REPORT AND FINANCIAL STATEMENTS
Year ended 31 March 2016

bpha 25
25 years of making a real difference

YEARS

OF BUILDING BETTER FUTURES

OUR STORY

In short, we build places and house aspiration.

CONTENTS:

GROWTH, INNOVATION AND EFFICIENCY

This year we celebrated our 25th anniversary after being established in 1990 to take the transfer of tenanted homes from North Bedfordshire Borough Council. Centred in Bedford, we now own or manage 17,896 homes across the Oxford to Cambridge geographic arc.

We help people achieve their housing aspirations who would otherwise be unable to rent or buy their home in the open market. We do this through:

- providing homes at sub-market rents to meet the needs of a range of customers;
- designing supported accommodation to meet the needs of vulnerable customers;
- offering a range of 'step-up' products to help customers who aspire to home ownership;
- building on average 500 new homes every year that are independently funded and not subsidised through current customers' rent;
- investing and maintaining our existing homes, generating positive impact in our communities; and
- achieving outstanding Value for Money (VfM) through efficiency of cost control and maximisation of income.

HIGHLIGHTS

Growing stock and meeting local needs

SEE PAGE 11

Being innovative in delivering added value services

SEE PAGE 12

Helping people at different life stages into home ownership

SEE PAGE 13

OUR HIGHLIGHTS
Year ended 31 March 2016

£17.8m
surplus

AA-
credit rating from Standard & Poor's

V1
HCA viability rating

G1
HCA governance rating

100%
of homes have met Decent Homes Standard since 2010

First sales from Bushmead Homes Ltd delivers surplus for reinvestment in social housing

450
new homes built

178
shared ownership properties sold

46%
Very strong operating margin on social housing lettings

£23.2m
invested in maintaining and improving our existing homes

4,700+
hours of volunteering donated by employees and the public during our 25th anniversary year

Achieved The Sunday Times 100 Best Not for Profit Organisations to Work For and Best Companies 1 star accreditation

CHAIR'S STATEMENT

We have long risen to the challenge of delivering new homes, supplying those who aspire to a home of their own.

Whatever challenges the housing market, political landscape or economic environment may pose to us, we will be able to respond in the best interests of our customers and to protect our assets.

The year ended 31 March 2016 was the first full year in which I have served bpha as Chair and it has been a privilege to be part of the progress that has been achieved. We have strengthened our governance structures and finances, improved our risk and assurance framework, and put in place new people and systems in order to improve the service delivered to our customers.

Over the last year, the profile of the work that housing associations do has been brought into sharper focus by the Government's clear priority to build more homes, an ambition that we share. Whilst in this 2015/16 review I must not anticipate the impact of the Housing and Planning Act 2016, the Government's Starter Homes incentives nor the Welfare Reform and Work Act 2016, it would be remiss of me not to recognise that these changes bring new challenges for the housing association movement. As I write, it is difficult to be precise as to the wider ramifications but what is certain is that social housing, as understood under the previous grant system, is to be replaced by new initiatives primarily focused on paths to home ownership.

We are based in Bedford and operate broadly between Oxford and Cambridge, delivering new homes and supplying those who aspire to a home of their own whilst also providing high-quality rented homes. This year we completed 450 new homes. Our Bushmead Homes subsidiary is now successfully delivering homes to the private sector outright sales market.

Our development has long focused on shared ownership and we will continue to offer a whole range of opportunities for first-time buyers as well as others and I anticipate a gradual increase in sales during 2016/17.

Major employers need homes for key workers and we can continue to be part of the solution. For example, we are building on the Cambridge Southern Fringe near to Addenbrooke's Hospital. Our detailed housing market knowledge, development scale and track record help us to balance risk, delivery and Value for Money.

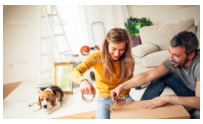
Our regulator, the Homes and Communities Agency (HCA), provides a clear framework for our activities and is keen to ensure that organisations such as ours have the right mix of skills at Board level in order to provide clear

25 YEARS OF BPHA

1990

bpha (originally known as Bedfordshire Pilgrims housing association) is born from stock transfer of 7,378 homes from North Bedfordshire Borough Council.

1991



First newly built homes handed over to residents.

1992

We undertake our first mortgage rescue and introduce shared ownership.

1993

We start first developments outside of Bedford Borough in Dunton and Huntingdon.

1994

We are the first housing association to gain ISO 9001 quality management registration for all services.

1995

Our first major refinance secures £135m for building new homes.

We are the first housing association to gain Investors in People status.

direction and to mitigate the risks associated with growth. During this year, we established a Finance and Treasury Committee, and I was pleased to welcome to the Board and Committees several new members who added new skills and expertise.

We have maintained our G1 Governance rating and V1 Viability rating and during the year work has been undertaken to further strengthen our risk management strategy. Further details are set out later in the financial statements but in particular I would highlight the following:

- A new assurance framework has been developed based upon the widely recognised three lines of defence model.
- The Board has defined its risk appetite for the first time. Whilst no association can avoid all risks, by making a conscious decision as to what is acceptable, we have set clear parameters within which to operate.
- We had a significant stand-alone interest swap portfolio on which we were exposed to potential margin calls. The Board took the decision to reduce the associated risks through restructuring swaps and entering into new embedded swaps. This has significantly reduced our exposure to this risk.
- Finances have been strengthened as the net surplus generated has increased to a record level, driven by efficiency of operations, a tightly controlled development model, interest cost savings and customer driven asset sales.
- £80m of new funding has been obtained to support our ongoing development plans and this has taken our liquidity to its highest ever level.

GOVERNANCE OVERVIEW

- The Board has defined its risk appetite for the coming year.
- An assurance framework has been developed based upon the widely recognised three lines of defence model.
- Finances have been strengthened as the net surplus generated has increased to a record level.
- We have maintained our G1 Governance rating and V1 Viability rating.
- We have invested in new systems, new people and in the training of our employees so we can meet the rising expectations of our customers.

SEE PAGE 28

The Board has formulated its strategy for the coming years. By having a clear operating model, a clear vision as to what we want to achieve, offering services that are supported by new ways of working and delivering these costs effectively, we will ensure that we continue to have choices. Whatever challenges the housing market, political landscape or economic environment may pose to our business, our strategy ensures we will be able to respond in the best interests of our customers whilst always protecting core assets.

