B3 LIVING

REPORT AND FINANCIAL STATEMENTS

31 March 2018

REGULATOR OF SOCIAL HOUSING REGISTRATION NO. L4455

CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT REGISTRATION NO. 29876R

HM REVENUE AND CUSTOMS (CHARITIES DIVISION NUMBER XR92753)

Contents

Board Members, Executive Directors, Advisors and Bankers

Board

Chair	**Sandra Royer**	
Vice Chair	**Karen Forbes-Jackson**	
Other Members	**Camelia Borg**	Resigned 21 March 2018
	Joe Chambers	
	Mark Davies	
	Michael Dempsey	Co-optee from 12 September 2017
	Chris Fawcett	
	Chris Herbert	
	Tony Infantino	Resigned 16 May 2018
	Anne Shearman	

Executive Directors

Chief Executive	Joe Chambers
Resources Director	Paul Williams (retired 30 June 2017)
Finance Director	Alex Shelock (appointed 16 July 2018)
	Jo Moore (appointed 1 July 2017 and resigned 12 December 2017)
Interim Finance Director	Francesco Elia (appointed 21 December 2017 and resigned 13 July 2018)
Development & Asset Management Director	Steven Tarry
Operations Director	Simon Walton (resigned 30 June 2017)
Interim Operations Director	Francesco Elia (appointed 16 July 2018)
Company Secretary	Claire Howe (appointed 27 June 2018)
	Francesco Elia (appointed 21 December 2017 and resigned 27 June 2018)
	Jo Moore (appointed 1 July 2017 and resigned 12 December 2017)
	Paul Williams (retired 30 June 2017)

Registered Office	Scania House 17 Amwell Street, Hoddesdon, Hertfordshire, EN11 8TS
Registered Number	FCA Registration number: 29876R Regulator of Social Housing: Registration number: L4455
External Auditors	Beever and Struthers 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 25 Gresham Street, London EC2 7HN
Bankers	Lloyds Bank Plc Corporate Banking 25 Gresham Street, London EC2 7HN
Financial Advisers	Savills Plc 33 Margaret Street, London W1G 0JD

Joint statement from Group Chair and Chief Executive

The past year has been characterised by a shift in B3Living towards a more agile and focused Housing Association which is able to adapt to meet the needs of a changing community and a changing economic and political landscape.

The year has been one of new beginnings and continuous improvements. B3Living adopted a new Group structure as two subsidiaries, B3Living Development Limited and Everlea Homes Limited (Everlea), were formed and became operational. These subsidiaries underline B3Living's commitment to tackling the housing crisis and to embed a commercial culture throughout the Group. Everlea Homes Limited is a "for profit" subsidiary that is able to engage in commercial activities - predominately building and selling new homes. The profits generated will be either used to subsidise B3Living's affordable housing mission or to strengthen Everlea's financial position so it is able to withstand adverse events without impacting on our social assets.

We have a bold development programme with a target of delivering 800 new homes between 2016-2023 which will be supported in part by £4.5m of grant – this was one of the highest allocations in the region for an association of our size. The Board is currently developing a strategy beyond this target. The new strategy will be focused on how B3Living can utilise its limited resources to make an even bigger impact on the housing market. B3Living intends to narrow its geographical focus and to provide a smaller but better range of housing solutions. The key to this approach is having sufficient quality and well analysed data to inform us of the greatest impact we can have.

We recognise that to deliver something different we need to be different, therefore we have invested in our leadership team and employed sector leading expertise to support a cultural shift within the organisation. This investment will enable our Heads of Service to take the lead on reorganising our operations to deliver greater accountability, flexibility and efficiency. The implementation of these reorganisations will be achieved in 2018/19 but the inception was born out of our values review which was done in consultation with the whole organisation from Board to managers to our front-line teams. Our new values Commercial, Adaptable, Innovative, Open and One Team, bring the whole organisation together in understanding the behaviours we are aiming for to deliver our future.

We recognise the importance of our relationship with our customers and community, to this end we have recast our Community Sustainability Strategy and improved our resident engagement approach. B3Living is co-ordinating and supporting community support organisations such as the Citizens Advice Bureau (CAB) and food banks rather than delivering such services ourselves. We are improving services through listening to our customers in specifically formed focus groups and shaping services around what we discover is important to them.

To become an agile and efficient business that can deliver better services the Board recognised that B3Living needed to improve its IT systems. In 2017/18 B3Living commissioned two reports on our current IT systems and what needed to change to provide the right IT solutions for our customers and staff. These reports resulted in a robust IT investment programme and the recruitment of additional expertise.

The highlight of our year was our IDA which assured us that our governance and viability were both in great shape with an award of G1 and V1 respectively from our Regulator. This great news was further compounded in July 2018 when Moodys increase B3Living's credit rating from Baa1 to A3 with a stable outlook.

At Board level, using our skills gap analysis, B3Living has recruited three new members to support the new strategic direction of the business. This coupled with our strong financial performance and robust governance framework, gives B3Living a solid platform to deliver its new purpose which will differentiate us from other providers in our space. Moreover, B3Living is well on the way to developing the strategies and tools needed to achieve it.

....
Sandra Royer
Chair

....
Joe Chambers
Chief Executive

The Board is pleased to present the results of another strong financial year for B3Living. Our recent improved financial performance has resulted in a credit rating upgrade from Moodys to A3 with a stable outlook. B3Living via a Regulatory In-Depth Assessment (IDA) also maintained the top Governance and Viability ratings of G1 & V1 respectively.

Governance

B3Living is a public benefit entity registered with the Regulator of Social Housing (RSH) - formerly Homes and Community 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 who are drawn from a wide background, bringing together professional, commercial and local experience and are remunerated. Board member appointments are made via an assessment of their skills, knowledge and experience against the skill matrix of the Board, or to support succession planning or to support future business and commercial activities. The Board meets nine times per financial year and is responsible for the overall strategy, direction and control of the Association. Board members and executive directors currently in post 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 the Development Committee which meets four times a year.

Governance and Financial Viability Standards
Registered Providers are required by the Regulator, the RSH, to certify their compliance with the Governance and Financial Viability Standards. The Board confirms that B3Living complies in all material respects with these standards.

This assessment awarded B3Living with the highest rating for governance (G1) and for financial viability (V1). Following an In-Depth Assessment, 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 of the Chief Executive, other Executive Directors and the Head of Corporate Services, who hold no shareholding interest in the Association and act as executives within the authority delegated by the Board.

The Chief Executive and the Executive Team have service contracts with notice periods ranging from three to six months.

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

Review of the business

Financial performance

We are excited that this is the first time that we are reporting as a Group. During the year our two subsidiaries B3 Development Limited and Everlea Homes Limited were established and their results have been incorporated into the consolidated accounts.

During the year B3Living Group generated an operating surplus of £13.7m (2017: £12.1m). The increase in surplus was underpinned by the following factors;

- increase in the profitability for our core rental business contributing £11.8m (2017: £11.4m)
- surpluses from our shared ownership first tranche sales of £0.9m (2017: £0.1m)
- surpluses from property disposals of £1.0m (2017: £0.6m)

This operating surplus is generated by the following four business segments;

- general affordable housing - £11.2m (2017: £10.9m)
- sheltered housing - £1.0m (2017: £1.0m)
- low cost home ownership - £1.7m (2017: 0.1m)
- other – £0.2m loss (2017: £0.1m surplus)

Summary of results for the last five years

For the year ended 31 March	2018	2017	2016	2015	**2014
	£'000	£'000	£'000	£'000	£'000
Turnover	27,781	26,489	28,949	24,567	22,425
Cost of sales	(1,033)	(471)	(3,256)	(577)	-
Operating expenditure	(14,091)	(14,538)	(14,978)	(14,715)	(14,941)
Disposal of housing property	1,054	595	211	450	951
Operating surplus	**13,711**	**12,075**	**10,926**	**9,725**	**8,435**
Share of JV profits	2,875	-	-	-	-
Net financing costs	(4,858)	(5,189)	(5,118)	(5,716)	(5,873)
Increase/(decrease) in valuation of investment properties	(120)	495	-	-	-
Surplus/(deficit) before exceptional items and tax	**11,608**	**7,381**	**5,808**	**2,562**	**2,562**
Exceptional items	-	-	-	(14,960)	-
Surplus/(deficit) before tax	**11,608**	**7,381**	**5,808**	**(10,951)**	**2,562**
Taxation	-	-	-	-	-
Surplus/(deficit) for the year	**11,608**	**7,381**	**5,808**	**(10,951)**	**2,562**
Actuarial gain (loss) in respect of pension schemes	422	(1,086)	1,141	(874)	(286)
Total comprehensive income for the year	**12,030**	**6,295**	**6,949**	**(11,825)**	**2,276**

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

Analysis of 5 year performance

This strong performance during the year is reflective of the trend over the last 5 years where operating surpluses have risen from circa £8.4m in 2013/14 to circa £13.7m in 2017/18. The current results and trend have been achieved through robust financial management and a greater emphasis on value for money.

The key drivers behind the increased turnover are more new homes brought into management via our development programme, reduced void turnaround times and an increased level of shared ownership first tranche sales income.

This year we achieved the same rental income of £25m as the prior year despite the 1% rent cut (c £0.3m). The stability of B3Living's rent roll has broadly been achieved through additional rental income from units completed during the year, affordable rent conversions and improved re-let times.

First tranche shared ownership sales income increased from £0.6m in 2016/17 to £1.9m in 2017/18. The increase in first tranche shared ownership sales income was due to an increase in sales values and volume. In 2017/18 the business sold 12 shared ownership homes compared to 3 in the prior year. The business will continue to increase its shared ownership delivery over the next three years, with around 50 homes forecast to be sold in 2018-19, as we aim to deliver on our strategic objective of building 800 new homes between 2016 and 2023.

Net interest costs for the year were circa £4.9m compared to circa £5.2m in prior year. The net interest costs have reduced over the last five years from circa £5.9m in 2013/14 to £4.9m in 2017/18. The downward trend reflects the effectiveness of our treasury policy, the utilisation of our variable debt revolving credit facility (RCF) and an increased level of capitalised interest as the Group develops more homes. We have also earned interest income of £121k (2017: £55k) from on-lending to our joint venture partners.

The Group has a small private rent portfolio (four homes) and one commercial property, which under FRS102 must be accounted at fair value with fair value changes being disclosed within the statement of comprehensive income (SOCI). The private rented homes' fair value increased by £80k during the year and the commercial property value dropped by £200k, this is reflective of the low yields being generated. Post the reporting date the business agreed to dispose of the commercial property together with B3Living head office, Scania House. These decisions will allow further investment in the provision of affordable housing as well as reducing SOCI volatility caused by fair value changes from the commercial property.

The significant increase in the 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 the provision of shared ownership homes, entering into commercial joint ventures, and the increased focus on value for money. In 2014-15 the Group re-financed its debt portfolio, at a cost of circa £15m, to remove expensive loans and loans with restrictive covenants from its debt portfolio and this, coupled with an increased level of capitalised interest, has resulted in lower annual interest costs.

The Group's pension liability decreased by £0.4m to £2.6m (2016-17 £3m). The change in B3Living's pension liability is assessed by Hymans Robertson LLP and reflects an increase in asset values within the pension fund against that of our liabilities.

Statement of financial position for the last five years

The table below sets out the financial position of the B3Living Group over the last five years. The table demonstrates a significant increase in the Group's financial strength between 2014/15 and 2017/18. The increased strength shown in the financial position demonstrates a financial resilience to overcome adverse events and a capacity to capitalise on attractive opportunities for growth.

	March 2018	March 2017	March 2016	March 2015	**March 2014
	£'000	£'000	£'000	£'000	£'000
Fixed Assets					
Housing Properties	184,948	158,168	142,772	132,809	109,247
Other Fixed Assets	3,178	3,274	3,407	1,796	1,970
Investment properties	3,240	3,277	1,620	-	-
Investments in JVs	5,554	2,081	-	-	-
Tangible fixed assets	**196,920**	**166,800**	**147,799**	**134,605**	**111,217**
Current assets					
Stock	8,052	5,898	378	1,775	790
Trade and other debtors	6,256	5,007	2,422	2,247	3,271
Agreement to improve existing properties	8,614	10,966	13,627	17,258	-
Cash and cash equivalents	1,257	2,183	18,107	21,084	31,003
	24,179	**24,054**	**34,534**	**42,364**	**35,064**
Less: Creditors: amounts falling due within one year	(7,877)	(5,437)	(8,846)	(7,981)	(7,221)
Net current assets	**16,302**	**18,617**	**25,688**	**34,383**	**27,843**
Total Assets less current liabilities	**213,222**	**185,417**	**173,487**	**168,988**	**139,060**
Creditors: amounts falling due after more than one year	(160,839)	(142,168)	(135,161)	(132,999)	(109,177)
Provisions for liabilities	(11,867)	(14,763)	(16,135)	(20,748)	(2,468)
Total net assets	**40,516**	**28,486**	**22,191**	**15,241**	**27,415**
Reserves	**40,516**	**28,486**	**22,191**	**15,241**	**27,415**

At the reporting date the Group had tangible fixed assets with a carrying value of £196.9m (2017: £166.8m) reflecting the continuing trend over the last 5 years. B3Living's improved financial strength has been recognised by Moody's in their recent assessment where they increased our credit rating from Baa1 to A3 with a stable outlook.

