Report and Financial Statements

For the year ended 31 March 2017

Registered with the Mutuals Public Register of the Financial Conduct Authority
under the Co-operative and Community Benefit Societies Act 2014 (Number 29876R)

Registered with the Homes and Communities Agency (Number L4455)

Registered with HM Revenue and Customs (Charities Division Number XR92753)

Board Members, Executive Directors, Advisors and Bankers

Board		
Chair	**Sandra Royer**	Reappointed 24 September 2015
Vice Chair	**Karen Forbes-Jackson**	Reappointed 24 September 2015
Other Members	**Camelia Borg**	Reappointed 21 September 2015
	Joe Chambers	Appointed 5 December 2016
	Mark Davies	Appointed 30 March 2015
	Chris Fawcett	Appointed 22 September 2014
	Chris Herbert	Reappointed 19 September 2016
	Tony Infantino	Reappointed 11 January 2016
	Anne Shearman	Appointed as full Board Member 11 January 2016
	Stewart Heath	Term ended 19 September 2016

Executive Directors	
Chief Executive	Joe Chambers
Director of Finance	Jo Moore (appointed 01 July 2017)
Director of Resources	Paul Williams (retired 30 June 2017)
Director of Development & Asset Management	Steven Tarry
Director of Operations	Simon Walton (resigned 30 June 2017)
Company Secretary	Jo Moore (appointed 01 July 2017) Paul Williams (appointed 31 January 2017 and retired June 30 2017) Susan Scanlan (resigned 31 January 2017)

Registered Office	Scania House 17 Amwell Street, Hoddesdon, Hertfordshire, EN11 8TS
Registered Number	FCA Registration number: 29876R Homes and Communities Agency (HCA) Registration number: L4455
External Auditors	Beever and Struthers Chartered Accountants St George's House, 215-219 Chester Road, Manchester M15 4JE
Internal Auditors	Grant Thornton UK LLP 30 Finsbury Square, London EC2P 2YU
Solicitors	Winckworth Sherwood LLP Minerva House, 5 Montague Close, London SE1 9BB Anthony Collins Solicitors LLP 134 Edmund Street, Birmingham B3 2ES
Valuers	Savills Plc 37-39 Perrymount Road, Haywards Heath, West Sussex RH16 3BN Paul Wallace 70 High Street, Hoddesdon, EN11 8ET Derrick Wade Waters 1 Station Road, Tottenham Hale, London N17 9LR
Investors and Funders	M&G Investment Management Ltd. 5 Laurence Pountney Hill, London EC4R 0HH Lloyds Bank Plc Corporate Banking 3rd Floor, 25 Gresham Street, London EC2 7HN
Bankers	Lloyds Bank Plc Corporate Banking 3rd Floor, 25 Gresham Street, London EC2 7HN
Financial Advisers	Savills Plc 33 Margaret Street, London W1G 0JD

The Board presents its Report of the Board including Strategic Report and B3Living's audited financial statements for the year to 31 March 2017.

Governance

B3Living is a public benefit entity registered with the Homes and Communities Agency as a housing association, a Registered Provider (RP) of social housing. The Association's principal activities relate to the development, acquisition and management of affordable general needs, sheltered low cost home ownership and supported social housing for those in necessitous circumstances and investment in the community.

The Board consists of nine members (plus two co-optees) who are drawn from a wide background, bringing together professional, commercial and local experience and are remunerated. The Board meets nine times per financial year and is responsible for the overall strategy, direction and control of the Association. The present Board members and the executive directors of B3Living are set out on page 2.

The Board has delegated certain responsibilities to two main sub-committees: Audit and Risk Committee (meets three times per year) and Operations Committee (meets four times per year). A Development Panel has also been established to appraise new development schemes.

Governance and Financial Viability Standards

Registered Providers are required by the regulator, the Housing and Communities Agency (HCA), to certify their compliance with the Governance and Financial Viability Standards. The Board confirms that B3Living complies in all material respects with these standards.

The HCA carries out an annual assessment of our compliance with the standards. The highest rating is G1 for governance and V1 for financial viability. The Association was accredited with these ratings again in June 2017.

National Housing Federation Code of Governance

The Board are pleased to report that B3Living complies in all material aspects of 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.

Executive Team

The executive team comprises the Chief Executive and other executive directors who hold no shareholding interest in the Association and act as executives within the authority delegated by the Board.

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.

Insurance policies indemnify Board members and officers against liability when acting for the Association. Details of executive director remuneration packages are included in note 9 to the financial statements.

Our Corporate Strategy

Our agreed purpose is to provide a sustainable place to live for those who cannot afford to rent or purchase at market rates and ensuring that we help create cohesive communities through supporting our residents.

Our Customers: Our strategic intentions for our customers is to aid them to sustainable independence through developing "adult-adult" relationships and reducing the energy they need to expend to access services from B3Living. We mean to understand them through engaging and observing their patterns of behaviour and shape services that they can access with ease. We aspire to allow the majority of our transactional services to be achieved via the internet and other automated routes.

Our People: We aim to be a lean organisation with an empowered motivated team. We recognise that we employ ''whole people'' and that team members only spend a fraction of their career at B3Living. This means we value people holistically and invest in their futures and in return expect commitment and high performance in their time with us. We invest in leadership at all levels and aim to manage via matrix rather than hierarchy.

Our buildings: They are the core of our business and we properly understand our assets and liabilities and have an overarching property strategy which sets out the standard and standardisation we seek for our properties in all aspects from development, through planned and cyclical maintenance and responsive repairs. This work requires keen attention to cost and procurement will invariably be competitive or at least market tested.

Our Financial sustainability and risk: We need to be a financially robust organisation and this also means being recognised as such through our Moody's and HCA ratings. We necessarily have high levels of debt and aim to maximise benefit from our assets which means that we naturally push our loan covenants close without breaching them. However, we take a sophisticated view of our debt portfolio and manage it as closely as we manage our buildings.

We business plan on prudent assumptions and manage risk in four dimensions of likelihood, impact, how we can manage that impact and how those risks change dynamically. We also carefully conflagrate risks and understand how that impacts on our business plan and cash flows. We intend to have peak debt of £200m but we are also on a trajectory to save £1m from the baseline cost in our business.

Pensions

We are participants to three pension schemes – Group Personal Pension Scheme (GPPS), Social Housing Pension Scheme (SHPS) and Hertfordshire County Council Pension Fund (HCCPF). GPPS is a defined contribution scheme. GPPS is the only scheme available to new employees. Both SHPS and HCCPF are defined benefit final salary pension schemes and are closed to new members.

The Association has entered into a deficit reduction plan with the Pension Trust for the SHPS and has recognised £99k as a liability at the reporting date.

The HCCPF is a multi-employer scheme Local Government Pension Scheme (LGPS). In the accounts we have recognised an actuarial deficit provision of £3m (2016: £2m). The provision recognises actuarial valuation movements and do not result in cash flows from the Association. They reflect the deficit between the assets of the pension scheme and its obligations to scheme members, see note 29 for further details.

Governance: We strive for a modern engaged Board of non-executives with a genuine understanding and oversight of all aspects of the business. The Board is entirely skills led and we shift and change membership to reflect the work load of the business.

Cost reduction
B3Living remains committed to reducing overhead costs by £1m by 2020. This work continues by the introduction of a new business improvement methodology which will not only reduce costs in the business but also be the vehicle which will embed the "adult – adult" relationships we are building within the business and with our customers.

We will also be using this process to identify B3Living's ICT aspiration to help produce a strategy for digitalisation. The reviews will capture the digital solutions required to deliver the Corporate Strategy to 2023.

Property Standard
Work has commenced on articulating our overarching Property Standard which will provide clarity and direction to our Development Strategy and Asset Management Strategy. This will consider how our relationship with the Borough of Broxbourne impacts on our potential to proactively manage B3Living's assets.

Our Team
B3Living is working hard to develop and motivate our people and will be finalising a pay and reward review which has an intention to build our team and incentivise them to great performance. This will include a review of terms and conditions as well as more modern employee engagement methods and measures.

Developing new homes
We have a strategic aim to deliver 800 homes by 2023 and as part of this 107 in 2017/18. The Board has refined the B3Living area of operation and there is a pipeline to meet the targets set. There is work underway to actively reduce build costs in line with the B3Living's Corporate Strategy: these include experimenting with construction management and using direct labour as well as a new system of off-site construction currently only used in Holland.

Financial Strategy
B3Living has recently recruited a new finance director who will be looking closely at our Treasury and Investment Strategy, which will have knock on effects for the recasting of the business plan in the coming year. B3Living recognises our approach to debt needs to be more nuanced and sophisticated and this will be part of the strategic review.

The external environment

Last year has predominantly seen the government preoccupied with Brexit. However, prior to the general election there was a shift in government policy and mood around housing. A target of one million homes to be built before 2020 was established and the housing minister was clear that the government was ambivalent about the tenure of those homes specifically stating there is a need for affordable rented homes as well as low cost home ownership and market sale. This shift manifested itself in the B3Living grant award of £4m for our programme which includes affordable rent schemes as well as low cost home ownership properties.

The Government also had a stated intent for housing associations to be reclassified as private entities rather than the public bodies as determined by the Office for National Statistics (ONS) in June 2016. To this end there has been some deregulation regarding the disposal of assets and intentions to remove the "Golden shares" held by local authorities in Large Scale Voluntary Transfer (LSVT) associations. The first of these changes has been implemented however the second awaits action from government, which is likely to be delayed due to Brexit negotiations. The Borough of Broxbourne has such a Golden Share but to date has not sought to exercise its rights in this regard, removal of this arrangement would provide assurance for the independence of B3Living.

The ending of the 2011-15 Affordable Homes programmes has led to the sector seeking more commercial opportunities to provide the subsidy required to continue to deliver new supply of affordable homes. This brings in new and potentially increased risk and remains a continued challenge for the sector. Whilst the Association will continue to bid for specific grant income where it can, it recognises that the increase in diversification of its property portfolio is essential to enable it to meet the 7-year growth strategy.

The roll out of the Voluntary Right-to-Buy has been deferred by extension of the pilot schemes to better assess the implications.

Inflation in May 2017 reached 2.9% which is above the Bank of England's target of 2%. Amit Kara, Head of UK Macroeconomic Forecasting at the National Institute of Economic and Social Research, said: "We expect inflation to rise further over the course of this year and to reach a peak in the final quarter of 2017. Wage inflation is not keeping up with this spike". This does place pressure on our residents' capacity to pay rent and the Association's ability to contain operating costs.

Interest rates have remained low despite the trend in inflation although in June 2017 the Monetary Policy Committee was split with 3 out of 8 voting for an increase immediately.

Principal Risks and Uncertainties

The uncertainty regarding rent formula remains a principal risk as the sector is waiting for an announcement of the formula which will replace the minus 1% currently in place until 2020. This has a significant impact on our long term business planning and our assumptions for growth.

Any other new changes in public policy such as the extension of the right-to-buy or property standards remain a risk for the sector.

Further freezing of LHA levels will soon bite on larger numbers of our residents in terms of their ability to afford their rents to which we will only be able to respond with affordability testing at lettings. Universal credit continues to make slow progress and the vast majority of our residents in receipt of housing benefit continue to have it paid direct to B3Living from the local authorities although this will change over time as the roll-out programme continues. These two factors could lead to an increase in arrears and ultimately bad debts.

The scaling up of low cost home ownership sales and B3Living's strategy to diversify its portfolio by investing in commercial portfolio and outright market sales means that the Association potentially has exposure to new risks particularly any downward movement in the property market which could impact on the timing and amount of sales receipts.

Whilst upward interest rate movements remain a risk over the longer term, in the short term the Association's exposure is centred on the revolving credit facility which it has entered in to and is linked to Libor movements. The largest part of the debt portfolio is financed by fixed rate bonds and the maturity date of the bonds mean that there is no exposure to re-financing risk within the short term. The funding strategy will be reviewed during the next financial year.

Compliance with our loan covenants remains a principal risk but a system of robust management and control is in place and externally validated by our funders.

Review of the business

The Association was subject to an In-Depth Assessment (IDA) from the Homes and Communities Agency (HCA) in April 2017. As confirmed by the HCA, the Association continues to comply with the HCA's prime financial viability (V1) and governance (G1) standards.

Financial performance

B3Living has managed to deliver another year of strong financial performance despite the financial impact of public policies.

