B3 LIVING

Better
Homes
Communities
Business

Financial Statements
2014/2015

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Board Members, Executive Directors, Advisors and Bankers

Board		
Chair	Sandra Royer	Reappointed 24 September 2012
Vice Chair	Karen Forbes-Jackson	Reappointed 24 September 2012
Other Members	Mike Curtis	19 September 2011 left 22 September 2014
	Mark Davies	Appointed 30 March 2015
	Chris Fawcett	Appointed 23 September 2014
	Chris Herbert	From 23 September 2013
	Mark Mills-Bishop	From 30 July 2012 to 31May 2014
	Tony Infantino	From 30 July 2012
	Stewart Heath	Reappointed 22 September 2014
	Camelia Borg	From 24 September 2012
	Valerie Vellani	From 24 September 2012
	Pat Milner	Co-optee from 11 May 2009
	Anne Shearman	Co-optee From 29 March 2010

Executive Directors	
Chief Executive	John Giesen
Deputy Chief Executive/Director of Business Services and Company Secretary	Ken Goodsell (to 1 August 2014)
Director of Resources	Paul Williams
Director of Development	Steven Tarry
Director of Housing Services	Simon Walton
Director of People Services	Anna Knight
Company Secretary	Susan Scanlan (from 2 August 2014)

Registered Office	Scania House 17 Amwell Street, Hoddesdon, Hertfordshire, EN11 8TS
Registered Number	Registered with the Financial Conduct Authority (FCA) as a Co-operative and Community Benefit Society with charitable rules and objectives. FCA Registration number: 29876R Registered with the Homes and Communities Agency (previously the Tenant Services Authority) Registration number: L4455
Auditors	Beever and Struthers Chartered Accountants St George's House, 215-219 Chester Road, Manchester, M15 4JE
Solicitors	Winckworth Sherwood Minerva House, 5 Montague Close, London, SE1 9BB
Valuers	Savills (L&P) Ltd 37-39 Perrymount Road, Haywards Heath, West Sussex, RH16 3BN
Funders	Santander Corporate Banking 2 Triton Square, Regent's Place, London, NW1 3AN
Bond Investors	M&G (Through The Prudential)
Bankers	Lloyds Bank Plc. Public and Community Sector 3rd Floor, 25 Gresham Street, London, EC2 7HN

The Board presents its report and the B3Living's audited financial statements for the year to 31 March 2015.

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

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

The association raised £68m, by way of a bond issue, in January 2013. The proceeds of this issue are funding a development and acquisition programme of c200 homes over the next two to three years. A further £57m was raised by bond issue. The proceeds of the issue were used to repay a bank loan and to support the development programme.

The association established its own in-house routine repairs and maintenance function in June 2012. It fully established itself during 2014/15 by providing cost benefits and improved levels of service to residents. We also have added an in-house repairs team replacing kitchens and bathrooms on a range of major works for the association.

B3Living operated within the constraints of its Strategic Plan, as set out in its 2020 Vision Statement, long term financial plan, annual budget and both bond holder and bank covenants during the year to 31 March 2015.

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

Reserves
After the transfer of the deficit for the year of (£12.1m) (2014: £1.8m surplus) at the year end, B3Living's reserves amounted to £15.6m (2014: £27.3m).

Donations
B3Living made donations of £22k (2014: £21k) during the period.

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

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

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

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

The association's performance management system is now well established and ensures that the objectives of individuals are in harmony with corporate and departmental targets, and that individual performance is closely monitored. B3Living shares information on its objectives, progress and activities through a series of regular meetings involving Board members, senior management and staff.

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

In 2011 B3Living gained the Investors in People (IIP) status. In 2015 it again retained its status as a 3 star, top ten organisation: it was ranked 7th (7th 2014) by the Sunday Times, among the 100 Best Not-For-Profit Organisations to work for.

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

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

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

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

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

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

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

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

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

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

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

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

Credit rating
B3Living obtained a Moody's credit rating during 2014 to support the launch of its bond offering. This rating continues to be maintained to help facilitate further future borrowing. The association holds a premium level 'A' rating.

Complaints
B3Living has a clear and simple complaints policy issued to all tenants. During the year, the association received 83 (2014: 81) formal complaints which were investigated in accordance with established procedures. The majority of the complaints were in relation to repairs, caretaking and capital works.

VALUE FOR MONEY (VFM) SELF-ASSESSMENT

The Board present their self-assessment of the B3 Living's VFM performance during the year. This is a summarised assessment, being an abridged version of the association's full VFM self-assessment, which can be found on our website www.b3living .org.uk using the About Us tag.

What does VFM mean to B3Living?
Everything we do is about creating great places where people want to live, and VFM is an integral part of this. We believe in doing the right things for the benefit of our residents, and doing them efficiently, effectively and economically. This means getting the right balance between service costs and quality, managing our assets well, making good procurement decisions, and achieving strong social value outcomes.
The association delivered its key VFM performance targets for 2014/15, these being:

- Maintaining community investment at c2% of turnover
- Ensuring that increases in total operating costs are less than increases in turnover
- Meeting or bettering VFM cashable savings targets for the year
- Containing year on year costs per home.

The association's VFM strategy and priorities support its corporate strategic themes (as set out in its 2020 Vision Statement) of:

Better Homes – providing homes which our residents enjoy living in, within areas which are safe and attractive.

Better Communities – recognising that a thriving community is as important to our residents as the home that they live in. We will provide opportunities that benefit the wider community and will continue to ask residents what their priorities are so that our programme meets their needs.

Better Business – delivering excellent, efficient services, and remaining an employer of choice. We also plan to increase the number of homes we own and manage and expand into other local authority areas.

Key 2014/15 VFM priorities, continuing into 2015/16 are:

Priority:	2020 Vision theme
1. Managing our assets strategically	
2. Generating additional income in innovative ways	
3. Maximising our current income and proactively supporting residents affected by Welfare Reform	
4. Identifying areas where costs can be reduced and efficiencies can be made	
5. Reviewing our procurement arrangements	
6. Providing and tracking social value	

Management and monitoring VFM

The Board has overall responsibility for B3Living's direction and governance. The key areas for monitoring VFM by the Board and Committees are as follows:

- Review and approval of the annual project plan, supporting delivery of the 2020 Vision Statement.
- Annual review and approval of the budget and long term business plan
- Six monthly VFM updates, includes annual VFM strategy review and agreeing priorities and targets for the forthcoming year
- Strategic discussions taking place at Board away days and other open space forums
- Annual community development impact assessment
- Review and approval of the asset management strategy
- Review of business critical performance indicators
- Review of management accounts
- Robust risk management process
- All reports include a section addressing VFM implications
- Peer group benchmarking
- Resident scrutiny
- VFM embedded in personal objectives.

VFM priorities in action

1. Understanding corporate assets and managing them effectively

Asset value and returns on assets – our housing assets are valued every year on an Existing Use Value – Social Housing (EUV-SH). The current EUV-SH value of our stock is £225 million, which is an average of £49k per property. This is an increase of 9% year on year which is well above the rate of inflation and the cost of our borrowing. We use this equity to borrow against so that we can develop new homes.

As at March 2015, the value of our homes not mortgaged to lenders amounted to around £40 million, giving us capacity to borrow a further £36 million. This position, however, depends on the outcome of discussions between funders, investors and valuers on the impact of the 4 year rent reductions introduced in the 2015 summer budget. This could lead to lenders requiring additional security to protect their loans, which could reduce our current capacity to borrow.

Return on assets – the overall return on our housing assets for 2014/15 was 7.6%, stronger than last year's overall 6.75% (based on operating surplus as a percentage of the cost of our homes). This compares favourably with a 4.6% cost of funding those assets (interest costs £20.7 million, less loan breakage cost of £15 million), as a percentage of our total borrowing.

