

HCA Registration No. L1005
FCA Registration No. 21237R

VECTIS HOUSING ASSOCIATION LIMITED
BOARD REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

VECTIS HOUSING ASSOCIATION LIMITED

INFORMATION

Board members	Mr G Hibberd MBE Mr G W Ball Mr R E Biggs Mrs J Bond Mr P Court Mr J H G Jones Mrs K O'Callaghan Mr C Squibb MBE Mr M J Starke Mr M J Ward Mr R L Wheeler
Secretary	Mr P Hann
HCA Registration No.	L1005
FCA Registration No.	21237R
Registered office	Chapel House Newport Isle of Wight PO30 1PZ
Auditors	Jones Avens Piper House 4 Dukes Court Bognor Road Chichester West Sussex PO19 8FX
Bankers	National Westminster Bank Plc 107 St James Square Newport Isle of Wight PO30 1XH Santander UK plc Bridle Road Bootle L30 4GB
Solicitors	Glanvilles Llp The Courtyard Newport Isle of Wight PO30 5BF

VECTIS HOUSING ASSOCIATION LIMITED

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VECTIS HOUSING ASSOCIATION LIMITED

BOARD REPORT

FOR THE YEAR ENDED 31 MARCH 2013

The directors present their report and financial statements for the year ended 31 March 2013.

Principal activities and review of the business

The association's principal activities during the year were the development and management of social housing properties.

Chairman's review of the business

I am very pleased to report upon another successful year for the Association.

The year has not been without its challenges, however, and it would be insensitive not to note with deep regret the sudden and tragic loss of Andrew Hopwood, our Property Services Manager, who sadly passed away at the end of October after a short illness. This was a great shock to all who knew and worked with him, and credit must be given to our committed staff who continued to undertake their duties in the immediate aftermath. Andrew was a much loved and respected colleague, and is still deeply missed.

The phased introduction of the government's welfare reforms is beginning to have a serious impact on our tenants' ability to meet their financial commitments, none the least of which is their rent. We have carried out extensive work on identifying those most vulnerable to such difficulties, and have put measures in place to assist where we can, whilst protecting income we need to maintain the quality of service for which we have built up such a strong reputation over the years.

Our development strategy has continued to provide new homes, and we have more new homes planned. In addition, we have continued to attract new landlords to our successful Housing Association Leasing (HAL) scheme.

Our existing housing stock continued to benefit from our programme of modernisation.

We have conducted various service reviews throughout the year, the outcomes of which are referred to later in this report.

Our tenants continue to support the work we do. Our satisfaction levels remain high, comparable with those in our peer group, and exceed those of more local providers.

We are now well settled in our new, better equipped, offices, and we were very pleased to welcome the High Sherriff, the Chairman of the Council, and our local Member of Parliament to an official opening ceremony during March. This was an occasion to reflect particularly on how far the Association has come during a twenty year period of sustained and steady growth both in terms of new housing and service delivery.

The ceremony also provided an opportunity for us to launch our new Business Plan, which sets out our aims and objectives for the next five years, and the means by which the challenges we face will be addressed.

The following detailed account of our activities over the last year bears out the Association's considerable capacity to adapt to the changing environment in which it works, whilst never losing sight of its key objectives and responsibilities.

More new homes.....

At a time when government subsidy is virtually unobtainable for the smaller housing provider, it is gratifying to report that the Association continues to perform above its station by providing high quality new homes funded from existing reserves and private finance.

Whilst acclimatised to working without grant the Association remains committed to securing what limited forms of subsidy can be obtained, and to that end it remains a member of the mainland-based Source Development Partnership which is able to access some funding for the Island from the Homes and Communities Agency. Under these auspices we were able to take delivery of a terrace of three two-bedroomed houses, and three four-bedroomed houses in Black Knight Close, Victoria Walk, in East Cowes during the early summer of 2012.

The scheme at Ash Court in Upper Ventnor, a joint venture with local developer Peacock Homes, was completed towards the end of March this year, on time and on budget, without subsidy. This provided eight new three-bed houses.

We are currently contracted in a similar venture with Signature Developments, and local company, DN Associates, in order to provide a further seven two-bedroomed houses and two three-bedroomed homes on the former site of Swanmore School in Ryde, by the spring of 2014.

Part of our overall business plan is to work with local businesses, and we are seeking relationships with local developers and agents on other potential schemes in order to maintain the momentum.

We augmented our present level of managed homes under the Housing Association Leasing (HAL) initiative with three new leases. Whilst the scheme continues to play a vital part in assisting the Island with its ever growing problem of homelessness and housing need, we are of the view that it will become increasingly important as welfare reforms continue to encroach upon the finances of the most vulnerable in our society.

Service.....

