

B3Living Limited



B3LIVING LIMITED

Financial Statements
for the
Year to March 2013

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Board Members, Executive Directors, Advisors and Bankers

Board		
Chair	Sandra Royer	Reappointed 24 September 2012
	Eric Xuereb	Reappointed 13 September 2010
Other Members	Malcolm Aitken	To 30 April 2012
	Stewart Heath	Reappointed 19 September 2011
	Paul Seeby	To 31 May 2012
	Mike Curtis	Reappointed 19 September 2011
	Mary Stevenson	To 24 September 2012
Vice Chair	Karen Forbes-Jackson	Reappointed 24 September 2012
	Tanya Alexander	To 24 September 2012
	Anne Shearman	Co-optee From 29 March 2010
	Christine Mitchell	Co-optee from 11 May 2009
	Pat Milner	Co-optee from 11 May 2009
	Shoaib Gillani	From 13 September 2010
	Mark Mills-Bishop	From 30 July 2012
	Tony Infantino	From 30 July 2012
	Carmelia Borg	From 24 September 2012
	Valerie Vellani	From 24 September 2012
Executive Directors		
Chief Executive	John Giesen	
Deputy Chief Executive/Director of Business Services	Ken Goodsell	
Director of Resources	Paul Williams	
Director of Development	Steven Tarry	
Director of Housing Services	Simon Walton	
Director of People Services	Anna Knight	
Secretary	Ken Goodsell	
Registered Office	Scania House 17 Amwell Street, Hoddesdon, Hertfordshire, EN11 8TS	
Registered Number	Registered with the Financial Conduct Authority (FCA) as an Industrial and Provident Society with charitable rules and objectives. FCA Registration number: 29876R Registered with the Homes and Communities Agency (previously the Tenant Services Authority) Registration number: L4455	
Auditors	Beever and Struthers Chartered Accountants St George's House, 215-219 Chester Road, Manchester, M15 4JE	
Solicitors	Winckworth Sherwood Minerva House, 5 Montague Close, London, SE1 9BB	
Valuers	Savills (L&P) Ltd 37-39 Perrymount Road, Haywards Heath, West Sussex, RH16 3BN	
Funders	Santander Corporate Banking 2 Triton Square, Regent's Place, London, NW1 3AN	
Bond Investors	M&G (Through The Prudential)	
Bankers	Lloyds TSB Bank Plc. Public and Community Sector 3 rd Floor, 25 Gresham Street, London, EC2 7HN	

Report of the Board

The Board presents its report and the B3Living's audited financial statements for the year to 31 March 2013.

Principal Activities

B3Living is a non-profit registered provider administered by a voluntary board. It is registered by the Homes and Communities Agency as a Housing Association Registered Provider (a 'HARP') of social housing. The association's principal activities relate to the development, acquisition and management of affordable general needs, sheltered, shared ownership and supported social housing for those in necessitous circumstances and investment in the community.

Business Review

B3Living has developed higher level corporate strategic objectives that are reflected in its strategic plans, supported by a long term financial plan and annual budget.

The association raised £68m, by way of a bond issue, in January 2013. The proceeds of this issue were used to refinance existing bank debt (£27m) and will fund a development and acquisition programme of c300 homes over the next two to three years.

The association established its own in-house repairs and maintenance function in June 2012. This established itself well during 2012/13, providing cost benefits and improved levels of service to residents.

The association completed the transfer of 91 properties from the London Borough of Haringey in March 2013.

B3Living operated within the constraints of its Strategic Plan, long term financial plan, annual budget and both bond holder and bank covenants during the year to 31 March 2013.

Housing property assets

Details of B3Living's fixed assets are shown in notes 10 and 11 to the financial statements.

Reserves

After the transfer of the surplus for the year of £1.6m (2012: £2.2m) at the year end, B3Living's reserves amounted to £25.5m (2012: £23.9m).

Donations

B3Living made donations of £8,504 (2012: £4,860) during the period.

Post balance sheet events

The Board considers that there have been no events since the year end that have had a material or significant effect on the association's financial position.

Payment of creditors

B3Living's policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier. This policy was adhered to throughout the year, except in instances where a debt was disputed.

Financial instruments

Throughout the year, the association operated within the constraints of its Treasury Management Policy. Analysis and detail of debt structure is contained within note 15.

Employees

The strength of B3Living lies in the quality of all its employees: in particular, the association's ability to meet its objectives and commitments to tenants in an efficient and effective manner depends on its employees' contribution.

The association's performance management system is now well established and ensures that the objectives of individuals are in harmony with corporate and departmental targets, and that individual performance is closely monitored.

Report of the Board (continued)

B3Living shares information on its objectives, progress and activities through a series of regular meetings involving Board members, senior management and staff.

The association participates in the 'positive about disabled people' scheme in recruiting new staff, and is committed to the embedding of its equalities and diversity policies amongst its employees.

In 2011 B3Living gained the Investors in People (IIP) status. In 2013, it was ranked 4th (10th 2012) by the Sunday Times, among the 100 Best Not-For-Profit Organisations to work for. B3Living also attained Investors in Excellence accreditation post year end 2013.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. B3Living has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Board members and executive directors

The present Board members and the executive directors of B3Living are set out on page 3. The Board members are drawn from a wide background, bringing together professional, commercial and local experience.

The executive team comprise the Chief Executive and five other executive directors representing Resources, Business Services, Housing Services, Development, and People Services. The executive directors hold no interest in the association's shares and act as executives within the authority delegated by the Board.

Insurance policies indemnify Board members and officers against liability when acting for the association.

Executive service contracts

The Chief Executive and the other executive directors, have service contracts with notice periods ranging from three to six months. These contracts are not in the same form as the service contracts for other staff.

Pensions

The executive directors are members of either the Social Housing Pension Scheme or the Hertfordshire County Council Pension Fund, both defined benefit final salary pension schemes. They participate in the schemes on the same terms as all other eligible staff and the association contributes to the scheme on behalf of its employees.

From 1 April 2009, the only pension scheme available for new employees is a defined contribution scheme administered by Scottish Life.

Other benefits

The executive directors are entitled to other benefits including the provision of a transport allowance. Details of executive director remuneration packages are included in note 9 to the financial statements.