Our main property classifications of general needs and retirement housing are broken down below:

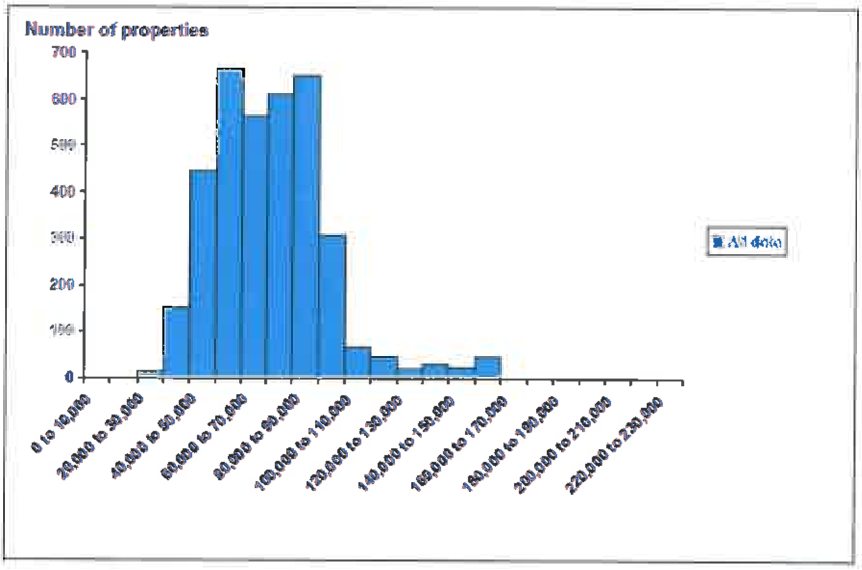
		General needs (all tenures)			Retirement housing		
		H&B*	F&M*	Total	H&B*	F&M*	Total
Unit numbers		1,345	1,534	**2,879**	97	627	**724**
Operating surplus	- Total (£k)	4,120	3,948	**8,068**	89	695	**784**
	- Per unit (£k)	3.1	2.6	**2.8**	0.9	1.1	**1.1**
Surplus as % of asset value		5.0%	4.2%	**4.6%**	1.7%	2.1%	**2.0%**
Surplus as % of net cost of housing assets		3.3%	3.2%	**6.5%**	0.1%	0.6%	**0.6%**

* *H = Houses B = Bungalows F = Flats M = Maisonettes*
**Excluding shared ownership.

Managing our assets – we monitor the individual performance of assets using two Net Present Value (NPV) models. We benchmark an asset's performance against similar properties and tenures to identify outliers and the reasons for good or bad performance. Currently all of our housing assets make a positive contribution over the 30 year business planning period. We know the reasons for low NPVs and often this is a reflection of the lower level of rent charged for smaller properties and older persons housing schemes that have additional communal services.

Within our asset management database we can highlight properties which are high cost, relatively low NPV or Energy Performance Certificate (EPC) band D or below. This enables early decisions to be made when properties become empty around scope of potential works, and possibility for options appraisal, remodelling, change of tenure or disposal.

Rent stock NPV profile:



Number samples: 3631

Average = £71,084

NPV	Properties
0 to 10,000	0
10,000 to 20,000	1
20,000 to 30,000	14
30,000 to 40,000	151
40,000 to 50,000	444
50,000 to 60,000	[illegible]
60,000 to 70,000	562
70,000 to 80,000	608
80,000 to 90,000	647
90,000 to 100,000	306
100,000 to 110,000	87
110,000 to 120,000	47
120,000 to 130,000	[illegible]
130,000 to 140,000	29
140,000 to 150,000	24
150,000 to 160,000	46
160,000 to 170,000	1
170,000 to 180,000	0
180,000 to 190,000	0
190,000 to 200,000	0
200,000 to 210,000	0
210,000 to 220,000	1
220,000 to 230,000	1
Total	3631

Within our asset management database we can highlight properties which are either high cost, relatively low NPV or Energy Performance Certificate (EPC) band D or below. This enables early decisions to be made when properties become empty around scope of potential works, and possibility for options appraisal, remodelling, change of tenure or disposal. We have agreed with our local authority partner a phase of property disposals with the proceeds of the "clawback" to be reinvested in new provision. We have a wider agreement with them to extend this arrangement to generate additional income to supplement our Homes and Communities Agency (HCA) funded development programme.

The energy efficiency of the majority of homes is above sector average, however our 2020 Vision aim is for all of our homes to have a minimum Energy Performance Rating of Band C. This initiative will both improve the condition and value of our homes, whilst at the same time have social benefits in terms of reduced fuel poverty and better health outcomes.

To improve energy efficiency of homes during 2014/15 we have:

- received an income from our investment in solar panels through feed-in-tariffs of over £100K, doubling the previous year's return and giving a return on our investment of more than 10%;
- continued a programme of external wall insulation where we match funded a maximum grant income through the Green Deal of £160k;
- installed 250 new efficient heating systems and new double-glazing to over 250 homes, raising the overall efficiency of our homes to well above sector average.

2. Generating income in innovative ways

As well as achieving savings, we want to generate additional income which will be used to improve services and build or acquire new homes. To maximise our potential to grow we have:

- Converted around 200 properties to affordable rents when re-let, giving us an additional income of £529K for the year.

- Been awarded a second AHP contract with the HCA for 2015/18, backed with further grant funding from the Borough of Broxbourne, to provide around 100 addition homes.
- Refinanced expensive bank debt, through the bond markets, reducing our loan interest by over £700K per year, improving our key finance performance indicators. When comparing the breakage costs of around £15 million with the accumulated interest savings, we see a benefit of more than £5 million. Plus, the lower interest charges and beneficial covenant terms result in further capacity to borrow additional funds to build more homes.
- Obtained a £30 million revolving credit facility (completed in 2015/16) with Lloyds Plc to facilitate continuing growth and development and to maintain strong liquidity.
- Commenced a programme of high value/high cost property disposals.
- Diversified our income by purchasing an office block to provide a rental income to offset loan interest payments.
- Continued to progress a 'mixed motive' investment to maximise interest received through a £1.5 million 'loan' to a local development contractor, attracting interest of 6% p.a. (against the 1% normally received on cash deposits) and in addition will see us grow by 9 homes once the development is complete.

3. Maximising our current income and proactively supporting residents affected by Welfare Reform

We continually look for ways to maximise our income, and this includes supporting residents to pay their rent and get the benefits they are entitled to. To achieve this we have worked closely with residents most affected by Welfare Reform to offer support and advice, and as a result we have maintained top quartile rent arrears performance, with arrears at 1.27% as at end of 2014/15. We have introduced a housing management charge in our Independent Living schemes which has helped us to mitigate our losses following the end of Supporting People, saving us £335k per year. Through our community development and partnership working initiatives, the association has supported the employment of 132 people, of which 75 were B3 residents.

During 2014/15 we completed 40 new homes for rent, 11 shared ownership properties and purchased 3 properties. These 54 homes brought in £1,076k in shared ownership sales and will provide an additional £412k per year in rent.

4. Identifying areas where costs can be reduced and efficiencies can be made

We have a number of internal improvement and VFM drivers:

a) **Service reviews** – we have a rolling programme of service reviews, and VFM is integral to each review, ensuring that efficiencies are identified where possible and that alternative ways to deliver services are considered. In the last year we have developed our own in-house service review methodology which includes a range of tools such as value stream mapping and process flow charts.

   In 2014/15 we reviewed the Customer Service Centre team structure and as a result we achieved greater efficiency in direct debits collection, and more logical reporting lines. During this coming year we will be reviewing a couple of our highest cost areas of the business around development and repairs and will use external experts for these more strategic reviews.

b) **Performance information** – we scrutinise performance at all levels to identify reasons for dips in performance. We also use complaints to identify trends and improve areas where mistakes are made. We also utilised feedback from the Investor in Excellence accreditation process and from our Best Companies survey to improve processes and staff wellbeing.

c) **Using HouseMark and other benchmark data** – we benchmark through HouseMark and use the data to help understand our operational costs and overheads. We can also see where we sit in both quality and cost terms against our peers, and take conscious decisions about where we want to be. During the year we have defined a peer group based on other organisations with similarities in terms of size, location, property mix, and our heavy financial and staff investment in community activity. We also use the HCA's Global Accounts and PlaceShapers VFM data to assess and compare our performance with others.

d) **Staffing** – before filling a vacancy we look to see if there is an opportunity to make a saving and/or deliver the work in a more cost effective way – for example we saved £15k by not replacing a part-time Personal Assistant and covering the work within existing resources. We also saved more than £100k per year by reducing the Executive team by one post through redundancy.

5. Reviewing our procurement arrangements

A new procurement strategy was produced in 2014/15 to ensure a consistent approach to all B3Living's procurement activity from office stationery purchases through to major works contracts and new build development. Our new procurement policy has commitments for our suppliers around the Living Wage and the diversity of their workforces.

