



VESTAL DEVELOPMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

Registered number 05509078

For the year ended 31st March 2016



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For the year ended 31st March 2016

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Strategic Report

Principal activities and review of business performance

Vestal Developments Limited (the “Company”) was established by Sentinel Housing Association Limited (Sentinel) to carry out development projects which are on a design and build basis. Subsequently the company also invested in photo-voltaic (pv) installations on Sentinel properties as part of the Government grant aided scheme.

The company made a profit in the year of £99k (2015: £423k). Income is received for the electricity generated by our photo-voltaic panels, and from managing development projects on behalf of Sentinel Housing Association (Sentinel), the parent company.

During the year the company completed the redevelopment projects at Wickham Court and Gregory House, which together provided 69 new homes.

In addition during the year work continued to provide the remaining 82 homes on the new Horizons project. The last few remaining units are scheduled to be handed over June 2016.

Prospects for Vestal in the coming year are strong.

The company is progressing with the slightly delayed Chapel Hill project which, jointly with Sentinel, has outline planning for 578 homes. We received reserved matter planning in May 2016. We have signed contracts with our development partner during the year, and demolition started on site in January 2016. This was originally scheduled to start during the autumn of 2015. The first homes will be delivered early January 2017 with the contract running to 2020.

In addition we have purchased land at Goch Way. This is a project to provide 85 homes and will run through to 2018. We signed contracts with our development partner in January 2016.

Principal Risk

Development of new homes carries a cost and a market risk. Cost risk is managed through the structure of the development contracts we enter. Historically the market risk was mitigated by only conducting firm contracts with the parent company. Provision of the rented and shared ownership properties are still wholly contracted by the parent. The Vestal board have approved two projects which see the company exposed to the sales risk on market housing. The board received forecast financial returns for each of these schemes when the projects were approved. Cash flow progress, including sales performance will be reported to the board at every meeting.

Our sales values have been assessed using a RICS red book valuation from an experienced surveyor, and do not forecast any increase from today's values. This is a pessimistic position to take in the market place and differs from the approach used by house builders. These values will be updated every 6 months, with any adverse variations reported to the board. Prior to marketing, a fresh valuation will be commissioned which will ensure we are selling the homes at the appropriate value.

Going Concern

The Board has a reasonable expectation that the company has adequate resources to continue to trade over the foreseeable future, being 12 months from the date of these financial statements. The directors are confident that trading performance will remain strong. For this reason the financial statements have been prepared on a going concern basis.

Company Registration

The company's registration number is 05509078

Directors' Report

Directors

The directors who held office during the year were as follows:

Robert Barton	Resigned	24/09/15	Chair
Jane Cooke	Appointed Chair	27/10/15	Chair
Mike Shepherd			
Julian Chun			
Michael Stancombe	Appointed	03/12/15	

All directors have joint contracts with Vestal and the parent company, Sentinel, and did not receive any remuneration for their role as board members of Vestal.

All directors with the exception of Mike Shepherd and Julian Chun hold 1 share in Sentinel Housing Association Limited, Vestal's ultimate parent company.

Employees

Vestal has no direct employees.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Jane Cooke
Chair



56 Kingsclere Road
Basingstoke
Hampshire
RG21 6XG
23/06/16

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements.

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Vestal Developments Limited

We have audited the financial statements of Vestal Developments Limited for the year ended 31 March 2016 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

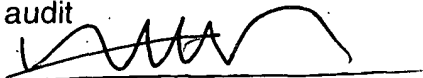
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor.

Chartered Accountants

Gateway House

Tollgate

Chandlers Ford

SO53 3TG

18 July 2016

Profit and Loss Account

For year ended 31st March 2016

	Note	2016 £000	2015 £000
Turnover	2	8,836	17,257
Cost of sales		<u>(8,080)</u>	<u>(16,130)</u>
Gross profit		756	1,127
Administrative expenses	3	<u>(266)</u>	<u>(290)</u>
Operating profit		490	837
Loss on disposal of other fixed assets	6	(15)	-
Interest payable and similar charges	4	<u>(356)</u>	<u>(380)</u>
Profit on ordinary activities before taxation		119	457
Tax on profit on ordinary activities	5	<u>(20)</u>	<u>(34)</u>
Profit for the financial year		<u>99</u>	<u>423</u>
Other comprehensive Income for the year		-	-
Total comprehensive income for the year		<u>99</u>	<u>423</u>

The accompanying notes form an integral part of the Financial Statements.