We continued to focus on providing a quality service to our tenants, the applicants for housing, and others who have a vested interest in what we do. Among other things, we undertook discussions with members of the Tenant Forum on matters of general communication, to identify ways in which these could be improved further. As a consequence of this, we are looking to introduce more state of the art initiatives such as texting arrangements via mobile phones.

Tenant satisfaction.....

We did undertake a large-scale survey in the early summer of 2012, which indicated that the high level of satisfaction we have achieved over the years has been sustained. The board received no formal complaints during the year, all of which indicates a level of service which broadly matches the expectations and aspirations of our tenants. All our staff deserve much praise for the ways in which they contribute to this outcome.

Tenant involvement.....

The one to one relationship we have with our residents underpins our approach to tenant involvement which may be why we struggle to recruit more to the Tenant Forum. I remain hopeful that this small group of dedicated tenants will continue to thrive and make a valuable contribution to our work and the way we do it.

I am grateful to our officers, particularly Paul and Lynda, for the preparatory work they undertake in making these meetings substantive in nature, and also to my colleagues on the board who also attend them when they can.

Tenant mobility.....

Part of our philosophy is that if you put the right people in the right places, where they want to be, they will respond positively as tenants. This adds value to the business we operate, and we continued to support transfers and exchanges which exemplified that approach. Jo and Carol, Housing Officer and Assistant respectively have developed particular skills in this area. Their knowledge and understanding of our tenants' needs and aspirations have enabled us to make these kind of arrangements a normal part of our business, and I am very pleased to endorse the sensitive approach our officers take in this regard. We remain one of the top five performers in the national HomeSwapper scheme.

"Financial Inclusion".....

We continue to provide services and advice to our tenants to help maximise their ability to maintain their rent commitments. Jo and Carol's efforts to contain our rent arrears whilst Isabelle, our Income Recovery Officer, was herself recovering from illness were an outstanding example of the teamwork which epitomises the way we respond to such circumstances. Since the new year we have been delighted to welcome Isabelle back so that she can continue with her valuable work. At a time when it has never been more important. Isabelle's special rapport with those in arrears with their rent will play a key role in sustaining the Association's vital cash flow.

We continue to offer support to our tenants through services such as subsidised gas cooker installations and the free supply of low cost energy efficient light bulbs.

Repairs...

We continued to provide a responsive and effective day to day repairs service. Steve and Sam have risen to the challenges of the re-organisation made necessary by Andrew's sad passing mid-way through the year. Both officers deserve much credit for the manner in which they have developed the maintenance function in the light of events. In February we were also delighted to welcome Peter Thompson as our new Maintenance Officer who now undertakes many of the day to day tasks previously contracted out. This team continues to make a positive contribution to a key service.

Planned cyclical maintenance and fence renewal on the Kent Estate were completed satisfactorily.

Our modernisation programme was curtailed in part by the need for urgent major structural repairs at one of our larger properties in Shanklin. Staff and contractors worked promptly to minimise the effects on the tenants whose forbearance was much appreciated. Notwithstanding this, we undertook a complete refurbishment of one of our adapted bungalows, replaced two kitchens, and upgraded access paths to properties in Ryde.

The repairs service is a vital part of our work. Tenants depend on, and expect, a prompt and reliable service, and we remain grateful to Steve, Sam, and Peter for their professionalism in undertaking a difficult and complex task.

Partnering arrangements.....

Isle of Wight Council....

We retain our membership of the Isle of Wight Strategic Housing Partnership, and contribute to the wider debates it brings to light during its quarterly meetings. We are similarly engaged in other joint working initiatives, such as those of the Chief Officers and Choice Based Lettings.

Other agencies....

We continue to support, and effect measures to protect residents who are victims of domestic abuse through active participation in MARAC, and support for the related Sanctuary scheme. We are represented at meetings of the Isle of Wight Anti-Poverty Group.

Contractors.....

Our maintenance service is enhanced by the quality of our select group of local based partner contractors, with whom we have worked so effectively over a good number of years, and to whom we extend our grateful appreciation, as always. We are also pleased to be able to support the local economy in this way.

Benchmarking.....

We continued to compare our service performance with other similarly sized associations through our membership of, and active participation in, the benchmarking organisation SHAPE (Smaller Housing Associations Pursuing Excellence), which comprises fourteen such associations in the south and east of the country. This remains an important resource for exchanging concepts of best practice and continuous improvement. There is an active networking system in place, and the annual staff conference is always a very popular and well attended event.

The 'performance indicators' produced for the year under review continues to place Vectis "mid-table" in most of the activities compared. A copy of all the statistics is available from our offices. SHAPE now subscribes to access a larger benchmarking market, so even more useful performance comparisons can be made. Indeed it was this latter aspect which provided the background to the executive remuneration exercise carried out by the Chairman of Finance.

Our officers.....

