# VELA HOMES LIMITED

# CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

## Year ended 31 March 2012

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COMPANIES HOUSE

Company Registration No. 07441772

Vela Homes Limited
Consolidated Report and Financial Statements

## INDEX

## Board and Advisors

| | | |
|---|---|---|
| **Registered Office** | Greenbank<br>Stranton<br>Hartlepool<br>TS24 7QS | |
| **Board** | Mike Clark (Chairman)<br>Andrew Lean<br>Nicola Alexander (from 8 November 2011)<br>John McDougall<br>John Littlefair<br>Geoff Lee (from 13 December 2011)<br>Peter Olsen<br>Bob Gibson O.B E<br>Jackie Robinson (to 29 September 2011)<br>Julie Clarke<br>Heather Ashton (to 18 July 2011) | |
| **Co-opted Board Members** | Alan Hodgson<br>Johnny Lighten<br>Jeremy Boyd | |
| **Company Secretary** | Linda Minns | |
| **Executive Directors** | Cath Purdy O.B.E. | Chief Executive |
| | John Taylor | Group Director of Resources |
| | Dave Pickard | Group Director of Operations |
| | Colin Wilson | Group Director of Regeneration |
| | Mike Kay | Group Director of Property Services |
| **Bankers** | Royal Bank of Scotland<br>North East Corporate Office<br>2nd Floor Keel Row House<br>1 Sandgate<br>Quayside<br>Newcastle upon Tyne NE1 2NG | |
| **Auditors** | Baker Tilly UK Audit LLP<br>1 St. James' Gate<br>Newcastle upon Tyne NE1 4AD | |

# REPORT OF THE BOARD AND OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 MARCH 2012

## REVIEW OF BUSINESS

The Vela Homes Group ("the Group") comprises Vela Homes Limited as the parent company with Housing Hartlepool Limited and Tristar Homes Limited as its subsidiary companies Details of the Group's performance for the year and future plans are set out in the Operating and Financial Review.

## ACTIVITIES

The principal activity of the Group is the management, maintenance and development of affordable housing for rent.

## CORPORATE GOVERNANCE

The Group Memorandum and Articles of Association provide for the control of the Group's activities to rest with the Vela Group Board ("the Board") which comprises 9 directors – 3 Independent, 3 representatives from Housing Hartlepool and 3 representatives from Tristar Homes - and 3 co-optees At 31 March 2012 there were 3 independent directors, 3 Housing Hartlepool directors and 3 Tristar Homes' directors, plus 3 co-optees The Board is responsible for the Governance of the Group and meets to.

- Determine and monitor Group strategy
- Agree policies and delegation to Committee and Executive Directors
- Set and monitor targets
- Consider reports on all significant issues

The Group follows the National Housing Federations Code of Governance, with robust codes of conduct and policies The Board has scheduled meetings each year and is supported by 3 Committees·

- Finance Committee
- Audit and Risk Committee
- Governance Committee

All Committees are joint Committees operating across the Vela Group ("the Group").

In addition there are 2 Panels working across the Group to consider specific issues and report to the Board

- New Ventures Panel
- Appeals Panel

## EXECUTIVE DIRECTORS

Group Executive Directors form the Executive Management team led by the Group Chief Executive. The Group Executive Directors are not Board members and hold no interest in the Company Membership and act as executives within the authorities delegated by the Board. The Group Executive Directors are employed by Tristar Homes Limited or Housing Hartlepool Limited and seconded to Vela Homes Limited Employment terms and conditions are the same as other staff employed by these companies, including access to the Teesside Pension scheme or Social Housing Pension Scheme on the same terms as other eligible staff employed by these companies

## EMPLOYEES

At 31 March 2012, the Group employed 667 Full Time Equivalent staff The Group is committed to ensuring effective communication for all employees and involving employees in the decision making process. The Group holds a number of awards and initiatives, demonstrating its commitment to its employees·

- Positive about Disabled People
- Investors in People Bronze Award
- North East Better Health at Work Silver Level
- Mindful Employer

## HEALTH AND SAFETY

The Board is aware of its responsibilities on all matters relating to Health and Safety, and the Group has detailed Health and Safety policies and training programmes for staff.

## DONATIONS

The Group donated £14,756 in the year and made no political donations in the year

## CUSTOMER INVOLVEMENT

The Group actively encourages customer involvement in decision making through the Customer Involvement Strategy and established Customer Involvement framework which includes

- Customer Panel
- Tenants Consultation Panel
- Scrutiny Panel
- Tenant Board Directors
- Mystery Shopping and Tenant Directors
- Service Improvement Groups
- Customer, Tenant and Resident Groups

## INTERNAL CONTROLS

The Board has overall responsibility for establishing, maintaining and reviewing the system of internal control. The system of internal control is designed to manage rather than eliminate risk through a Risk Management Framework and Strategy, led by the Board Key risks to the Group have been identified as

- External changes affect achievement
- Value for Money not embedded/inability to deliver efficiencies within the Business Plan
- Inappropriate investment decisions
- Failure to meet health and safety requirements
- Failure of Business Continuity Plan
- External financial instability/interest rates affecting Business Plan
- Inability to exploit new opportunities and ventures

Controls to mitigate identified risks have been identified and are monitored to manage these identified risks, including the internal control framework.

The key elements of the internal control framework include

- Internal audit programme
- Board approved terms of reference and delegated authorities for all Committees
- Formal recruitment, retention and training and development policies
- Board approved financial budgets and forecasts
- Strategic and Business Planning processes
- Whistle-blowing, anti-theft and corruption policies

The Board cannot delegate ultimate responsibility for the system of internal control, but it can and has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control The Board receives regular reports from the Audit and Risk Committee, together with minutes of Audit and Risk Committee meetings

### GOING CONCERN

The Board has reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future For this reason, it has adopted the going concern basis in the financial statements

### STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The directors have confirmed that, as far as they are aware, there is no relevant information of which the auditors are unaware Each of the directors have confirmed that they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

## OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 MARCH 2012

### ACTIVITIES

Vela Homes Limited was incorporated on 16 November 2010 and on 13 December 2010, a new Group was formed comprising Vela Homes Limited, Housing Hartlepool Limited and Tristar Homes Limited. Housing Hartlepool and Tristar Homes are both social landlords, registered with the Homes and Communities Agency (HCA) and charities, registered with the Charity Commission for England and Wales

### OBJECTIVES AND STRATEGY

The Group's objectives and strategy are set out in the Corporate Plan which has been reviewed and approved by the Board Key objective for 2011/12 for the Company was the delivery of promises made to tenants under the Tristar Homes Stock Transfer agreement Main achievements during the year were·

1. Continue the investment programme to bring all homes up to and maintained to the agreed standard
2. Integrate energy saving works into planned improvements to homes
3 Ensure priority repair service for elderly and vulnerable tenants
4. Investing over £1million to adapt homes to meet individual needs

5 Increase numbers of new homes built through successful bidding for the Affordable Homes Programme and reduce new build costs by 10%
6 Improve locally based services within the Borough of Stockton–On-Tees and Hartlepool
7 Use all available legal powers to combat Anti-Social Behaviour in partnership with Local Authorities and the Police
8 Implement new Customer Involvement structure including customer scrutiny
9. Consolidate the extra care and support service for elderly and vulnerable residents
10 Establish and introduce Affordable Rent criteria
11. Creation of employment opportunities and expansion of the apprenticeship scheme

## PERFORMANCE

The main areas of operating activity undertaken in the period involved housing management and maintenance, investment in housing stock and development. The activities are delivered by the two landlord companies, Housing Hartlepool Limited and Tristar Homes Limited, and details of their performance, is reported in the respective financial statements

## FINANCIAL POSITION

The financial performance for the year was an operating surplus of £7.9m (2010/11 restated· operating surplus of £9 2m) In addition there was a surplus on the disposal of fixed assets of £916k (2010/11 £593k), which after interest has led to a surplus of £6.1m (2010/11 restated surplus £7 3m)

### Assets
The total fixed asset base of the Group increased during the period to £251m from £199.2m, reflecting a revaluation of housing properties available for letting by external professional valuers