National Housing Federation Code of Governance

The Board are pleased to report that B3Living complies in all material respects with the principal recommendations of the current NHF Code of Governance – 'Excellence in Governance' and that there are no material governance issues to report over the period.

Resident Participation

B3Living actively encourages resident participation in decision-making by promoting mechanisms of resident involvement. The association has four tenant Board members and clear reporting arrangements between resident groups and the Board

Homes and Communities Agency

B3Living is regulated by the Homes and Communities Agency (the 'HCA'). The association is committed to compliance with current HCA standards and demonstrates this through regular Board reporting and local service offers it has agreed with tenants. As confirmed by the HCA, the association continues to comply with the HCA's financial viability standard.

Report of the Board (continued)

In terms of compliance with the value for money (VFM) standard, the association continues to ensure that residents are appropriately involved in the definition of VFM targets and the application of the VFM savings previously achieved.

Credit rating

B3Living obtained a Moody's credit rating during 2012 to support the launch of its bond offering. This rating will be maintained to help facilitate further future borrowing. The association holds a premium level 'A' rating.

Complaints

B3Living has a clear and simple complaints policy issued to all tenants. During the year, the association received 73 (2012: 74) formal complaints which were investigated in accordance with established procedures. The majority of the complaints were in relation to repairs, caretaking and capital works.

Value for money (VFM)

B3Living publishes an annual VFM Strategy document which is agreed and monitored by the association's Audit Committee. This includes the definition of cashable VFM targets costed into the association's annual operating budget.

B3Living is driven by trying to find ways to provide excellent services at the same time as seeking to reduce costs and improve efficiency. The importance of VFM and efficiency are well understood by staff throughout the business, and B3Living continues to work to ensure that it effectively engages residents in VFM.

B3Living offers excellent VFM for the public purse through its investment in the development of new homes. During 2012/13 the association raised £68m on the bond markets to both refinance existing debt and to fund a development and acquisition programme of c300 new homes. These will be funded substantially from the private bond proceeds and internal resources, with less than 10% of the cost coming from public grant.

B3Living aims to fully comply with the Homes and Communities Agency VFM Standard, demonstrating compliance through its annual VFM strategy document and regular Board reporting.

All corporate strategies and projects contain VFM themes. Particularly strong VFM themes through 2012/13 can be related to ensuring best value through the association's bond-based refinancing project and the embedding of its newly established in-house maintenance function.

The association is committed to a running programme of internal service reviews which review and challenge processes and procedures. These are supplemented through an internal audit service which promotes VFM themes within its rolling programme.

B3Living seeks to at least maintain the level of its annual operating surplus on a year by year basis, whilst recognising that investment in services and particular projects should not be unreasonably constrained to achieve this (the 2012/13 operating surplus shows an improvement over 2011/12).

The association seeks to maximise the return it obtains from investment in its assets. In 2012/13 the association's pre depreciation operating surplus as a percentage of the existing use value of its housing stock was 5.4% which the association's VFM strategy considers a reasonable return. The association seeks to ensure that returns are sustained through a focus on maintaining and/or improving its operating surplus and through maintaining its homes at the decent homes standard.

Report of the Board (continued)

B3 Living's approach to comparisons with others

B3Living is a member of the Housemark benchmarking club which enables the association to compare its performance with peer associations, identify areas of inefficiency and to learn best practice from others.

During 2012/13 the association obtained a Moody's credit rating. A premium rating was obtained upon which the association's successful and keenly priced bond was launched. B3Living regards the Moody's rating as a means of measuring financial performance against other rated associations. Maintaining or improving its credit rating will maintain investor confidence in B3Living and enable the association to continue to obtain funding at optimum margins, bringing highly material savings to the business.

B3Living interacts with other Hertfordshire based housing associations to discuss performance, share views and to benchmark performance as appropriate.

The association compares itself with the Homes and Communities Regression Analysis on national average unit management costs of housing associations. B3Living's unit costs are below national benchmarks.

Internally, B3Living invests in performance management systems setting its challenging targets on key performance indicators and reporting on the same to operational Committees and the Board.

VFM Performance Indicators

B3Living closely monitors macro based VFM through a range of internal indicators, a key indicator being the level of operating surplus, which the association seeks to maintain or improve. The indicators not only relate to cost, but also focus on the outputs of residents' satisfaction with the association's services. The following indicators are seen as particularly significant to the VFM agenda: –

Optimising income

	2012/13	2011/12
Operating surplus: turnover	30.5%	27.8%
Income per home from social housing lettings	£4,585	£4,341
Rent void losses per home	£56	£44
Current rent arrears (% of rents)	1.4%	1.4%

Cost effectiveness

	2012/13	2011/12
Operating costs per home on social housing lettings	£3,148	£3,098
Resident satisfaction – Lettings	100%	100%
- Major works outcomes	91.3%	97.4%
- Adaptations	97.5%	97.4%
- Gas servicing	95.5%	100%
- Anti Social behaviour complaints	90.7%	90.8%

Report of the Board (continued)

External indicators – Housemark peer group external comparisons – 2011/12

Peer comparisons indicate that, broadly, B3Living's financial performance ratios are very sound, being mid to upper quartile. B3Living's cost base is generally higher than its peer group associations, but, in terms of outputs, the quality of its service is significantly better, being mainly upper quartile.

Quartile indicator	Lower	Mid	Upper
Overheads as % of turnover	*		
Growth in turnover		*	
Growth in operating assets		*	
Operating margin		*	
Debt per unit managed / owned		*	
Weighted average cost of capital			*
Major works and cyclical maintenance cost	*		
Responsive repairs and void works cost	*		
Housing management cost	*		
Development costs			*
Estate services	*		
Tenants satisfied with quality of home			*
Tenants satisfied with maintenance services		*	
Days to re-let empty property			*
Tenants satisfied with overall service			*
Rent arrears net of benefit			*

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the sound system of internal control and for reviewing its effectiveness. Board delegates the on-going review of controls to the Audit Committee but will receive an annual report from the Audit Committee prior to the publication of the financial statements.