Balance sheet

At 31st March 2016

	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	6	<u>2,327</u>	<u>2,454</u>
		2,327	2,454
Current assets			
Stocks	7	11,088	6,271
Debtors	8	1,184	1,820
Cash at bank and in hand	9	<u>1,098</u>	<u>464</u>
		13,370	8,555
Creditors: amounts falling due within one year	10	<u>(15,399)</u>	<u>(10,830)</u>
Net current (liabilities)		<u>(2,029)</u>	<u>(2,275)</u>
Total assets less current liabilities		298	179
Deferred tax liability	11	<u>(54)</u>	<u>(34)</u>
Net assets		<u>244</u>	<u>145</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account		<u>244</u>	<u>145</u>
Shareholders' funds		<u>244</u>	<u>145</u>

These financial statements were approved by the board of directors on 23rd June 2016 and were signed on its behalf by:



Jane Cooke
Chair

Company registered number: 05509078

Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 st April 2015	-	145	145
Total comprehensive income for the period	-	99	99
Balance at 31st March 2016	-	244	244

Notes

(forming part of the financial statements)

1 Accounting policies

Vestal Developments Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 17.

The Company's parent undertaking, Sentinel Housing Association Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Sentinel Limited are prepared in accordance with Financial Reporting Standard 102 as adopted by the EU and are available to the public and may be obtained from 56 Kingsclere Road, Basingstoke, Hampshire, RG21 6XG. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period; and
- Cash Flow Statement and related notes.

As the consolidated financial statements of Sentinel Housing Association Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for derecognition of financial assets and liabilities before the date of transition, hedge accounting for any hedging relationships that no longer existed at the date of transition, accounting estimates or discontinued operations.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of account. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Foreign currency

The Company's functional currency is Sterling. All contracts are based in Sterling and there is no anticipated exposure to foreign currency movements.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment, (Photovoltaic panels) 25 years

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible fixed assets (continued)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the balance sheet.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Long term contract balances represent costs incurred on specific contracts, net of amounts transferred to cost of sales in respect of work recorded as turnover, less foreseeable losses and payments on account not matched with turnover and are included within stocks and work in progress.

1.8 Impairment excluding stocks, and deferred tax assets

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Notes (continued)

1.8 Impairment excluding stocks, and deferred tax assets (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the

carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Employee benefits

Vestal Developments Limited has no direct employees. Members of the development team have joint Sentinel and Vestal contracts, but all their remuneration is paid by the parent company and disclosed as appropriate in those accounts. There are no recharges on specific staff costs from the parent company.

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.11 Turnover

Turnover from the photovoltaic panels is accounted for on the basis of income earned in the period.

Turnover and attributable profit relating to long term development contracts, where the purchaser is able to specify major structural elements of the design before and during construction, is recognised based on the stage completion of the contract at the year end.

Individual properties developed for open market sale, where the purchaser does not obtain control or the significant risks and rewards of the work in progress, turnover and attributable profit are recognised on delivery of the real estate to the purchaser.

1.12 Expenses

Interest receivable and Interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are

Notes (continued)

1.13 Taxation (continued)

recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; to

the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2. Turnover

	2016	2015
	£000	£000
Sale of goods	341	310
Rendering of services	11	10
Construction contract revenue	8,484	16,937
	<hr/>	<hr/>
Total turnover	8,836	17,257
	<hr/>	<hr/>
	2016	2015
	£000	£000
By activity		
Development contract	8,484	16,937
PV	352	320
	<hr/>	<hr/>
	8,836	17,257
	<hr/>	<hr/>

3. Expenses and auditor's remuneration

Auditor's remuneration:

	2016	2015
	£000	£000
Amounts receivable by the company's auditor and its associates in respect of:		
Audit fees	5	5
	<hr/>	<hr/>

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Sentinel Housing Association Limited.

Notes (continued)

4. Interest payable and similar charges

	2016 £000	2015 £000
Interest payable and similar charges payable to group undertakings	356	380

5. Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £000	2015 £000
Current tax on income for the period	-	-
<i>Deferred tax (see note 11)</i>		
Origination and reversal of timing differences	21	34
Adjustments in respect of prior periods	3	-
Change in tax rate	(4)	-
Total deferred tax	20	34
Total tax	20	34

The company also has unrecognised gross tax losses of £344,653 (2015: £222,449). Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2016 has been calculated based on these rates

	2016 £000 Deferred tax	2015 £000 Deferred tax
Recognised in Profit and loss account	20	34

Notes (continued)