### Accounting Policies
The Group financial statements are prepared on the basis of merger accounting The Group's accounting policies are set out in Note 1 to the Financial Statements The pension scheme reporting is in line with Financial Reporting Standard 17 – Accounting for Retirement Benefits (FRS17), with the Financial Statements including a pension scheme liability

### Capital Structure and Treasury Policy
The Group Business Plan provides for on-going investment in new and existing housing assets which is financed through a mix of incomes and borrowing Housing Hartlepool Limited and Tristar Homes Limited each has a funding arrangement with the Royal Bank of Scotland to borrow up to £75m, for repayment within 30 years, subject to meeting annual loan covenants At 31 March 2012, Housing Hartlepool Limited had £50m loans drawn and Tristar Homes Limited £4m loans drawn, on a mix of fixed and variable interest rates. The Company utilises cash balances to fund net spending before draw down of loan funds The cash flows of each Company within the Group are monitored through regular reports to Finance Committee. The Group met its loan covenants during 2011/12

### Reserves
The Group accumulated reserves of £175 1m, comprising a Revaluation Reserve of £159m, Revenue Reserve of £37 7m, Designated Reserve of £2m and Restricted Reserve of £86k, with a deficit on the Pension Reserve of £23.7m

**Cash Flows**
Operating activities in the year resulted in a net cash inflow of £12 8m with the main cash outflows being investment in and development of housing stock of £20 2m Cash inflows included grant receivable of £3.4m and drawdown of loans of £5m Cash inflows and outflows are shown in the Cash Flow Statement

**Financial Risk Management**

- Interest Rate Risk - A mix of fixed rate and variable rate loans are utilised to limit the Group's exposure to adverse interest rate movements and provide stability of funding and liquidity
- Liquidity Risk – the Treasury Management Policy sets out the approach to liquidity risk management Cash flow forecasts are reviewed regularly, with reporting to Finance Committee, to ensure sufficient liquidity is available to meet foreseeable needs Cash surpluses are invested overnight in Special Interest Bearing Accounts
- Credit Risk – the Group's principal credit risk relates to tenant arrears To manage this risk support is given to tenants with application for Housing Benefit and procedures are in place to closely manage arrears of all tenants

**FUTURE STRATEGY**

A Business Strategy for the period 2012-2017 has been developed and approved which is owned by the three companies within the Group The Strategy provides the framework to achieve its mission of **'shaping places, creating communities and changing lives'.**
The Company is strongly committed to delivering sustainable communities by making strategic community investment decisions and working closely with residents, Local Authorities and other agencies, to improve and build homes and enhance the local environment and neighbourhoods of Hartlepool and Stockton Boroughs and the wider northern region.
Our expectations of forming the Vela Group, and those of our key stakeholders, were to make a significantly positive impact on communities and to give greater life-opportunities to individuals This strategy provides the framework and added momentum by which we can continue on this path in pursuit of these social outcomes.
Our plans are ambitious and far reaching Our activity will grow within a wider geographical area and will include new areas of work, products and customers In response to challenges within the external environment and internal business drivers, the key themes within the Business Strategy are.

| Business Strategy Theme | Aim |
|---|---|
| Delivery of key existing services | To ensure the services we provide remain relevant, exceed expectations and represent value for money |
| Expanding the Group | To increase our size and extend our geographical reach |
| Shaping Places | To build or acquire at least 2,500 sustainable homes in the next five years |
| Creating communities and changing lives | To invest in services and support to communities that help the sustainability of areas in which we operate and the wellbeing and life opportunities of our customers. |

| | |
|---|---|
| Resourcing the Future | To fund strategic aspirations whilst remaining financially viable |

**STATEMENT OF COMPLIANCE**

The Group has adopted the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010 as at 31 March 2012 The key change has been the requirement for the Group to identify and separately account for the major components which make up its housing property assets Prior period balances have been restated to reflect this change in accounting policy

**ANNUAL GENERAL MEETING**

The annual general meeting will be held on 21 September 2012

The report of the Board was approved on 28th August 2012 and signed on its behalf by

Michael Clark
Director

Dated

## STATEMENT OF THE RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations

Company Law requires the Board to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws)

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 and surplus or deficit 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 judgements and accounting 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
- 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 Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Group's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

The Statement of Responsibilities of the Board was approved on 28th August 2012 and signed on its behalf by

Michael Clark
Chairman of the Board

# INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF VELA HOMES LIMITED

We have audited the group and parent company financial statements for the year ended 31 March 2012 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Surpluses and Deficits, the Note of Historical Cost Surpluses and Deficits, the Cash Flow Statement, and the related notes 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 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 THE BOARD AND AUDITOR

As explained more fully in the Statement of Responsibilities of the Board set out on page 9, the Board Members (who are the directors of the company for the purposes of Company Law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view 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

A description of the scope of an audit of financial statements is provided on the APB's website at *www frc org uk/apb/scope/private cfm*

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 March 2012 and of the Group's 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

## OPINION ON OTHER REQUIREMENTS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information in the Report of the Board 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

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

Baker Tilly UK Audit LLP

PAUL BYRNE BSc, FCA, MBA (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
1 St James Gate
Newcastle upon Tyne
NE1 4AD

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## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
**For the year ended 31 March 2012**

| | Notes | 2012<br>£000 | 2011 Restated<br>£000 |
|---|---|---|---|
| Turnover | 2 | 67,323 | 53,667 |
| Operating Costs | | (59,423) | (50,180) |
| Exceptional Pension Past Service Credit | 8 | 0 | 5,708 |
| Operating Surplus/(Deficit) | | 7,899 | 9,195 |
| Surplus on disposal of Fixed Assets | 3 | 916 | 593 |
| Interest receivable & similar income | 4 | 11 | 30 |
| Interest payable & similar charges | 5 | (2,986) | (2,027) |
| Other financing (cost)/income | 5 | 265 | (527) |
| Surplus/(Deficit) on Ordinary Activities before Taxation | | 6,104 | 7,264 |
| Taxation | 10 | 0 | 0 |
| Surplus/(Deficit) for the year | | 6,104 | 7,264 |

The accompanying notes form part of these financial statements

The comparatives for the year ended 31 March 2011 have been restated as the Group has introduced component accounting in accordance with the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010

Turnover and operating surplus are derived from continuing activities

These Financial Statements were approved by the Board of Directors and authorised for issue on the 28th August 2012 and were signed on its behalf by

Michael Clark
Director

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

**For the year ended 31 March 2012**

| | 2012<br>£000 | 2011 Restated<br>£000 |
|---|---|---|
| Surplus/(Deficit) for the financial year | 6,104 | 7,264 |
| Unrealised surplus/(deficit) on revaluation of housing properties | 42,356 | 94,299 |
| Unrealised surplus/(deficit) on revaluation of non-housing properties | 451 | 805 |
| Release of revaluation uplift on demolition of housing properties | (89) | 0 |
| Release of revaluation uplift on demolition of non-housing properties | (553) | (125) |
| Actuarial gain/(loss) on Teesside Pension fund assets | (16,343) | 4,206 |
| Total Recognised Surplus/(Deficit) for the financial year | 31,926 | 106,449 |

The prior year adjustment has had no impact on aggregate reserves as reported in the Financial Statements for year end 31 March 2011

## CONSOLIDATED NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

**For the year ended 31 March 2012**

| | 2012<br>£000 | 2011 Restated<br>£000 |
|---|---|---|
| Reported Surplus/(Deficit) on ordinary activities before taxation | 6,104 | 7,264 |
| Realisation of property revaluation on property sales | 335 | 88 |
| Difference between historical cost depreciation charge and actual depreciation charge | 1,097 | 452 |
| Historical Cost Surplus/(Deficit) on ordinary activities before taxation | 7,536 | 7,804 |
| Taxation | 0 | 0 |
| Historical Cost Surplus/(Deficit) on ordinary activities after taxation | 7,536 | 7,804 |