We have invested in new systems, new people and in the training of our employees so that the rising expectations of our customers can be met in the future. Naturally there is more to do but I am confident that we will make further progress in the coming year.

None of the above could have been achieved without the dedication and hard work of our employees and, over the past year, it has been a real pleasure to be able to get to know many of them. During this year, we reached our 25th anniversary and, to celebrate, employees chose to participate in a volunteer programme supporting our core communities, which was hugely successful and I would like to thank everyone who took part in that initiative.

Last year I said that I was looking forward to the coming year as Chair and events have proved that I was right to do so. I am confident that in 2016/17 we will continue to make further progress.

Robert Burgin
Chair

1996

We demolish first phase of Tarrans, a pre-fab estate in Bedford.

1997–1998

We reach 9,100 properties.

1999

Accommodation for doctors and nurses completed at Bedford Hospital.

2000

We open the Foyer in Bedford for young homeless people. The building is now leased to YMCA providing supported housing to young people.

2001

The Oxfordshire Care Partnership is launched – a partnership between bpha and The Orders of St John Care Trust to build new state-of-the-art care homes in Oxfordshire.

2002

We win the Housing Corporation 'Challenge Fund 1' to build 51 new homes.

CHIEF EXECUTIVE'S REVIEW

Our world is changing and we must continue to adapt how we work, without losing sight of our core purpose.

We exist for the provision and management of affordable housing for people who cannot access or sustain 'open market' homes in an unaided manner.

We were one of the first large scale voluntary transfer (LSVT) associations in the country and in June 2015, we celebrated our 25th anniversary. The first ten years saw reinvestment and improvement to the core transfer stock, and in the following 15 years, we have become one of the leading developers of new affordable housing, consistently delivering hundreds of new homes each year.

We celebrated our 25th anniversary through an all employee volunteering programme that has seen 300 of our employees along with public volunteers contribute over 4,700 hours to 25 community focused projects. These ranged from clearing and painting communal facilities through to teaching computer skills to older people living in our extra care facilities. The programme has been a huge success on many levels; the responses of the people we have been working with has often been humbling. Many of the activities have created a lasting legacy and it has provided learning and team building opportunities for employees across our organisation.

During the year, the work and efficacy of housing associations has been put under the spotlight by the Government and its expectations and challenges to the sector have been laid out: *exploit your financial resources to the full to build more homes and lower your operating costs*. I am pleased to report that we are fully aligned to this direction of travel and our performance last year represents further significant progress towards these overarching goals. This is being achieved without compromising our purpose, which has been re-confirmed by the Board during a comprehensive strategy review within the year.

Our 25th year has, by many measures, been our best so far and this has been achieved whilst laying strong foundations for the future:

- We have achieved an overall operating margin of 46% for social housing lettings, a performance that stands comparison across the industry. The operating surplus of £48.6m continues our progress towards increasing profitability in order to build resilience and to ensure continuity of future investment choices.
- The delivery of a further 450 new homes puts us within the top 30

25 YEARS OF BPHA

2003–2004

We win 'Challenge Fund 2' to develop 537 homes in Milton Keynes and Peterborough.

Sir William Harpur House in Bedford – an extra care scheme for older people – opens.

2005

First housing scheme started in Cambridge.

2006

We refinance total facilities to £500m, providing another £217m to build new homes. Awarded £41m government grant to develop new homes over three years.

2007

We win the Cambridge Challenge, a competition to build 3,300 new homes. We complete building 537 homes in Milton Keynes and Peterborough, releasing 537 balloons to celebrate.

2008

Golden Gardens established with £80,000 from Big Lottery funds to transform two disused garage sites into community gardens.

2009

We reach 15,000 homes and the first bpha residents move in at Wixams, Bedford.

Kevin Bolt talks to a resident at a 25th anniversary celebration event.

developing housing associations and continues our impressive long term development performance.

- We have a long track record of shared ownership and in 2015/16 sold a record 178 shared ownership properties, worth £23m in revenue terms, which underlines our commitment to driving accessibility to affordable home ownership.
- During the year, we delivered our first 'private sale' scheme through our Bushmead Homes subsidiary. This underpins future plans to develop more new homes as 'open market' sale units in order to cross subsidise future affordable rental and shared ownership products.
- Finances were restructured and new funding was raised which has improved our financial risk profile, cut the cost of capital, improved liquidity and ensured the continued viability of our longer term commitment to developing 500 plus new homes per annum for the foreseeable future.
- Investment was made in core operating systems and processes in order to improve customers' experiences.
- Finally, all employees completed customer service training to anchor our commitment to maintaining customer service standards whilst we continue to strive for further efficiency improvements.

We have ended 2015/16 in a strong position despite the unforeseen government policy changes that occurred in the year. Back in 2014/15 the organisation launched a series of comprehensive improvement initiatives and these are proving to be in tune with the new market and regulatory environment. Further changes will come in 2016/17 and we are fully committed to taking the next steps on the continuing improvement journey.

We intend to deliver more homes, improve accessibility to home ownership, offer greater Value for Money through better service and/or lower operational costs and provide reliable customer service for both tenants and home purchasers. These will all be measures of our future success. We understand the expectations of our stakeholders and are excited and optimistic about our plans for 2016/17 and beyond.

Our world is changing and we must continue to adapt the way we work to meet the new challenges, but in doing this we must not lose sight of why we are here, our core purpose.

We are a strong business with a clear social purpose and will continue to grow and improve as we strive to deliver our ambition:

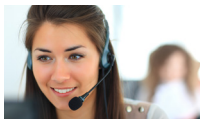
building places, housing aspiration.

Kevin Bolt
Chief Executive Officer

2010

HRH Prince Edward opens Betty Dodd Court in Luton, a new extra care scheme.

2011–2012



Our new customer service centre goes live.

Prime Minister David Cameron opens new Oxfordshire Care Partnership site, the Henry Cornish Care Centre in Chipping Norton.

2013

We officially rebrand to bpha and introduce a new logo.

2014

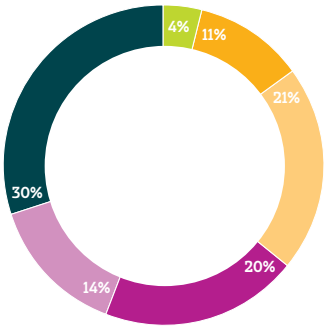
Appointed as Help to Buy agent for the East and South East of England.