The increase in tangible fixed assets reflects the Group's continued investment in new and existing affordable homes. The Group invested £26.7m in new homes and £3.2m investment in improving existing homes and making them safe to live.

Between 2015 and 2018 B3Living's tangible fixed assets' carrying value has increased by circa £62m (46%). The step increase in the carrying value is predominately due to our increased investment in new housing properties and a continued commitment to improve our existing homes.

During the year the business invested £2.5m in Farnham Road LLP, a joint venture with Bellis Homes. The joint venture is expected to deliver 35 new homes (23 for private sale and 12 affordable homes) by 2020 with Bellis Homes being the developer. The year also saw the Group's original investment of £5m in the Wheat Quarter Ltd joint venture repatriated, therefore completely de-risking our position with future cash inflows forecast. At the reporting date the carrying values of joint ventures was £5.5m (2017: £2.1m). The increase is predominantly because of the recognition of the share of profits in the Wheat Quarter Limited joint venture (£2.9m).

Stock represents the first tranche element of shared ownership homes for sale and this was up from £5.9m in 2017 to £8.1m in 2018, the increase is due to a ramp up in our development programme. The stock will be completed in the coming years and will be partially sold to provide cash inflows to subsidise the development of more affordable home in the future as B3Living plays its part in alleviating the effects of the current housing crisis.

Key Financial Performance Indicators for the last five years

		2018	2017	2016	2015	2014
Gearing ratio (Debt/Capital Structure)	1	0.79	0.81	0.79	0.84	0.75
Operating margin	2	49%	45%	37%	38%	33%
Net margin	3	31%	28%	20%	-45%	11%
Interest cover	4	203%	223%	243%	194%	161%
Net debt per unit (£)	5	31,630	28,037	26,911	27,293	27,557
Cash generation from operations (£m)	6	14.5	14.1	9.8	11.5	9.9

Key financial performance indicators definitions:

1. Ratio of net debt to historic property cost. For loan covenant purposes the Association measures gearing using the ratio between Debt and EUV-SH which generate a much lower ratio of 51% for 2018 (2017: 51.5%)
2. Operating surplus as a proportion of turnover
3. Surplus before exceptional items and tax as a proportion of turnover
4. Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %
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 remained stable at c. 80%. This reflects our accounting policy of presenting our social properties at cost rather than EUV-SH as well as B3Living's commitment to maximise its investment capacity. Using EUV-SH valuation, the gearing ratio for the year is 51% (2017: 51.5%). The stable gearing reflects B3Living strong surpluses, due to its focus on value for money, as well as having a well-balanced development programme that ensures B3Living can continue to deliver new homes well into the future.

The marked increase in operating margins reflects B3Living's robust approach to cost management and value for money. Moreover, increased rents from new properties and improved void turnaround times have also contributed. The net margin excluding the impact of share of joint venture profits has also been trending upwards over the last five years aside from in 2015 when there was an exceptional item relating to refinancing costs to around 31% in the current year.

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 from around 1.6 times to 2 times due to increases in operating surplus.

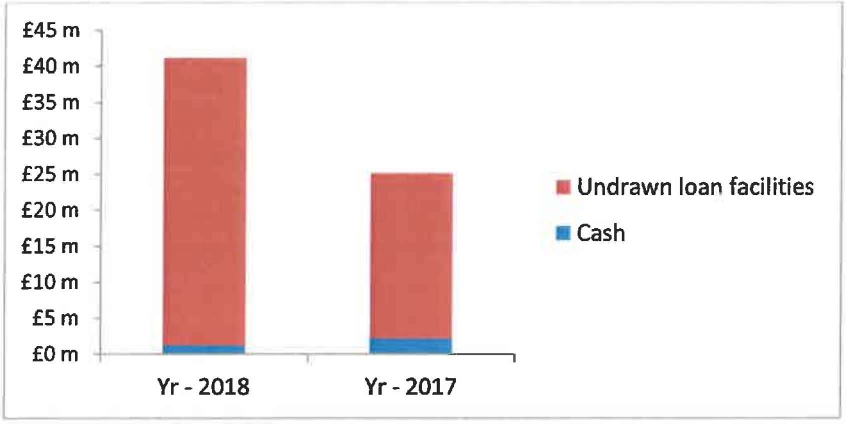
The debt per unit has marginally increased due to loan drawdowns to invest in provision of new affordable housing. Despite the increases in debt per unit this is well below the group's average EUV-SH of completed units which is approximately £32k (2017: £28k).
B3Living Group does not have any exchange rate exposure as it conducts all its business activities in British pounds and operates wholly in the UK, the East of England region.

Capital structure and Treasury Management

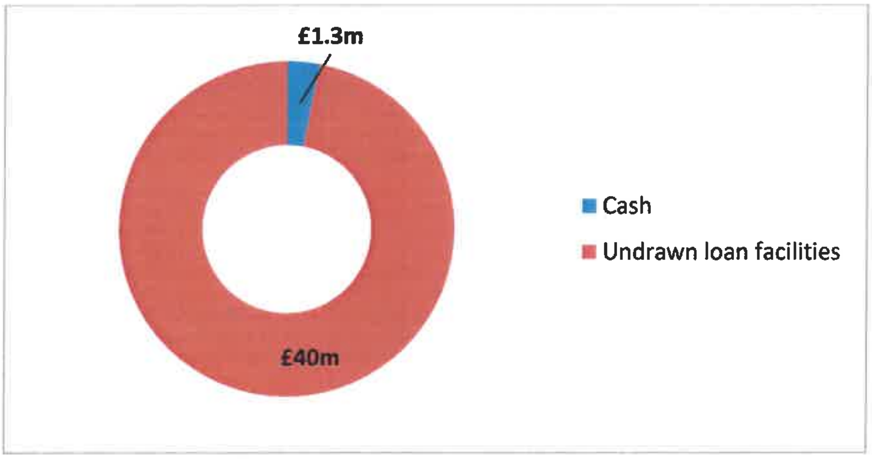
The Group is funded through its reserves of £40.5 million (2017: £28.5m), fixed rate debt finance of £125m (2017: £125m) and £65m (2017: £30m) revolving credit facility. Of the £65m revolving facility £25m (2017: £7m) was drawn during the reporting period and £40m (2017: £23m) was undrawn. The fixed rate debt is fully drawn down.

The Group is also funded by grants from Homes England and the Borough of Broxbourne. The total grant funding that forms part of the capital structure is £12.6m (2017: £11.5m).

Liquidity (Total funds available)



As demonstrated by the graphs above the Group has increased its available liquidity from £25.2m in the prior year to £41.3m. This means the business has sufficient liquidity headroom to fund its core operating business and all contracted development activities with capacity for further investment opportunities. The Group also had £25.0m (2017: £10.2m) of unencumbered housing assets at the end of the year. In addition to this the Group has provided excess collateral which could in future be released to support more borrowing if required.



The Group's £41.3 of available liquid resources are made up of cash of £1.3m (2017: £2.2m) and £40m of undrawn facilities (2017: £23m). The £40m liquidity in undrawn loan facilities is available immediately. The Group does not hold high cash balances because it wants to reduce the costs of carry particularly in this current macro environment where interest on bank balances and investments are near 0%.

At the reporting date 83% (2017: 94%) of debt was fixed and 17% (2017: 6%) was at variable rates.

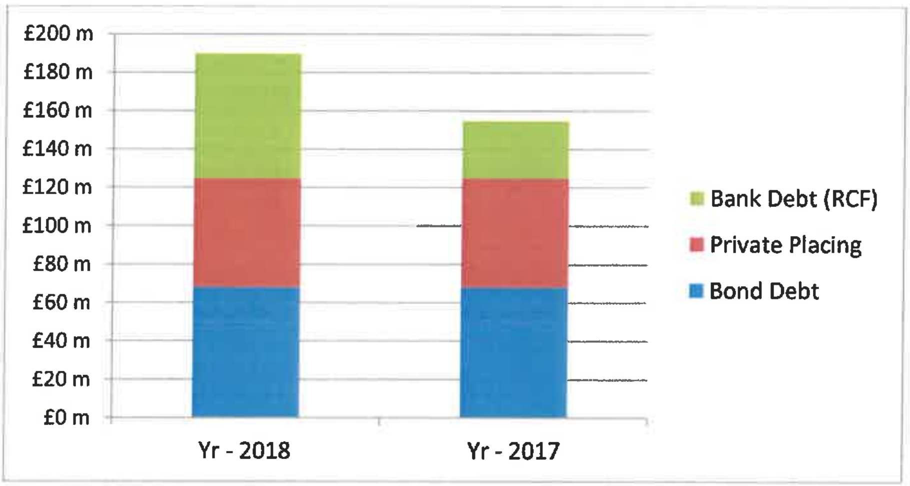
The Group has three key loan covenants which it comfortably complies with and these are set out below:

- Interest Cover (EBITDA-MRI) – this measures the number of times our financing costs can be paid by our operating profit before depreciation for the year but including the costs of major repairs. As at 31 March 2018 the interest cover was 2 times (2017: 2.2 times). The loan covenant is 1.1 times. Interest cover is also one of our financial covenants, but we monitor the tightest covenant and in the case its EBITDA-MRI as it has more costs included in it than the normal interest cover covenant. The main driver in the reduction in EDITDA-MRI is the increase in capital repairs expenditure from £1.8m to £3.2m.
- Gearing – this is a measure of the Group's indebtedness relative to completed housing properties. As at 31 March 2018 the gearing covenant performance was is 51% against the limit of 80%, based on EU-SH values which is significantly greater that the historical cost bases used in the financial statements. EUV-SH is a proxy for market values of our homes and its reflects that the properties are used for social housing.
- Asset cover – this is a measure of the percentage coverage of the Group's EUV-SH of completed assets over the Group's current debt. As at 31 March 2018 the asset cover ratio was 295% (2017: 188%). The asset cover covenant is 110%.

These loan covenants are monitored monthly and reported quarterly to lenders and the Board. For the year ended 31 March 2018 and throughout the Group's 30-year business plan B3Living complies with all covenants. Both the fixed rate debt finance and revolving credit facility have fixed charges secured on social housing assets.

As at 31 March 2018, B3Living had £190m (£155m) of committed debt funding with drawn funding totalling £150m (2017: £132m). 66% (2017: 81%) of the committed funding is from the capital markets and 34% (2017: 19%) is bank debt funding. The funding is made up of a bond issue, a private placement and bank debt and the profiles of these debts in 2018 and in the prior year are shown in the table below.

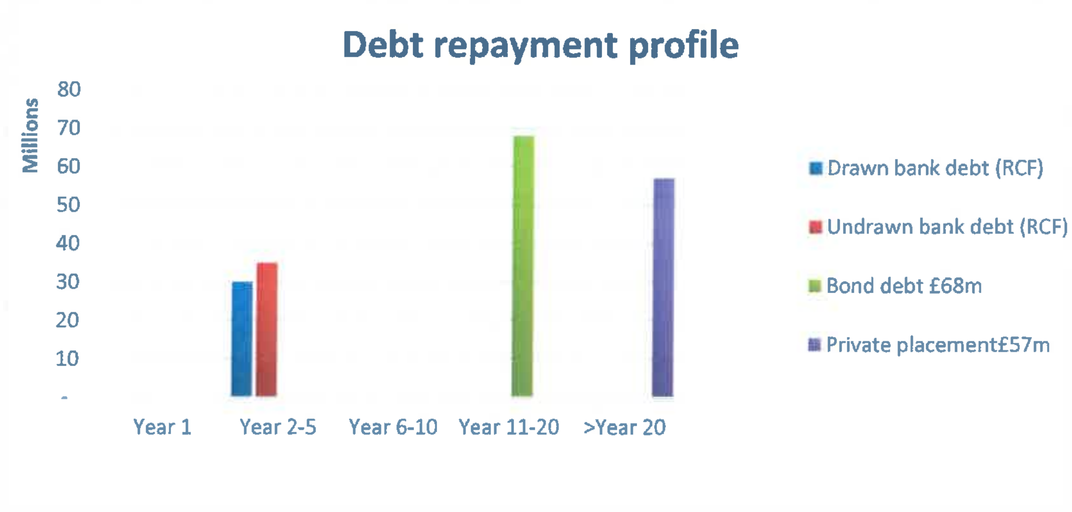
Sources of funding at the year end
The Group is predominantly funded through fixed rate bonds and RCFs totalling £190.0m (2017: £155.0m) of which £150m (2017: 132.0m) was drawn down. The board has approved for the total debt funding to be £200.0m of which £190m (2017:155m) is committed and £10m is uncommitted.