The Association generated an operating surplus of £11.5m (2015/16: £10.7m) against a turnover of £26.5m (2015/16: £28.9m) which represents an increase in absolute terms of £0.8m or 7% in relative terms compared to the prior year. This operating surplus is generated by four business segments that the Association categorises its business operations into and below is the surplus contributions made by each segment;

- general affordable housing - £10.4m
- sheltered housing - £1m
- low cost home ownership - £79k
- other - £63k

This strong performance has been achieved by continued robust financial management and reducing operating costs. Management costs of social housing lettings were maintained at last year's levels despite inflation and responsive and planned repairs reduced by £0.7m.

This increase in operating surplus was achieved despite lower first tranche low cost home ownership sales than the previous financial year. Income from rents also increased, after taking into account the 1% rent reduction, as a result of the introduction of new housing units, affordable rent conversions and improved re-let times.

Summary of results for the last five years

For the year ended 31 March	2017	2016	2015	**2014	**2013
	£'000	£'000	£'000	£'000	£'000
Turnover	26,489	28,893	24,567	22,425	21,001
Cost of sales	(471)	(3,256)	(577)	-	-
Operating expenditure	(14,538)	(14,978)	(14,715)	(14,941)	(14,603)
Operating surplus	**11,480**	**10,659**	**9,275**	**7,484**	**6,398**
Disposal of housing property	595	211	450	951	619
Net financing costs	(5,189)	(5,062)	(5,716)	(5,873)	(5,004)
Increase in valuation of investment properties	495	-	-	-	-
Surplus/(deficit) before exceptional items and tax	**7,381**	**5,808**	**4,009**	**2,562**	**2,013**
Exceptional items	-	-	(14,960)	-	-
Surplus/(deficit) before tax	**7,381**	**5,808**	**(10,951)**	**2,562**	**2,013**
Taxation	-	-	-	-	-
Surplus/(deficit) for the year	**7,381**	**5,808**	**(10,951)**	**2,562**	**2,013**
Actuarial (loss)/gain in respect of pension schemes	(1,086)	1,141	(874)	(286)	(431)
Total comprehensive income for the year	**6,295**	**6,949**	**(11,825)**	**2,276**	**1,582**

*** 2013 and 2014 numbers are based on the old UK GAAP that was retired in 2014 before FRS 102 was introduced.*

The significant increase in surplus before exceptional items and tax over the last five years has been achieved by a combination of the introduction of new activities such as low cost home ownership sales and the acquisition of commercial properties as well as tightly controlling operating costs and refinancing of the Association's debt portfolio.

The Association had a one off exceptional item of £14.96m in the 2014-15 financial year and this related to the early redemption of previous loan financing in order for the Association to secure lower financing costs and a greater proportion of fixed rate debt and remove restrictive covenants.

Statement of financial position for the last five years

Ast at 31 March	2017	2016	2015	**2014	**2013
	£'000	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible fixed assets	**166,800**	**147,799**	**134,605**	**111,217**	**103,434**
Net current assets	18,617	25,688	34,383	27,843	33,041
Creditors: amounts falling due after more than one year	(142,168)	(135,161)	(132,999)	(109,177)	(109,143)
Provisions for liabilities	(14,763)	(16,135)	(20,748)	(2,468)	(1,829)
Total net assets	**28,486**	**22,191**	**15,241**	**27,415**	**25,503**
Reserves					
Income and expenditure reserve	28,486	22,191	15,241	27,415	25,503
Total reserves	**28,486**	**22,191**	**15,241**	**27,415**	**25,503**

At the reporting date the Association had tangible fixed assets with a carrying value of £166.8m (2016: £147.8m) reflecting the continuing trend over the last 5 years of the Association having a strong balance sheet. This financial strength is reflected in the Association's credit rating by Moody's of A3. The table above summarises the key items on the statement of financial position.

The increase in tangible fixed assets reflects the Association's continued investment in new and existing housing properties for affordable renting, low cost home ownership and investment properties.

The change in tangible fixed assets' carrying values over the last 5 years is largely due to the continued investment in new housing properties and existing properties and also because the comparatives for 2014 and 2013 financial years are based on the old UK GAAP which netted government grants against housing costs. FRS 102, the new accounting rules in the UK was implemented in the 2014-15 financial year.

Key Financial Performance Indicators for the last five years

		2017	2016	2015	**2014	**2013
Gearing ratio (Debt/Capital Structure)	1	0.76	0.79	0.84	0.75	0.77
Operating margin	2	43%	37%	38%	33%	30%
Net margin	3	28%	20%	-45%	11%	10%
Interest cover	4	255%	243%	194%	161%	176%
Net debt per unit	5	28,247	26,911	27,293	27,557	27,661
Cash generation from operations (£m)	6	14.1	9.8	11.5	9.9	8.6

Key financial performance indicators definitions:

1. Ratio of net debt to reserves plus net debt plus unamortised government grants. For loan covenant purposes the Association measures gearing using the ratio between Debt and EUV-SH
2. Operating surplus as a proportion of turnover
3. Surplus before exceptional items and tax as a proportion of turnover
4. Net financing costs as a proportion of operating surplus plus depreciation
5. Total net debt at amortised cost per number of completed units at the end of the financial year
6. Operating cash flows minus surplus from property sales

The gearing ratio over the last five years has seen a downward trend which is a positive development partly reflecting the increased annual surpluses being made by the Association. The annual surpluses are rolled into accumulated reserves which form part of the capital structure values used to calculate gearing.

The positive increase in operating margin reflects the robust management by the Association of operating costs such as management costs and repairs and also due to increased rents from new properties and improved voids turnaround. The net margin has also been trending upwards over the last five years aside from in 2015 when there was an exceptional item relating to refinancing costs.

Both interest cover, which is the number of times our financing costs are paid by operating profits, and cash generated from operations have been trending upwards over the last five years due to increases in operating surplus.

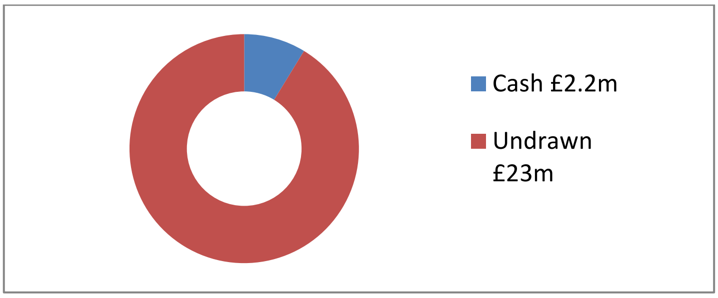
The debt per unit has marginally increased due to loan drawdowns to invest in new housing property developments. Despite the increases in debt per unit this is well below the Association's average EUV-SH of completed units which is approximately £53k.

The Association does not have any exchange rate exposure as it conducts all its activities in British pounds.

B3Living obtained a Moody's credit rating during 2014 to support the launch of its bond offering and was awarded a prime 'A3' rating. This rating was maintained during the year as confirmed in the Moody's report dated 13 February 2017.

Capital structure and Treasury Management
The Association is funded through its reserves of £28.5 million (2016: £22.2m), fixed rate bond finance of £125m (2016: £125m) and £30m (2016: £30m) revolving credit facility to fund a continuing development programme. Of the £30m revolving facility £7m was drawn at the end of the reporting date and £23m was undrawn. Post the reporting date the Association has entered into a new loan facility of £35m giving a total revolving credit facility of £65m.

Liquidity (Total funds available at 31 March 2017)



At the year end, 94% (2016: 100%) of debt was fixed and 6% was at a variable rate taking into the account the drawn down element of the revolving credit facility.

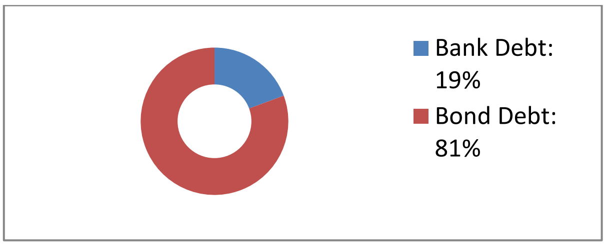
The Association has three key loan covenants:

- Interest cover – this measures the number of times our financing costs are paid by our operating profit before depreciation for the year.
- Gearing – this is a measure of the Association's indebtedness relative to the EUV-SH of completed housing properties. EUV-SH is a proxy for market values of properties that reflect that the properties are used for social housing.
- Asset cover – this is a measure of how many times the EUV-SH of completed assets pays the Association's current debt.

These are monitored quarterly and reported to lenders on a quarterly basis. For the year ended 31 March 2017 the Association complied with all covenants. Both the bond finance and revolving credit facility have fixed charges secured on social housing assets.

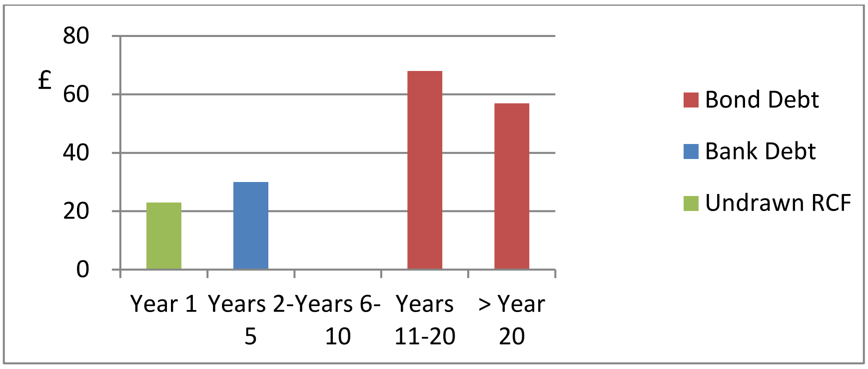
As at 31 March 2017, B3 had £155m of committed debt funding with drawn funding totalling £132m, up from £125m in 2016 as further debt was drawn down to invest in the development opportunities. 81% of the committed funding is from the capital markets and 19% from bank funding.

Sources of funding at the year end



Repayment of Debt
The issued bonds mature in two tranches from 2038 to 2048, both amortising in the final 10 years and so there is no refinancing risk over the short to medium term. However, the £30m revolving credit facility available as at 31 March 2017 is repayable in the 2020/21 financial year.

Debt repayment profile



Refinancing risk within 5 years:
The £30m RCF is repayable 6 April 2020 and the £35m is RCF repayable 4 March 2022.

Operational performance

	2016/17 Actual	2016/17 Target	2015/16 Actual	Target Met
Current rent arrears as a % of rent debit (social housing)	1.6%	< 1.5%	1.5%	No
Rent loss due to voids	1.1%	< 1.2%	0.7%	Yes
Occupancy rate	98.3%	99.0%	99.6%	No
Residents' satisfaction overall	92%	90%	84%	Yes
Residents' satisfaction with repairs	84%	82%	77%	Yes
Properties meeting Decent Homes Standard	100%	100%	100%	Yes

Current rent arrears as a % of rent debit (social housing)
The rent arrears target has not been met for 2016/17 and this is largely due to the changes in Housing Benefit regulations. Measures are in place to address this and significant improvements have already been made. However, the climate of benefit reductions and restrictions is set to continue so will create further challenges.

Rent loss due to voids and occupancy rate
The increase in rent loss due to voids has increased during 2016/17 and this is due to two large schemes which have been decanted in preparation for redevelopment. We try, whenever possible, to use decanted properties for short-term lettings to minimise rent loss.

Residents' satisfaction overall
Our tenant satisfaction is based on the national satisfaction of tenants and residents (star) template. The survey is a snapshot in time and therefore it is difficult to use the survey to gauge opportunities for service improvements. We are currently in the process of reviewing all our methods of feedback to ensure we can fully map the customer journey and continue to create good sustainable services going forward.

Residents' satisfaction with repairs
The figure of 84% again comes from using the national STAR survey template, which asks generic questions relating to our Repairs Service. The questions asked are not time specific so may not truly reflect where we are today. Our post-repair satisfaction survey, carried out shortly after we have completed a repair in someone's home, shows an overall satisfaction with repairs of 99% for the year.

Properties meetings Decent Homes Standard
The continued investment in our major works programmes of new windows, doors, roofs, heating, kitchens, bathrooms and electrics has maintained our 100% Decent homes compliance. This investment has also produced high levels of resident satisfaction (97%) with the works and is an indication that our services are providing value for money.

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. 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.

Complaints

B3Living has a clear and simple complaints policy issued to all tenants. During the year, the Association received 64 (2016: 73) 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) and benchmarking

Our commitment to VFM

B3Living recognises the need for commerciality in all areas of our work and to ensure that we improve the efficiency of our business and embed a value-for-money culture across the organisation and at every level. We seek to create an open culture where contributions of ideas for VFM are implemented quickly by the team who identifies them. VFM forms a part of personal objectives and targets, where appropriate, and we monitor these during regular one to ones and annual appraisal.