A major reorganisation of responsibilities was undertaken in the new calendar year, to which every member of staff has responded positively and constructively. Given the anticipated impact of welfare reform as a whole, we have given Isabelle a complete focus on rent collection, passing her other responsibilities to Jo who now works full time as Housing Officer. Carol supports both these roles. The maintenance and finance sections have also been enhanced with new team members. Lynda, our Deputy Chief Executive now oversees the whole operation on a day to day basis, whilst retaining her strategic role with Paul.

Employment terms and conditions have been improved in recent years, and the board believes this now better reflects its' recognition of, and commitment to, the highly professional way in which our staff undertake their duties.

We remain keen to encourage our officers in the development of their careers, and we support their training in whatever way we can.

The Board of Management.....

The Board continued to oversee the whole undertaking in its usual professional manner. It met formally five times during the year under review.

I was pleased to join my colleague Mike Ward, the Chairman of our Finance Committee, to oversee and interview the candidates for the appointment of Auditors, as part of a service review of this area.

The Governance Committee continued its review of our governance profile and procedures. Upon its recommendation, the Board continues to subscribe to the National Housing Federation's 'Excellence in Governance' Code of good practice.

During the year the board considered very carefully the most appropriate means of addressing the need for internal audit, given the way in which the Association has grown over time. After receiving reports from the Chief Executive, and listening to the views of our newly appointed auditor, the board concluded that current arrangements met its objectives at the present time. Accordingly, Jenny Bond agreed to take over from Mike Starke the responsibility for internal audit, and has since carried out a series of reviews and presented her report which the board received prior to approving the Annual Report. I must take this opportunity to thank Mike for his time and effort in carrying this duty in such a professional and effective manner for a good number of years, and Jenny for accepting the role and for her positive approach to this important task.

On behalf of the Association I must express my appreciation for the Board's continued commitment, without which the organisation would not be the force it is today.

Financial strength.....

Sarah, our Finance Officer, is now supported by our newest recruit, Lynne Walker, whose valued assistance is testament to the increasing importance of maintaining a close watch on the Association's finances.

The audited financial statements for the year under review contain another solid set of figures. The growth in net assets of 3.2 per cent over the year is reflective of the additional properties we now own, and of the substantial surpluses our performance continues to generate.

Rental income increased in line with budget, an overall increase of 5 per cent over the previous year. Our operating surplus for the year, before interest, was accentuated by the 'surplus on' the sale of our offices at Carisbrooke Road (a book figure only) but even allowing for this, was another highly satisfactory result. Continued low interest rates over recent years has meant the Association has been able to invest in new homes and improvements to existing properties, and as such has played a key role in building financial strength. This, the board believes, will stand the Association in good stead for the very serious financial implications of government cuts in on welfare reform and capital subsidy.

These outcomes again improved upon the budgets set for the year, and the board congratulates Paul, ably supported by Mike Ward and the Finance Committee, on their effective stewardship of the Association's finances in these difficult times.

Value for money....

A new regulatory initiative is the requirement for boards to produce a report on how their associations demonstrate achieving 'value for money' in their activities. I refer you therefore to the report which follows this one, which I trust will provide sufficient indication of how this challenge has been addressed. There is considerable emphasis on the 'social value' our work brings to bear on the lives of our tenants.

I commend the report as a clear demonstration of wide-ranging commitment and achievement, which has been a centrepiece of our activities over many years.

The future.....

We are as prepared as we believe we can be for the very difficult challenges the government is imposing upon many of our tenants. The introduction of the Universal Credit and its direct payment to tenants are the next steps in this path. We recognise that this may cause disruptions to cash flow, and it will be interesting to see whether the government lives up its promise of ensuring housing association businesses are protected from the implications. The board has supported a comprehensive letter prepared by our senior management and addressed to our Member of Parliament in which their concerns are expressed in stark detail.

Our determination to continue to deliver new homes for those who need them remains undiminished by these measures, and we will continue to explore every opportunity to secure that extra provision.

We will continue to listen to our tenants' views, and do our best to meet their needs and aspirations.

In conclusion, I am pleased that the Board remains focussed on the future of the Association as an independent local provider of good quality affordable housing, with services to match.

I remain confident that the business objectives we have set ourselves for the next five years will be accomplished. The basis of such belief is simply the history of events over the last thirty years or so. During that time the Association has overcome many difficulties, caused by ever changing regulation and legislation. On each occasion it has emerged a stronger and more effective organisation. There is every reason to suppose the current challenges will be addressed in the same determined fashion.

Results

The results for the year are set out on page 16.

The surplus for the year is transferred to reserves, other reserve transfers are detailed in the notes.

G. Hibberd, Chairman
August 2013

REPORT ON VALUE FOR MONEY

Statement

The Association has always embraced a culture of value for money in all its activities. In demonstrating how this is achieved, the Board of Management (the board) rejects the imposition of excessive targeted quantifiable measurement. The board considers more meaningful assessment should be based primarily, albeit not exclusively, on how many happy tenants it has as a direct result of the policies it develops, and the services it provides. As the protector of a limited amount of public funds, however, the board recognises the need for some broader tests for ensuring that value for money is achieved.