**BALANCE SHEETS** **Company Registration 07441772**
**As at 31st March 2012**

| | Note | Group 2012 £000 | Group 2011 Restated £000 | Company 2012 £000 | Company 2011 £000 |
|---|---|---|---|---|---|
| Fixed Assets | | | | | |
| Land & Buildings | 11 | 251,938 | 204,837 | 0 | 0 |
| Social Housing Grant | 11 | (1,717) | (3,044) | 0 | 0 |
| Other Grants | 11 | 0 | (2,994) | 0 | 0 |
| Other Tangible Assets | 12 | 288 | 409 | 17 | 0 |
| Total Fixed Assets | | 250,509 | 199,208 | 17 | 0 |
| Current Assets | | | | | |
| Properties for Sale | 14 | 3,910 | 3,681 | 0 | 0 |
| Stock | 13 | 191 | 202 | 0 | 0 |
| Debtors Amounts falling due after one year | 15 | 232,005 | 239,978 | 0 | 0 |
| Debtors Amounts falling due within one year | 15 | 6,868 | 5,704 | 7,684 | 676 |
| Cash at bank and in hand | | 1,361 | 2,275 | 0 | 0 |
| Creditors Amounts falling due within one year | 16 | (9,837) | (11,890) | (7,700) | (676) |
| Net Current Assets | | 234,498 | 239,950 | (17) | 0 |
| Total Assets less Current Liabilities | | 485,007 | 439,158 | 0 | 0 |
| Creditors Amounts falling due after one year | 17 | 54,000 | 49,000 | 0 | 0 |
| Provision for Liabilities | 19 | 232,200 | 240,159 | 0 | 0 |
| Net Pension Liability | 8 | 23,695 | 6,816 | 0 | 0 |
| Capital & Reserves | | | | | |
| Property Revaluation Reserve | 20 | 159,030 | 118,292 | 0 | 0 |
| Designated Reserve | 20 | 2,023 | 1,782 | 0 | 0 |
| Restricted Reserve | 20 | 86 | 0 | 0 | 0 |
| Revenue Reserve | 20 | 37,668 | 29,925 | 0 | 0 |
| Pension Reserve | 20 | (23,695) | (6,816) | 0 | 0 |
| Total Funds, Long Term Creditors and Provisions | | 485,007 | 439,158 | 0 | 0 |

These Financial Statements were approved by the Board of Directors and authorised for issue on the 28th August 2012 and were signed on its behalf by

Michael Clark
Director

## CONSOLIDATED CASH FLOW STATEMENT
**FOR THE YEAR ENDED 31ST MARCH 2012**

| | Notes | 2012 £000 | 2012 £000 | 2011 £000 | 2011 £000 |
|---|---|---|---|---|---|
| Net cash inflow/(outflow) from operating activities | 21 | | 12,773 | | 11,390 |
| Returns on investments & servicing of finance | | | | | |
| Interest received | | 12 | | 30 | |
| Interest Paid | | (2,962) | (2,950) | (1,998) | (1,968) |
| Net cash inflow/(outflow) from returns on investment & servicing finance | | | 9,823 | | 9,422 |
| Taxation | | | 0 | | 0 |
| Corporation tax paid | | | 0 | | 0 |
| Capital expenditure | | | | | |
| Purchase and construction of housing properties | | (20,207) | | | (29,193) |
| Capital expenditure on housing properties | | 0 | | | 0 |
| Capital Grants Received - SHG | | 3,356 | | | 7,251 |
| Capital Grants Received - Other | | 0 | | | 0 |
| Purchase of other tangible fixed assets | | (171) | | | (93) |
| Proceeds from sale of other tangible fixed assets | | 0 | | | 0 |
| Net proceeds from disposal of housing properties | | 1,792 | | | 721 |
| Net cash inflow/(outflow) from capital expenditure & financial investment | | | (15,230) | | (21,314) |
| Net cash outflow before use of liquid resources & financing | | | (5,407) | | (11,892) |
| Management of liquid resources | | | | | |
| Purchase of current asset investments | | | 0 | | 0 |
| Sale of current asset investments | | | 0 | | 0 |
| Net cash outflow before financing | | | (5,407) | | (11,892) |
| Net cash inflow from financing | | | | | |
| Loans received | | | 5,000 | | 8,500 |
| Increase/(decrease) in cash | | | (407) | | (3,392) |

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

**Legal Status**

The Company is limited by guarantee.

**Basis of Accounting**

The Financial Statements have been prepared under the historical cost convention except as modified for the revaluation of housing properties and in accordance with applicable United Kingdom accounting standards and the Statement of Recommended Practice· Accounting by Registered Social Housing Providers Update 2010

**True and Fair Override**

The financial statements in respect of the year ended 31 March 2012, together with the comparatives have been prepared in accordance with the Statement of Recommended Accounting Practice ("SORP") Accounting by Registered Social Housing Providers Update 2010 Although Vela Homes Limited is not itself a Registered Provider of Social Housing, the operating activities of the Group are largely undertaken in the subsidiary companies Housing Hartlepool Limited and Tristar Homes Limited, both of which are Registered Providers of Social Housing and are thus required to apply the SORP Transactions undertaken in the parent entity, Vela Homes Limited, relate only to shared services costs and associated recharges The application of the SORP in the preparation of the financial statements of Vela Homes Limited represents a departure from the requirements of generally accepted accounting practice in the UK (UK GAAP) however this departure is deemed by the Directors to be necessary in order that the financial statements present a true and fair view

**Basis of Consolidation**

The consolidated financial statements incorporate those of Vela Homes Limited and all of its subsidiary undertakings for the year. All financial statements are made up to 31 March 2012 All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

**Going Concern**

The Company's business activities, together with the factors that are likely to affect its future development, performance and position are set out in the Operating and Financial Review on pages 5 to 8

The Company meets its day to day working capital requirements together with its capital expenditure requirements in line with its approved Business Plan through a long term funding arrangement with its bankers The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

**Turnover**

Turnover represents rental and service charge income from properties owned by the Companies within the Group, net of voids and income from third parties, including agency income and support charges. All are recognised during the period to which the service provision relates

Turnover also includes proceeds from the sale of properties developed for the open market which are recognised on legal completion

**Depreciation**

The Financial Reporting Standard (FRS 15) for Tangible Fixed Assets requires that the Company review the economic useful life of its housing properties and depreciates the value of its properties, less their residual value, over the estimated remaining economic useful life.

Depreciation of buildings is provided on a straight-line basis Major components of housing properties are treated as separable assets and depreciated over their expected useful economic life which are

| | |
|---|---|
| Structure | 100 years |
| Roof | 80 years |
| Electric Installation | 50 years |
| Doors & Windows | 30 years |
| Bathroom | 30 years |
| Kitchen | 20 years |
| Heating | 10 years |

Housing properties in the course of construction are not depreciated. Freehold land is not depreciated.

**Land and Buildings**

Cost for housing properties include.

- The cost of acquisition of land and buildings
- Construction costs including internal equipment and fittings
- Expenditure on major component replacement
- Expenditure on improvements to existing properties which results in an enhancement of economic benefits

Expenditure on repairs to properties and equipment arising through normal wear and tear is charged to the income and expenditure account in the year in which it occurs.

Expenditure on properties to replace a major component is capitalised as improvements, and treat separately for depreciation purposes

Completed housing properties have been valued on the Existing Use Valuation for Registered Landlords. Housing properties are revalued annually and the aggregate surplus or deficit on revaluation is transferred to a Revaluation Reserve

Housing properties in the course of construction are stated at cost less related grants
The assessed useful economic life of housing properties is 100 years.

**Other tangible assets**

All other tangible fixed assets are included at cost less depreciation. Depreciation is charged on a straight-line basis over the expected economic useful life of the asset.

The range of asset lives used is as follows:

| | |
|---|---|
| • Computer Equipment | 3 years |
| • Other Equipment | 1 to 7 years |
| • Furniture & Fittings | 1 to 5 years |
| • Leasehold Improvements | Term of the lease |
| • Vehicles | 1 to 5 years |

**Impairment**

Housing properties and commercial properties, which are depreciated over a period in excess of 50 years, are subject to an annual impairment review. Other assets are reviewed for impairment if there is an indication impairment may have occurred When a review of individual fixed assets or income generating units indicates impairment has occurred this is recognised in the income and expenditure account and included within cumulative depreciation to write the asset down to its recoverable amount

**Stocks and Work in Progress**

Stock is valued at the lower of cost and net realisable value

**Taxation and VAT**

There was no liability to Corporation Tax on any taxable surplus and capital gains Income and capital gains are generally exempt from tax if applied for charitable purposes

The Group is registered for Value Added Tax (VAT) but its rental income is exempt for VAT purposes. The majority of expenditure is subject to VAT that cannot normally be reclaimed and expenditure is shown inclusive of VAT.

