

RED KITE COMMUNITY HOUSING LIMITED

**REPORT AND ACCOUNTS
FOR THE YEAR ENDING 31 MARCH 2013**

REGISTERED WITH THE HOMES & COMMUNITIES AGENCY No. 4682
REGISTERED WITH THE FINANCIAL CONDUCT AUTHORITY No.31322R

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Association information

Industrial and Provident Society registration number	31322R
Homes and Communities Agency registration number	4682
Registered office	Red Kite Community Housing Limited Windsor Court Kingsmead Business Park Frederick Place High Wycombe Buckinghamshire HP11 1JU
Board	Jennie Ferrigno (Chairman) Hugh Ashton-Moore (Vice-Chairman) Michaela Booth Justin Bootland Hazel Chandler Sheelagh Jones Ian McEnnis James Moorcroft Chris Pierce Brian Pollock (resigned 26 June 2013) Chris Thomas Jonathan Walton Chris Watson Alan Pepin (co-opted 24 Oct 2012)
Chief Executive	Trevor Morrow
Company Secretary	Neil Venables
Executive Directors	Alan Keers, Director of Operations Neil Venables, Resources Director Martyn Hale, Director of Neighbourhood Services (until 30 April 2013)

Association information (continued)

Bankers	The Royal Bank of Scotland plc 280 Bishopsgate London EC2M 4RB
	Santander UK plc 17 Ulster Terrace London NW1 4JP
Solicitors	Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ
External Auditor	Grant Thornton UK LLP Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK91LW
Internal Auditor	RSM Tenon LLP 66 Chiltern Street London W1U 4GB

Chairman's Statement

A year ago I said that we look forward to challenging and exciting times. Well, it has certainly been both. We have taken huge steps forward and laid strong foundations for delivering the promises made to tenants and leaseholders and achieved much success. But there are ever increasing risks threatening what we seek to do.

Probably the most significant stride forward has been the selection of new contractors to deliver the promised improvements to homes and provide the day-to-day repairs service. The exciting thing is that the contractors were selected by a panel entirely made up of tenants and leaseholders. Now that is tenant-led! So we were delighted in May when the work of the panel was short-listed for a national procurement award. Not that we haven't completed any improvements so far. We have already replaced over 850 kitchens and bathrooms, but now the speed of work will dramatically increase. The money that we haven't spent this year will be spent delivering these improvements over the next four years. We are also taking brave steps to spend it wisely by having an "honest conversation" with all of our sheltered scheme tenants. We have been discussing whether their homes meet their needs and expectations, whether the cost of meeting these is value for money and what the options are.

Another major success for everyone has been the move to our own offices. We now have a place where staff, tenants and Board members can creatively work together to build communities we are proud of. We will be holding our AGM here in September, welcoming over 400 tenants and leaseholders who have signed up as Members of Red Kite, plus staff and families.

And we have started looking beyond homes and services, to work with the wider community. At Castlefield we have started talking with the community about regenerating the area. In Lane End we are working in partnership with the community, the Parish Council and Buckinghamshire County Council to reinvigorate the use of local facilities. And our Community Fund has provided grants to a wide range of local organisations.

So what are the challenges ahead? The economic situation continues to look bleak which, when combined with changing government policy, means that it is a tough time for us all, especially tenants and leaseholders. Welfare Reform, job uncertainty and increasing living costs mean that we will be working hard to support individuals and communities to cope and to take control of their own lives. And we will be striving to make best use of every pound in rent that we receive for the benefit of our customers.

Finally, I want to thank all those who have contributed so much to the success and journey of Red Kite so far: the tenants and leaseholders, staff, partners and, of course, my colleagues on the Board. Thank you. The adventure continues!

Jennie Ferrigno
Chairman

Operating and financial review

Principal activities

The association is a charitable industrial & provident society that was registered with the Financial Conduct Authority (formerly the Financial Services Authority) on 26 July 2011 and commenced trading on 13 December 2011 when it received the transfer of the entire housing stock of Wycombe District Council. Red Kite's primary purpose is to deliver the promises made to tenants and leaseholders in the formal Transfer Offer issued in April 2011 and to provide affordable housing throughout the Wycombe District.

The association owns and manages over 6,700 properties across the Wycombe District, including over 600 leasehold flats. The association also provides housing-related services and engages in community initiatives.

Business and financial review

The financial statements cover the twelve-month trading period up to the 31 March 2013. The Board reports a surplus for the year of £11,970,000 (2012: £3,322,000). This surplus has accumulated whilst the association procures the contracts necessary to deliver the £100 million programme of investment in properties promised to tenants before transfer. The surplus will be utilised to deliver these improvements that will be undertaken over the next 4 years. Nonetheless, the association has invested £8.5 million in the year in major works to its properties.

During the year the association laid the foundations to deliver the improvements to tenant homes and services promised at transfer. This included:

- Establishing a comprehensive tenant engagement structure;
- Procuring contracts to deliver major works and day to day repairs;
- Conducting a full survey of all homes and related assets;
- Reviewing the viability and sustainability of all sheltered schemes;
- Relocating to new office accommodation;
- Restructuring the senior management team.

Red Kite is a tenant-led business. This means that tenants and leaseholders inspire and influence the design, delivery and outcomes of everything the association does. Over 330 tenants and leaseholders became Members of the association during the year, they have led service reviews and undertaken the procurement of the new maintenance contracts.

Consultation has begun with the community and key stakeholders on the redevelopment and regeneration of almost 100 homes on the Castlefield Estate in High Wycombe. Provision for the scheme is included within the association's 30-year business plan.

Operating and financial review (continued)

Business and financial review (continued)

The association has made preparations to manage the risks posed by Welfare Reform changes, the economic situation and rising right to buy sales. Tenants at greatest risk of changes to benefits have been contacted and procedures to assist those who wish to move homes have been developed. High levels of right to buy sales have generated surpluses that will be reinvested into the redevelopment of existing homes and the provision of new properties.

The results of the stock condition survey and review of sheltered housing schemes has shown that a number of schemes will incur greater costs over the next 30 years than the income that they are likely to generate. Therefore, a reduction in both the purchase cost of the properties and the negative goodwill arising on acquisition has been made of £346,000.

