VIVID Housing Limited

Annual Report and 2017-18 Financial Statements

Regulator of Social Housing Registration Number 4580
Regulated Society Registration Number 7544

BOARD'S STRATEGIC REPORT AND REVIEW OF THE YEAR

Introduction

The board presents its report and audited financial statements for the year ended 31 March 2018. Our sector's been through a year of uncertainty and change but we've met those challenges from a position of strength.

In our first year we've secured the resources needed to meet our ambitions. We've increased our surplus by £16.6m (34%) and we're on course to reduce our operating costs by £11.4m in real terms by 2020.

- Harmonising our working practices, bringing all our people together into one structure and removing duplication. This reduced our staff costs by £1.9m and over the next two years the annual saving will increase to £3.0m.
- Reducing our office locations and moving all staff into our two main offices in Basingstoke and Portsmouth. This reduces the costs of administration, travel and environmental impact. So far, we've saved £1.2m and by 2020 we expect this to reach £2.3m.
- Implementing a new integrated IT system to manage all our customer contact, housing and maintenance services. Harmonising our systems and processes for all our services will enable us to provide more consistent services and reduce costs. We're expecting to save £0.5m in 2018-19.
- Modernising our repairs service, changing the way all our operatives are paid which will save us £1.2m each year from 2018. We've also identified a combination of productivity improvements and opportunities to reduce the cost of voids which will deliver a total of £1.7m in savings in 2018-19.

About us

Who are we - We're Hampshire's largest provider of affordable homes formed on 21st April 2017 through a statutory amalgamation that merged First Wessex with Sentinel Housing Association. With 70,000 customers in nearly 30,000 homes and plans to build 1,200 new homes a year across all tenures, we're a major provider amongst UK housing associations.

What we do - We bring together the expertise, financial strength and housebuilding ambitions to significantly increase the housing supply of much needed affordable housing stock in and around the county whilst delivering great services.

Our vision - More homes, bright future.

Our purpose - Maximising opportunities to make more housing available and affordable to everyone.

All of the information provided in these accounts combines that of the former First Wessex and Sentinel groups.

Board of Directors	Mike Kirk	Board Chair	
	Michael Stancombe	Senior Independent Director	
	Juliet Annesley-Gamester		
	Jane Earl		
	David French		
	David Mairs		
	Philip Raw		
	Lynda Shillaw	Appointed 28 September 2017	
	Jane Tabor		
	Jean-Marc Vandevivere	Appointed 28 September 2017	
	Mark Perry	Chief Executive	
	Duncan Brown	Director of Finance and Technology	
Executive officers	Mark Batchelor	Commercial Director	
	Julian Chun	Director of Transition	
	Mike Shepherd	Director of New Business & Development	
	Duncan Short	Director of Resources	
	Peter Walters	Interim Chief Executive (Resigned 20 October 2017)	
	Carol Williams	Director of Operations (Resigned 31 December 2017)	
	Margaret Dodwell	Interim Director of Operations (Appointed 3 January 2018. Resigned 2 May 2018)	
Secretary and Registered Office	John Anthony Sanderson	Resigned 26 April 2018	**Registered Office**
	Duncan Brown	Appointed 26 April 2018	Peninsular House, Wharf Road, Portsmouth, Hampshire, PO2 8HB
Bankers	Royal Bank of Scotland 3 Hampshire Corporate Park Templars Way, Chandlers Ford Hampshire, SO53 3RY	Barclays Bank 8 Market Place Basingstoke RG21 7QA	
Auditors	**External Auditors** Nexia Smith & Williamson 15-17 Cumberland Place Southampton, SO15 2BG	**Internal Auditors** PricewaterhouseCoopers LLP 3 Ocean Way, Ocean Village, Southampton, SO14 3TJ	
Accountancy and Tax Advisors	Smith & Williamson LLP Cumberland House 15-17 Cumberland Place Southampton, SO15 2BG	KPMG LLP Gateway House, Tollgate, Chandler's Ford, Eastleigh, SO53 3TG	Deloitte LLP Abbots House, Abbey Street, Reading Berkshire, RG1 3BD
Solicitors	Capsticks LLP Staple House, Staple Gardens Winchester, SO23 8SR	Winckworth Sherwood Minerva House, 5 Montague Close, London, SE1 9BB	Trowers & Hamlins 3 Bunhill Row, London, EC1Y 8YZ
Treasury Advisors	J.C. Rathbone Associate Ltd 12 St James's Square London SW1Y 4LB		

Our legal structure

VIVID Housing Ltd is a registered Cooperative and Community Benefit Society (registration number 7544) and is regulated by the Regulator for Social Housing (registration number 4580). The group comprises:

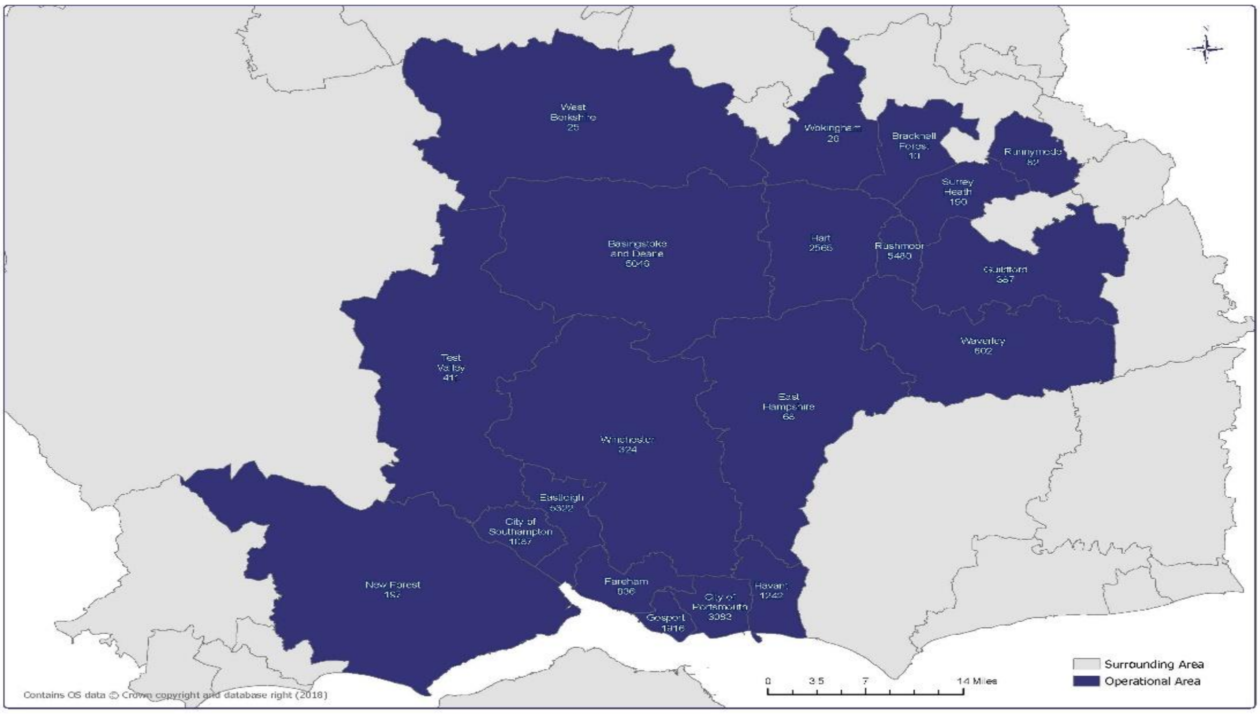
Company Name	Registration	Controlling interest	Description
Vestal Developments Limited	05509078	100% share capital	Limited company providing development services & market sales for the Group
VIVID Build Limited	07930319	100% share capital	Limited company carrying out development activities
Hewitt Homes Limited	235827	Corporate Trustee	Registered charitable trust
The Paddon Memorial Trust	229547	Corporate Trustee	Registered charitable trust
Hilda Ruth Daley Trust	1052875	Corporate Trustee	Registered charitable trust
Mitre Court (Fareham) Ltd	01350375	100% share capital	Limited company

During the year VIVID continued to act as Corporate Trustee for Hewitt Homes - a registered charitable trust which has 49 homes of sheltered housing. On the 1st April 2018 VIVID retired as Corporate Trustee via a Deed of Replacement which appointed Crown Simmons Housing.

Our homes

We operate in an area of strong demand for housing of all tenure types. A substantial proportion of the regional population needs help with their housing costs. Many of them look to housing associations for either rented or shared ownership homes. On average, we receive around 60-70 applicants for each of our homes.

A map of our operating area is shown below:



We work across 20 local authority areas in Hampshire, Berkshire and Surrey. This geographical concentration is a key business strength enabling us to maintain close links with our local authority partners and to deliver our services efficiently. Within our operating area we have 29,964 homes.

Tenure type	2014	2015	2016	2017	2018
General Needs	19,957	20,145	20,995	21,419	21,901
Older People's & Supported Housing	2,183	2,358	2,187	2,174	2,183
Shared Ownership	3,214	3,286	3,812	4,091	4,360
Intermediate rent	630	629	466	350	333
Market Rent	167	82	187	187	196
Leased or Owned by others	1048	1,175	1,100	753	728
Managed by others	359	336	266	236	263
Total	**27,558**	**28,011**	**29,013**	**29,210**	**29,964**

Maintaining the standard of our homes

Our in-house repairs team maintains the high standard of our homes. We pride ourselves on providing high quality, safe homes and whenever possible we use energy efficient materials to keep utility bills low for our customers and reduce CO_2 emissions.

Customers' satisfaction with our repair services remained steady during 2017-18, we kept 96% of appointments made and completed responsive repairs within an average time of 9.9 days.

In total we've invested £43.2m (2017: £46.0m) repairing, maintaining and improving our homes.

We've spent £26.5m on planned maintenance to maintain or improve the standards of our homes, including:

- 698 kitchen replacements
- 508 bathroom replacements
- 1,553 boiler replacements
- 15 block roof replacements
- 172 roof replacements
- 1,840 property windows replacements
- 877 door replacements

Following the Grenfell Tower incident, we've re-evaluated the fire safety measures in all our tower blocks. We have 3 blocks with aluminium composite material (ACM) cladding and we've committed to replacing this cladding during 2019. We have written off the cost of the existing cladding (£1.9m) in 2017-18.
All our properties comply with building regulations and have up to date fire risk assessments. We're continuing to monitor the Government's response to the fire and the possible future changes to building and safety regulations.

The value of our housing assets

Our housing properties are independently valued by JLL as at 31st March 2018.

Valuation basis	Number of homes	Value in use (£'000)	Market Value (£'000)
General Needs	21,901	£1,524,480	£5,076,340
Older People's and Supported Housing	2,183	£114,043	£368,061
Shared Ownership	4,360	£187,101	£606,990
Intermediate Rent	333	£30,702	£63,089
Market Rent	196	£30,630	£36,035
Leased or Owned by others	728	£36,739	£55,494
Managed by others	263	£4,688	£8,710
Total stock	**29,964**	**£1,928,383**	**£6,214,719**

The value in use shown in the table above exceed the net book value of our completed housing properties by £249m. Together with our reserves of £460m, they increase our net worth to £709m.

Building new homes

We're making a major contribution to the supply of new homes in Hampshire, Surrey and Berkshire. In 2017-18 we invested £228.5m in our development programme (2017: £108.1m), completing 749 new homes and starting 1,310 (2017: completed 610, started 769).