We understand that, as a result of changes in public policy, we can only meet our targets in providing socially valuable affordable housing if we generate subsidy from other activities, find new ways of generating income and operate as efficiently as possible. This means really understanding our cost drivers in detail.

How we deliver on VFM

In the financial review above, the results indicate a reduction in operating costs, which was predominantly achieved by restructuring certain housing management services and support services.

Summary of total cashable VFM savings for last 3 years

Service area	2016/17 Amount £'000	2016/17 £ per home	2015/16 Amount £'000	2015/16 £ per home	2014/15 Amount £'000	2014/15 £ per home
Overheads	230	49	261	56	355	78
In house repairs service	18	4	15	3	150	33
Housing management & services	277	59	160	35	175	38
Total operational VFM	**525**	**112**	**436**	**94**	**680**	**149**
Major works	46	10	3	1	100	22
Treasury & legal fees	-	-	791	170	200	44
Total VFM savings	**571**	**122**	**1,230**	**265**	**980**	**215**

How we compare

An important way of knowing how well we are doing in achieving value-for-money is by comparison with similar organisations and our previous performance. The table below shows the key financial and service performance indicators for this year and last two years and where we rank with comparable peers.

Financial and service performance indicators

Financial VfM analysis	2016/17	2015/16	2014/15	Latest peer group median*	Trend against peer
Operating margin	43%	37%	38%	28%	Stronger
Interest cover	255%	243%	194%	170%	Stronger
Debt per home	£28,247	£26,911	£27,293	£24,299	Higher but linked to growth
Gearing ratio (asset valuation)	53%	53%	56%	50%	
Operational costs per home	£3,110	£3,225	£3,213	£3,970	Stronger
Management cost per home	£995	£757	£949	£1,080	Stronger
Service charge cost per home	£681	£612	£594	£530	Area for improvement
Maintenance cost per home	£656	£807	£900	£1,010	Stronger
Major works cost per home	£394	£896	£1,036	£890	Stronger
Other social housing costs cost per home	£25	£20	£17	£470	Stronger
Headline social housing cost per home	**£2,967**	**£3,092**	**£2,963**	**£3,970**	Stronger
Housing management VFM analysis					
Rent loss due to voids	1.12%	0.72%	0.76%	0.54%	Area for improvement
Resident satisfaction	92%	84%	88%	88%	Stronger
Satisfaction with repairs	84%	77%	77%	75%	Stronger

**2015/16 figures*

Our full statement on how we deliver on Value for Money is produced annually and is available on our website at www.B3Living.org.uk from September each year.

Property Development and Sales

During the year, we completed 25 new build homes; 22 for rent and 3 for low cost home ownership (low cost home ownership).

Although there were only 3 low cost home ownership sales during 16/17, they achieved an average 1st tranche sale equating to 41% against a scheme target of 40% and average days from handover to sale was a pleasing 9.33 days.

The majority of the overall Development spend was on land. We have spent £18.6m on acquiring land opportunities and also have spent £4.5m on construction of new properties.

We entered into eight Section 106 contracts, which will eventually produce 181 new homes and have successfully bid for HCA grant, which will fund 232 affordable homes.

We have entered into a partnership with a local developer and entered into an on lending loan facility which has enabled us to secure the section 106 element of the site for B3Living and potentially benefit from a profit share arrangement on the private sale units.

B3Living became a joint shareholder in a joint venture company. The investment delivers a priority return with a potential capital return of 50% (split proportionally as per the investment shares) of any increase in the value of the investment. Any surplus generated will be fully reinvested in social housing.

Internal Controls Assurance

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

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance processes. Key elements of the control framework include:

- Board agrees 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 of payments;
- A Risk Management Framework exists, setting out the approach to Risk Management, which includes a Risk Management Strategy that defines Risk Appetite;
- Comprehensive risk management process including maintenance risk registers and quarterly reviews of those risks by the Executive Team and Audit & Risk Committee;
- 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;
- Regular programme of internal audits undertaken by external advisers and implementation of actions arising from recommendations reviewed and monitored by Audit & Risk Committee;
- External audit ;
- 30-year long term financial plan, appropriately stress tested and validated;
- An annual budget agreed before the beginning of each financial year with monthly management accounts monitored in year;
- Quarterly reports to the Board and funders on all aspects of the Association's Performance;
- Reports to the Board, through Audit & Risk Committee, on any fraudulent activity;
- Staff, Resident and Board Code of Conduct;
- Register of Schedule 1 Exemptions;
- Treasury Management Policy and Strategy with loan analysis included in the quarterly finance reports to Board;
- Guidance and monitoring by professional treasury advisers;
- Minutes of the Audit & Risk Committee received by the Board;
- Anti-Fraud, Bribery and Corruption and Anti-Money Laundering policies (last reviewed by the Board in October 2016); and
- External validation by compliance with the Homes and Communities Agency's Regulatory Framework.

The system of internal control is designed to manage, rather than necessarily 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 and 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.

Effectiveness of the internal control framework

During the year, no incidents of actual or attempted fraud were recorded in the Association's Fraud Register. The Board confirms that no weaknesses were found in the operation of the internal controls during the year, which resulted in material losses, errors, or uncertainties that require disclosure in the financial statements for the year ended 31 March 2017 and up to the date of the approval of the financial statements.

Although not material in itself, there was an additional provision in the financial statements for the year ended 31 March 2017 which may have arisen as a result of potential weaknesses in prior years' internal controls and has resulted in the Association strengthening its internal control systems and adapting its internal audit plan accordingly.

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. The Association's Board approved long term business plan satisfies lender and investor covenants and demonstrates repayment of all debt in accordance with contractual commitments and for these reasons the Association continues to adopt the going concern basis in the 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 Co-operative and Community Benefit Societies Act 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 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. 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 the 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 **12 September 2017** at Scania House, 17 Amwell Street, Hoddesdon, Hertfordshire, EN11 8TS.

The report of the Board was approved by the Board on 12 September 2017 and signed on its behalf by:

………………………………………………………………………………
Sandra Royer
Chair of the Board of B3Living Ltd
Dated: 12 September 2017

Registered with the Mutuals Public Register of the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (Number 29876R)
Registered with the Homes and Communities Agency (Number L4455)

We have audited the financial statements of B3Living Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Association's members, as a body, in accordance with Section 87(2) 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.

Respective Responsibilities of the Board and the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 17, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of 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.

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 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.

Beever and Struthers, Statutory Auditor
St George's House
215-219 Chester Road, Manchester, M15 4JE
Date:

Statement of Comprehensive Income for the year ended 31 March 2017

	Notes	March 2017	March 2016
		£'000	£'000
Turnover	3a	26,489	28,893
Cost of sales	3a	(471)	(3,256)
Operating expenditure	3a	(14,538)	(14,978)
Operating surplus	4	**11,480**	**10,659**
Surplus on sale of fixed assets – housing properties	5	595	211
Interest receivable and similar income	6	55	250
Interest payable and similar charges	7	(5,244)	(5,312)
Increase in valuation of investment properties	10c	495	-
Surplus before tax		**7,381**	**5,808**
Tax on surplus	8	-	-
Surplus for the year		**7,381**	**5,808**
Actuarial (loss)/gain in respect of pension schemes	29	(1,086)	1,141
Total comprehensive income for the year		**6,295**	**6,949**

The financial statements were approved and authorised for issue by the Board on* 12 *September 2017 and were signed on its behalf by:

Sandra Royer	**Board Member**	**Joe Chambers**	**Jo Moore**
Chair of Board		Chief Executive	Company Secretary

The notes on pages 23 to 60 form an integral part of the financial statements.

Registered with the Mutuals Public Register of the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (Number 29876R)
Registered with the Homes and Communities Agency (Number L4455)

Statement of Financial Position as at 31 March 2017

	Notes	March 2017	March 2016
		£'000	**£'000**
Fixed Assets			
Housing Properties	10a	158,168	142,772
Other Fixed Assets	10b	3,274	3,407
Investment properties	10c	3,277	1,620
		164,719	**147,799**
Investments in joint ventures	10d	2,081	-
Total fixed assets		**166,800**	**147,799**
Current assets			
Stock – Properties for Sale	11	5,898	378
Trade and other debtors	12	5,007	2,422
Agreement to improve existing properties	25	10,966	13,627
Cash and cash equivalents	13	2,183	18,107
		24,054	**34,534**
Less: Creditors: amounts falling due within one year	14	**(5,437)**	**(8,846)**
Net current assets		**18,617**	**25,688**
Total assets less current liabilities		**185,417**	**173,487**
Creditors: amounts falling due after more than one year	15	(142,168)	(135,161)
Provisions for liabilities			
Agreement to improve existing properties	25	(10,966)	(13,627)
Pension provision	29	(3,006)	(1,935)
Other provisions	30	(791)	(573)
Total net assets		**28,486**	**22,191**
Reserves			
Non-equity share capital	26	-	-
Income and expenditure reserve	27	28,486	22,191
Total reserves		**28,486**	**22,191**

The financial statements were approved and authorised for issue by the Board on 12 September 2017 and were signed on its behalf by:

Sandra Royer	**Board Member**	**Joe Chambers**	**Jo Moore**
Chair of Board		Chief Executive	Company Secretary

The notes on pages 23 to 60 form an integral part of the financial statements.

Registered with the Mutuals Public Register of the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (Number 29876R)
Registered with the Homes and Communities Agency (Number L4455)

Statement of Changes in Equity as at 31 March 2017

	Share Capital*	Income & Expenditure
	£'000	**£'000**
Balance as at 1 April 2015	-	15,242
Surplus for the year	-	5,808
Actuarial gain in respect of pension schemes	-	1,141
Balance as at 1 April 2016	**-**	**22,191**
Surplus for the year	-	7,381
Actuarial loss in respect of pension schemes	-	(1,086)
Balance as at 1 April 2017	**-**	**28,486**

*The Association has issued share capital of £9 (2016: £9)

The notes on pages 23 to 60 form an integral part of the financial statements.

Statement of Cash Flow for the year ended 31 March 2017

	2017	2016
	£'000	**£'000**
Cash flow from operating activities (see note 21)	**5,494**	**17,893**
Cash flow from investing activities		
Purchase of tangible fixed assets	(24,729)	(17,683)
Proceeds from sale of tangible fixed assets	1,370	211
Grants received	478	1,936
Interest received	55	259
	(22,826)	**(15,277)**
Cash flow from financing activities		
Interest paid	(5,592)	(5,593)
New housing loans	7,000	-
	1,408	**(5,593)**
Net decrease in cash and cash equivalents	**(15,924)**	**(2,977)**
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of the year	18,107	21,084
Cash and cash equivalents at end of the year	2,183	18,107
Net decrease in cash and cash equivalents	**(15,924)**	**(2,977)**

The notes on pages 23 to 60 form an integral part of the financial statements.

1. Legal Status

B3Living is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 with registration number 29876R and is also registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing with registration number L4455. The registered office is 17 Amwell Street, Hoddesdon, EN1 18TS. The Association is a Public Benefit Entity as defined in FRS 102 section 34.

2. (a) Principal Accounting Policies

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 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 Financial Reporting Standard 102 - the financial reporting standard applicable in the UK and Republic of Ireland ("FRS102") as issued in August 2014, the Statement of Recommended Practice: Accounting by Registered Social Landlords 2014 (SORP) and the Accounting Direction for Private Registered Providers of Social Housing 2015.

The 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 accounts are prepared on the historical cost basis of accounting as modified by valuation of investment properties and are presented in £'000 except where specifically stated otherwise. The Association meets the definition of a public benefit entity (PBE).

Turnover and revenue recognition

Turnover represents rental income receivable, service charge receivable income, amortised capital grants from government sources, revenue grants from local authorities and the Homes and Communities Agency, income from the sale of low cost home ownership and outright property sales and other income. Turnover is recognised in relation to the period when the goods or services have been supplied and when risks and rewards of ownership have transferred to the counter party.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

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, which was agreed in 2006 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 transfer VAT shelter arrangement are reimbursed to the Borough of Broxbourne.

A second VAT shelter was agreed in 2013 and relates to the refurbishment of properties acquired from London Borough of Haringey. The Association retains the full VAT recoveries from this VAT shelter agreement.