A summary income and expenditure account and balance sheet are shown below:

For the year ended 31 March	2013 £,000	3 months to 31 March 2012 £,000
Income and Expenditure account		
Total turnover	32,442	9,353
Operating surplus	12,832	4,626
Surplus for the year transferred to reserves	<u>11,700</u>	<u>3,322</u>
Balance Sheet		
Negative goodwill	(42,484)	(43,964)
Housing properties, net of depreciation	144,089	140,508
Social housing grant and other grants	(27,838)	(28,000)
Other fixed assets	1,492	587
Fixed assets	117,743	113,095
Net current assets/ (liabilities)	<u>5,887</u>	<u>(461)</u>
Total assets less current liabilities	<u>81,146</u>	<u>68,670</u>
Loans (due over one year)	(58,632)	(63,262)
Other creditors greater than one year	(4,908)	0
Pension liability	(3,539)	(3,711)
Reserves	(14,067)	(1,697)
	<u>(81,146)</u>	<u>(68,670)</u>
Social housing properties owned at the year end:	<u>6,025</u>	<u>6,057</u>

Operating and financial review (continued)

Business and financial review (continued)

	2013	2012
Statistics:		
Operating surplus as % of turnover	39.6%	49.5%
Surplus for year as % of income from social housing lettings	38.7%	37.7%
Rent losses (<i>voids and bad debts as % of rent and service charges receivable</i>)	2.9%	3.3%
Rent arrears (<i>gross arrears as % of annual rent and service charges receivable</i>)	4.4%	3.8%
Liquidity (<i>current assets divided by current liabilities</i>)	206.8%	94.1%

Objectives and strategy

Our mission is to provide "Excellent services for you and your community". This mission is underpinned by three key objectives:

- provide excellent quality affordable homes to the highest standards;
- work to ensure responsive, value for money services that deliver successful outcomes and are transparent; and
- develop new and creative ways of working that respect all views, benefit communities and encourage involvement at all levels.

A 5-year Corporate Strategy has been developed that sets out specific activities that will ensure these overall objectives are met. Central to this is establishing Red Kite as a truly tenant-led association, so that tenants and leaseholders "inspire and influence the design, delivery and outcomes of everything we do".

Tenants and leaseholders may hold 7 out of the 15 places on the Board. A comprehensive tenant and leaseholder involvement structure has been established, overseen by the Board, that includes:

- Membership of the association being open to all eligible tenants and leaseholders. At the year-end, 337 tenants and leaseholders had been admitted as Members;
- an Improvement Commission, that will provide scrutiny of the association's activities, identifying areas for service review and opportunities for service improvements;

Operating and financial review (continued)

- four specialist interest groups, covering repairs and maintenance, neighbourhood services, sheltered housing and leaseholder services that will monitor performance and service delivery outcomes;
- a Tenant and Leaseholder Committee comprising of the chair and vice chairs of the four specialist interest groups; and
- a wide range of opportunities for tenants and leaseholders to inspire and influence the services that the association provides, including taking the lead in key procurement decisions.

A comprehensive performance monitoring framework has been developed, our "Excellence Index", including a wide range of measures. Specifically, these include service satisfaction measures alongside more traditional targets.

Value for Money

A robust value for money strategy has been adopted by the Board. The most important challenge is to develop a culture that delivers value for money across all that the association does.

This is summarised as:

- Doing the right things: having a business strategy that focuses resources on the right things and adds social value;
- Investing in the right resources at the right price;
- Doing things right: efficient and effective delivery.
- Evaluating success: checking that the right outcomes have been delivered, what has been learnt and reinvesting gains to achieve more social value.

This statement sets out under each heading what has been done over the past 15 months and what is planned to be done in the future.

Doing the right things

Social value has been defined for the association by the phrase: "We are here to realise the future value in our community". As a tenant-led stock transfer, actions are driven by the tenants and leaseholders. The promises made to tenants and leaseholders to improve their homes and the services provided form the basis of this.

The association has established plans and strategies to deliver improvements, including a VFM strategy, a 5-year corporate strategy and a community engagement strategy. Tenants and leaseholders are integral to the delivery of these plans, including being involved in major procurement decisions, service reviews and performance monitoring.

Operating and financial review (continued)

Value for Money (continued)

Investing in the right resources at the right price

To enable the business to assess the condition of its property stock and to enable informed stock investment decisions a full stock condition survey was completed during the year. This has meant that the start of the main major improvement programme to deliver tenant promises has been deferred until 2013-14, but that greater value for money will be achieved as a result. The results have been built into the revised financial business plan.

A review is in progress of all sheltered housing (34 schemes with 1,600 homes) to ensure these homes add value to the business and the community into the future. This will ensure that improvement works are carried out only where financially viable and sustainable homes exist.

Seven major repairs contracts have been or are currently in the process of being procured. The repairs and void maintenance contract is anticipated to save £300,000 per annum compared with previous contract arrangements. A further £600,000 savings are being targeted over the next 3 years. Future contracts will also add value to local communities, through local employment. As part of this procurement exercise £2 million per annum of the predicted expenditure has been allocated to small and medium enterprises (SME) with the intention of supporting local communities and the local economy.

Other contracts have been retendered, including grounds maintenance services and insurance, with combined savings of almost £300,000 per annum. In the coming year re-procurement of IT services, waste and cleansing services and a review of sheltered housing services will take place. Treasury management strategies will also be reviewed to identify interest costs savings.

New office accommodation has been obtained that is no more expensive than before, but provides over 50% more space and a significantly better working environment for staff, tenants and Board Members.

Service reviews have been undertaken of services that are currently delivered at a cost higher than the income that they generate. This includes charges to leaseholders, the community alarm service and sheltered housing services. These have not yet realised savings, but will do once the reviews are completed and recommendations implemented. Benchmarking of costs will be done in the coming year, including seeking to bench-mark outside the housing sector where possible, and greater analysis of our current costs to inform service reviews will be completed.

Operating and financial review (continued)

Value for Money (continued)

Doing things right

A service review methodology based on a "systems thinking" approach is to be implemented. This will enable delivery of higher quality at lower cost and with less waste of resources.

A review of how front-line services are delivered has commenced and this includes the staff structure across the business at all levels. This review to date has led to the property services element of the business being restructured and the number of executive team members being reduced from four to three.

The Improvement Commission (the tenant and leaseholder scrutiny panel) carries out service reviews and the first was on antisocial behaviour. This led to a number of recommendations to improve the service provided that are being implemented.

In the short-term resources are to be invested in staff and IT development to give the business the flexibility to reshape frontline services and to create the infrastructure that will enable the business to improve efficiency and performance..

Overall, significant progress has been made over the past year in delivering better value for money for tenants and leaseholders. However, there is much work to be done, in particular on improving the efficiency in service delivery and in the measurement and monitoring of social value.

Risk Management

The Board has approved a robust risk management strategy and a comprehensive risk matrix. The changing nature of risks is monitored regularly throughout the year by the Audit & Risk Committee, a sub-committee of the Board.

Key risks facing the association include:

- the impact of welfare and benefit reforms on the ability of the tenants to pay rent and the ability of the association to let properties;
- the mobilisation of the contracts procured to deliver the major works and maintenance contracts;
- the effect of an increased level of Right to Buy sales on the long-term business plan;
- the continuing uncertainty surrounding the availability and cost of funding;
- the implementation of planned changes in staff structures, IT systems and IT service procurement.