The Board conducts an annual review of the effectiveness of the association's systems of internal controls following a more detailed examination by the Audit Committee

The system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, and not absolute assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the association was on-going throughout the year and beyond the date of approval of the annual report and financial statements.

Report of the Board (continued)

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the evaluation of the nature and extent of risks to which the association is exposed and is consistent with Turnbull principles as incorporated in circular R2-25/01: Internal Controls Assurance as replaced by circular 07/07. Although, under the HCA regulatory regime, circular 07/07 no longer applies, the association continues to use it as a basis for measuring the quality of its internal controls.

Key elements of the control framework include:

- Board agreement of corporate objectives after discussion, taking account of stakeholder input;
- The Rules and Standing Orders of the association (including terms of reference for Boards and Committees);
- A set of delegated powers detailing responsibilities for expenditure and authorisation payments;
- A risk Management Framework exists setting out the approach to Risk Management;
- A comprehensive risk management process including; Risk registers, quarterly risk reviews of Priority Risks by Audit Committee, risk reviews by Executive Team on regular basis;
- New initiatives, major projects and development schemes are subject to appropriate risk assessment;
- Insurance cover is maintained against significant risks including Public Liability, Employer's Liability and Professional Indemnity;
- A regular programme of internal audit reports through professional independent internal auditors;
- Regular reviews of the progress made with implementing internal audit recommendations;
- External audit reports;
- A 30 year long term financial plan that is subject to at least an annual update, external evaluation and continual monitoring;
- An annual budget agreed before the beginning of each financial year;
- Monthly management accounts;
- Quarterly reports to the Resources Committee and funders on all aspects of the Group's Performance;
- Reports to the Board, through Audit Committee, on any fraudulent activity;
- Staff and Board Code of Conduct;
- Register of Schedule 1 Exemptions;
- Treasury Management Policy and Strategy with loan analysis included in the quarterly finance reports;
- Guidance and monitoring by professional treasury advisers;
- Minutes of the Audit Committee considered by the Board;
- Self-certification by Directors in relation to Internal Controls Assurance report;
- Internal Audit reports made to Audit Committee with report back to Board; and
- Annual report provided by the Internal Auditor.

Report of the Board (continued)

Internal Controls and Risk Management

The association's control system is designed to manage and mitigate rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material mis-statement or loss.

The process for identifying, evaluating and managing the significant risks faced by the association is on-going and under regular review. Risk management systems and processes are in place and have been updated during the year, having been applied up to the date of this report.

The association continues to promote a culture of risk awareness throughout the organisation in addition to maintaining its risk registers on a continuing basis. This process takes the format of staff and member briefings and training sessions and individual involvement in the control framework which underpins the risk registers. The control framework is in place to ensure mitigating activities are carried out and monitored at all levels of the organisation.

The key risks to the association can be categorised as –

- Financial risk
- Development and capital investment risk
- Operational risk
- Legislative risk
- Reputational risk

Financial risk

B3Living manages financial risk by regularly reviewing its financial position and by using business plan modelling to identify the impact of potential risks in the future. The model has been used throughout the year to evaluate development opportunities and financial scenarios.

The association has a robust business plan in place, which has been approved by the Board and provides the basis for its annual budgets. A system of budgetary control ensures that management accounts are prepared, reported on and reviewed by the executive team and Board on a regular basis.

Major financial risks currently relate to the impact of welfare reform, the ability to raise new finance and the delivery of bank and bond holder covenants.

Development and capital investment risk

B3Living has in place development and asset management strategies which align development aspirations and stock investment with the association's core business principles in supporting the local and wider community.

The business plan is used to support the assessment of the financial viability of the association in the context of development and stock investment and to provide suitable assurances in this respect.

During 2012/13, the association commenced a programme of new development funded by its bond issue. The timely delivery of the development programme, through a process of robust appraisal, is viewed by the association as a key corporate exposure.

Report of the Board (continued)

Operational risk

B3Living's policies and procedures are regularly reviewed and updated, forming part of service improvement and team plans. There is a commitment for continuous development across the executive, management teams and all other staff to minimise future operational risks.

Major operational exposures relate to maintaining the sound progress in establishing the association's recently formed in-house repairs and maintenance service and in managing the financial and social impacts of welfare reform.

There is an on-going system of Board reporting and Board participation in all major operational decisions. This ensures that new initiatives are reviewed at the highest level before they are progressed.

Legislative risk

The association uses the services of reputable legal advisers, keeps abreast with sector specific legislative changes, governance requirements and takes reasonable steps to ensure that this category of risk is minimised.

Reputational risk

B3Living has in place a Code of Conduct for its Board members and staff. It also has a policy in place for dealing with requests for information from the press. The association recognises that it cannot always control its image and therefore acts to protect its reputation whenever possible. Procedures are in place to ensure that contact with media is managed effectively.

The association is also aware of the need to maintain its reputation with partners and clients. If the association's reputation is threatened, appropriate steps will be taken to minimise damage whilst upholding the integrity of the association in its dealings with external bodies or individuals.

Internal Audit services

Grant Thornton work closely with B3Living to ensure that a risk based approach to the monitoring of the control environment is maintained. The internal auditors report directly to the Audit Committee and have concluded that the quality of the association's control environment through 2012/13 was satisfactory.

External Audit services

The Financial Statements for the year ended 31 March 2013 were audited by Beever and Struthers. Their audit report is unqualified and their management letter on the year's performance, as presented to the Audit Committee, contains no material issues of concern.

Fraud

The association views fraud as a high risk area – particularly during a period of recession.

No actual loss through fraud occurred during the year.

Anti-Fraud, Anti-Bribery and Anti-Corruption policies have been agreed by the Board and are reviewed annually.

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

The Audit Committee has received the Chief Executive's Annual Report on the effectiveness of the systems of internal control for the association, and the annual report of the internal auditor, and has reported its findings to the Board.

Going concern

After making enquiries, the Board has a reasonable expectation that B3Living has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Statement of Responsibilities of the Board

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

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

The Industrial and Provident Societies Acts and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of B3Living at the end of the year and of the surplus or deficit of the association for the year then ended.

In preparing those financial statements the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the current Statement of Recommended Practice: "Accounting by Registered Social Landlords".