2. (a) Principal Accounting Policies (continued)

Tangible fixed assets
Tangible fixed assets are made up of housing properties held for social housing, housing and commercial properties classified as investment properties and other fixed assets such as Leasehold Offices, Freehold Offices, Furniture, Fixtures & Fittings, IT & Office Equipment, Motor vehicles and Plant & Equipment.

Tangible fixed assets other than investment properties are stated at cost, less accumulated depreciation, less impairment where applicable. Investment properties are carried at their fair value at the reporting date.

Other than investment properties which are not depreciated, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Housing properties
Housing properties are principally properties available for rent and low cost home ownership. They are held for social benefit purposes and are stated at net historic cost after accumulated depreciation and accumulated impairment. Historic costs are made up of the acquisition costs of the housing assets plus unavoidable costs of acquisition when the asset is bought outright by B3Living. Where B3Living develops the property, costs include the cost of acquiring land and buildings, construction costs, capitalised interest charges incurred during the development period and directly attributable development overhead costs.

Any subsequent major repairs or capital expenditure to existing properties which replace a component that has been identified separately for depreciation purposes, along with those works that result in enhancing the economic benefits of the properties, are capitalised as improvements. Where a component is replaced the cost and related depreciation are derecognised from housing assets. Economic benefits are enhanced if work performed results in an increase in rental income, a reduction in future maintenance costs or a significant extension to the useful economic life of a property and its components.

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.

Low cost home ownership properties are split between current and tangible fixed assets based on the anticipated first tranche sale proportion. The first tranche proportion is recognised in the current assets as stock. The remaining fixed asset proportion of low cost home ownership properties is included in housing properties at cost, less any accumulated impairment. Low cost home ownership properties are not depreciated.

Impairment of housing properties
Housing properties and other assets are subject to impairment reviews, when a potential trigger for impairment has occurred. Where there are no impairment triggers then no impairment is recognised. Any impairment will be recognised in the Statement of Comprehensive Income in the year materialises.

2. (a) Principal Accounting Policies (continued)

Impairment of housing properties (continued)
Where there is evidence of impairment, the fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus. The recoverable amount is the higher of the fair value or value in use (VIU) or value in use – service potential (VIU-SP). The fair value for social housing units is the existing use value for social housing (EUV-SH). VIU is the discounted future cashflow from the housing asset. B3Living assesses VIU-SP as the amount it will cost to replace the housing asset. Impairment is assessed at income generating unit and B3Living has judged the scheme level to be its income generating unit level.

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. Interest is capitalised based on the weighted average cost of capital and the costs incurred until practical completion.

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.

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.

2. (a) Principal Accounting Policies (continued)

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. 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

Long leasehold properties are depreciated over the life of the lease.

Investment properties

The Association has properties that have been classified within the scope of FRS 102 section 16 such as market rented properties and a commercial building. These are carried in the Statement of Financial Position at their fair values, with the changes in fair value being recognised in Statement of Comprehensive Income where they are completed properties.

Where investment properties are work in progress they are carried at cost less impairment. Cost includes the purchase price plus any other acquisition costs, construction costs to date plus directly attributable development overheads and capitalised interest.

The Association engages an independent valuer to determine fair value at each reporting date. The independent valuer uses a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 10b.

Donated Land

Donated land from government sources such as from local authorities is included in cost at the valuation on donation that reflects how the land will be used, with the donation treated as a capital grant. Land donated for social housing is valued on donation at the EUV-SH and land donated for non-social housing purposes is valued at the open market value. 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. Where land is donated by a non government source it is recognised as income using the performance approach.

When housing properties are to be transferred to another Association, the net costs, after SHG, are dealt with in current assets. In this instance the SHG follows the property to the Association the property is being transferred to.

Social Housing and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. Social

2. (a) Principal Accounting Policies (continued)

Social Housing and other government grants (continued)
Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income is included as part of turnover. The grant amortisation only commences when the housing asset is practically complete; therefore, grants relating to properties under construction are not amortised.

The accumulated amortised government grants recognised through the Statement of Comprehensive Income Statement represent contingent liabilities to the Association and the contingent grant liability materialises when the relevant property to which the amortised grant relates to ceases to be used for social housing purposes usually due to disposal of the housing asset change in use of the asset from social housing to open market activity. If the property is disposed or there is a change in use, the grant for the asset needs to be recycled.

Recycling of Capital Grant (RCGF)
RCGF arise when a property funded or part funded by social housing grant ceases to be used for social housing.

Where SHG is recycled, as described above, it is credited to a fund which appears as a creditor until used to fund the acquisition or construction of new properties. Where recycled grant is known to be repayable it is shown as a creditor within one year.

Disposal Proceeds Fund (DPF)
Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF. The DPF amount can be carried forward for up to three years until it is used to fund the acquisition of new social housing or paid back to the HCA.

Holiday pay accrual
A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the year-end date.

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). HCCPF is a local government pension scheme. The Association also participates in a defined contribution scheme: the Group Personal Pension Scheme (GPPS).

Social Housing Pension Scheme ('SHPS')
For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers, however, the Association has entered into a deficit reduction plan with the Pension Trust who manages the pension. As a consequence of entering into the deficit reduction agreement with the Pension Trust a full liability of this deficit reduction plan has been fully recognised as a liability in the Statement of Financial Position.

The amount disclosed as a liability is based on the discounted cash flows that will result from the deficit reduction plan. The expenditure charge represents the employer contribution payable to the scheme for the accounting period.

2. (a) Principal Accounting Policies (continued)

Pensions (continued)
Hertfordshire County Council Pension Fund ('HCCPF')
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, expected return on assets and any other changes in fair value of assets and liabilities is recognised in the Statement of Comprehensive Income.

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.

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 Statement of Comprehensive Income (see note 3).

Property managed by agents
Where the Association 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 Statement of Comprehensive Income.

In both cases, the assets and associated liabilities are included in the Association's Statement of Financial Position.

Service charges
The Association 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 Statement of Financial Position.

Support income and costs including Supporting People income and costs
Supporting People (SP) contract income received from administering local 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 Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

Interest receivable and similar income
Interest receivable income is recognised on an accrual basis in the period it relates to using the effective interest rate method. It is included as income in the Statement of Comprehensive Income.

Interest payable and similar charges
Interest payable is recognised on an accrual basis using the effective interest method. It is included as an expense in the Statement of Comprehensive Income. The Association has elected to capitalise interest on developments under construction.

2. (a) Principal Accounting Policies (continued)

Financial instruments
FRS 102 provides for three accounting choices for accounting for financial instruments. The Association has elected to use the option to apply the requirements of FRS 102 sections 11 and 12 when accounting for financial instruments. FRS 102 classifies financial instruments into 2 classes – basic financial instruments and other financial instruments.

Basic financial instruments are recognised at transaction price plus transaction costs on initial recognition and subsequently they are accounted at carrying value which is the amortised cost. Other financial instruments are recognised at transaction price plus transaction costs on initial recognition and subsequently at their fair value at each reporting date. The Association's financial instruments are classified into either financial assets or financial liabilities.

The Association recognises financial instruments when it becomes party to them and when the risks and rewards of the financial instruments transfer to the Association. Financial instruments are derecognised when an extinguishment event occurs. An extinguishment event occurs when the Association is no longer party to the financial instruments and ceases to have risks or rewards associated with the financial instrument or when there are significant changes to the terms of the financial instrument.

Below are the Association's accounting policies for accounting for the following financial instruments: -

Basic financial instruments:
Cash and cash equivalents
Cash and cash equivalents comprise of cash balances and short term investments, which can be liquidated at short notice with no loss of capital. Bank overdrafts that are repayable on demand and form an integral part of the Association's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

The Association has identified some investments, which meet the definition of cash and cash equivalents but are restricted in their use. These investments have been classified as cash equivalents.

Trade debtors, other debtors, trade creditors and other creditors
Trade debtors including rent arrears and other debtors are recognised initially at their transaction price less transaction costs. Subsequent to initial recognition these are measured at amortised cost using the effective interest method, less any impairment losses.

In the case of debtors where any arrangement constitutes a financing transaction that is it ceases to be a normal trading transaction; for example, if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors are recognised initially at their transaction price plus transaction costs. Subsequent to initial recognition these financial instruments are measured at amortised cost.

Impairment of debtors
A provision for doubtful bad debt is made for the impairment of current rent debtors based on the average age profile of the relevant rent arrears. The bad debts provision is calculated to reflect the risk of default of the relative tenant arrears or trade debtor. The longer the amount remains due the higher the provision will be made for the amount owed.

2. (a) Principal Accounting Policies (continued)

Financial instruments (continued)

Bond issue and housing loans
Bond issues and other interest bearing borrowings such as housing loans from lenders are recognised initially at the transaction price less transactions costs. Subsequent to initial recognition bond issue and housing loans are stated at amortised cost using the effective interest method, less any impairment losses where applicable.

Concessionary loans
The Association is party to interest free arrangements or financing arrangements that are not subjected to paying or receiving the market interest rates; for example, with some tenants who are over the normal payment terms and where we are party to a joint arrangement agreement with a development partner. Where an entity is a public entity member such as the Association it can elect in line with FRS 102 section 34 to account for transactions that are not at market interest rates as concessionary loans. The Association has accounted for some tenant arrears and the interest free loan in the joint arrangement as concessionary loans and these are therefore being carried in the Statement of Financial Position at amortised cost.

Liquid resources
Liquid resources are readily disposable current asset investments. This policy is defined in our current Treasury Management Policy. Liquid resources are accounted under FRS 102 section 11 at amortised cost less transaction costs using an effective interest rate.

Other financial instruments:
Other financial instruments are financial instruments not meeting the definition of basic financial instruments in FRS 102 section are recognised initially at transaction price less transaction costs. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised through the statement of comprehensive income. At the reporting date all of the Association's financial assets and financial liabilities met the definition of basic financial instruments under FRS 102 section 11.

Loan finance issue costs
The costs relating to the raising of finance are written off evenly over the life of the related debt financial instrument such as a bond issue or housing loan. Debt financial instruments are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts of the issue costs written off. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

Corporation taxation
B3Living Limited has charitable status and provides services that are exempt from corporation tax; therefore, it has no taxation liability for corporation tax.

Stock – Properties for sale
Stock - Properties for sale include the first tranche element of low cost home ownership units and properties developed for outright sales. These are accounted as current assets in the Statement of Financial Position and they are stated at the lower of cost and fair value less costs to complete and sell. Cost includes the cost of land, construction costs, directly attributable costs, capitalised interest and direct overheads. Fair value reflects the market value of the stock at the reporting date.

2. (a) Principal Accounting Policies (continued)

Right to buy and low cost home ownership sharing agreement

Under the terms of the transfer agreement with Borough of Broxbourne (BoB), proceeds from right to buy and low cost home ownership staircasing sales are shared with BoB. On completion of a right to buy or relevant low cost home ownership sale contract, only proceeds attributable to the Association are credited to the Statement of Comprehensive Income.

Agreements to improve existing properties

Where the Association has entered into agreements to purchase property from a third party and subsequently enters into a sub-contracting agreement to carry out improvement works to the properties, the related assets and liabilities are shown at gross values unless the right of net settlement exists.

Joint arrangements that are not entities

The Association is party to a joint arrangement with a development partner. The joint arrangement is for the sharing of risks, income and development costs incurred in regard to a development of a scheme. Under FRS102 where the Association is party to a joint arrangement which is not an entity, the Association's financial statements should reflect directly its share of income and expenditure, assets, liabilities and cash flows.

Joint ventures

A joint venture is a contractual arrangement whereby the Association undertakes an economic activity mainly development of properties with development partners such as private developers or a local authority that is subject to joint control with these third parties. These third parties together with the Association have rights to the net assets of the joint venture. The Association's interest in the joint venture is accounted for using the equity method of accounting at cost. Under the equity method the Association's share of profits after taxation or losses, are included in the Statement of Comprehensive Income and its interest in net assets is included as an investment in the Statement of Financial Position.

Provisions

Provisions are recognised when the Association has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources from the Association will be required to settle the obligation, and the amount of the obligation can be estimated reliably at the reporting date.

Segmental reporting

As the Association has issued a listed bond debt which is publicly traded, it is required to disclose information about its operating segments in accordance with IFRS 8. The Chief Operating Decision Maker (CODM) has been identified as the Executive Directors.

The Executive Directors have identified the operating segments as General Needs, Sheltered Housing, Low Cost Home Ownership and other, reflecting the way in which the organisation is operated and managed. As the Association has no activities outside of the UK, segment reporting is not required by geographical region.