Operating and financial review (continued)

Capital structure and treasury policy

The association entered into a £140 million 30-year loan facility on 13 December 2011 that will fund the delivery of the pre-transfer promises made to tenants and leaseholders. The facility is provided by The Royal Bank of Scotland plc and Santander UK plc. At 31 March 2013, £60 million had been drawn down on the facility. None of the facility is required to be repaid before 2017 £5 million of borrowings drawn on the revolving credit facility at transfer was repaid during the year. The sum is available to be redrawn once the programme of major improvement works commence.

The association had cash balances of £9 million at 31 March 2013. The cash surpluses have been generated during the year due to the deferral of the major improvement works and higher than forecast right to buy sales.

The association only enters into interest rate swaps that are embedded within the existing funding agreement. The association's policy is to keep between 75 per cent and 90 per cent of its borrowings at fixed rates of interest. At the year-end, 100 per cent of the association's borrowings were at fixed rates reflecting the fixed rates entered into at the date of transfer and the repayment of the revolving credit facility loans. The Board has approved this temporary operation outside of Treasury policy limits. The position will adjust once the major repairs contracts are procured and commence.

The fixed rate borrowings incur interest rates, including margins, of a weighted average cost of 4.99%. Variable rate borrowings incur an average cost of 3.23%. The funding agreement has provision for a review of lenders' margins after 5 years.

The association's funding agreements require compliance with a number of financial and non-financial covenants. The position is monitored on an on-going basis and reported to the Finance Committee and Board each quarter. The association was in compliance with its loan covenants at the balance sheet date and throughout the year and the Board expects to remain compliant in the foreseeable future.

Operating and financial review (continued)

Future Developments

The priority for the association over the coming 12 months is to continue establishing a culture that reflects the Board and executive team's aspiration for the association to be tenant-led. Following the procurement of the asset related contracts the business will focus on the successful implementation of these to ensure that promises made in the transfer offer document are delivered in a cost-effective manner.

To deliver the services that the tenants and leaseholders seek from the association a review of the frontline services is being undertaken and this will particularly affect the housing management, customer services and day to day property repairs and voids teams.

To deliver the right services also requires the employees of the association to have the right skills. As an association who values its staff, a training and development programme has been implemented for managers and this will be extended to all staff in the coming year.

Statement of compliance

In preparing this Operating and Financial Review and Report of the Board, the Board has followed the principles set out in the Statement of Recommended Practice: Accounting by registered social housing providers (SORP) 2010.

Report of the Board

The Board of Red Kite Community Housing Limited is pleased to present its report together with the audited financial statements of the association for the year ended 31 March 2013.

Principal activities, business review and future developments

Details of the association's principal activities, its performance during the year and factors likely to affect its future development are contained within the Operating and Financial Review, which precedes this report.

Board members and executive directors

The Board members and executive directors of the association are set out on page 2.

The executive directors are the chief executive and other members of the association's executive management team. They act as executives within the authority delegated by the Board. To reflect the changing demands of the business following the successful transfer from Wycombe District Council in December 2011, the executive team was restructured in February 2013. This resulted in the number of executive directors being reduced from four to three. The executive directors are employed on the same terms as other staff, their notice periods ranging from three to six months. The executive directors are eligible for membership of either the Buckinghamshire County Council Pension Fund, which is a defined benefit (final salary) pension scheme, or the Red Kite Group Personal Pension Fund, a defined contribution scheme. They participate in the schemes on the same terms as all other eligible staff. The executive directors are entitled to other benefits including an allowance towards the cost of a car and health care insurance. Full details of their individual remuneration packages are included in note 10 to the audited financial statements.

Employees and involved tenants and leaseholders

Red Kite is determined to be a successful tenant-led business. The delivery of the pre-transfer promises made to tenants and leaseholders will depend crucially on effective partnership working between employees and the large number of involved tenants and leaseholders. We are committed to providing effective training to all employees and involved tenants and leaseholders. The Board is aware of its responsibilities on all matters relating to health and safety and has adequate health and safety policies and procedures in place.

Report of the Board (continued)

Donations

The association made no charitable or political donations during the year.

Financial risk management objectives and policies

The association relies upon the availability of bank funding facilities and strong rental income streams to fund the delivery of its business plan.

The association has exposure to interest rate fluctuations on its borrowings and this risk is managed by the use of both fixed and variable rate facilities, including interest rate swaps embedded within the loan facility agreement (details set out in note 19). The association has entered into a loan facility that provides sufficient liquidity to deliver the business plan. Additional liquidity is provided in the form of an overdraft facility of £500,000 with The Royal Bank of Scotland. Sufficient security value exists within the properties owned by the association to support the drawdown of the loan facility.

The principal income stream risk relates to tenant arrears and is likely to be particularly affected by impending changes to housing benefit and other welfare benefit entitlement. The association is currently assessing the impact of these changes and the risk is being managed by providing support and advice to tenants.

Recent government announcements on future rent regulation are being closely monitored and the potential impact factored into financial business plans.

Going concern

The association's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The association has in place long-term funding facilities (including £80 million of undrawn facilities at 31 March 2013), which provide adequate resources to finance committed major improvement programmes, along with the association's day to day operations. The association also has a 30-year business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. The revised business plan was approved by the lenders in June 2013.

On this basis, the Board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Report of the Board (continued)

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the association is ongoing and has been in place throughout the period commencing 1 April 2012 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for Audit & Risk, Finance and HR committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- clear delegated authority limits for the executive team, employees and involved tenants and leaseholders;
- a considered approach to treasury management which is subject to external review each year;
- regular reporting to the Board and / or appropriate committee on key business objectives, targets and outcomes;
- Board approval of an anti-corruption and Bribery Act policy and HR Committee approval of a whistle-blowing policy;
- regular monitoring of loan covenants and loan facilities; and
- a comprehensive programme of internal audit reviews, conducted by an independent audit firm, with all review findings reported to the Audit & Risk Committee and implementation of recommendations monitored bi-monthly. No major weaknesses were reported during the year.

A fraud register is maintained and is reviewed by the Audit & Risk Committee on a bi-monthly basis.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit & Risk Committee to review the effectiveness of the system of internal control. The Board receives Audit & Risk Committee reports and meeting minutes. The Audit & Risk Committee has received the chief executive's annual review of the effectiveness of the system of internal control for the association and the annual report of the internal auditor and has reported its findings to the Board.

Report of the Board (continued)

Code of Governance

The association complies with the principal recommendations of the **NHF** Code of Governance (revised). A review of governance arrangements has been undertaken during the period by the Board and by the internal auditor and recommendations are being implemented that will further strengthen governance practices. The Board has adopted a clear Code of Conduct that governs its behaviour and probity.