6. Demonstrating social return on investment

Our core services produce social value, but we aim to add additional value for both our residents and the wider community through the delivery of our 2020 Vision.

a) **Investment in our existing assets** – Despite recent cuts to external funding sources such as the Green Deal we will continue to invest in energy efficiency measures that make our homes easier and cheaper to heat so that our residents will continue to benefit from cheaper fuel bills and being able to keep warmer. Our healthy eating and 'get people gardening' campaigns have been supported by the installation of communal garden areas on some of our larger estates, promoting a sense of community and wellbeing.

b) **Community development** – in 2014/15 we invested £413k in community projects which support one or more of our agreed priority of financial inclusion, employment, education and skills, healthy living and social inclusion. We work with more than 50 partners to actively deliver our programme, sharing resources where possible to maximise the impact. We have undertaken a full impact assessment for all projects supported during the year, and have used the HACT wellbeing model for a sample of these projects to help measure the social impact. Those which benefit more people score more highly (up to £89 of value for each £1 invested for our Easter white water event). Whilst the HACT model enables VFM comparisons between similar projects, we do not use it as an overall assessment of a project's success and VFM, for example our bursary project shows a low return of £3 for each £1 invested, but the benefits to a small number of people are enormous and it is therefore something we want to continue.

c) **Building and acquiring new homes** – Many of the homes we build meet 'Lifetime Homes' standards, meaning they are accessible and more easily adaptable for residents who may develop disabilities during their residence. Our flagship flatted development which is a mixed tenure scheme featuring secure undercroft parking with lift access to four/five storeys above, is nearing completion.

Providing new homes is essential because of the acute shortage in housing supply. Broxbourne, our main area of operation, is an area of great housing need and we take our responsibility to provide new homes very seriously, getting the most out of our asset base in terms of borrowing for growth, and also as a means of reducing our overheads through economies of scale. New areas of Hatfield, Epping and East Herts all feature hyper-inflated prices producing significant affordability issues, and therefore Shared Ownership is a viable product which will help people onto the housing ladder.

d) **B3 as an employer** – we continue to be significant employer in the Borough, employing around 200 staff. We also work closely with other employers to help them fill vacancies locally and run skills-based academies to give our residents the best chances of securing the type of jobs available.

We have set aside a significant resource to run an apprenticeship programme. We typically employ around 10-12 apprentices at any one time, representing some 5-6% of our work force. For our staff generally, we invest in providing an excellent work place for staff in the way they are managed, supported, trained, developed and rewarded. We know this pays back in terms of high levels of staff engagement (we have been in the Top 10 of the Sunday Times *Best Companies to Work For* 4 years running) and in terms of other measurables such as low turnover and absence.

e) **More than just a landlord** -We provide a range of services from intensive family support, to 'floating' support, to signposting, to 'hands off'. We managed to maintain the housing related support we offer older residents, despite large reductions in Supporting People income, due in part to efficiencies and the introduction of a new service charge in our retirement properties.

Through our partnership arrangements with the local Citizens Advice Bureau we managed to secure £167k of backdated housing benefit and tax credits. This year we have created 12 furnished tenancies for vulnerable residents on Housing Benefit. We are currently running a partnership with The Cookery, a local business, providing cookery lessons to groups of 12 residents at a time. These sessions show how to cook good food on a budget. We run targeted programmes for older people living in both our schemes and the community. These include nutrition and dementia groups, crafts, and chair-based exercise. Our programme on dementia was shortlisted for a national award.

Demonstrating VFM
The following indicators are used to drive and measure VFM performance:

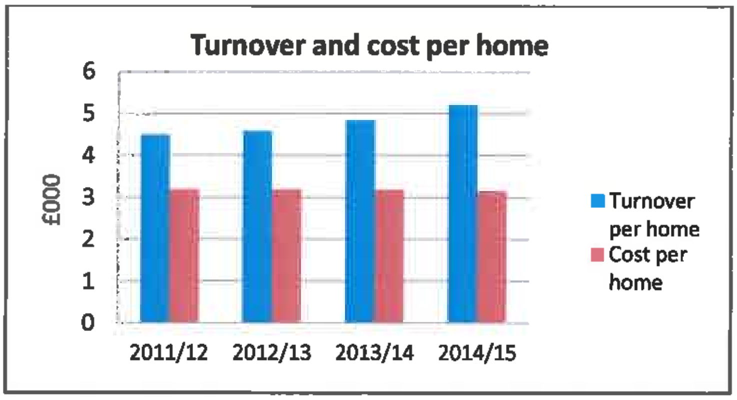
- Turnover and operating surplus
- Operating costs / cost per home
- HCA'S global accounts
- Moody's credit rating
- HouseMark peer group comparisons for key performance indicators.

Turnover and Operating Surplus

Year	Turnover net of Cost of Sales £m	Operating Costs £m	Surplus £m	Operating Surplus %	Homes Owned	Turnover per home £000	Cost per home £000
2014/15	24.5	14.5	9.4	39.5	4,580	5.2	3.2
2013/14	22.0	14.5	7.5	34.0	4,536	4.8	3.2
2012/13	21.0	14.6	6.4	30.5	4,519	4.6	3.2
2011/12	19.9	14.4	5.5	27.6	4,453	4.5	3.2

A continuing increase in operating surplus shows that overall cost increases are being well contained with overall income increases, holding steady costs per home and enabling us to meet our VFM objective of continually improving our surplus to promote further growth.

Operating costs / cost per home
As the graph below shows, our cost per home remains steady and is well below the increase in turnover, demonstrating that the business is getting stronger. As our turnover rises, we will have more cash to fund our growth, hence reducing the need to borrow.



Unit costs are broken down as follows:

Unit cost analysis – all costs	2014/15 £000	2013/14 £000	2012/13 £000
Management costs (include staff costs)	1.1	1.2	1.3
Repairs	0.9	0.9	0.7
Services	0.6	0.6	0.7
Depreciation	0.6	0.6	0.5
Total cost per unit	**3.2**	**3.2**	**3.2**

Breaking down unit costs over key headings demonstrates, as above, that (despite inflation of over 2.5%) we have, over the past year, held steady our unit costs in respect of management, repairs, services and depreciation, whilst broadly maintaining service and resident satisfaction levels. Once again VFM savings have been instrumental in achieving this.

We use the *HCA's national regression analysis* on cost per property to gauge our performance. The latest analysis (2010/11) showed that the overall UK average operating cost per home (excluding high support) was £2.9K. For 2010/11, we were comfortably below this at £2.5K per home. Our unit cost for 2014/15 amounted to £2.6k (excluding depreciation), again well below the HCA unit cost benchmark. With low inflation we would expect this benchmark to exceed £3k per unit by 2015/16.

HCA's 2014 Global Accounts / 2014 Place Shapers information – the strength of our **operating surplus** is demonstrated by benchmarking against the 2014 Homes and Communities Agency's (HCA) Global Accounts (representing the collective results of all registered housing associations), which shows an average sector performance of 27.2% compared with our 38.6%. PlaceShapers is a group of 114 community based housing associations who manage around 30% of England's housing association stock. Within the PlaceShapers statistics, we have an upper quartile operating surplus.

Earnings before interest, tax, depreciation and amortisation (EBITDA) measures the adequacy of our cash flow to meet interest payments. In 2014/15, our cover was 209% compared with the sector average per the HCA's Global Accounts of 145%.

Gearing measures the proportion of total funding represented by debt. Grant and reserves represents the 'internal' element of funding. Our gearing stands at 82.7% comparing favourably with sector average per the HCA's 2014 Global Accounts of 93.8%.

Net debt per social housing unit – based on homes owned, our figure is £26,900 which is higher than the 2014 Global Accounts comparative of £22,474, reflecting the fact that we are a developing association and a fairly recent stock transfer association.

Treasury management – the primary function of treasury management is to manage liquidity, funding, investment and the financial risk, including risk from volatility in interest rates. Our Treasury Policy requires us to manage interest rate risk by maintaining up to 80% of borrowings at a fixed rate of interest. At the end of 2014/15 our borrowing was, with Board consent, in excess of this at 100% fixed, reflecting our recently completed refinancing, but offering full management of interest rate risk. The Global Accounts comparison for 2014 is 72%. Our effective interest rate for 2014/15 is 4.66% compared with 4.7% sector average per the 2014 Global Accounts. Our 2015 refinancing reduces this to c4.3%.
It is evident that our costs and financial performance ratios compare well with others in the sector, although there is some divergence under certain headings as explained above.