VAT on refurbishment works carried out under the Development Agreements with Hartlepool Borough Council (HBC) and Stockton-On-Tees Borough Council (SBC) is fully recoverable Partial VAT exemption has not been reclaimed for any other business activities in the period

**Interest**

Interest payable is charged to the income and expenditure account in the period it accrues.

**Bad & Doubtful Debts**

Provision is made for rent arrears of current and former tenants, and sundry debtors that are considered potentially irrecoverable.

**Leases**

Rentals paid under an operating lease are charged to the income and expenditure account on an accruals basis

**Sale of housing properties**

Sale of housing properties are taken into account on completion of contracts. It is not possible to identify separately the original value of each property sold, instead an average value is eliminated from the total housing property valuation based on, the original purchase cost of the asset in the first year of transfer, and in subsequent years the carrying value of the asset, this value being charged to the income and expenditure account

**Development Agreement**

Both Housing Hartlepool and Tristar Homes have entered into a Development Agreement with Hartlepool Borough Council and Stockton-on-Tees Borough Council respectively, whereby the undertakings of catch up repairs and improvement works remained with the Council and the obligation to carry out the works was sub contracted to the Company. This arrangement is accounted for in the Group accounts showing a debtor of £232 0m wholly offset by a provision in the balance sheet The debtor and provision are reduced appropriately as work progresses as shown in Notes 15 and 19

**Grants**

The capital cost of housing properties is stated net of capital grants receivable from public bodies. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate

**Social Housing Grant**

Social Housing Grant (SHG) is receivable from the Homes & Communities Agency and is utilised to reduce the capital costs of housing properties, including land costs SHG due from the Homes & Communities Agency or received in advance is included as a current asset or liability SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates

SHG is subordinated to the repayment of loans by agreement with the Homes & Communities Agency SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.
Where identified major components are disposed of, any grant which has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property the grant is recycled

**Pension Costs**

Contribution to pension schemes is calculated as a percentage of the applicable salaries of employees, determined in accordance with actuarial advice For defined benefit schemes the amount charged to the income and expenditure account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost The interest cost and expected return on assets are included within other finance costs. Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses Defined benefit schemes are funded, with the assets held separately from the Company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date

The pension scheme assets are measured at fair value The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date A pension scheme liability is recognised to the extent that the Company has a legal or constructive obligation to settle the liability.

**First tranche shared ownership sales**

The Group has adopted the accounting treatment in the SORP 2010 under which the cost of shared ownership properties are split between fixed and current assets The value taken to current assets is the total costs to date of unsold shared ownership properties multiplied by the estimated proportion of the properties that will be sold in the first tranche sales The remaining costs are included in the fixed assets so that any subsequent sale is treated as a part disposal of a fixed asset

For shared ownership properties that have been sold in the year, the sale proceeds are shown in turnover and the cost of sales is the total cost multiplied by the actual proportion sold in the first tranche sales, plus any anticipated losses on the sale of shared ownership property that remains in fixed assets

**Disposals Proceeds Fund**

Section 24 of the Housing Act requires Registered Social Landlords to credit a Disposals Proceeds Fund with the net proceeds of Right to Acquire property sales. Net proceeds comprise the sales proceeds and grant receivable from the HCA towards the discount, less certain permitted deductions The purpose of the fund is to provide replacement properties for rent

**Reserves**

A Designated Reserve has been established to account for the sums recovered and available for the Company under the Development Agreements with Hartlepool Borough Council and Stockton-on-Tees Borough Council

A Restricted Reserve was established to account for the sums recovered and available for specified use under the Development Agreement with Hartlepool Borough Council

## 2. TURNOVER AND OPERATING SURPLUS

| | 2012 Turnover £000 | 2012 Operating Costs £000 | 2012 Operating Surplus/ (Deficit) £000 | 2011 Restated Operating Surplus/ (Deficit) £000 |
|---|---|---|---|---|
| Analysis of Turnover & Operating Costs | | | | |
| Social Housing Activities | 64,566 | 56,242 | 8,324 | 3,854 |
| Supported Housing | 1,077 | 2,300 | (1,223) | (1,178) |
| Non Social Housing Activities | 1,680 | 882 | 798 | 811 |
| Total | 67,323 | 59,423 | 7,899 | 3,487 |

| | 2012 Social Housing Activities £000 | 2012 Other Activities Supported Housing £000 | 2012 Non Social Housing Activities £000 | 2012 Total £000 | 2011 Restated Total £000 |
|---|---|---|---|---|---|
| Turnover | | | | | |
| Rent Receivable | 60,824 | 0 | 0 | 60,824 | 33,810 |
| Service Charges | 1,937 | 0 | 0 | 1,937 | 974 |
| Support Charges | 0 | 1,077 | 0 | 1,077 | 1,023 |
| Garage Letting | 0 | 0 | 780 | 780 | 143 |
| Commercial Property | 0 | 0 | 626 | 626 | 200 |
| Property Sales | 1,044 | 0 | 0 | 1,044 | 1,964 |
| Management Fees | 0 | 0 | 0 | 0 | 10,396 |
| Other Activities | 1,814 | 0 | 308 | 2,122 | 5,709 |
| Gross Turnover | 65,619 | 1,077 | 1,714 | 68,410 | 54,219 |
| Void Loss | (1,053) | 0 | (34) | (1,087) | (552) |
| Turnover Net of Void Loss | 64,566 | 1,077 | 1,680 | 67,323 | 53,667 |
| Operating Costs | | | | | |
| Management | 13,351 | 0 | 882 | 14,233 | 12,582 |
| Support Costs | 0 | 2,300 | 0 | 2,300 | 3,136 |
| Repairs & Maintenance | 33,374 | 0 | 0 | 33,374 | 24,605 |
| Bad Debt Provision | 1,957 | 0 | 0 | 1,957 | 444 |
| Depreciation | 5,172 | 0 | 0 | 5,172 | 3,831 |
| Pension Costs | 833 | 0 | 0 | 833 | 2,521 |
| Shared Ownership & Outright Property Sales | 1,249 | 0 | 0 | 1,249 | 2,425 |
| Impairment | 305 | 0 | 0 | 305 | 0 |
| Other Costs | 0 | 0 | 0 | 0 | 636 |
| Total Operating Costs | 56,242 | 2,300 | 882 | 59,423 | 50,180 |
| Operating Surplus/(Deficit) | 8,324 | (1,223) | 798 | 7,899 | 3,487 |

The 2010/11 Operating surplus of £3 5m is shown before exceptional pension past service credit of £5.7m.

## 3. SURPLUS ON DISPOSAL OF FIXED ASSETS

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Proceeds of Sales | 1,715 | 784 |
| Payable to Hartlepool Borough Council/Stockton Borough Council | (66) | (72) |
| Original Value of Asset | (384) | (112) |
| Administration Income /(Costs) | (15) | (7) |
| | 1,250 | 593 |
| Net surplus on sale of Other Fixed Assets | 0 | 0 |
| Credit to Disposals Proceeds Fund | (334) | 0 |
| Net Surplus on Disposal | 916 | 593 |

## 4. INTEREST RECEIVED AND OTHER INCOME

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Bank Interest Receivable | 11 | 30 |
| Total | 11 | 30 |

## 5. INTEREST PAYABLE AND OTHER SIMILAR CHARGES

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Loans repayable wholly or partly in more than 5 years | 2,981 | 2,027 |
| Bank Overdraft | 0 | 0 |
| Other Interest Payable | 5 | 0 |
| Other Similar Charges | 0 | 0 |
| Total | 2,986 | 2,027 |

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Financing | | |
| Expected Return on Pension Assets | 3,553 | 3,203 |
| Interest on Pension Liabilities | (3,288) | (3,730) |
| Total Financing Income/(Costs) | 265 | (527) |