Statement of the responsibilities of the Board for the report and financial statements

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

Industrial and Provident Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Industrial and Provident Society legislation the Board 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 association for that period. In preparing these financial statements, the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable **UK** Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2010, 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 association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002. It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Board (continued)

In so far as each of the Board members are aware:

- there is no relevant audit information of which the association's auditors are unaware; and
- the Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the association's website.

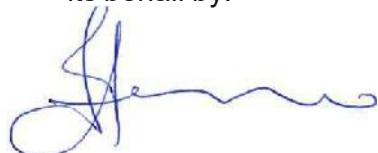
Annual general meeting

The annual general meeting will be held on 6 September 2013 at Windsor Court, Frederick Place, High Wycombe, HP11 1JU.

External auditor

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 24 July 2013 and signed 01J., its behalf by:



Jennie Ferrigno
Chairman

Independent auditor's report to the members of Red Kite Community Housing Limited

We have audited the financial statements of Red Kite Community Housing Limited for the year ended 31 March 2013 which comprise income and expenditure accounts, statement of recognised surplus and deficits, balance sheet, cashflow 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 housing association's members, as a body, in accordance with regulations made under Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the housing association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the housing association and the housing association'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 the auditor

As explained more fully in the Statement of Board's Responsibilities set out on pages 16 and 17, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Independent auditor's report to the members of Red Kite Community Housing Limited (continued)

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Central Milton Keynes

24th July 2013

Income and expenditure account

	Note	2013 £'000	*2012 £'000
Turnover: continuing activities	3	32,442	9,360
Operating costs	3	<u>(19,610)</u>	<u>(4,734)</u>
Operating surplus: continuing activities	3	12,832	4,626
Surplus on the sale of housing properties	4	3,434	
Interest receivable and other income	7	109	22
Interest payable and similar charges	8	(4,327)	(1,320)
Other finance costs	10	<u>(78)</u>	<u>@</u>
Surplus on ordinary activities before taxation		11,970	3,322
Tax on surplus on ordinary activities	25		
Surplus for the financial year	20	<u>11,970</u>	<u>3,322</u>

The accompanying notes form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

*The comparatives for the previous year are for the period of trading from 13 December 2011 to 31 March 2012.

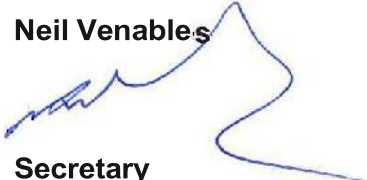
The financial statements were approved by the Board of Directors on 24 July 2013.

Jennie Ferrigno

Chairman

Hugh Ashton-Moore

Vice chairman

Neil Venables

Secretary

Statement of total recognised surpluses and deficits

	Note	2013 £'000	*2012 £'000
Surplus for the financial year		11,970	3,322
Actuarial gains/ (losses) relating to pension scheme	10	383	(1,625)
Transfer to restricted reserves		17	
Total recognised surpluses and deficits		<u>12,370</u>	<u>1,697</u>

Reconciliation of movements in funds

	Note	2013 £'000	*2012 £'000
Opening funds		1,697	
Total recognised surpluses and deficits relating to the year		12,370	1,697
Closing total funds		<u>14,067</u>	<u>1,697</u>

*The comparatives for the previous year are for the period of trading from 13 December 2011 to 31 March 2012.

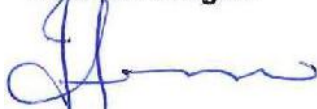
Balance sheet

	Note	2013 £'000	2012 £'000
Intangible assets			
Negative goodwill	9	<u>(42,484)</u>	<u>(43,964)</u>
Tangible assets			
Housing properties	12	144,089	140,508
Social housing grant and other grants	12	<u>(27,838)</u>	<u>(28,000)</u>
	12	116,251	112,508
Other tangible fixed assets	13	1,492	587
		<u>117,743</u>	<u>113,095</u>
Current assets			
Debtors	14	2,301	1,666
Cash at bank and in hand		<u>9,100</u>	<u>5,740</u>
		11,401	7,406
Creditors: amounts falling due within one year	15	<u>(5,514)</u>	<u>(7,867)</u>
Net current assets/ (liabilities)		<u>5,887</u>	<u>(461)</u>
Total assets less current liabilities		<u>81,146</u>	<u>68,670</u>
Creditors: amounts falling due after more than one year	16	63,540	63,262
Net pension liability	10	<u>3,539</u>	<u>3,711</u>
		67,079	66,973
Capital and reserves			
Restricted reserves	20	147	130
Revenue reserve	20	<u>13,920</u>	<u>1,567</u>
Association's Funds		<u>- 14,067</u>	<u>1,697</u>
		<u>81,146</u>	<u>68,670</u>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on 24 July 2013.

Jennie Ferrigno



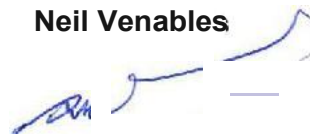
Chairman

Hugh Ashton-Moore



Vice chairman

Neil Venables



Secretary

Cash flow statement

	Note	2013 £'000	*2012 £'000
Net cash inflow from operating activities	21	9,845	10,433
Returns on investments and servicing of finance			
Interest received		109	22
Interest paid		(3,916)	(1,052)
Net cash outflow from returns on investments and servicing of finance		(3,807)	<u>(1,030)</u>
Capital expenditure and financial investment			
Purchase of and improvements to housing properties		(5,075)	(66,194)
Purchase of other fixed assets		(1,312)	(619)
Sale of housing properties		3,801	
Net cash outflow from capital expenditure and financial investment		(2,586)	<u>(66,813)</u>
Net cash inflow (outflow) before financing		3,452	(57,410)
Financing			
Loans received		-	65,000
Other financing received		4,908	
Loans repaid		(5,000)	
Loan set-up costs		-	(1,850)
Net cash (outflow)/ inflow from financing		(92)	63,150
Increase in cash	23	3,360	<u>5,740</u>

The accompanying notes form part of these financial statements.

*The comparatives for the previous year are for the period of trading from 13 December 2011 to 31 March 2012.

Notes to the financial statements

1. Legal status

The association is registered under the Industrial and Provident Societies Act 1965 and is a registered housing provider.

2. Accounting policies

Basis of Accounting

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and the Statements of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers Social Housing 2012.

The financial statements are prepared on the historical cost accounting basis.

The comparatives for the previous year are for the period of trading from 13 December 2011 to 31 March 2012.

Going Concern

The Board have reviewed the forecasts for the foreseeable future and have determined that the association has sufficient financial resources based on these forecasts and current expectations of future sector conditions to meet its liabilities as they fall due. As a consequence, the Board believes that the association is well placed to manage their business risks successfully despite the current uncertain economic outlook.

The Board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis in preparing the financial statements.

Turnover

Turnover comprises rental income and service charges receivable in the year, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Charges for supported services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities. Charges for support services not funded by Supporting People are shown within 'Services' costs.