2015–2016

We celebrate our 25th anniversary. Employees and public volunteers take part in 25 projects in our communities, with over 4,700 hours donated.

AT A GLANCE

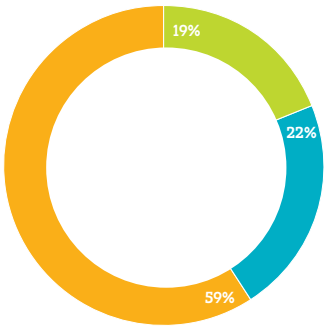
As one of the top 30 developing housing associations, we have grown from 7,378 homes in 1990 to the 17,896 homes we own or manage today.



AGE PROFILE OF TENANTS

<25	4%
25–30	11%
31–40	21%
41–50	20%
51–60	14%
61+	30%

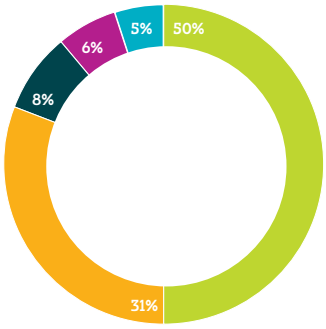
The majority of our tenants are aged between 25 and 50, a younger age profile than the average across the sector.



ECONOMIC STATUS

Full Housing Benefit	19%
Partial Housing Benefit	22%
Not in receipt of Housing Benefit	59%

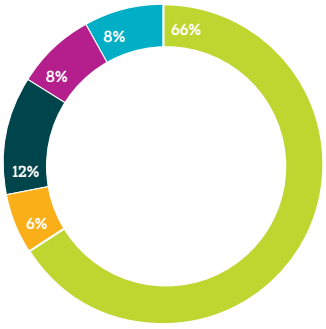
The majority of our tenants are not in receipt of housing benefit, leaving us less exposed to welfare reform.



STOCK BY TYPE

House	50%
Apartment	31%
Nursing/ care home	8%
Bungalow	6%
Other	5%

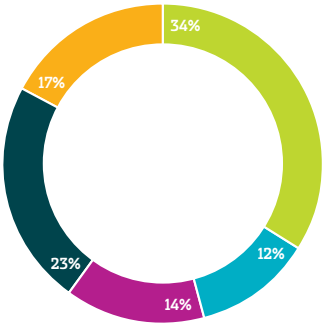
We offer a range of dwelling types but the majority of our stock is family homes.



STOCK BY USAGE

General needs	66%
HomeBuy	6%
Shared ownership	12%
Elderly care homes	8%
Other	8%

The majority of our stock is conventional and modern general needs housing. We also own 24 large, modern retirement care schemes.



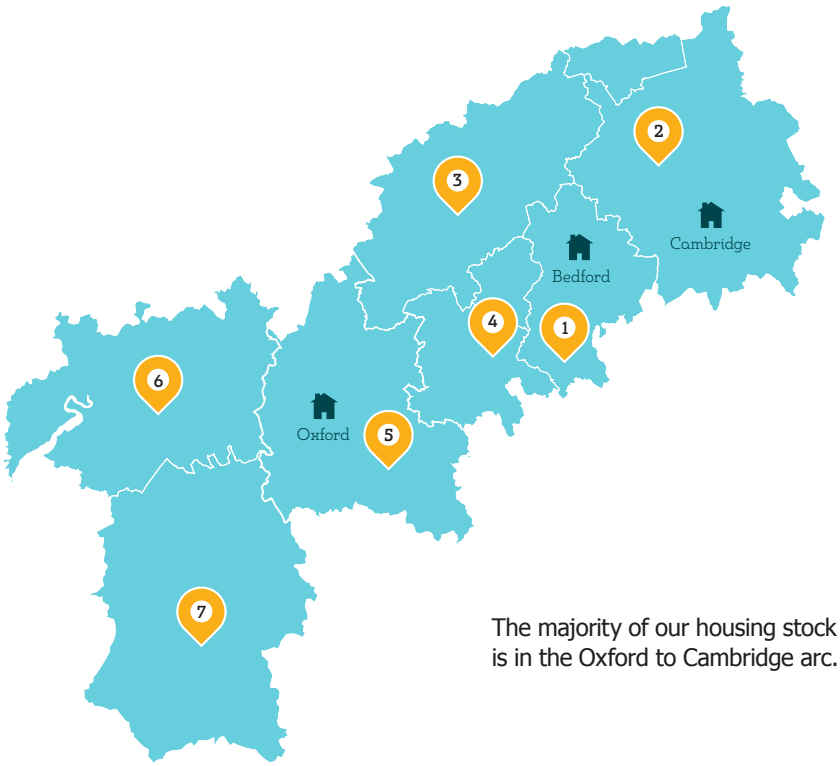
AGE PROFILE OF STOCK

0–10	34%
11–20	12%
21–40	14%
41–60	23%
61+	17%

Nearly half our stock is under 20 years old, attracting lower maintenance costs.

UNITS BY AREA

1	Bedfordshire	10,164
2	Cambridgeshire & Peterborough	3,307
3	Northamptonshire	1,236
4	Buckinghamshire & Milton Keynes	1,053
5	Oxfordshire	1,176
6	Gloucestershire	395
7	Wiltshire	206
	Other	359
	Total units	17,896