## 6. SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2012 £000 | 2011 Restated £000 |
|---|---|---|
| The operating surplus/(deficit) is stated after charging depreciation on: | | |
| Depreciation | | |
| Housing Properties | 4,927 | 3,410 |
| Other Tangible Fixed Assets | 294 | 370 |
| Operating Lease Charges | 330 | 314 |
| Auditors Remuneration for, | | |
| External Audit – statutory audit of parent and consolidated accounts | 5 | 11 |
| External Audit – statutory audit subsidiaries accounts | 31 | 47 |
| Other Services | 2 | 56 |

## 7. EMPLOYEES

The total number of persons employed by the Group, expressed as equivalent full time employees:

| | 2012 FTE | 2011 FTE |
|---|---|---|
| Housing Management | 232 | 231 |
| Property Investment and Maintenance | 345 | 370 |
| Administration and Support | 90 | 96 |
| Total | 667 | 697 |

The costs in relation to these employees were

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Wages and Salaries | 17,678 | 16,287 |
| Social Security Costs | 1,409 | 1,256 |
| Pension Costs | 1,863 | 1,711 |
| Total Employee Costs | 20,949 | 19,254 |

The above costs exclude the impact of accounting for the pension liability under FRS17 The impact on staff costs was a charge of £801k (2010-11 Credit of £4 1m)

Emoluments paid to higher paid staff in the period can be categorised as follows:

| | 2012 FTE | 2011 FTE |
|---|---|---|
| £60,001 - £70,000 | 2 | 1 |
| £70,001 - £80,000 | 1 | 2 |
| £80,001 - £90,000 | 4 | 1 |
| £90,001 - £100,000 | 0 | 0 |
| £100,001 - £110,000 | 0 | 0 |
| £110,001 - £120,000 | 0 | 0 |
| £120,001 - £130,000 | 0 | 0 |
| £130,001 - £140,000 | 1 | 1 |
| | 8 | 5 |

## 8. PENSION SCHEMES

### Teesside Pension Fund Scheme

During the period the Group participated in the pension scheme administered by Teesside Pension Fund The scheme is a defined benefits scheme, with the assets held in a separately administered fund. The total sum paid to the pension scheme for the Group in the period was £1.8m (2010/11· £1.7m). The following pension cost has been assessed in accordance with the advice of a qualified actuary, using the projected unit method of valuation in a review of the scheme as at 31 March 2012 The pension cost is assessed every 3 years The latest full actuarial valuation of the scheme as at 31 March 2010 was carried out by an independent qualified actuary The next formal valuation is due on 31 March 2013 The assumptions which have the most significant effect on the valuation are set on below

The Government has changed the basis for increases in future pensions from Retail Price Index ("RPI") to Consumer Price Index ("CPI"). This change in pension policy resulted in an exceptional credit of £5 7m to the Income and Expenditure account in 2010/11.

The table below summarises the membership data as at 31 March 2010

| Member Data Summary | Number | Salaries Pensioners £000's | Average Age |
|---|---|---|---|
| Actives | 513 | 11,697 | 44 |
| Deferred Pensioners | 154 | 336 | 39 |
| Pensioners | 72 | 335 | 65 |

The information disclosed below is in respect of the company share under the Local Government Pension Scheme, Teesside Pension Fund throughout the periods shown.

| Net Pension Asset as at 31 March 2012 | 31 March 2012 £'000 | 31 March 2011 £'000. |
|---|---|---|
| Present Value of Funded Obligation | (76,114) | (58,781) |
| Fair Value of Scheme Assets (bid value) | 52,419 | 51,965 |
| Net Liability | (23,695) | (6,816) |
| Present Value of Unfunded Obligation | 0 | 0 |
| Unrecognised Past Service Costs | 0 | 0 |
| Net Liability in Balance Sheet | (23,695) | (6,816) |

The following tables show the reconciliation of the opening and closing balances for assets and liabilities during the year

| Reconciliation of Opening & Closing Balances of the present value of the defined benefit obligation | Year to 31 March 2012 £000 | Year to 31 March 2011 £000 |
|---|---|---|
| Opening Defined Benefit Obligation | 58,781 | 63,482 |
| Service Cost | 2,526 | 3,352 |
| Interest Cost | 3,288 | 3,730 |
| Actuarial Losses/(Gains) | 12,020 | (6,066) |
| Losses (gains) on curtailments | 35 | 13 |
| Liabilities extinguished on settlements | 0 | 0 |
| Liabilities assumed in a business combination | 0 | 0 |
| Estimated benefits paid net of transfers | (1,351) | (835) |
| Past Service Cost/(Credit) | 0 | (5,708) |
| Contributions by Members | 815 | 813 |
| Unfunded Pension Payments | 0 | 0 |
| Closing Defined Benefit Obligation | 76,114 | 58,781 |

| Reconciliation of Opening & Closing Balances of fair value of Scheme Assets | Year to 31 March 2012 £000 | Year to 31 March 2011 £000 |
|---|---|---|
| Opening fair value of Scheme Assets | 51,965 | 48,916 |
| Expected Return on Scheme Assets | 3,553 | 3,203 |
| Actuarial Gains/(Losses) | (4,323) | (1,860) |
| Contributions by Employer including unfunded benefits | 1,760 | 1,728 |
| Contributions by Members | 815 | 813 |
| Assets acquired in a business combination | 0 | 0 |
| Estimated benefits paid including unfunded benefits | (1,351) | (835) |
| Receipt/(payment) of bulk transfer value | 0 | 0 |
| Fair value of Scheme Assets at end of period | 52,419 | 51,965 |

| Reconciliation of Opening and Closing Surplus | Year to 31 March 2012 £000 | Year to 31 March 2011 £000 |
|---|---|---|
| Surplus (Deficit) at beginning of the year | (6,816) | (14,566) |
| Current Service (Cost)/Credit | (2,526) | (3,352) |
| Employer Contribution | 1,760 | 1,728 |
| Unfunded Pension Payments | 0 | 0 |
| Past Service (Costs)/Credit | 0 | 5,708 |
| Other Finance Income | 265 | (527) |
| Settlements and Curtailments | (35) | (13) |
| Actuarial gains/(losses) | (16,343) | 4,206 |
| Closing Defined Benefit Obligation | (23,695) | (6,816) |

Expense recognised in the income and expenditure account for the year ended 31 March 2012

| Analysis of Amount Charged to Income & Expenditure Account for the year to 31 March 2012 | Year to 31 March 2012 £000 | Year to 31 March 2011 £000 |
|---|---|---|
| Current Service Cost | 2,526 | 3,352 |
| Interest on defined benefit pension plan obligation | 3,288 | 3,730 |
| Expected Return on Scheme Assets | (3,553) | (3,203) |
| Past Service Cost/(Credit) | 0 | (5,708) |
| Loss/(gains) of Curtailments and settlements | 35 | 13 |
| Total (income)/expense | 2,296 | (1,816) |
| Actual Return on Scheme Assets | (771) | 3,997 |

The expense is recognised in the following line items in the income and expenditure account·

| | 2012<br>£000 | 2011<br>£000 |
|---|---|---|
| Operating (income)/costs | 2,561 | (2,343) |
| Other Finance Costs | (265) | 527 |

The total amount recognised in the statement of total recognised gains and losses is a loss of £16 3m (2011· a gain of £4 2m).