Notes to the financial statements

2. Accounting policies (continued)

Restricted Reserves

The association manages leasehold schemes where, under the terms of the lease, a proportion of proceeds from any sales of the properties must be retained and used to fund future major repair costs that may arise. These contributions are accounted for as income and then transferred to restricted reserves, their use being limited to expenditure set out in the relevant lease contracts. Relevant expenditure is accounted for in accordance with the accounting policy for expenditure incurred on housing properties and an equivalent sum released from restricted reserves.

Fixed Assets and Depreciation

Fixed assets, excluding housing properties, are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected remaining economic useful lives of the assets as follows:

Category	Years
Motor Vehicles	5
Office and estate equipment and furniture	5
Leaseholder office improvements	5
ICT infrastructure, hardware and software	5-7

Only items with a cost in excess of £5,000 are capitalised. The useful economic lives of all tangible fixed assets are reviewed annually. A full year depreciation is charged in the year of acquisition and none in the year of disposal.

Housing Properties

Housing properties are principally properties available for rent.

Housing properties purchased at transfer have a historical cost equal to their fair value at transfer and are stated at fair value less accumulated depreciation.

Additions to the housing properties following the transfer are stated at cost. This includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements. The association has adopted component accounting.

Notes to the financial statements

2. Accounting policies (continued)

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Other expenditure incurred on major repairs, cyclical or void day to day repairs to housing properties is charged to the Income and Expenditure Account in the period in which it is incurred.

The association depreciates the major components of its housing properties at the following annual rates on a straight-line basis:

Category	Years
Structure of Building	50
Kitchens	20
Bathrooms	25
Heating Systems	12
Windows	30
Roofs	50
Lifts	30

Social housing property depreciation is charged on the cost, including the cost of components, excluding freehold land, which is not depreciated.

Housing properties, including those with individual components, are subject to impairment reviews annually. Where there is evidence of impairment, housing properties are written down to their recoverable amount, being the higher of the net realisable value or the value in use.

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant.

Housing properties in the course of construction are stated at cost less Social Housing Grant ('SHG') and are not depreciated. Housing properties are transferred to completed properties on practical completion. The cost of rebuilding properties which have been demolished is capitalised in full where there is no indication of impairment.

Social Housing Grant (SHG)

Social Housing Grant (SHG) is receivable from the Homes & Communities Agency (HCA) and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from the HCA 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.

Notes to the financial statements

2. Accounting policies (continued)

Social Housing Grant (continued)

SHG is subordinated to the repayment of loans by the agreement with the HCA. SHG released by the sale of property may be repayable but is normally available to be recycled and is credited to the recycled capital grant fund and included in the balance sheet in the creditors.

Other Grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. 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.

Operating Leases

Rentals payable under operating leases are charged to the Income and Expenditure Account on a straight-line basis over the lease term.

Properties Held for Resale

Where a decision has been taken to dispose of housing properties, these are held on the balance sheet under current assets. These properties are held at the lower of historical cost less depreciation, or net realisable value.

Loan Issue Costs

Issue costs of long-term finance are deducted from the amount drawn down. The cost of raising finance is amortised over the period to the first price review by lenders of the facility.

Right to Buy

Proceeds from the sale of dwellings under Right to Buy are received by the association in the first instance. The association is entitled to retain the first tranche of sale income. Thereafter, until 2041, a sum that is equal to the net present value of income foregone is to be retained by the association with the balance payable to Wycombe District Council.

Bad and Doubtful Debts

Provision is made against rent arrears of current and former tenants and miscellaneous debtors. This is based on an estimate of amount of the debt likely to be recovered.

Notes to the financial statements

2. Accounting policies (continued)

Pension Costs

The association participates in one defined benefits scheme and one defined contributions scheme. The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 17 - 'Retirement Benefits'.

The Local Government Pension Scheme is administered by Buckinghamshire County Council and is independent of the association's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the scheme to meet the benefits accruing in respect of current and future service. Pension scheme assets are measured using market value.

Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method and discounted at the rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the association's defined benefit pension scheme expected to arise from employee service in the period is charged to operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in the statement of total recognised surpluses and deficits. The pension scheme's surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

The employer contributions for both schemes are recognised in the accounting periods in which the benefits are earned.

There is no liability for the association for the defined contributions scheme other than the employer contributions due.

Value Added Tax ('VAT')

The association is registered for VAT but a large proportion of its income, including its rents, is exempt for VAT purposes.

The qualifying expenditure under the VAT Shelter is shown net of the recoverable VAT, whilst the majority of other expenditure is subject to VAT that cannot be reclaimed and is shown inclusive of the irrecoverable VAT.

The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Notes to the financial statements

2. Accounting policies (continued)

Taxation

The association is recognised by HM Revenue and Customs as a charitable Industrial and Provident Society and consequently has no liability to Corporation Tax in the period.

Development Agreement

The association entered into a Development Agreement with Wycombe District Council to undertake a complete cycle of refurbishment works to the housing stock that was to be transferred.

The obligations of Wycombe District Council and the association under the Development Agreement are netted off in the accounts and are both amortised over fifteen years.

With the approval of HM Revenue and Customs the VAT incurred on the qualifying expenditure can be recovered under a VAT Shelter agreement.

Under the Transfer Agreement the first tranche of VAT savings is retained by the association. Savings in excess of this are shared equally between the association and Wycombe District Council.

Capitalisation of Administration Costs

Administration costs relating to development activities are capitalised to the extent that they are part of the development process and directly attributable to bringing the properties into their intended use.

Capitalisation of Interest Costs

Interest costs relating to the construction and acquisition of fixed assets are capitalised to the extent that they are incremental to the process and directly attributable to bringing the assets into their intended use. Other interest payable is charged to the Income and Expenditure Account in the period in which the liability is incurred.

Negative Goodwill

Negative goodwill arises when the fair value of acquired assets exceeds the consideration given. Negative goodwill arising from the acquisition of properties is released to the Income and Expenditure Account over the average life of structure of the housing properties. Debtors acquired are included at an estimate of their provisional fair value.