Credit ratings – the HCA Viability Rating and Moody's
We have a current top V1 Viability rating from the HCA. This is supplemented by a current top G1 rating for governance.

B3Living maintains a Moody's credit rating. This is unusual for a relatively new association. It is a requirement of our bond investor that we maintain this rating. Being a Moody's rated association has added benefits in terms of being able to measure and compare our performance with other rated associations. A rating also helps us to obtain a better deal on our borrowing. We are subject to a challenging annual review of our business plan by Moody's and maintain a prime A3 rating.

Looking at Moody's latest key ratios (for 2013/ 2014), our 2014/15 operating margin at 38.7% of turnover, ranks in the medium/high quartile of all 47 Moody's rated associations. We are the strongest rated A3 association in terms of our operating margin.

By way of contrast, our gearing ratio (based on gearing defined by total debt as a portion of the value of social housing assets) is, at 68.3%, one of highest, ranking 43rd out of the 47 Moody's rated associations. This remains, however, well within our 80% contractual covenant. It is not unusual for fairly new LSVTs to have a high gearing ratio. The ratio, however, strongly demonstrates our commitment to get best value from our asset base in terms of maximising our production of new homes. Many of our Moody's finance performance ratios are those associated with an A2 rated association.

HouseMark Comparisons - We continue to interpret and understand our use of Housemark data, in particular areas where we appear to have higher costs and worse performance than others. Our full VFM Self Assessment provides detail on this.

Financial and service performance indicators

Indicator	Actual 2014/15	Actual 2013/14	Actual 2012/13	Latest peer group median	Trend against peers
Financial indicators (HCA global accounts 2013/14) – LSVT statistics					
Gearing ratio	83%	80%	82%	93.8%	Stronger
Operating margin *	38.7%	33.3%	30.5%	26.5%	Stronger
Interest cover: Operating surplus before depreciation as % interest payable	209.2%	169.3%	182.4%	154.0%	Stronger
Debt per unit	£26,900	£24,250	£24,347	£22,474	Area for improvement
Management cost per home**	£800	£800	£800	£900	Stronger
Operational cost per home **	£3.2k	£3.1k	£3.1k	£3.2k	Stronger
Services Measures (HouseMark peer group.)					
Resident satisfaction with the overall service ***	88%	88%	91.3%	88.15%	Equal
Rent arrears as a percentage of rent due	1.27%	1.65%	1.41%	3.24%	Stronger
Cost per home major works ***	£1,036	£1,313	£1,270	£1,179	Stronger
Cost per home of responsive repairs and voids repairs	£900	£928	£1,010	£1,035	Stronger

** Source HouseMark (using bespoke peer group of 14 comparisons)*
***Source HCA global accounts 2013/14 – LSVT statistics*
****Source HCA global accounts 2012/13 – LSVT statistics*

Commentary on Financial and service performance indicators

Financial performance - Broadly the association looks strong against its LSVT peers in terms of the key areas of operating surplus, interest cover, operating costs per unit and management costs per unit. These ratios are all stronger than budgeted for and reflect the delivery of VFM targets for both 2014/15 and the previous year.

Service performance - Performance is generally good with only cost per home of responsive repairs showing performance which is lower than the median for the group. Costs have, however, reduced each year with further savings anticipated for 2015/16.

Key corporate VFM targets and performance measures shown for the last 3 years:

VFM targets	2014/15	2013/14	2012/13
Maintain investment in community development at recent levels equal to 2% of income	2% of income	2% of income	2% of income
Ensure that our increases in costs are less than increases in income	Cost increases 0.1%; income increases 8.4%	Cost increases 2.4%; income increases 6.7%	Cost increases of 1.8%; income increases of 5.6%
Meet or better our annual VFM savings target each year	Target £454k Delivery £980k	Target £253k Delivery £1202k	Target £361k Delivery £1,729k
Contain year on year costs per home	Met: £3.2k per home	Met: £3.2k per home	Met: £3.2k per home

We have delivered on our key corporate VFM targets for 2014/15 and over the previous two years.

Summary of VFM gains in 2014/15
We keep a VFM log which staff use to log cashable and non-cashable VFM savings through the year. In 2014/15 £680k of cashable operational savings was logged (£149 per home). In addition we saved £100k on major works, and £200k on treasury savings arising from refinancing: total £980k (£215 per home).

The log includes areas where substantial savings have been made, but it is also important to track smaller scale savings identified by staff in their day to day work, such as a saving of £3K achieved by making more use of our own internal resources for our staff conference rather than buying in external entertainment.

Appendix A of our full VFM Self Assessment provides a detailed commentary on our performance against 2014/15 VFM targets as contained in our 2014/15 VFM Strategy.

Summary of total cashable VFM savings for last 3 years

Service area	2014/15		2013/14		2012/13	
	Amount £000	£ per home	Amount £000	£ per home	Amount £000	£ per home
Leaseholders	2	1	54	12	-	-
Overheads	353	77	67	15	285	64
In house repairs service	150	33	270	60	1,019	229
Housing management & services	175	38	214	47	178	40
Total operational VFM	**680**	**149**	**605**	**134**	**1482**	**333**
Major works	100	22	127	28	120	27
Treasury	200	44	470	104	127	29
Total VFM savings	**980**	**215**	**1202**	**266**	**1,729**	**389**

The gains achieved during 2014/15 will enable us to meet the cost of building 6-7 new homes depending on the level of grant available. The gains also enable us to keep our unit costs steady and at or below inflation.

The VFM savings we are delivering can actually meet the annual funding costs of our new homes programme; in fact VFM savings of around £5.5K per year can fund one new home. Historically we have generated sufficient annual VFM savings to fund well in excess of 50 homes per year and will endeavour to maintain this position.

VFM PRIORITIES FROM APRIL 2015

The Government's July 2015 Budget will result in 1%, year on year, rent reductions from April 2016.

Our Board have agreed initial mitigation through a revised 2015/16 Budget and an updated business plan. These have identified further income of £560k and cost reduction of £422k for 2015/16 and 2016/17. We are committed to the process of exploring further mitigation beyond this.

The result of our mitigation so far means that our operating surplus continues to cover our loan charges at 1.3 times throughout our business plan and that we continue to satisfy contractual funders and investors requirements.

Our 2015/16 VFM Strategy defines further specific VFM priorities which are detailed in the full VFM Self Assessment for 2014/15 under the following headings:

1. Understanding our assets and managing them effectively
2. Generating additional income in innovative ways
3. Maximising our current income and proactively supporting residents affected by Welfare Reform
4. Identifying areas where costs can be reduced and efficiencies can be made
5. Reviewing our procurement arrangements
6. Providing and tracking social value

INTERNAL CONTROLS ASSURANCE

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

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

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

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

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

Key elements of the control framework include:

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

INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

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

The key risks to the association can be categorised as –

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

Financial risk

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

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

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

Development* and *capital investment risk

B3Living has in place development and asset management strategies which align development aspirations and stock investment with the association's core business principles in supporting the local and wider community. The business plan is used to support the assessment of the financial viability of the association in the context of development and stock investment and to provide suitable assurances in this respect.

During 2014/15, the association continued a programme of new development funded by its bond issue. The timely delivery of the development programme, through a process of robust appraisal, is viewed by the association as a key corporate exposure, in particular the timely delivery of the shared ownership sales element of the programme.

Operational risk

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

Major operational exposures relate to maintaining the sound progress already made in establishing the association's in-house repairs and maintenance service, in ensuring that the in-house repairs service delivers its established programme of major works and in managing the financial and social impacts of welfare reform. There is an on-going system of Board reporting and Board participation in all major operational decisions. This ensures that new initiatives are reviewed at the highest level before they are progressed.

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

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

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

Internal Audit services
Grant Thornton work closely with B3Living to ensure that a risk based approach to the monitoring of the control environment is maintained. The internal auditors report directly to the Audit Committee and have concluded that the quality of the association's control environment through 2014/15 was satisfactory.