Central to that achievement is the delivery of 'social value' through a rent policy which keeps rents below those in the private sector, whilst manifestly resourcing:

1. A housing management service which aims to put the right people in the right places;
2. A tenancy management service which meets the varying needs of the individual households served by the Association;
3. A responsive maintenance service which aims to effect repairs promptly, effectively, and efficiently;
4. An asset management service which procures quality new homes at an affordable price and sustains them for the long term in the most effective and efficient manner;
5. Opportunities for tenants to influence the direction of the Association's work and to become involved in the scrutiny of that work.

The extent to which these five key objectives are operated successfully is based upon the outcome of a series of review procedures which have long been in place.

Meeting the criteria

1. Rents

- Maintained below market rents and predominantly social 'target' rents.

2. Housing Management

- An internal housing policy, supported by active use of the Homeswapper service, which aims to put the right tenants in the right homes, creating the right environment for a number of self-evident benefits
- Rent refund policy amended to include alternative sources of payment
- Emails and texts to replace expensive postage

3. Maintenance

- Planned maintenance, blending tendering and partnering procedures
- An all-round maintenance policy which makes best use of local craftsmen and contractors, many of whom are not registered for VAT
- Three-year comprehensive review of contractor performance, scrutinised by the Tenant Forum
- Replacement of expensive and de-valued repair satisfaction slips with telephone enquiries
- Key safes attached to void properties

4. Resident involvement - Tenant Forum

- Reviews and scrutinises many aspects of the Association's work
- Participation in Awaydays with staff and board to consider strategy

5. Complaints

The Association is not immune from, nor complacent about, complaints. Of those that are received, most are made on an informal basis and resolved at Officer level. During the year under review no complainant found it necessary to take their case before the board or to have it referred to the Independent Housing Ombudsman.

6. Service Reviews

- External audit service reviewed 2012/2013
- Insurance service reviewed 2012/2013
- Housing allocation system reviewed 2012/2013

7. Benchmarking

Ongoing active membership of SHAPE (Smaller Housing Associations Pursuing Excellence), a club of similar sized organisations, recognised by both the National Housing Federation and the (erstwhile) Tenant Services Authority as a working template for housing associations coming together to share good practice:

- Specific Performance comparison
- Networking email facilities to encourage best practice
- Special Interest Group meetings to encourage best practice

8. Administration

- Business Rates - maximum relief obtained
- Gas/Electricity - supplier switches to most economical tariffs
- Telecommunications discussions - alternative providers
- Postage - minimal letter, second class
- IT maintenance - enhanced systems

9. Financial performance

A year on year comparison of financial performance is not always helpful, due to exceptional items. Identification of trends is more useful. Administrative expenditure, excluding salaries, has increased by 22 per cent over the last four years, whilst turnover has increased by 34 per cent. Given also that housing stock has itself increased by 13 per cent, and annual inflation has averaged over 3 per cent, it is clear that the administrative burden on the Association's finances has decreased proportionately. This is an indication of how attention to detail can impact on the business. There are always a lot of small savings to be made, and every officer contributes to suggestions along these lines.

Conclusion

It is concluded from the evidence provided in this report, and those reports mentioned in the introduction, that continuous improvement remains a key element of the Association's approach to its work, and that staff, the board, and particularly, tenants, play a constructive part in the processes involved in securing value for money.

Board members

The following board members have held office since 1 April 2012:

Mr G Hibberd MBE
Mr G W Ball
Mr R E Biggs
Mrs J Bond
Mr P Court
Mr J H G Jones
Mrs K O'Callaghan
Mr C Squibb MBE
Mr M J Starke
Mr M J Ward
Mr R L Wheeler

Directors' interests

All board members, other than those co-opted, are required to hold one share in the association.

Directors' insurance

The association maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the association.

Auditors

A resolution proposing that Jones Avens be reappointed as auditors of the association will be put to the Annual General Meeting.

Statement of disclosure to auditor

- a) so far as the board members are aware, there is no relevant audit information of which the association's auditors are unaware, and
- b) they have taken all the steps that they ought to have taken as board members in order to make themselves aware of any relevant audit information and to establish that the association's auditors are aware of that information

Statement of board member responsibilities

The board is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Housing association legislation requires the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association and of the income and expenditure of the association for that period. In preparing those financial statements, the board is required to:

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

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and to enable the board to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 1978, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. The board is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Code of governance

The association has adopted and complied with the Excellence in Governance, revised edition, code of governance as published by the National Housing Federation.