General Needs and Sheltered Housing segments incorporate all of the Association's social rented housing provision activities, including both social rent and affordable rent properties. Income is derived primarily from rental income and service charges.

2. (a) Principal Accounting Policies (continued)

Segmental reporting (continued)
Low cost home ownership comprises of those properties where we have sold a proportion of the equity share to the occupier whilst retaining the remaining equity and the freehold of the property. Income is derived from service charges in respect of the properties and from rent charged on the unsold equity element of the properties.

Other incorporates all income and costs from overhead departments, one commercial property and market rented properties.

The analysis of the Statement of Comprehensive Income by segment is provided in note 3c to these financial statements. Our management reporting structure does not require analysis of assets and liabilities by segment, and these are therefore not included in the analysis of segmental reporting.

2. (b) Principal Accounting Policies Judgements and Accounting Estimates

The preparation of the financial statements requires the management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

i) Critical judgements in applying the Association's accounting policies
The following are the significant management judgements made in applying the accounting policies of the Association that have the most significant effect on the financial statements;

Classification of housing properties (Notes 10a and 10c)
The Association has undertaken a detailed review of the intended use of its housing properties portfolio. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. Where the Association has determined that its housing portfolio is held for social benefit purposes it has been accounted under the requirements of FRS 102 section 17. Where the Association has deemed that the properties are not held for social benefit purposes these properties have been classified as investment properties and therefore have been accounted for under FRS 102 section 16.

Capitalisation of property development costs (Notes 10a and 10c)
Distinguishing the point at which a project is considered to be more likely to continue, and therefore recognised as an asset, allowing capitalisation of development costs requires judgement. After capitalisation management monitors the project and considers whether events indicate that an impairment review is required. Where a project is considered not to continue and therefore be aborted, the costs relating to that project are expensed within the Statement of Comprehensive Income.

Determining whether an impairment review is required (Note 10a)
Indicators of impairment are applied in determining whether there is impairment in respect of an asset or association of assets owned by the Association. Indicators include: changes in government policy, a reduction in the market value of properties where the occupant has the right to acquire, a reduction in the demand for a property, obsolescence of a property or contamination of a site. Impairment is tested at income generating unit (IGU) level which, for B3Living is at scheme level.

2. (b) Principal Accounting Policies Judgements and Accounting Estimates (continued)

Determining whether an impairment review is required (Note 10a) (continued)

Impairment is assessed by comparing the carrying value of the asset against its recoverable amount. The recoverable amount is the higher of value in use or fair value as represented by existing use value social housing (EUV-SH), value in use (VIU) or value in use service potential (VIU-SP). The EUV-SH, VIU and VIU-SP to be used require management judgement.

Determining whether a debt instrument satisfies the requirement to be treated as basic (Note 15)
Judgement is required to determine whether a debt instrument satisfies the requirements in FRS 102 Paragraph 11.9 to be treated as basic. For debt instruments to be classified as basic financial instruments the interest must be a positive amount or positive rate, at market rates. They should not be index linked excluding RPI and the lender cannot unilaterally amend interest rates. Debt instruments are utilised to provide long term funding for the Association's operations and not for speculative trading. Facilities with two-way break clauses are judged to be basic. The capital structure of the Association includes bond and loan funding from lenders which are judged to be basic financial instruments.

Determining the fair value of other debt instruments (Note 15)
Financial instruments that do not meet the definition of being basic under FRS 102 have to be measured at fair value using a hierarchy of estimates which prioritises quoted prices in an active market, then recent transactions of identical assets and finally the use of valuation techniques. In applying this hierarchy, management have to apply a significant amount of judgement and where available deem the best estimate of fair value of any one debt instrument to be the exit prices quoted by the respective counterparty.

ii) Key accounting estimates and assumptions
The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Housing property impairment
Housing properties are reviewed for impairment to determine whether an impairment trigger is deemed to have occurred. Where there is an impairment trigger and evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus. Impairment is assessed by comparing the carrying value to the recoverable amount.

The recoverable amount is the higher of: fair value less costs to sell as represented by EUV-SH, VIU, and VIU-SP. If the carrying value is greater than the recoverable amount then an impairment charge is made. VIU and VIU-SP require management estimates of timing of cash flows, discount rate and life of the asset and EUV-SH is underpinned by judgements and estimates made by independent valuers (see Note 10a).

Depreciation of housing properties
Components of housing properties are depreciated over their useful economic lives which are determined by the length of time the individual component will be used before it is replaced. The management judges the economic lives of the components estimates based on the historic replacement cycles and the historic component performance.

Components are determined by management using the largest elements of the properties by cost which can be separately identified as assets in their own right (see Note 10a).

2. (b) Principal Accounting Policies Judgements and Accounting Estimates (continued)

Housing property cost allocation
Where a scheme under construction is a mixed tenure scheme, the total costs of the scheme are split using a suitable method such as floor area or rental yield between the various elements such as tangible housing asset, invest property and stock. The allocation of the cost of low cost home ownership schemes under construction between stock and housing properties is determined by looking at the predicted amount to be sold as a first tranche sale. This predicted amount is based on the likely demand for the scheme (see Note 10a).

Investment properties fair value estimation
The independent valuer uses a valuation technique based on a discounted cash flow model to ascertain the fair value. The fair value of the investment property is sensitive to annual inflation rates, the level of rent increases, the estimated yield and long term vacancy rates. The key assumptions used to determine the fair value of investment property are further explained (see note 10c).

Other fixed assets
Other fixed assets are depreciated over their useful economic lives, which are determined by the length of time the asset is expected to be in use (see Note 10b).

Stock – Properties for sale
Stock is carried in the Statement of Financial Position at the lower of cost and fair value less costs to complete and sell. Fair value less costs to sell is based on the estimated selling price less selling costs such as marketing costs. Estimated selling prices are based on estimates of similar properties in the same location and traded in an optimum market where demand and supply assumes perfect market conditions.

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

	Turnover	Cost of Sales	Operating expenditure	Total Operating surplus 2017	Total Operating surplus 2016
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 3b)	25,197	-	(13,859)	**11,338**	10,137
Other social housing activities:					
First tranche low cost home ownership sales	550	(471)	-	**79**	597
Supporting people	86	-	(86)	**-**	-
Total other social housing activities	**25,833**	**(471)**	**(13,945)**	**11,417**	**10,734**
Activities other than social housing					
Commercial rent	85	-	-	**85**	-
Other	571	-	(593)	**(22)**	(75)
Total non-social housing activities	**656**	**-**	**(593)**	**63**	**(75)**
Total	**26,489**	**(471)**	**(14,538)**	**11,480**	**10,659**

3b. Income and Expenditure from Social Housing Lettings

Particulars of income and expenditure	General Housing	Sheltered Housing	Low Cost Home Ownership	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000
Income					
Rent receivable net of identifiable service charge	21,453	2,122	507	**24,082**	23,446
Service charge income	818	81	-	**899**	946
Net rental income	**22,271**	**2,203**	**507**	**24,981**	**24,392**
Amortised government grants	164	-	52	**216**	102
Turnover from Social Housing Lettings	**22,435**	**2,203**	**559**	**25,197**	**24,494**
Operating expenditure					
Management	(3,673)	(419)	(559)	**(4,651)**	(4,663)
Service charge costs	(2,480)	(245)	-	**(2,725)**	(2,845)
Responsive maintenance	(1,734)	(171)	-	**(1,905)**	(2,117)
Planned cyclical maintenance	(1,055)	(104)	-	**(1,159)**	(1,631)
Bad debts	(120)	-	-	**(120)**	2
Depreciation on housing properties	(2,896)	(286)	-	**(3,182)**	(3,012)
Other costs	(106)	(11)	-	**(117)**	(91)
Operating expenditure on Social Housing Lettings	**(12,064)**	**(1,236)**	**(559)**	**(13,859)**	**(14,357)**
Operating surplus on Social Housing Lettings	**10,371**	**967**	**-**	**11,338**	**10,137**
Voids losses	**142**	**142**	**-**	**284**	**235**

3c. Segmental Reporting

	General Housing	Sheltered Housing	Low Cost Home Ownership	Other	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable net of identifiable service charge	21,453	2,122	507	85	**24,166**	**23,446**
Service charge income	818	81	-	-	**899**	**946**
Net rental income	**22,271**	**2,203**	**507**	**85**	**25,066**	**24,392**
Amortised government grants	164	-	52	-	**216**	**102**
Other revenue grants	-	-	-	79	**79**	**-**
Management fees	-	-	-	492	**492**	**481**
Supporting people income	-	-	-	86	**86**	**65**
Sales income - Stock	-	-	550	-	**550**	**3,853**
Turnover	**22,435**	**2,203**	**1,109**	**742**	**26,489**	**28,893**
Operating expenditure						
Cost of Sales - Stock	-	-	(471)	-	**(471)**	**(3,256)**
Management	(3,673)	(419)	(559)	(492)	**(5,143)**	**(5,219)**
Service charge costs	(2,480)	(245)	-	-	**(2,725)**	**(2,845)**
Responsive maintenance	(1,734)	(171)	-	-	**(1,905)**	**(2,117)**
Planned cyclical maintenance	(1,055)	(104)	-	-	**(1,159)**	**(1,631)**
Bad debts	(120)	-	-	-	**(120)**	**2**
Depreciation on properties	(2,896)	(286)	-	-	**(3,182)**	**(3,012)**
Supporting people costs	-	-	-	(86)	**(86)**	**(65)**
Development costs	-	-	-	(22)	**(22)**	**-**
Other costs	(106)	(11)	-	(79)	**(196)**	**(91)**
Operating expenditure	**(12,064)**	**(1,236)**	**(1,030)**	**(679)**	**(15,009)**	**(18,234)**
Segmental Operating Surplus	**10,371**	**967**	**79**	**63**	**11,480**	**10,659**
Disposal of housing properties	266	-	196	133	**595**	**211**
Interest receivable	52	-	3	-	**55**	**250**
Interest payable	(4,756)	-	(267)	(221)	**(5,244)**	**(5,312)**
Increase in valuation of investment properties	-	-	-	495	**495**	**-**
Segment Surplus for the year	**5,933**	**967**	**11**	**470**	**7,381**	**5,808**
Tangible fixed assets						
Social housing properties	149,774	-	8,394	-	**158,168**	**142,772**
Investment properties	-	-	-	3,277	**3,277**	**1,620**
Other fixed assets	-	-	-	3,274	**3,274**	**3,407**
	149,774	**-**	**8,394**	**6,551**	**164,719**	**147,799**

3d. Accommodation owned and in management

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

	March 2017	March 2016
	No.	**No.**
Social housing owned and managed by Association:		
General needs housing	2,838	2,856
Affordable rent	504	447
Supported housing/housing for older people	319	325
Low cost home ownership	179	183
Leaseholders	673	673
Intermediate rented	4	4
Rent to Homebuy	2	4
Total social housing owned and managed	**4,519**	**4,492**
Social housing owned but managed by others	49	48
Total social housing owned	**4,568**	**4,540**
Non-social housing owned:		
Market rented	2	2
Leased to other Associations	103	103
Total non-social housing owned	**105**	**105**
Total housing owned	**4,673**	**4,645**

4. Operating Surplus

This is arrived at after charging/ (crediting):

	March 2017	March 2016
	£'000	**£'000**
Auditors' remuneration (excluding VAT):		
In their capacity as auditors	16	18
Operating lease payments (includes one-off onerous lease provision)	505	226
Depreciation:		
Tangible Fixed Assets - housing properties	3,184	3,012
Accelerated depreciation on component - tangible fixed assets	102	100
Other fixed assets	231	362
Surplus on sale of fixed assets	595	211

5. Surplus on sale of fixed assets – housing properties

	Right To Buy	Others	March 2017	March 2016
	£'000	£'000	£'000	£'000
Proceeds of sales	907	477	1,384	4,449
Less: Cost of sales	(394)	(395)	(789)	(3,739)
Transfer to Disposal Proceeds Fund	-	-	-	(499)
Surplus on sale of fixed assets	**513**	**82**	**595**	**211**

6. Interest receivable and similar income

	March 2017	March 2016
	£'000	£'000
Interest receivable and similar income	55	250

7. Interest payable and similar charges

	March 2017	March 2016
	£'000	£'000
On loans wholly or partly repayable in more than five years	5,599	5,593
Costs associated with financing	139	141
On recycled capital grant fund and disposable proceeds funds	1	3
Less: Interest capitalised***	(564)	(521)
	5,175	**5,216**
Unwinding of SHPS discount factor (Note 29)	**2**	**1**
Deferred benefit pension charge (Note 29)		
Interest on pension scheme liabilities	451	436
Expected return on employer assets	(384)	(341)
	67	**95**
Total Interest payable and similar charges	**5,244**	**5,312**