External Audit services
The Financial Statements for the year ended 31 March 2015 were audited by Beever and Struthers. Their audit report is unqualified and their management letter on the year's performance, as presented to the Audit Committee, contains no material issues of concern.

Fraud
The association views fraud as a high risk area – particularly during a period of recession. Two frauds were reported to Audit Committee, through the Fraud Register, during the year: the theft of a van, valued at c£10k (fully recovered through insurance), and losses arising from two incidents of computer-based fraud, totalling £15k (insurance settlement pending). In both cases, the Anti-Fraud Policy was followed and appropriate actions taken to protect the association against further similar incidents.

Anti-Fraud, Anti-Bribery and Anti-Corruption policies have been agreed by the Board and are reviewed annually. The Board cannot delegate ultimate responsibility for the systems of internal control, but it can, and has, delegated authority to the Audit Committee to regularly review the effectiveness of the systems of internal control. The Board receives thrice yearly reports from the Audit Committee together with minutes of Audit Committee meetings. The Audit Committee has received the Chief Executive's Annual Report on the effectiveness of the systems of internal control for the association, and the annual report of the internal auditor, and has reported its findings to the Board.

Going concern
After making enquiries, the Board has a reasonable expectation that B3Living has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the

date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

In addition, in its response to assessing the impact of the July 2015 Emergency Budget, the association prepared a business plan revision reflecting the impact on the association of imposed reductions in rents from April 2016 and other factors. Without mitigation, the business plan still satisfies lender and investor covenants and demonstrates repayment of all debt in accordance with contractual commitments.

Report of the Board (continued)

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

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

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

In preparing those financial statements the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

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

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

Annual General Meeting

The annual general meeting will be held on **21 September 2015** at Scania House, 17 Amwell Street, Hoddesdon, and Hertfordshire, EN11 8TS.

External auditors

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

The report of the Board was approved by the Board on 21 September 2015 and signed on its behalf by:

....

Sandra Royer
Chair of the Board of B3Living Ltd
Dated: 21 September 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF B3 LIVING LIMITED

We have audited the financial statements which comprise the Association's income and expenditure account, the statement of total recognised surpluses and deficits, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Board and the Auditor
As explained more fully in the Statement of Board's Responsibilities set out on page 21, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

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

Beever and Struthers

Beever and Struthers
Chartered Accountants and Statutory Auditors

Date: 21 September 2015

Income and Expenditure Account
For the year ended 31 March 2015

	Note	March 2015	Restated March 2014
		£000	**£000**
Turnover: Continuing activities	3	24,480	21,983
Cost of Sales	3	(577)	-
Operating costs	3	(14,454)	(14,499)
Operating surplus: Continuing activities		**9,449**	**7,484**
Surplus on sale of fixed assets – housing properties	5	450	477
Interest receivable and other income	6	195	258
Interest payable and similar charges	7	(5,759)	(6,137)
Exceptional items relating to early redemption of loan	7	(14,960)	-
(Deficit) / surplus on ordinary activities before taxation		**(10,625)**	**2,082**
Tax on (deficit)/surplus on ordinary activities		-	-
(Deficit) / surplus for financial year		**(10,625)**	**2,082**

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

Statement of Total Recognised Surpluses and Deficits
as at 31 March 2015

	March 2015	Restated March 2014
	£000	**£000**
(Deficit)/ surplus for financial year	(10,625)	2,082
Pension schemes: Actuarial (loss)	(1,025)	(286)
Total recognised (deficit)/ surplus for the year	**(11,650)**	**1,796**
Prior year adjustment (note 29)	(480)	-
Total (deficit)/surplus recognised since last annual report	**(12,130)**	**1,796**

Reconciliation of movements in the Association's funds

	March 2015	Restated March 2014
	£000	**£000**
Opening total funds:	27,299	25,503
Total recognised (deficits)/ surpluses relating to the year	(11,650)	1,796
Closing total funds	**15,649**	**27,299**

The notes on pages 26 to 49 form an integral part of the financial statements.

Balance Sheet as at 31 March 2015

	Note	March 2015	Restated March 2014
		£'000	£'000
Tangible fixed assets			
Housing properties	10	133,208	117,767
Social housing and other grants	10	(9,462)	(8,520)
Other tangible fixed assets	11	1,796	1,970
Total		**125,542**	**111,217**
Current assets			
Stock	10a	1,775	790
Debtors & Prepayments	12	2,247	3,271
Cash at bank and in hand	22	21,084	31,003
		25,106	**35,064**
Creditors: amounts falling due within one year	13	(7,959)	(7,221)
Net current assets		**17,147**	**27,843**
Net assets excluding pension liability		142,689	139,060
Pension liability	27	(2,992)	(2,104)
Net assets including pension liability		**139,697**	**136,956**
Creditors: amounts falling due after more than one year	14	124,048	109,657
Capital and reserves			
Non-equity share capital	25	-	-
Revenue reserve	16	15,649	27,299
Consolidated funds		15,649	27,299
		139,697	**136,956**

The financial statements were approved and authorised for issue by the Board on 21 September 2015 and were signed on its behalf by:

Sandra Royer Chair of Board	**Board Member**	**Susan Scanlan** Secretary	**Paul Williams** Director of Resources

The notes on pages 26 to 49 form an integral part of the financial statements.

Cash Flow Statement for the year ended 31 March 2015

	Note	March 2015	March 2014
		£000	£000
Net cash inflow from operating activities:	20	12,786	11,216
Returns on investments and servicing of finances:			
Interest received	6	167	264
Interest paid and associated costs	7	(20,663)	(6,534)
Capital expenditure:			
Improvements net of VAT recovered	10	(4,745)	(4,636)
Purchase and construction of housing properties	10	(13,650)	(8,233)
Social Housing and other grants received	10	942	1,470
Purchase of other fixed assets	11	(206)	(127)
Sales of housing properties	5	450	951
Total		(17,209)	(10,575)
Financing:			
Loans received		57,000	-
Housing loans repaid		(42,000)	-
Total	22	15,000	-
(Decrease) in cash	21	(9,919)	(5,629)

The notes on pages 26 to 49 form an integral part of the financial statements.

Notes to the Financial Statements

1. Legal Status

The Housing Association Registered Provider (HARP) is registered with the Financial Conduct Authority (FCA) as a Co-operative and Community Benefit Society with charitable rules and objectives. It is also registered with the Homes and Communities Agency as a social landlord.

2. Principal Accounting Policies

The association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with Homes and Communities Agency with effect from 1 April 2012 as a Registered Provider of social housing.

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and Statements of Recommended Practice of the United Kingdom. The accounts comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2012 and the Statement of Recommended Practice: accounting by Registered Social Housing Providers Update 2010 published by the National Housing Federation. The accounts are prepared on the historical cost basis of accounting.

Turnover

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

Value Added Tax

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

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

Capitalisation of interest and administration costs

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

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

Derivatives

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

Financial Instruments

As a result of the listed bond issue, the association has adopted FRS 26 Financial instruments: Recognition and Measurement and FRS 29 Financial Instruments: Disclosures, including the amendment to FRS 29 in relation to fair value hierarchy.

Financial assets and financial liabilities are measured at fair value initially, plus, in the case of a financial asset or financial liability not at fair value through the profit and loss account, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial instruments are classified into one of four categories:

- Financial assets or liabilities at fair value through the profit and loss account are assets held for trading and derivatives, which are subsequently measured at fair value with any gains or losses recognised in the profit and loss account, with the exception of hedging instruments in a designated hedging relationship.

- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the group intends and is able to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than assets held for trading. Loans and receivables are subsequently measured at amortised cost using the effective interest method.

- Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or not classified into any other of the four categories. Available for sale financial assets are subsequently measured at fair value with any gains or losses recognised through the statement of total recognised gains and losses, except for impairment losses and foreign exchange gains and losses. When the asset is derecognised the cumulative gains or losses are recognised in the profit and loss account.

Financial instruments held by the association are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method;
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method;

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note 15 provides further details on any differences between the fair value and carrying value of financial assets and financial liabilities.

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

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

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

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

2. Principal Accounting Policies (continued)

Depreciation of housing properties
Freehold land is not depreciated.

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

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

Useful economic lives for identified components are as follows:

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

Land is not depreciated.