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

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

Annual General Meeting

The annual general meeting will be held on **23rd September 2013** at Scania House, 17 Amwell Street, Hoddesdon, and Hertfordshire, EN11 8TS.

External auditors

A resolution to re-appoint Beever & Struthers will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on **23rd September 2013** and signed on its behalf by:



.....
Sandra Royer
Chair of the Board of B3Living Ltd
Dated: **23rd September 2013**

Independent Auditors' Report to the Members of B3Living Limited

We have audited the financial statements of B3Living Limited for the year ended 31 March 2013 on pages 14 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the 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.

Respective Responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 12, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require 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;
- 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.

**St George's House
215-219 Chester Road
Manchester
M15 4JE**


**Beever and Struthers
Chartered Accountants and Statutory Auditor**

Date: 23rd September 2013

Income and Expenditure Account For the year ended 31 March 2013

	Note	March 2013	March 2012
		£'000	£'000
Turnover: Continuing activities	3	21,001	19,881
Operating costs	3	(14,603)	(14,350)
Operating surplus: Continuing activities		6,398	5,531
Surplus / (deficit) on sale of fixed assets – housing properties	5	619	(315)
Interest receivable and other income	6	17	20
Interest payable and similar charges	7	(5,021)	(2,478)
Surplus on ordinary activities before taxation		2,013	2,758
Tax on surplus on ordinary activities		-	-
Surplus for financial year		2,013	2,758

The association's results all relate to continuing activities. Historical costs surpluses and deficits were identical to those shown in the income and expenditure account.

Statement of Total Recognised Surpluses and Deficits as at 31 March 2013

	March 2013	March 2012
	£'000	£'000
Surplus for the financial year:	2,013	2,758
Pension schemes: Actuarial (loss)	(431)	(521)
Total recognised surplus for the year	1,582	2,237

Reconciliation of movements in the Association's funds



	March 2013	March 2012
	£'000	£'000
Opening total funds:	23,921	21,684
Total recognised surpluses relating to the year	1,582	2,237
Closing Total funds	25,503	23,921

The notes on pages 17 to 36 form an integral part of the financial statements.

Balance Sheet as at 31 March 2013

	Note	March 2013	March 2012
		£'000	£'000
Tangible fixed assets			
Housing properties	10	108,257	100,107
Social Housing and other grants	10	(7,050)	(6,983)
Other tangible fixed assets	11	2,227	1,913
Total		103,434	95,037
Current assets			
Stock		24	-
Debtors & Prepayments	12	2,281	1,230
Cash at bank and in hand	21	36,632	1,431
Total		38,937	2,661
Creditors: amounts falling due within one year	13	(5,896)	(3,981)
Net current assets/(liabilities)		33,041	(1,320)
Net assets excluding pension liability		136,475	93,717
Pension liability	26	(1,829)	(1,496)
Net assets including pension liability		134,646	92,221
Creditors: amounts falling due after more than one year	14	109,143	68,300
Capital and reserves			
Non equity share capital	24	-	-
Revenue reserve	16	25,503	23,921
Consolidated funds		25,503	23,921
		134,646	92,221

The financial statements were approved and authorised for issue by the Board on 23rd September 2013 and were signed on its behalf by:

			
Sandra Royer Chair of Board	Board Member	Ken Goodsell Secretary	Paul Williams Director of Resources

The notes on pages 17 to 36 form an integral part of the financial statements.

Cash Flow Statement for the year ended 31 March 2013

	Note	March 2013	March 2012
		£'000	£'000
Net cash inflow from operating activities:	19	10,209	8,384
Returns on investments and servicing of finances:			
Interest received	6	17	20
Interest paid	7	(5,021)	(2,478)
Capital expenditure:			
Improvements net of VAT recovered	10	(4,132)	(7,191)
Purchase and construction of housing properties	10	(6,614)	(1,400)
Social Housing and other grants received	10	67	675
Purchase of other fixed assets	11	(787)	(438)
Sales of housing properties	5	619	(315)
Social Housing Grant – repaid		-	-
Other capital grants – repaid		-	-
Loss on sale of other fixed assets		-	-
Total		(10,847)	(8,669)
Financing:			
Loans received	21	40,843	3,500
Bank overdraft		-	-
Housing loans repaid		-	-
Total		40,843	3,500
Increase/(decrease) in cash	20	35,201	757

The notes on pages 17 to 36 form an integral part of the financial statements.

Notes to the Financial Statements - 2013

1. Legal Status

The Housing Association Registered Provider (HARP) is registered with the Financial Conduct Authority (FCA) as an Industrial and Provident Society with charitable rules and objectives. It is also registered with the Homes and Communities Agency as a social landlord.

2. Principal Accounting Policies

The association is incorporated under the Industrial & Provident Societies Act 1965 and is registered with Homes and Communities Agency with effect from 1 April 2012 as a Registered Provider of social housing.

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and Statements of Recommended Practice of the United Kingdom. The accounts comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2012 and the Statement of Recommended Practice: accounting by Registered Social Housing Providers Update 2010 published by the National Housing Federation. The accounts are prepared on the historical cost basis of accounting.

Turnover

Turnover represents rental income receivable, grants from local authorities and the Homes and Communities Agency, and other income. Other services are included at the invoiced value (excluding VAT) of goods and services supplied in the year.

Value Added Tax

The association charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

The association operates a VAT shelter arrangement, agreed at transfer with HM Revenue and Customs. This facilitates the full recovery of VAT on expenditure falling within the agreed definition of "improvements" to property. 50% of VAT recoveries under the shelter arrangement are reimbursed to the Borough of Broxbourne.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Derivatives

The association did not use derivatives during the year as part of its treasury operations.

Financial Instruments

As a result of the listed bond issue, the Association has adopted FRS 26 Financial Instruments: Recognition and Measurement and FRS 29 Financial Instruments Disclosures. Financial instruments are initially recorded at fair value. Subsequent measurement depends on the designation of the instrument as follows:

- Bonds and loans are classified as loans and receivables and are held at amortised cost using the effective interest rate.

There is no difference between the carrying value and fair value of the Association's financial assets and liabilities in the current year (see note 15).