Notes to the financial statements

3. Particulars of turnover, cost of sales, operating costs and operating surplus

	2013			2012
	Turnover	Operating Costs	Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
Social housing lettings	30,925	<u>(18,327)</u>	12,598	4,392
Other social housing activities				
Supporting people	<u>465</u>	(885)	<u>(420)</u>	<u>(42)</u>
Non-social housing activities				
Lettings from garages and shops	681	(115)	566	169
Restricted reserves received on acquisition	-	-	-	130
Other	371	<u>(283)</u>	<u>88</u>	(23)
	1,052	<u>(398)</u>	654	276
	32,442	<u>(19,610)</u>	12,832	<u>4,626</u>

Notes to the financial statements

Particulars of income and expenditure from social housing lettings

	General needs	2013 Sheltered	Total	2012 Total
	£'000	£'000	£'000	£'000
INCOME				
Rent receivable net of identifiable service charges	21,514	8,146	29,660	8,433
Service charges	230	1,035	1,265	368
Turnover from social housing lettings	21,744	9,181	30,925	8,801
EXPENDITURE				
Management costs	(5,233)	(1,866)	(7,099)	(1,824)
Service costs	(1,319)	(1,521)	(2,840)	(556)
Routine maintenance	(3,098)	(1,552)	(4,650)	(1,319)
Planned maintenance	(190)	(190)	(380)	(199)
Major repairs and improvements	(2,467)	(1,284)	(3,751)	(697)
Bad debts	(112)	(35)	(147)	(96)
Depreciation of housing properties	(225)	(97)	(322)	(13)
Impairment of housing properties	(13)	(5)	(18)	
Amortisation of negative goodwill	616	264	880	295
Operating costs on social housing lettings	(12,041)	(6,286)	(18,327)	(4,409)
Operating surplus on social housing lettings	9,703	2,895	12,598	4,392
Void losses	192	495	687	204

Notes to the financial statements

4. Surplus on the sale of housing properties

	2013	2012
	£000	£000
Sale proceeds	3,866	
Cost of disposals	(850)	
Grant released on disposal	162	
Negative goodwill released on disposal	256	
	<u>3,434</u>	<u> </u>

5. Accommodation in management

At the end of the year accommodation in management for each class c accommodation was as follows:

	2013	2012
	NQ	No
Social Housing		
General needs housing	4,178	4,212
Sheltered housing and housing for older people	1,847	1,845
Total social housing owned	6,025	6,057
Housing managed for others	46	110
Total social housing managed	6,071	6,167
Leasehold properties	619	616
Shared equity properties	8	10
Commercial properties	20	20
Total housing owned and managed	<u>6,718</u>	<u>6,811</u>

There were no properties in development at the year end.

6. Operating surplus

The operating surplus is arrived at after charging:

	2013	2012
	£'000	£'000
Depreciation - housing properties	322	13
Depreciation - other tangible fixed assets	383	32
Impairment - housing properties	18	
Amortisation of negative goodwill	880	295
Operating lease rentals		
Building	274	82
Equipment	2	
Auditor's remuneration (excluding VAT)		
- Fees payable for the audit of the financial statements	19	19
- Tax advice	13	
- Other	1	
	<u> </u>	<u> </u>

Notes to the financial statements

7. Interest receivable and other income

	2013	2012
	£'000	£'000
Interest receivable and similar income	109	22

8. Interest payable and similar charges

	2013	2012
	£'000	£'000
Loans and bank overdrafts	3,957	1,208
Amortisation of loan set-up fees	370	112
	<u>4,327</u>	<u>1,320</u>

No interest has been capitalised in the year.

9. Negative goodwill

The stock transfer from Wycombe District Council in December 2011 has been treated as an acquisition of an equity business in accordance with SORP 2010, FRS6 and FRS7. All assets and liabilities were stated at their fair value on acquisition which resulted in a material level of negative goodwill. This is to be amortised over a period of fifty years.

The value of properties at transfer was estimated based on a 10% stock condition survey. An impairment review has been undertaken in the year following the completion of a full stock condition survey. This has resulted in an adjustment of £346,000 to negative goodwill on transfer.

Costs	2013
	£'000
At 1 April 2012	(44,259)
Adjustment to goodwill	346
Released	<u>256</u>
At 31 March 2013	<u>(43,657)</u>

Amortisation	
At 1 April 2012	295
Released	(2)
Annual charge	<u>880</u>
At 31 March 2013	<u>1,173</u>

Net book value after amortisation	
At 31 March 2013	<u>(42,484)</u>
At 31 March 2012	<u>(43,964)</u>

Notes to the financial statements

10. Employees

Average monthly number of employees expressed as full-time equivalents:

	2013	2012
	No.	No.
Housing management	68	62
Property management	25	22
Central administration	22	18
	<u>115</u>	<u>102</u>

Employee costs:

	2013	2012
	£'000	£'000
Wages and salaries	3,455	976
Social security costs	310	83
Other pension costs	488	149
	<u>4,253</u>	<u>1,208</u>

There were no employees (2012: none), other than the executive management team (see note 11), with remuneration in excess of £60,000 during the period.

The association's employees are entitled to membership of either the Buckinghamshire County Council Pension Fund (BCCPF) or of Red Kite Group Personal Pension Plan (RKGPPP).

Red Kite Group Personal Pension Plan (RKGPPP) scheme

The RKGPPP is a defined contribution scheme administered by HSBC Life. Employer contributions for the period ended 31 March 2013 were £29,500 at a contribution rate of either 8% or 10%, depending on the contribution rate of each employee.

Buckinghamshire County Council Pension Fund (BCCPF):

The BCCPF is a multi-employer scheme, administered by Buckinghamshire County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2010 and rolled forward, allowing for the different financial assumptions required under FRS 17, to 31 March 2013 by a qualified independent actuary.

Notes to the financial statements

10. Employees (continued)

The employer's contributions to the BCCPF by the association for the period ended 31 March 2013 were £467,000 (3 months to 31 March 2012: £141,044) at a contribution rate of 18.3% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2014 has been set at 18.3%.

Estimated employers' contributions to the BCCPF during the accounting period commencing 1 April 2013 are £445,000.

The scheme has 82 active members and is closed to new members.

Financial assumptions:

	As at 31 March 2013 %	As at 31 March 2012 %	As at 13 December 2011 %
Discount rate	4.6	4.6	4.8
Future salary increases	4.9	4.8	4.4
Future pension increases	2.6	2.5	2.1
Inflation assumption (CPI)	2.6	2.5	2.1
Inflation assumption (RPI)	3.4	3.3	2.9

Mortality assumptions:

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2013 are based on the S1PA Heavy series.

The assumed life expectations on retirement at age 65 are:

	2013 No. of years	2012 No. of years
Retiring today:		
Males	20.1	20.0
Females	24.1	24.0
Retiring in 20 years:		
Males	22.1	22.0
Females	26.0	25.9

Notes to the financial statements

10. Employees (continued)

Expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2013 for the year ending 31 March 2014). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities and property are then assumed to be a margin above gilt yields.

The expected returns on assets are:

	As at 31 March 2013 %	As at 31 March 2012 %	As at 13 December 2011 %
Equities	6.3	6.6	6.4
Gilts	3.0	3.3	3.1
Other bonds	4.1	4.6	4.8
Properties	5.8	6.1	5.9
Cash	0.5	3.0	3.0
Alternative assets	6.3	6.6	6.4
Total	5.9	6.0	5.9

Analysis of the amount charged to income and expenditure account:

	2013 £'000	2012 £'000
Current service costs	592	153
Amount charged to operating costs	592	153
Interest on scheme liabilities	564	134
Expected return on scheme assets	(486)	(128)
Amount charged to other finance costs	78	6

There were no past service costs or losses / gains on curtailments and settlements during the period.