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

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

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

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

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

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

Notes to the Financial Statements (continued)

2. Principal Accounting Policies (continued)

Impairment of Financial Assets
Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. Impairment and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and this loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

Losses expected as a result of future events, no matter how likely, are not recognised. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is either reduced directly or through the use of an allowance account, the amount of the loss is recognised in the profit and loss account.

If, in a subsequent period the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the amount can be reversed in the profit and loss account.

When the fair value of an available for sale financial asset has declined and has been recognised in the statement of total recognised gains and losses and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised in the statement of total recognised gains and losses is required to be removed and recognised in the profit and loss account.

If, in a subsequent period the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the amount can be reversed in the profit and loss account.

When the fair value of an available for sale asset has declined and has been recognised in the statement of total recognised gains and losses and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised in the statement of total recognised gains and losses is required to be removed and recognised in the profit and loss account.

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

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

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

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

2. Principal Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

2. Principal Accounting Policies (continued)

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

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

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

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

Recycling of Capital Grant
Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until spent.

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, this creditor is carried forward until it is used to fund the acquisition of new social housing.

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

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

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

Notes to the Financial Statements (continued)

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

	Turnover	Cost of Sales	Operating costs	Total Operating surplus March 2015	Total Operating surplus March 2014
Continuing activities	£000		£000	£000	£000
Social housing lettings	22,421	-	(13,569)	8,852	7,409
Other social housing activities:					
First Tranche Sales	1,074	(577)	-	497	-
Supporting people contract income	289	-	(289)	-	-
Management services	29	-	(29)	-	-
Other	247	-	(210)	37	27
Total	1,639	(577)	(528)	534	27
Non-social housing activities					
Other	420	-	(357)	63	48
Total	24,480	(577)	(14,454)	9,449	7,484

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

Particulars of income and expenditure from social housing lettings	General Housing	Sheltered Housing	Shared Ownership	Total March 2015	Restated Total March 2014
	£000	£000	£000	£000	£000
Turnover from social housing lettings:					
Rent receivable net of voids and identifiable service charges	19,414	1,885	351	21,650	20,405
Service charges receivable	703	68	-	771	693
Net rental income	20,117	1,953	351	22,421	21,098
Turnover from social housing lettings	20,117	1,953	351	22,421	21,098
Expenditure on social housing lettings:					
Management services	(3,432)	(333)	(351)	(4,116)	(4,138)
Depreciation	(2,371)	(230)	-	(2,601)	(2,518)
Responsive	(2,187)	(212)	-	(2,399)	(2,508)
Planned cyclical maintenance	(1,433)	(139)	-	(1,572)	(1,511)
Direct Services	(2,480)	(241)	-	(2,721)	(2,827)
Bad debts & provisions	(74)	(7)	-	(81)	(98)
Other costs	(72)	(7)	-	(79)	(89)
Operating costs on social housing lettings	(12,049)	(1,169)	(351)	(13,569)	(13,689)
Operating surplus on social housing lettings	8,068	784	-	8,852	7,409

Void losses	236	-	-	236	253

Notes to the Financial Statements (continued)

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

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

	March 2015	March 2014
Social housing owned and managed by Association:	**No.**	**No.**
General needs housing	2,879	2,843
Housing for older people	724	724
Shared Ownership	151	141
Leaseholders	662	662
Total social housing owned and managed	**4,416**	**4,370**
Social housing owned but managed by others	**48**	**48**
Total social housing owned	**4,464**	**4,418**
Non-social housing owned:		
Market rented	3	3
Intermediate rented	4	4
Rent to Homebuy	5	7
Leased to other associations	104	104
Total non-social housing owned	**116**	**118**
Total housing owned	**4,580**	**4,536**
Social housing not owned but managed on behalf of others	-	-

The association manages 12 units for Housing Solutions.

4. Operating Surplus

This is arrived at after charging/ (crediting):

	March 2015	Restated March 2014
	£000	**£000**
Auditors' remuneration (excluding VAT):		
In their capacity as auditors	18	15
In respect of other services	-	20
Operating lease payments:	324	304
Depreciation of housing properties	2,601	2,518
Depreciation of other tangible fixed assets	380	383
Total Depreciation	**2,981**	**2,901**
Surplus on sale of fixed assets	450	477

Notes to the Financial Statements (continued)

5. Surplus on sale of fixed assets – housing properties

	Right To Buy	Others	March 2015	Restated March 2014
	£000	£000	£000	£000
Proceeds of sales	1,776	1,173	2,949	3,621
Less: Cost of sales	(1,471)	(596)	(2,067)	(2,670)
Transfer to Disposal Proceeds Fund	-	(432)	(432)	(474)
Surplus on sale of fixed assets – housing properties	**305**	**145**	**450**	**477**

6. Interest receivable and other income

	March 2015	March 2014
	£000	£000
Interest receivable and similar income	198	264
On recycled capital grant fund and disposable proceeds funds	(3)	(6)
Total interest receivable and similar income	**195**	**258**

7. Interest payable and similar charges

	March 2015	March 2014
	£000	£000
On loans repayable within five years	2,884	646
On loans wholly or partly repayable in more than five years	3,331	5,888
Costs associated with financing	14,960	-
Less: Interest capitalised	(456)	(397)
	20,719	6,137

Loans repayable within five years include a loan, which was repaid earlier than its due date of more than five years.

The weighted average interest on borrowing of 4.6 % (2014: 5.88%) was used for calculating capitalised interest.

Notes to the Financial Statements (continued)

8. Employee Information

Average monthly number of employees:	March 2015	March 2014
	No.	**No.**
Resources/Administration/CEO *	8	8
Development	5	5
Housing/Business Services/People and Community Development	117	118
SAM/(DLO)	53	44
	183	**175**

Average monthly number of employees expressed in full time equivalents of 37 hours per week:	March 2015	March 2014
	No.	**No.**
Resources/Administration/CEO *	8.0	7.6
Development	5.1	5.0
Housing/Business Services/People and Community Development	99.2	102.6
Send and Mend (DLO)	53.4	44.0
	165.7	**159.2**

Employee costs:	March 2015	March 2014
	£000	**£000**
Wages and salaries	4,990	4,764
Social security costs	460	441
Other pension costs	596	627
Termination payments	227	98
Less: Capitalised Salaries	(1,032)	(921)
	5,241	**5,009**

	March 2015	March 2014
Aggregate number of full time equivalent staff whose remuneration exceeded 60,000:	**No.**	**No.**
£60,000 to £69,000	4	4
£80,000 to £89,999	2	2
£100,000 to £109,999	1	2
£110,000 to £119,999	2	1
£120,000 to £129,999	1	2
£130,000 to £149,000	2	0
£140,000 to £159,000	0	1

***Highest paid Director included**

The association's employees are members of the Hertfordshire County Council Pension Fund (HCCPF) or of the Social Housing Pension Scheme (SHPS). Further information on each scheme is given on pages 46 to 49.

9. Board Members and Executive Directors

	Basic salary £000	Benefits in kind £000	Pension Contributions £000	March 2015 Total £000	March 2014 Total £000
Board Members					
Sandra Royer – Chair	8	-	-	**8**	8
Karen Forbes-Jackson	6	-	-	**6**	6
Chris Fawcett	4	-	-	**4**	-
Stewart Heath	4	-	-	**4**	4
Pat Milner	5	-	-	**5**	5
Chris Herbert	3	-	-	**3**	2
Anne Shearman	5	-	-	**5**	5
Jacqueline Phipps	3	-	-	**3**	2
Valerie Vellani	3	-	-	**3**	3
Camelia Borg	3	-	-	**3**	5
Tony Infantino	3	-	-	**3**	-
Executive Directors					
Chief Executive*	123	12	-	**135**	155
Deputy Chief Executive*	35	4	8	**47**	127
Director of Resources	99	10	22	**131**	128
Director of Development	93	9	20	**122**	114
Director of Housing Services	92	9	21	**122**	118
Director of People Services	86	9	19	**114**	107

The above list of Board members reflects the active members as at 31st March 2015.
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.

*No pension contributions were made by B3 Living for The Chief Executive in the year ending March 2015. The Deputy Chief Executive was employed for a part of the year.