Repayment of Debt

The issued bond and private placement funding matures from 2038 to 2048, both amortising in the final 10 years and so there is no refinancing risk in the short to medium term on this debt. The revolving credit facilities will mature in 2020 and 2022 and discussions are already under way about how best to refinance these.

Debt repayment profile



Refinancing risk within 5 years

The £65m is made up of 2 RCFs - £30m RCF which is repayable in April 2020 and the £35m is RCF repayable March 2022. The Board has authorised the re-financing of the 2 RCFs.

RCFs are due for re-financing in 2020/21 and 2021/22 and therefore they contain some re-financing risk. We are over collateralised on the RCFs as the security provided has significant headroom in terms of asset cover, so we do not anticipate any significant issues with either a rollover of the facilities or funding from a new funder once the Board has decided which funding instrument and lender the Group should use. The security for the RCF debt is held with Prudential Trustee Company Limited.

Property Development and Sales

During the year, we completed 83 (2016/17: 25) new build homes and buybacks: 68 (2016/17: 22) for rent and 15 (2016/17: 3) for low cost home ownership.

The shared ownership sales during 2017/18 achieved an average first tranche sale equating to 48% (2017: 41%) against a scheme target of 40% (2017: 40%) and average days from handover to sale was 50 days (2017: 9 days).

The majority of the overall Development spend was on the construction of new homes compared to previous years when most was in acquiring the land that we are now building new homes on. We have spent £8.1m (2017: £18.0m) on acquiring land opportunities and have spent £18.5m (2017: £4.5m) on construction of new properties.

We entered into six section 106 contracts, which will eventually produce 114 new homes. We have also attracted £3.5m of new additional grant to develop one of the longer-term development sites. The Group intend to develop this site entirely for affordable housing.

B3Living became a joint shareholder in Wheat Quarter Limited during 2016/17. During the current year, shareholders in the joint venture completed the disposal of half the site, whereupon they refinanced the remainder and we received our equity back, effectively de-risking the business from the joint venture. The risk in this joint venture is of an upside nature as we still retain 50% of the shareholdings in the company with capital return and any increase in the value of the investment split proportionally.

During the year the Group through its subsidiary Everlea Homes Ltd entered one additional JV project with Bellis Homes by investing 50% into Farnham Road LLP to deliver 35 homes (12 affordable) at a cost of £2.5m. Any profits will be used to either to cross subsidise the Group's affordable housing programme or to strengthen Everlea's financial position, so it can withstand adverse events without impacting on the Group's core social business.

Operational performance

	2017/18 Actual	2017/18 Target	2016/17 Actual	Target Met
Current rent arrears as a % of rent debit (social housing)	1.5%	1.6%	1.6%	Yes
Rent loss due to voids	1.1%	1.2%	1.1%	Yes
Residents' satisfaction overall	92%	90%	92%	Yes
Residents' satisfaction with repairs	84%	82%	84%	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 been met despite the changes in housing benefit regulations. B3Living can expect further rent arrears challenges as the roll out of Universal Credit gathers pace, however we believe that we have robust measures in place to maintain current performance into the future.

Rent loss due to voids
The voids target has been met due to quick void turnaround time also because B3Living tries, whenever possible, to use decanted properties for short-term lettings to help alleviate homelessness in the borough.

Residents' satisfaction overall
Our tenant satisfaction is based on the satisfaction of tenants and residents. 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
Our residents' satisfaction score of 84% comes from using a survey, 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 e 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. The Association's ability to meet its objectives and commitments to tenants in an efficient and effective manner depends on the contribution and commitment of its employees. We carry out a regular engagement survey which is responded to by individual managers and trends are reviewed by our Leadership Team.

The Group'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 fully committed to the embedding of its equality and diversity policies amongst its employees.

Complaints

B3Living has a clear and simple complaints policy issued to all tenants. During the year, the Group received 87 (2017: 64) formal complaints, which were investigated in accordance with established procedures. Most of the complaints were in relation to repairs, caretaking and capital works.

Value for money (VFM) and benchmarking

B3Living has always maintained value for money at its core and is evident within our corporate aims and objectives. Value for money is achieved by realising economy, efficiency and effectiveness in every area of the business and is delivered by understanding the relationship between outputs and costs. At B3Living we are focused on delivering only those services that are important to our customers. B3Living's commitment to value for money is clearly evident in our recent financial performance as profitability, development capacity and credit profile have all improved despite the rent cuts.

In April 2018 the Regulator of Social Housing introduced a new Value for Money (VFM) standard and a supporting Code of Practice that applies to all private registered providers of social housing such as ourselves. The new VFM standard no longer requires the Group to conduct a value for money annual self-assessment but B3Living have opted to demonstrate its VFM achievements by using the metrics outlined in the new standard in this report.

The new VFM standard requires B3Living to outline its strategic objectives and to demonstrate how we are achieving VFM using seven clearly defined metrics. Since the release of the standard the Group has used these metrics to inform both our strategic goal setting and business planning.

The new VFM standard contains seven key metrics which broadly should help to demonstrate how B3Living is achieving efficiencies and economies in its business operations and how effective it is at achieving its strategic objectives. In addition to the seven metrics outlined by the Regulator, B3Living also uses other metrics to inform and continue to drive business improvement, increase efficiencies and maintain credit worthiness.

Our commitment to VFM

B3Living recognises the need for commerciality in every area of our work so we can realise further efficiencies in our business. We promote a value for money culture across the organisation to ensure it's inherent within every business activity, i.e. an appraisal of a new development scheme, entering into a new contractual arrangement, investing in new IT system/equipment or creating a new job vacancy. VFM achievements also forms a part of personal objectives and targets, where appropriate, and we monitor these during regular one to ones and annual appraisals.

We understand that in our current operating environment where rents are reducing by 1% per annum (£0.3m) and welfare reforms are making rent collection and tenant sustainability more challenging we can only meet our strategic aims, objectives and targets by implementing value for money initiatives.

Our core existence has always been to provide socially valuable affordable housing to our customers. B3Living endeavours to increase efficiency and to find new ways of generating income to maximise the amount we can invest in new and existing homes. This means understanding the cost drivers to our business in detail and our approach to VFM informs this. We have been challenging, and we continue to challenge, ourselves as a business on how we can reduce our cost base whilst improving our service offer to customers.

In the section below, we set out how the following areas help B3Living to deliver VFM;

- Our corporate strategy
- Value for Money metrics
- How we compare with other RPs
- How we deliver VFM

Our Corporate Strategy

Our agreed purpose is to provide a sustainable place to live for those who cannot afford to rent or purchase their home at open market rates and ensuring that we help create cohesive communities through supporting our residents. As part of this process of continually challenging and reshaping the corporate strategy the Board met in May 2018 to discuss, among other things, the geographical areas that should form part of our strategic areas of operations and the merits of the geographical areas.

During the year the Group identified five new key values which now underpin B3Living's corporate strategy and provides a clear value for money focus at an operational level. The five values are as follows;

- Commercial
- Innovative
- One team
- Adaptable
- Open

To ensure these five values are embedded in the DNA of B3Living several initiatives were employed to recognise and reward good behaviours. The business is also undergoing a cultural change programme that will lead to the further embedding of these values and the realisation of further value for money savings.

Below is how we approach value for money in respect to:

- our customers
- our people
- our buildings
- our financial sustainability and risk

Our Customers:
Our strategic intentions for our customers is help them achieve sustainable independence through developing "adult-adult" relationships and reducing the energy they need to expend to access services from B3Living. We aim to understand our customers' needs by engaging and observing their patterns of behaviour and shape services that they can access with ease. We aspire to enable the majority of our transactional services to be achieved via the internet and other automated routes. The use of ICT related methods to deliver services will help B3Living to reduce duplications and operating costs thereby helping in the achievement of value for money.

Our People:
We aim to be a lean and efficient organisation with an empowered and 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.

B3Living is working hard to develop and motivate our people and this year completed a pay and reward review which has the intention to build our team and incentivise them to great performance. This included a review of terms and conditions as well as introducing more modern employee engagement methods and measures. We currently pitch salaries at the median level of the external market. B3Living's goal is to have a small but well rewarded team. This approach will reduce the operating cost base thereby further contributing to the achievement of VFM.

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.

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 homes are the cornerstone of all we do as they generate the revenue to support all our business initiatives and they also provide the collateral for debt funding to allow us to continue developing more affordable homes. In July 2018 our leadership team had an away day with Borough of Broxbourne to help to promote a stronger collaborative strategic relationship.

We have a strategic aim to deliver 800 homes by 2023 and as part of this we completed 83 in 2017/18. The Group spent £26.9m (2017: £18.5m) building new homes. 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.

Our financial sustainability and risk:
We need to be a financially resilient organisation that can protects its social assets in a range of adverse scenarios, to achieve this we need to ensure we maintain the correct risk and credit profile for an organisation such as ourselves. B3Living, like many Housing Associations, has a relatively high level of debt, this demonstrates our commitment to use the value of our assets to maximise the amount we can invest in new and existing homes without adversely affecting our financial resilience and credit worthiness. We

believe we have to right profile and this has been recognised as such through our Moody's and Regulator ratings.

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

B3Living remains committed to reducing overhead costs by £1m between 2016-2020 to offset the rent lost through the 1% rent cuts. 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. The business has commenced on the ICT renewal strategy that will see around £3m spend in the next 3 years to improve our ICT infrastructure and this will help achieve value for money efficiencies in future. Efficiencies from investment in ICT will also be achieved through the reduction in duplications as we currently have a three housing and repairs systems that don't have any meaningful interfaces.

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.

Value for Money Metrics

The Regulator of Social Housing introduced seven new value for money metrics from April 2018 which Registered Providers (RPs) such as ourselves should use to evidence and demonstrate how they are achieving value for money.

The table below outlines B3Living's value for money metrics outputs. We have also included as part of these metrics our targets as per our 2018-19 business plan. We have only set out our actual value for money results and next year's targets in the table below. We did not benchmark these because the value for money metrics for peers and the sector group prepared on the revised methodology were not readily available.

VFM Matrix	2018/19 Target*	2017/18 Actual	2016/17 Actual
Metric 1 - Reinvestment	16.2%	16.9%	13.4%
Metric 2a - New Supply delivered - Social Housing	3.20%	1.75%	0.55%
Metric 2b - New Supply delivered - Non-social housing	0.00%	0.04%	0.00%
Metric 3 - Gearing	77%	79%	81%
Metric 4 – EBITDA MRI Interest Cover %**	212%	203%	223%
Metric 5 – Headline social housing cost per unit	£3,237	£3,359	£3,207
Metric 6a – Operating Margin (Social Housing lettings) %	43.3%	47.2%	45.0%
Metric 6b – Operating Margin (Overall)%	39.5%	45.6%	43.3%
Metric 7 – Return on capital employed (ROCE)	7.20%	7.78%	6.51%

***this target is from the 2018-19 business plan**
*** Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included*

i). Metric 1 – Reinvestment

The Group's re-investment rate for improving its existing homes and in building new social homes was 16.9% in the 2017/18 financial year (2016/17: 13.4%). These high levels of re-investment by the Group reflects the business's commitment to providing safe and secure homes for our current tenants as well as demonstrating the business' strategic intention to play its part in addressing the current shortage of new homes and tackling homelessness.

The Group believes that our investment in existing homes will generate long-term savings as it reduces the level of disrepair and potential legal challenges by tenants. High void levels from issues such as disrepair could lead to weakening of future cash flows from rent. Investing in the improvement of existing homes secures future core rental income streams but also reduces the potential for impairment of the housing assets. Impairment can reduce the quality of our asset cover which is one of our loan covenants.