The fair value of the estimated allocation of the Teesside Pension Fund and the return on those assets were as follows·

| Employer Asset Share | Year to 31 March 2012 £'000 | Year to 31 March 2012 % | Year to 31 March 2011 £'000 | Year to 31 March 2011 % |
|---|---|---|---|---|
| Equities | 43,507 | 83% | 43,650 | 84% |
| Gilts | 3,145 | 6% | 3,118 | 6% |
| Other Bonds | 1,049 | 2% | 1,039 | 2% |
| Property | 2,097 | 4% | 2,079 | 4% |
| Cash | 2,621 | 5% | 2,079 | 4% |
| Other | 0 | 0% | 0 | 0% |
| Total | 52,419 | 100% | 51,965 | 100% |

None of the fair values of the assets shown above include any of the company's own financial instruments or any property occupied, or other assets used by the company.
Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows.

| Assumptions | 31 March 2012 % p.a. | 31 March 2011 % p.a. | 31 March 2010 % p.a. | 31 March 2009 % p.a. | 31 March 2008 % p.a. |
|---|---|---|---|---|---|
| RPI Increases | 3 3 | 3.5 | 3 9 | 3 0 | 3 7 |
| CPI Increases | 2 5 | 2.7 | - | - | - |
| Salary Rate of Increase | 4 7 | 5 0 | 5 4 | 4 5 | 5 7 |
| Pension Rate of Increase | 2 5 | 2 7 | 3 9 | 3 0 | 3 7 |
| Discount Rate | 4 6 | 5.5 | 5 5 | 6 7 | 6 6 |

## Valuation Assumptions

| Asset Class | 1 April 2012 % p.a. | Expected return as 1 April 2011 % p.a. |
|---|---|---|
| Equities | 6 1 | 7.2 |
| Gilts | 3 3 | 4.4 |
| Other Bonds | 4 6 | 5.5 |
| Property | 4 3 | 5.4 |
| Cash | 3 0 | 3 0 |
| Other | - | - |
| Expected Return on Assets | 5.7 | 6 8 |

The post retirement mortality tables adopted were the SIPA Heavy tables allowing for medium cohort projection, with a minimum 1% improvement per annum
In valuing the liabilities of the pension fund at 31 March 2012, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2012 would have reduced by £2 905 million before deferred tax

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows

| Life Expectancy from Age 65 (years) | | 31 March 2012 | 31 March 2011 |
|---|---|---|---|
| Retiring Today | Males | 19.0 | 18.9 |
| | Females | 23.1 | 23.0 |
| Retiring in 20 years | Males | 21 0 | 20 9 |
| | Females | 25 0 | 24 9 |

This table sets out the impact of the small change in the discount rates on the defined benefit obligation and projected service along with +/- 1 year age rating adjustment to the mortality assumption

| Sensitivity Analysis | £000 | £000 | £000 |
|---|---|---|---|
| Adjustment to discount rate | +0 1% | 0% | -0 1% |
| Present Value of Total Obligation | 73,890 | 76,114 | 78,409 |
| Projected Service Cost | 3,040 | 3,158 | 3,279 |
| Adjustment to mortality age rating assumption | +1 year | None | -1 year |
| Present Value of Total Obligation | 73,209 | 76,114 | 79,061 |
| Projected Service Cost | 3,010 | 3,158 | 3,308 |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not be borne out in practice

**History of Plans**

The history for the plans for the current and prior period is as follows

| Balance Sheet | 31 March 2012 £000 | 31 March 2011 £000 | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2008 £000 |
|---|---|---|---|---|---|
| Defined Benefit Obligation | (76,114) | (58,781) | (63,482) | (35,181) | (40,928) |
| Scheme Assets | 52,419 | 51,965 | 48,916 | 34,136 | 38,833 |
| Surplus/(Deficit) | (23,695) | (6,816) | (14,566) | (1,045) | (2,095) |
| Experience adjustments on Scheme Liabilities | 0 | (965) | 0 | 0 | (377) |
| Percentage of Liabilities | 0 | (1.6%) | 0 | 0 | (0 9%) |
| Experience adjustments on Scheme Assets | (4,323) | (1,860) | 11,108 | (9,133) | (3,357) |
| Percentage of Assets | (8 2%) | (3.6%) | 22 7% | (26 8%) | (8.6%) |
| Cumulative Actuarial Gains and Losses | (13,761) | 2,582 | (1,624) | 11,595 | 9,709 |

This table shows estimated of the projected profit and loss account costs for the year to 31 March 2013. No allowance has been made for the costs of early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the liabilities.

| Projections for year 31 March 2013 | Year to 31 March 2013 £000 |
|---|---|
| Service Costs | 3,158 |
| Interest Costs | 3,561 |
| Return on Assets | (3,009) |
| Total | 3,710 |
| Employer Contribution | 1,690 |

**The Social Housing Pension Scheme (SHPS)**

Housing Hartlepool participates in the Social Housing Pension Scheme (the Scheme) The Scheme is funded and is contracted-out of the State Pension Scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable

The Trustee commissions and actuarial valuation of the Scheme every three years The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified Actuary using the Projected Unit of Method The market value of the Scheme's assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010 Such a report is required by legislation for years in which a full actuarial valuation is not carried out The funding update revealed an increase in the assets of the Scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service level of 80%

## 9. DIRECTORS EMOLUMENTS

The Directors are the Members of the Board

Total emoluments paid to members and co-opted members of the board, committee and panel chairs are shown below.

| | 2012<br>£000 | 2011<br>£000 |
|---|---|---|
| Members of the Board | | |
| Total remuneration | 105 | 202 |
| Total expenses reimbursed | 7 | 11 |
| | 112 | 213 |

## 10. TAXATION

Analysis of charge in year

| | 2012<br>£000 | 2011<br>£000 |
|---|---|---|
| UK Corporation Tax | 0 | 0 |
| Current tax on income for the year | 0 | 0 |
| Adjustments in respect of prior years | 0 | 0 |
| Total current tax charge | 0 | 0 |

## 11. FIXED ASSETS LAND AND BUILDINGS

| Group | Property for Rent Complete | Property for Rent Under Construction | Shared Ownership Complete | Shared Ownership Under Construction | Non Housing Property | Total Property |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | | |
| Brought forward restated | 173,195 | 15,203 | 2,363 | 2,024 | 12,112 | 204,897 |
| Properties Acquired | 2,278 | 7,026 | 0 | 227 | 0 | 9,531 |
| Works to existing properties | 7,224 | 0 | 0 | 0 | 0 | 7,224 |
| Transfers in period | 18,386 | (18,310) | 600 | (676) | 0 | 0 |
| Transfer to/(from) current assets | 213 | 1,222 | (14) | 239 | 0 | 1,660 |
| Disposals | (1,587) | 0 | (38) | 0 | (89) | (1,714) |
| Surplus/(deficit) on Revaluation | 30,952 | 0 | (820) | 0 | 293 | 30,425 |
| As at 31 March 2012 | 230,661 | 5,141 | 2,091 | 1,814 | 12,316 | 252,023 |
| Social Housing & Other Grant | | | | | | |
| Brought forward | 0 | (5,358) | (683) | 3 | 0 | (6,038) |
| Additions In Year | (1,471) | (2,212) | 0 | 0 | 0 | (3,683) |
| Transfers in period | (5,853) | 5,853 | 3 | (3) | 0 | 0 |
| Released upon Revaluation | 7,324 | 0 | 680 | 0 | 0 | 8,004 |
| As at 31 March 2012 | 0 | (1,717) | 0 | 0 | 0 | (1,717) |
| Depreciation | | | | | | |
| Brought forward restated | 0 | 0 | 0 | 0 | (60) | (60) |
| Charge for the year | (4,765) | 0 | (19) | 0 | (142) | (4,926) |
| Released upon Revaluation | 4,765 | 0 | 19 | 0 | 117 | 4,901 |
| As at 31 March 2012 | 0 | 0 | 0 | 0 | (85) | (85) |
| Net Book Value as at 31 March 2012 | 230,661 | 3,424 | 2,091 | 1,814 | 12,231 | 250,221 |
| Net Book Value as at 31 March 2011 restated | 173,195 | 9,845 | 1,680 | 2,027 | 12,052 | 198,799 |

Properties have been valued by FPD Savills as at 31 March 2012 The valuation being undertaken in accordance with RICS standards and based on Existing Use Value-Social Housing (EUV-SH)