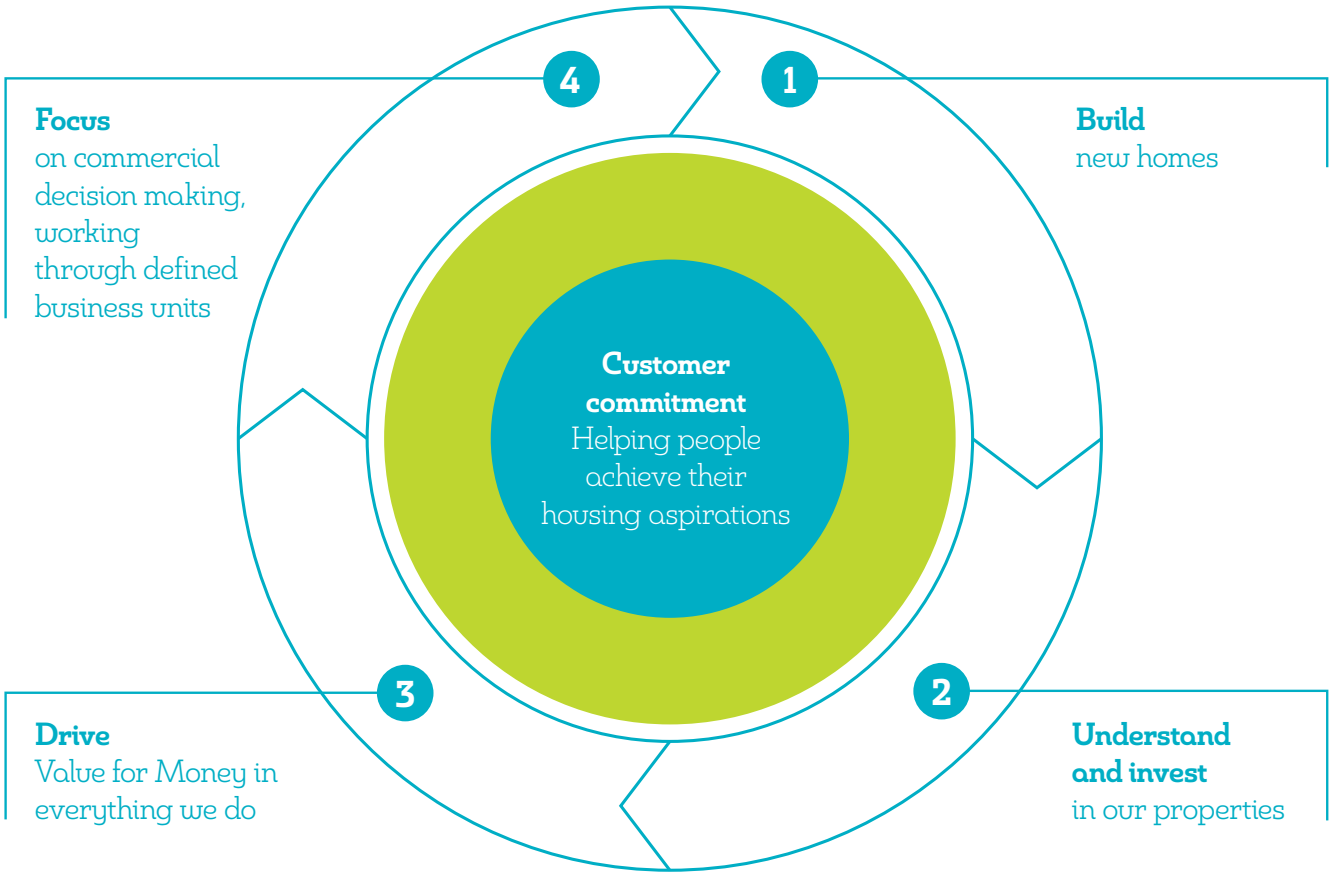
The majority of our housing stock is in the Oxford to Cambridge arc.

WHERE HAVE WE BEEN BUILDING IN 2015/16

1	Oxfordshire	192
2	Cambridgeshire	137
3	Bedfordshire	121
	Total units	450

BUSINESS MODEL

We exist to help people access and sustain affordable housing. We do this through maintaining a flexible business model that allows us to adapt to external change.



OUR BUSINESS MODEL DELIVERS A VERY STRONG OPERATING MARGIN WITH THE FLEXIBILITY TO GROW

Social housing will always be the core of our business with 96% of our turnover coming from social housing activities.

The surpluses generated from these activities will allow us to continue building new affordable homes and investing in our communities.

Our very strong operating margin for social housing lettings is achieved through the following factors:

- Bringing a clear commercial focus to well-defined service delivery areas in order to improve decision making.
- Achieving critical mass and operating efficiencies through concentrating our housing activities within a controlled operating area that is centred on Bedford and spans a corridor between the high-yielding areas of Oxford and Cambridge.
- Managing a housing stock where nearly 50% is less than 20 years old, resulting in less ongoing maintenance.
- Maintaining tight controls over costs and risk management.
- Using stock profile data to minimise housing maintenance and repair costs.
- Rigorously applying strict Internal Rate of Return (IRR) hurdle criteria to new development approval so that new homes enhance overall surpluses.

STRATEGY

Our strategy defines our future as a modern housing association, delivering Value for Money and enabling people to take control of their housing needs.

STRATEGY	WE WILL CENTRE OUR OPERATIONS ON THE NEEDS OF OUR CUSTOMERS AND MAKE DECISIONS THAT WILL ENABLE US TO CONTINUE TO MEET OUR SOCIAL PURPOSE:
1 Build new homes	• Develop around 500 new properties per annum on an ongoing basis. • Develop partnership arrangements with other organisations to ensure we are able to continue securing large strategic schemes which offer Value for Money savings through their scale. • Consolidate our position in Cambridge as the lead developing Registered Provider whilst responding to the new housing policy environment by securing a strong forward pipeline of schemes in Bedford and across our region.
2 Understand and invest in our properties	• Continue holding full stock condition data on all our properties where we have repairing responsibilities and use this to maximise Value for Money in planned capital works. • Retain 100% Decent Homes Standard status. • Increase our first-time fix rate on repairs. • Reduce void turnaround times. • Reduce fuel poverty amongst our customers and expand the use of new technologies in hard to heat homes.
3 Drive Value for Money in everything we do	• Shift more of our customer transactions to automated and online self-service, lowering costs and increasing customer satisfaction. • Streamline and improve efficiency of back-end operations through use of technology and automation. • Reduce liquidity risk and cost of capital through refinancing of credit facilities. • Critically appraise the performance of all assets as part of the growth and asset management strategy, releasing capital to develop new schemes and/or improve returns from existing assets.
4 Focus on commercial decision making, working through defined business units	• Service delivery through well-defined business units to ensure focus on the achievement of organisational goals. • Deliver surpluses through development for open market sale. • Grow income streams through new opportunities, but only where these complement existing business streams and skillsets – for example, the Help to Buy East and South East contract from the HCA.

STRATEGY CONTINUED

1 **Build new homes**

We have a long track record of delivering new homes across our core operating region with particular emphasis on providing shared ownership properties.

From Oxford to Bedford to Cambridge, high property values make it difficult for aspiring home owners to get on the property ladder, ensuring high demand for our shared ownership properties and supporting the development of much needed affordable homes.