2. Principal Accounting Policies (continued)

Fixed Assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and capital grants.

Housing properties

Housing properties are principally properties available for rent and are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of capitalised improvements.

Improvements are works which either fall within the definition of the VAT shelter works or result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Shared ownership properties are included in housing properties at cost, less any provisions needed for depreciation or impairment.

Depreciation of housing properties

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual useful economic life. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The association depreciates freehold housing properties by component on a straight-line basis over the estimated useful economic lives of the component categories.

Useful economic lives for identified components are as follows:

	Years
structure - houses	100
structure - flats	75
roofs	70
windows & doors	30
bathrooms	30
electrics	30
lift	30
adaptations	30
kitchens	20
heating	20

Land is not depreciated.

The association depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Other fixed tangible assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. A full year's depreciation is charged in the year of acquisition of the asset. No depreciation is charged in the year of disposal. The principal annual rates used for other assets are:

	Years
freehold offices	30
furniture, fixtures & fittings	10
plant & equipment	10
computers & office equipment	5
motor vehicles	5

Land is not depreciated and long leasehold properties are depreciated over the life of the lease.

2. Principal Accounting Policies (continued)

Donated Land

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant. In the case of section 106 land the valuation takes into account all the conditions of sale imposed by the Local Authority and its value in use to the association.

When housing properties are to be transferred to another association, the net costs, after SHG, are dealt with in current assets.

Impairment

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. An income generating unit could be a single property, but it is normally a group of properties whose income and expenditure can be separately identified. Impairment reviews are carried out on assets whose useful economic lives are expected to exceed 50 years in accordance with Financial Reporting Standard 11. Annual impairment reviews are carried out by Savills when valuing the association's housing stock. Savills have found no evidence of impairment in the current year.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership, they are treated as if they had been purchased outright. They are depreciated over the shorter of the lease term and their economic useful lives. The corresponding leasing commitments are shown as obligations to the lessor in creditors.

Social Housing and Other Grants

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received.

When Social Housing Grant (SHG) in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG received for items of cost written off in the Income and Expenditure Account are matched against those costs as part of turnover.

SHG can be recycled by the association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met.

In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Pensions

The association participates in two funded multi-employer defined benefit schemes: the Social Housing Pension Scheme ('SHPS') and the Hertfordshire County Council Pension Fund ('HCCPF'). For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

For the HCCPF, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

Supported housing managed by agencies

Income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the association and its managing agents and on whether the association carries the financial risk.

2. Principal Accounting Policies (continued)

Where the association holds the support contract with the Supporting People Administering Authority and carries the financial risk, all of the project's income and expenditure is included in the association's income and expenditure account (see note 3).

Property managed by agents

Where the Registered Provider carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Income and Expenditure Account.

Where the agency carries the majority of the financial risk, the Income and Expenditure Account includes only that income and expenditure which relates solely to the association.

In both cases, the assets and associated liabilities are included in the Registered Provider's balance sheet.

Service charges

The Registered Provider operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the balance sheet.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the turnover note 3. The related support costs are matched against this income in the same note.

Support charges included in the rent are included in the income and expenditure from social housing lettings note 3 and matched against the relevant costs.

Loan finance issue costs

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the income and expenditure account in the year in which the redemption took place.

Reserves

The Association may, when appropriate, establish restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves where reserves are earmarked for a particular purpose.

Liquid resources

Liquid resources are readily disposable current asset investments. This policy is defined in our current Treasury Management Policy.

Corporation taxation

B3Living Limited is registered with the Financial Conduct Authority (FCA) as an association with charitable interests and therefore has no taxation liability for corporation tax.

Stock

Stock is stated at the lower of cost and net realisable value.

3. Turnover, cost of sales, operating costs and operating surplus

	Turnover	Operating costs	Operating surplus March 2013	Total Operating Surplus March 2012
Continuing activities				
	£'000	£'000	£'000	£'000
Social housing lettings	20,215	(13,881)	6,334	5,388
Other social housing activities				
Supporting people contract income	254	(254)	-	-
Management services	14	(14)	-	-
Other	123	(108)	15	20
Total	391	(376)	15	20
Non-social housing activities				
Other	395	(346)	49	123
Total	395	(346)	49	123
	21,001	(14,603)	6,398	5,531

Notes to the Financial Statements

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings	General Housing	Sheltered Housing	Leasehold	Shared Ownership	Total March 2013	Total March 2012
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from social housing lettings:						
Rent receivable net of voids and identifiable service charges	17,018	1,836	-	284	19,138	17,749
Service charges receivable	619	66	392	-	1,077	1,069
Net rental income	17,637	1,902	392	284	20,215	18,818
Revenue grants	-	-	-	-	-	-
Turnover from social housing lettings	17,637	1,902	392	284	20,215	18,818
Expenditure on social housing lettings:						
Management services	(6,280)	(669)	(392)	(284)	(7,625)	(6,309)
Depreciation	(2,066)	(220)	-	-	(2,286)	(2,319)
Responsive maintenance	(1,054)	(112)	-	-	(1,166)	(2,084)
Planned cyclical maintenance	(966)	(103)	-	-	(1,069)	(1,669)
Direct Services	(1,410)	(150)	-	-	(1,560)	(889)
Bad debts & provisions	(49)	(5)	-	-	(54)	(91)
Other costs	(109)	(12)	-	-	(121)	(69)
Operating costs on social housing lettings	(11,934)	(1,271)	(392)	(284)	(13,881)	(13,430)
Operating surplus on social housing lettings	5,703	631	-	-	6,334	5,388
Void losses	212	-	-	-	212	165

Notes to the Financial Statements

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Accommodation in management and development

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

	March 2013	March 2012
Social housing owned and managed by Association:	No.	No.
General needs housing	2,842	2,766
Housing for older people	375	397
Supported Housing	377	389
Shared Ownership	140	143
Leaseholders	651	627
Total social housing owned and managed	4,385	4,322
Social housing owned but managed by others	13	13
Total social housing owned	4,398	4,335
Non-social housing owned:		
Market rented	3	3
Intermediate rented	6	4
Rent to Homebuy	7	6
Leased to other associations	105	105
Total non-social housing owned	121	118
Total housing owned	4,519	4,453
Social housing not owned but managed on behalf of others	23	12

The association manages 12 units for Housing Solutions.