Notes to the financial statements

10. Employees (continued)

Statement of total recognised surpluses and deficits (STRSD):

	2013 £'000	2012 £'000
Actuarial gains/ (losses) in pension scheme recognised in STRSD	<u>383</u>	<u>(1,625)</u>

Amounts recognised on the balance sheet:

	As at 31 March 2013 £'000	As at 31 March 2012 £'000	As at 12 December 2011 £'000
Present value of funded obligations	(13,522)	(11,114)	(9,348)
Fair value of scheme assets (bid value)	<u>9,983</u>	<u>7,403</u>	<u>7,280</u>
Net liability recognised in balance sheet	<u>(3,539)</u>	<u>(3,711)</u>	<u>(2,068)</u>

Reconciliation of opening and closing balances of the present value of scheme liabilities:

	2013 £'000	2012 £'000
Opening defined benefits obligations	(11,114)	(9,348)
Current service cost	(592)	(153)
Interest cost	(564)	(134)
Actuarial losses	(1,070)	(1,423)
Estimated benefits paid in net of transfers in	(5)	
Contributions by scheme participants	<u>(177)</u>	<u>(56)</u>
Closing defined benefit obligation	<u>(13,522)</u>	<u>(11,114)</u>

Notes to the financial statements

10. Employees (continued)

Reconciliation of opening and closing balances of the present value of scheme assets:

	2013 £'000	2012 £'000
Opening fair value of scheme assets	7,403	7,280
Expected return on scheme assets	486	128
Actuarial gains/ (losses)	1,453	(202)
Contributions by employer	459	141
Contributions by scheme participants	177	56
Estimated benefits paid net of transfers in and including unfunded	<u>5</u>	
Closing fair value of scheme assets	<u>9,983</u>	<u>7,403</u>

Major categories of plan assets as a percentage of total plan assets:

	As at 31 March 2013 %	As at 31 March 2012 %	As at 13 December 2011 %
Equities	70	68	69
Gilts	4	8	7
Other bonds	9	9	7
Properties	8	9	8
Cash	1	2	3
Alternative assets	<u>8</u>	<u>4</u>	<u>6</u>

Notes to the financial statements

10. Employees (continued)

Amounts for current and previous accounting periods:

	As at 31 March 2013 £'000	As at 31 March 2012 £'000	As at 13 December 2011 £'000
Present value of scheme liabilities	(13,522)	(11,114)	(9,348)
Fair value of scheme assets	9,983	7,403	7,280
Deficit on scheme	(3,539)	(3,711)	(2,068)
Experience adjustment on scheme liabilities	(755)		
Experience adjustment on scheme assets	1,453	(202)	
Cumulative actuarial gains on losses	(1,242)	(1,625)	

Sensitivity analysis:

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total liabilities	13,208	13,522	13,845
Projected service cost	592	610	629
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of total liabilities	13,022	13,522	14,029
Projected service cost	581	610	639

Notes to the financial statements

11. Board members and executive directors

Board members:

None of the Board members received any emoluments. Reimbursement for expenses incurred in the performance of their duties as Board members totalling £1,336 (2012: £645) was made in the period.

Executive directors:

			2013		2012	
	£	£	£	£	£	£
	Basic salary	other benefits	Other costs	Pension costs	Total	Total
Chief Executive:						
Trevor Morrow	102,233	5,792	-	18,709	126,734	36,219
Resources Director:						
Neil Venables	83,900	5,931	-	8,390	98,221	54,480
Operations Director:						
Alan Keers	78,836	5,000		8,232	92,068	24,301
Director of Neighbourhood Services:						
Martyn Hale	81,999	811	26,230	15,154	124,194	29,730
	<u>346,968</u>	17,534	26,230	50,48	<u>441,217</u>	<u>144,730</u>

The other costs relate to the redundancy payment made to the Director of Neighbourhood Services.

The emoluments of the highest paid director during the period, excluding pension contributions and other costs were £108,025 (3 months to 31 March 2012: £49,813).

The Chief Executive is a member of the Local Government Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The association does not make any further contribution to an individual pension arrangement for the Chief Executive.

Notes to the financial statements

12. Tangible fixed assets - properties

Social housing properties held for letting	2013
	£'000

Cost:

At 1 April 2012	140,521
Additions	328
Works to existing properties	4,747
Disposals	<u>(808)</u>
At 31 March 2013	144,788

Depreciation:

At 1 April 2012	13
Impairment charge in the year	364
Depreciation charge in the year	<u>322</u>
At 31 March 2013	<u>699</u>

Net book value after depreciation

31 March 2013	<u>144,089</u>
31 March 2012	<u>140,508</u>

Other grants:

At 1 April 2012	28,000
Released on disposal	<u>(162)</u>
At 31 March 2013	<u>27,838</u>

Net book value after other grants

31 March 2013	<u>116,251</u>
31 March 2012	<u>112,508</u>

All properties are held freehold. No interest has been capitalised in the period.

Notes to the financial statements

12. Tangible fixed assets- properties (continued)

Expenditure on works to existing properties:

	2013 £'000	2012 £'000
Components capitalised	4,747	576
Amounts charged to income and expenditure account	<u>3,751</u>	<u>697</u>
	8,498	1,273

13. Tangible fixed assets- other

	IT& Infrastructure £'000	Furniture £'000	Office accommodation Improvements £'000	Total £'000
Cost				
At April 2012	619	-	-	619
Additions	416	236	660	1,312
Disposals	(56)	-	-	(56)
As at 31 March 2013	<u>979</u>	<u>236</u>	<u>660</u>	<u>1,875</u>
Depreciation				
At April 2012	32	-	-	32
Charged in year	175	47	132	354
Released on disposal	(3)	-	-	(3)
As at 31 March 2013	<u>204</u>	<u>47</u>	<u>132</u>	<u>383</u>
Net book value 31 March 2013	<u>775</u>	<u>189</u>	<u>528</u>	<u>1,492</u>
31 March 2012	<u>587</u>	<u>-</u>		<u>587</u>

None of the other tangible fixed assets are owned under finance leases.