Internal Control

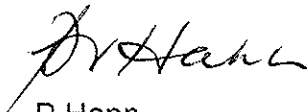
The board is responsible for the association's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material miss-statement or loss. The board ensures that the process for identifying, evaluating and managing the significant risks faced by the association is on-going. These risks are regularly reviewed by the board. Under terms of reference appropriate to the size and nature of the association, a representative appointed from the board, and reporting to it, undertakes reviews of, and tests, practices and procedures throughout the year.

The board discharges its responsibilities for internal controls through the following key procedures:

- A commitment to quality and competence and an appropriate organisational structure with clearly defined lines of responsibility and delegation of authority which combine to create an appropriate control environment
- Procedures to identify major business risks in a timely manner
- Information systems for detailed financial reporting, budgeting and planning against which performance is monitored. Performance indicators are used to identify trends in current financial and non-financial data
- Financial control procedures based upon clearly defined responsibilities and authorities of the Committee of Management and delegation to staff members
- The board monitors that there are appropriate control procedures in place and that these procedures are being followed through the work of both internal and external audit. The board reviews reports from its internal audit representative and from the external auditors on an annual basis on the work carried out and whether there have been any significant problems in controls.

The board has reviewed the effectiveness of the systems of internal control for the period from 1 April 2012 to the date on which these accounts were approved. The review revealed no material weaknesses in internal control that required disclosure.

By order of the board



P Hann
Secretary
22 August 2013

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VECTIS HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Vectis Housing Association Limited on pages 16 to 29 for the year ended 31 March 2013. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the

Respective responsibilities of the board and the auditor

As explained more fully in the statement of board member responsibilities, the board is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the Board Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

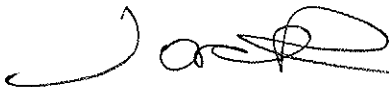
- give a true and fair view of the state of the association's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF VECTIS HOUSING ASSOCIATION LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.



Jones Avens

27 August 2013

**Chartered Accountants
Statutory Auditor**

Piper House 4 Dukes Court
Bognor Road Chichester
West Sussex PO19 8FX

VECTIS HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £	2012 £
Turnover	3	1,839,853	1,749,244
Operating costs		(1,238,673)	(1,130,412)
Operating surplus	4	<u>601,180</u>	<u>618,832</u>
Surplus on sale of fixed assets		95,355	-
Surplus on ordinary activities before interest		<u>696,535</u>	<u>618,832</u>
Investment income		24,431	3,985
Interest payable and similar charges	5	(173,441)	(148,461)
Surplus on ordinary activities before taxation		<u>547,525</u>	<u>474,356</u>
Tax on surplus on ordinary activities	6	-	-
Surplus on ordinary activities after taxation	14	<u><u>547,525</u></u>	<u><u>474,356</u></u>

The income and expenditure account has been prepared on the basis that all operations are continuing operations.

There are no recognised surpluses and deficits other than those passing through the income and expenditure account.

VECTIS HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31 MARCH 2013

	Notes	£	2013 £	£	2012 £
Fixed assets					
Housing properties - depreciated cost		16,926,492		15,950,700	
Less Social Housing Grant		(8,310,423)		(7,902,423)	
Net book value of housing properties					
	7		8,616,069		8,048,277
Other fixed assets	7		320,526		426,540
Investments					
	8		8,936,595		8,474,817
			74		74
Total fixed assets					
			8,936,669		8,474,891
Current assets					
Debtors	9	163,709		147,806	
Cash at bank and in hand		2,179,079		2,291,544	
Creditors: amounts falling due within one year					
	10	(303,021)		(286,753)	
Net current assets					
			2,039,767		2,152,597
Total assets less current liabilities					
			10,976,436		10,627,488
Creditors: amounts falling due after more than one year					
	11		4,996,103		5,194,680
Capital and reserves					
Called up share capital	13		29		29
Other reserves	14		5,653,118		4,971,411
Revenue reserves	14		327,186		461,368
			10,976,436		10,627,488

The financial statements were approved by the Board on 22 August 2013 and signed on its behalf by:



P Hann
Secretary



G Hibberd MBE
Board member



J H G Jones
Board member

VECTIS HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	£	2013 £	£	2012 £
Net cash inflow from operating activities		880,844		897,665
Returns on investments and servicing of finance				
Interest received	16,195		3,985	
Interest paid	(177,213)		(123,560)	
Net cash outflow for returns on investments and servicing of finance		(161,018)		(119,575)
Capital expenditure				
Payments to acquire tangible assets	(1,235,263)		(1,404,126)	
SHG received	408,000		145,000	
Receipts from sales of tangible assets	185,618		-	
Net cash outflow for capital expenditure		(641,645)		(1,259,126)
Net cash outflow before management of liquid resources and financing		78,181		(481,036)
Financing				
Other new long term loans	-		2,000,000	
Repayment of other long term loans	(190,646)		(123,079)	
Net cash (outflow)/inflow from financing		(190,646)		1,876,921
(Decrease)/increase in cash in the year		(112,465)		1,395,885