The delivery of new homes is part of B3Living's strategic objective of playing its part in addressing the housing crisis. New homes also help to reduce the business's average social housing costs as these tend to have a lower day to day cost profile. Furthermore, the business tries to use current resources to manage the growth from new homes rather than recruiting new resources thereby helping in the achievement in value for money.

The business understands that it needs to strike a balance between debt growth and development output. Whilst the building of new homes is an important strategic objective B3Living recognises that it requires a significant amount of financial resource. B3Living's business plan is predicated on a growth trajectory that does not undermine our financial resilience and credit worthiness.

ii). Metric 2 - New Supply delivered

During the year the business achieved a new supply of social housing units of 1.75% compared to 0.55% in 2016/17. The increase in new supply of social housing is due to the development cycle which had more new homes coming into management than the prior year. The business also had a 50% increase in supply of non-social housing units albeit this is based on a low volume of units. The business completed 2 non-social housing units during the year. The provision of new social housing units remains the business' core objective and B3Living will only invest in social housing units if this does not put in jeopardy the future viability of its social housing assets.

iii). Metric 3 – Gearing

During the year the gearing ratio – the relationship between debt and social housing assets - was down to 79% from 81% from the previous year. The gearing ratio has reduced as the business used most of its free cash flows from operating activities to support the growth in the social housing base. Gearing is a measure of the business' ability to repay its debt from its asset base and at the reporting date the business had for every £0.79 of borrowing £1 of social housing assets to support the debt.

The Group's gearing ratio is relatively high when compared to the sector and this is mainly because the Group was formed from a stock transfer and as a result it incurred a significant amount of repairs costs in the early years after its stock transfer to bring the housing assets to a decent home standard. These repair costs were all expensed in the statement of comprehensive income rather than capitalised as part of social housing asset costs. This has had the effect of lowering the relationship between debt and the capital costs of housing properties. The ratio or relationship between debt and housing assets would be stronger had the business elected to capitalise these repair costs.

The Group also restructured its debt portfolio in the 2014-15 financial year to remove loans with high interest costs and restrictive covenants from its capital structure costing the business circa £15m or adding the equivalent 7.25% to the gearing ratio. Though the Group took a one off hit it is now benefitting from the freedom of less restrictive loan covenants and cheaper debt.

Gearing is one of the measures the business monitors because it is one of our KPIs and key financial covenants. The business' gearing financial covenant is not based on the historical values of assets but based on the EUV-SH of our social housing properties. At the reporting date the Group based on EUV-SH had gearing of 51.3% (2017: 51.5%) and this comfortably complied with the financial covenant limit of 80%.

iv). Metric 4 – EBITDA MRI Interest Cover

EBITDA-MRI (Earnings before Interest Tax Depreciation and Amortisation with Major Repairs Included) is a measure of the business' ability to cover its interest commitments from the cashflows generated by the core business. At the reporting date the Group had an EBITDA-MRI of 203% (2017: 223%). The Group's strong EBITDA-MRI coverage means the risk of not servicing its financial obligations is remote.

B3Living's strong EBITDA-MRI coverage reflects the business' excellent operating margins which are driven by effective and efficient management of its housing stock and our decision to restructure the debt portfolio in 2015, which removed the expensive and restrictive loans and replacing it with debt with a lower servicing costs.

v). Metric 5 – Headline social housing cost per unit

The headline social housing cost per unit is a measure of efficiency and it demonstrates how effective and economical the business is at managing its cost base when delivering core business activities. Therefore, providing a simple way of demonstrating how efficient a Housing Association is at managing its stock.

During the year the business had an average cost of managing its social housing homes of £3,359, compared to prior year of £3,207 – these costs are analysed in detail below. The increase in the cost per unit is largely driven by the Group nearly doubling its investment in existing homes via capitalised major repairs in the year.

Analysing the table without our investment in existing homes B3Living's cost per unit has fallen from £2,733 to £2,522, this reflects the value for money initiatives that the business has implemented to date such as reducing duplications and restructuring departments. The business has embedded the culture of doing more activities with fewer resources as part of its culture of embracing value for money.

Headline social housing cost per unit	2017/18 Actual	2016/17 Actual
	£/per unit	£/per unit
Management costs	**1,162**	1,194
Service charge costs	**400**	700
Routine maintenance costs	**585**	489
Planned maintenance costs	**286**	298
Capitalised major repairs expenditure for period	**815**	474
Other (social housing letting) costs	**60**	30
Development services	**29**	-
Other social housing activities: charges for support services	**22**	22
	3,359	**3,207**

vi). Metric 6 – Operating Margin

The RSH's operating margin calculation includes the surplus from the disposal of social housing fixed asset properties; on this basis the Group generated an operating margin of 47.2% (2017: 45.0%).

The Group also achieved an operating margin from its core rental business of 45.6% (2017: 43.3%). The strength of the operating margin demonstrates the financial resilience of the business. It also demonstrates how efficient the business is at turning its income into free cash to service debt and to invest in new and existing homes.
B3Living expects further increases in operating margins going forward as the business has embarked on a cultural change programme and a strategic refocus which has a value for money targets at its core. B3Living will be investing around £3m over the next 3 years in ICT equipment as the Group improves its digital offering, enhancing the efficiency of staff and reducing transactional costs.

Since 2015.16 B3Living's operating costs have fallen from c. £15m to c. £14m. The sharp fall in operating costs demonstrates the Group's value for money ethos and a commitment to do more with less. This is evident by increases in B3Living's turnover and homes under management and a fall in the Group's cost base. This performance has resulted in increased in measures such as operating margin, free cash flows and EBITDA-MRI.

vii). Metric 7 – Return on capital employed (ROCE)

ROCE is a measure of how efficiently and effectively the business utilises its assets to achieve its operating returns therefore a key indicator of whether value for money is being achieved. During the year the Group achieved a ROCE of 8.3% up from 6.8% in the prior year.

The business' weighted average cost of capital (WACC) which is the average cost of the Group's funding is 4.04% (2017: 4.38%). The Group's ROCE is more than two times its WACC therefore a strong indication that the business is using its assets efficiently to generate returns. B3Living, through its comprehensive appraisal process, ensures the Group doesn't dilute performance by approving schemes with an Internal Rate of Return (IRR) less than our WACC plus buffer. Furthermore, the Group is committed to investing a small percentage of its value in commercial investments to boost returns and subsidise B3Living's investment in new affordable homes.

How we deliver VFM

In the financial review above, the results indicate a reduction in operating costs, which was predominantly achieved by restructuring and refocussing B3Living's housing management and support services.

	2017/18		2016/17		2015/16	
Service area	Amount £'000	Per home £	Amount £'000	Per home £	Amount £'000	Per home £
Overheads	15	3	230	49	261	56
In house repairs service	56	12	18	4	15	3
Housing management & services	173	37	277	59	160	35
Total operational VFM	**244**	**52**	**525**	**112**	**436**	**94**
Major works	-	-	46	10	3	1
Treasury & legal fees	-	-	-	-	791	170
Total VFM savings	**244**	**52**	**571**	**122**	**1230**	**265**

How we compare

An important indicator of how value for money performance is by comparing B3Living's performance 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 VFM analysis	2017/18	2016/17	2015/16	Latest peer group median*	Trend against peer
Operating margin	47%	45%	37%	30%	Stronger
Interest cover	203%	223%	243%	170%	Stronger
Debt per home	£31,630	£28,037	£26,911	£25,188	Higher but linked to growth
Gearing ratio (historical values)	79%	81%	53%	50%	
Social housing cost per home	£3,359	£3,207	£3,225	£3,316	Area for improvement
Housing management VFM analysis					
Rent loss due to voids	1.10%	1.12%	0.72%	1.70%	Stronger

Global Accounts 2016/17

The above table demonstrates that the Group generally outperforms its peers across a number of key metrics. More importantly the Group is showing a year on year improvement over most metrics including operating margins, interest cover, debt per home, and the average cost of day to day running of its social housing homes.

The Group voids turn-around time have improved year on year and is significantly better than its peer group.

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; and
- External validation by compliance with the Regulator'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 Group 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 2018 and up to the date of the approval of the financial statements.

Although not material, during the year the Group has made a provision in the financial statements totalling £128k as it overstated rents at 31 March 2017 in its temporary social housing lettings properties. We reported this to the Regulator, who made a full review of the issue and steps taken to resolved it. We have since strengthened the internal control systems and adapted the internal audit process. The Regulator has confirmed that they are satisfied with steps taken to resolve the issue. This has resulted in no changes to our governance rating (G1) and viability assessment (V1).

Statements of compliance with the Regulator's Governance and Financial Viability Standard 2017/18

B3Living Limited's Board confirms that the Strategic Report has been prepared in accordance with the principles set out in paragraphs 4.6 and 4.7 of the 2014 SORP for registered social landlords. The Group has undertaken an assessment of compliance with the Regulator's Governance and Financial Viability Standard for the period April 2017 to March 2018 as required by the accounting direction for social housing in England from April 2015.

The Group Board can confirm that during the year in question, the Group has complied with the Governance and Financial Viability Standard.

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 Group'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.

Board responsibilities

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 Co-operative Community Benefit Societies (Group Accounts) Regulation 1969, 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 18 September 2018 at Scania House, 17 Amwell Street, Hoddesdon, Hertfordshire, EN11 8TS.

The report of the Board was approved by the Board on 18 September 2018 and signed on its behalf by:

....

Sandra Royer
Chair of the Board of B3Living Ltd
Dated: 18 September 2018
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 Regulator of Social Housing (Number L4455)

Independent Auditor's Report to the Members of B3 Living Limited

Our opinion is unmodified

We have audited the financial statements of B3 Living Limited (the Association) and its subsidiaries (the Group) for the year ended 31 March 2018 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group and Association Statement of Changes in Equity, the consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's surplus and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Cooperative and Community Benefit Societies Act 2014, the Cooperative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were first appointed as auditor of B3 Living Limited by the Board for the period ending 31 March 2007. The period of total uninterrupted engagement for the Group is for 12 financial years ending 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions relating to going concern

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address these matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Properties under construction – parent Association risk
The parent Association's additions to properties under construction total £25.1m (2017: £18.7m). Refer to pages 36 to 37, 45 and 47 (accounting policies) and page 54 (financial disclosures).

The risk – significant risk high value
Development is a significant activity for the parent Association. With the materiality of capitalised internal and external development costs, alongside the judgements as to whether the expenditure is capital or revenue this is an area that we feel had a key impact on our overall audit approach. Our overall assessment of misstatement is therefore that development is a significant risk within our audit approach.

Our response
Our procedures included:

- **Controls testing:** Testing controls over the review of received invoices and certificates and subsequent authorisation for payment.
- **Test of detail**: We agreed a sample of development additions in the year to invoice or certificate.
- **Test of detail**: We reviewed and agreed workings for capitalised interest in the year. This included a review of the Association's weighted average interest rate applied versus the actual paid for its borrowing and to ensure that capitalisation of interest ends when a development reaches practical completion. The weighted average interest applied being 4.04% (2017: 4.38%).
- **Test of detail**: We reviewed the Association's policy on overhead capitalisation and that the costs directly related to the development programme. We note that the majority of costs in this regard are the salaries of the development team.
- **Review against accounting standards:** We reviewed amounts capitalised in our sample testing versus guidance in FRS 102 and the SORP 2014.
- **Test of detail**: Our work on purchase invoices, creditors and accruals did not identify any errors in accounting for development expenditure incurred to 31 March 2018 but not invoiced.

Our results
Based on the audit procedures performed, we found the capitalisation of development costs in assets under construction to be acceptable.

Accounting Treatment of Joint Ventures – Group and parent Association
The Group has investments in two joint ventures in Wheat Quarter Limited (via the parent Association) and in Farnham Road LLP via its subsidiary company Everlea Homes Limited.

The total investment carrying amounts of the joint ventures being £5.5m in Group (2017: £2.1m) and in the parent Association £155k (2017: £2.1m). The Group investment includes £2.9m share of profits regarding Wheat Quarter Limited for the period 2 December 2016 to 31 March 2018. The joint venture in Farnham Road LLP had no material activity as at 31 March 2018. Refer to page 44 (accounting policy) and page 57 (financial disclosures).

The risk – medium risk medium value

Given that the carrying amount of the Group's investment in joint ventures is material we have assessed its impact as medium value. Both joint ventures relate to property development and are dependent upon the satisfactory completion of the agreed projects. We have assessed the risk of misstatement as medium given the nature of the projects and that these are new delivery vehicles for the Group. In addition, the financial results of the joint ventures is based on management information given that the Wheat Quarter Limited's statutory accounting period ends July 2018 and there has been no material activity, or subsequent reporting, for Farnham Road LLP.