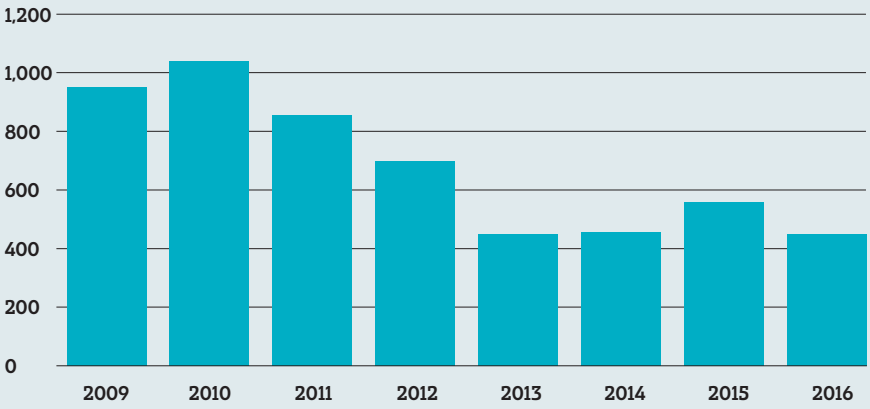
Our development team has both the critical mass and strength in depth to be able to deliver the planned sustainable development programme of around 500 units per year in a cost effective way.

We have established a development model which enables us to grow both bottom line surplus and balance sheet strength. This is driven by applying strict development criteria to maximise return and minimise risk.

Development criteria
In assessing whether to commit to a development the following factors are modelled/applied:

- Conservative key development assumptions are used.
- All significant proposed schemes are subject to internal scrutiny and formal reporting from treasury employees who are independent of the development department.
- IRR must achieve a minimum hurdle rate set on the basis of:
  IRR hurdle =
  30 year Cost of Funds +
  Interest Cover Requirements +
  Risk Buffer Uplift
- Developments must normally enhance balance sheet value, i.e. asset value generated for charging as security is greater than net development cost so that overall balance sheet capacity is enhanced.
- Our business plan is regularly remodelled throughout the year. Impact of potential future schemes is formally reviewed against the updated business plan to ensure continued sufficiency of liquidity and security, and avoidance of over-commitment.

TOTAL UNITS BUILT OR ACQUIRED



Steventon in Oxfordshire where we completed 20 units in 2015/16.

25 years of meeting local housing needs

Starting from just 7,378 homes in 1990 from a council stock transfer, we now own or manage 17,896 homes, building over 10,000 new homes during the last 25 years. We are committed to building around 500 housing units a year in areas facing high demand for housing. In Bedford alone, it is estimated that 5,100 affordable homes are needed by 2032, approximately 256 a year, and for the Cambridge region it is estimated that 44,000 affordable homes are needed by 2031. We are making an important contribution to meeting housing needs in the Oxford to Cambridge arc.

Growing stock and meeting local needs

17,896

homes are owned or managed by us

STRATEGY CONTINUED

2 Understand and invest in our properties

3 Drive Value for Money in everything we do

Using housing stock insights to increase efficiency

With one of the highest operating margins for social housing lettings at 46%, our asset management is crucial to delivering efficiency. Nearly half of our stock is less than 20 years old, attracting lower maintenance costs. In addition, we have obtained full stock condition data on all our properties where we are responsible for repairs. This enables us to plan our replacement and maintenance programmes to get the best VfM. In 2015/16, we invested over £23m in improving and maintaining existing homes and we have maintained a 100% Decent Homes Standard.

Being innovative in delivering added value services

£23.2m

invested in our existing housing stock this year

4 Focus on commercial decision making, working through defined business units

Over 7,000 people helped into home ownership

As the Help to Buy agent for the East and South East of England, we have supported over 7,000 people to access equity loans to buy their homes. In addition, we sold 178 shared ownership homes and plan to sell approximately 200 shared ownership homes next year.

Helping people at different life stages into home ownership

7,000+

people supported into home ownership

OPERATING REVIEW

We are proud to be one of the key affordable and social housing developers in the South East of England.

The shortage of affordable housing is particularly acute within our operating region and we meet this need through a sustainable programme of new housing development.

Meeting diverse customer needs

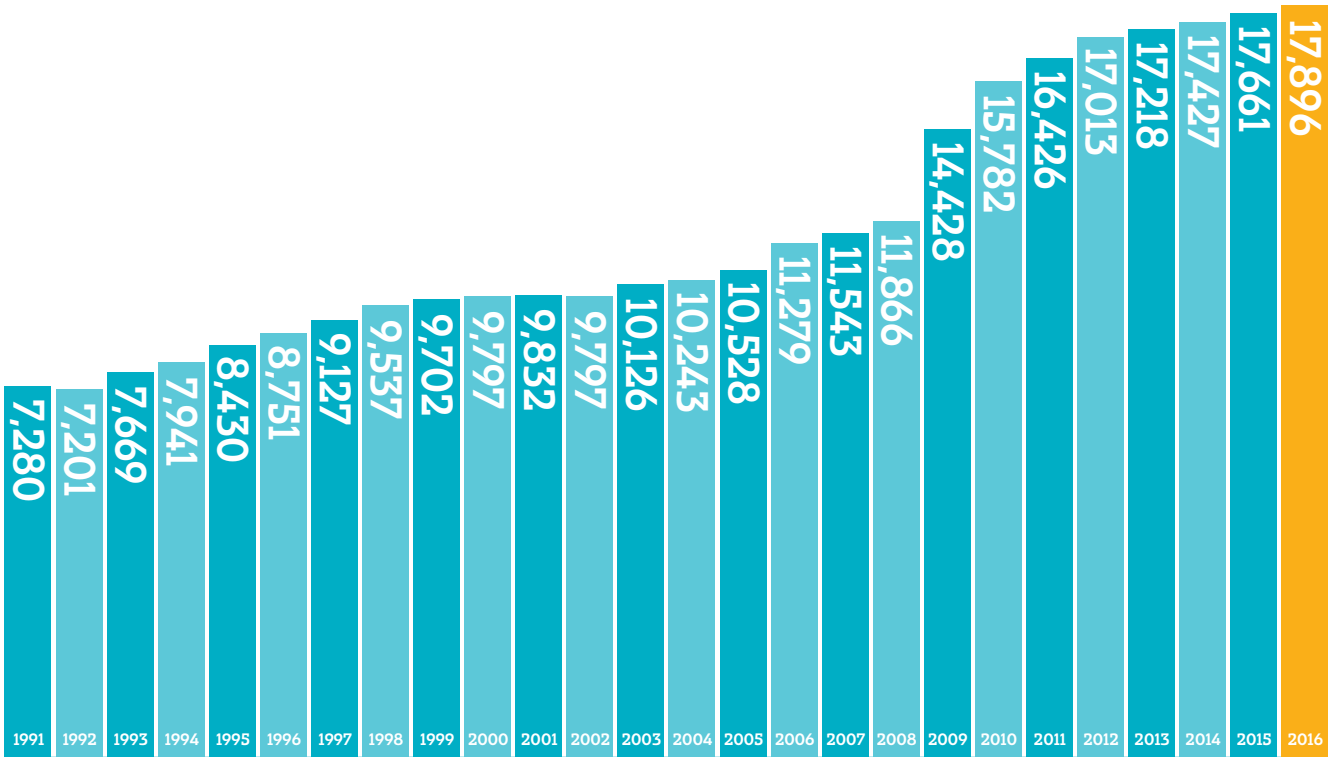
We serve a diverse customer group, some of whom have particular housing and community requirements in terms of design, location, tenure type and cost. A range of dwelling types of varying sizes and tenures is therefore necessary to meet the needs of these different population and demographic groups.