	2014	2015	2016	2017	2018
Investment in new homes £'000	105,376	125,436	121,185	133,815	227,515
Capital grant received £'000	9,222	17,857	10,811	8,146	6,741
Number of new homes completed:					
Social Rented	57	106	57	37	44
Affordable Rented	232	631	322	367	360
Shared Ownership	165	274	174	180	189
Market Rented	0	0	112	0	0
Market Sale	11	30	30	26	156
Other tenures	1	0	0	0	0
Total	**466**	**1,041**	**695**	**610**	**749**

We fund in excess of 46% of our development costs with the surpluses we generate. This level of self-funding enables us to manage our gearing level. We also received £4.6m of government grants and £2.1m of recycled grant during the year and drew £30m from our loan facilities.

Homeownership sales

This year we've helped 356 families buy a home of their own.

This consisted of 200 shared ownership properties, 126 properties built for direct private sale and 30 units converted from Intermediate rent to shared ownership. Income from these sales of £52.8m delivered a surplus of £14.3m or 27%.

Other property disposals in the year included 15 units transferred to other registered providers, 141 shared owners purchased further equity in their homes with 92 of these taking them to full home ownership, a portfolio of garages were sold to an investor, and the sale of our office accommodation in Eastleigh. The total surplus on asset disposals was £8.4m (2017: £8.2m).

Services to our customers

	2017	2018
Customer satisfaction index *	-	79.6
Rent arrears (current tenants)	3.3%	3.4%
Void losses	0.6%	0.7%
Re-let times (days)	18.8	27.8
Calls & emails resolved at first contact	87.5%	86.5%
Average time to complete a repair	12.3 days	9.9 days
Gas safety compliance	99.9%	99.9%
Decent Homes compliance	100%	100%

* Customer satisfaction is being measured independently by The Leadership Factor.

Our average time to complete repairs has improved by 19.5% and rent arrears remained consistent. Customer satisfaction with our services is independently measured by The Leadership Factor using a new measure. We will build up a track record and monitor our progress in future years.

Our first year has seen re-let times increase resulting in higher rent losses from voids. Although this still remains within the business plan assumptions, we are expecting this to improve in 2019.

Our people

Our people are our best asset – fully engaged and constantly improving themselves and our business. During the year we employed 820 staff (2017: 919). We've harmonised our employment offer during the year, including:

- successfully integrating our two groups of employees, standardising terms and conditions and embarking on a programme of development to embed our values.
- modernising the remuneration package for our trade staff which will generate saving of £1.4m year on year after the phased implementation.

We're an equal opportunities employer and we take positive steps to find the best candidate for any vacant post. Adverts for staff describe us as an equal opportunities employer and invite applications from all members of the community. Our premises are fully accessible to people with disabilities. Our gender pay gap is published on our website.

Our future plans

Our corporate plan sets out how we'll achieve our purpose. The corporate plan contains four ambitions and the Board has identified how we'll measure the success of each:

Ambitions	Success Measures
We'll be a major and influential housing provider operating across the South	• We'll have an ambitious development programme, with active control over our pipeline, increasing the number of new homes we build each year across a range of tenures to suit local housing need • We'll have a structure and organisation in place that facilitates and drives further growth, so that we can build more homes and help more people • We'll be known for innovative products and high-quality homes that meet the changing needs of our customers • We'll be bold and lead, but partner where we choose to, and we'll benefit from greater influence through our increased scale and expertise
We'll be the right choice for our customers	• Our customers will value our innovative, modern and accessible services that reflect the 'digital world' • We'll know all about our customers and we'll be using this intelligence to design services to meet their current needs and future aspirations • We'll have a clear customer offer and customers will feel supported, benefitting from the right level of support tailored to meet their housing needs • We'll contribute to building long term sustainable communities where people want to live
We'll be a cost-effective operator	• We'll be increasing our financial strength by reducing our operating cost per property year on year and we'll make balanced decisions on where to invest • We'll be maximising the use of our assets to invest in delivering more homes, quality neighbourhoods and supporting customers • Our people will have the technology they require to deliver services anywhere through our mobile operating model and customers will see the clear benefits of communicating and transacting on-line, driving savings for them and us • We'll continue to secure the funding needed to support our Business Plan and manage our financing, interest and inflation risks in the most cost-effective manner
We'll have a modern and vibrant culture that attracts and develops the brightest talent	• Our people will be proud to work for us and be rewarded competitively, with a strong emphasis on wellbeing and providing a fun working environment • Our culture will encourage people to be open, innovative and creative, working together as one team to challenge the way we do things to bring about improvements and change, driving benefits for our customers • Our employee development offer will enable people to grow personally and professionally, to enhance their career opportunities • Our collaborative leadership style will drive high performance and effective partnerships

Financial results

	2014	2015	2016	2017	2018
Turnover	166,124	182,719	197,825	211,117	228,488
Operating surplus	53,083	61,005	71,901	82,639	86,354
Net surplus before tax	22,583	21,018	39,819	49,420	66,699
Housing properties at cost	1,701,908	1,799,406	1,876,278	1,950,358	2,075,569
Long-term loans	831,447	895,856	939,981	955,248	985,456
Net current assets	74,841	74,960	92,240	92,818	85,913
Net assets	284,248	310,222	350,939	393,892	459,548

All figures are £'000 unless otherwise indicated. Figures for 2014 have been stated in accordance with UKGAAP at the time, 2015 onwards are stated in accordance with FRS 102.

Our first set of results show a year of strong operational performance with significantly improved financial strength. Our turnover increased by £17.3m (8.2%), driven by an increase in outright property sales and shared ownership first tranche sales. Social Housing turnover increased by £2.4m (1.4%) with the impact of rent reductions being offset by rents from new developments. We've made substantial progress with our efficiency drive and expect to see further reductions in our operating costs per unit over the next two years.

These results maintain our financial strength and enable us to keep investing more in homes and communities.

The full financial results for the year are set out on pages 20 to 64.

Funding and treasury management

Our treasury management work makes sure that adequate cost-effective funding is available and exposure to financial risk is managed. We borrow from a range of sources to support our development activities.
Our business plan and development programme are fully funded. We've fixed the interest rate on 74.6% of our debt to protect us against future interest rate volatility.
On 31 March 2018 our loan facilities totalled £1,163m of which £985m was already drawn.

Key treasury risks

- Funding Risk – Our business plan identifies the private finance facilities required to fund our development programme. Our treasury policy calculates the level of liquidity we need to maintain. On 31 March 2018 we had £178m of undrawn loans and £22m of available cash, providing enough funding for all our current development commitments in the next two years without reliance on sale proceeds and operating cash flows.
- Liquidity risk – We hold enough immediately-available cash or revolving credit facilities to meet our next two years' requirements. We deposit surplus cash with ten different counterparties. The credit ratings of counterparties, rather than the returns, are the primary consideration when deciding how to invest cash balances.

- Counterparty credit risk – In our treasury policy we've set minimum credit ratings for each lender, investment counterparty and banker. Counterparty credit ratings are monitored by our treasury consultants.
- Interest rate risk – Our treasury policy sets parameters for the percentage of fixed, floating and index-linked debt within our loan portfolio. On 31 March 2018 74.6% of our drawn debt was at fixed rates, none was index-linked and 25.4% was exposed to variable interest rates.
- Compliance risk – Through our business planning and budgeting process we monitor the corporate financial covenants within our loan agreements. Our treasury policy requires us to maintain headroom above these covenants and we set a budget to comply exceed each lender's requirements. Performance against the budget is monitored monthly.

Our loans are analysed further in Note 20.

Value for Money

Our approach to value for money

This section explains our approach to Value for Money and how it underpins the work we do to achieve our purpose. It sets out the ambitions of VIVID, tells us how we're performing compared to our peers, the value for money gains we have achieved in 2017-18 and our future plans.

What does value for money mean?

To us, value for money means providing a standard of service that meets our purpose as efficiently as possible. We continually remove waste and increase our financial capacity so that we can invest more in building new homes.

We have three value for money (VFM) objectives:

- Provide efficient and effective landlord services
- Maximise our contribution to tackling housing need
- Continually improve the return on our assets

We have 19 Value For Money measures that track our progress with each of these objectives. And we compare our performance with our peers through the Vantage Benchmarking Group.

Measure	2014	2015	2016	2017	2018	Benchmark Median
VFM objective 1: Providing efficient and effective landlord services						
Overall customer satisfaction	-	-	-	-	79.6	-
Operating margin	32%	33%	36%	39%	38%	31%
Operating cost per unit	£3,628	£3,733	£3,621	£3,447	£3,466	-
Operating margin (social housing lettings) *	37%	38%	41%	44%	45%	35.05%
Social housing cost per unit *	£3,030	£3,542	£3,353	£3,006	£2,816	£3,238
Properties managed per FTE staff	24.3	24.1	26.9	31.9	36.5	-
Overheads as % of turnover	-	-	-	7.88%	7.03%	10.32%

VFM objective 2: Maximising our contribution to tackling housing need						
Number of new homes completed	466	1041	695	610	749	418
Reinvestment in homes *	6.6%	8.2%	7.6%	7.3%	7.9%	-
New supply delivered (Social Housing) *	1.8%	4.0%	2.1%	2.2%	2.2%	-
New supply delivered (Non-social Housing) % *	0.0%	0.1%	0.5%	0.1%	0.5%	-
VFM objective 3: Continually improving the return on our assets						
Gearing % *	53%	52%	52%	51%	50%	47.73%
EBITDA MRI interest cover *	177%	196%	197%	207%	268%	222%
Return on Capital Employed (ROCE) *	3.6%	3.7%	4.2%	4.8%	4.8%	4.09%
Occupancy rate	-	-	-	99.72%	99.44%	99.59%
Rent collected	-	-	-	99.33%	98.67%	99.60%
Current Tenant Arrears %	-	-	-	3.3%	3.4%	2.59%
Average Re-Let Days	-	-	-	20.5	27.8	28.3
Void Loss %	-	-	-	0.59%	0.57%	0.95%

* Regulator for Social Housing VFM metrics

VFM Objective 1: Providing efficient and effective landlord services

We've started using a new index to measure customer satisfaction, based on independent surveys by The Leadership Factor. In our first year we've achieved a score of 79.6 which places us in the second quartile of 125 other housing associations who measure satisfaction in the same way. In the coming year we'll be able to see the direction of travel the effectiveness of our steps to improve our customers' experience.

We have continued improve our rent collection and maintained a low level of arrears. In these areas we outperform most of our peers. But we need to improve the time it takes to re-let homes and this will reduce our rent loss and improve our operating margin.

Our operating costs are among the most competitive in our sector but we're still working through our merger savings plan. We set out to reduce our operating costs by £7.8m each year by 2020 and so far, we've achieved £6.3m and we're on track to deliver total savings of £11.4m. The Board has a detailed plan identifying where the savings will come from and is monitoring the delivery. These savings will be used to increase the supply of new homes (VFM objective 2). Some of the things we've done in our first year to deliver these savings include:

- Harmonising our working practices, bringing all our people together int one structure and removing duplication. So far, we've reduced our staff costs by £1.9m and over the next two years the annual saving will increase to £3.0m.
- Reducing our office locations and moving all staff into our two main offices in Basingstoke and Portsmouth. This reduces the costs of administration, travel and environmental impact. So far, we've saved £1.2m and by 2020 we expect this to reach £2.3m.

