2019: 34 accidents). During the year, additional analysis on accidents and incidents has been conducted specifically looking into when and where incidents occur so that measures can be put in place to prevent accidents in the future. Compliance in reporting has improved since the last financial year, which has provided a more accurate picture of accidents and incidents for the business as a whole.

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 2019.

The Strategic Report and Report of the Board of Management were approved by the Board on 22 October 2020, and signed on its behalf by the Chairman of the Trustees.

Operating and Financial Review

The result for the year is a £10.7m deficit compared with last year's deficit of £0.7m, as shown in the Consolidated Statement of Comprehensive Income in the Accounts.

The results include £2.2m closure costs incurred as an outcome of the implementation of the viability programme which earmarked 22 properties for closure and sale. The deficit on operating and closing these properties for the year was £3.7m. This impact is shown in the Discontinuing Operations in the Statement.

All properties for sale were valued at market value at the year end generating £4.2m in additional impairment provision, of the total increase of £6.4m recognised in the Statement. The net changes to impairment in 2018/19 are reflected in notes 16 and 20.

Indicators of impairment on properties with continuing operations were supported by valuations prepared by Savills. Of particular note was an increase in the impairment of continuing Care Homes of £1.6m, where Net Book Value exceeded the Economic value assessed in the Savills valuation. It should be noted that for most Care Homes, the economic value exceeded the net book value (by £15.7m), but as we record our properties at cost less impairment, this revaluation upside is not included in the results.

Turnover for the year reduced by £3.9m from £54.8m in 2018/19 to £50.9m in the current year. This includes sales of development properties which fell by £3.3m, from £3.9m in 2018/19 to £0.6m in the current year.

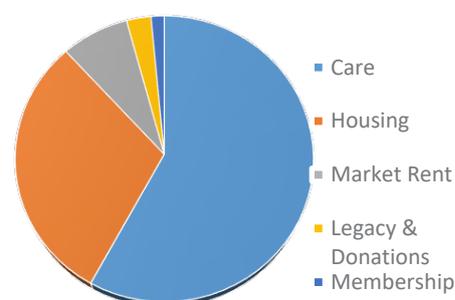
Details of the split of turnover are shown in the chart below.

Operating costs at £64.3m were £8.3m higher than in 2018/19, despite the decrease in costs of sales of development properties of £1.8m. The charge for impairment of £6.4m compares to a write-back of £0.9m in 2018/19, which accounts for £7.3m of the £8.3m movement. As noted above closure costs of properties earmarked for sale through the viability programme came to £2.2m, and strategic costs associated with this programme and other strategic initiatives came to an additional £1.0m in 2019/20.

Within the Consolidated Statement of Financial Position there are cash and cash equivalents of £11.0m (2019: £10.0m) and investments of £1.4m (2019: £1.5m).

Within tangible fixed assets of £139.1m there are 29 properties earmarked for sale, the "property bank", with a net book value after impairment of £12.2m.

Turnover 19-20 - £50.9m



Operating and Financial Review continued

Retirement Living, which manages the central property portfolio, currently manage a total of 124 homes comprising some 1,873 units, split as follows:

| | |
|--------------------|-----|
| Supported Housing | 940 |
| Care | 641 |
| Independent Living | 216 |
| Leasehold | 76 |

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

The principal regulator for the Society is the RSH which regulates all registered providers of social housing in England. 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.

Donations and legacies received for the year were £1.1m (2019: £2.1m).

Loans receivable from Member Societies are £5.7m (2019: £5.7m) as shown on in Note 21 in the Accounts.

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.

Since 31st March 2017 Capital and Reserves have declined by £17.2m to £132.5m. Over the same three year period, impairment provision on TAS properties has increased by £10.1m. The Society, because of its legal form, is unable to raise equity funding.

Employees

The number of full time equivalents (FTEs) has fallen due to the impact of homes and supported houses closing. As at 31 March 2020, the total number of Society FTE employees was 1,103 (2019: 1,207) (note 9 in the Accounts).

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. The level of reserves is set to continue to provide essential services including;

- Day-to-day operational expenditure, including contingencies for large, unforeseen items.
- 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.
- Funding of development projects.

Operating and Financial Review continued

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, had agreed bank facilities of £22.5m at the year end to fund the strategic development programme. Revised bank facilities were put in place after the year end of £10m, consisting of a Revolving Credit Facility (RCF) of £5m and Overdraft Facility of £5m.

The Bank facilities are secured on a selection of the Society's properties and the RCF contains bank covenant tests, which are reviewed at all Board meetings.

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

Net interest paid and fees were £27k (2019: £100k).

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 2020 has been 1.2% (2019: 1.2%).

Cash flow and liquidity and security

The consolidated statement of cash flows in the financial statements shows that during the year the Group generated an overall increase in cash and cash equivalents of £1.0m (2019: cash decrease £3.4m).

The net cash outflow from operating activities was £2.2m (2019: £2.6m inflow). Investment in fixed assets, property development, totalled £8.5m (2019: £4.8m). Proceeds from sale of properties was £17.1m in cash inflow (2019: £2.3m). Grants repaid or utilised by Member Societies caused a cash outflow of £5.2m (2019: £1.4m), and interest paid and finance costs was a cash outflow of £0.2m (2019: £0.3m). Other movements were net cash neutral. As at 31 March

2020 all bank facilities were secured against a selection of our properties.

Membership costs

The fee income from Member Societies is levied to cover the use of the Abbeyfield Brand, direct costs of the Membership Service Consultants, and a contribution to the central overheads that serve both The Abbeyfield Society and the Member Societies. The services used by individual Member Societies vary immensely depending on the scale, activities and financial status of the individual Societies. During the year 2019/20 and thereafter during the COVID-19 lockdown, services that all or the majority of Societies have utilised include use of the Brand, access to the Connect intranet service (training and COVID-19 updates included), and assistance with procurement of key services such as Trustee insurance and Personal Protective Equipment (PPE). Services used by a more limited number of Member Societies include assistance with Fundraising (in excess of £400k raised), property development including the financial benefit of RCGF of £1.8m (see Note 26 in the Accounts), loans to Members outstanding of £5.7m, corporate advisory services, digital marketing and website services, PR advice, HR advice and some IT support.

The Strategic review, announced at our conference in October 2019, is designed to optimise the strength of the Abbeyfield Family, the Abbeyfield Society and Member Societies in the UK and Internationally.

Going concern and viability

The Board has considered the net asset position of £132.5m as at 31 March 2020. The Society meets its funding requirements through its own resources and its bank credit facilities.

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 mitigations and triggers to cover stress test outcomes where appropriate. The detailed review covers a three-year period from April 2020 to March 2023.

The Board considers it has adequate resources to continue operations and carry out major works and development projects. The decision has been made to mothball the Plymouth development whilst alternative financing options are explored.

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 Abbeyfield and look for savings in procurement.

Strategic Review

At our annual conference in October 2019, we set-out and re-affirmed our strategic imperatives:

- Alleviate loneliness for older people - demonstrated by the positive difference we make to people's lives.
- Take pride in and retain our distinctive Abbeyfield model, whilst accepting this may not be the right choice for everyone.
- Reach out to more people with the range of Abbeyfield Family services.
- Re-position to 'younger older' people, those in the first stage of retirement, rather than responding to an immediate care or crisis need.

- Return our focus to Membership and build a model which reflects the knowledge, experience and innovation that takes place locally in all the 11 countries which comprise the Abbeyfield family.

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.

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:

Operating and Financial Review continued

Key Performance Indicators

Operating Margin %
(continuing operations excluding impairment)

Care occupancy %

Housing occupancy %

Number of major injuries

Fundraising Income

Development Expenditure

| | 2019/20 | 2018/19 |
|--------------------------------------------------------------------|---------|---------|
| Operating Margin % (continuing operations excluding impairment) | (7.5)% | 4.5% |
| Care occupancy % | 88% | 86% |
| Housing occupancy % | 87% | 88% |
| Number of major injuries | 97 | 34 |
| Fundraising Income | £1,066k | £2,118k |
| Development Expenditure | £8.5m | £4.8m |

Due to the unique mix of our care and supported housing and the relationship with Member societies, we have ceased to benchmark against sector performance, but rather review trends.