4. Operating Surplus

This is arrived at after charging/ (crediting):

	March 2013	March 2012
	£'000	£'000
Auditors' remuneration (excluding VAT):		
In their capacity as auditors	15	14
In respect of other services	20	-
Operating lease payments:	269	131
Depreciation of housing properties.	2,286	2,319
Depreciation of other tangible fixed assets	473	447
	2,759	2,766
Surplus/ (Deficit) on sale of fixed assets	619	(315)

Notes to the Financial Statements

5. Surplus on sale of fixed assets – housing properties

	Right To Buy	Others	March 2013	March 2012
	£'000	£'000	£'000	£'000
Proceeds of sales	1,570	565	2,135	816
Less: Cost of sales	(1,331)	(185)	(1,516)	(1,131)
	239	380	619	(315)

6. Interest receivable and other income

	March 2013	March 2012
	£'000	£'000
Interest receivable and similar income	17	5
Other interest – Pension Schemes	-	15
	17	20

7. Interest payable and similar charges

	March 2013	March 2012
	£'000	£'000
On loans repayable within five years	-	-
On loans wholly or partly repayable in more than five years	4,047	2,478
Costs associated with financing	1,044	-
Less: Interest capitalised	(70)	-
	5,021	2,478

The weighted average interest on borrowing of 4.47% (2012: 3.59%) was used for calculating capitalised interest

Notes to the Financial Statements

8. Employee Information

Average monthly number of employees:	March 2013	March 2012
	No.	No.
Resources/Administration/CEO *	8	10
Development	1	1
Housing/Business Services/People and Community Development SAM/(DLO)	122 24	124 -
	155	135

Average monthly number of employees expressed in full time equivalents of 37 hours per week:	March 2013	March 2012
	No.	No.
Resources/Administration/CEO *	7.0	9.1
Development	1.0	1.0
Housing/Business Services/People and Community Development Send and Mend (DLO)	105.0 24.0	109.0 -
	137.0	119.1

Employee costs:	March 2013	March 2012
	£'000	£'000
Wages and salaries	4,140	3,487
Social security costs	379	317
Other pension costs	433	411
Termination payment	75	-
	5,027	4,215

Aggregate number of full time equivalent staff whose remuneration exceeded 60,000:	Number	Number
£60,000 to £69,000	4	2
£80,000 to £89,999	-	1
£100,000 to £109,999	2	2
£110,000 to £119,999	3	2

***Highest paid Director included**

The association's employees are members of the Hertfordshire County Council Pension Fund (HCCPF) or of the Social Housing Pension Scheme (SHPS). Further information on each scheme is given on pages 33 to 36.

Notes to the Financial Statements

9. Board Members and Executive Directors

	Basic salary £'000	Benefits in kind £'000	Pension Contributions £'000	March 2013 Total £'000	March 2012 Total £'000
Board Members					
Sandra Royer - Chair	7	-	-	7	7
Karen Forbes-Jackson -	5			6	5
Eric Xurereb - Vice chair	4	-	-	3	4
Mike Curtis	5	-	-	5	5
Stewart Heath	4	-	-	4	4
Shoaib Gillani	3	-	-	3	3
Pat Milner	6	-	-	5	6
Christine Mitchell	3	-	-	3	3
Anne Shearman	3	-	-	4	3
Mary Stevenson	-	-	-	-	3
Tanya Alexander	-	-	-	-	3
Valerie Vellani	3	-	-	3	-
Camelia Borg	3	-	-	3	-
Mark Mills-Bishop	-	-	-	-	-
Tony Infantino	-	-	-	-	-
Paul Seeby	-	-	-	-	-
Malcolm Aitken	-	-	-	-	-
Executive Directors					
Chief Executive	114	11	21	146	141
Deputy Chief Executive	93	9	17	119	116
Director of Resources	92	9	17	118	115
Director of Development	84	8	15	107	105
Director of Housing Services	86	9	16	111	107
Director of People Services	78	8	15	101	89

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

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

Notes to the Financial Statements

10. Tangible Fixed Assets – Housing Properties

	Social housing properties held for letting	Completed shared ownership housing properties	Housing properties under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2012	101,403	999	24	102,426
Additions during period	3,213	133	3,268	6,614
Improvements	4,132	-	-	4,132
Interest capitalised	-	-	70	70
Schemes completed in year	-	-	-	-
Write Offs	(29)	-	(2)	(31)
Disposals	(352)	(9)	-	(361)
At 31 March 2013	108,367	1,123	3,360	112,850
Depreciation and impairment				
At 1 April 2012	(2,319)	-	-	(2,319)
Charged in year	(2,286)	-	-	(2,286)
Released on disposal	12	-	-	12
At 31 March 2013	(4,593)	-	-	(4,593)
Depreciated cost at 31 March 2013	103,774	1,123	3,360	108,257
Social Housing and other grants				
At 1 April 2012	(6,983)	-	-	(6,983)
Additions	(67)	-	-	(67)
Schemes completed in year	-	-	-	-
Disposals	-	-	-	-
At 31 March 2013	(7,050)	-	-	(7,050)
Net book value				
At 1 April 2012	92,101	999	24	93,124
At 31 March 2013	96,724	1,123	3,360	101,207

Note: Existing Use Value

The valuation of our properties on an Existing Use Value basis as at 31 March 2013 is £170m

Expenditure on works to existing properties	March 2013	March 2012
	£'000	£'000
Amounts capitalised	4,132	7,191
Amounts charged to income and expenditure account	2,235	3,753
Total	6,367	10,944

Notes to the Financial Statements

10. Tangible Fixed Assets – Housing Properties (continued)

Housing properties book value, net of depreciation and grants plus offices net book value (note 11) comprises	March 2013	March 2012
	£'000	£'000
Freehold land and buildings	101,207	93,124
Long leasehold land and buildings	952	1,034
Short leasehold land and buildings	-	-
Total	102,159	94,158