Notes to the financial statements

14. Debtors

	2013	2012
	£'000	£'000
Rent and service charges receivable	1,404	1,087
Less: Provision for bad and doubtful debts	<u>(636)</u>	<u>(498)</u>
	768	589
VAT recoverable	824	80
Prepayments and accrued income	483	627
Other debtors	<u>226</u>	<u>370</u>
	<u>2,301</u>	<u>1,666</u>

15. Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Trade creditors	1,018	1,694
Rent and service charges received in advance	312	353
Leaseholder balances	561	
Payments due under the transfer agreement	761	4,319
Accruals and deferred income	2,596	1,220
Other taxation and social security	91	86
Other creditors	<u>175</u>	<u>195</u>
	<u>5,514</u>	<u>7,867</u>

16. Creditors: amounts falling due after more than one year

	2013	2012
	£'000	£'000
Debt (note 17)	58,632	63,262
Payments due under the transfer agreement	<u>4,908</u>	
	<u>63,540</u>	<u>63,262</u>

Payments due under the transfer agreement (notes 15 and 16) relates to the sharing of the VAT Shelter and Right to Buy sales receipts between the association and Wycombe District Council.

Notes to the financial statements

17. Debt analysis

	2013 £'000	2012 £'000
Bank loans	60,000	65,000
Less: Loan issue costs	<u>(1,368)</u>	<u>(1,738)</u>
	<u>58,632</u>	<u>63,262</u>

18. Terms of repayment and interest rates

The bank loans are repayable in accordance with the repayment profile set out in the latest approved 30-year business plan.

	2013 £'000	2012 £'000
Two year or more but less than five years	2,411	
Five years or more	<u>57,589</u>	<u>65,000</u>
	<u>60,090</u>	<u>65,000</u>

At 31 March 2013 the association had undrawn committed loan facilities of £80 million. The facilities are secured by a fixed charge over 6,031 of the association's properties.

Interest rate exposure on borrowings is managed using a mix of fixed and floating rate arrangements available within the loan facilities as follows:

	2013 £'000	2012 £'000
Fixed rate	60,000	60,000
Floating rate	-	<u>5,000</u>
	60,000	<u>65,000</u>

The association has not entered into any derivatives or financial instruments outside of the committed loan facilities. The fixed rate financial liabilities have a weighted average interest rate of 4.99% (2012: 5.01%) and the weighted average period for which they are fixed is 9 years (2012: 10 years). The floating rate financial liabilities have a weighted average interest rate of 3.22% (2012: 3.23%).

Notes to the financial statements

19. Share Capital

Membership comprises tenants and resident leaseholders plus Wycombe District Council. Each member holds one share with a value of £1. The shares provide members with the right to vote at general meetings, but do not provide any right to dividends or distribution on the winding up of the association.

	2013 NQ	2012 NQ
Members at beginning of period	6	
Number of members joining during the year	331	8
Number of members leaving during the year	-	(2)
Number of members at	337	6

20. Reserves

	Restricted reserves	2013 Revenue reserve	Total reserves	2012 Total reserves
	£'000	£'000	£'000	£'000
1 April	130	1,567	1,697	
Surplus for the year	-	11,970	11,970	3,322
Actuarial gain/ (loss) relating to pension scheme	-	383	383	(1,625)
Transfer to restricted reserves	17	-	17	
As at 31 March	147	13,920	14,067	1,697

Restricted reserves represent the proportion of proceeds from sales of leasehold properties retained to fund future major repair costs that may arise in accordance with the terms of the relevant leases.

Notes to the financial statements

21. Net cash inflow from operating activities

	2013	2012
	£'000	£'000
Operating surplus	12,832	4,626
Depreciation of tangible fixed assets	676	45
Impairment of housing properties	18	
Loss on disposal	56	
Amortisation of negative goodwill	(880)	(295)
Defined benefit pension service costs	592	153
Defined benefit pension contributions paid	<u>(459)</u>	<u>(141)</u>
	12,835	4,388
Movements in working capital		
Increase in debtors	(635)	(1,666)
(Decrease)/ increase in creditors	(2,355)	7,711
Net cash inflow from operating activities	<u>9,845</u>	<u>10,433</u>

22. Reconciliation of net cash inflow to movement in net debt

	2013	2012
	£'000	£'000
Opening net debt	(57,522)	
Increase in cash	3,360	5,740
Cash outflow / (inflow) from movement in debt	5,000	(65,000)
Loan issue costs	<u>(370)</u>	<u>1,738</u>
Net debt at 31 March	49,532	<u>(57,522)</u>

23. Analysis of changes in net debt

	As at 31 March 2012 £'000	Cashflow £'000	Non- cashflow movement £'000	As at 31 March 2013 £'000
Cash at bank and in hand	5,740	3,360	-	9,100
Loans	(63,262)	5,000	(370)	(58,632)
Changes in net debt	<u>(57,522)</u>	<u>8,360</u>	<u>(370)</u>	<u>(49,532)</u>

Notes to the financial statements

24. Capital commitments

	2013 £'000	2012 £'000
Expenditure contracted but not provided for in the accounts	3,263	6,524
Expenditure authorised by the Board but not contracted	<u>29,057</u>	<u>13,671</u>
	<u>32,320</u>	<u>20,195</u>

The above commitments will be financed through utilising the committed loan facilities, which are available for draw-down under existing loan arrangements.

25. Tax on surplus on ordinary activities

The association has charitable status with HMRC and is not liable for Corporation Tax on its ordinary activities. No taxable activities have occurred during the period.

26. Development Agreement

The association entered into a Development Agreement with Wycombe District Council on 13 December 2011 under which the association is committed to carry out improvements to the properties acquired from the Council over the following 15 years. The total value of the commitment over the 15 years is £227,336,000. An invoice for the same sum has been issued by the association to Wycombe District Council. The debtor and the liability have been netted off in the accounts and are not shown as separate items.

As at 31 March 2013, improvements to a value of £6 million (2012: £682,000) had been completed. The remaining liability at 31 March 2013 is £221 million (2012: £227 million).

27. Contingent assets/ liabilities

There are no contingent assets or liabilities that require disclosure.

Notes to the financial statements

28. Leasing commitments

Operating lease payments amounting to £219,000 (2012: £Nil) are due between two and five years:

	2013 £'000	2012 £'000
Office accommodation	215	
Office equipment	<u>4</u>	<u></u>
	<u>219</u>	<u></u>

A ten-year office lease agreement with a five-year break clause commenced in November 2012.

29. Related parties

There are four tenant members of the Board, Jennie Ferrigno, Hugh Ashton-Moore, Sheelagh Jones and Jonathan Walton. Alan Pepin is a co-opted tenant Board member. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage.

There is one resident leaseholder member of the Board, Hazel Chandler. Her lease is on normal commercial terms and she is not able to use her position to her advantage.

Two members of the Board during the period, Ian McEnnis and Brian Pollock, are councillors with Wycombe District Council and a third, Chris Watson, is nominated by the Council. The local authority has a proportion of the nomination rights over tenancies. In addition, the association had a licence to occupy certain Council office accommodation until 3 February 2013. The council provided the association with management services related to the office accommodation up to the end of the licence. The association manages certain properties on behalf of the Council. All transactions with the Council are on normal commercial terms and the three Board members nominated by the Council are not able to use their position to their advantage.