We will continue to improve the diversity, affordability and accessibility of our stock. Our stock is predominantly conventional and modern general needs housing, of which 46% is no more than 20 years old.

We have a long track record of successful development and have built an established network of strong strategic relationships with developers, house builders, local authorities and others. The scale of the development programme was, as detailed in the chart on page 10, typically 450–650 units per annum between 2012 and 2016. During 2015/16, 450 new homes were completed at a cost net of grant of £38.8m (2014/15: 558 homes, £46.7m). This scale of development achieves critical mass, enabling us to employ people with a range of development skills on an efficient cost per unit basis.

Following the period 2009–2011 when our build programme was boosted by additional government grants made available to support the building of new homes in the wake of the banking crisis, we recognised that it was important to improve our long term financial strength and accordingly scaled back our development

TOTAL UNITS OWNED OR MANAGED AT YEAR END



Long Toll, Woodcote, South Oxfordshire where we completed 10 units in 2015/16.

commitments to current levels and applied increasingly strict development criteria as detailed on page 10.

Whilst the bulk of funding for future development will come from the debt capital markets, subsidy remains critical to viable development of social/affordable housing. In our operating region, it is possible to generate part of the required subsidy to build rented stock through development of shared ownership units and this is key to our development model. In addition, we are fortunate to have significant Recycled Capital Grant Funds, totalling £19.7m (2014/15: £15.4m), which are expected to be utilised in providing future essential subsidy for the development of new affordable homes.

Service delivery

We have a diverse customer base including tenants, shared owners, joint venture partners and Help to Buy customers, and each of these have different service requirements.

Last year, service delivery was consolidated under a single service directorate and our customer satisfaction has remained steady at 82% (2014/15: 82%). Improvements in this area will continue to be a key point of focus in the year ahead.

We have invested heavily in obtaining accurate stock condition data on all of our properties, allowing us to take better, more informed decisions. For all of our stock where we have a repairing responsibility (11,689 units or 65% of total) we record detailed information on up to 12 key components. This is kept up to date through a rolling programme of surveying a large proportion of our stock each year. 2,512 units or 21% (2014/15: 20%) were surveyed in the year.

We have been 100% Decent Homes Standard compliant since 2010.

In 2015/16, we invested £23.2m (2014/15: £24.0m) in maintaining and improving existing stock of which £11.7m (2014/15: £10.7m) was capitalised and £11.5m (2014/15: £13.3m) was charged to revenue. The investment programme is planned on a rolling basis over several years and is informed by stock condition data. This means that the detailed works undertaken can vary considerably from year to year as one programme is completed and another is commenced. The works undertaken in the year included:

- 28,393 responsive repairs;
- 734 refits of void properties; and
- 4,893 capital improvements.

Further details are set out in the Value for Money section of the Strategic Report on page 24.

Help to Buy

At the start of 2014/15, we were delighted to be awarded the Help to Buy agency for the South East and East of England by the HCA. This draws upon skills developed both in our award winning call centre and the development and sales teams. This contract has progressed well in 2015/16 and has contributed to the overall financial performance.

The Help to Buy team of around 50 employees has met or exceeded the HCA performance criteria whilst handling around 100,000 documents and processing over 7,000 completions. We were very pleased when the contract was extended for a further year until 31 March 2017.

450

new homes completed

215

homes sold

OPERATING REVIEW CONTINUED

For the first time, we achieved The Sunday Times 100 Best Organisations to Work For in the Not for Profit sector.

Update on employees

We remain committed to developing our people to be the best they can be. It is essential that employees have the right skills to undertake their jobs, whilst meeting our legal and governance obligations. In addition, we aspire to grow our own talent and have invested in professional development supporting employees to gain qualifications to develop their careers with us.

We are also investing in the development of our managers, to drive up quality and standards, as well as developing employees with potential to become future managers. Our programmes assist our ability to retain the best people, which is critical to delivering our future goals against a more challenging employment market.

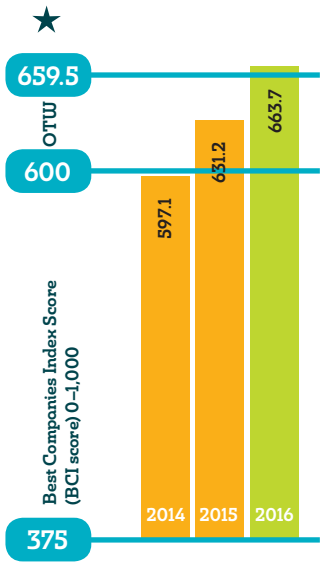
At our annual employee conference, we introduced a new award to recognise our 'unsung heroes' who have gone the extra mile to support the organisation.

Employee volunteering

During our 25th anniversary year, we launched a volunteering programme for employees to give something back to the communities we work in. Over two thirds of employees have taken part and it has been a key driver in improving employee satisfaction, with 93% being proud to work for us. The programme has been so successful that we plan on making it a permanent scheme.

We continue to build on our journey year-on-year to be one of the best companies in the sector. Following our 2015 employee survey results, hosted by the external Best Companies Accreditation Standard, we were delighted to achieve a 1 star accreditation. We have a more engaged workforce, with our vision and values being embedded at the heart of what we do, within in a positive working environment and culture. In addition, for the first time we have been officially recognised as one of The Sunday Times 100 Best Organisations within the Not for Profit sector.