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.

The Experience programme

As part of our drive for better efficiency and improving the way we work, in 2020 we launched the Experience programme. This aims to identify and eliminate some of the time-consuming manual processes which we have come to accept, in favour of more consistent and effective processes, so improving the 'lived experience' of Abbeyfield for our customers, staff, suppliers and partners.

We have identified 8 initial areas for review and have now launched the 'discovery' phase of the programme, gathering information on our current ways of working, their challenges and inefficiencies;

- Customer journey from enquiry to settled resident
- The procure to pay cycle
- The recruitment and induction process for staff
- Effectiveness of workforce planning, resource utilisation and performance management
- Management of our physical assets including property maintenance and stock condition
- Recruitment, management and deployment of our volunteers
- Reporting processes and compliance with Quality Assurance frameworks
- Management information generation to evidence service delivery and inform future planning

Operating and Financial Review continued

Highlights, four year summary

| | 31 March 2020 | 31 March 2019 | 31 March 2018 | 31 March 2017 |
|-----------------------------------------------------------------|------------------|------------------|------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Statement of Comprehensive Income | | | | |
| Turnover | 50,949 | 54,793 | 55,373 | 54,268 |
| Total comprehensive (deficit) / surplus for the year | (10,704) | (713) | (6,435) | 8,550 |
| Statement of Financial Position | | | | |
| Housing properties | 139,083 | 151,947 | 150,347 | 148,284 |
| Other fixed assets | 378 | 604 | 781 | 1,061 |
| Investment properties | 800 | 800 | 800 | - |
| Investments and cash | 12,431 | 11,518 | 15,993 | 24,790 |
| Other net current (liabilities) / assets | (598) | 1,627 | 814 | (6,784) |
| Creditors due after more than one year | (19,634) | (23,332) | (24,858) | (17,695) |
| Net Assets | 132,460 | 143,164 | 143,877 | 149,656 |
| Capital and Reserves | | | | |
| Income and expenditure reserves | 120,110 | 131,385 | 132,109 | 139,349 |
| Restricted and other reserves | 12,350 | 11,779 | 11,768 | 10,307 |
| Total | 132,460 | 143,164 | 143,877 | 149,656 |

Operating and Financial Review continued

The Covid-19 outbreak

The Covid-19 pandemic started in March 2020 and began to have an immediate effect on the Society.

A taskforce was immediately set up to handle the response and met on a daily basis to review the advice which was being issued by the Government. That advice was quickly synthesised and turned into guidance for our services and Membership. To keep up with the speed at which the advice was changing, all stakeholders were pointed towards the key pages on our intranet service, Connect, which were maintained on a daily basis.

The taskforce quickly established that it would take the Government's lead in terms of the speed at which our properties were locked down and reopened. A comprehensive decision log has been maintained to demonstrate when the Government issued advice and when the Society implemented the advice.

The key early actions and decisions taken by the taskforce were:

- By 13 March 2020, the Society had reviewed and implemented a bespoke Business Continuity Plan for every service.
- On 17 March, the Society moved to home working for all the central and regional offices.
- By 22 March, the Society had developed a new protocol around visits to our residents.
- On 23 March, restrictions were in place for visits to all our residents.

To mitigate the risk around the supply of Personal Protective Equipment, a decision was taken to place bulk orders amounting to £1.0m. A proportion of the equipment was reserved for our Member Societies. To date, 46 of Member Societies have drawn down on £44k of the central supply.

The Society has also had to manage a consistent absentee rate of around 15%, which was largely due to staff having to self-isolate. An early decision was taken to ensure that staff were not incentivised to return to

work before they should and the company sick leave was extended to 14 days full pay whilst self-isolating. The Director of HR implemented a large scale recruitment campaign to attract bank staff, to cover the shortfall. This campaign generated 1,300 expressions of interest, and the engagement of 41 bank staff. Where an application was more appropriate for a Member Society, they were forwarded to the local society. In total, 441 referrals to our Members were made.

Since March 2020, 54 members of staff have been furloughed, but are now being reintroduced to the business.

From an operational perspective, there has been an impact on the number of voids the Society is carrying as we have restricted the ability for prospective residents to visit our homes. It is anticipated that this impact will continue for the short to medium term.

The Society closely monitors the impact Covid-19 is having on our residents. Across both Retirement Living and our Members, the resident impact has been modest when compared to some of our peers. We have conducted a resident survey specifically relating the Society's response to Covid-19. This survey was sent to all our Care properties and 30% of our Independent Living properties. At the time of writing we have had a 36% return rate from our residents, but the return period has not closed.

Of the surveys returned:

- 94% of our residents felt safe whilst living with us during the pandemic.
- 97% of our residents felt cared for.
- 95% of our residents felt that staff had been responsive to their needs during the pandemic.
- 91% of our residents felt that the Society had communicated effectively and kept them informed.

Operating and Financial Review continued

- 92% of our residents had confidence that staff had been suitably trained and were able to deal with the issues the pandemic gave rise to.

The Board would like to express their deep gratitude to all front line staff who have worked selflessly and tirelessly for our residents. Behind our front line staff, the Board would like to thank the dedicated team who

have worked above and beyond to provide clarity, support and reassurance to our residents and front-line staff. Without everyone coming together and working for the best interests of our residents, we clearly would not be in the position that we find ourselves. The Board is encouraging the positive aspects of genuine collaborative working within a difficult environment to filter into the business-as-usual operations.

Value for Money

The 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.

After the implementation of the Viability programme and in the light of the effects of the COVID-19 pandemic future targets for the VFM metrics will be reset on the creation of the 3 year plan. The current performance for the Society and its related social housing KPIs are shown before the impact of impairment. Where appropriate the impact of impairment is shown in the following commentary.

| VFM Metrics | 2019/20 | 2018/19 |
|--------------------------------------------------|----------|---------|
| 1 Reinvestment % | 6.3% | 3.2% |
| 2 New Supply delivered Social Housing Units | 4.9% | 0% |
| New Supply delivered Non Social Housing Units | 0% | 0% |
| 3 Gearing % | 13.4% | 15.5% |
| 4 EBITDA/MRI interest cover | (2,511)% | 94% |
| 5 Headline Social Cost per Unit | £32,621 | £24,230 |
| 6 Operating margin % | | |
| - Social Housing lettings only | (19.9)% | (12.9)% |
| - Operating margin % - Overall | (13.9)% | (2.5)% |
| 7 Return on Capital Employed | (4.7)% | (0.8)% |

Value for Money continued

The Board has reviewed these KPIs taking into account the impact of the increase in the impairment provision of £6.4m (2019: decrease of £0.9m), and the impact of closure costs on operational results in 2019/20. The conclusion is that 2019/20 was an exceptional year, as will be 2020/21 with the impact of the COVID-19 pandemic and therefore the metrics must be viewed in that light.

Key metrics impacted by impairment are as follows, showing the results after impairment charge:-

EBITDA/MRI interest cover %

19/20: (5,555)%

18/19: 214%

Headline social cost per unit

19/20: £36,433

18/19: £24,021

Operating margin %-Social Housing lettings

19/20: (33.1)%

18/19: (11.9)%

Operating margin %-Overall

19/20: (25.4)%

18/19: (1.7)%

Return on Capital Employed

19/20: (8.5)%

18/19: (0.6)%

The Board set targets for future years during the 3 year planning process while recognising that the headline social cost per unit is much higher than any sector averages 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 the proportion of properties requiring investment to maintain them at the Decent Homes Standard and improve them to meet Modern acceptable standards (e.g. en-suite bathrooms).

Within the results for 2019/20 note 5 to the Accounts shows a summary of business stream performance including the absorption of all indirect overheads and costs

based on an historical allocation. Excluding fundraising, members income and property sales, net income derived purely from services to residents was £48.2m (2018/19 £48.5m), split Care £27.9m (2018/19 £27.6m), Social Housing £15.0m (2018/19 £15.9m), and other services £5.3m (2018/19 £5.0m).