Our response

Our procedures included:

- **Test of detail**: Assessing the accounting policies and results to 31 March 2018 of the Wheat Quarter Limited's management accounts, along with the joint venture agreement, to corroborate the share of profit recognised in Group accounts. This was also considered for Farnham Road LLP but the project is at such an early stage that no material profit or loss has been recognised.
- **Carrying amount of investment**: We considered the future cash flows expected from each joint venture versus the carrying amount of the investments for any indication that the investment was impaired.
- **Review against accounting standards:** We agreed management's assessment that in the entity accounts the cost model of measuring the joint venture investment be used, and in Group accounts the equity method was applied.

Our results

We found the Group's and Association's accounting treatment of its joint venture arrangements to be acceptable.

Recoverability of debtors with joint venture and joint arrangement – Group and parent Association risk

The parent Association has long term debtors which include a loan to its subsidiary, Everlea Homes Limited, of £2.5m (2017: Nil) and a loan regarding a joint arrangement of £3.745m (2017: £2.94m). On consolidation, only the loan to the joint arrangement remains. Refer to page 44 (accounting policy) and page 58 (financial disclosures).

The risk – medium risk medium value

Both loans are subject to future development performance through new delivery vehicles for the Group to manage, and therefore we have assessed their recoverability as medium risk. Whilst the loans in both parent Association and Group are not significant in terms of total assets they are both material and therefore we have assessed their value as medium.

Our response

Our procedures included:

Loan to subsidiary undertaking:

- **Assessment of recoverability:** Assessing the £2.5m intercompany long term debtor to identify whether the subsidiary has future cash flow projections which include the repayment of the debt.
- **Test of detail:** Assessing the intercompany creditor recognised by the subsidiary and comparing it to the debtor recognised by the parent Association.
- **Confirmation of value**: Agreeing the loan to the loan agreement and corroborating movements in the year.

Loan relating to joint arrangement:

- **Assessment of recoverability**: Assessing the £3.745m long term debtor owed by the partner to the joint arrangement to identify whether it has future cash flow plans which include the repayment of the debt.
- **Confirmation of value**: Agreeing the loan to the loan agreement and corroborating movements in the year.

Our results
We found the Group's and Association's assessment of the recoverability of the long term debtor balances to be acceptable.

Our Application of Materiality and an Overview of the Scope of the Audit
The materiality for the audit of the Association, regarding the Statement of Financial Position, for the year ended 31 March 2018 was £1.1m (2017: £928k) determined with reference to the average of the following benchmarks:

- 1% of turnover
- 5% of result before tax
- 4% of net assets
- 1% of gross assets

Materiality for the audit of the Statement of Comprehensive Income is an average of the first two benchmarks only at £355k (2017: £327k).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £55k (2017: £46k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Other information
The other information comprises the information included in the Report of the Board including Strategic Report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Cooperative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- the information given in the Report of the Board including Strategic Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept adequate accounting records; or
- the Association's financial statements are not in agreement with accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board
As explained more fully in the Statement of Board's Responsibilities set out on pages 24 to 25, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the Board and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout out team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Use of our Report
This report is made solely to the Association's members, as a body, in accordance with section 87(2) of the Cooperative 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.

Beever and Struthers

Beever and Struthers, Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE
Date: 27/9/18

Statement of Comprehensive Income

	Notes	GROUP		ASSOCIATION	
		March 2018	March 2017	March 2018	March 2017
		£'000	£'000	£'000	£'000
Turnover	3	27,781	26,489	27,781	26,489
Cost of sales	3	(1,033)	(471)	(1,033)	(471)
Operating expenditure	3	(14,091)	(14,538)	(14,085)	(14,538)
Gains on disposal of property, plant and equipment	4	1,054	595	1,054	595
Operating surplus	5	**13,711**	**12,075**	**13,717**	**12,075**
Share of operating surplus of joint ventures	10e	2,875	-	-	-
Interest receivable	6	121	55	104	55
Interest and financing costs	7	(4,979)	(5,244)	(4,979)	(5,244)
(Decrease)/increase in valuation of investment properties	10c	(120)	495	(120)	495
Surplus before tax		**11,608**	**7,381**	**8,722**	**7,381**
Taxation		-	-	-	-
Surplus for the year		11,608	7,381	8,722	7,381
Actuarial gain/(loss) in respect of pension schemes	29	422	(1,086)	422	(1,086)
Total comprehensive income for the year		**12,030**	**6,295**	**9,144**	**6,295**

The financial statements on pages 32 to 76 were approved and authorised for issue by the Board on 18 September 2018 and were signed on its behalf by:

Sandra Royer	**Board Member**	**Joe Chambers**	**Claire Howe**
Chair of Board	Anne Shearman	Chief Executive	Company Secretary

The notes on pages 36 to 76 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 Regulator of Social Housing (Number L4455)

Statement of Financial Position as at 31 March 2018

	Notes	GROUP		ASSOCIATION	
		March 2018	March 2017	March 2018	March 2017
		£'000	£'000	£'000	£'000
Fixed Assets					
Housing Properties at costs	10a	184,948	158,168	184,948	158,168
Other Fixed Assets	10b	3,178	3,274	3,178	3,274
Investment properties	10c	3,240	3,277	3,240	3,277
Investment in subsidiaries	10d	-	-	-	-
Investment in Joint Ventures	10e	5,554	2,081	155	2,081
Tangible fixed Assets		**196,920**	**166,800**	**191,521**	**166,800**
Current assets					
Stock	11	8,052	5,898	8,052	5,898
Trade and other debtors	12	6,256	5,007	8,757	5,007
Agreement to improve existing properties	25	8,614	10,966	8,614	10,966
Cash and cash equivalents	13	1,257	2,183	1,253	2,183
		24,179	**24,054**	**26,676**	**24,054**
Less: Creditors: amounts falling due within one year	14	(7,877)	(5,437)	(7,861)	(5,437)
Net current assets		16,302	18,617	18,815	18,617
Total assets less current liabilities		**213,222**	**185,417**	**210,336**	**185,417**
Creditors: amounts falling due after more than one year	15	(160,839)	(142,168)	(160,839)	(142,168)
Provisions for liabilities					
Agreement to improve existing properties	25	(8,614)	(10,966)	(8,614)	(10,966)
Pension provision	29	(2,543)	(3,006)	(2,543)	(3,006)
Other provision	30	(710)	(791)	(710)	(791)
		(11,867)	(14,763)	(11,867)	(14,763)
Total net assets		**40,516**	**28,486**	**37,630**	**28,486**
Reserves					
Non-equity share capital	26	-	-	-	-
Income and expenditure reserve	27	40,516	28,486	37,630	28,486
Total reserves		**40,516**	**28,486**	**37,630**	**28,486**

The financial statements on pages 32 to 76 were approved and authorised for issue by the Board on 18 September 2018 and were signed on its behalf by:

Sandra Royer	**Board Member**	**Joe Chambers**	**Claire Howe**
Chair of Board	Anne Shearman	Chief Executive	Company Secretary

The notes on pages 36 to 76 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 Regulator of Social Housing (Number L4455)

Statement of Changes in Equity as at 31 March 2018

	GROUP		ASSOCIATION	
	Share Capital	Income & Expenditure	Share Capital	Income & Expenditure
	£'000	£'000	£'000	£'000
Balance as at 1 April 2016	-	22,191	-	22,191
Surplus for the year	-	7,381	-	7,381
Actuarial gain in respect of pension schemes	-	(1,086)	-	(1,086)
Balance as at 1 April 2017	**-**	**28,486**	**-**	**28,486**
Surplus for the year	-	11,608	-	8,722
Actuarial loss in respect of pension schemes	-	422	-	422
Balance as at 1 April 2018	**-**	**40,516**	**-**	**37,630**

The Group and Association have issued share capital of £9 (2017: £9). The Group and Association had equity at the reporting date of £40,516k (2017: £28,486k) and £37,630k (2017: £28,486k) respectively.

The notes on pages 36 to 76 form an integral part of the financial statements.

	GROUP	
	March 2018	March 2017
Net cash generated from operating activities (see Note 21)	**14,541**	**5,494**
Cash flow from investing activities		
Purchase of tangible fixed assets	(30,878)	(22,648)
Proceeds from sale of tangible fixed assets	2,942	1,370
Grants received	1,067	478
Investments in joint ventures	(598)	(2,081)
Investment income received	2	55
	(27,465)	**(22,826)**
Cash flow from financing activities:		
Interest paid	(6,002)	(5,592)
New secured loans	18,000	7,000
Repayments of borrowings	-	-
	11,998	**1,408**
Net change in cash and cash equivalents	**(926)**	**(15,924)**
Net change in cash and cash equivalent		
Cash and cash equivalents at beginning of the year	2,183	18,107
Cash and cash equivalents at end of the year	1,257	2,183
	(926)	**(15,924)**

The notes on pages 36 to 76 form an integral part of the consolidated 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 Regulator of Social Housing as a Private Registered Provider of Social Housing with registration number L4455. The registered office is 17 Amwell Street, Hoddesdon, EN1 18TS.

The Group 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 Regulator of Social Housing 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 Group and Association meet the definition of a public benefit entity (PBE).

Basis of consolidation
The Group consolidated financial statements include the financial statements of the Association, all of its subsidiary undertakings and joint ventures. A subsidiary is an entity controlled by the Group and control is construed as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements have been prepared using the line by line consolidation for subsidiaries and equity method for joint ventures entities as appropriate. Group entities are detailed within note 28 to the financial statements. The results of joint ventures have been incorporated into the Financial Statements consolidated from management accounts as they do not share same reporting date with the Group.

All intra Group transactions, balances, income and expenses are eliminated on consolidation.

Exemptions for qualifying entities under FRS 102
The Association has elected to apply the following reduced disclosures, which are permitted in accordance with FRS 102:

- Exemption to not disclose a separate cash flow statement in accordance with FRS 102 1.12(b) as the Association is a qualifying entity and the Group prepares a consolidated cash flow statement.
- Exemption from making disclosures in relation to financial instruments in accordance with FRS 102 1.12(c) as the Association is a qualifying entity and the Group produces a consolidated statement (note 32).
- The Association has taken advantage of the exemptions under FRS 102 Paragraph 33.1A not to disclose the details of related party transactions with wholly owned subsidiaries.

2. (a) Principal Accounting Policies (continued)

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 Homes England, 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.

Related party transactions

The Group and Association has taken advantage of the exemptions in FRS 102 and has decided not to disclose transactions between regulated entities or between non-regulated entities except as required by the Accounting Direction 2015. Disclosure requirements for transactions between regulated entities and non-regulated entities are provided in note 28.

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.

2. (a) Principal Accounting Policies (continued)

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 it materialises.

Impairment of housing properties
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.

2. (a) Principal Accounting Policies (continued)

Depreciation of housing properties

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 Group and 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	60
windows & doors	30
bathrooms	30
electrics	30
lift	30
adaptations	15
kitchens	20
heating	15
Other	15

Land is not depreciated.

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

Other fixed tangible assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. 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

2. (a) Principal Accounting Policies (continued)

Long leasehold properties
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 10c.

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 registered provider, 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 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 Group and 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.

2. (a) Principal Accounting Policies (continued)

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

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 Homes England.

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 Group and 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 Group and Association also participate 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 Group and 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 and the unwinding of the discount factor which is disclosed as a financing costs.

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 Group and Association and its managing agents and on whether the Group and Association carries the financial risk. Where the Group and Association carry the financial risk these transactions are recognised in the SOCI.

2. (a) Principal Accounting Policies (continued)

Supported housing managed by agencies (continued)
The assets and associated liabilities are included in the Group and Association's Statement of Financial Position.

Property managed by agents
Where the Group and 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.

The assets and associated liabilities are included in the Group and 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.

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.

2. (a) Principal Accounting Policies (continued)

Financial instruments (continued)

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.

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.

2. (a) Principal Accounting Policies (continued)

Financial instruments (continued)

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. The subsidiaries are non-charitable and as such are subject to 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.

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.