***The weighted average interest on borrowing of 3.4 % (2016: 3.6%) was used for calculating capitalised interest.

8. Tax on surplus

(a) Analysis of tax charge in year	**March 2017**	**March 2016**
	£'000	**£'000**
UK corporation tax on surplus	-	-

(b) Factors affecting tax charge for the year	**March 2017**	**March 2016**
	£'000	**£'000**
Surplus before tax	7,381	5,808
Surplus multiplied by corporation tax rate in the UK of 19% (2016: 20%)	1,402	1,162
Effects of:		
Non-taxable charitable activities	(1,402)	(1,162)
Total tax charge	-	-

9. Employee Information

Average monthly number of employees:	**March 2017**	**March 2016**
	No.	**No.**
Resources/Administration/Chief Executive	13	14
Development	8	7
Housing/Business Services/People and Community Development	112	103
Send and Mend (Direct Labour Organisation (DLO))	61	62
	194	**186**

Average monthly number of employees expressed in full time equivalents of 37 hours per week:	**March 2017**	**March 2016**
	No.	**No.**
Resources/Administration/Chief Executive	12	11
Development	8	5
Housing/Business Services/People and Community Development	87	93
Send and Mend (Direct Labour Organisation (DLO))	57	53
	164	**162**

Employee costs:	**March 2017**	**March 2016**
	£'000	**£'000**
Wages and salaries	5,142	5,270
Social security costs	522	465
Other pension costs	702	638
Termination payment	223	79
Less: Capitalised Salaries	(1,257)	(1,167)
	5,332	**5,285**

9a. Employee Information (continued)

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000:	March 2017	March 2016
	No	**No**
£60,000 to £69,000	7	4
£70,000 to £79,000	1	3
£80,000 to £89,999	-	-
£100,000 to £109,999	-	-
£110,000 to £119,999	-	-
£120,000 to £129,999	2	1
£130,000 to 139,999	2	3

The Association's employees are members of the various pension schemes as detailed on pages 51 to 57.

9b. Board Members and Executive Directors

	Basic salary	Benefits in kind	Pension contributions	March 2017 Total	March 2016 Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Board Members					
Sandra Royer – Chair	8	-	-	8	8
Mark Davies	4			4	3
Karen Forbes-Jackson	6	-	-	6	6
Chris Fawcett	5	-	-	5	5
Stewart Heath	3	-	-	3	6
Chris Herbert	3	-	-	3	3
Anne Shearman	3	-	-	3	3
Camelia Borg	3	-	-	3	3
Tony Infantino	3	-	-	3	3
	38	**-**	**-**	**38**	**40**
Executive Directors					
Chief Executive*	122	-	16	**138**	136
Director of Resources	101	8	-	**109**	137
Director of Development & Asset Management	101	9	22	**132**	125
Director of Operations	96	8	21	**125**	130
Director of People Services*	-	-	-	-	84
	420	**25**	**59**	**504**	**612**
Total	**458**	**25**	**59**	**542**	**652**

The above list of Board members reflects the members during the year to 31st March 2017. 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, which is also the definition of key management personnel.

*The Chief Executive started in May 2016. No pension contributions were made by B3Living for the Chief Executive in the year ending March 2016. The Director of People Services was employed for part of the year 2015/16.

10a. Tangible Fixed Assets Housing Properties

	Completed social housing properties held for letting	Social housing properties under construction	Low cost home ownership properties under construction	Completed low cost home ownership housing properties	Total 2017
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2016	141,350	8,170	367	5,591	155,478
Change of Tenure	680	(3,466)	2,786	-	-
Additions during year	-	18,168	571	-	18,739
Improvements	1,847	-	-	-	1,847
Schemes completed in year	6,369	(6,369)	(980)	980	-
Transfer to investment properties	(442)	-	(737)	-	(1,179)
Transfers	142	-	-	(142)	-
Disposals	(700)	-	-	(42)	(742)
Component Disposals	(65)	(20)	-	-	(85)
At 31 March 2017	**149,181**	**16,483**	**2,007**	**6,387**	**174,058**
Depreciation & impairment					
At 1 April 2016	(12,706)	-	-	-	(12,706)
Charged in year	(3,249)	-	-	-	(3,249)
Transfer to market rents	17	-	-	-	17
Component Disposals	18	-	-	-	18
Disposals	30	-	-	-	30
At 31 March 2017	**(15,890)**	**-**	**-**	**-**	**(15,890)**
Net book value					
At 31 March 2017	**133,291**	**16,483**	**2,007**	**6,387**	**158,168**
At 31 March 2016	**128,644**	**8,170**	**367**	**5,591**	**142,772**

Additions to the Association's housing properties during the year include capitalised interest of £564k (2016: £521k) and capitalised administration costs of £353k (2016: £279k).

Existing Use Value - Social Housing
As at 31 March 2017 the valuation for social housing properties on an Existing Use Value - Social Housing (EUV-SH) basis is £249m (2016: £234m). The carrying amount of these social housing properties is £140m (2016: £134m).

Below is an analysis of the expenditure on works to existing properties:

Expenditure on works to existing properties	March 2017	March 2016
	£'000	**£'000**
Amounts capitalised	1,847	4,183
Amounts charged to income and expenditure account	3,064	3,748
Total	**4,911**	**7,931**

10b. Tangible Fixed Assets – (continued)

Other Fixed Assets

	Leasehold Offices	Freehold Offices	Furniture, Fixtures & Fittings	IT & Office Equipment	Motor vehicles	Plant & Equipment	Total 2017
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost							
At 1 April 2016	63	3,099	312	2,514	72	131	**6,191**
Additions during year	-	20	1	47	20	10	**98**
Disposals	-	-	-	-	-	-	**-**
At 31 March 2017	**63**	**3,119**	**313**	**2,561**	**92**	**141**	**6,289**
Depreciation & impairment							
At 1 April 2016	(41)	(57)	(268)	(2,286)	(42)	(90)	**(2,784)**
Charged in year	(22)	(47)	(19)	(119)	(12)	(12)	**(231)**
At 31 March 2017	**(63)**	**(104)**	**(287)**	**(2,405)**	**(54)**	**(102)**	**(3,015)**
Net book value							
At 31 March 2017	**-**	**3,015**	**26**	**156**	**38**	**39**	**3,274**
At 31 March 2016	**22**	**3,042**	**44**	**228**	**30**	**41**	**3,407**

10c. Tangible Fixed Assets – Investment Properties

	Market rented under construction	Completed Market rented**	Commercial	Total 2017	Total 2016
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At start of year	**-**	**-**	1,620	**1,620**	**-**
Additions	737	-	-	**737**	**1,620**
Transfers from Social Housing	-	425	-	**425**	**-**
Increase in valuation	-	315	180	**495**	**-**
At the end of the year	**737**	**740**	**1,800**	**3,277**	**1,620**

Market rented

At the reporting date market rent properties under construction were carried at their costs to date in line with the Association's accounting policy of carrying work in progress investment properties at their development costs to date. There was no impairment trigger at year end so there is no impairment charge recognised against market rented properties.

The completed market rented properties were transferred from social housing assets and were valued at year end by independent external valuers. Completed market rented properties were valued by Derrick Wade Waters Chartered Surveyors in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

The market valuations have been prepared using the comparative method of valuation which is a market based method. This approach is consistent with the market approach iterated in IVS 230. The market based approach used relies first, on identification of transactional evidence in the market, that is the sales and lettings; second, an interpretation of that evidence; and third, an application of that evidence, with suitable adjustment per the valuer's judgement, in the valuation of the property.

10c. Tangible Fixed Assets – Investment Properties (continued)

Commercial properties
Investment properties were valued at 31 March 2017 by Paul Wallace who are professionally qualified local independent valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

In valuing the properties the following significant assumptions were used:

Discount rate	7%
Annual inflation rate	1%

Level of long term rent increase
Rent increases relate solely to market value. There is an indication that office rents are increasing slightly in the foreseeable future but as yet firm evidence does not exist.
As at 31 March 2017 and 31 March 2016 there were neither restrictions on the realisability of investment property income nor on the contractual obligations relating to purchase, construction, development, repair or maintenance of investment properties.

10d. Investments in joint ventures

The Association has an investment in a joint venture in Plutus Estates (WGC) Limited, a company registered by shares and incorporated in England and Wales. The company is a non HCA regulated entity. The Association owns 50% of the net assets of this joint venture and it does have joint control on the strategic direction of the company and has joint influence in appointing directors for the company. The income from the company was £nil as at 31 March 2017 (2016: £nil).

Below is an analysis of the investment in the in the joint venture:

Joint venture entity	Joint venture partners	B3Living's voting rights
Plutus Estates (WGC) Limited	Fooks Property Company and Plutus Estates	50%

	March 2017	March 2016
	£'000	£'000
Investment in joint venture	2,081	-

The investment in joint venture is as follows:

	March 2017	March 2016
	£'000	£'000
As at 1 April	-	-
Additions	2,081	-
As at 31 March	**2,081**	**-**

Joint ventures are carried in the statement of financial position at historic cost. The Association has a commitment to invest up to £5m in total in the joint venture.

11. Stock – Properties for sale

	March 2017	March 2016
	£'000	**£'000**
Low cost home ownership - completed	-	378
Low cost home ownership – work in progress	1,635	-
Outright sales - completed	-	-
Outright sales - work in progress	4,263	-
	5,898	**378**

Stock recognised in cost of sales as an expense was £471k (2016: £3,256k).
There is no impairment on the stock recognised in the accounts (2016: £nil).
None of the stock is pledged as collateral against borrowing by the Association (2016: £nil).

12. Trade debtors and debtors

	March 2017	March 2016
	£'000	**£'000**
Rent arrears	1,013	1,177
Less: provision for bad debts	(271)	(276)
	742	**901**
Prepayment and accrued income	609	461
Other debtors	716	1,060
	2,067	**2,422**
Long term debtors		
Loan to joint arrangement	2,940	-
	5,007	**2,422**

13. Cash and cash equivalents

	March 2017	March 2016
	£'000	**£'000**
Cash in hand and at bank	1,929	11,929
Cash held for leaseholders and low cost home ownership	254	178
Money market deposits	-	5,000
Short term liquid investments	-	1,000
	2,183	**18,107**

Of the £2,183k (2016: £18,107k) cash and cash equivalents, £254k (2016: £178k) is not available for general use. The unavailable cash is made up of the sinking fund for leaseholders future major repairs £155k (2016: £134k) and Epping Council's share of the Open Market low cost home ownership units £99k (2016: £44k).

None of the cash is held as collateral against the borrowing by the Association.

14. Creditors: Amounts Falling Due Within One Year

	March 2017	March 2016
	£'000	**£'000**
Trade creditors	1,218	886
Rent and service charges received in advance	436	726
Taxation and social security	129	135
Accruals and deferred income	2,309	6,686
Deferred grants to due to be released in 1 year (note 17)	154	-
Disposal proceeds fund (note 18b)	656	99
SHPS pension agreement plan (note 29)	10	10
Other creditors	525	304
	5,437	**8,846**

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

	March 2017	March 2016
	£'000	**£'000**
Debt (note 16)	132,000	125,000
Less Issue costs	(1,688)	(1,809)
	130,312	123,191
Deferred Capital Grant (note 17)	11,527	10,906
Recycled capital grant fund (note 18a)	10	31
Disposal proceeds fund (note 18b)	230	940
SHPS pension agreement plan (note 29)	89	93
	142,168	**135,161**

*The Association acquired a £30m revolving credit facility with Lloyds Bank plc in 2016. The facility has an undrawn balance of £23m as at 31 March 2017 (2016: £30m). £7m was drawn down during the year.

16. Debt Analysis

	March 2017	March 2016
	£’000	**£’000**
Loan repayable by instalments		
Within one year	-	-
Between one and two years	-	-
Between two and five years	-	-
After five years	125,000	125,000
Loan not repayable by instalments		
Within one year	-	-
Between one and two years	-	-
Between two and five years	7,000	-
After five years	-	-
	132,000	**125,000**

16. Debt Analysis – Nominal values (continued)

The Association has a £68m amortising bond issued at 4.823% in January 2013 and a £57m amortising note purchase agreement issued at 3.778% in February 2015. The £68m bond will start to amortise from January 2029 and the £57m note purchase agreement will start to amortise from April 2039. Both will amortise on a straight line basis.