A review of business stream EBITDA for Care, Social Housing and other services shows the following performance metrics for EBITDA /net income % :-

- | | |
|------------------|-----------------------|
| • Care | 13.0% (2018/19 17.0%) |
| • Social Housing | 31.7% (2018/19 35.1%) |
| • Other services | 28.8% (2018/19 25.0%) |

The 2019/20 results reflect the impact of closures and therefore 2020/21 results are expected to show an improvement, although the COVID-19 impact on voids and additional operating costs are likely to adversely affect next year's results.

In 2019/20 the Society achieved the following: -

- The implementation of the Viability programme in Retirement Living which should reduce the social cost per unit in the future.
- Continued 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.
- Opened Speedwell Court, Southampton Care Home on a 30 year lease providing 80 units.
- Implemented the Viability programme resulting in the closure or imminent closure of 22 unviable properties ear-marked for sale. This leaves 102 properties continuing to provide services.
- Established a new Procurement office with specific focus on procurement quality and savings.
- Centralised the RL and central HR teams, which has improved consistency, reporting, and learning and development, through a better

Value for Money continued

quality service both within the Society and to Member Societies.

For 2020/21, the planned actions are as follows:-

- Establish the Experience programme to improve delivery of services and efficiency within the entire Society.
- Complete the development of the extension of the Westall Care Home.
- Emerge from the extreme situation of the COVID-19 pandemic with adequate stocks of Personal Protective Equipment.
- Reduce void levels exacerbated by the COVID-19 pandemic and attain optimal levels of occupancy at Southampton.
- Secure external funding to recommence development activity on the Plymouth project.
- Dispose of the 29 properties in the Property Bank.

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 2019/20 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 2018" 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 2019.

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 2018" 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 4.

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

The Board of Trustees, which comprises the company directors, has overall responsibility for the 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 including the Chair, of whom, at least four must be involved in the Abbeyfield movement in the UK. At least two must be independent and up to two must be involved in Abbeyfield outside the UK. Board members are elected by the Members of the Society. The Board may also co-opt up to four additional individuals.

Applications to be considered for election or appointment to the Board are invited following recruitment and advertising. Candidates are nominated for election by the Remuneration and Nominations Committee having regard to the need for the persons appointed having the necessary range of skills, experience, gender age and ethnicity.

Board members may hold office for terms of three years terminating at the end of the third Annual General Meeting (AGM) after their election, but can be re-elected to serve up to two further terms of three years calculated in the same way. The Board met five times formally during the year, with additional sessions to discuss the strategy review.

Throughout the year, the Board continues to monitor its effectiveness and terms of reference for the various committees of the Board, to ensure that they are

following best practice in the sector. Board members are encouraged to acquaint themselves with all aspects of the Society, particularly operational matters. The Executive Committee holds no financial interest in the Society, except for their remuneration arrangements, and act as executives within the authority structure delegated to them 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).

Directors Duties and section 172 reporting

The Directors of the Society must act in accordance with a set of general duties embodied in section 172 (1)(a-f) of the Companies Act 2006 (1), summarised as follows:

A Director must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so, have regard (amongst other matters) to:

- The likely consequences of any decisions in the long-term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and environment
- The desirability of the company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the company

Governance continued

As part of the induction process, Directors are briefed on their duties, including the long-term stewardship of the Society to ensure it delivers against its strategic objectives as set out in the Operating and Financial review. The Board monitors the impact of its decisions against the long-term financial plan on an annual basis, and more often if the situation demands. We operate to a strategic plan that involves setting both operational and financial targets that address our charitable objectives as set out in the Report of the Board.

Our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we conduct our business.

We work in collaboration with a variety of suppliers, social housing partners, voluntary and charitable organisations and local councils in regions we are based. We value their support, and look to foster long-term relationships based on mutual trust.

We engage with our customers in various ways, including customer surveys and a robust complaint management process. As part of the Viability programme we engaged external consultants to review the existing property estate, including the economic and social impacts of closure. A professional plan was developed to communicate the closures to families and residents, and to manage their re-homing including the redundancy impacts on employees.

The impact of our operations on the community and environment are widespread and varied. The Report of the Board and Operating and Financial review set out some of our recent

achievements. Our impact on the environment is set-out in the Streamlined Energy Carbon Report (SECR) below.

As a charity our reputation for high standards is essential to how we work. To ensure we meet the highest standards, we have policies on fraud, anti-bribery and a whistleblowing policy which encourages colleagues to raise issues of suspected malpractice. The Audit & Risk Committee also receives reports if issues are raised.

Streamlined Energy Carbon Report (SECR)

The SECR framework is a mandatory UK-wide reporting scheme to improve transparency and help reduce carbon emissions. The carbon footprint table below reflects activity across the Abbeyfield Society estate converted into carbon emissions using published DEFRA emission factors.

| | Mileage | KWh Kilowatt hours | Metric tonnes of CO2 equivalent |
|--------------|---------|--------------------------|------------------------------------------|
| Electric | | 5,754,426 | 1,470 |
| Gas | | 20,961,080 | 3,854 |
| Transport | 758,118 | | 223 |
| Total | | | 5,546 |

This is the first SECR for the Abbeyfield Society, and therefore there is no calculation for previous year's data for energy or tonnes of CO2 equivalent (Tco2e). We have selected to define our emissions in relation to our annual turnover, allowing us to compare energy efficiency over time and with similar organisations.

Our "intensity" ratio is calculated at **108 Tco2e/£m.**

Governance continued

National Housing Federation (“NHF”) Code of Governance

The Society has adopted the 2015 NHF Code of Governance. It diverges from the Code in one regard, which is that The Abbeyfield Society has 13 Board members rather than the Code’s recommended maximum of 12. However, this is compliant with the Society’s constitution which requires representation of both UK and international membership on the Society’s Board and is a reflection of the Society’s role as part of the wider Abbeyfield organisation.

Charity Governance Code

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

Resident involvement

We actively encourage resident involvement in decision-making by promoting forums where residents can contribute to make decision that affect them. We also carry out a Residents’ Survey annually to measure satisfaction with Care, Housing and Care at Home services to obtain feedback.

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

- 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;
- Members Committee: its purpose is to help maintain good communication 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 and Nominations 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, and 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.

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 66 visits to Abbeyfield UK homes and 12 visits to Abbeyfield international homes during the financial year. Visits have been made by the Board when attending management meetings and the Annual General Meeting.

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 8.

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 objects.

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 Charity Commission's guidance on public benefit where applicable.

Annual General Meeting

The Annual General Meeting will be held on Thursday 26th November 2020, 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 22nd October 2020 and signed on its behalf by:



Ian Plaistowe

Chairman

22nd October 2020

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 2020 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 2020 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 2019.

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 22, 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_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 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.



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

23 October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number 0C305127).

Financial Statements

Consolidated Statement of Comprehensive Income for the year ended 31 March 2020

| | Note | Continuing operations 2020 £'000 | Discontinued operations 2020 £'000 | Total 2020 £'000 | Continuing operations 2019 £'000 | Discontinued operations 2019 £'000 | Total 2019 £'000 |
|-------------------------------------------------------------------------------------------------|-------|----------------------------------------|------------------------------------------|------------------------|----------------------------------------|------------------------------------------|------------------------|
| Turnover | 4 | 46,146 | 4,803 | 50,949 | 53,028 | 1,765 | 54,793 |
| Operating costs | | (49,590) | (8,263) | (57,853) | (50,642) | (6,249) | (56,891) |
| Impairment | 16,20 | (3,444) | (2,977) | (6,421) | 41 | 810 | 851 |
| Total Operating Costs | 4 | (53,034) | (11,240) | (64,274) | (50,601) | (5,439) | (56,040) |
| Operating (deficit)/ surplus | 4,8 | (6,888) | (6,437) | (13,325) | 2,427 | (3,674) | (1,247) |
| Surplus/(deficit) on disposal of Housing Properties | 12 | - | 2,761 | 2,761 | 73 | 422 | 495 |
| Other interest receivable and similar income | 13 | 184 | - | 184 | 267 | - | 267 |
| Interest and financing costs | 14 | (186) | (25) | (211) | (327) | (40) | (367) |
| Movement in fair value of investments | 22 | (113) | - | (113) | 139 | - | 139 |
| (Deficit) / surplus before taxation | | (7,003) | (3,701) | (10,704) | 2,579 | (3,292) | (713) |
| Taxation | 15 | - | - | - | - | - | - |
| (Deficit)/surplus after taxation and total comprehensive (expense) / income for the year | | (7,003) | (3,701) | (10,704) | 2,579 | (3,292) | (713) |