- Implementing a new integrated IT system to manage all our customer contact, housing and maintenance services. Harmonising our systems and processes for all our services will enable us to provide more consistent services and reduce costs. We're expecting to save £0.5m in 2018-19.
- Reviewed our repairs service and identified opportunities to modernise the service. We've changed the way all our operatives are remunerated which will save us £1.2m each year from 2018. We've also identified a combination of productivity improvements and opportunities to reduce the cost of voids which will deliver a total of £1.7m in savings in 2018-19.
- A review of major repair install costs and cyclical decorations programmes was completed during the year and will yield £1.1m savings from 2019-20.
- We're also streamlining our repairs contracts and re-procuring some of our repair services. This programme of work will have completed in 2019 and will deliver £0.9m in savings.

VFM objective 2: maximising our contribution to tackling housing need

One of our key ambitions us to increase our output of new homes, increasing to 1,200 new homes each year by 2020 as our financial strength improves. This commitment includes the aspiration to build 20% of new homes at social rent and 20% at affordable rent. We are clear that building homes for social rent is a vital part of meeting housing needs, making maximum use of our surplus to make our new homes as affordable as possible.
For our size, we're one of the biggest developers in the country and we're committed to maximising the number of new affordable homes we build each year. We achieve this by generating a healthy surplus and using it to subsidise our development costs. We can develop more than our peers because we generate more of the funding ourselves:

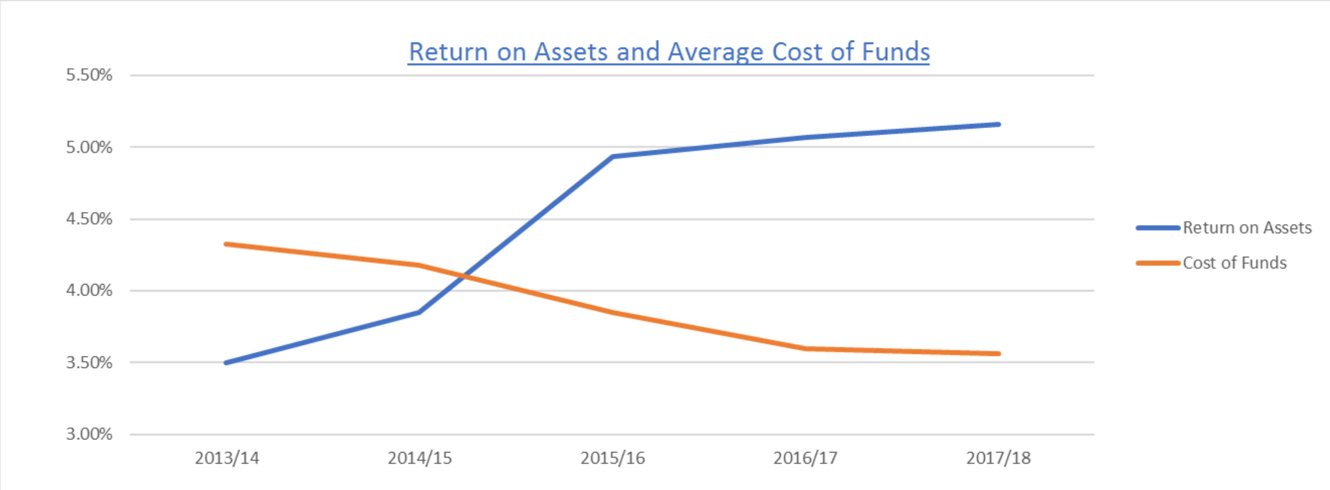
Funding for our developments (£m's)		2013	2014	2015	2016	2017	2018
Grant funded		18.3	10.2	22.5	9.1	8.1	6.7
Debt funded		53.4	56.7	58.6	56.8	26.7	83.3
Self-funded		26.6	47.3	55.2	56.0	99.0	137.5
Total		98.3	114.2	136.3	121.9	133.8	227.5

We manage the mix of our programme to generate a profit from sales which subsidises our affordable rented housing, taking care not to over-expose ourselves to the housing market.

We have locked in low interest rates by fixing the rates on 75% of our debt for an average term of sixteen years, enabling us to put more resources into development without worrying about rising interest rates.

VFM objective 3: continually improving the return on our assets

We calculate the return on our assets by comparing our operating surplus with the historic cost of our assets. And we compare this with the average interest rate on our debts.



We have continued increase the value of our business by achieving a return on assets that exceeds our effective interest rate.

We have updated our Asset Management Strategy to place greater emphasis on understanding the performance of our asset base to drive our investment decisions or where appropriate planned sales of assets.

Corporate Governance

The Board is committed to maintaining a high standard of governance and accountability in all our activities. We've adopted the National Housing Federation's Excellence in Governance Code for Members published in 2015. We comply with all aspects of the code except that the Board decided that our Project Approval Committee should be chaired by the Chief Executive rather than by a non-executive director.

Board and committee structure

The Board sets the strategic direction of VIVID and all its subsidiaries and monitors our performance and financial position. The people who served on the Board during the year are set out on page 2.

There are four sub-committees of the Board:

- Audit and Risk Committee (ARC) were responsible for overseeing our risk management framework and receiving assurance on the system of internal control. The committee is chaired by David French and met five times during the year.

- Remuneration and Nominations Committee (RNC) oversaw our People Strategy and the appointment and performance of our non-executive directors and the Chief Executive. The committee is chaired by Jane Earl and met five times during the year.

- Project Approvals Committee (PAC) approved expenditure on major projects which support our Development Strategy and Corporate Plan as well as monitoring the award of contracts and our planned improvement programmes. The committee meets monthly and is chaired by Mark Perry.

- Treasury Committee were responsible for overseeing our treasury strategy and providing assurance to the Board on new funding decisions. The committee is chaired by David Mairs and met five times during the year.

The Board of Vestal Developments Ltd is appointed by the VIVID Board. The Vestal Board is chaired by Duncan Brown and includes Mike Shepherd and Philip Raw.

The Board of VIVID Build Ltd is appointed by the VIVID Board. The VIVID Build Board is chaired by Duncan Brown and includes Mark Bachelor and Philip Raw.

Compliance with regulatory standards

The Board confirms that we've complied with the Governance and Financial Viability Standard as set out in the Regulator for Social Housing's Regulatory Framework for registered providers of social housing. The Board has carried out an assessment, made enquiries and gained appropriate assurance from management and from our internal auditors.

During 2017 we discovered 16 overdue gas checks, some of them dating back several years. These arose from inaccurate data held in one of our systems. This was a breach of the Regulator's Home Standard and resulted in a Regulatory Notice being published. We quickly rectified this and engaged with the regulator to provide assurance that our homes meet all the relevant safety standards.

All required disclosures and returns to the regulator have been made and we've maintained registers for the declaration of interests by Board members, disposals of properties and the giving and receiving of gifts and hospitality by Board members and staff.

Risk management and internal control

The Board is responsible for our system of internal control and for reviewing its effectiveness. Our system of internal control is designed to manage rather than eliminate the risk of failure to achieve our corporate ambitions. It is designed to provide reasonable, but not absolute, assurance over the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

Our system of internal control includes:

- Our Standing Orders and Financial Regulations which provide clearly defined roles, responsibilities and management and reporting structures, including a system of delegation.
- A risk management framework that provides a comprehensive process for assessing and managing strategic, financial and operational risks. Our Risk Map is updated quarterly and reviewed by the Audit and Risk Committee (ARC).
- The internal audit service, provided by Price Waterhouse Coopers, regularly assesses compliance with key control activities and carried out a programme of reviews and reports its findings to the ARC.
- Our careful staff recruitment, appropriate training and individual performance monitoring systems ensure we have sufficient, well-trained staff with a competitive package of benefits.

- Service reviews are carried out by our customer led Performance Review Panel with the findings reported directly to the Board
- Our Treasury Policy and a set of Golden Rules clearly establish the Board's financial risk appetite. The Board monitors compliance with the Golden Rules throughout the year.
- Clear criteria for investment appraisals which are overseen by the Project Approval Committee.
- A Fraud and Whistleblowing Policy which covers the prevention, detection and reporting of fraud, and the recovery of assets. The ARC receives reports on known or suspected fraud at each meeting.
- An annual review of compliance with the Code of Governance and Regulatory Framework.
- Detailed business and strategic planning processes which include the preparation of annual budgets and a 30-year financial forecast.
- Monthly reporting of financial results and performance indicators against budgets, targets and external benchmarks to the Board and Executive Team.

Key trends and risks affecting our business and how we're managing them.

Health and safety

We're already subject to extensive and complex regulations covering gas safety, fire risk management and asbestos management. We've developed comprehensive registers of our properties and conduct regular inspections, supported by independent audits.

Welfare reforms

The potential impact of the Government's welfare reforms is a threat to our income stream. We have been managing the impacts of the welfare reform changes and supporting our customers when they need our help. During the year:

- We have created a support team offering our customers help with: money management and benefit advice: on line digital assistance: employment and training and general tenancy support. Our focus is to help our customers sustain their tenancies as the full effects of the welfare reform changes impact on them.
- We have supported customers to move to smaller homes through mutual exchanges even if they have rent arrears, so they are able to mitigate the impact of the benefit restrictions and improve their immediate financial situation which will provide a positive long-term benefit
- We are supporting customers who are claiming Universal Credit. We operate a triage system where we assess everyone who we know is applying for or receiving Universal Credit, so we can offer or sign post them to the right support
- We provide information to customers before the full roll out of universal credit in each local authority area, offering support and advice so they know what to expect and can start to prepare for the change.
- We have provided training to all front-line staff so they understand the complexities of the universal credit system – this is an ongoing training exercise
- We have formed close working relationships with our partners in the DWP and local authorities, so we can keep abreast of the legislation changes

Housing market exposure

Our sales activities represented 23% of our turnover in 2017-18 and our financial forecast shows that sales will be 40% of our turnover during the next ten years. We use our business plan to monitor our exposure to the housing market and we've developed sophisticated stress-testing to ensure that our shared ownership and open market sales activity does not present a material risk to our social housing lettings business.

Pension costs

Pension related costs recognised in the SOCI equate to 8.4% of staff pay costs. This includes a provision of £0.8m for settlement of Local Government Pension Schemes, interest costs and revaluations for defined benefits schemes and the ongoing company contributions arising in the year.

Information security

We recognise our increasing reliance on technology to deliver our services and the importance of resilient systems which protect our customers' information. We maintain a detailed business continuity plan and we annually test our plans and the security of our systems. All our staff are trained to handle sensitive and personal information with appropriate care.

Board's statement on internal control

The Board has conducted its annual review of the system of internal control. The review considered:

- The risk map and a review of the quality of assurance received by the Board for each risk
- Reports from the Audit and Risk Committee and minutes of its meetings
- The internal auditor's annual report which includes a summary of the outcomes from its work during the year
- A review of the fraud register
- An annual internal control assessment from the Chief Executive

In our first year, we've addressed a number of historic issues that we've inherited from our predecessor organisations.

The Board confirms that there are currently no significant control weaknesses and in our first year we've established a sound system of internal controls which has operated satisfactorily through out the year.

Disclosure of information to auditor

The directors who held office at the date of signing this report confirm that, so far as they are each aware, all relevant information has been provided to the auditor and each director has taken all the steps that they ought to have taken to be aware of any relevant audit information and provide it to the auditor.

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

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations, the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice 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 books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

Going concern

The Board confirms that we have adequate resources to continue operating for the foreseeable future. For this reason, the Financial Statements have been prepared on a going concern basis.