If the properties had not been re-valued they would have been shown in the balance sheet at the following amounts

| Group | Property for Rent Complete | Property for Rent Under Construction | Shared Ownership Complete | Shared Ownership Under Construction | Non Housing Property | Total Property |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | | |
| Brought forward restated | 89,808 | 15,203 | 3,366 | 2,024 | 593 | 110,994 |
| Properties Acquired | 2,278 | 7,026 | 0 | 227 | 0 | 9,531 |
| Works to existing properties | 7,224 | 0 | 0 | 0 | 0 | 7,224 |
| Transfers in period | 18,386 | (18,310) | 600 | (676) | 0 | 0 |
| Transfer to/(from) current assets | 213 | 1,222 | (14) | 239 | 0 | 1,660 |
| Disposals | (254) | 0 | 0 | 0 | 0 | (254) |
| As at 31 March 2012 | 117,655 | 5,141 | 3,952 | 1,814 | 593 | 129,155 |
| Social Housing & Other Grant | | | | | | |
| Brought forward | (12,864) | (5,358) | (683) | 3 | 0 | (18,902) |
| Additions in Year | (1,471) | (2,212) | 0 | 0 | 0 | (3,683) |
| Transfers in period | (5,853) | 5,853 | 3 | (3) | 0 | 0 |
| As at 31 March 2012 | (20,188) | (1,717) | (680) | 0 | 0 | (22,585) |
| Depreciation | | | | | | |
| Brought forward restated | (12,417) | 0 | (15) | 0 | (341) | (12,773) |
| Charge for the year | (3,761) | 0 | (37) | 0 | (31) | (3,829) |
| As at 31 March 2012 | (16,178) | 0 | (52) | 0 | (372) | (16,602) |
| Net Book Value as at 31 March 2012 | 81,289 | 3,424 | 3,220 | 1,814 | 221 | 89,968 |
| Net Book Value as at 31 March 2011 restated | 64,527 | 9,845 | 2,668 | 2,027 | 252 | 79,319 |

An analysis of the total expenditure on works to Housing and Non Housing Properties is shown below:

| Group | 2012 £000 | 2011 Restated £000 |
|---|---|---|
| Capitalised Expenditure | 7,224 | 1,103 |
| Charged to Income and Expenditure | 9,858 | 5,974 |
| Total for Year ended 31 March 2012 | 17,082 | 7,077 |

Social Housing and other Grants

| Group | 2012 £000 | 2011 £000 |
|---|---|---|
| Total accumulated Social Housing Grants receivable | | |
| Capital Grants | 19,298 | 15,908 |
| Revenue Grants | 0 | 0 |
| | 19,298 | 15,908 |
| Total accumulated other Grants receivable | | |
| Capital Grants | 2,994 | 2,994 |
| Revenue Grants | 0 | 0 |
| | 2,994 | 2,994 |
| Total Grants | 22,292 | 18,902 |

## 12. OTHER TANGIBLE FIXED ASSETS

| Group | Furniture Fixture & Fittings £000 | Leaseholder Improvements £000 | Computer Equipment £000 | Office & Other Equipment £000 | Motor Vehicles £000 | Total Property £000 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| As at 1 April 2011 | 258 | 424 | 1,391 | 446 | 500 | 3,019 |
| Additions in period | 19 | - | 21 | 132 | - | 172 |
| Disposals in period | - | - | - | - | - | - |
| As at 31 March 2012 | 277 | 424 | 1,412 | 578 | 500 | 3,191 |
| Depreciation | | | | | | |
| As at 1 April 2011 | 199 | 334 | 1,257 | 339 | 481 | 2,610 |
| Charge for the period | 28 | 78 | 88 | 90 | 10 | 294 |
| Released upon Disposal | - | - | - | - | - | - |
| As at 31 March 2012 | 227 | 412 | 1,345 | 429 | 491 | 2,904 |
| Net Book Value as at 31 March 2012 | 50 | 12 | 68 | 149 | 9 | 288 |
| Net Book Value as at 31 March 2011 | 59 | 90 | 134 | 107 | 19 | 409 |

## 13. STOCK

| Group | 2012 £000 | 2011 £000 |
|---|---|---|
| Raw materials and consumables | 191 | 202 |

## 14. PROPERTIES FOR SALE

| Group | 2012 £000 | 2011 £000 |
|---|---|---|
| Completed Properties | 3,853 | 645 |
| Properties under Construction | 57 | 3,036 |
| Total | 3,910 | 3,681 |

## 15. DEBTORS

| | Group 2012 £000 | Group 2011 £000 | Company 2012 £'000 | Company 2011 £'000 |
|---|---|---|---|---|
| Amounts falling due within one year | | | | |
| Rent and service charges | 4,449 | 4,064 | 0 | 0 |
| Less Provision for bad and doubtful debts | (1,965) | (780) | 0 | 0 |
| Net Rental Debtors | 2,484 | 3,284 | 0 | 0 |
| Other Debtors | 4,116 | 2,124 | 4 | 0 |
| Prepayments and Accrued Income | 592 | 263 | 498 | 0 |
| Owed by subsidiaries | 0 | 0 | 7,182 | 676 |
| Social Housing Grant receivable | 943 | 616 | 0 | 0 |
| Less Provision for bad and doubtful debts | (1,267) | (583) | 0 | 0 |
| Net Other Debtors | 4,384 | 2,420 | 7,684 | 676 |
| Total due within one year | 6,868 | 5,704 | 7,684 | 676 |
| Amounts falling due after one year | | | | |
| Amounts due under development agreements | 232,005 | 239,978 | 0 | 0 |
| Total due in more than one year | 232,005 | 239,978 | 0 | 0 |

## 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group 2012 £000 | Group 2011 £000 | Company 2012 £'000 | Company 2011 £'000 |
|---|---|---|---|---|
| Trade Creditors | 369 | 1,058 | 369 | 0 |
| Rent and Service Charge Prepayments | 349 | 426 | 0 | 0 |
| Owed to Subsidiaries | 0 | 0 | 6,422 | 676 |
| Taxation and Social Security Costs | 809 | 715 | 3 | 0 |
| Bank Overdraft | 0 | 506 | 0 | 0 |
| Other Creditors | 322 | 0 | 0 | 0 |
| Accruals | 7,654 | 9,185 | 906 | 0 |
| Total | 9,504 | 11,890 | 7,700 | 676 |
| Disposals Proceeds Fund | | | | |
| As at Start of Year | 0 | 0 | 0 | 0 |
| Sales proceeds recycled | 333 | 0 | 0 | 0 |
| Withdrawals | 0 | 0 | 0 | 0 |
| As at End of Year | 333 | 0 | 0 | 0 |
| Total Creditors Amounts falling due within one year | 9,837 | 11,890 | 7,700 | 676 |

## 17. CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR

| Group | 2012 £000 | 2011 £000 |
|---|---|---|
| Housing Loans | 54,000 | 49,000 |

## 18. HOUSING LOANS

**Group**

| Interest Rates Profile | 2012 £000 | 2011 £000 |
|---|---|---|
| Fixed Rates – Royal Bank of Scotland | 45,000 | 45,000 |
| Variable Rates – Royal Bank of Scotland | 9,000 | 4,000 |
| Total Housing Loans | 54,000 | 49,000 |

The fixed rate loans have an average rate of 5 35% (2010-11 4.42%) and the variable rate loans have an average rate of 1 82% (2010-11 0 80%)

| Repayment of instalments fall due: | 2012 £000 | 2011 £000 |
|---|---|---|
| Within one year | 9,000 | 4,000 |
| Between one and two years | 0 | 0 |
| Between two and five years | 0 | 0 |
| In five or more years | 45,000 | 45,000 |
| Total Housing Loans | 54,000 | 49,000 |

Loans within one year are on a roll over basis

As at 31 March 2012 the Company had secured the following borrowing facilities from the Royal Bank of Scotland by means of debenture and granted the charger in favour of Prudential Trustee Company Limited as security trustee

| Secured Borrowing Facilities | 2012 £000 | 2011 £000 |
|---|---|---|
| Committed Facilities | 54,000 | 49,000 |
| Undrawn Facilities | 96,000 | 101,000 |
| Total Facility | 150,000 | 150,000 |

## 19. PROVISION FOR LIABILITIES

| Group | Development Agreement £000 | Insurance Claims £000 | Total £000 |
|---|---|---|---|
| As at 1 April 2011 | 239,978 | 181 | 240,159 |
| Provided in the year | 0 | 14 | 14 |
| Utilised in the year | (7,973) | 0 | (7,973) |
| As at 31 March 2012 | 232,005 | 195 | 232,200 |

The provision represents the original estimate of the costs of contracted works for the repair and upgrade of managed dwelling properties incurred under the Development Agreement, less utilisation of the provision as the works are actually completed

The provision for Insurance claims relates to amounts required to settle outstanding insurance claims made prior to Tristar Homes transfer to a registered social housing provider