The notes on pages 37 to 56 form part of these financial statements

Financial Statements

Society Statement of Comprehensive Income for the year ended 31 March 2020

| | Note | Continuing operations 2020 £'000 | Discontinued operations 2020 £'000 | Total 2020 £'000 | Continuing operations 2019 £'000 | Discontinued operations 2019 £'000 | Total 2019 £'000 |
|-----------------------------------------------------------------------------------------------------------------|-------|-------------------------------------------|---------------------------------------------|------------------------|-------------------------------------------|---------------------------------------------|------------------------|
| Turnover | 4 | 46,469 | 4,803 | 51,272 | 53,220 | 1,765 | 54,985 |
| Operating costs | | (49,602) | (8,263) | (57,865) | (51,953) | (4,812) | (56,765) |
| Impairment | 16,20 | (3,444) | (2,977) | (6,421) | 41 | 810 | 851 |
| Total Operating Costs | 4 | (53,046) | (11,240) | (64,286) | (51,912) | (4,002) | (55,914) |
| Operating (deficit)/ surplus | 4,8 | (6,577) | (6,437) | (13,014) | 1,308 | (2,237) | (929) |
| Surplus/(deficit) on disposal of Housing Properties | 12 | - | 2,761 | 2,761 | 73 | 422 | 495 |
| Other interest receivable and similar income | 13 | 185 | - | 185 | 266 | - | 266 |
| Interest and financing costs | 14 | (186) | (25) | (211) | (326) | (40) | (366) |
| Movement in fair value of investments | 22 | (113) | - | (113) | 139 | - | 139 |
| (Deficit) / surplus before taxation | | (6,691) | (3,701) | (10,392) | 1,460 | (1,855) | (395) |
| Taxation | 15 | - | - | - | - | - | - |
| (Deficit) /surplus before and after taxation and total comprehensive (expense) / income for the year | | (6,691) | (3,701) | (10,392) | 1,460 | (1,855) | (395) |

The notes on pages 37 to 56 form part of these financial statements

Financial Statements

Consolidated and Society Statements of Financial Position at 31 March 2020

| | Note | Group 2020 £'000 | Group 2019 £'000 | Society 2020 £'000 | Society 2019 £'000 |
|----------------------------------------------------|------|------------------------|------------------------|--------------------------|--------------------------|
| Fixed assets | | | | | |
| Tangible fixed assets - housing properties | 16 | 139,083 | 151,947 | 140,280 | 152,769 |
| Tangible fixed assets - other | 17 | 378 | 604 | 378 | 604 |
| Investment properties | 18 | 800 | 800 | 800 | 800 |
| | | 140,261 | 153,351 | 141,458 | 154,173 |
| Current assets | | | | | |
| Properties held for sale | 20 | 1,036 | 2,058 | 1,097 | 2,151 |
| Debtors - receivable within one year | 21 | 2,976 | 3,993 | 2,807 | 3,993 |
| Debtors - receivable after one year | 21 | 5,690 | 5,674 | 5,690 | 5,674 |
| Investments | 22 | 1,391 | 1,504 | 1,391 | 1,504 |
| Cash and cash equivalents | | 11,040 | 10,014 | 10,742 | 9,984 |
| | | 22,133 | 23,243 | 21,727 | 23,306 |
| Creditors: amounts due within one year | 23 | (10,300) | (10,098) | (9,871) | (10,334) |
| Net current assets | | 11,833 | 13,145 | 11,856 | 12,972 |
| Total assets less current liabilities | | 152,094 | 166,496 | 153,314 | 167,145 |
| Creditors: amounts after more than one year | 24 | (19,634) | (23,332) | (19,634) | (23,073) |
| Net assets | | 132,460 | 143,164 | 133,680 | 144,072 |
| Capital and reserves | | | | | |
| Income and expenditure reserve | | 120,110 | 131,385 | 121,330 | 132,293 |
| Restricted reserve | | 12,350 | 11,779 | 12,350 | 11,779 |
| Total Capital and reserves | | 132,460 | 143,164 | 133,680 | 144,072 |

The financial statements were approved by the Board and authorised for issue on 22 October 2020 and signed on their behalf by:



Ian Plaistowe
Chairman

The notes on pages 37 to 56 form part of these financial statements

Financial Statements

Consolidated statement of Cash Flows for the year ended 31 March 2020

| | | 2020 | 2019 |
|-------------------------------------------------------------|----|-----------------|--------------|
| | | £'000 | £'000 |
| Cash flows from operating activities | | | |
| (Deficit) / surplus for the financial year | | (10,704) | (713) |
| Adjustments for: | | | |
| Taxation | | - | - |
| Impairment of housing properties | 8 | 5,872 | (438) |
| Depreciation of fixed assets - housing properties | 16 | 2,569 | 2,544 |
| Accelerated depreciation on disposal of components | 5 | 348 | 288 |
| Impairment of current assets | 8 | 549 | (413) |
| Depreciation of fixed assets - other | 17 | 263 | 400 |
| Amortisation of grant | 5 | (167) | (169) |
| Movement in fair value of investments | 22 | 113 | (139) |
| Interest payable and finance costs | 14 | 211 | 325 |
| Interest received | 13 | (184) | (267) |
| (Surplus)/ Deficit on the disposal of fixed assets | 12 | (2,761) | (495) |
| Receipt of donated land/assets | 16 | - | (350) |
| Decrease/(increase) in trade and other debtors | 21 | 1,001 | (477) |
| (Increase)/decrease in properties held for sale | 20 | 473 | 2,900 |
| Increase / (Decrease) in creditors | | 182 | (418) |
| Net cash (outflow)/inflow from operating activities | | (2,235) | 2,578 |
| Cash flows from investing activities | | | |
| Transaction costs for sale of housing properties | 12 | (179) | 56 |
| Grant repaid | | (5,179) | (1,435) |
| Sale of current asset investments | 22 | - | 1,202 |
| Proceeds from sale of fixed assets - housing properties | 12 | 17,125 | 2,292 |
| Purchase of fixed assets - housing properties | 16 | (8,452) | (4,750) |
| Purchase of fixed assets - other | 17 | (37) | (411) |
| Receipt of grant and other movements | 25 | 12 | 50 |
| Net loan advances to member societies | | (2) | (2,936) |
| Interest received | 13 | 184 | 267 |
| Net cash used in investing activities | | 3,472 | (5,665) |
| Cash flows from financing activities | | | |
| Interest paid | 14 | (211) | (325) |
| Bank loans repaid | | - | - |
| New loans - bank | | - | - |
| Net cash (outflow)/inflow by financing activities | | (211) | (325) |
| Net increase/(decrease) in cash and cash equivalents | | 1,026 | (3,412) |
| Cash and cash equivalents at beginning of year | | 10,014 | 13,426 |
| Cash and cash equivalents at end of year | | 11,040 | 10,014 |

The notes on pages 37 to 56 form part of these financial statements

Financial Statements

Consolidated statement of changes in reserves for the year ended 31 March 2020

| | Income and expenditure reserve £'000 | Restricted reserves £'000 | Total £'000 |
|---------------------------------|-----------------------------------------------|---------------------------------|----------------|
| Balance at 31 March 2019 | 131,385 | 11,779 | 143,164 |
| Deficit / Surplus for the year | (11,275) | 571 | (10,704) |
| Balance at 31 March 2020 | 120,110 | 12,350 | 132,460 |

Society statement of changes in reserves for the year ended 31 March 2020

| | Income and expenditure reserve £'000 | Restricted reserves £'000 | Total £'000 |
|---------------------------------|-----------------------------------------------|---------------------------------|----------------|
| Balance at 31 March 2019 | 132,293 | 11,779 | 144,072 |
| Deficit / Surplus for the year | (10,963) | 571 | (10,392) |
| Balance at 31 March 2020 | 121,330 | 12,350 | 133,680 |

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) |
| Balance at 31 March 2019 | 131,385 | 11,779 | 143,164 |

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) |
| Balance at 31 March 2019 | 132,293 | 11,779 | 144,072 |

The notes on pages 37 to 56 form part of these financial statements

Notes forming part of the Financial Statements for the year ended 31 March 2020

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 2018 Accounting Direction for Private Registered Providers of Social Housing 2019.