VECTIS HOUSING ASSOCIATION LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

1	Reconciliation of operating profit to net cash inflow from operating activities			2013	2012
				£	£
	Operating profit			601,180	618,832
	Depreciation of tangible assets			279,189	264,342
	Loss on disposal of tangible assets			13,158	17,928
	Increase in debtors			(7,667)	(33,225)
	Increase in creditors within one year			(5,016)	29,788
				<u> </u>	<u> </u>
	Net cash inflow from operating activities			880,844	897,665
				<u> </u>	<u> </u>
2	Analysis of net debt	1 April 2012	Cash flow	Other non-cash changes	31 March 2013
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	2,291,544	(112,465)	-	2,179,079
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Debt:				
	Debts falling due within one year	(183,561)	183,561	(191,492)	(191,492)
	Debts falling due after one year	(5,194,680)	7,085	191,492	(4,996,103)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		(5,378,241)	190,646	-	(5,187,595)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Net debt	(3,086,697)	78,181	-	(3,008,516)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
3	Reconciliation of net cash flow to movement in net debt			2013	2012
				£	£
	(Decrease)/increase in cash in the year			(112,465)	1,395,885
	Cash outflow/(inflow) from decrease/(increase) in debt			190,646	(1,876,921)
				<u> </u>	<u> </u>
	Movement in net debt in the year			78,181	(481,036)
	Opening net debt			(3,086,697)	(2,605,661)
				<u> </u>	<u> </u>
	Closing net debt			(3,008,516)	(3,086,697)
				<u> </u>	<u> </u>

VECTIS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and are in accordance with applicable accounting standards and statements of recommended practice.

The association is a Registered Provider of Social Housing and is incorporated under the Industrial and Provident Societies Act 1965.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP) Accounting by registered social housing providers 2010 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

1.3 Turnover

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids, Supporting People income, revenue grants from local authorities and the Homes and Communities Agency, and disposal proceeds from properties developed for sale, including the any surplus on the sale of the first tranche of shared ownership properties.

1.4 Tangible fixed assets and depreciation

Housing properties are accounted for on a component basis, with those components of a building with substantially different useful lives being accounted for and depreciated over those estimated lives.

Tangible fixed assets other than freehold land are stated at cost less Social Housing Grant (SHG) and depreciation. The principles of FRS15 are adopted and where the economic benefits are enhanced, costs are capitalised. Development costs are capitalised where they are directly attributable to schemes under development during the year, otherwise all costs are recognised in the income and expenditure account in the period incurred. Interest on loans financing a development is not capitalised.

All properties are considered for impairment annually and detailed reviews of assets for impairment are carried out if there is an indication that impairment has occurred or if they are not being depreciated.

Where developments have been financed wholly or partly by social housing or other government or capital grants (SHG), the cost of those developments has been reduced by the grant receivable. SHG also includes the value attributable to "free land" and other discounts given where the grant receivable was reduced by an equivalent amount. Whilst SHG has been treated

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold housing property	Straight line over the following lives:	
	main fabric	one hundred years
	roof structure	eighty years
	uPVC windows and doors	thirty years
	timber windows and doors	twenty five years
	boilers and heating	ten to thirty years
	Kitchens	twenty five years
	bathrooms	thirty years
	electrics	thirty years

VECTIS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013

1 Accounting policies (continued)

Freehold office	1.5 - 10% straight line basis
Office furniture & equipment	20% straight line basis
Motor vehicles	20% straight line basis

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Pensions

The association operates a Group Personal Pension Scheme. This is a defined contribution scheme and the pension costs charged in the financial statements represent the contributions payable by the association during the year in accordance with FRS 17.

1.8 Value Added Tax (VAT)

The association is not registered for VAT, all expenditure is therefore shown inclusive of VAT.

1.9 Designated reserves

Reserves have been designated by the board as follows:

Major Repairs Reserve

To meet a future programme of Major Repairs to maintain the Association's housing stock to a good standard of repair.

Road Maintenance Reserve

To meet the future costs of maintaining an access road to one of the Association's developments.

Long Term Maintenance Reserve

To meet the future cost of long term maintenance of the Association's properties.

Sales Reserve

To identify that proportion of accumulated revenue reserves which represent the net proceeds of sale of properties which had not been financed by grant.