On 6 May 2015, the Association entered into a £30m revolving credit facility agreement. The facility has an undrawn balance of £23m at the year end as the Association drew down £7m during the year.

All loans are secured against individual properties of the Association and fall within the scope of FRS 102 section 11. Therefore, they are all basic financial instruments and are being carried at amortised cost.

Financial liabilities as at 31 March 2017

	Effective interest rate	Total carrying amount	Within 1	2	1-2	2-3	3-4	4-5	Over 5
			Year	Year	Year	Year	Year	Year	Year
	%	£000	£000	£000	£000	£000	£000	£000	£000
Revolving Credit Facility	1.643	7,000	-	-	-	-	-	7,000	-
Bond Stock									
Fixed rate	4.823	68,000	-	-	-	-	-	-	68,000
Fixed rate	3.778	57,000	-	-	-	-	-	-	57,000
		132,000	**-**	**-**	**-**	**-**	**-**	**7,000**	**125,000**

Financial liabilities as at 31 March 2016

	Effective interest rate	Total carrying amount	Within 1	2	1-2	2-3	3-4	4-5	Over 5
			Year	Year	Year	Year	Year	Year	Year
	%	£000	£000	£000	£000	£000	£000	£000	£000
Revolving Credit Facility	1.643	-	-	-	-	-	-	-	-
Bond Stock									
Fixed rate	4.823	68,000	-	-	-	-	-	-	68,000
Fixed rate	3.778	57,000	-	-	-	-	-	-	57,000
		125,000	**-**	**-**	**-**	**-**	**-**	**-**	**125,000**

Debt Analysis (continued)

	March 2017	March 2016
	£'000	**£'000**
Analysis of debt (Note 15)		
Bond	125,000	125,000
Revolving Credit Facility	7,000	-
	132,000	**125,000**

17. Deferred Capital Grant

	March 2017	March 2016
	£'000	**£'000**
At start of the year	10,906	8,912
Grant received in the year	478	2,094
Transfers from recycled capital grants and disposal proceeds funds	220	-
Transfers to recycled capital grants and disposal proceeds funds	(48)	-
Amortised during the year	(216)	(100)
Reclassification	337	-
Other	4	-
At the end of the year	**11,681**	**10,906**
Amount due to be released < 1 year	154	-
Amount due to be released > 1 year	11,527	10,906
	11,681	**10,906**

As at 31 March 2017, £659k of capital grants had been amortised (2016: £447k).

18 a) Recycled capital grant fund

	March 2017	March 2016
	£'000	**£'000**
At start of the year	31	31
Inputs to RCGF:		
Grants recycled	48	-
Interest accrued	1	-
At the end of the year	**80**	**31**
Recycling of grant:		
New build	(70)	-
At the end of the year	**10**	**31**
Amount three years or older where repayment may be required	-	-

18b) Disposal proceeds fund

	March 2017	March 2016
	£'000	**£'000**
At start of the year	1,039	710
Inputs to DPF:		
Net Right to buy receipts	-	499
Interest accrued	(3)	2
	1,036	**1,211**
Use/allocation of funds:		
New build	(150)	(172)
At end of year	**886**	**1,039**
Amounts three years old or older where repayment may be required	-	-

19. Capital Commitments

	March 2017	March 2016
	£'000	**£'000**
Capital expenditure that has been contracted for but has not been provided for in the financial statements	32,393	9,851
Capital expenditure that has been authorised by the Board but has not yet been contracted for	6,489	12,684
	38,882	**22,535**
The Association expects these commitments to be financed by:		
Social Housing Grant	689	950
Proceeds from the sales of properties	15,008	7,485
Committed loan facilities	23,185	14,100
	38,882	**22,535**

The expenditure authorised by the Board but not contracted is in respect of new build housing.

The Association expects that these commitments will be financed internally from cash generated from trading and grant funding with the balance coming from the revolving credit facility. The Association has sufficient funding headroom to meet all its obligations and commitments.

20. Operating Leases

At 31 March 2017 the Association had commitments of future minimum lease payments as follows:

	March 2017	March 2016
	£'000	**£'000**
Land and Buildings		
Less than one year	5	5
More than one year and less than two years	4	5
In two years or more and less than five years	-	4
In five years or more	-	-
	9	**14**
Others:		
Less than one year	35	161
More than one year and less than two years	202	-
In two years or more and less than five years	294	220
In five years or more	-	-
	531	**381**
	540	**395**

The lease on buildings relates to Holdbrook Court, and this is due to expire in February 2019.
The operating leases relate to various head office machinery.

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

	March 2017	March 2016
	£'000	£'000
Surplus for the year	**6,295**	**6,949**
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,480	3,370
Write offs and disposals	(61)	1,504
(Increase) / Decrease in stock	(5,520)	1,397
Decrease / (Increase) in trade and other debtors	76	(175)
(Decrease) / Increase in trade and other creditors	(3,563)	867
(Decrease) / Increase in provisions	(1,372)	75
Pensions Gains / (Losses)	1,086	(843)
Surplus / (Loss) on disposals and sales	595	(211)
(Increase) in valuation of investment properties	(495)	-
Amortised government grant	(216)	(102)
Interest payable	5,244	5,312
Interest received	(55)	(250)
Net cash generated from operating activities	**5,494**	**17,893**

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

	March 2017	March 2016
	£'000	£'000
Decrease in cash	(15,924)	(2,977)
Cash inflow from increase in net debt and lease finance	(7,000)	-
Increase in net debt from cash flows	**(22,924)**	**(2,977)**
Total changes in net debt for the period:		
Net debt at 1 April	(106,893)	(103,916)
Net debt at 31 March	**(129,817)**	**(106,893)**

23. Analysis of Net Debt

	1 April 2016	Cash Flow	31 March 2017
	£'000	£'000	£'000
Cash at bank and in hand	18,107	(15,924)	2,183
Bank overdraft	-	-	-
Changes in cash	18,107	(15,924)	2,183
Bond Issue	(125,000)	-	(125,000)
Housing loans	-	(7,000)	(7,000)
Changes in debt	**(106,893)**	**(22,924)**	**(129,817)**
Changes in net debt	**(106,893)**	**(22,924)**	**(129,817)**

24. Financial Liabilities

Borrowing facilities
The facilities available at 31 March 2017 in respect of which all conditions precedent had been met were as follows:

	March 2017	March 2016
	£'000	**£'000**
Expiring in one year or less	-	-
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	155,000	125,000
	155,000	**125,000**

At the reporting date the Association's loan drawn down facilities and bond issued were £132m (2016: £125m). This is made up of £68m bond raised in January 2013, £57m note purchase agreement raised in February 2015 and £7m revolving credit facility drawn down during the year.

The Association had a £23m unutilised revolving credit facility at the year end (2016: £30m).

25. VAT Development Agreement

The Association was party to a stock transfer agreement of 3,500 housing properties from Broxbourne Borough Council on 23 January 2006 and 91 properties from London Borough of Haringey on 25th March 2013.

Broxbourne Borough Council
As part of the transfer agreement, 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 result of this both an asset and a liability has been recognised in the statement of financial position on an amortising basis until the end of the transfer arrangement. At 31 March 2017 the gross values of the balances that had been offset, have been reduced to £9,365k (March 2016: £11,915k). VAT arising on the works during the period totalled £425k (March 2016: £486k).

London Borough of Haringey
The Association was party to a transfer of 91 of housing properties from London Borough of Haringey on 25th March 2013 with an obligation to carry out works pursuant to the development. At the point of the transfer of the properties the gross values of the balances of £3,581k have been recognised as both an asset and liability in the statement of financial position. At 31 March 2017 the gross values of the balances have been reduced to £1,601k (March 2016: £1,712k) with VAT arising on the works during the period totalling £19k (March 2016: £118k).

26. Non-Equity Share Capital

	March 2017	March 2016
	No.	**No.**
Shares of £1 each issued and fully paid		
At start of year	9	9
Issued during year	1	-
Redeemed	(1)	-
At end of year	**9**	**9**

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

27. Income and Expenditure Reserves

	March 2017	March 2016
	£'000	**£'000**
At start of year	22,191	15,242
Surplus during the year	7,381	5,808
Actuarial (losses)/gains	(1,086)	1,141
At end of year	**28,486**	**22,191**

28. Related Party Transactions

The Board had two tenant members during part of the year who hold tenancy agreements on normal terms and cannot use their position to their advantage. Total rent charged to the Tenant Board members was £6.7k (2016: £9.6k). There were no arrears on their tenancies during the reporting period ending 2017 (2016: £nil).

29. 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). The Association also participates in the Group Personal Pension Scheme which is a defined contribution scheme.

Social Housing Pension Scheme (SHPS)

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 FRS 102 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.

29. Pensions (continued)

Social Housing Pension Scheme (SHPS) (continued)

The last formal valuation of the Scheme was performed as at 30 September 2014 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £3,123m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,323m, equivalent to a past service funding level of 70%.

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 2016. As of this date the estimated employer debt for B3Living was £2,447,258.

The Association is party to a deficit reduction plan for the SHPS deficit and the liability is fully recognised in the Statement of Financial Position. At the reporting date £99k (2016: £103k) was disclosed in Statement of Financial Statements as a liability. The liability of £99k (2016: £103k) is split between Creditors: Amounts falling due within one year in note 14 of £10k (2016: £10k) and Creditors: Amounts falling due after more than one year in note 15 of £89k (2016: £93k).

Below is the reconciliation of the SHPS deficit reduction provision which was recognised in the Statement of financial position within both Creditors: Amounts falling due within one year and Creditors: Amounts falling due after more than one year:

RECONCILIATION OF OPENING AND CLOSING PROVISIONS	Year Ending 31 March 2017 £'000	Year Ending 31 March 2016 £'000
Provision at start of period	104	41
Unwinding of the discount factor (interest expense)	2	1
Deficit contribution paid	(10)	(3)
Re-measurements - impact of any change in assumptions	3	(1)
Re-measurements - amendments to the contribution schedule	-	65
Provision at end of period	**99**	**103**

Below are the amounts recognised as expenses in the Statement of Comprehensive Income. The costs arising from re-measurements are shown as part of management costs and unwinding of the discount factor is shown as an interest expense:

	Year Ending 31 March 2017 £'000	Year Ending 31 March 2016 £'000
Unwinding of the discount factor (Interest expense)	2	1
Re-measurements – impact of any change in assumptions	3	(1)
Re-measurements – amendments to the contribution schedule	-	65
Contributions paid in respect of future service	-	-
Cost recognised income and expenditure account	-	-

ASSUMPTIONS	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.33	2.06	1.92

29. Pensions (continued)

Hertfordshire County Council Pension Fund (HCCPF)
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. Below are the net pension provision provided in the Statement of Financial Position

	Year Ending 31 March 2017 £'000	Year Ending 31 March 2016 £'000
Total net pension liability	3,006	1,935

Below is the three year analysis of the net pension liabilities:

	31 March 2017	31 March 2016	31 March 2015
Fair value of assets	12,206	10,969	10,485
Value placed on liabilities	(15,212)	(12,904)	(13,477)
Total net pension liability	**(3,006)**	**(1,935)**	**(2,992)**

The major assumptions used by the actuary were:

Employer membership statistics	Number 31 Mar 2016	Total Salaries / Pensions 31 Mar 2016 £'000	Average Age 31 Mar 2016
Actives	34	1,282	53
Deferred Pensioners	21	48	53
Pensioners	29	278	63

Payroll	Year Ending 31 March 2017 £'000	Year Ending 31 March 2016 £'000
Assumed Total Pensionable Payroll based on Information Provided	1,112	1,384

Investment returns

The return on the Fund in market value terms for the period to 31 March 2017 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. Details are given below:

Actual Returns from 1 April 2016 to 31 December 2016	13.5%
Total Returns from 1 April 2016 to 31 March 2017	18.1%

29. Pensions (continued)

Hertfordshire County Council Pension Fund (HCCPF) (continued)

The major categories of plan assets as a percentage of total plan assets

The split of investments by category is as at 31 December 2015. Using this information and allowing for index returns on each asset category between 31 December 2015 and 31 March 2016, the estimated split of assets is as shown below:

Period Ended	31 March 2017	31 March 2016
Equities	65%	63%
Bonds	25%	26%
Property	7%	8%
Cash	3%	3%

The estimated bid value of the Fund's assets as at 31 March 2017 is £4,252,000,000.