11. Tangible Fixed Assets – Other

	Leasehold offices	Freehold offices	Furniture, Fixtures & Fittings	IT & Office equipment	Motor vehicles	Plant & Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
At 1 April 2012	1,369	42	283	2,457	87	101	4,339
Additions	29	445	36	277	-	-	787
Disposals	(35)	-	(7)	(527)	(26)	(4)	(599)
At 31 March 2013	1,363	487	312	2,207	61	97	4,527
Depreciation							
At 1 April 2012	(335)	-	(123)	(1,862)	(62)	(44)	(2,426)
Charged in year	(111)	(10)	(59)	(274)	(6)	(13)	(473)
Released on disposal	35	-	7	527	26	4	599
At 31 March 2013	(411)	(10)	(175)	(1,609)	(42)	(53)	(2,300)
Net book value							
At 1 April 2012	1,034	42	160	595	25	57	1,913
At 31 March 2013	952	477	137	598	19	44	2,227

Notes to the Financial Statements

12. Debtors

	March 2013	March 2012
	£'000	£'000
Due within one year:		
Rent and service charges receivable	970	903
Less: Provision for bad debt and doubtful debts	(313)	(403)
	657	500
Other capital grants receivable	-	-
Other debtors	592	498
Prepayments and accrued income	1,032	232
	1,624	730
	2,281	1,230

13. Creditors: Amounts Falling Due Within One Year

	March 2013	March 2012
	£'000	£'000
Trade creditors	1,020	601
Rent and service charges received in advance	320	243
Other taxation and social security	119	103
Other creditors	762	455
Accruals and deferred income	3,675	2,579
	5,896	3,981

14. Creditors: Amounts Falling Due After More Than One Year

	March 2013	March 2012
	£'000	£'000
Bank loan	42,000	68,300
Bond issue	68,000	-
Less: issue costs	(857)	-
	109,143	68,300

15. Debt Analysis

	March 2013	March 2012
	£'000	£'000
Due:		
Within one year	-	-
Between one and two years	-	-
Between two and five years	9,000	9,000
After five years	101,000	59,300
	110,000	68,300

At 31 March 2013 the association had fully drawn down loan facilities of £110m.

All loans are secured by floating charge over the assets of the association and by fixed charges on individual properties.

Notes to the Financial Statements

15. Debt Analysis (continued)

The association had fully drawn down its loan facilities of £110m as at 31 March 2013. These were allocated between bank loan and bond finances.

Bank Loan

Prior to the refinancing in January 2013 bank loans were repaid in quarterly instalments at fixed rates on interest ranging from 3.01% to 5.16%. Following the bond issue in January 2013, bank interest has ranged from 7% to 8.12%. The increase in margin is as a result of the refinancing.

Bond Finance

As at 31 March 2013, £68m of the association's loans were secured on the basis of an amortising bond issue at a fixed interest rate of 4.823%.

The book value of the bond is an approximation of fair value at the year end. The fair value of other financial instruments is also considered to approximate book value.

The Association's Treasury function is responsible for the management of the funds and control of the associated risks. Its activities are governed in accordance with Board approved policy. The Risks related to the Association are detailed in the Report of the Board.

16. Reserves

	Revenue Reserve	March 2012
	£'000	£'000
At 1 April	23,921	21,684
Surplus for the year	2,013	2,758
Pension (losses)/gains	(431)	(521)
At 31 March	25,503	23,921

Although under its rules the association does not trade for profit, its financial affairs are planned so that each year income exceeds expenditure. The annual surplus is vital to enable the association to meet its commitments to providers of private finance, continue to raise further private finance and have reserves to provide for unexpected situations.

The Board regularly reviews the association's finances to determine the minimum amount of reserves required for day-to-day management and to provide for the future. Any amounts over and above this minimum are invested in the provision of social housing. The majority of the Registered Provider's reserves are not normally cash backed.

17. Capital Commitments

	2013	2012
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	250	620
The Housing Association expects these commitments to be financed with:		
Social Housing Grant	-	-
Proceeds from the sales of properties	-	-
Committed loan facilities	250	620

Expenditure authorised by the Board but not contracted is in respect of the Epping OMSO project plus air conditioning at Scania House.

The association expects that these commitments will be financed internally from cash generated from trading and the Santander Plc. facility and Bond issue.

Notes to the Financial Statements

18. Commitments under Operating Leases

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as set out below

	March 2013		March 2012	
	Land & Buildings £'000	Other Items £'000	Land & Buildings £'000	Other Items £'000
Operating leases which expire:				
Within 1 year	-	3	-	-
Within 2 to 5 years	-	325	-	10
After more than 5 years	122	-	122	-
Total	122	328	122	10

19. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	March 2013	March 2012
	£'000	£'000
Operating surplus	6,398	5,531
Depreciation of tangible fixed assets	2,759	2,766
Net write out of tangible fixed assets	31	-
Pension adjustment	181	(152)
	9,369	8,145
Working capital movements		
(Increase)/ Decrease in debtors	(1,236)	1,061
Increase /(Decrease) in creditors	2,100	(822)
(Increase)/decrease in stock	(24)	-
	840	239
Net cash inflow from operating activities	10,209	8,384

20. Reconciliation of Net Cash Flow to Movement in Net Debt

	March 2013	March 2012
	£'000	£'000
Increase/(decrease) in cash	35,201	757
Cash inflow from increase in debt and lease finance	(40,843)	(3,500)
Increase in net debt from cash flows	(5,642)	(2,743)
Total changes in net debt for period:		
Net debt at 1 April 2012	(66,869)	(64,126)
Net debt at 31 March 2013	(72,511)	(66,869)

Notes to the Financial Statements

21. Analysis of Net Debt

	1 April 2012	Cash Flow	31 March 2013
	£'000	£'000	£'000
Cash at bank and in hand	1,431	35,201	36,632
Bank overdraft	-	-	-
Changes in cash	1,431	35,201	36,632
Loans	(68,300)	(40,843)	(109,143)
Changes in debt	(68,300)	(40,843)	(109,143)
Changes in net debt	(66,869)	(5,642)	(72,511)

22. Financial Assets and Liabilities

Borrowing facilities

The facilities available at 31 March 2013 in respect of which all conditions precedent had been met were as follows:

	March 2013	March 2012
	£'000	£'000
Expiring in one year or less	-	1,500
Expiring in more than one year but not more than two years	-	2,500
Expiring in more than two years	110,000	-
	110,000	4,000

The association's loan facility is £110m. This is made up of £42m existing facility plus £68m bond finance raised in January 2013.