2 Units in management

	2013	2012
	Units	Units
General needs accommodation	309	295
Shared ownership accommodation	6	6
Leased accommodation	64	59
	<hr/>	<hr/>
	379	360
	<hr/> <hr/>	<hr/> <hr/>

VECTIS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013

3	Income and expenditure from lettings	2013	2012
		Total	Total
		£	£
	Income		
	Rent receivable net of identifiable service charges	1,781,182	1,691,538
	Service income	40,471	39,207
		<u>1,821,653</u>	<u>1,730,745</u>
	Turnover from social housing lettings	1,821,653	1,730,745
	Operating costs on social housing lettings	1,228,551	1,110,312
		<u>593,102</u>	<u>620,433</u>
	Operating surplus/(deficit) on social housing lettings	593,102	620,433
		<u>12,743</u>	<u>5,705</u>
	Bad and doubtful debts	12,743	5,705
		<u>15,493</u>	<u>8,561</u>
	Void losses	15,493	8,561
		<u>15,493</u>	<u>8,561</u>
4	Operating surplus	2013	2012
		£	£
	Operating surplus is stated after charging:		
	Depreciation of tangible assets	279,189	264,342
	Loss on disposal of tangible assets	13,158	17,928
	Operating lease rentals	273,162	256,818
	Auditors' remuneration (excluding VAT)	6,250	5,417
	Remuneration of auditors for non external audit work (excluding VAT)	3,284	3,763
		<u>279,189</u>	<u>264,342</u>
		<u>13,158</u>	<u>17,928</u>
		<u>273,162</u>	<u>256,818</u>
		<u>6,250</u>	<u>5,417</u>
		<u>3,284</u>	<u>3,763</u>
5	Interest payable	2013	2012
		£	£
	On loans repayable after 5 years	173,441	148,461
		<u>173,441</u>	<u>148,461</u>

The association does not capitalise interest on developments in progress, instead it is written off to the income and expenditure account in the year incurred. At an average cost of borrowing of 3.28% this is estimated at £25,800.

6 Taxation

The association has charitable status, since 2003, and on the basis of these financial statements no provision has been made for corporation tax.

VECTIS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013

7 Tangible fixed assets

Housing land and buildings	Held for letting £	Shared Ownership £	Under constructio £	Total £
Cost				
At 1 April 2012	18,256,005	423,578	609,447	19,289,030
Additions - acquisition & construction costs	-	-	1,130,487	1,130,487
Additions - components replaced	109,131	-	-	109,131
Completion transfers	1,739,934	-	(1,739,934)	-
Disposals	(42,736)	-	-	(42,736)
At 31 March 2013	20,062,334	423,578	-	20,485,912
Social Housing Grant				
At 1 April 2012	7,726,452	175,971	-	7,902,423
Receivable in year	-	-	408,000	408,000
Completion transfers	408,000	-	(408,000)	-
At 31 March 2013	8,134,452	175,971	-	8,310,423
Depreciation				
At 1 April 2012	3,322,241	16,089	-	3,338,330
On disposals	(29,578)	-	-	(29,578)
Charge for the year	235,771	14,897	-	250,668
At 31 March 2013	3,528,434	30,986	-	3,559,420
Net book value				
At 31 March 2013	8,399,448	216,621	-	8,616,069
At 31 March 2012	7,269,525	169,305	609,447	8,048,277
Net book values are comprised of:				
Freehold				8,616,069

Within one scheme, the association has a long leasehold unit with an original cost of £59,741.

VECTIS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013

7 Tangible fixed assets

(continued)

Other fixed assets

	Freehold office	Office furniture & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 April 2012	430,012	236,473	9,861	676,346
Additions	960	11,810	-	12,770
Disposals	(136,870)	(175,205)	-	(312,075)
At 31 March 2013	294,102	73,078	9,861	377,041
Depreciation				
At 1 April 2012	48,626	196,336	4,844	249,806
On disposals	(47,345)	(174,467)	-	(221,812)
Charge for the year	7,528	19,055	1,938	28,521
At 31 March 2013	8,809	40,924	6,782	56,515
Net book value				
At 31 March 2013	285,293	32,154	3,079	320,526
At 31 March 2012	381,386	40,137	5,017	426,540

8 Fixed asset investments

	Unlisted investments
	£
Cost	
At 1 April 2012 & at 31 March 2013	74
Net book value	
At 31 March 2013	74
At 31 March 2012	74

The above investment is shares held in Winford Park Residents Association Limited.

VECTIS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013

9 Debtors	2013	2012
	£	£
Arrears of rent and service charges	110,045	99,566
Other debtors	16,418	10,556
Prepayments and accrued income	37,246	37,684
	<hr/>	<hr/>
	163,709	147,806
	<hr/> <hr/>	<hr/> <hr/>
10 Creditors: amounts falling due within one year	2013	2012
	£	£
Loans	191,492	183,561
Rent and service charges in advance	19,140	16,836
Taxes and social security costs	6,567	6,042
Other creditors	4,206	3,277
Capital creditors	17,125	-
Loan interest and instalments	29,307	33,004
Accruals and deferred income	35,184	44,033
	<hr/>	<hr/>
	303,021	286,753
	<hr/> <hr/>	<hr/> <hr/>