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;
- 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.

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.

Income

The Society's turnover principally comprises residents' charges receivable from homes, annual membership

Notes forming part of the Financial Statements for the year ended 31 March 2020

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. Rental income is recognised from the point when properties under development reach practical completion and are formally let. Income from 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.

Tangible Fixed Assets- Housing Properties

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

Notes forming part of the Financial Statements for the year ended 31 March 2020

ownership properties expected to be sold in first tranche, are included in Tangible Fixed Assets 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. 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 the costs are allocated by square footage.

Tangible Fixed Assets - 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 Tangible fixed assets

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 2018.

Notes forming part of the Financial Statements for the year ended 31 March 2020

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 should 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 Tangible Fixed Assets

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.

Properties Held For Sale

Properties held for sale represent 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 properties held for sale is the estimated cost to be sold as a first tranche.

Properties held for sale are 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.

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

Notes forming part of the Financial Statements for the year ended 31 March 2020

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 and on deposit with an original maturity of three months or less.

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.

Leased Assets: Lessee

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they has been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease Lease incentives received are recognized over the term of the lease as an integral part of the total lease expense

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, 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

Notes forming part of the Financial Statements for the year ended 31 March 2020

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.
- Leases are categorised, as operating, or finance leases. The risk and rewards of ownership of the asset have been considered, over the economic life of the new Southampton scheme, not just one lease period of 30 years. The assessment shows that the risks and rewards are predominately with the lessor over the economic life of the site and it is accordingly accounted for as an operating lease.
- 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 2020, were:

- Rent payable;
- Net initial yield;
- Location and condition of the property;

Other Key Sources of Estimation Uncertainty:

Tangible Fixed Assets (see note 16) are 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 and 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 2020

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

| | | Turnover 2020 | Operating costs 2020 | Operating (deficit) / surplus 2020 |
|--------------------------------------------------------|------|------------------|-------------------------|---------------------------------------|
| | Note | £'000 | £'000 | £'000 |
| Social housing lettings | 5 | 44,649 | (59,418) | (14,769) |
| Activities other than Social Housing Activities | | | | |
| Market rent (Independent Living) and other | | 3,867 | (2,593) | 1,274 |
| Membership activity | | 752 | (620) | 132 |
| International activity | | - | (84) | (84) |
| Deficit from sale of current assets | | - | (832) | (832) |
| Disposal of development properties | | 615 | (423) | 192 |
| Surplus from transfer of merging societies | | - | - | - |
| Other | | - | (44) | (44) |
| Donations and legacies | | 1,066 | (260) | 806 |
| Grants to member societies | | - | - | - |
| Total | | 50,949 | (64,274) | (13,325) |

| | | Turnover 2019 | Operating costs 2019 | Operating (deficit) / surplus 2019 |
|-------------------------------------------------|------|------------------|-------------------------|---------------------------------------|
| | Note | £'000 | £'000 | £'000 |
| 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) |
| Surplus from sale of current assets | | - | - | - |
| 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) |
| Total | | 54,793 | (56,040) | (1,247) |

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

| | | Turnover 2020 | Operating costs 2020 | Operating (deficit) / surplus 2020 |
|--------------------------------------------------------|------|------------------|-------------------------|---------------------------------------|
| | Note | £'000 | £'000 | £'000 |
| Social housing lettings | 5 | 44,649 | (59,418) | (14,769) |
| Activities other than Social Housing Activities | | | | |
| Market rent (Independent Living) and other | | 3,867 | (2,593) | 1,274 |
| Membership activity | | 752 | (620) | 132 |
| International activity | | (2) | (84) | (86) |
| Deficit from sale of current assets | | - | (832) | (832) |
| Disposal of development properties | | 615 | (423) | 192 |
| Surplus from transfer of merging societies | | - | - | - |
| Other | | - | (56) | (56) |
| Donations and legacies | | 1,391 | (260) | 1,131 |
| Grants to member societies | | - | - | - |
| Total | | 51,272 | (64,286) | (13,014) |

| | | Turnover 2019 | Operating costs 2019 | Operating (deficit) / surplus 2019 |
|-------------------------------------------------|------|------------------|-------------------------|---------------------------------------|
| | Note | £'000 | £'000 | £'000 |
| 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) |
| Surplus from sale of current assets | | - | - | - |
| Disposal of development properties | | 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) |
| Total | | 54,985 | (55,914) | (929) |

Notes forming part of the Financial Statements for the year ended 31 March 2020

5. Income and expenditure from social housing lettings - Group

| | Care £'000 | Supported Housing £'000 | Total 2020 £'000 | Total 2019 £'000 |
|---------------------------------------------------------------|-----------------|-------------------------------|------------------------|------------------------|
| Income | | | | |
| Rents net of identifiable service charges | 29,357 | 2,392 | 31,749 | 31,030 |
| Service charge income | - | 12,733 | 12,733 | 13,195 |
| Grant amortisation | 167 | - | 167 | 169 |
| Turnover from social housing lettings | 29,524 | 15,125 | 44,649 | 44,394 |
| Expenditure | | | | |
| Management | (5,798) | (2,737) | (8,535) | (8,221) |
| Service charge costs | (4,238) | (2,481) | (6,719) | (4,213) |
| Charges for support services | (25,808) | (6,019) | (31,827) | (30,672) |
| Routine maintenance | (1,035) | (1,528) | (2,563) | (2,365) |
| Major repairs expenditure | (124) | (126) | (250) | (223) |
| Bad debts | (117) | (25) | (142) | (112) |
| Impairment (Housing Properties) | 8 (6,074) | 202 | (5,872) | 438 |
| Accelerated depreciation | (183) | (165) | (348) | (288) |
| Depreciation (Housing Properties) | (1,513) | (1,056) | (2,569) | (2,544) |
| Depreciation (Other Fixed Assets) | (242) | (21) | (263) | (400) |
| Abortive Costs | (330) | - | (330) | (1,059) |
| Operating expenditure on social housing lettings | (45,462) | (13,956) | (59,418) | (49,659) |
| Operating (deficit)/surplus on social housing lettings | (15,938) | 1,169 | (14,769) | (5,265) |
| Void losses | (5,210) | (2,660) | (7,870) | (7,445) |

5. Income and expenditure from social housing lettings - Society

| | Care £'000 | Supported Housing £'000 | Total 2020 £'000 | Total 2019 £'000 |
|---------------------------------------------------------------|-----------------|-------------------------------|------------------------|------------------------|
| Income | | | | |
| Rents net of identifiable service charges | 29,357 | 2,392 | 31,749 | 31,030 |
| Service charge income | - | 12,733 | 12,733 | 13,195 |
| Grant amortisation | 167 | - | 167 | 169 |
| Turnover from social housing lettings | 29,524 | 15,125 | 44,649 | 44,394 |
| Expenditure | | | | |
| Management | (5,798) | (2,737) | (8,535) | (8,221) |
| Service charge costs | (4,218) | (2,481) | (6,699) | (4,213) |
| Charges for support services | (25,828) | (6,019) | (31,847) | (30,672) |
| Routine maintenance | (1,035) | (1,528) | (2,563) | (2,365) |
| Major repairs expenditure | (124) | (126) | (250) | (223) |
| Bad debts | (117) | (25) | (142) | (112) |
| Impairment (Housing Properties) | 8 (6,074) | 202 | (5,872) | 438 |
| Accelerated depreciation | (183) | (165) | (348) | (288) |
| Depreciation (Housing Properties) | (1,513) | (1,056) | (2,569) | (2,544) |
| Depreciation (Other Fixed Assets) | (242) | (21) | (263) | (400) |
| Abortive Costs | (330) | - | (330) | (1,059) |
| Operating expenditure on social housing lettings | (45,462) | (13,956) | (59,418) | (49,659) |
| Operating (deficit)/surplus on social housing lettings | (15,938) | 1,169 | (14,769) | (5,265) |
| Void losses | (5,210) | (2,660) | (7,870) | (7,445) |