Mike Kirk, Chair
on behalf of the board
12 July 2018

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIVID HOUSING LIMITED

Opinion

We have audited the financial statements of VIVID Housing Limited (the 'association') and its subsidiaries (the "group") for the year ended 31 March 2018 which comprise the consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Association Statement of Changes in Reserves and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the group and association's affairs as at 31 March 2018 and of the group and association 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIVID HOUSING LIMITED (continued)

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report and 2017-18 Financial Statements, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 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.

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 16, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIVID HOUSING LIMITED (continued)

In preparing the financial statements, the Board is responsible for assessing the group and association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the group or association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

Date: 30/7/18

Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	Group		Association	
		2018	**2017**	**2018**	**2017**
		£'000	**£'000**	**£'000**	**£'000**
Turnover	**2**	228,488	211,117	211,518	209,924
Operating costs	**2**	(103,843)	(100,682)	(103,099)	(100,584)
Cost of sales	**2**	(38,291)	(27,796)	(25,755)	(26,462)
Operating surplus	**2**	86,354	82,639	82,664	82,878
Surplus on sales of properties	**4**	8,428	8,174	8,428	7,924
		94,782	90,813	91,092	90,802
Interest receivable and similar income	**8**	377	815	1,308	1,277
Interest and financing costs	**9**	(29,586)	(30,373)	(29,586)	(30,373)
Exceptional breakage costs	**10**	-	(9,692)	-	(9,692)
Movement in fair value of financial instruments	**20**	1,195	(383)	1,195	(383)
Pension scheme re-measurement	**29**	140	(215)	140	(215)
Change in value of Investment Properties	**14**	(208)	(1,545)	(208)	(1,545)
Surplus before taxation		66,700	49,420	63,941	49,871
Taxation	**11**	(735)	91	(174)	(1)
Surplus for the year		65,965	49,511	63,767	49,870
Other comprehensive income					
Actuarial gain/(loss) in respect of pension scheme		50	(350)	50	(350)
Unrealised loss on investment		(359)	(44)	(359)	(44)
Total comprehensive income for the year		65,656	49,117	63,458	49,476

All of the Group's activities relate to continuing operations.

The notes on pages 24 to 63 form part of these financial statements.

Statement of Changes in Reserves
For the year ended 31 March 2018

	Group		Group	
	Revaluation Reserve 2018 £'000	Revaluation Reserve 2017 £'000	Revenue Reserve 2018 £'000	Revenue Reserve 2017 £'000
As at 1 April	1,481	3,029	392,411	341,702
Surplus for the year	-		65,965	49,511
Actuarial gain/(loss)	-		50	(350)
Excess depreciation on revalued assets	-	(3)		3
Other adjustment	(359)	-	-	-
Revaluation during the year	(208)	(1,545)	208	1,545
At 31 March	914	1,481	458,634	392,411

	Association		Association	
	Revaluation Reserve 2018 £'000	Revaluation Reserve 2017 £'000	Revenue Reserve 2018 £'000	Revenue Reserve 2017 £'000
As at 1 April	1,481	3,029	394,499	343,431
Surplus for the year	-	-	63,767	49,870
Actuarial gain/(loss)	-	-	50	(350)
Excess depreciation on revalued assets	-	(3)	-	3
Other adjustment	(359)	-	-	-
Revaluation during the year – Investment Properties	(208)	(1,545)	208	1,545
At 31 March	914	1,481	458,524	394,499

Statement of Financial Position
As At 31 March 2018

	Note	Group		Association	
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Fixed Assets:					
Housing properties	12	1,836,816	1,736,896	1,839,706	1,734,802
Other Fixed Assets	13	21,937	21,987	19,848	19,615
Investment Properties	14	23,436	23,644	23,436	23,644
Homebuy loans	15	2,559	2,527	2,559	2,527
Investments in joint ventures	15	2,067	580	2,067	580
Investments	15	1,517	1,781	1,517	1,781
		1,888,332	1,787,415	1,889,133	1,782,949
Current assets:					
Stock	16	95,899	46,640	36,023	37,980
Debtors	17	13,231	11,068	66,057	25,881
Cash at bank and in hand		37,965	93,229	30,420	85,361
		147,095	150,937	132,500	149,222
Creditors: Amounts falling due within one year	18	(61,875)	(58,119)	(48,878)	(50,495)
Net current assets		85,220	92,818	83,622	98,727
Total assets less current liabilities		1,973,552	1,880,233	1,972,755	1,881,676
Creditors: Amounts falling due after one year	19	(1,500,630)	(1,472,889)	(1,500,105)	(1,472,358)
Provisions for liabilities					
Pension scheme provision	29	(13,130)	(13,260)	(13,130)	(13,260)
Deferred tax	24	(244)	(192)	(82)	(78)
Total net assets		459,548	393,892	459,438	395,980
Capital and reserves:					
Share capital – non-equity	25	-	-	-	-
Revenue reserve		458,634	392,411	458,524	394,499
Revaluation reserve		914	1,481	914	1,481
Total reserves		459,548	393,892	459,438	395,980

The financial statements were approved by the Board on 12th July 2018 and signed on its behalf by:

Mike Kirk
Chair

Philip Raw
Board Member

Duncan Brown
Secretary

The notes on pages 24 to 63 form part of these financial statements.

Statement of Cashflows
For the year ended 31 March 2018

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Cash flows from operating activities				
Operating surplus	86,354	75,539	82,664	74,078
Depreciation of tangible fixed assets	31,974	26,715	31,672	26,042
Decrease/(increase) in inventory	(49,259)		1,957	-
(Increase)/decrease in debtors	(2,028)	2,312	(40,041)	58
Increase/(decrease) in creditors	4,682	3,141	(179)	1,079
Grant amortisation	(5,419)	(5,242)	(5,412)	(5,235)
Other	(384)	(1,405)	(385)	(397)
Net cash generated from operating activities	**65,920**	**99,060**	**70,276**	**95,625**
Cash flow from Investing activities:				
Additions to fixed assets and investments	(140,857)	(132,392)	(145,822)	(128,908)
Acquisition of investment property	-	(3,590)	-	(3,590)
Loans repaid to part equity owners	-	220	-	220
Proceeds from sale of assets	21,115	60,422	21,115	56,396
Grants received	4,584	4,896	4,585	4,896
Interest received	364	464	1,295	1,276
	(114,794)	(69,980)	(118,827)	(69,710)
Cash flow from financing activities:				
Interest Paid	(36,172)	(43,646)	(36,172)	(43,646)
Loan arrangement fees	-	(505)	-	(505)
Net drawdown from loan facilities	29,782	19,177	29,782	19,495
	(6,390)	(24,974)	(6,390)	(24,656)
Net change in cash and equivalents	**(55,264)**	**4,106**	**(54,941)**	**1,259**
Cash and equivalents at beginning of year	93,229	89,123	85,361	84,102
Cash and equivalents at end of year	37,965	93,229	30,420	85,361
Movement in cash and equivalents	**(55,264)**	**4,106**	**(54,941)**	**1,259**

Notes to the Accounts

1. Accounting policies

1.1 Accounting convention, compliance with accounting standards and constitution

The Association is incorporated in the United Kingdom under the Co-Operative and Community Benefit Societies Act 2014 and is a registered housing association. The registered office is Peninsular House, Wharf Road, Portsmouth, Hampshire, PO2 8HB.

The financial statements have been prepared under the UK General Accepted Accounting Practice (UK GAAP) including the Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014: Statement of Recommended Practise (SORP) for Registered Social Providers and complies with the Accounting Direction for Private Registered Providers of Social Housing 2015.

VIVID is a public benefit entity in accordance with FRS 102.

The Group financial statements are required to be prepared and consolidate those of the Association and its subsidiary undertakings drawn up to 31 March 2018. Profits or losses on intra-group transactions are eliminated in full.

1.2 Going concern

The group’s business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group’s day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders’ covenants.

On this basis, the board has a reasonable expectation that the group has adequate resources to continue to meet its financial obligations as they fall due for the foreseeable future, being a period of at least 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.

1.3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

a) Impairment

The incident at Grenfell gives rise to an impairment trigger and we have 3 blocks that have aluminium composite material (ACM) cladding that will require replacement. We have assessed the cost of the original cladding and permanently written this off, following which we have assessed the carrying value for impairment and do not consider a further impairment is required.

b) Investment property classifications

Investment properties consist of commercial properties and other properties not held for social benefit or for the use in the business under FRS 102. VIVID Housing reviewed all commercial properties and determined the majority were held for social purpose, and the stock held as market rental has been revalued and this is recognised in the financial statements.

c) Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases.

Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 29).

d) Arrears provisions

Arrears provisions have been set based on our experiences of cash flows and recovery rates. We make allowances for housing benefit due and treat former tenant arrears prudently (see note 17).

e) Classification of housing loans

Judgements have been applied in determining whether our housing loans are “basic” or “other” financial instruments.

f) Useful economic lives

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

g) Two Way break clauses

Section 11 of FRS102 sets out the requirements for financial instruments to be recognised as basic. Section 11.9 c) allows contractual provisions that permit the issuer to prepay a debt instrument before maturity. 11.9 c) also states that “the inclusion of contractual terms that, as a result of the early termination, require the issuer to compensate the holder for the early termination does not, in itself, constitute a breach of this condition”. Section 11.9 c) does not explicitly address the situation where the compensation amount paid by the issuer (i.e. borrower) to the holder (i.e. lender) is negative. The Board considers that as the compensation can be negative, the Section 11.9 c) criteria can be interpreted symmetrically and therefore the fixed rate loans meet the basic financial instrument criteria set out in Section 11.

1.4 Turnover

Turnover represents rental income, fees and service charges receivable in respect of the year, after deduction of void losses. It also includes revenue grants received from local authorities, Homes England, other stakeholders along with other income relating to the year which is recognised in the same period as the related expense. Turnover includes the proceeds of first tranche sales of properties developed for shared ownership and outright sales that are recognised on completion. Turnover also includes amortised government grant as required under the accrual model as defined by FRS102.

1.5 Tangible fixed assets

a) Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses.

The cost of acquiring properties includes all costs of acquiring the land and buildings, construction and interest on borrowings to finance the construction of assets.

Costs of construction are capitalised at their full amount and any retention is included within creditors due within one year.

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 property are capitalised as additions in the year.

The cost of shared ownership properties held at the year end is included in Housing properties only to the extent that it represents the cost of subsequent tranches. The costs attributable to the unsold first tranche sales are classified as current assets within stock.

b) Depreciation

Depreciation is provided on a straight-line basis on properties to write-down the cost less residual value over the estimated useful lives of the assets, at the following rates:

Type of property	Depreciation rate
Freehold housing (structure)	1% per annum
Leasehold property	Over the life of the lease
Commercial and office buildings	1% - 2% per annum
Hostels	2% per annum

Depreciation is not provided on freehold land or on assets in the course of construction.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

Component	Depreciation life	Depreciation rate
Kitchens	20 years	5.00%
Bathrooms	30 years	3.33%
Roof	60 years	1.67%
Structure	100 years	1.00%
Windows / Doors	30 years	3.33%
Gas Boilers	12 years	8.33%
Heating Systems	30 years	3.33%
PV Panels	20 years	5.00%
Rewire	40 years	2.50%

c) Impairment

Annually housing properties are assessed for impairment indicators. Where an indicator is identified an assessment for impairment is carried out comparing the scheme's carrying amount to its recoverable amount of the asset of cash generating unit. Where the carrying amount of a scheme is deemed to exceed the recoverable amount the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure.