VECTIS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013

11 Creditors: amounts falling due after more than one year	2013	2012
	£	£
Other loans	4,996,103	5,194,680
	<u> </u>	<u> </u>
Analysis of loans		
Not wholly repayable within five years by instalments:		
Orchardbrook Limited	425,762	427,288
Nationwide Building Society	4,761,833	4,950,953
	<u> </u>	<u> </u>
	5,187,595	5,378,241
Included in current liabilities	(191,492)	(183,561)
	<u> </u>	<u> </u>
	4,996,103	5,194,680
	<u> </u>	<u> </u>
Instalments not due within five years	4,186,619	4,458,860
	<u> </u>	<u> </u>
Loan maturity analysis		
In more than one year but not more than two years	195,725	183,822
In more than two years but not more than five years	613,759	551,998
In more than five years	4,186,619	4,458,680
	<u> </u>	<u> </u>

The above loans are secured by specific charges on the association's housing properties. Interest on the Orchardbrook Limited loans is charged at rates between 9.38% and 15.00% and the loans are repayable by 2048. Interest on the Nationwide Building Society loans is charged at rates between 1.87% and 4.10% and the loans are repayable by 2032.

12 Pension costs

The association operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the association in an independently administered fund. The pension cost charge represents contributions payable by the association to the fund.

Defined contribution

	2013	2012
	£	£
Contributions payable by the association for the year	16,805	5,281
	<u> </u>	<u> </u>

VECTIS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013

13 Share capital	2013	2012
	£	£
Allotted, called up and fully paid		
Ordinary shares brought forward	29	29
29 Ordinary shares of £1 each	29	29

These shares do not carry any right to a dividend, cannot be redeemed and do not give any provision for a distribution on a winding up. All members are entitled to vote at General Meetings.

14 Statement of movements on reserves	Other reserves	Income and expenditure
	(see below)	account
	£	£
Balance at 1 April 2012	4,971,411	461,368
Retained profit for the year	-	547,525
Movement during the year	681,707	(681,707)
Balance at 31 March 2013	5,653,118	327,186
Other reserves		
Designated major repairs reserve		
Balance at 1 April 2012	1,645,700	
Transfer (to)/from income and expenditure account	140,000	
Balance at 31 March 2013	1,785,700	
Designated road maintenance reserve		
Balance at 1 April 2012	91,136	
Transfer (to)/from income and expenditure account	10,000	
Balance at 31 March 2013	101,136	
Designated long term maintenance reserve		
Balance at 1 April 2012	2,237,529	
Transfer (to)/from income and expenditure account	531,707	
Balance at 31 March 2013	2,769,236	
Designated sales reserve		
Balance at 1 April 2012	997,046	
Balance at 31 March 2013	997,046	

VECTIS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013

15 Financial commitments

At 31 March 2013 the association was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2014:

	Land and buildings	
	2013	2012
	£	£
Operating leases which expire:		
Within one year	23,630	31,670
Between two and five years	366,589	302,703
In over five years	-	14,368
	<u>390,219</u>	<u>348,741</u>

16 Capital commitments

At 31 March 2013 the company had capital commitments as follows:

	2013	2012
	£	£
Contracted for but not provided in the financial statements	-	367,225
Authorised but not contracted for	393,400	1,320,596
	<u>393,400</u>	<u>1,687,821</u>

It is proposed that the above expenditure be financed by the associations reserves and existing agreed loans, there will be no grant funding or property sales.

Since the year end the board has withdrawn £230,000 of the above authorisation, and has approved a further £952,200.

VECTIS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013

17 Directors' emoluments	2013	2012
	£	£
Emoluments for qualifying services	94,124	90,038
Pension contributions	11,195	2,500
	<u>105,319</u>	<u>92,538</u>

In accordance with the Accounting Direction for Private Registered Providers of Social Housing 2012, a director means a member of the board and for the purpose of this disclosure also includes the chief executive and any other person who is a member of the senior management team.

The above emoluments refer to executive staff members, other directors do not receive any remuneration. Sums payable to the highest paid director were as follows:

Emoluments for qualifying services	<u>51,491</u>	<u>50,000</u>
------------------------------------	---------------	---------------

The Chief Executive is an ordinary member of the defined contribution pension scheme, on the same terms as other employees. Contributions payable were £7,069 (2012- £2,500).

18 Employees

Number of employees

The average monthly number of full time equivalent employees during the year was:

	2013	2012
	Number	Number
Office staff	<u>9</u>	<u>8</u>

Employment costs

	2013	2012
	£	£
Wages and salaries	227,290	221,583
Social security costs	22,159	21,815
Other pension costs	16,805	5,281
	<u>266,254</u>	<u>248,679</u>

19 Related party transactions

Both Mr P Court and Mrs K O'Callaghan are board members and tenants. Each holds a tenancy agreement on normal terms appropriate to housing association tenants and cannot use their position to their advantage.