Notes to the Financial Statements (continued)

10. 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 2015
	£000	£000	£000	£000	£000
Cost					
At 1 April 2014	116,227	6,076	1,186	1,343	124,832
Additions during year	-	9,764	3,886	-	13,650
Improvements	4,745	-	-	-	4,745
Interest capitalised	-	384	38	-	422
Schemes completed in year	7,202	(7,202)	(891)	891	-
Write Offs	(22)	-	-	-	(22)
Disposals	(803)	-	-	(7)	(810)
At 31 March 2015	**127,349**	**9,022**	**4,219**	**2,227**	**142,817**
Depreciation & impairment At 1 April 2014	(7,065)	-	-	-	(7,065)
Charged in year	(2,601)	-	-	-	(2,601)
Released on disposal	57	-	-	-	57
At 31 March 2015	(9,609)	-	-	-	(9,609)
Depreciated cost 31 Mar 2015	**117,740**	**9,022**	**4,219**	**2,227**	**133,208**
Social Housing & other grants					
At 1 April 2014	(7,072)	(1,275)	(173)	-	(8,520)
Additions	-	(973)	-	-	(973)
Schemes completed in year	(378)	378	-	-	-
Disposals	31	-	-	-	31
At 31 March 2015	(7,419)	(1,870)	(173)	-	(9,462)
Net book value					
At 1 April 2014	102,090	4,801	1,013	1,343	109,247
At 31 March 2015	**110,321**	**7,152**	**4,046**	**2,227**	**123,746**

Note: Existing Use Value
The valuation of our properties on an Existing Use Value basis as at 31 March 2015 is £225m.

Notes to the Financial Statements (continued)

10. Tangible Fixed Assets – Housing Properties (continued)

Expenditure on works to existing properties	March 2015	March 2014
	£000	£000
Amounts capitalised	4,745	4,636
Amounts charged to income and expenditure account	3,707	3,765
Total	**8,452**	**8,401**

Housing properties book value, net of depreciation and grants plus offices net book value (note 11) comprises	March 2015	March 2014
	£000	£000
Freehold land and buildings	123,746	109,247
Long leasehold land and buildings	848	880
Short leasehold land and buildings	-	-
Total	**124,594**	**110,127**

10a. Current Assets – Housing Properties (Stock)

	Completed properties for sale	Shared Ownership properties under construction	Total 2015	Total 2014
	£000	£000	£000	£000
Cost				
At 1 April 2014	-	790	790	-
Additions during the year	-	1,524	1,524	757
Interest capitalised	-	25	25	33
Completions in year	564	(564)	-	-
Disposal to cost of sales	(564)	-	(564)	-
At 31 March 2015	-	1,775	1,775	790

11. Tangible Fixed Assets – Other

	Leasehold offices	Freehold offices	Furniture, Fixtures & Fittings	IT & Office equipment	Motor vehicles	Plant & Equipment	Total 2015
	£000	£000	£000	£000	£000	£000	£000
Cost:							
At 1 April 2014	1,368	487	312	2,325	61	103	**4,656**
Additions	61	-	-	120	-	25	**206**
Disposals	-	-	-	(2)	(27)	-	**(29)**
At 31 March 2015	**1,429**	**487**	**312**	**2,443**	**34**	**128**	**4,833**
Depreciation							
At 1 April 2014	(488)	(7)	(206)	(1,871)	(51)	(63)	**(2,686)**
Charged in year	(93)	(3)	(31)	(230)	(9)	(14)	**(380)**
Released on disposal	-	-	-	2	27	-	**29**
At 31 March 2015	**(581)**	**(10)**	**(237)**	**(2,099)**	**(33)**	**(77)**	**(3,037)**
Net book value							
At 1 April 2014	880	480	106	454	10	40	**1,970**
At 31 March 2015	**848**	**477**	**75**	**344**	**1**	**51**	**1,796**

12. Debtors

	March 2015	March 2014
	£000	**£000**
Due within one year:		
Rent and service charges receivable	1,065	851
Less: Provision for bad debt and doubtful debts	(337)	(314)
	728	**537**
Other debtors	1,111	969
Prepayments and accrued income	408	1,765
	1,519	**2,734**
	2,247	**3,271**

13. Creditors: Amounts Falling Due Within One Year

	March 2015	March 2014
	£000	**£000**
Trade creditors	2,033	1,676
Rent and service charges received in advance	697	413
Other taxation and social security	129	139
Other creditors	267	156
Accruals and deferred income	4,557	4,837
Disposal proceeds fund (note 17)	276	-
	7,959	**7,221**

Notes to the Financial Statements (continued)

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

	March 2015	Restated March 2014
	£000	£000
Bank Loan	-	42,000
Bond Issue	125,000	68,000
Less Issue cost	(1,418)	(823)
	123,582	**109,177**
Recycled capital grant fund (note 17)	31	-
Disposal proceeds fund (note 17)	435	480
	124,048	**109,657**

15. Debt Analysis

	March 2015	March 2014
	£000	£000
Due:		
Within one year	-	-
Between one and two years	-	-
Between two and five years	-	9,000
After five years	125,000	101,000
	125,000	110,000

At 31 March 2015 the association had fully drawn down bond finance loan facilities of £125m.

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

The association had fully drawn down its loan facilities of £125m as at 31 March 2015. At the beginning of the year these were allocated between bank loan and bond finances. The bank loan was repaid, and replaced with a bond issue as detailed below:

Bank Loan and Bond Finance

Bank loan totalling £42m was replaced with a capital bond of £57m, which was secured on the basis of an amortising bond issue at 3.778%. The balance of the association's loan of £68m was secured on the basis of an amortising bond issue at a fixed interest rate of 4.823%.

Risk 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 Board approved policy. The risks related to the association are detailed in the Report of the Board.

Financial assets and financial liabilities at book value and fair value
With the exception of the bond stock, the book value of all financial assets and financial liabilities is deemed to equal fair value. At 31 March 2015 the fair value of the bond stock was valued at £132,198,849 compared to the book value of £125,000,000.

15. Debt Analysis (continued)

Fair value hierarchy
Fair value is deemed to be book value in relation to most financial assets and financial liabilities. Where the fair value of a financial instrument differs from its book value the following valuation methods are used:

- Bond stock – valued using the quoted market price at the reporting date. (Level 1)

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The association is not currently exposed to fluctuations in interest rates as the loans and bond finance are currently on a fixed rate of interest.

Financial assets as at 31 March 2015

	Total Carrying Amount	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years
	£000	£000	£000	£000	£000	£000	£000
Current asset investments							
Floating Rate							
Cash at bank and in hand	21,084	21,084	-	-	-	-	-
	21,084	21,084	-	-	-	-	-

Financial liabilities as at 31 March 2015

	Effective interest rate	Total carrying amount	Within 1 Year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 Years
	%	£000	£000	£000	£000	£000	£000	£000
Bond stock								
Fixed rate	4.820%	68,000	-	-	-	-	-	68,000
	3.778%	57,000						57,000
Total		125,000	-	-	-	-	-	125,000

Capital Management
The association manages capital balances such as share capital and reserves.

16. Reserves

	March 2015	Restated March 2014
	£000	£000
At 1 April	27,299	25,503
Surplus for the year	(10,625)	2,562
Pension (losses)	(1,025)	(286)
Prior year adjustment (note 29)	-	(480)
Closing total funds	15,649	27,299

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

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

17. Recycled Capital Grant Fund And Disposal Proceeds Fund

	DPF	RCGF
	£000	£000
At the start of the year	479,398	-
From voluntary purchase grant sales	431,992	-
Grants recycled	-	31,094
Interest accrued	2,416	193
New build	(203,250)	-
At 31 March	710,555	31,287
Creditor falling due in one year	276,148	-
Creditor falling due after one year	434,408	31,287
	710,555	31,287

Notes to the Financial Statements (continued)

18. Capital Commitments

	2015	2014
	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	17,057	-
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	3,703	7,750
The Housing Association expects these commitments to be financed with:		
Social Housing Grant	5,634	-
Proceeds from the sales of properties	3,634	-
Committed loan facilities	11,492	7,750

Expenditure authorised by the Board but not contracted is in respect of new build housing and major works to existing housing stock.