Additional reviews are carried out to include properties developed for shared ownership sales, shared ownership properties earmarked for change in use and properties developed for outright sale which remain unsold at the year end.

d) Sales of housing accommodation

The surplus/deficit arising on sales of housing properties comprises of proceeds from property sales, which are recognised at the date of completion, less the net book value of the properties taking into account any associated sales costs.

The surplus or deficit on sales of housing accommodation takes into account any liabilities under right to buy sharing agreements with local authorities.

Sales of second or subsequent tranches of shared ownership properties are dealt with in the income and expenditure account after the operating surplus for the period within the surplus/deficit on sales of properties. Proceeds from first tranche sales of shared ownership and properties for constructed for outright sales properties are included within turnover with attributable costs being included within cost of sales.

e) Improvements to property and major repairs

The Group capitalises items of expenditure on housing properties if they result in an enhancement to the economic benefits from the property or if they replace a component that has been treated separately for depreciation purposes.

Works to existing properties which do not meet the above criteria are charged to the income and expenditure account.

f) Capitalisation of interest

Interest on loans financing a development scheme is capitalised to the extent that it accrues in respect of the period of development.

g) Capitalisation of development on-costs

Staff salary costs which are directly attributable to an individual development are capitalised. Other costs are capitalised only to the extent that they are incremental as a result of the individual development. Costs incurred on schemes, which are identified as abortive, are written off at the point at which it becomes apparent that the scheme is likely to be aborted.

h) Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. On other fixed assets depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation used are as follows:

Type of asset	**Depreciation rate**
Furniture, equipment, fixtures and fittings	10% to 33.3% per annum
Computer equipment	33.3% to 50% per annum
Leasehold improvements	Over the life of the lease

1.6 Investment properties

Investment properties are measured at cost on initial recognition and subsequently at fair value and any gains or losses arising from changes in the fair value are recognised in the surplus for the year. No depreciation is provided in respect of investment properties.

1.7 HomeBuy loans

Under the HomeBuy scheme, the Association receives HomeBuy grant representing a percentage of the open market purchase price of a property in order to advance interested free loans to a homebuyer. The loans advanced by the association meet the definition of concessionary loans and are shown as fixed assets investments on the statement of financial position. The HomeBuy grant provided by the government to fund all or part of a HomeBuy loan has been recognised as a creditor due in more than one year.

1.8 Accounting for joint ventures

Investments in joint ventures and jointly controlled entities will be held as part of Fixed Asset Investments. In accordance with section 9.26 of FRS102 the Association will account for these investments at cost (less impairment). On consolidation the investments will be accounted for in accordance with section 15.9a of FRS102, being initially held at cost and subsequently adjusted using equity accounting.

1.9 Investments

Unlisted fixed asset investments are stated at cost less provision for any impairment in value. Listed fixed asset investments are stated at market value and the unrealised gain/loss is recognised in the statement of comprehensive income.

1.10 Stocks and Work in Progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Work in progress represents the cost of assets (for outright sale) under development, and first tranches of shared ownership housing accommodation.

1.11 Value added tax

The Group is VAT registered but a large proportion of its income, rent, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure is therefore shown gross of VAT, with any net recovery of VAT included within operating costs.

1.12 Deferred Taxation

Deferred taxation is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those assets have not been rolled over into replacement assets. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in the future is uncertain. Any assets and liabilities recognised have not been discounted.

1.13 Rentals under operating leases

Rentals under operating leases are charged to the income and expenditure accounts as incurred.

1.14 Housing Grant

Housing Grants include grant received from the Regulator of Social Housing (the RSH), local authorities and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing properties structure under the accruals model.

Where grant is received on items treated as revenue expenditure, e.g. elements of major repair expenditure, it is treated as a revenue grant and credited to the income and expenditure account in line with the underlying expenditure.

Grants due or received in advance are included in current assets or liabilities.

Grants released on the disposal of an asset are credited to Recycled Capital Grant Fund. Where individual components are disposed of and this does not create a relevant event for recycling purposes any grant which has been allocated to the component is released to income. Upon disposal of the associated property, the group is required to recycle these proceeds and recognise them as a liability.

1.15 Pension costs

VIVID has three distinct pension arrangements in operation for its employees:

Hampshire County Council Pension Fund

VIVID participates in a defined benefit pension scheme which provides benefits based on final pensionable salary. VIVID has closed new membership admissions to the scheme for all staff. The assets of the scheme are held by the Hampshire County Council Superannuation Fund.

The pension costs relating to the scheme are accounted for in accordance with FRS102. Current service costs and interest costs relating to the net defined obligation are included in the income statement in the period to which they relate. Actuarial gains and losses as well as any other remeasurements are recognised in the statement of comprehensive income.

Social Housing Pension Scheme & Pensions Trust Growth Fund – Defined Benefit

VIVID participates in two schemes administered by The Pensions Trust Retirement Solutions, the Social Housing Pension Scheme (SHPS) and Pensions Trust Growth Fund. These are both multi-employer defined benefit schemes. VIVID has closed new membership admissions to them for all staff.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The schemes currently have a shortfall of assets compared to liabilities. Deficit recovery payment plans have been agreed between the participating employers and Trustees of the schemes to eliminate this shortfall. In line with FRS102 requirements, this cash payment plan has been recognised as a liability in the Statement of financial position and is measured at the reporting date by discounting the future cash outflows at the rate of an AA corporate bond. The unwinding of this discounting is recognised as a finance charge in the period to which it relates.

Social Housing Pension Scheme – Defined Contribution

VIVID participates in a defined contribution scheme provided by The Pensions Trust Retirement Solutions. This scheme is open to new members and is the preferred vehicle for auto enrolment. The accounting charge for the period represents the employer contribution payable.

1.16 Financial Instruments

Financial instruments which meet the criteria of a basic financial instrument defined in section 11 of FRS102 are accounted for under an amortised cost model. Basic instruments which have undergone a substantial modification in terms are measured at the present value of future cashflows discounted at a market rate of interest for a similar instrument as allowed under section 35.9.a.i, transition to FRS102.

Non-basic financial instruments which meet the criteria in section 12 of FRS102 are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure.

1.17 Corporation tax

The charge for taxation is based on surpluses arising on certain activities which are liable to tax.

1.18 Reserves

Revenue – contains all historic surplus' and deficits to date.

Revaluation reserve – contains the difference between the in value in the statutory accounts and historic cost of assets and investments held in fair value, incorporating an annual adjustment to the revenue reserve for excess depreciation.

2. Group particulars of turnover, operating costs and operating surplus

	2018 Turnover £'000	2018 Operating Costs £'000	2018 Cost of Sales £'000	2018 Operating Surplus/ (Deficit) £'000	2017 Turnover £'000	2017 Operating Costs £'000	2017 Cost of Sales £'000	2017 Operating Surplus/ (Deficit) £'000
a) Group								
Social housing lettings (Note 3a)	164,882	(90,581)	-	74,301	162,631	(90,472)	-	72,159
Other social housing activities:								
Current asset property sales (Shared Ownership)	26,686	-	(17,240)	9,446	27,329	-	(18,397)	8,932
Development services	108	(2,073)	37	(1,928)	-	(1,814)	-	(1,814)
Total for social housing activities	**191,676**	**(92,654)**	**(17,203)**	**81,819**	**189,960**	**(92,286)**	**(18,397)**	**79,277**
Open market property sales	26,110	-	(21,088)	5,022	9,648	-	(9,399)	249
Activities other than Social Housing Activities (Note 3b)	10,702	(11,189)	-	(487)	11,509	(8,396)	-	3,113
Total for all activities	**228,488**	**(103,843)**	**(38,291)**	**86,354**	**211,117**	**(100,682)**	**(27,796)**	**82,639**

2. Association particulars of turnover, operating costs and operating surplus

	2018 Turnover £'000	2018 Operating Costs £'000	2018 Cost of Sales £'000	2018 Surplus/ (Deficit) £'000	2017 Turnover £'000	2017 Operating Costs £'000	2017 Cost of Sales £'000	2017 Surplus/ (Deficit) £'000
b) Association								
Social housing lettings (Note 3a)	164,539	(90,418)	-	74,121	162,270	(90,215)	-	72,055
Other social housing activities:								
Current asset property sales (Shared ownership 1st tranche)	26,686	-	(17,240)	9,446	27,329	-	(18,397)	8,932
Development services	108	(1,776)	-	(1,668)	-	(1,755)	-	(1,755)
Total for social housing activities	**191,333**	**(92,194)**	**(17,240)**	**81,899**	**189,599**	**(91,970)**	**(18,397)**	**79,232**
Open market property sales	9,438	-	(8,515)	923	7,867	-	(8,065)	(198)
Activities other than Social Housing Activities (Note 3b)	10,747	(10,905)	-	(158)	12,458	(8,614)	-	3,844
Total for all activities	**211,518**	**(103,099)**	**(25,755)**	**82,664**	**209,924**	**(100,584)**	**(26,462)**	**82,878**

3a. Group particulars of income and expenditure from social housing lettings

	General needs	Supported housing and housing for older people	Low Cost Home Ownership	Other	Total 2018	Total 2017
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	128,580	11,746	8,017	2,459	150,802	149,261
Service charge income	3,571	3,421	1,660	9	8,661	8,064
Amortised government grants	4,360	379	444	236	5,419	5,306
Turnover from social housing lettings	136,511	15,546	10,121	2,704	164,882	162,631
Management	13,904	1,906	1,524	225	17,559	19,818
Service charge costs	6,775	2,959	944	248	10,926	9,554
Routine maintenance	11,879	1,585	105	155	13,724	16,196
Planned maintenance	4,841	586	15	67	5,509	5,739
Major repairs expenditure	10,793	1,385	236	44	12,458	11,821
Bad debts	1,167	190	16	(8)	1,365	744
Rent charges & property lease charges	121	6	7	4	138	83
Depreciation of housing properties	24,212	2,271	1,580	839	28,902	26,517
Operating costs on social housing lettings	73,692	10,888	4,427	1,574	90,581	90,472
Operating surplus on social housing lettings	62,819	4,658	5,694	1,130	74,301	72,159
Void losses	718	370	29	51	1,168	1,094

3a. Association particulars of income and expenditure from social housing lettings

	General needs	Supported housing and housing for older people	Low cost home ownership	Other	Total 2018	Total 2017
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	128,580	11,534	8,017	2,459	150,590	149,045
Service charge income	3,571	3,297	1,660	9	8,537	7,926
Amortised government grants	4,360	372	444	236	5,412	5,299
Turnover from social housing lettings	136,511	15,203	10,121	2,704	164,539	162,270
Management	13,904	1,902	1,524	225	17,555	19,776
Service charge costs	6,775	2,862	944	248	10,829	9,452
Routine maintenance	11,879	1,567	105	155	13,706	16,153
Planned maintenance	4,841	574	15	67	5,497	5,713
Major repairs expenditure	10,793	1,378	236	44	12,451	11,804
Bad debts	1,167	191	16	(8)	1,366	743
Rent charges & property lease charges	121	6	7	4	138	83
Depreciation of housing properties	24,212	2,245	1,580	839	28,876	26,491
Operating costs on social housing lettings	73,692	10,725	4,427	1,574	90,418	90,215
Operating surplus on social housing lettings	62,819	4,478	5,694	1,130	74,121	72,055
Void losses	718	369	29	51	1,167	772