BEST COMPANIES RESULT



OTW: One to watch

BCI scores are on a fixed scale from 0–1,000 meaning they are directly comparable between years.

A group of employees recognised for going the extra mile at our annual employee conference.

25 YEARS OF BUILDING BETTER FUTURES

Our volunteer employees planting trees at the forest of Marston Vale.

We launched an employee volunteering programme to celebrate our 25th anniversary

Over 25 community volunteering projects were carried out in our communities over the year, with over 4,700 hours donated. All employees were invited to take part along with public volunteers from our communities. Activities have included bulk waste collections, litter picking, an indoor party for residents in our retirement housing, painting, tree planting, car speed watching and donating Christmas food hampers to our 50 most vulnerable tenants. The programme was so successful it will now be a permanent scheme.

Our employee volunteering programme was launched to celebrate our 25th anniversary.

4,700+

hours donated

FINANCIAL REVIEW

We have ended 2015/16 in a stronger financial position.

The surplus for the year of £17.8m continues our progress towards increasing profitability in order to build resilience and to ensure continuity of future investment choices.

Overview of the year

The financial statements of the group and association have been prepared to comply with the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2014 (SORP 2014) and, for the first time, in accordance with Financial Reporting Standard 102 (FRS 102) which replaces the previous accounting regime (referred to as previous UK GAAP). This transition from previous UK GAAP to FRS 102 has required the restatement of the Statement of Financial Position (previously the balance sheet) as at 31 March 2014, as well as the Statement of Comprehensive Income (previously the income and expenditure account) and the Statement of Financial Position for the year ended 31 March 2015. Further detail of the transition adjustments are provided in note 31 to the financial statements.

The five year summary is presented with current years under FRS 102 and prior years under previous UK GAAP. The historical data has been adjusted to take account of the MyChoice HomeBuy prior year adjustment which is detailed in note 27 to the financial statements.

£48.6m

operating surplus

As detailed later within this review the association has taken various measures to reduce its exposure to risks and this process continued post year end ahead of the European Union referendum. These measures included drawing additional funding at committed pricing ensuring access to liquidity irrespective of the referendum outcome.

A new extra care scheme under development in Southern Cambridge – part of our commitment to build around 500 homes a year.

FIVE YEAR SUMMARY

Group Statement of Comprehensive Income	FRS 102 2016 £'m	FRS 102 2015 £'m	Previous UK GAAP 2014 £'m	2013 £'m	2012 £'m
Turnover	**123.1**	117.7	93.5	79.1	76.5
Operating surplus	**48.6**	47.1	36.2	35.5	31.8
Interest payable and similar charges	**(35.0)**	(35.3)	(33.0)	(33.0)	(28.8)
Other items	**3.6**	4.8	1.7	1.8	1.4
Surplus for the year (prior to termination costs and movements in fair value)	**17.2**	**16.7**	**4.9**	**4.3**	**4.4**
Termination of hedging and loan arrangements	**–**	(14.7)	(11.9)	–	–
Movement in fair value of financial instruments	**0.6**	(51.9)	N/A	N/A	N/A
Surplus/(deficit) for the year	**17.8**	**(49.9)**	**(7.0)**	**4.3**	**4.4**
Turnover on social housing lettings	**80.9**	77.7	72.6	68.4	66.4
Operating surplus on social housing lettings	**37.2**	35.7	34.3	33.0	31.4
Margin (Operating surplus on social housing lettings as % of turnover)	**46.0%**	46.0%	47.3%	48.2%	47.3%
Group Statement of Financial Position					
Housing fixed assets	**982.3**	936.2	894.2	854.7	802.0
Other fixed assets and investments	**57.3**	62.0	19.1	18.8	19.8
Total fixed asset	**1,039.6**	**998.2**	**913.3**	**873.5**	**821.8**
Net current assets	**57.2**	72.4	10.8	35.7	37.4
Total assets less current liabilities	**1,096.8**	**1,070.6**	**924.1**	**909.2**	**859.2**
Debt (due over one year)	**752.4**	698.7	613.7	592.3	559.3
Other provisions	**87.3**	82.8	–	–	–
Provisions for liabilities	**839.7**	781.5	613.7	592.3	559.3
Other long term liabilities	**64.2**	114.6	27.2	24.3	20.9
Pensions liability	**23.9**	25.0	19.2	19.7	15.7
Total long term liabilities	**927.8**	**921.1**	**660.1**	**636.3**	**595.9**
Reserves: revenue	**168.9**	149.5	11.6	16.2	14.7
revaluation	**–**	–	252.4	256.7	248.6
total	**168.9**	**149.5**	**264.0**	**272.9**	**263.3**
Total long term funding and reserves	**1,096.8**	**1,070.6**	**924.1**	**909.2**	**859.2**
Accommodation figures (no. of units)					
Total owned	**16,042**	15,751	15,392	15,067	14,732
Total other properties managed	**1,854**	1,910	2,035	2,151	2,281
Total owned and in management	**17,896**	**17,661**	**17,427**	**17,218**	**17,013**
Company key financial ratios					
Social housing rent losses (voids as a % of social housing rents)	**1.2%**	1.3%	1.9%	1.5%	1.5%
Rent arrears (gross arrears as % of rent and service charges receivable)	**3.5%**	3.9%	4.2%	3.7%	3.6%
Long term debt as multiple of turnover	**6.1**	5.9	6.6	7.5	7.3

FINANCIAL REVIEW CONTINUED

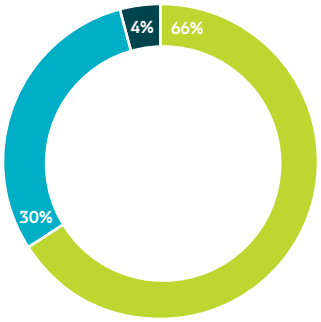
The net surplus for the year before finance termination costs and the movement in fair value of financial instruments of £17.2m shows a continuing improvement from the £16.7m surplus in 2014/15. This improvement has two principal components, namely a very strong operational performance, including increased income from social housing lettings feeding through to an increased operating surplus and containment in the overall cost of funds despite increases in overall debt.

Asset management sales continued to perform strongly, contributing £3.5m to the overall surplus (2014/15: £4.2m). There has been increased activity across all asset categories, much of which is driven by customer demand rather than as part of a wider asset management strategy, and this reflects a buoyant housing market.