2. (a) Principal Accounting Policies (continued)

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 Group and 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 Group and Association have rights to the net assets of the joint venture. The Association's interest in the joint venture is accounted for as an investment; however, the group accounts for joint venture under 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. Group turnover, cost of sales, operating costs and operating surplus

	Group					
	Turnover	Cost of Sales	Gains on disposal of property, plant and equipment	Operating expenditure	Total Operating surplus 2018	Total Operating surplus 2017
	£000	£000	£000	£000	£000	£000
Social housing lettings (notes 3b)	25,187	-	-	(13,305)	**11,882**	11,338
Other social housing activities:						
First tranche low cost home ownership sales	1,917	(1,033)	-	-	**884**	79
Supporting people	86	-	-	(86)	-	-
Development revenue costs	-	-	-	(115)	**(115)**	-
Gains on disposal of property, plant and equipment	-	-	1,054	-	**1,054**	595
Total other social housing activities	**27,190**	**(1,033)**	1,054	**(13,506)**	13,705	12,012
Activities other than social housing						-
Commercial rent	67	-	-	(108)	**(41)**	85
Market rent	54	-	-	-	**54**	-
Other	470	-	-	(477)	**(7)**	(22)
Total non-social housing activities	**591**	**-**	**-**	**(585)**	**6**	**63**
Total	**27,781**	**(1,033)**	**1,054**	**(14,091)**	**13,711**	**12,075**

3b. Association turnover, cost of sales, operating costs and operating surplus

	Association					
	Turnover	Cost of Sales	Gains on disposal of property, plant and equipment	Operating expenditure	Total Operating surplus 2018	Total Operating surplus 2017
	£000	£000	£000	£000	£000	£000
Social housing lettings (notes 3b)	25,187	-	-	(13,305)	**11,882**	11,338
Other social housing activities:						
First tranche low cost home ownership sales	1,917	(1,033)	-	-	**884**	79
Supporting people	86	-	-	(86)	-	-
Development revenue costs	-	-	-	(115)	**(115)**	-
Gains on disposal of property, plant and equipment	-	-	1,054	-	**1,054**	595
Total other social housing activities	27,190	(1,033)	1,054	(13,506)	**13,705**	12,012
Activities other than social housing						-
Commercial rent	67	-	-	(108)	**(41)**	85
Market rent	54	-	-	-	**54**	-
Other	470	-	-	(471)	**(1)**	(22)
Total non-social housing activities	591	-	-	(579)	12	63
Total	**27,781**	**(1,033)**	**1,054**	**(14,085)**	**13,717**	**12,075**

3c. Income and Expenditure from Social Housing Lettings

Particulars of income and expenditure	General Housing £000	Sheltered Housing £000	Low cost Home ownership £000	Total 2018 £000	Total 2017 £000
Income					
Rent receivable net of identifiable service charge	21,651	1,706	519	**23,876**	24,082
Service charge income	748	408	-	**1,156**	899
Net rental income	**22,399**	**2,114**	**519**	**25,032**	**24,981**
Amortised government grants	132	-	23	**155**	216
Turnover	**22,531**	**2,114**	**542**	**25,187**	**25,197**
Operating expenditure					
Management	(4,190)	(415)	-	**(4,605)**	(4,651)
Service charge costs*	(1,442)	(142)	-	**(1,584)**	(2,725)
Responsive	(2,110)	(209)	-	**(2,319)**	(1,905)
Planned cyclical maintenance	(1,030)	(102)	-	**(1,132)**	(1,159)
Bad debts	(40)	(4)	-	**(44)**	(120)
Depreciation	(3,079)	(305)	-	**(3,384)**	(3,182)
Other costs	(216)	(21)	-	**(237)**	(117)
Operating expenditure on social lettings	**(12,107)**	**(1,198)**	**-**	**(13,305)**	**(13,859)**
Operating surplus on social lettings	**10,424**	**916**	**542**	**11,882**	**11,338**
Prior period operating surplus on social lettings	10,371	967	-	11,338	-
Void	**169**	**121**	**-**	**290**	**284**

**during year we reviewed our allocation and apportionment methodology for service charge costs and this has led to costs previously allocated to service charges being allocated to repair costs.*

3d. Group Segmental Reporting

	Group & Association					
Particulars of income and expenditure	General Housing	Sheltered Housing	Low cost Home ownership	Other	Total 2018	Total 2017
	£000	**£000**	**£000**		**£000**	**£000**
Income						
Rent receivable net of identifiable service charge	21,651	1,706	519	-	**23,876**	24,166
Service charge income	748	408	-	-	**1,156**	899
Net rental income	**22,399**	**2,114**	**519**	-	**25,032**	**25,065**
Amortised government grants	132	-	23	-	**155**	216
Other revenue grants	33	-	-		**33**	79
Commercial rent	-	-	-	67	**67**	85
Market rent	-	-	-	54	**54**	-
Management fees	-	-	-	437	**437**	407
Supporting people income	-	86	-	-	**86**	86
First tranche low cost home ownership sales	-	-	1,917	-	**1,917**	550
Turnover	**22,564**	**2,200**	**2,459**	**558**	**27,781**	**26,488**
Operating expenditure						
Cost of Sales - Stock	-	-	(1,033)	-	**(1,033)**	(471)
Management	(4,191)	(414)	-	(477)	**(5,082)**	(5,142)
Direct services	(1,441)	(143)	-	-	**(1,584)**	(2,725)
Responsive	(2,110)	(209)	-	-	**(2,319)**	(1,905)
Planned cyclical maintenance	(1,030)	(102)	-	-	**(1,132)**	(1,159)
Bad debts	(40)	(4)	-	-	**(44)**	(120)
Depreciation	(3,079)	(305)	-	-	**(3,384)**	(3,182)
Supporting people costs	-	-	-	(86)	**(86)**	(86)
Development costs not capitalised	-	-	-	(115)	**(115)**	(22)
Other costs	(216)	(21)	-	(108)	**(345)**	(196)
Operating expenditure	**(12,107)**	**(1,198)**	**(1,033)**	**(786)**	**(15,124)**	**(15,008)**
Gains on disposal of property, plant and equipment (fixed assets)	796	-	258	-	**1,054**	595
Segmental Operating Surplus	**11,253**	**1,002**	**1,684**	**(228)**	**13,711**	**12,075**
Share of operating surplus of joint ventures	-	-	-	2,875	**2,875**	-
Interest receivable	110	-	6	5	**121**	55
Interest and financing costs	(4,730)	(249)	-	-	**(4,979)**	(5,244)
Increase/(decrease) in valuation of investment properties	-	-	-	(120)	**(120)**	495
	6,633	**753**	**1,690**	**2,532**	**11,608**	**7,381**
Social housing properties	**153,063**	**16,281**	**15,604**	-	**184,948**	158,168
Other fixed assets	-	-	-	3,178	**3,178**	3,274
Investment properties	-	-	-	3,240	**3,240**	3,277
Investment in subsidiaries	-	-	-	-	**-**	-
Investment in Joint Ventures	-	-	-	5,554	**5,554**	2,081
	153,063	**16,281**	**15,604**	**11,972**	**196,920**	**166,800**

**during year we reviewed our allocation and apportionment methodology for service charge costs and this has led to costs previously allocated to service charges being allocated to repair costs.*

3e. Accommodation owned and in management

At the end of the year accommodation in management for each class of accommodation for both Group and Association were as follows:

	March 2018	March 2017
	No.	No.
Social housing owned and managed by Association:		
General needs housing	2,770	2,838
Affordable rent	634	504
Supported housing/housing for older people	311	319
Low cost home ownership	192	179
Leaseholders	676	673
Intermediate rented	4	4
Rent to Homebuy	2	2
Total social housing owned and managed	**4,589**	**4,519**
Social housing owned but managed by others	49	49
Total social housing owned	**4,638**	**4,568**
Non-social housing owned:		
Non-social leasehold	103	103
Market rented	4	2
Total housing owned	**4,745**	**4,673**

4. Gains on disposals of property, plant and equipment

	Group & Association	
	March 2018	March 2017
	£'000	**£'000**
Right to buy and acquire		
Proceeds	1,832	879
Cost of sales	(1,325)	(613)
Total surplus	**507**	**266**
Staircasing		
Proceeds	660	341
Cost of sales	(402)	(145)
Total surplus	258	196
Other Disposals		
Proceeds	450	136
Cost of sales	(161)	(3)
Total surplus	**289**	**133**
Total surplus	**1,054**	**595**

5. Operating Surplus

	Group		Association	
	March 2018	March 2017	March 2018	March 2017
	£'000	£'000	£'000	£'000
Operating surplus (all relating to continuing activities – included within operating costs) is stated after charging/(crediting):				
Auditors' remuneration (excluding VAT):	30	21	24	21
In their capacity as auditors				
Operating lease payments (includes one-off onerous lease provision in 2017)	265	505	265	505
Depreciation:				
Tangible Fixed Assets - housing properties	3,384	3,184	3,384	3,184
Accelerated depreciation on component	81	102	81	102
Other fixed assets	160	231	160	231
Amortisation of grant funding	155	216	155	216
Surplus on sale of fixed assets	1,054	595	1,054	595

6. Interest receivable and similar income

	Group		Association	
	March 2018	March 2017	March 2018	March 2017
	£'000	£'000	£'000	£'000
Interest receivable and similar income	121	55	104	55

7. Interest and Financing Costs

	Group & Association	
	March 2018	March 2017
	£'000	£'000
On loans wholly or partly repayable in more than five years	5,999	5,599
Costs associated with financing	220	139
On recycled capital grant fund and disposable proceeds funds	1	1
Less: Interest capitalised***	(1,319)	(564)
	4,901	**5,175**
Unwinding of SHPS discount factor (Note 29)	2	2
Deferred benefit pension charge		
Interest on pension scheme liabilities	395	451
Expected return on employer assets	(319)	(384)
	76	67
Total Interest payable and similar charges	**4,979**	**5,244**

***The weighted average interest on borrowing of 4.04% (2017: 4.38%) was used for calculating capitalised interest.

8. Tax on surplus

	Group		Association	
	March 2018	March 2017	March 2018	March 2017
	£'000	**£'000**	**£'000**	**£'000**
(a) Analysis of tax charge in year				
UK corporation tax on surplus	-	-	-	-
(b) Factors affecting tax charge for the year				
Surplus before tax	13,156	7,381	8,736	7,381
Surplus multiplied by corporation tax rate of 19% (2017: 19%)	2,500	1,402	1,660	1,402
Effects of:				
Non-taxable charitable activities	(2,500)	(1,402)	(1,660)	(1,402)
Total tax charge	-	-	-	-

9. Employee Information

Average monthly number of employees

	Group & Association	
	March 2018	March 2017
	No.	**No.**
Resources/Administration/Chief Executive	11	13
Development	7	8
Housing/Business Services/People and Community	125	112
Send and Mend (Direct Labour Organisation (DLO))	51	61
	194	**194**

Average monthly number of employees expressed in full time equivalents of 37 hours per week:

	Group & Association	
	March 2018	March 2017
	No.	**No.**
Resources/Administration/Chief Executive	11	12
Development	7	8
Housing/Business Services/People and Community	109	87
Send and Mend (Direct Labour Organisation (DLO))	50	57
	177	**164**

Employee costs:

	Group & Association	
	March 2018	March 2017
	£'000	**£'000**
Wages and salaries	5,000	5,142
Social security costs	467	522
Other pension costs	469	702
Termination payment	256	223
Less: Capitalised Salaries	(1,058)	(1,257)
	5,134	**5,332**

The Association's employees are members of the various pension schemes as detailed in note 29.

9a. Employee Information (continued)

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000

	Group & Association	
	March 2018	March 2017
	No.	No.
£60,000 to £69,000	5	7
£70,000 to £79,000	2	1
£120,000 to £129,999	-	2
£130,000 to 139,999	2	2

9. Board Members and Executive Directors

	Group & Association				
	Basic salary	Benefits in kind	Pension contributions	March 2018 Total	March 2017 Total
	£'000	£'000	£'000	£'000	£'000
Board Members					
Sandra Royer – Chair	8	-	-	8	8
Mark Davies	5	-	-	5	4
Karen Forbes-Jackson	4	-	-	4	6
Chris Fawcett	5	-	-	5	5
Stewart Heath	-	-	-	-	3
Chris Herbert	3	-	-	3	3
Anne Shearman	5	-	-	5	3
Camelia Borg	3	-	-	3	3
Michael Dempsey	3	-	-	3	-
Tony Infantino	3	-	-	3	3
	39	-	-	**39**	**38**
Executive Directors					
Chief Executive, Joe Chambers	132	-	16	**148**	**138**
Resources Director *, Paul Williams	35	-	-	**35**	**109**
Finance Director, Joanna Moore	54	-	2	**56**	-
Director of Development & Asset, Management, Stephen Tarry	109	-	32	**141**	**132**
Operations Director, Simon Walton	24	-	8	**32**	**125**
	354	-	**58**	**412**	**504**

*The Resources Director retired in June 2017.