3b. Turnover from non-social housing activities

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Lettings				
Market renting	1,745	1,734	1,745	1,734
Garage renting	1,381	1,653	1,381	1,653
Private sector leasing	2,800	2,862	2,800	2,862
Commercial	1,033	878	1,033	878
Leaseholder and owned by others	1,592	1,681	1,592	1,681
Total lettings	8,551	8,808	8,551	8,808
Other				
Management fees	111	128	342	305
Insurance claims	433	729	433	729
Recharge income	998	414	998	414
Maintenance services provided to other companies	-	175	120	335
Gift Aid	-	-	-	892
Other income and VAT recovery	609	1,255	303	975
Total other	2,151	2,701	2,196	3,650
Total all activities	10,702	11,509	10,747	12,458

3c. Units of accommodation in management and managed by others

	Group & Association	
	Number of units at 31 March 2018	Number of units at 1 April 2017
Units of accommodation in management		
Social housing		
General needs – social	18,207	17,981
General needs – affordable	3,694	3,438
Supported housing & housing for older people	2,183	2,174
Intermediate rent	333	350
Low cost home ownership	2,700	2,760
Total	**27,117**	**26,703**
Non-social housing		
Low cost home ownership 100% equity sold	1,660	1,547
Market rented	196	187
Other	728	642
Total	**2,584**	**2,376**
Total units of accommodation in management	**29,701**	**29,079**
Units of accommodation managed by others	263	243
Total of all units of accommodation	**29,964**	**29,322**

4. Surplus on disposal of fixed assets and investment

	Group		Association	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**
Gross sales proceeds	22,600	17,744	22,600	17,184
Amounts payable to Local Authority	(841)	(1,606)	(841)	(1,606)
Cost of sales	(13,331)	(7,964)	(13,331)	(7,654)
Surplus for the year	8,428	8,174	8,428	7,924

5. Expenses and auditor remuneration

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Surplus on ordinary activities before taxation is stated after charging:				
Depreciation and amortisation:				
Depreciation of housing properties	28,978	26,186	28,959	26,168
Depreciation of other tangible fixed assets	2,995	1,974	2,713	1,940
Impairment	-	(1,917)	-	(1,917)
Amortisation of Grant	5,419	3,712	5,412	3,705
External auditors' remuneration (incl. VAT and incl. expenses):				
In their capacity as auditors of statutory accounts	58	102	40	92
Other non-audit services paid to related companies of the auditors	40	103	40	103
Operating lease rentals				
Land and buildings	2,820	2,575	2,820	2,575
Motor vehicles	1,540	1,498	1,540	1,498
Hire of plant and machinery	306	352	306	352

6. Employees

The average number of employees, including the executive officers, expressed as full-time equivalents based on 37 hours per week.

	Group		Association	
	Numbers for 2018	**Numbers for** 2017	**Numbers for** 2018	**Numbers for** 2017
Average number of employees	820	919	804	899

7. Key Management Personnel – Group and Association

We define the Key Management Personnel of the Group as the Board and Committee Members, the Chief Executive and the other members of the Executive Management Team.

	2018	2017
	£'000	£'000
Emoluments of executive staff members	1,338	1,257
Emoluments of non-executive board members	85	171
Total Emoluments (including pension contributions and benefits in kind)	1,423	1,428
Emoluments (excluding pension contributions) payable to the Chief Executive	174	317

Chief Executive emoluments reflects the combined emoluments for both Chief Executives pre-merger for a full year 2017 and for 2018 reflects the Chief Executive for a full year and the Interim Chief Executive for 6 months.

The Chief Executive participated in the defined benefit pension scheme under the same terms as the other members of that scheme.

During the year, aggregate compensation for loss of office of key management personnel was £252k (2017: £242k).

Employer's National Insurance contributions relating to Key Management Personnel was £147,041 (16/17 £136,891).

The remuneration of serving board members and executive officers is published on our website.

The full time equivalent number (based on a 37 hour week) of staff whose remuneration (including any compensation for loss of office) fell within each band:

	Group		Association	
	2018	2017	2018	2017
£60,000 - £69,999	24	23	23	20
£70,000 - £79,999	9	10	9	8
£80,000 - £89,999	7	8	4	7
£90,000 - £99,999	2	5	2	5
£100,000 - £109,999*	1	3	1	3
£110,000 - £119,999	3	3	3	3
£120,000 - £129,999	1	1	1	1
£130,000 - £139,999	1	1	1	1
£140,000 - £149,999	-	1	-	1
£150,000 - £159,999	-	-	-	-
£160,000 - £169,999*	-	2	-	2
£170,000 - £179,999	1	-	1	-
£180,000 - £189,999*	1	-	1	-
£220,000 - £229,999*	-	1	-	1
£240,000 - £249,999*	-	1	-	1
£260,000 - £269,999*	1	-	1	-

* Includes compensation for loss of office paid during the year.

8. Interest receivable and similar income

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Interest receivable and similar income	119	397	116	382
Interest receivable from subsidiaries	-	-	934	477
Income from long term investment	258	128	258	128
Net interest on defined pension assets	-	290	-	290
	377	815	1,308	1,277

9. Interest and financing costs

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	35,861	33,546	35,861	33,546
On grant	34	28	34	28
Defined benefit pension charge	445	891	445	891
	36,340	34,465	36,340	34,465
Capitalised interest	(6,754)	(4,092)	(6,754)	(4,092)
	29,586	30,373	29,586	30,373

10. Exceptional items

In 2017 exceptional breakage costs of £9,692k were incurred in refinancing our loan portfolio. We entered into a buy back and redemption of £40m of Haven bonds issued in the past with a breakage cost of £9,513k as well as agreeing the early repayment of a Co-Operative Bank facility with a breakage cost of £179k.

11. Tax on surplus on ordinary activities

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Taxation charge for the year				
Corporation tax charge for the year	(696)	-	(183)	-
Deferred tax	(52)	(56)	(4)	(26)
Adjustment in respect of prior years	13	144	13	25
Change in rate	-	3	-	-
Total taxation charge for the year	(735)	91	(174)	(1)

The tax assessed for the period has been charged at the 19% rate of corporation tax in the UK (2017: 20%). The differences are explained below:

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Surplus for the year before taxation	66,700	49,420	63,941	49,871
Surplus multiplied by effective tax rate of 19% (2017: 20%)	(12,673)	(9,884)	(12,149)	(9,974)
Surplus relating to charitable activities	12,001	10,282	12,001	10,311
Group relief	-	-	-	(34)
Effect of timing differences	6	18	-	8
Capital allowances in excess of depreciation	4	20	4	20
Adjustments to brought forward balances	13	(118)	13	-
Prior year adjustments	-	144	-	17
Other	(86)	(371)	(43)	(349)
Total tax charge	(735)	91	(174)	(1)

12a. Tangible fixed assets – Housing properties

Group	**Properties held for letting**	**Under Construction**	**Total**
	£'000	**£'000**	**£'000**
Cost:			
Balance at 1 April 2017	1,812,122	138,236	1,950,358
Additions	13,098	126,830	139,928
Disposals	(14,619)	-	(14,619)
Transfers	107,935	(107,935)	-
Other Adjustments	(10)	(88)	(98)
Balance at 31 March 2018	1,918,526	157,043	2,075,569
Depreciation & Impairment:			
Balance at 1 April 2017	213,462	-	213,462
Depreciation charge for year	28,978	-	28,978
Impairment adjustment	-	-	-
Other Adjustments	-	-	-
Disposals	(3,687)	-	(3,687)
Balance at 31 March 2018	238,753	-	238,753
Net book value at 31 March 2018	1,679,773	157,043	1,836,816
Net book value at 31 March 2017	1,598,660	138,236	1,736,896

Expenditure on works to existing properties	**2018**	**2017**
	£'000	**£'000**
Components capitalised	12,616	14,504
Amounts charged to income and expenditure	10,112	10,082
	22,728	24,586
Additions to the cost of housing properties include:		
Capitalised Interest charged in the year	6,754	4,092

All housing properties for letting or shared ownership are held on a freehold or long leasehold tenure.

12b. Tangible fixed assets – Housing properties

Association	**Properties held for letting**	**Under Construction**	**Total**
	£'000	**£'000**	**£'000**
Cost:			
Balance at 1 April 2017	1,812,038	136,011	1,948,049
Additions	13,060	131,833	144,893
Disposals	(14,619)	-	(14,619)
Transfers	108,807	(108,807)	-
Other Adjustments	(10)	(88)	(98)
Balance at 31 March 2018	1,919,276	158,949	2,078,225
Depreciation & Impairment:			
Balance at 1 April 2017	213,246	-	213,246
Depreciation charge for year	28,959	-	28,959
Impairment adjustment	-	-	-
Other Adjustments	-	-	-
Disposals	(3,686)	-	(3,686)
Balance at 31 March 2018	238,519	-	238,519
Net book value at 31 March 2018	1,680,757	158,949	1,839,706
Net book value at 31 March 2017	1,598,792	136,011	1,734,803

Expenditure on works to existing properties	**2018**	**2017**
	£'000	**£'000**
Components capitalised	12,578	14,482
Amounts charged to income and expenditure	10,105	10,065
	22,683	24,547
Additions to the cost of housing properties include:		
Capitalised Interest charged in the year	6,754	4,092

All housing properties for letting or shared ownership are held on a freehold or long leasehold tenure.

13a Tangible fixed assets - other

Group	Commercial Buildings £'000	Office Buildings £'000	Other £'000	Total £'000
Cost or valuation:				
Balance at 1 April 2017	7,407	13,808	9,774	30,989
Additions	-	1,756	2,944	4,700
Disposals	(399)	(3,504)	(2,053)	(5,956)
Transfers		(445)	445	-
Balance at 31 March 2018	7,008	11,615	11,110	29,733
Depreciation:				
Balance at 1 April 2017	1,081	3,692	4,229	9,002
Charge for the year	185	775	2,037	2,997
Disposals	(6)	(2,143)	(2,054)	(4,203)
Transfers	-	(272)	272	-
Balance at 31 March 2018	1,260	2,052	4,484	7,796
Net Book Value at 31 March 2018	**5,748**	**9,563**	**6,626**	**21,937**
Net Book Value at 31 March 2017	6,326	10,116	5,545	21,987

13b. Tangible fixed assets - other

Association	Commercial Buildings £'000	Office Buildings £'000	Other £'000	Total £'000
Cost or valuation:				
Balance at 1 April 2017	7,407	13,808	6,711	27,926
Additions	-	1,756	2,944	4,700
Disposals	(399)	(3,504)	(2,053)	(5,956)
Transfers		(445)	445	-
Balance at 31 March 2018	7,008	11,615	8,047	26,670
Depreciation:				
Balance at 1 April 2017	1,081	3,692	3,538	8,311
Charge for the year	185	775	1,753	2,713
Disposals	(5)	(2,143)	(2,054)	(4,202)
Transfers	-	(272)	272	-
Balance at 31 March 2018	1,261	2,052	3,509	6,822
Net Book Value at 31 March 2018	**5,747**	**9,563**	**4,538**	**19,848**
Net Book Value at 31 March 2017	6,326	10,116	3,173	19,615

14. Investment Properties

Group & Association	**£'000**
Balance as at 1 April 2017	23,644
Additions	-
Transfer to fixed assets	-
Net loss from fair value adjustments	(208)
Balance as at 31 March 2018	**23,436**

Investment properties held are market rental residential properties owned and managed by the Association. All investment properties have been valued at fair value by external valuers and in association with the Royal Institution of Chartered Surveyors professional standards.