## 20. RESERVES

| Group | Revenue Reserve £000 | Revaluation Reserve £000 | Designated Reserve £000 | Restricted Reserve £000 | Pension Reserve £000 | Total £000 |
|---|---|---|---|---|---|---|
| As at 1 April 2011 restated | 29,925 | 118,292 | 1,782 | 0 | (6,816) | 143,183 |
| Surplus/(Deficit) for the year | 6,102 | | | | | 6,102 |
| Actuarial gain/(loss) relating to Pension Scheme | | | | | (16,343) | (16,343) |
| Transfer to/ from Pension Reserve | 536 | | | | (536) | 0 |
| Transfer to/from Designated Reserve | (241) | | 241 | | | 0 |
| Transfer to/from Restricted Reserve | (86) | | | 86 | | 0 |
| Depreciation released on Revaluation | 1,097 | (1,097) | | | | 0 |
| Realised Revaluation surplus on Sales | 335 | (335) | | | | 0 |
| Revaluation surplus released on demolition | | (1,077) | | | | (1,077) |
| Revaluation surplus released on demoitionl of non-dwellings | | (89) | | | | (89) |
| Surplus/(Deficit) on Revaluation | | 43,336 | | | | (43,336) |
| As at 31 March 2012 | 37,668 | 159,030 | 2,023 | 86 | (23,695) | 175,112 |

## 21. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

Reconciliation of operating surplus to net cash flow from operating activities

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Operating Surplus/(Deficit) | 7,899 | 9,195 |
| Depreciation Charge | 5,220 | 3,832 |
| (Increase)/decrease in Debtors | (7,723) | (219,260 |
| (Increase)/decrease in Properties for Sale | (230) | 776 |
| (Increase)/decrease in Stock | 18 | 2 |
| Increase / (decrease) in Creditors | 4,907 | 220,831 |
| Increase/ (decrease) in Provisions | 1,882 | 87 |
| Pension Costs/(Income) | 800 | (4,072) |
| Net cash out flow from Operating Activities | 12,773 | 11,390 |

Reconciliation of net cash flow to movement in net debt

| | 1 April 2011 £000 | Cash flow £000 | 31 March 2012 £000 |
|---|---|---|---|
| Cash at bank and in hand (less overdraft) | 1,769 | (407) | 1,362 |
| Debts due after one year | (49,000) | (5,000) | (54,000) |
| Total | (47,231) | (5,407) | (52,638) |

## 22. OPERATING LEASES

| | 2012 Land and Buildings £000 | 2012 Office Equipment £000 | 2011 Land and buildings £000 | 2011 Office Equipment £000 |
|---|---|---|---|---|
| Leases which expire | | | | |
| Within 1 year | 20 | 13 | 4 | 13 |
| Within 2 to 5 years | 242 | 7 | 210 | 7 |
| Over 5 years | 48 | 0 | 80 | 0 |
| | 310 | 20 | 294 | 20 |

## 23. CAPITAL COMMITMENTS

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Capital expenditure that has been contracted for but not provided for in the financial statements | 10,995 | 8,996 |
| Authorised but not yet contracted for | 65,957 | 10,654 |

The Development programme commitments are fully funded from the secured loan facility with the Royal Bank of Scotland

## 24. CONTINGENT LIABILITIES

There are no known contingent liabilities as at 31st March 2012

## 25. RELATED PARTY TRANSACTIONS

### Group

Housing Hartlepool is part of a strategic partnership and is a member of Spirit Regeneration and Development Company LLP

The transactions between Spirit Regeneration and Development Company LLP and Housing Hartlepool are as follows.-

| Transactions with Spirit Regeneration & Development Co LLP | 2012 £000 | 2011 £000 |
|---|---|---|
| Purchases in the period | 12,348 | 26,651 |

## Company

As of 13th December 2010 Housing Hartlepool and Tristar Homes Ltd formed a new group with and came under the control of Vela Homes Ltd by virtue of the provisions within its membership terms

The Board of Directors of Vela Homes Ltd are considered to have ultimate control of Housing Hartlepool Ltd and Tristar Homes Ltd. Transactions with the subsidiary companies were undertaken as follows during the period.

| Transactions with Housing Hartlepool | 2012<br>£000 | 2011<br>£000 |
|---|---|---|
| Purchases | 0 | 399 |
| Sales | 3,783 | 399 |
| | | |
| Debtors | 7,182 | 399 |
| Creditors | 0 | 399 |

| Transactions with Tristar Homes Limited | 2012<br>£000 | 2011<br>£000 |
|---|---|---|
| Purchases | 0 | 0 |
| Sales | 3,945 | 0 |
| | | |
| Debtors | 0 | 277 |
| Creditors | 6,423 | 277 |

## 26. HOUSING UNITS

| Group | 2012 | 2011 |
|---|---|---|
| Brought Forward | 17,201 | 6,760 |
| Sold | (33) | (16) |
| Demolished | (124) | (19) |
| Built and Acquired | 216 | 10476 |
| Converted | 1 | 0 |
| Housing Units at the end of the period | 17,261 | 17,201 |

## 27. PRIOR YEAR ADJUSTMENT

### Group

The prior year adjustment reflects the introduction of component accounting in accordance with SORP update 2010, which requires major components of the housing stock to be accounted for separately to the land and structure of the buildings for depreciation purposes. The effect of this change in accounting policy is to decrease the Groups surplus for the year ending 31 March 2012 by £1 2m

| | Cumulative to 21 March 2010 £000 | Adjustment for 2010/11 | Cumulative to 31 March 2011 £000 |
|---|---|---|---|
| Income and Expenditure Account | | | |
| Operating Costs – Depreciation | (9,103) | (2,735) | (11,838) |
| Operating Costs – major improvement expenditure | 55,152 | 1,450 | 56,602 |
| Impact on Operating Surplus | 46,049 | (1,285) | 44,764 |
| | | | |
| Balance Sheet | | | |
| Housing Properties – valuation | | | |
| Previously Stated | 78,146 | 0 | 173,195 |
| Capitalisation of components | 55,152 | 1,450 | 56,602 |
| Revaluation Adjustment | (55,152) | (1,450) | (56,602) |
| At 31 March restated | 78,146 | 0 | 173,195 |
| | | | |
| Housing Properties – Depreciation | | | |
| Previously Stated | 0 | 0 | 0 |
| Capitalisation of components | (9,103) | (2,735) | (11,838) |
| Revaluation Adjustment | 9,103 | 2,735 | 11,838 |
| At 31 March restated | 0 | 0 | 0 |
| | | | |
| Revenue Reserve | | | |
| Previously Stated | (26,389) | 0 | (14,840) |
| Impact on operating Surplus | 46,049 | (1,284) | 44,765 |
| At 31 March restated | 19,660 | (1,284) | 29,925 |
| | | | |
| Revaluation Reserve | | | |
| Previously Stated | 69,819 | 0 | 163,046 |
| Revaluation Adjustment | (46,049) | 1,284 | (44,765) |
| At 31 march restated | 23,770 | 1,284 | 118,281 |

## 28. COMPANY LIMITED BY GUARANTEE

The Company Articles of Association sets out, in paragraph 10, that every Member undertakes to contribute to the assets of the Company, in the event of the Company being wound up while he is a Member, or within one year thereafter. The amount as may be required shall be for payment of the debts and liabilities of the Company contracted before he ceased to be a Member, the costs, charges and expenses of winding up the Company and the adjustment of the rights to the contributories among themselves. Each Members contribution shall not exceed £1

## Winding Up

The Company Articles of Association sets out, in paragraph 11, if on winding up or dissolution of the Company and after the satisfaction of all debts and liabilities there remains any property or assets whatsoever, these shall not be paid to or distributed amongst the Members, but shall be given or transferred to one or more institutions having objects similar to the objects of the Company, which objects prohibit the distribution of its or their income and property to an extent at least as great as is imposed on the Company by virtue of Clause 7 of the Articles of Association. The distribution as to which institution or institutions should receive the property or assets is to be made by the Members at, or before the time of, dissolution provided that such disposal shall be governed by paragraph 15 of Schedule 1 to the Housing Act 1996 (as re-enacted or amended from time to time)