The above list of Board members reflects the members during the year to 31st March 2018. 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 highest paid Director during the financial year was the Chief Executive. He was a member of the B3Living GPPS, which is a defined contribution scheme and the terms and conditions of his membership were consistent with all other members of this scheme. The Association contributed £16k (2017: £14k).

9. Board Members and Executive Directors (continued)

The Group acquired the services of the interim Finance Director who meets the definition of key management personnel through an agency. The total fees of £31k paid for the services of the Finance Director inclusive of agency fees and VAT have been included in the costs above.

10a. Group & Association - Tangible Fixed Assets Housing Properties

	Completed Social housing properties held for letting	Social Housing properties under construction	Shared Ownership properties under construction	Completed Shared Ownership housing properties	Total 2018
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
At 1 April 2017	149,181	16,483	2,007	6,388	**174,059**
Additions during year	1,564	18,134	7,015	-	**26,713**
Improvements	3,231	-	-	-	**3,231**
Interest capitalised	-	870	449	-	**1,319**
Schemes completed in year	10,613	(10,613)	(1,330)	1,330	-
Transfers	79	-	-	(79)	-
Disposals	(787)	-	-	(176)	**(963)**
Component Disposals	(248)	-	-	-	**(248)**
At 31 March 2018	**163,633**	**24,874**	**8,141**	**7,463**	**204,111**
Depreciation & impairment					
At 1 April 2017	(15,890)	-	-	-	**(15,890)**
Charged in year	(3,384)	-	-	-	**(3,384)**
Transfers	16	-	-	-	**16**
Component Disposals	51	-	-	-	**51**
Disposals	44	-	-	-	**44**
At 31 March 2018	**(19,163)**	-	-	-	**(19,163)**
Net book value					
At 31 March 2018	**144,470**	**24,874**	**8,141**	**7,463**	**184,948**
At 31 March 2017	133,290	16,483	2,007	6,388	**158,168**

Additions to the Group's housing properties during the year include capitalised interest of £1,319k (2017: £564k) and capitalised administration costs of £499k (2017: £353k).

Existing Use Value - Social Housing
As at 31 March 2018 the valuation for social housing properties on an Existing Use Value - Social Housing (EUV-SH) basis is £294m (2017: £249m). The carrying amount of these social housing properties is £163m (2017: £148m). The EUV-SH valuation includes £8.1m (2017: £Nil) for garages.

10a. Group & Association - Tangible Fixed Assets Housing Properties (continued)

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

Expenditure on works to existing properties	March 2018	March 2017
	£'000	**£'000**
Amounts capitalised	3,231	1,847
Amounts charged to income and expenditure account	3,451	3,064
Total	**6,682**	**4,911**

10b. Group & Association Tangible Fixed Assets – Other Fixed Assets (continued)

	Leasehold Offices	Freehold Offices	Furniture, Fixtures & Fittings	IT & Office Equipment	Motor vehicles	Plant & Equipment	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost							
At 1 April 2017	63	3,119	313	2,561	92	141	**6,289**
Additions during year	-	20	5	36	3	-	**64**
At 31 March 2018	63	3,139	318	2,597	95	141	6,353
Depreciation & impairment							
At 1 April 2017	63	104	287	2,405	54	102	**3,015**
Charged in year	-	48	8	82	13	9	**160**
Released on disposal	-	-	-	-	-	-	-
At 31 March 2018	**63**	**152**	**295**	**2,487**	**67**	**111**	**3,175**
Net book value							
At 1 April 2018	-	**2,987**	**23**	**110**	**28**	**30**	**3,178**
At 31 March 2017	-	**3,015**	**26**	**156**	**38**	**39**	**3,274**

10c. Group & Association Tangible Fixed Assets – Investment Properties

	Market Rented Properties WIP	Market Rented Properties Completed	Commercial property	Total
	£000	£000	£000	£000
At 1 April 2017	737	740	1,800	**3,277**
Additions during year	83	-	-	**83**
Completed during the year	(820)	820	-	**-**
Fair value movements	-	80	(200)	**(120)**
At 31 March 2018	**-**	**1,640**	**1,600**	**3,240**

Market rented
At the reporting date market rented 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.

Commercial properties
Investment properties were valued at 31 March 2018 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 2018 and 31 March 2017 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. Investment in subsidiaries

The Group and Association have two 100% owned subsidiaries; Everlea Homes Limited and B3Living Development Limited both non regulated bodies. The results of these subsidiaries have been consolidated in the Group accounts. The Group's and the Association's investment into these two subsidiaries are set out below:

	March 2018	March 2017
	£	£
Everlea Homes Limited	2	-
B3Living Development Limited	2	-
	4	-

10e. Investments in joint ventures

The Group and Association have investments in two joint venture in Wheat Quarter Ltd, a company registered by shares and incorporated in England and Wales and Farnham LLP, a limited liability partnership incorporated in England and Wales.

Both joint ventures are not regulated by the Regulator of Social Housing. The Group and Association own 50% of the net assets in both joint ventures as they on their own do not control the strategic direction of the company but have joint influence in appointing directors for the company. The joint ventures have been accounted as investments in the subsidiaries and have been accounted under equity method in the consolidated accounts.

Below is an analysis of the investment and performance of both joint ventures at the reporting date:

Joint Venture Entity	Joint venture partners	B3Living's voting rights
Wheat Quarter Ltd	Fooks Property Company and Plutus Estates	50% owned by B3Living
Farnham Road LLP	Bellis Homes Ltd	50% owned by Everlea

	Group		Association	
	March 2018	March 2017	March 2018	March 2017
	£'000	£'000	£'000	£'000
Investment in Wheat Quarter	2,679	2,081	155	2,081
Investment in joint venture (Farnham Road LLP)	2,524	-	-	-
	5,554	**2,081**	**155**	**2,081**

	Group		Association	
	March 2018	March 2017	March 2018	March 2017
	£'000	£'000	£'000	£'000
As at 1 April	2,081	-	2,081	-
Investment in joint venture	5,598	2,081	3,074	2,081
Return of investment in joint venture	(5,000)	-	(5,000)	-
Share of profits in joint venture	2,875	-	-	-
As at 31 March	**5,554**	**2,081**	**155**	**2,081**

11. Stock – Properties for sale

	Group & Association	
	March 2018	March 2017
	£000	£000
Shared Ownership – Completed	291	-
Shared Ownership – Under Construction	7,761	1,635
Outright sales – Completed	-	-
Outright sales – Under Construction*	-	4,263
	8,052	5,898

Stock recognised in cost of sales as an expense was £1,033k (2017: £471). There is no impairment on the stock recognised in the accounts (2017: £nil). None of the stock is pledged as collateral against borrowing by the Group and Association (2017: £nil).

*During the year the Group and Association changed the development intention on stock classified in the prior year as Outright sales – under construction to first tranche sales. The change in intention did not lead to an impairment adjustment because the costs to completion are lower than the net realisable values of these homes.

12. Trade debtors and debtors

	Group		Association	
	March 2018	March 2017	March 2018	March 2017
	£'000	£'000	£'000	£'000
Rent arrears	1,134	1,013	1,134	1,013
Less: provision for bad debts	(256)	(271)	(256)	(271)
	878	742	878	742
Prepayment and accrued income	898	609	825	609
Other debtors	735	716	735	716
Inter company debtors	-	-	74	-
	2,511	2,067	2,512	2,067
Long term debtors				
Loan to subsidiary undertaking	-	-	2,500	-
Loan to joint arrangement	3,745	2,940	3,745	2,940
	6,256	5,007	8,757	5,007

13. Cash and cash equivalents

	Group		Association	
	March 2018	March 2017	March 2018	March 2017
	£'000	£'000	£'000	£'000
Cash in hand and at bank	1,094	1,929	1,094	1,929
Cash held for leaseholders and low cost home ownership	163	254	163	254
Money market deposits	-	-	-	-
Short term liquid investments	-	-	-	-
	1,257	2,183	1,257	2,183

Of the £1,257k (2017: £2,183k) cash and cash equivalents, £163k (2017: £254k) is not available for general use. The unavailable cash is made up of the sinking fund for leaseholders future major repairs £64k (2017: £155k) and Epping Council's share of the Open Market low cost home ownership units £99k (2017: £99k). None of the cash is held as collateral against the borrowing by the Association.

14. Creditors: Amounts Falling Due Within One Year

	Group		Association	
	March 2018	March 2017	March 2018	March 2017
	£'000	£'000	£'000	£'000
Trade creditors	1,975	1,218	1,973	1,219
Rent and service charges received in advance	1,093	436	1,093	436
Taxation and social security	121	129	121	129
Accruals and deferred income	3,413	2,309	3,399	2,308
Deferred grants to due to be released in 1 year (note 17)	160	154	160	154
Disposal proceeds fund (note 18b)	886	656	886	656
SHPS pension agreement plan (note 29)	10	10	10	10
Inter company creditors	-	-	-	-
Other creditors	219	525	219	525
	7,877	**5,437**	**7,861**	**5,437**

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

	Group & Association	
	March 2018	March 2017
	£'000	£'000
Debt (note 16)	150,000	132,000
Less Issue costs	(1,917)	(1,688)
	148,083	130,312
Deferred Capital Grant (note 17)	12,394	11,527
Recycled capital grant fund (note 18a)	283	10
Disposal proceeds fund (note 18b)	-	230
SHPS pension agreement plan (note 29)	79	89
	160,839	**142,168**

The Group and Association have a £65m (2017: £30m) revolving credit facility and this facility had an undrawn down balance of £40m (2017: £23m) at the year end. During the year the Group and Association drew down £18m (2017: £7m).

16. Debt Analysis

	01-Apr 2017	Cash Flow	31-Mar 2018
	£'000	£'000	£'000
Cash at bank and in hand	2,183	(926)	**1,257**
Bank overdraft	-	-	-
Changes in cash	2,183	(926)	**1,257**
Bond Issue	(125,000)	-	**(125,000)**
Housing loans	(7,000)	(18,000)	**(25,000)**
Changes in debt	(132,000)	(18,000)	(150,000)
Changes in net debt	**(129,817)**	**(18,926)**	**(148,743)**

16. Debt Analysis – Nominal values (continued)
Group & Association

The Group and Association have 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 £5m (2017: £23m) at the year end as the Group and Association drew down £18m during the year. On 6 April 2017, the Association entered into another £35m revolving credit facility agreement. The facility was undrawn at the reporting date.

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

Financial liabilities as at 31 March 2018

	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	25,000	-	-	-	-	-	25,000	-
Bond Stock									
Fixed rate	4.823	68,000	-	-	-	-	-	-	68,000
Fixed rate	3.778	57,000	-	-	-	-	-	-	57,000
		150,000	-	-	-	-	-	**25,000**	**125,000**

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	-	-	-	-	-	-	**132,000**

Debt Analysis (continued)

	Group & Association	
	March 2018	March 2017
Analysis of debt (Note 15)	**£'000**	**£'000**
Bond and Note Purchase Agreement	125,000	125,000
Revolving Credit Facility	25,000	7,000
	150,000	**132,000**

The Group and Association had undrawn down facilities of £40m (2017: £23m).

17. Deferred Capital Grant

As at 31 March 2018, £155k of capital grants had been amortised (2017: £216k) in the year.