23. VAT Development Agreement

The association received the transfer of some 3,500 properties from Broxbourne Borough Council on 23 January 2006. As part of the transfer, the Council made a commitment to the association to have the properties refurbished and modernised and brought into a good state of repair. Immediately prior to the transfer, the Council contracted with the association to carry out the refurbishment works on its behalf. The Council's obligation to carry out the works is in effect matched by the association's obligations to bring the properties into a good state of repair. As a specific right of set off exists, a net basis has been adopted in respect of these obligations and neither the assets nor liabilities have been recognised. At 31 March 2013 the gross values of the balances that had been offset have been reduced to £20,295k March (2012: £23,932k). VAT arising on the works during the period totalled £501k (March 2012: £1,276k).

The association received transfer of 91 properties from London Borough of Haringey on 25th March 2013 with an obligation to carry out works pursuant to the development. At transfer the gross values of the balances that had been offset were £3,581k, with VAT arising on the works totalling £596k.

Notes to the Financial Statements

24. Non Equity Share Capital

	March 2013	March 2012
	No.	No.
Shares of £1 each issued and fully paid		
At start of year	9	9
Issued during year	-	-
At end of year	9	9

The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights.

25. Related Party Transactions

The tenancies of Tenant Board members are on the same arrangements as for other tenants.

26. Pensions

Social Housing Pension Scheme

B3Living Limited participates in the Social Housing Pension Scheme (SHPS). The scheme is funded and is contracted out of the State Pension scheme.

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

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

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497m, equivalent to a past service funding level of 80.0%.

B3Living Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for B3Living was £715,571.

Notes to the Financial Statements

26. Pensions (continued)

Hertfordshire County Council Pension Fund

The HCCPF is a multi-employer scheme, administered by Hertfordshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

B3Living Limited participates in the LGPS. This scheme is no longer offered to new employees to B3Living. The major assumptions used by the actuary were:

Assumptions as at:	31 March 2013	31 March 2012
	% p.a.	% p.a.
Expected return on assets	5.1	5.5
Salary increases	5.1	4.8
Pensions increases	2.8	2.5
Discount rate	4.5	4.8

Breakdown of the expected return on assets by category:

Assets (Employer)	Long-term returns at 31 March 2013	Assets at 31 March 2013	Long-term returns at 31 March 2012	Assets at 31 March 2012
	% p.a.	£'000	% p.a.	£'000
Equities	5.8	5,130	6.2	4,077
Bonds	3.6	1,301	4.0	1,063
Property	3.9	361	4.4	354
Cash	3.0	434	3.5	414
Total		7,226		5,908

Mortality

Life Expectancy is based on the PFA92 and PMA92 year of birth tables. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21 years	23.8 years
Future Pensioners	22.9 years	25.7 years

Net Pension liability as at:	31 March 2013	31 March 2012
	£'000	£'000
Fair value of employer assets	7,226	5,908
Present value of funded liabilities	(9,055)	(7,404)
Present value of unfunded liabilities	-	-
Total value of liabilities	(9,055)	(7,404)
Net pension liability	(1,829)	(1,496)

Amount charged to operating profit	Year to 31 March 2013		Year to 31 March 2012	
	£'000	(% of Payroll)	£'000	(% of Payroll)
Service cost	351	22.0	305	20.7
Interest cost	362	22.7	370	25.1
Expected return on employer assets	(336)	(21.0)	(385)	(26.1)
Past service (gain) / cost	-	-	-	-
Total	377	23.7	290	19.7
Actual return on plan assets	905		118	

Notes to the Financial Statements

26. Pensions (continued)

Hertfordshire County Council Pension Fund (continued)

Reconciliation of defined benefit obligation	Year to 31 March 2013	Year to 31 March 2012
	£'000	£'000
Opening defined benefit obligation	7,404	6,663
Current service cost	351	305
Interest cost	362	370
Contributions by members	110	102
Actuarial (gains) / losses	997	252
Past service (gains) / costs	-	-
Estimated benefits paid	(169)	(288)
Closing defined benefit obligation	9,055	7,404

Reconciliation of fair value of employer assets	Year to 31 March 2013	Year to 31 March 2012
	£'000	£'000
Opening fair value of employer assets	5,908	5,536
Expected return on assets	336	385
Contributions by members	110	102
Contributions by the employer	475	442
Actuarial (losses) / gains	566	(269)
Benefits paid	(169)	(288)
Closing fair value of employer assets	7,226	5,908

Amount recognised in Statement Total Recognised Surpluses and Deficits (STRSD)	31 March 2013	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000	£'000
Actuarial gains/(losses)	(431)	(521)	563	(1,661)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-	-	-
Actuarial gains/(losses) recognised in STRSD	(431)	(521)	563	(1,661)
Cumulative actuarial gains and losses	(2,098)	(1,667)	(1,146)	(1,709)

Amounts for the current and previous accounting periods	31 March 2013	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000	£'000
Fair value of employers assets	7,226	5,908	5,536	5,155
Present value of defined benefit obligation	(9,055)	(7,404)	(6,663)	(7,558)
(Deficit) / surplus	(1,829)	(1,496)	(1,127)	(2,403)
Experience (losses) / gains on assets	566	(269)	(300)	998
Experience (losses) / gains on liabilities	5	(39)	(415)	-

Notes to the Financial Statements

26. Pensions (continued)

Hertfordshire County Council Pension Fund (continued)

Analysis of projected amount to be charged to operating surplus for the year to 31 March 2014	31 March 2014	
	£'000	% of pay
Projected current service cost	432	26.4
Interest on obligation	416	25.4
Expected return on Employer Assets	(379)	(23.1)
Total	469	28.7

27. Contingent Liability

The association has an obligation under the Social Housing Pension Scheme as at 30 September 2012 of an estimated employer debt of £715k, in the event of a cessation. No security has been provided for by the association in connection with this liability.