15. Fixed Asset Investments

	Listed	**Unlisted**	**Joint Ventures**	**Homebuy Loans**	**Starter Home Initiative**	**Total**
Group and Association	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation						
At 1 April 2017	1,574	25	580	2,527	182	4,888
Additions	-	-	1,487	32	-	1,519
Revaluation	(264)	-	-	-	-	(264)
At 31 March 2018	1,310	25	2,067	2,559	182	6,143

Investments in joint ventures

VIVID Housing is a co-investor in Aspect Building Communities Ltd ("Aspect") with another Registered Provider and two Local Authorities. Aspect was formed to bring forward housing developments to increase housing supply and boost the local economy by working in partnership with local organisations. VIVID Housing has a 26% non-controlling interest in Aspect. Since Aspect is a company limited by guarantee the Association has no right to distribution of profits.

Aspect has created two special purpose vehicles through which the development of housing is undertaken and VIVID has invested in these partnerships. (Woodside LLP £1,840k, Stoneham LLP £227k). Both investments are shown at initial cost with no indicators of impairment.

Investment in subsidiaries

VIVID Housing also £1 investment and is the ultimate parent undertaking of:

Hewitt Homes for the Gentle Poor	A registered charitable trust providing sheltered housing.
VIVID Build Limited	A limited company carrying out development activities for the Group. VIVID Housing owns 100% of the share capital.
Vestal Developments Limited	A limited company carrying out development activities and sale of open market properties for the Group. VIVID Housing owns 100% of the share capital

16. Properties held for sale and stock

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Work in progress				
Raw materials and consumables	308	274	308	274
Completed Units				
Shared ownership	923	9,347	923	1,872
Outright Sales	7,439	3,733	7,439	3,733
Commercial	-	96	-	96
	8,362	13,176	8,362	5,701
Work in progress				
Shared ownership	24,910	20,603	24,910	19,828
Outright Sales	62,319	12,543	2,443	12,133
Commercial	-	44	-	44
	87,229	33,190	27,353	32,005
	95,899	46,640	36,023	37,980

17. Debtors

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Due within one year				
Rental debtors	9,737	8,518	9,729	8,504
Less: provision for bad debts	(4,429)	(3,698)	(4,425)	(3,689)
	5,308	4,820	5,304	4,815
Trade debtors	229	275	193	275
Amounts owed by subsidiary undertaking	-	-	34,035	16,750
Other debtors	380	56	205	56
Prepayments and accrued income	3,125	5,286	3,113	3,354
VAT debtor	3,423	--	2,441	-
Capital grants	766	631	766	631
	13,231	11,068	46,057	25,881
Due more than one year				
Prepayments and accrued income	-	-	20,000	-
	13,231	11,068	66,057	25,881

VIVID has entered into a binding sale agreement with its subsidiary Vestal Developments Ltd for land acquired as part of an overall development strategy at a site known as Stoneham Lane, Eastleigh. Vestal has up to 10 years to complete the purchase. This shown as a debtor greater than one year.

18. Creditors: Amounts falling due within one year

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Loans	7,989	7,889	7,989	7,889
Deferred grant	5,499	5,672	5,493	5,665
Trade creditors	3,484	3,243	1,554	2,815
Rent received in advance	2,872	2,597	2,859	2,588
Other creditors	7,976	1,075	497	517
Taxation and social security	-	50	-	50
Rent Deposits	156	171	156	171
Local Authority claw back	367	591	367	591
Leaseholders' sinking fund *	7,474	6,690	7,474	6,690
Corporation tax	662	-	149	-
Amounts owed to subsidiary	-	-	768	1,037
Pension Scheme deficit (SHPS)	1,621	1,561	1,621	1,561
RCGF & DPF due within 1 year	347	1,318	347	1,318
Accruals and deferred income	23,428	27,262	19,604	19,603
	61,875	58,119	48,878	50,495

* The cash for the Leaseholders Sinking Fund is held in a separate client account in accordance with the provisions set out in the Commonhold & Leasehold Reform Act 2002 S156.

19. Creditors: Amounts falling due after more than one year

	Note	Group		Association	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Housing loans	20	990,223	961,736	990,223	961,736
Recycled capital grant fund	21	8,387	6,296	8,387	6,296
Disposal proceeds fund	22	108	108	108	108
Deferred grant income	22	491,630	492,822	491,105	492,291
Pension Scheme Deficit (SHPS)	29	8,495	10,112	8,495	10,112
Grant on HomeBuy Equity Loans		1,339	1,387	1,339	1,387
Accruals and deferred income		448	428	448	428
		1,500,630	1,472,889	1,500,105	1,472,358

20. Housing loans analysis

Provider	Principal Amount	Nominal interest rate	Year of final maturity	Carrying Value	
	2018			**2018**	**2017**
	£'000			**£'000**	**£'000**
THFC 1	2,759	11.28	2020	2,670	2,923
EM3	1,597	0.00	2021	1,597	2,129
Santander	115,600	1.50-6.53	2024	122,694	126,977
UK Rents	3,470	9.64	2026	3,276	3,554
Orchardbrook	2,073	10.27	2028	2,066	2,200
Babson Capital	18,000	4.41	2028	17,831	17,872
Unum	10,000	4.41	2028	9,906	9,929
THFC 2	10,000	4.14	2029	8,596	8,714
Great West Life	15,000	4.77	2032	15,178	15,199
Barclays 1	43,600	1.07-5.88	2034	41,700	44,721
Yorkshire Building Society	50,000	1.96	2034	50,219	49,707
RBS	30,000	5.88	2035	31,202	41,633
Scottish Widows	42,800	1.08-5.70	2037	39,835	40,940
Lloyds	52,500	1.15-5.08	2037	52,234	56,899
Syndicate	183,567	0.97-5.09	2038	174,623	141,038
Barclays 3	5,500	5.36-5.50	2040	5,563	5,247
AHF Bond	32,576	2.83	2043	32,112	32,268
Canada Life 1	20,000	4.90	2043	19,827	19,838
AHF 02	15,000	3.80	2043	15,027	15,039
AHF 11	29,714	2.43	2043	29,631	29,858
Canada Life 2	25,000	4.77	2044	24,673	24,677
Harbour Funding PLC	75,000	5.28	2044	74,995	75,000
Legal & General	15,000	5.22	2044	15,274	15,284
Prudential M&G	45,000	5.22	2044	45,823	45,852
AHF Term	56,700	2.69-2.73	2046	55,612	55,659
AHF 01	20,000	2.37	2046	19,899	19,902
AHF 08	20,000	1.94	2048	20,068	-
Barclays 2	45,000	5.33-5.81	2049	66,081	66,564
Total drawn debt	985,456			998,212	969,624
The average interest rate for the above loans is				3.56%	3.54%

Maturity of loans:	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Within one year	7,989	7,889	7,989	7,889
Greater than one year	990,223	961,735	990,223	961,735
	998,212	969,624	998,212	969,624

Loans are secured by fixed charges on individual properties.

Maturity of principal debt:	Group & Association Facilities		Group & Association Drawn Debt	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Within one year	7,989	7,889	7,989	7,889
Between one and two years	36,617	10,539	32,534	8,007
In two to five years	162,814	75,944	63,814	71,014
In five years or more	956,052	963,913	881,119	868,338
	1,163,472	1,058,285	985,456	955,248

21. Movements on the recycled capital grant fund – Group and Association

	2018	2017
	£'000	£'000
Opening balance at 1 April	7,267	6,528
Inputs to fund:		
Grants recycled	2,870	2,806
Interest accrued	31	26
Outputs from fund:		
New build	(1,781)	(2,093)
Closing balance at 31 March	8,387	7,267
Due within 1 year:	-	971
Due after 1 year:	8,387	6,296
Closing balance at 31 March	8,387	7,267

22. Movements on the disposals proceeds fund – Group and Association

	2018	2017
	£'000	£'000
Opening balance at 1 April	455	884
Inputs to fund: Grants recycled	-	44
Outputs from fund: New Build	-	(473)
Closing balance at 31 March	455	455
Due within 1 year:	347	347
Due after 1 year:	108	108
Closing balance at 31 March	455	455

23. Deferred grant income

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 April	498,494	508,113	497,956	507,575
Net Grant received in the year	3,631	6,820	3,631	6,820
Net amount recognised in the Statement of Comprehensive Income in the year	(4,996)	(4,630)	(4,989)	(4,630)
Transfers & Adjustments	-	(11,809)	-	(11,809)
At 31 March	497,129	498,494	496,598	497,956
Amounts to be released in one year	5,499	5,672	5,493	5,665
Amounts to be released in more than one year	491,630	492,822	491,105	492,291
	497,129	498,494	496,598	497,956

Total Social Housing Assistance	**Group**		**Association**	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Total accumulated social housing grant received or receivable at 31 March:	555,732	537,279	555,051	536,598
Recognised in reserves as at 1 April	53,607	35,742	53,464	35,606
Amortised Grant recognised in the Statement of Comprehensive Income	5,419	3,712	5,412	3,705
Recycled Grant recognised in the Statement of Comprehensive Income	(182)	(64)	(182)	(64)
Transfers & Adjustments	(241)	(605)	(241)	(605)
Held as deferred income	497,129	498,494	496,598	497,956
	555,732	537,279	555,051	536,598

24. Provisions for liabilities and charges

	Group		**Association**	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Deferred Tax	244	192	82	78
Deferred Tax consists of:				
Capital allowances	244	244	82	78
Unused tax loses	-	(52)	-	-
	244	192	82	78
Balance at 1 April	192	139	78	52
Charge for the year	52	53	4	26
Balance at 31 March	244	192	82	78

25. Share Capital – Association

	2018	**2017**
	£	**£**
As at 1st April	34	34
Issued during the year	25	4
Cancelled during the year	(36)	(4)
As at 31st March	23	34

26. Commitments under operating leases

At 31 March the Group and Association had future minimum lease payments set out below:

	2018 £'000	2017 £'000
Land and buildings		
Amounts due within one year	2,363	2,625
Amounts due between one and five years	5,497	5,672
Amounts due after five years	39,524	35,563
	47,384	43,860
Land and buildings lease payments recognised as an expense	2,820	2,707
Vehicle leases		
Amounts due within one year	1,488	866
Amounts due within two to five years	4,113	348
	5,601	1,214
Grounds & Tool Equipment		
Amounts due within one year	15	198
Amounts due within two to five years	1	87
	16	285

27. Capital commitments

Capital commitment at the end of the financial year for which no provision has been made in these financial statements, were as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Contracted for	247,263	384,917	156,395	272,642
Authorised by the Board but not contracted for	120,224	58,961	120,224	58,961

28. Financial assets and liabilities - Group

	2018 £'000	2017 £'000
Financial assets:		
Measured at undiscounted amount receivable*	10,568	6,643
Financial liabilities		
Financial liabilities measured at undiscounted value	51,728	46,754
Financial liabilities measured at fair value through surplus or deficit	42,903	42,903
Financial liabilities measured at amortised cost	978,555	951,655
Total	1,083,754	1,047,955

* excludes cash

Financial assets and liabilities - Association

	2018 £'000	2017 £'000
Financial assets:		
Measured at undiscounted amount receivable*	63,406	23,388
Financial liabilities		
Financial liabilities measured at undiscounted value	39,262	39,147
Financial liabilities measured at fair value through surplus or deficit	42,903	42,903
Financial liabilities measured at amortised cost	978,555	951,655
Total	1,124,126	1,057,093

* excludes cash

29. Pension obligations – Group and Association

VIVID Housing currently operates and contributes to three defined benefit pension arrangements and a defined contribution scheme. The assets of the schemes are held in separate trustee administered funds.