Financial Assumptions as at:	31 Mar 2017 % p.a.	31 Mar 2016 % p.a.
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	2.5%	3.7%
Discount Rate	2.6%	3.5%

Mortality – Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2013 model assuming current rates of improvement have peaked and will converge to a long term rate 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.5 years	24.9 years
Future Pensioners*	24.1 years	26.7 years

* Figures assume members aged 45 as at the last formal valuation date.

Life expectancies for the prior period end are based on the Fund's Vita Curves. The allowance for future life expectancies are shown below:

Period Ended	Prospective Pensioners	Pensioners
31 Mar 2016	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25%	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25%

The mortality assumptions are identical to those used in the previous accounting period.

Historic Mortality

For unfunded liabilities as at 31 March 2017, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

29. Pensions (continued)

Hertfordshire County Council Pension Fund (HCCPF) (continued)

The changes in the fair value of Plan Assets, Defined Benefit Obligation and Net Liability for year end:

Period ended 31 March 2017	**Assets £'000**	**Obligations £'000**	**Net (liability) / asset £'000**
Fair value of plan assets	10,969	-	10,969
Present value of funded liabilities	-	12,904	(12,904)
Opening Position as at 31 March 2016	**10,969**	**12,904**	**(1,935)**
Service cost			
Current service cost*	-	292	(292)
Total Service Cost	**-**	**292**	**(292)**
Net interest			
Interest income on plan assets	384	-	384
Interest cost on defined benefit obligation	-	451	(451)
Total net interest	**384**	**451**	**(67)**
Total defined benefit cost recognised in Profit or (Loss)	**341**	**743**	**(513)**
Cashflows			
Plan participants' contributions	81	81	-
Employer contributions	374	-	374
Benefits paid	(406)	(406)	-
Expected closing position	**11,402**	**13,322**	**(374)**
Remeasurements			
Changes in demographic assumptions	-	(154)	154
Changes in financial assumptions	-	2,091	(2091)
Other experience	-	(47)	47
Return on assets excluding amounts included in net interest	804	-	(804)
Changes in asset ceiling	-	-	-
Total remeasurements recognised in Other Comprehensive Income	**804**	**1,890**	**(1,086)**
Fair value of plan assets	12,206	-	12,206
Present value of funded liabilities	-	15,212	(15,212)
Closing position as at 31 March 2017	**12,206**	**15,212**	**(3,006)**

* The current service cost includes an allowance for administration expenses of 0.4% of payroll.

Information about the defined benefit obligation as at 31 March 2017	**Liability split £'000**	**Liability split (%)**	**Weighted average duration at previous formal valuation**
Active members	7,090	46.6%	21.6
Deferred members	1,219	8.0%	21.5
Pensioner members	6,903	45.4%	13.6
Total	**15,212**	**100.0%**	**17.4**

The above figures are for the funded obligations only and do not include any unfunded pensioner liabilities. The durations are as they stood at the previous formal valuation as at 31 March 2017.

29. Pensions (continued)

Hertfordshire County Council Pension Fund (continued)

The changes in the fair value of Plan Assets, Defined Benefit Obligation and Net Liability for year end:

Period ended 31 March 2016	**Assets £'000**	**Obligations £'000**	**Net (liability) / asset £'000**
Fair value of plan assets	10,485	-	10,485
Present value of funded liabilities	-	13,477	(13,477)
Opening Position as at 31 March 2015	**10,485**	**13,477**	**(2,992)**
Service cost			
Current service cost*	-	418	(418)
Total Service Cost	**-**	**418**	**(418)**
Net interest			
Interest income on plan assets	341	-	341
Interest cost on defined benefit obligation	-	436	(436)
Total net interest	**341**	**436**	**(95)**
Total defined benefit cost recognised in Profit or (Loss)	**341**	**854**	**(513)**
Cashflows			
Plan participants' contributions	109	109	-
Employer contributions	429	-	429
Benefits paid	(215)	(215)	-
Expected closing position	**11,149**	**14,225**	**(3,076)**
Remeasurements			
Changes in financial assumptions	-	(1,256)	1,256
Other experience	-	(65)	65
Return on assets excluding amounts included in net interest	(180)	-	(180)
Changes in asset ceiling	-	-	-
Total remeasurements recognised in Other Comprehensive Income	**(180)**	**(1,321)**	**1,141**
Fair value of plan assets	10,969	-	10,969
Present value of funded liabilities	-	12,904	(12,904)
Closing position as at 31 March 2016	**10,969**	**12,904**	**(1,935)**

* The current service cost includes an allowance for administration expenses of 0.4% of payroll.

Projected defined benefit cost for the period to 31 March 2017

Analysis of projected amount to be charged to operating profit for the period to 31 March 2017

Period Ended 31 March 2018	**Assets £'000**	**Obligations £'000**	**Net (liability)/asset £'000**	**% of pay**
Projected Current service cost *	**-**	**446**	**(446)**	**(40.1%)**
Interest income on plan assets	320	-	320	27.8%
Interest cost on defined benefit obligation	-	398	(398)	(35.8%)
Total Net Interest Cost	**320**	**398**	**(78)**	**(7.0%)**
Total Included in Profit and Loss	**320**	**844**	**(524)**	**(47.1%)**

* The monetary value is based on a projected payroll of £1,112,000. B3Living estimated contributions for the period to 31 March 2018 is approximately £485,000.

29. Pensions (continued)

Hertfordshire County Council Pension Fund (continued)

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2017:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	1,391
1 year increase in member life expectancy	3%	456
0.5% increase in the Salary Increase Rate	2%	235
0.5% increase in the Pension Increase Rate	7%	1,135

History of experience gains and losses in the year to 31 March

Period ended 31 March 2016	2017	2016	2015
Amount recognised in the Statement of Comprehensive Income			
Amount	(359)	(513)	(567)
Percentage of the present value of pension liabilities	2.4%	4.0%	4.2%
Amount recognised in the Other Comprehensive income			
Amount	(1,086)	1,141	(874)
Percentage of the present value of pension liabilities	7.1%	8.8%	6.5%

30. Other Provisions

The Association has two other provisions for liabilities and they are analysed as follows:

	Utilities	Onerous Contract	Total 2017	Total 2016
	£'000	£'000	£'000	£'000
At start of year	573	-	573	478
Provided during the year	-	314	314	95
Released during the year	(96)	-	(96)	-
At the end of the year	**477**	**314**	**791**	**573**

Utilities

The Association has a utility contract, which has similar characteristics to a case which had an unfavourable court ruling. The Association recognised a potential liability based on the precedent resulting from the court ruling. The provision only relates to past activity and is not applicable to future activities.

Onerous Contract

The Association made a provision during the year for an onerous contract under an operating lease entered into in prior years. The contract is no longer expected to generate the economic benefits anticipated at the inception of the lease agreement.

31. Contingent Liabilities

The Association has two classes of contingent liabilities which are: obligation under the Social Housing Pension Scheme in the event of a cessation and contingent liabilities arising from amortisation of government grants.

Obligation under the Social Housing Pension Scheme in the event of a cessation

The Association has an obligation under the Social Housing Pension Scheme as at 30 September 2014, the latest triennial valuation, of an estimated employer debt of £1.3m, in the event of a cessation. No security has been provided for by the Association in connection with this liability.

Contingent liabilities arising from amortisation of government grants

The Association receives financial assistance from the HCA and the Broxbourne Borough Council in the form of government grants. These government grants are accounted for as deferred income and as long term liabilities in the Statement of Financial Position and are amortised annually to the Statement of Comprehensive Income based on the life of the build structure or building fabric that they relate to.

The amount amortised represents a contingent liability to the Association and will be recognised as a liability when the properties funded by the relevant government grant are disposed of or when the property ceases to be used for social housing purposes.

Below is the analysis of the assistance from government sources in the form of government grants:

	March 2017	March 2016
	£'000	**£'000**
Government funding received to date	12,340	11,353
Grant amortised to date (contingent liabilities)	(659)	(447)
Net Grant (Note 17)	**11,681**	**10,906**

32. Events after the end of the reporting period

The Association incorporated two subsidiaries post year end in July 2017 and these incorporations make the Association a member of a Group structure. The costs of incorporation incurred during the year such as legal, due diligence and consultation fees before the incorporation of the subsidiaries have been charged in the Association's Statement of Comprehensive Income and have not been adjusted to become inter-company receivables.

The incorporation of the subsidiaries represent an event at the end of the reporting period and have been judged to be non adjusting events so no adjustments have been made in the Association's financial statements. As a result the Association has also assumed it is not part of a Group structure when preparing the financial statements.

33. Financial instruments and financial management

Financial instruments	**March 2017**	**March 2016**
	£'000	**£'000**
Cash and cash equivalents (Note 13)	2,183	18,107
Financial assets measured at amortised cost		
Rent arrears (Note 12)	742	901
Loan to joint arrangement (Note 12)	2,940	-
Other debtors (Note 12)	716	1,060
Prepayment and accrued income (Note 12)	609	461
Total financial assets measured at amortised cost	**5,007**	**2,422**
Total financial assets	**7,190**	**20,529**
Financial liabilities measured at amortised cost		
Trade creditors (Note 14)	1,218	886
Rent and service charges received in advance (note 14)	436	726
Other Creditors (Note 14)	525	304
Accruals and deferred income (Note 14)	2,309	6,686
Recycled capital grant fund (Note 18a)	10	31
Disposal proceeds fund (Note 18b)	886	1,039
Debt (Note 15)	130,312	123,191
Total financial liabilities measured at amortised cost	**135,696**	**132,863**
Total financial liabilities	**135,696**	**132,863**

The Associations does not have financial liabilities measured at fair value as all financial liabilities meet the definition of basic financial instruments as per FRS 102 section 11.

Financial Management

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 the Board approved treasury policy. The risks related to the Association are detailed in the Report of the Board.

The Association transacts in financial instruments (both financial assets and financial liabilities) and as a result of transacting in these financial instruments there are some inherent risks associated with the transactions. These risks have both upside and downside implications to the Association.

The Association actively manages the risks arising from financial instruments and the main risks from these financial instruments are as follows:

- interest rate risk
- liquidity risk
- counter party risk
- customer credit exposure

32. Financial instruments and financial management (continued)

Interest rate risk
Interest rate risk is the risk that future cash flows of a financial instrument such as a loan will fluctuate due to changes in market interest rates.

The Association borrows from bond holders or lenders using long term financial instruments such as the use of bond issues or housing loans. The borrowing is undertaken based on the Association's long term business plans and the Board's assessment of both current and future macro-economic environments: for instance, the Board's view of the future direction of interest rate, future direction of the costs of running the business, assessment of demand and assessment of the political and legal environment.

To mitigate against interest risk exposure the Association ensures it has the right balance between fixed and variable loans in its debt portfolio. The Association has also removed some of the variability in interest rates by employing bond finance as part of the capital structure. As a result of this the Association is not heavily exposed to fluctuations in interest rates as the loans and bond finance are currently on a fixed rate of interest.

Liquidity risk
The purpose of managing liquidity risk is to ensure that the Association has sufficient cash resources to meets it financial obligations as and when they fall due, to meet the contracted development commitments and also to ensure the Association does not forgo attractive business opportunities due to lack of liquid resources or lack of cash head room. As part of liquidity management the Association ensures it has enough cash headroom in line with its' treasury policy to fund financial obligations and to take advantage of opportunities when they arise.

The Association meets its financial obligations through cash flows from operating activities such as the underlying cash from rental income streams, grants from government sources and through long term borrowing from lenders and bond issue. The Association has a treasury policy which is updated annually and approved by the Board. The treasury policy addresses issues such as funding, gearing, liquidity risk, covenant compliance and investment policy.

Cash flows are monitored on a routine basis and remedial action is taken well in advance of adverse events occurring.

Counter party risk
The Association's treasury management policy sets minimum credit ratings for counter parties on investments to reduce loss from counter party risk of default. The Association uses its primary banker Lloyds, investment counterparties or money market funds. The treasury policy is reviewed annually by the Board.

The Association is also exposed to counter party risk from the potential risk of default by our development partners or joint arrangement or joint venture partners. The Association has a procurement policy, strict investment limits and also uses development arrangements that mitigate this risk. The Association also conducts due diligence exercise on joint arrangement and joint venture partners.

Customer credit exposure
The Association is exposed to the possibility of some of our tenants not paying their rents in time or defaulting altogether. To mitigate this risk, the Association monitors arrears on a monthly basis and engages with tenants. The Association also collects deposits from tenants when they take out their tenancy agreements to mitigate this exposure.