	Group & Association	
	March 2018	March 2017
	£'000	**£'000**
At start of the year	11,681	10,906
Grant received in the year	1,217	478
Transfers from recycled capital grants and disposal proceeds funds	-	220
Transfers to recycled capital grants and disposal proceeds funds	(199)	(48)
Amortised during the year	(155)	(216)
Reclassification	-	337
Other	10	4
At the end of the year	**12,554**	**11,681**
Amount due to be released < 1 year (note 14)	160	154
Amount due to be released > 1 year (note 15)	12,394	11,527
	12,554	**11,681**

18 a) Recycled capital grant fund

	Group & Association	
	March 2018	March 2017
	£'000	**£'000**
At start of the year	10	31
Inputs to RCGF:		
Grants recycled	199	48
Transfer from Contingent grants (Stock transfer)	73	-
Interest accrued	1	1
At the end of the year	**283**	**80**
Recycling of grant:		
New build	-	(70)
At the end of the year	**283**	**10**
Amount due to be released < 1 year (note 14)	-	-
Amount due to be released > 1 year (note 15)	283	10
	283	**10**

18b) Disposal proceeds fund

	Group & Association	
	March 2018	March 2017
	£'000	£'000
At start of the year	886	1,039
Inputs to DPF:		
Net Right to buy receipts	-	-
Interest accrued	-	(3)
	886	**1,036**
Use/allocation of funds:		
New build	-	(150)
At end of year	**886**	**886**
Amount due to be released < 1 year (note 14)	-	656
Amount due to be released > 1 year (note 15)	886	230
	886	**886**
Amounts three years old or older where repayment may be required	-	-

19. Capital Commitments

	Group & Association	
	March 2018	March 2017
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	31,598	32,393
Capital expenditure that has been authorised by the Board but has not yet been contracted for	40,979	6,489
	72,577	**38,882**
The Association expects these commitments to be financed by:		
Social Housing Grant	8,748	689
Proceeds from the sales of properties and surpluses from the core business	54,177	15,008
Committed loan facilities	9,652	23,185
	72,577	**38,882**

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

The Group and Association expect 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

The Association and Group had commitments of future minimum lease payments as follows:

	Group & Association	
	March 2018	March 2017
	£'000	£'000
Land and Buildings		
Less than one year	4	5
More than one year and less than 5 years	-	4
In five years or more	-	-
	4	**9**
Others:		
Less than one year	161	281
In two years or more and less than five years	260	257
In five years or more	-	-
	421	**538**

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 and equipment.

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

	March 2018	March 2017
	£'000	£'000
Surplus for the year	**12,030**	**6,295**
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,615	3,480
Write offs and disposals	(117)	(61)
Decrease/(Increase) in stock	(2,154)	(5,520)
Decrease / (Increase) in trade and other debtors	1,191	76
(Decrease) / Increase in trade and other creditors	(415)	(3,563)
(Decrease) in provisions	(81)	(1,372)
Pensions Gains / (Losses)	(422)	1,086
Movement on disposals and sales	(1,054)	595
Decrease (increase) in valuation of investment properties	120	(495)
Amortised government grant	(155)	(216)
Share joint venture profits	(2,875)	-
Interest payable	4,979	5,244
Interest received	(121)	(55)
Net cash generated from operating activities	**14,541**	**5,494**

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

	March 2018	March 2017
	£'000	£'000
Decrease in cash	(926)	(15,924)
Cash inflow from increase in net debt and lease finance	(18,000)	(7,000)
Increase in net debt from cash flows	**(18,926)**	(22,924)
Total changes in net debt for the period:		
Net debt at 1 April	(129,817)	(106,893)
Net debt at 31 March	**(148,743)**	**(129,817)**

23. Analysis of Net Debt

	Group		
	01-Apr 2017	Cash Flow	31-Mar 2018
	£'000	£'000	£'000
Cash at bank and in hand	2,183	(926)	**1,257**
Bank overdraft	-	-	**-**
Changes in cash	2,183	(926)	**1,257**
Bond Issue	(125,000)	-	**(125,000)**
Housing loans	(7,000)	(18,000)	**(25,000)**
Changes in debt	(132,000)	(18,000)	(150,000)
Changes in net debt	**(129,817)**	**(18,926)**	**(148,743)**

24. Financial Liabilities

Borrowing facilities
The facilities available at 31 March 2018 in respect of which all conditions precedent had been met were as follows:

	Group		Association	
	March 2018	March 2017	March 2018	March 2017
	£'000	£'000	£'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	150,000	132,000	150,000	132,000
	150,000	**132,000**	**150,000**	**132,000**

At the reporting date the Group's loan drawn down facilities and bond issued were £150m (2017: £132m). This is made up of £57m bond raised in January 2013, £68m note purchase agreement raised in February 2015 and £25m revolving credit facility drawn down over the last 2 years.

The Group had a £40m unutilised revolving credit facility at the year end (2017: £23m).

25. Group 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 2018 the gross values of the balances that had been offset, have been reduced to £7,059k (March 2017: £9,365). VAT arising on the works during the period totalled £384k (March 2017: £425k).

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 2018 the gross values of the balances have been reduced to £1,556k (March 2017: £1,601k) with VAT arising on the works during the period totalling £45k (March 2017: £19k).

26. Share Capital

	Group		Association	
	March 2018	March 2017	March 2018	March 2017
	No.	No.	No.	No.
Shares of £1 each issued and fully paid				
At start of year	9	9	9	9
Issued during year	1	1	1	1
Redeemed	(1)	(1)	(1)	(1)
At end of year	**9**	**9**	**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

	Group		Association	
	March 2018	March 2017	March 2018	March 2017
	£'000	£'000	£'000	£'000
At start of year	28,486	22,191	28,486	22,191
Surplus during the year	13,156	7,381	8,736	7,381
Actuarial (losses)/gains	422	(1,086)	422	(1,086)
At end of year	**42,064**	**28,486**	**37,644**	**28,486**

28. Subsidiaries and related undertakings Related Party Transactions

All the subsidies and joint venture entities are non-regulated bodies. The only regulated body in the Group is the parent entity B3Living Limited.

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Name of subsidiary Undertaking	Principal activity	Interest	Legal status
B3Living Development Limited	A company with non-charitable status undertaking design and build on behalf of the B3Living and its subsidiaries	Wholly owned subsidiary	Company registered by shares and incorporated in England and Wales.
Everlea Homes Ltd	A company with non-charitable status undertaking market rent and outright sales activities.	Wholly owned subsidiary	Company registered by shares and incorporated in England and Wales.
Wheat Quarter Ltd (WGC)	A partnership building social and outright sale housing	Joint Venture 50% interest by B3Living	Company registered by shares and incorporated in England and Wales.
Farnham Road LLP	A partnership building social and outright sale housing.	Joint Venture 50%	Limited Liability partnership incorporated in England and Wales.

The Association provides management services, other services and loans at arm length to its subsidiaries. There were no trading activities in both Everlea Homes Ltd and B3Living Development Limited, therefore no management fees were charged for the year.

The Board had one (2017: 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 £4.1k (2017: £6.7k). There were no arrears on their tenancies during the reporting period ending 2018 (2017: £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.

29. Pensions (continued)

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

The last formal valuation of the Scheme was performed as at 30 September 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 £89k (2017: £99k) was disclosed in Statement of Financial Statements as a liability. The liability of £89k (2017: £99k) is split between Creditors: Amounts falling due within one year in note 14 of £10k (2017: £10k) and Creditors: Amounts falling due after more than one year in note 15 of £79k (2017: £89k).

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:

	Group & Association	
RECONCILIATION OF OPENING AND CLOSING PROVISIONS	Year Ending 31-Mar-18 £'000	Year Ending 31-Mar-17 £'000
Provision at start of period	99	104
Unwinding of the discount factor (interest expense)	1	2
Deficit contribution paid	(10)	(10)
Re-measurements - impact of any change in assumptions	1	3
Re-measurements - amendments to the contribution schedule	-	-
Provision at end of period	**89**	**99**

29. Pensions (continued)

Social Housing Pension Scheme (SHPS) (continued)

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:

	Group & Association	
	Year Ending 31 March 2018 £'000	Year Ending 31 March 2017 £'000
Unwinding of the discount factor (Interest expense)	2	2
Re-measurements – impact of any change in assumptions	1	3
Re-measurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service	-	-
Cost recognised income and expenditure account	-	-

ASSUMPTIONS	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.72	1.33	2.06

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 2018 £'000	Year Ending 31 March 2017 £'000
Total net pension liability	2,543	3,006

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

	31 March 2018	31 March 2017	31 March 2016
Fair value of assets	12,807	12,206	10,969
Value placed on liabilities	15,350	(15,212)	(12,904)
Total net pension liability	(2,543)	**(3,006)**	**(1,935)**

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

29. Pensions (continued)

Hertfordshire County Council Pension Fund (HCCPF) (continued)

Payroll	Year Ending 31 March 2018 £'000	Year Ending 31 March 2017 £'000
Assumed Total Pensionable Payroll based on Information Provided	768	1,112

Investment returns

The return on the Fund in market value terms for the period to 31 March 2018 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 2017 to 31 December 2017	7.3%
Total Returns from 1 April 2017 to 31 March 2018	3.8%

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

The estimated split of assets is shown below:

Period Ended	31 March 2018	31 March 2017
Equities	59%	65%
Bonds	28%	25%
Property	8%	7%
Cash	5%	3%

The estimated bid value of the Fund's assets as at 31 March 2018 is £4,432,000,000.

Financial Assumptions as at:	31 Mar 2018 % p.a.	31 Mar 2017 % p.a.
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.5%	2.5%
Discount Rate	2.7%	2.6%

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.

29. Pensions (continued)

Hertfordshire County Council Pension Fund (HCCPF) (continued)

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 2017	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 2018, 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.

The changes in the fair value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2018:

	Group & Association		
Period ended 31 March 2018	Assets £'000	Obligations £'000	Net (liability) / asset £'000
Fair value of plan assets	12,206	-	**12,206**
Present value of funded liabilities	-	15,212	**(15,212)**
Opening Position as at 31 March 2017	12,206	15,212	**(3,006)**
Service cost	-	308	**(308)**
Current service cost*	-	16	**(16)**
Total Service Cost	-	**324**	**(324)**
Net interest			
Interest income on plan assets	319	-	**319**
Interest cost on defined benefit obligation	-	395	**(395)**
Total net interest	319	395	**(76)**
Total defined benefit cost recognised in Profit or (Loss)	319	719	**(400)**
Cashflows			
Plan participants' contributions	54	54	-
Employer contributions	441	-	**441**
Benefits paid	(362)	(362)	-
Expected closing position	12,658	15,623	**(2,965)**
Remeasurements			
Changes in demographic assumptions	-	-	-
Changes in financial assumptions	-	(273)	**273**
Return on assets excluding amounts included in net interest	149	-	**149**
Total remeasurements recognised in Other Comprehensive Income	149	(273)	**422**
Fair value of plan assets	12,807	-	**12,807**
Present value of funded liabilities		15,350	**(15,350)**
Closing position as at 31 March 2018	12,807	15,350	**(2,543)**

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 2018.

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 2018:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	1,419
1 year increase in member life expectancy	3%	545
0.5% increase in the Salary Increase Rate	2%	235
0.5% increase in the Pension Increase Rate	8%	1,165

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

Period ended 31 March 2018	2018	2017	2016
Amount recognised in the Statement of Comprehensive Income			
Amount	(422)	(359)	(513)
Percentage of the present value of pension liabilities	2.75%	2.40%	4.00%
Amount recognised in the Other Comprehensive income			
Amount	463	(1,086)	1,141
Percentage of the present value of pension liabilities	3.02%	7.10%	8.80%

30. Other Provisions

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

	Group & Association			
	Utilities	Onerous Contract	Total 2018	Total 2017
	£'000	£'000	£'000	£'000
At start of year	477	314	**791**	573
Provided during the year	-	-	-	314
Released during the year	-	(81)	**(81)**	(96)
At the end of the year	**477**	**233**	**710**	**791**

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 in the prior 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:

	Group and Association	
	March 2018	March 2017
	£'000	£'000
Government funding received to date	13,347	12,340
Grant amortised to date (contingent liabilities)	(803)	(659)
Net Grant (Note 17)	**12,544**	**11,681**

32. Financial instruments and financial management

	Group		Association	
	March 2018	March 2017	March 2018	March 2017
Financial assets measured at amortised cost	**£'000**	**£'000**	**£'000**	**£'000**
Cash and cash equivalents (Note 13)	1,257	2,183	1,253	2,183
Rent arrears (Note 12)	878	742	878	742
Loan to joint arrangement (Note 12)	3,745	2,940	3,745	2,940
Other debtors (Note 12)	735	716	735	716
Accrued income	465	162	465	162
Total financial assets measured at amortised cost	**5,823**	**4,560**	**5,823**	**4,560**
Total financial assets	**7,080**	**6,743**	**7,076**	**6,743**
Financial liabilities measured at amortised cost				
Trade creditors (Note 14)	1,975	1,218	1,973	1,218
Rent and service charges received in advance (note 14)	1,093	436	1,093	436
Other Creditors (Note 14)	219	525	219	525
Accruals and deferred income (Note 14)	3,413	2,309	3,399	2,309
Recycled capital grant fund (Note 18a)	283	10	283	10
Disposal proceeds fund (Note 18b)	886	886	886	886
Debt (Note 15)	148,083	130,312	148,083	130,312
Total financial liabilities measured at amortised cost	155,952	135,696	155,936	135,696
Total financial liabilities	**155,952**	**135,696**	**155,936**	**135,696**

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.