Notes forming part of the Financial Statements for the year ended 31 March 2020

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

| | 2020 | 2019 |
|--------------|--------------|--------------|
| | £'000 | £'000 |
| Market rent | 3,867 | 3,464 |
| Total | 3,867 | 3,464 |

7. Units of housing stock - Group and Society

| | 2019 | 2020 | 2020 | 2020 | 2020 | 2020 |
|---------------------------------------------------------|--------------|-----------|--------------|-------------|----------|--------------|
| | Total | Additions | Disposals | Completions | Other | Total |
| Supported Housing | 1,107 | | (145) | - | 4 | 966 |
| Residential care home bed spaces | 706 | 7 | (75) | 80 | - | 718 |
| Market Rent | 282 | - | - | - | (1) | 281 |
| Total Owned and Managed accommodation | 2,095 | 7 | (220) | 80 | 3 | 1,965 |
| Units under construction | 194 | 13 | (2) | (80) | - | 125 |
| Units owned by the society but managed by others | 87 | - | - | - | - | 87 |

8. Operating (deficit)/surplus

| | Group | Group | Society | Society |
|---------------------------------------------------------|-------|-------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| This is arrived at after charging: | | | | |
| Depreciation of housing properties: charge for the year | 2,569 | 2,544 | 2,569 | 2,544 |
| Depreciation of other tangible fixed assets | 263 | 400 | 263 | 400 |
| Accelerated depreciation | 348 | 302 | 348 | 302 |
| Impairment (Housing Properties) | 5,872 | (437) | 5,872 | (437) |
| Impairment (Current Assets) | 549 | (413) | 549 | (413) |
| Operating lease charges | 717 | 32 | 717 | 32 |
| Auditors' remuneration: | | | | |
| Group accounts | 113 | 114 | 113 | 114 |
| Subsidiaries | 6 | 8 | - | - |
| other audit related assurance | 8 | 25 | 8 | 19 |
| tax advice | 14 | 17 | 14 | 17 |

9. Employees

| | Group | Group | Society | Society |
|---------------------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Staff costs (including Executive Management Team) Consist of: | | | | |
| Wages and salaries | 31,190 | 28,671 | 31,190 | 28,671 |
| Social Security Costs | 2,078 | 2,028 | 2,078 | 2,028 |
| Cost of defined contribution scheme | 461 | 565 | 461 | 565 |
| Total | 33,729 | 31,264 | 33,729 | 31,264 |

Employees 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 | Group | Society | Society |
|---------------------------|--------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Administration | 125 | 128 | 125 | 128 |
| Development | 7 | 7 | 7 | 7 |
| Housing, Support and Care | 971 | 1,072 | 971 | 1,072 |
| Total | 1,103 | 1,207 | 1,103 | 1,207 |

Notes forming part of the Financial Statements for the year ended 31 March 2020

10. Board and executive remuneration

None of the members of the Board received any emoluments (2018: £nil). Board expenses for the year are **£29,716** (2018: £31,186).

| | Group 2020 £'000 | Group 2019 £'000 | Society 2020 £'000 | Society 2019 £'000 |
|-------------------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Executive emoluments | 1,242 | 1,185 | 1,242 | 1,185 |
| Contributions to money purchase pension schemes | 66 | 46 | 66 | 46 |
| Total | 1,308 | 1,231 | 1,308 | 1,231 |

The total amount payable to the Chief Executive post, who was also the highest paid director, in respect of emoluments was **£175,039** (2019: £172,013). 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 2020 number | Group 2019 number | Society 2020 number | Society 2019 number |
|---------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| £60,001 - £70,000 | 6 | 7 | 6 | 7 |
| £70,001 - £80,000 | 7 | 4 | 7 | 4 |
| £80,001 - £90,000 | 1 | 1 | 1 | 1 |
| £90,001 - £100,000 | 1 | - | 1 | - |
| £110,001 - £120,000 | 1 | 1 | 1 | 1 |
| £120,001 - £130,000 | - | 1 | - | 1 |
| £130,001 - £140,000 | - | 1 | - | 1 |
| £140,001 - £150,000 | 1 | - | 1 | - |
| £170,001 - £180,000 | 2 | 1 | 2 | 1 |

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 Beamand | | | | | | ✓ | ✓ | |
| Andrew Larpent | | | | | | ✓ | ✓ | |
| Cedric Meiring | | | | | | | ✓ | |
| Ken Staveley | | | | | | | ✓ | |
| Brian Williams | | | | | | | ✓ | |

12. Surplus on disposal of Fixed Assets - Group and Society

| | 2020 £'000 | 2019 £'000 |
|-------------------|---------------|---------------|
| Disposal proceeds | 17,125 | 2,292 |
| Cost of disposals | (13,210) | (692) |
| Selling costs | (179) | (56) |
| Grant recycled | (975) | (1,049) |
| Total | 2,761 | 495 |

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

| | Group 2020 £'000 | Group 2019 £'000 | Society 2020 £'000 | Society 2019 £'000 |
|-----------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Abbeyfield member societies | 176 | 158 | 176 | 158 |
| Interest receivable | 8 | 109 | 9 | 108 |
| Total | 184 | 267 | 185 | 266 |

14. Interest payable and similar charges - Group and Society

| | Group 2020 £'000 | Group 2019 £'000 | Society 2020 £'000 | Society 2019 £'000 |
|-----------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Bank Loans and overdrafts | 179 | 325 | 179 | 324 |
| Recycled capital grant fund | 32 | 42 | 32 | 42 |
| Total | 211 | 367 | 211 | 366 |

15. Taxation

There was no tax charge for 19/20 or for the preceding year as the society's activities are charitable in nature

Notes forming part of the Financial Statements for the year ended 31 March 2020

16. Housing properties - Group

| | Care, Housing and Independent Living completed £'000 | Care, Housing and Independent Living under construction £'000 | Shared ownership completed £'000 | Total £'000 |
|-----------------------------------------------|---------------------------------------------------------|------------------------------------------------------------------|-------------------------------------|----------------|
| Cost: | | | | |
| As at 31 March 2019 | 169,320 | 7,108 | 793 | 177,221 |
| Additions: | | | | |
| Construction Costs | - | 6,516 | - | 6,516 |
| Additions to completed Schemes | 176 | - | - | 176 |
| Replaced components | 1,760 | - | - | 1,760 |
| Units Transferred from current assets | 638 | - | - | 638 |
| Component disposal | (699) | - | - | (699) |
| Closed property disposal | (16,482) | - | - | (16,482) |
| Construction assets completed during the year | 1,174 | (1,174) | - | - |
| As at 31 March 2020 | 155,887 | 12,450 | 793 | 169,130 |
| Depreciation: | | | | |
| As at 31 March 2019 | 17,832 | - | - | 17,832 |
| Charge for the year | 2,569 | - | - | 2,569 |
| Eliminated on disposals: components | (351) | - | - | (351) |
| Eliminated on disposals: other | (614) | - | - | (614) |
| As at 31 March 2020 | 19,436 | - | - | 19,436 |
| Impairment: | | | | |
| As at 31 March 2019 | 7,442 | - | - | 7,442 |
| Charge for the year | 6,357 | - | - | 6,357 |
| Reversed prior year impairment | (485) | - | - | (485) |
| Released in the year at sale | (2,703) | - | - | (2,703) |
| At 31 March 2020 | 10,611 | - | - | 10,611 |
| Net book value at 31 March 2020 | 125,840 | 12,450 | 793 | 139,083 |
| Net book value at 31 March 2019 | 144,046 | 7,108 | 793 | 151,947 |