Pension scheme summary LGPS

	2018 £'000	2017 £'000
Pension scheme deficit – HCC Provision		
Total Pension scheme deficit	13,130	13,260

Pension scheme summary SHPS

	2018 £'000	2017 £'000
Pension scheme deficit – SHPS discounted creditor		
Due within one year	1,621	1,561
Due after more than one year	8,495	10,112
Total Pension scheme deficit – SHPS discounted creditor	10,116	11,673

Hampshire County Council Pension Fund

The disclosures below relate to the funded liabilities within the Hampshire County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS").

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local

Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme Regulations 2014'.

The funded nature of the LGPS requires participating employers and their employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

The Fund Administering Authority, Hampshire County Council is responsible for the governance of the Fund.

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence, there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is shown in the disclosures.

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS102 purposes were:

Principal financial assumptions (% per annum)

	2018	**2017**	**2016**
	% pa	**%pa**	**% pa**
Discount rate	2.4	2.4	3.2
Pension accounts revaluation rate	2.6	2.6	2.0
Pensions increases	2.6	2.6	2.0
RPI Inflation	3.4	3.4	3.1
CPI Inflation	2.6	2.6	2.0
Salary increases	4.1	4.1	2.0

Mortality Assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies at 65 resulting from these mortality assumptions are shown below.

Assumed Life expectancy at 65	**2018**	**2017**
Male		
Member aged 65 at accounting date	24.1	24.0
Member aged 45 at accounting date	26.2	26.0
Female		
Member aged 65 at accounting date	27.2	27.0
Member aged 45 at accounting date	29.4	29.3

Asset allocation	**2018**	**2017**
Equities	62.6%	60.3%
Property	7.0%	6.5%
Government bonds	23.7%	25.2%
Corporate bonds	1.0%	1.4%
Cash	2.6%	3.4%
Other	3.1%	3.2%
Total	100.0%	100.0%

Reconciliation of funded status to balance sheet:

	2018 £'000	2017 £'000
Fair value of assets	13,760	25,330
Present value of funded defined benefit obligation	(26,890)	(38,590)
Pension liability recognised in the Statement of Financial Position	**(13,130)**	**(13,260)**

Amounts recognised in Income Statement	**2018 £'000**	**2017 £'000**
Operating cost		
Current service cost	80	90
Past service cost	-	-
Financing cost		
Interest on net defined benefit liability	300	360
Settlement costs	820	-
Expense recognised in Income Statement	**1,200**	**450**

The settlement cost above is the charge incurred on the net assets and liabilities (see below) of two sections of the scheme which no longer have any contributing members.

Amounts recognised in other Comprehensive Income	**2018 £'000**	**2017 £'000**
Asset gains/ (losses) arising during the period	150	5,210
Liability gains/ (losses) arising during the period	(100)	(5,560)
Total amount recognised in other Comprehensive Income	**50**	**(350)**

Changes to present value of the defined benefit obligation	**2018 £'000**	**2017 £'000**
Opening defined benefit obligation	38,590	31,790
Current service cost	80	90
Past service cost	-	-
Interest expense on defined benefit obligation	910	1,010
Contributions by participants	20	20
Actuarial (gains)/ losses on liabilities	100	5,560
Prior year change in assumptions	-	1,320
Settlement costs	(11,470)	-
Net benefits paid out	(1,340)	(1,200)
Closing defined benefit obligation	26,890	38,590

Changes to the fair value of assets	2018 £'000	2017 £'000
Opening fair value of assets	25,330	20,530
Interest income on assets	610	650
Remeasurement gains/ (losses) on assets	150	5,210
Contributions by employer	1,280	120
Contributions by participants	20	20
Settlement costs	(12,290)	-
Net benefits paid out	(1,340)	(1,200)
Closing fair value of assets	13,760	25,330

Actual Return on Assets	2018 £'000	2017 £'000
Interest income on assets	610	650
Gain/ (loss) on assets	150	5,210
Actual return on assets	760	5,860

Social Housing Pension Scheme

VIVID Housing participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for VIVID to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-person standing arrangement'. Therefore, VIVID is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m.

Our liability

We have recognised a liability for our share of this obligation based on the net present value of the deficit reduction contributions payable under the agreement made between SHPS and VIVID. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	2018 £'000	2017 £'000	2016 £'000
Present value of liability	10,069	11,620	12,543

Reconciliation of opening and closing liability

	2018 £'000	2017 £'000
Provision at start of period	11,620	12,543
Unwinding of the discount factor (interest expense)	144	241
Deficit contribution paid	(1,555)	(1,496)
Remeasurement - impact of any changes in assumptions	(140)	332
Provision at end of period	10,069	11,620

	2018 £'000	2017 £'000
Impact on income statement		
Interest expense	144	241
Amounts recognised in other comprehensive income		
Remeasurement - impact of any changes in assumptions	140	(332)

Assumptions

	2018 % per annum	2017 % per annum	2016 % per annum
Rate of discount	1.72	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using an AA corporate bond yield curve to discount the same recovery plan contributions.

Scheme deficit contributions

To eliminate the funding shortfall on the overall scheme, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Tier 1	£40.6m per annum
From 01 April 2016 to 30 September 2020:	(increasing by 4.7% each year on 1 April)
Tier 2	£28.6m per annum
From 01 April 2016 to 30 September 2023:	(increasing by 4.7% each year on 1 April)
Tier 3	£32.7m per annum
From 01 April 2016 to 30 September 2026:	(increasing by 3.0% each year on 1 April)
Tier 4	£31.7m per annum
From 01 April 2016 to 30 September 2026:	(increasing by 3.0% each year on 1 April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of

£3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions with Tier 4 as a result of the most recent valuation.

Our deficit contributions schedule

The following schedule details the deficit contributions agreed with the scheme.

	2018	**2017**	**2016**
	£'000	**£'000**	**£'000**
Year 1	1,615	1,555	1,496
Year 2	1,679	1,615	1,555
Year 3	1,467	1,679	1,615
Year 4	1,238	1,467	1,679
Year 5	1,282	1,238	1,467
Year 6	1,103	1,282	1,238
Year 7	911	1,103	1,282
Year 8	937	911	1,103
Year 9	483	937	911
Year 10	-	483	937
Year 11	-	-	483

Under FRS102, VIVID Housing must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises. The cash contributions above have been used to derive the liability within the Statement of Financial Position.

The Pensions Trust Growth Plan

VIVID Housing participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for VIVID to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-person standing arrangement'. Therefore, VIVID is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m.

Our liability

We have recognised a liability for our share of this obligation based on the net present value of the deficit reduction contributions payable under the agreement made between SHPS and VIVID. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	2018	2017	2016
	£'000	£'000	£'000
Present value of liability	48	53	57

Reconciliation of opening and closing provisions

	2018	2017
	£'000	£'000
Provision at start of period	53	57
Unwinding of the discount factor (interest expense)	1	1
Deficit contribution paid	(6)	(6)
Remeasurement - impact of any changes in assumptions	(1)	1
Provision at end of period	47	53

	2018	2017
	£'000	£'000
Impact on income statement		
Interest expense	1	1
Amounts recognised in other comprehensive income		
Remeasurement - impact of any changes in assumptions	(1)	1
	-	2

Assumptions

	2018	2017	2016
	% per annum	% per annum	% per annum
Rate of discount	1.71	1.32	2.07

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Scheme deficit contributions

To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Series 1	From 01 April 2016 to 30 September 2025:	£12,945,440 per annum (increasing by 3% each year on 1 April)
Series 2	From 01 April 2016 to 30 September 2028:	£54,560 per annum (increasing by 3% each year on 1 April)

Note that the schemes previous full actuarial valuation was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m giving rise to the first shortfall above, with the additional shortfall as a result of the increased deficit from the most recent valuation.

Unless a concession has been agreed with the Trustee the term to 30 September 2025 applies.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Our deficit contributions schedule

The following schedule details the deficit contributions agreed with the scheme.

	2018 £'000	2017 £'000	2016 £'000
Year 1	6	6	6
Year 2	6	6	6
Year 3	7	6	6
Year 4	7	7	6
Year 5	7	7	7
Year 6	7	7	7
Year 7	7	7	7
Year 8	4	7	7
Year 9	-	4	7
Year 10	-	-	4

Under FRS102, VIVID Housing must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises. The cash contributions above have been used to derive the liability within the Statement of Financial Position.

30. Related party transactions

The Association has taken advantage of the exemption contained within Financial Reporting Standard 102 paragraph 33.11(b) from reporting related party transactions with subsidiary associations and companies as they are eliminated on consolidation.

Related party disclosures

During the year VIVID Housing received services as shown below from companies where our board members or directors have interests in these companies.

Portsmouth Water Limited	£53,000
Altair Consultancy and Advisory Services	£24,000
Radian Group Limited	£46,000
Howdens	£150,000

VIVID Housing operates predominantly in the Hampshire area. As such in the normal course of its business it transacts with Hampshire County Council (HCC). HCC also act as the Fund Administering Authority for the Hampshire County Council Pension Fund (details of which are set out in the

Pensions obligation note above). This arrangement operates independently of other contractual agreements listed below.

During the course of the year, VIVID Housing paid HCC for the rental of units of accommodation, maintenance fees, section 106 payments and other sundry purchases the sum of £2,064,600.

In terms of other influence, HCC act as the referral agent for VIVID Housing's extra care schemes. HCC also act as an administration body for the payment of Housing Benefit where residents have opted to have sums paid directly to VIVID Housing. The ultimate responsibility does however rest with the residents is respect of those payments. No amounts were owing to HCC at the year end in respect of these transactions.

During the course of the year, VIVID Housing paid £7,000 to Aspect Building Communities Limited in respect of the running costs of Aspect Joint Ventures. No amounts were owing to Aspect Building Communities in respect of these transaction as at the year end.

31. Controlling party

At 31 March 2018, the ultimate controlling party was The Board of VIVID Housing.

32. Contingent Liability

In 2012 the Association purchased 77 social housing units in the Portsmouth area from A2Dominion, another housing association. Associated with these assets is contingent liability for grant totalling £3m.
In 2013 the Association purchased 68 social housing units in the Basingstoke area from Places for People, another public benefit entity. Associated with these assets is a contingent liability for grant totalling £877k.
These contingent liabilities are not shown on the balance sheet.

33. Post balance sheet event

On the 1st April 2018 VIVID Housing Ltd resigned as Corporate Trustee of Hewitt Homes via a Deed of Transfer to Crown Simmons Housing Ltd.

34. Merger

As noted on page 1 of the Board report VIVID was created by way of a merger between Sentinel Housing Association and First Wessex. Details of the Consolidated Total Comprehensive Income and Consolidated Net Assets of the two entities combining with beneficial effect from 1st April 2017, are set out below:

Total Comprehensive Income for the year ended 31 March 2017

	£'000
Sentinel Housing Association	33,070
First Wessex	17,900
	50,970
Principal adjustments	
Alignment of accounting for investment property	(1,681)
Other	(172)
Total Comprehensive Income for VIVID for the year ending 31 March 2017	49,117

Total Net Assets as at 31 March 2017

	£'000
Sentinel Housing Association	209,310
First Wessex	192,599
	401,909
Principal adjustments	
Alignment of accounting for investment property	(5,742)
Alignment of depreciation policy	(955)
Alignment of policies for pension provision	(1,320)
Total Net Assets for VIVID as at 31 March 2017	393,892