5. Taxation (continued)

Reconciliation of effective tax rate

	2016	2015
	£000	£000
Profit for the year	99	423
Total tax expense	20	34
Profit excluding taxation	119	457
Tax using the UK corporation tax rate of 20% (2015: 21%)	24	93
Reduction in tax rate on deferred tax balances	(6)	-
Under/(over) provided in prior years	2	(59)
Total tax expense included in profit or loss	20	34

6. Tangible fixed assets

	Photovoltaic panels £000
Cost	
Balance at 1 st April 2015	2,847
Disposals	(18)
Balance at 31 st March 2016	2,829
Depreciation and impairment	
Balance at 1 st April 2015	393
Depreciation charge for the year	112
Disposals	(3)
Balance at 31 st March 2016	502
Net book value	
At 31st March 2016	2,327
At 31 st March 2015	2,454

Notes (continued)

7. Stocks

	2016	2015
	£000	£000
Work in progress	11,088	6,271
	<u>11,088</u>	<u>6,271</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £8,079,579 (2015: £16,129,676).

8. Debtors

	2016	2015
	£000	£000
Trade debtors - Construction contract debtors	56	56
Amounts owed by group undertakings	304	1,701
VAT receivable	821	63
Prepayments and accrued income	3	-
	<u>1,184</u>	<u>1,820</u>

All debtors are due within 1 year. Debtors include prepayments and accrued income of £56k (2015: £56k) and Parent company construction contract debtors of £304k (2015: £1,701k).

9. Cash and cash equivalents

	2016	2015
	£000	£000
Cash at bank and in hand	<u>1,098</u>	<u>464</u>

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect Cash Flow Statement and related notes.

Notes (continued)

10. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors and accruals	441	711
Amounts owed to group undertakings	13,600	8,850
Taxation and social security	5	-
Other creditors	1,353	1,269
	<u>15,399</u>	<u>10,830</u>

As from the 1st April 2015, the loan from the parent company is repayable within one year and is shown as a current liability. The interest rate on the loan is at LIBOR plus a commercial margin.

11. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Accelerated capital allowances	-	-	(116)	(82)	(116)	(82)
Unused tax losses	62	48	-	-	62	48
Other	-	-	-	-	-	-
Tax liabilities	<u>62</u>	<u>48</u>	<u>(116)</u>	<u>(82)</u>	<u>(54)</u>	<u>(34)</u>
Net of tax assets			62	48		
Net tax (liabilities)			<u>(54)</u>	<u>(34)</u>		

12. Capital and reserves

Share capital

	2016 £	2015 £
Allotted called up and fully paid		
1 ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

After the balance sheet date no dividends have been proposed by the directors.

Notes (continued)

13. Capital commitments

The Company's contractual commitments to purchase tangible fixed assets at the year-end were £45,021k (2015: £ Nil).

14. Ultimate parent company

The Company is a subsidiary undertaking of Sentinel Housing Association Limited, a registered provider of social housing, which has the power to appoint board members to the company.

The consolidated financial statements of this groups are available to the public and may be obtained from The Secretary, Sentinel Housing Association Limited, Oakfern House, 56 Kingsclere Road, Basingstoke, Hampshire, RG21 6XG, or from the group website at: www.sentinelha.org.uk/

15. Subsequent events

Subsequent to the balance sheet date, there have been no reportable events.

16. Accounting estimates and judgements

Key sources of estimation uncertainty

Historically all development contracts have been undertaken on behalf of the parent company and have been for rented housing stock or social shared ownership products. The value of the work in progress has been independently verified by employers' agents.

As at the balance sheet date the new business plan includes an element of open market sale. All schemes are mixed tenure, and are either still subject to obtaining planning approval or are not committed with a contractor as at the balance sheet date and therefore have been not been separated out.

Including open market sale into the mix of products does increase the company's exposure to fluctuations in the housing market. A collapse of the housing market would not materially affect the current valuations in the balance sheet. Future potential profits may be at risk, but the potential to change the tenure and sell the units to the parent as rental units at cost exists.

Notes (continued)

17. Explanation of transition to FRS 102 from Adopted UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31st March 2016 and the comparative information presented in these financial statements for the year ended 31st March 2015.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP) where and if applicable.

There is no material change to the reporting of the statement of comprehensive income, from the UK GAAP Profit and loss, or the categorisation of income or costs.

There are no changes to the estimated carrying values of the items held on the statement of financial position in the company.

Vestal has no employees and therefore no changes are required for employee benefits.

Vestal does not have any long term financial instruments. There is an intercompany loan from the parent whose terms are immediately repayable on demand and is held as a current liability. The company has not entered into any leases or any other financing arrangements.

There are no assets which could be considered investments and measured at fair value.