Notes forming part of the Financial Statements for the year ended 31 March 2020

16. Housing properties - Society

| | Care, Housing and Independent Living completed £'000 | Care, Housing and Independent Living under construction £'000 | Shared ownership completed £'000 | Total £'000 |
|-------------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------------|-------------------------------------|----------------|
| Cost: | | | | |
| As at 31 March 2019 | 169,320 | 7,930 | 793 | 178,043 |
| Additions: | | | | |
| Costruction Costs | - | 6,891 | - | 6,891 |
| Additions to completed Schemes | 176 | - | - | 176 |
| Replaced components | 1,760 | - | - | 1,760 |
| Units Transferred from current assets | 638 | - | - | 638 |
| Component disposal | (699) | - | - | (699) |
| Closed property disposal | (16,482) | - | - | (16,482) |
| Construction assets completed during the year | 1,174 | (1,174) | - | - |
| At 31 March 2020 | 155,887 | 13,647 | 793 | 170,327 |
| Depreciation: | | | | |
| As at 31 March 2019 | 17,832 | - | - | 17,832 |
| Charge for the year | 2,569 | - | - | 2,569 |
| Eliminated on disposals: components | (351) | - | - | (351) |
| Eliminated on disposals: other | (614) | - | - | (614) |
| As at 31 March 2020 | 19,436 | - | - | 19,436 |
| Impairment: | | | | |
| As at 31 March 2019 | 7,442 | - | - | 7,442 |
| Charge for the year | 6,357 | - | - | 6,357 |
| Reversed prior year impairment | (485) | - | - | (485) |
| Released in the year at sale | (2,703) | - | - | (2,703) |
| At 31 March 2020 | 10,611 | - | - | 10,611 |
| Net book value at 31 March 2020 | 125,840 | 13,647 | 793 | 140,280 |
| Net book value at 31 March 2019 | 144,046 | 7,930 | 793 | 152,769 |
| | Group | Society | Group | Society |
| | 2020 | 2020 | 2019 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Freehold | 137,886 | 139,083 | 150,446 | 151,267 |
| Long leasehold | 1,197 | 1,197 | 1,501 | 1,501 |
| Total | 139,083 | 140,280 | 151,947 | 152,768 |
| Works to properties included above | | | | |
| Improvements to existing properties capitalised | 1,932 | 1,932 | 1,149 | 1,149 |
| Major repairs expenditure to SOCI | 79 | 79 | 223 | 223 |
| Total | 2,011 | 2,011 | 1,372 | 1,372 |
| Capital grant - Housing Properties in Reserves | | | | |
| As at 1 April 2019 | 29,660 | 29,660 | 30,635 | 30,635 |
| Capital grant - Housing Properties in creditors | 15,740 | 15,740 | 18,012 | 18,012 |
| Recycled Capital Grant Fund | 4,544 | 4,544 | 5,319 | 5,319 |
| Total | 49,944 | 49,944 | 53,966 | 53,966 |

The Society had property with a book value of **£37.1m** pledged as security at 31 March 2020 (2019: £37.1m)

Notes forming part of the Financial Statements for the year ended 31 March 2020

17. Tangible fixed assets - Other - Group and Society

| | Fixtures, fittings and furniture £'000 | Computer and other office equipment £'000 | Total £'000 |
|----------------------------------------|----------------------------------------------|----------------------------------------------------|----------------|
| Cost: | | | |
| As at 1 April 2019 | 681 | 1,385 | 2,066 |
| Additions | 7 | 29 | 37 |
| Disposals | - | - | - |
| At 31 March 2020 | 688 | 1,414 | 2,103 |
| Depreciation: | | | |
| As at 1 April 2019 | 601 | 861 | 1,462 |
| Charge for the year | 19 | 244 | 263 |
| Disposals | - | - | - |
| At 31 March 2020 | 620 | 1,105 | 1,725 |
| Net book value at 31 March 2020 | 68 | 309 | 378 |
| Net book value at 31 March 2019 | 80 | 524 | 604 |

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 |
|---------------------------|----------------------|
| Cost: | |
| As at 1 April 2019 | 800 |
| Revaluation | - |
| At 31 March 2020 | 800 |

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.

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

| | Group 2020 £'000 | Group 2019 £'000 | Society 2020 £'000 | Society 2019 £'000 |
|--------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Cost: | | | | |
| Historic cost | 591 | 591 | 591 | 591 |
| Accumulated Depreciation | (136) | (132) | (136) | (132) |
| At 31 March 2020 | 455 | 459 | 455 | 459 |

Notes forming part of the Financial Statements for the year ended 31 March 2020

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 |
|------------------------------------|------------------------------------------|----------------------|----------------------------------|------------------------------|--------------------------------------------|
| Subsidiary Undertakings | | | | | |
| 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 |

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 £'000 | Developed units £'000 | 2020 Total £'000 | 2019 Total £'000 |
|---------------------------------------------|------------------------------------------|--------------------------|---------------------|---------------------|
| Work in progress | - | 1,683 | 1,683 | 894 |
| Completed properties - developed and closed | - | - | - | 962 |
| Completed properties - acquired | 816 | - | 816 | 1,116 |
| Less: Provision for impairment | (759) | (704) | (1,463) | (914) |
| Total | 57 | 979 | 1,036 | 2,058 |

20. Properties for sale - Society

| | Closed properties held for sale £'000 | Developed units £'000 | 2020 Total £'000 | 2019 Total £'000 |
|---------------------------------------------|------------------------------------------|--------------------------|---------------------|---------------------|
| Work in progress | - | 1,744 | 1,744 | 894 |
| Completed properties - developed and closed | - | - | - | 1,055 |
| Completed properties - acquired | 816 | - | 816 | 1,116 |
| Less: Provision for impairment | (759) | (704) | (1,463) | (914) |
| Total | 57 | 1,040 | 1,097 | 2,151 |

Properties developed for sale do not include capitalised interest.

Notes forming part of the Financial Statements for the year ended 31 March 2020

21. Debtors - Group and Society

| | Group 2020 £'000 | Group 2019 £'000 | Society 2020 £'000 | Society 2019 £'000 |
|--------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Due within one year | | | | |
| Rent and service charge arrears | 500 | 688 | 500 | 688 |
| Less: Provision for doubtful debts | (417) | (337) | (417) | (337) |
| | 83 | 351 | 83 | 351 |
| Abbeyfield member societies | 76 | 90 | 76 | 90 |
| Other debtors | 958 | 938 | 790 | 938 |
| Prepayments and accrued income | 1,859 | 2,614 | 1,858 | 2,614 |
| Total | 2,976 | 3,993 | 2,807 | 3,993 |
| Due after one year | | | | |
| Due from Abbeyfield member societies | 5,690 | 5,674 | 5,690 | 5,674 |

22. Current asset investments - Group and Society

| | 2020 £'000 | 2019 £'000 |
|---------------------------|---------------|---------------|
| Opening fair value | 1,504 | 2,567 |
| Additions | - | - |
| Fair Value Adjustment | (113) | 139 |
| Disposals | - | (1,202) |
| Closing fair value | 1,391 | 1,504 |

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

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

| | Group 2020 £'000 | Group 2019 £'000 | Society 2020 £'000 | Society 2019 £'000 |
|---------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Trade creditors | 1,186 | 1,328 | 1,186 | 1,322 |
| Taxation and social security | 362 | 640 | 362 | 632 |
| Other creditors | 1,433 | 612 | 713 | 612 |
| Recycled Capital Grant Fund (note 26) | 1,211 | 2,076 | 1,211 | 2,076 |
| Accruals and deferred income | 6,108 | 5,442 | 5,333 | 4,296 |
| Amount owed to group undertakings | - | - | 1,066 | 1,396 |
| Total | 10,300 | 10,098 | 9,871 | 10,334 |

24. Creditors: falling due after one year - Group and Society

| | Group 2020 £'000 | Group 2019 £'000 | Society 2020 £'000 | Society 2019 £'000 |
|---------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Deferred capital grant (note 25) | 15,740 | 18,012 | 15,740 | 18,012 |
| Recycled Capital Grant Fund (note 26) | 3,332 | 4,443 | 3,332 | 4,443 |
| Licence deposits | - | 52 | - | 52 |
| Other creditors | 562 | 825 | 562 | 566 |
| Total | 19,634 | 23,332 | 19,634 | 23,073 |