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

19. Commitments under Operating Leases

At 31 March 2015 the company had annual commitments under non-cancellable operating leases as set out below:

	March 2015		March 2014	
	Land & Buildings	Other Items	Land & Buildings	Other Items
Operating leases which expire:	**£000**	**£000**	**£000**	**£000**
Within 1 year	-	39	-	139
Within 2 to 5 years	-	74	-	32
After more than 5 years	147	-	122	-
Total	**147**	**113**	**122**	**171**

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

Reconciliation of operating surplus to net cash inflow from operating activities		
	March 2015	March 2014
	£000	£000
Operating Surplus	9,449	7,484
Depreciation of tangible fixed assets	2,980	2,901
Net write-off of tangible fixed assets	14	1,275
Pension Adjustment	(434)	(13)
	12,009	**11,647**
Working capital movements		
Decrease / (increase) in debtors	1,024	(990)
Increase / (decrease) in creditors	738	1,325
Decrease / (increase) in stock	(985)	(766)
	777	**(431)**
Net cash inflow from operating activities	**12,786**	**11,216**

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

Reconciliation of net cash inflow to movement in net debt	Mar 2015	Mar 2014
	£000	£000
Decrease in cash	(9,919)	(5,629)
Cash inflow from increase in net debt and lease finance	(15,000)	-
Increase in net debt from cash flows	**(24,919)**	**(5,629)**
Total changes in net debt for the period:		
Net debt at 1 April	(78,997)	(73,368)
Net debt at 31 March	**(103,916)**	**(78,997)**

22. Analysis of Net Debt

	1 April 2014	Cash Flow	31 March 2015
	£000	£000	£000
Cash at bank and in hand	31,003	(9,919)	21,084
Bank overdraft	-	-	-
Changes in cash	**31,003**	**(9,919)**	**21,084**
Loans	(110,000)	(15,000)	(125,000)
Changes in debt	**(110,000)**	**(15,000)**	**(125,000)**
Changes in net debt	**(78,997)**	**(24,919)**	**(103,916)**

23. Financial Assets and Liabilities

Borrowing facilities

The facilities available at 31 March 2015 in respect of which all conditions precedent had been met were as follows:

	March 2015	March 2014
	£000	£000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two years	-	9,000
Expiring in more than two years	125,000	101,000
	125,000	110,000

The association's loan facility is £125m. This is made up of £68m existing facility plus £57m bond finance raised in February 2015.

24. VAT Development Agreement

The association received the transfer of some 3,500 properties from Broxbourne Borough Council on 23 January 2006. As part of the transfer, the Council made a commitment to the association to have the properties refurbished and modernised and brought into a good state of repair. Immediately prior to the transfer, the Council contracted with the association to carry out the refurbishment works on its behalf. The Council's obligation to carry out the works is in effect matched by the association's obligations to bring the properties into a good state of repair. As a specific right of set off exists, a net basis has been adopted in respect of these obligations and neither the assets nor liabilities have been recognised. At 31 March 2015 the gross values of the balances that had been offset have been reduced to £14,838k (March 2014: £18,053k). VAT arising on the works during the period totalled £493k (March 2014: £350k).

The association received transfer of 91 properties from London Borough of Haringey on 25th March 2013 with an obligation to carry out works pursuant to the development. At transfer the gross values of the balances that had been offset were £3,581k, with VAT arising on the works totalling £596k. At 31 March 2015 the gross values of the balances that had been offset have been reduced to £2,419k (March 2014: £2,636k) VAT arising on the works during the period totalled £36k (March 2014: £157k)

25. Non-Equity Share Capital

	March 2015	March 2014
	No.	No.
Shares of £1 each issued and fully paid		
At start of year	9	9
Issued during year	-	-
At end of year	**9**	**9**

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

26. Related Party Transactions

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

27. Pensions

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

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

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

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, 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 2014. As of this date the estimated employer debt for B3Living was £1,334,398.

Notes to the Financial Statements (continued)

27. Pensions (continued)

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

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

Assumptions as at:	31 March 2015	31 March 2014
	% p.a.	% p.a.
Expected return on assets	3.2	6.0
Salary increases	3.8	4.1
Pensions increases	2.4	2.8
Discount rate	3.2	4.3

Breakdown of the expected return on assets by category:

Assets (Employer)	Long-term returns at 31 March 2015	Assets at 31 March 2015	Long-term returns at 31 March 2014	Assets at 31 March 2014
	% p.a.	£000	% p.a.	£000
Equities	3.2	6,920	6.6	6,488
Bonds	3.2	2,516	4.0	1,490
Property	3.2	734	4.8	526
Cash	3.2	315	3.7	263
Total		**10,485**		**8,767**

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

	Males	Females
Current Pensioners	22.3 years	24.5 years
Future Pensioners	24.3 years	26.7 years

Net Pension liability as at:	31 March 2015	31 March 2014
	£000	£000
Fair value of employer assets	10,485	8,767
Present value of funded liabilities	(13,477)	(10,871)
Present value of unfunded liabilities	-	-
Total value of liabilities	**(13,477)**	**(10,871)**
Net pension liability	**(2,992)**	**(2,104)**

Amount charged to operating profit	Year to 31 March 2015		Year to 31 March 2014	
	£000	(% of Payroll)	£000	(% of Payroll)
Service cost	390	25.0	465	26.4
Interest cost	475	30.4	411	23.4
Expected return on employer assets	(537)	(34.4)	(374)	(21.3)
Past service (gain) / cost	-	-	-	-
Losses/ (gains) on curtailments and settlements	88	5.6	-	-
Total	**416**	**26.6%**	**502**	**28.6**
Actual return on plan assets	1,266		573	

Notes to the Financial Statements (continued)

27. Pensions (continued)

Hertfordshire County Council Pension Fund (continued)

Reconciliation of defined benefit obligation	31 March 2015	31 March 2014
	£000	£000
Opening defined benefit obligation	**10,871**	**9,055**
Current service cost	390	465
Interest cost	475	411
Contributions by members	122	121
Actuarial (gains) / losses	1,754	1,239
Past service (gains) / costs	-	-
Losses/ (gains) on curtailments and settlements	88	-
Estimated benefits paid	(223)	(420)
Closing defined benefit obligation	**13,477**	**10,871**

Reconciliation of fair value of employer assets	31 March 2015	31 March 2014
	£000	£000
Opening fair value of employer assets	**8,767**	**7,226**
Expected return on assets	537	374
Contributions by members	122	121
Contributions by the employer	553	513
Actuarial (losses) / gains	729	953
Benefits paid	(223)	(420)
Closing fair value of employer assets	**10,485**	**8,767**

Amount recognised in Statement Total Recognised Surpluses and Deficits (STRSD)	31 March 2015	31 March 2014	31 March 2013	31 March 2012
		£000	£000	£000
Actuarial gains/(losses)	(1,025)	(286)	(431)	(521)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-	-	-
Actuarial gains/(losses) recognised in STRSD	(1,025)	(286)	(431)	(521)
Cumulative actuarial gains and losses	**(3,409)**	**(2,384)**	**(2,098)**	**(1,667)**

Amounts for the current and previous accounting periods	31 March 2015	31 March 2014	31 March 2013	31 March 2012
	£000	£000	£000	£000
Fair value of employers assets	10,485	8,767	7,226	5,908
Present value of defined benefit obligation	(13,477)	(10,871)	(9,055)	(7,404)
(Deficit) / surplus	(2,992)	(2,104)	(1,829)	(1,496)
Experience (losses) / gains on assets	729	953	566	(269)
Experience (losses) / gains on liabilities	41	1,767	5	(39)

Notes to the Financial Statements (continued)

27. Pensions (continued)

Hertfordshire County Council Pension Fund (continued)

Analysis of projected amount to be charged to operating surplus for the year to 31 March 2016	31 March 2016	
	£000	% of pay
Projected current service cost	452	30.2%
Interest on obligation	437	29.2%
Expected return on Employer Assets	(341)	(22.8)%
Total	**548**	**36.6%**

28. Contingent Liability

The association has an obligation under the Social Housing Pension Scheme as at 30 September 2014 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.

29. Prior year adjustment

- **Leasehold income and expenditure**

  Leasehold income and expenditure of £442k was removed from the turnover and expenditure figures in 2014. The impact on reserves was nil.

- **Disposal proceeds funds**

  A prior year adjustment totalling £480k was carried out to recognise and disclose net disposal proceeds resulting from the sale of properties to tenants under the Right to Acquire Scheme. The impact on the 2013/14 income and expenditure is a £474k reduction of the surplus on sale of housing properties and a reduction of interest receivable by £6k. The total impact is a £480k reduction on 2013/14 reserves.