Notes forming part of the Financial Statements for the year ended 31 March 2020

25. Deferred capital grant - Group and Society

| | 2020 | 2019 |
|----------------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| At 31 March 2019 | 18,012 | 18,931 |
| Grants receivable during the year | 12 | 50 |
| Grants recycled from the recycled grant fund | 186 | - |
| Amortisation released at sale | 43 | (34) |
| Grant Reversed | (2,346) | (800) |
| Released to income during the year | (167) | (135) |
| Total | 15,740 | 18,012 |

26. Recycled capital grant fund - Group and Society

| Capital grant: relating to development activities funded by | HCA | GLA | Total | HCA | GLA | Total |
|-------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2020 | 2020 | 2020 | 2019 | 2019 | 2019 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 31 March 2019 | 4,417 | 2,102 | 6,519 | 2,970 | 3,092 | 6,062 |
| Inputs to fund: | | | | | | |
| Grants recycled from reserves at point of sale | 136 | 839 | 975 | 921 | 128 | 1,049 |
| Restated Grant Allocated to a property | - | - | - | 800 | - | 800 |
| Transfer to deferred grant | (150) | - | (150) | - | - | - |
| Interest accrued | 21 | 11 | 32 | 26 | 17 | 42 |
| Transfer to Member Society | (1,830) | - | (1,830) | (300) | - | (300) |
| Repayment to GLA | - | (1,003) | (1,003) | - | (1,135) | (1,135) |
| At 31 March 2020 | 2,594 | 1,949 | 4,543 | 4,417 | 2,102 | 6,519 |
| Included in creditors: amounts due within one year | 236 | 975 | 1,211 | 1,071 | 1,005 | 2,076 |
| Included in creditors: amounts due after more than one year | 2,358 | 974 | 3,332 | 3,346 | 1,097 | 4,443 |
| At 31 March 2020 | 2,594 | 1,949 | 4,543 | 4,417 | 2,102 | 6,519 |

The GLA grant of £975k is over 3 years old and is repayable in the next financial year.

Notes forming part of the Financial Statements for the year ended 31 March 2020

27. Loans and borrowings - Group and Society

| | Bank loans 2020 £'000 | Bank loans 2019 £'000 |
|----------------------------------------|-----------------------------|-----------------------------|
| Maturity of debt: | | |
| On demand or within one year | - | - |
| More than one year and up to two years | - | - |
| Total | - | - |

The Group has a revolving credit facility of £22.5m with Barclays Bank. Loans are secured by specific charges on the housing properties of the Group. At 31 March 2020 the Group has available facilities of £22.5m (2019: £22.5m).

Loans are secured by specific charges on the housing properties of the Group, as disclosed in notes 16 and 19.

| | 2020 £'000 | 2019 £'000 |
|----------------------------------------------------|---------------|---------------|
| Financial assets | | |
| Financial assets measured at fair value: | | |
| Investments | 1,391 | 1,504 |
| Financial assets measured at historic cost: | | |
| Trade receivables | 500 | 688 |
| Other receivables | 8,166 | 10,892 |
| Cash and cash equivalents | 11,040 | 10,014 |
| Total financial assets | 21,097 | 23,098 |

Financial liabilities

Financial liabilities measured at amortised cost:

| | | |
|---------------|---|---|
| Loans payable | - | - |
|---------------|---|---|

Financial liabilities measured at historic cost:

| | | |
|------------------------------------|----------------|----------------|
| Trade creditors | (1,186) | (1,328) |
| Other creditors | (7,903) | (6,694) |
| Total financial liabilities | (9,089) | (8,022) |

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 2020

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.

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 2020 the outstanding commitment made by Abbeyfield Research Foundation is £642k (2019 £643k).

Total Grants in reserves amount to £29.66m (2019 £30.63m).

29. Operating leases - Group and Society

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

| | 2020 £'000 | 2019 £'000 |
|--------------------------------------|---------------|---------------|
| Amounts payable as Lessee: | | |
| Within one year | 781 | 32 |
| After one year but within five years | 2,996 | - |
| After five years | 18,041 | - |
| Total | 21,818 | 32 |

30. Capital commitments - Group and Society

| | 2020 £'000 | 2019 £'000 |
|----------------------------------------------------------------|---------------|---------------|
| Commitments contracted but not provided for: | | |
| Maintenance | 202 | - |
| Construction | 14,030 | 12,433 |
| Commitments approved by the Board but not provided for: | | |
| Maintenance | 125 | - |
| Construction | 528 | 11,129 |
| Total | 14,885 | 23,562 |

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

| | | |
|---------------------------------------------|---------------|---------------|
| Social Housing Grant | 1,282 | 856 |
| LA Grant | 450 | - |
| New loans | - | - |
| Sales of properties | 4,720 | - |
| Donations | 200 | - |
| Reimbursement of construction costs | 350 | - |
| Existing cash and utilisation of facilities | 7,883 | 22,706 |
| Total | 14,885 | 23,562 |

Notes forming part of the Financial Statements for the year ended 31 March 2020

31. Related party disclosures

Total charges received from Abbeyfield Properties Limited (“APL”) for design-and-build fees amount to £7,184k (2019: £4,535k) that includes 5% mark up by APL. The costs relating to the design-and-build invoices from the contractors amount to £6,842k (2019: £4,319k). APL made a charitable donation to TAS of £325k during the year (2019: £193k).

A grant of £300k (2019: £300k) was made to Abbeyfield Research Foundation (“ARF”) by the Society during the year.

During the year costs of £620k (2019: £710k) were incurred as part of the society's support for member societies. This includes a nominal allocation of central costs of £85k. (2019:£85k). The real costs of supporting the Member Societies are estimated to exceed £1m, but it is not considered reasonable to reflect such an estimate in the allocation.

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 are as follows:

| Name | Society | Value of transactions |
|------------------------------|------------------------------------|-----------------------|
| Amanda Houlihan | Abbeyfield Buckinghamshire Society | £8,727 |
| Jeff Medlock - Vice Chairman | Abbeyfield Beaconsfield Society | £10,223 |
| Andre Decraene | Abbeyfield Belgium | £802 |
| Cedric Meiring | Abbeyfield South Africa | £1,337 |

Notes forming part of the Financial Statements for the year ended 31 March 2020

32. Business combinations

No businesses were transferred to the Society during the current year

33. Post Balance Sheet Events

The impact of the COVID-19 pandemic on the finances of the Group was seen from April 2020 onwards. Over £1m of Personal Protective Equipment was purchased between April and June 2020, in addition to normal purchases, to ensure a stock is available for the rest of 2020. Voids have increased between March 2020 and September 2020 as restrictions on new admissions were imposed during the lockdown period though this has been offset by government support in furlough payments and infection control fund payments, and operating cost savings to limit the financial impact.

In April 2020 the Revolving Credit Facility of £22.5 million was renegotiated to a £5 million Revolving Credit Facility and a £5 million overdraft.

In August 2020 the Revolving Credit Facility of £5m was drawn down to continue developments and major capital works pending potential delay in proceeds of property sales anticipated.

In April 2020 work on the Millbay project in Plymouth was suspended and with the agreement of Homes England will not be restarted until additional funding has been put into place to complete the project.

Since the end of the financial year, the freehold interests in 4 properties were sold and funds received of £2.99m.

To find an Abbeyfield near you,
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We'd be happy to chat or for you to visit.

For more information, you can also visit:

 www.abbeyfield.com

 [AbbeyfieldSociety](https://www.facebook.com/AbbeyfieldSociety)

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 [TheAbbeyfieldSociety](https://www.youtube.com/TheAbbeyfieldSociety)

 [@TheAbbeyfield](https://twitter.com/TheAbbeyfield)

Abbeyfield National Office for the UK:

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Registered Charity 200719 Company No 574816 Regulator of Social Housing No H1046 Care Quality Commission No 1-102642859