Our strong margin on social housing lettings has been achieved through a number of factors:

- Stock being concentrated in a tight, high-yielding, geographic operating area, facilitating efficient service delivery.
- Housing management, maintenance and repair costs being minimised through a deep knowledge of the asset base.
- 46% of our stock being no more than 20 years old, resulting in considerably less ongoing maintenance than older stock.
- A commercially driven focus on income maximisation, and clear cost controls.
- Tight control over employee costs.

ANALYSIS OF TURNOVER

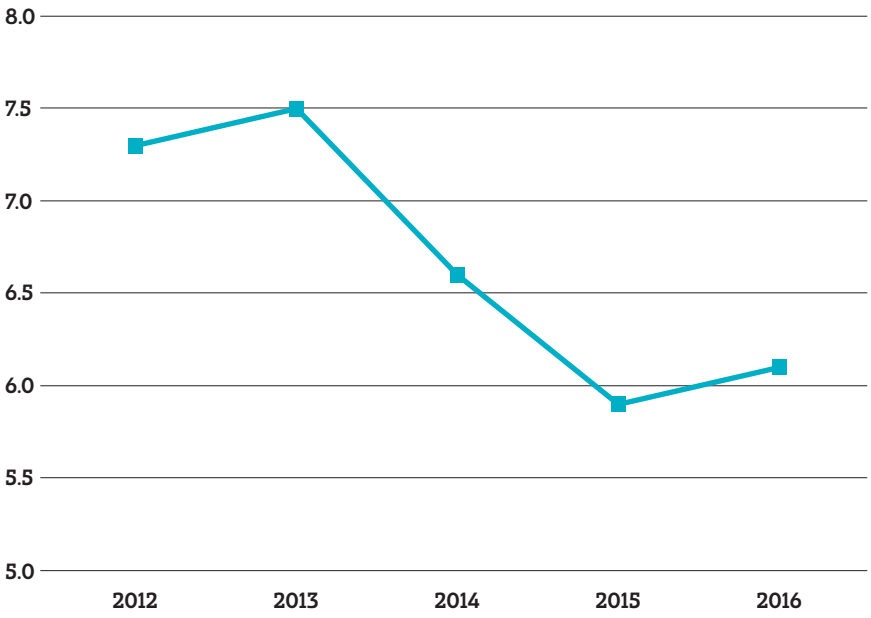


Social housing lettings income	£80.9m
Other social housing activities	£38.1m
Non-social housing activities	£4.1m
Total turnover	**£123.1m**

OPERATING PERFORMANCE 2012–2016

Operating surplus on social housing lettings

LONG TERM LOANS AS A MULTIPLE OF TURNOVER



Social housing activities remain the core component of our business, with over 96% of turnover coming from social housing lettings or other social housing activities and less than 4% being derived from non-social housing activities.

Details of income and expenditure from lettings are detailed in note 3 to the financial statements, but key points to note are as follows:

- Turnover increased by £5.4m to £123.1m. Income from social housing lettings increased by £3.2m due to additional properties and rent increases. Turnover from first tranche shared ownership sales fell slightly to £16.3m from £17.0m.
- Operating costs on social housing lettings were up by £1.8m to £43.7m in line with the increase in income with operating margin constant at 46.0% for both years.
- The cost incurred in providing services to tenants has remained unchanged at £4.6m and the service charges to tenants has also remained constant.
- Routine and planned maintenance increased by £0.7m, offset by reduced capital expenditure on planned repairs. In total, the capital and revenue investment in repairs and maintenance for existing properties reduced by 3.4% year-on-year.

Statement of Financial Position

The Statement of Financial Position value of total assets less current liabilities is £1,097m (2014/15: £1,071m). The asset base has been funded through a combination of retained reserves of £169m (2014/15: £150m), long term funding of £752m (2014/15: £699m) and other long term liabilities of £176m (2014/15: £222m).

Housing fixed assets increased by £46m. During the year our property portfolio (owned and managed) increased by 235 units to 17,896. This was the net impact of completions from the development programme less sale of units developed for other housing associations, customers staircasing to 100% and other asset sales.

Development activity included the £13m sale of 90 new homes at cost to other housing associations. Cost includes full overhead recovery including interest. The resulting increased scale of gross development ensures that development overhead cost per unit is minimised and thereby offers great Value for Money. In addition, development fees are charged which further contribute to overall net income.

A total of £8.1m has been invested in Bushmead Homes Limited, a wholly owned subsidiary which has been established to develop residential property for open market sale to cross subsidise social housing developments. Several developments are under way and the first sales were made in 2015/16. Bushmead has delivered a profit of £1.6m during the year (2014/15: loss of £0.1m) to support our activities.

The Statement of Financial Position includes a pension liability of £23.9m (2014/15: £25.0m), which represents the organisation's share of a long term liability under the Local Government Pension Scheme of which it has been a member for many years. The scheme is closed to new members.

A key feature of our financial affairs is our debt structure, which is primarily attributable to the funding of property development and acquisitions since 1990.

FINANCIAL REVIEW CONTINUED

All our stock has a positive net value, reflecting years of strict development criteria as well as the age, condition and location of the stock.

Little Canfield, Essex where the first open market sales were made this year through Bushmead Homes Limited.

Treasury

Following our annual review with Standard & Poor's (S&P), our credit rating was re-affirmed as AA- (stable) in July 2015, and this was maintained throughout the year ended 31 March 2016. This was based upon our stand-alone credit profile (SACP) of A+ which was then uplifted by one notch to AA- to reflect the likelihood of receiving extraordinary government support. Following the results of the UK's European Union referendum held on 23 June 2016 and the decision to exit the EU, the UK lost its AAA status and S&P removed the one notch uplift previously widely applied to the sector. Accordingly on 4 July 2016, bpha was one of many associations whose rating was lowered, in our case to our SACP which remained unchanged at A+. Our financial viability status remained at the highest level of V1 in recognition of the financial strength of our association.

£184m

available liquidity

As at 31 March 2016, we had £883m of committed debt funding with drawn funding totalling £756m, up from £703m at 31 March 2015. Total cash reserves and investments fell from £87m at 31 March 2015 to £72m at 31 March 2016. We seek to maintain diversification in our funding sources, with 27% of committed funding coming directly or indirectly from the capital markets and 73% coming from seven banking institutions.

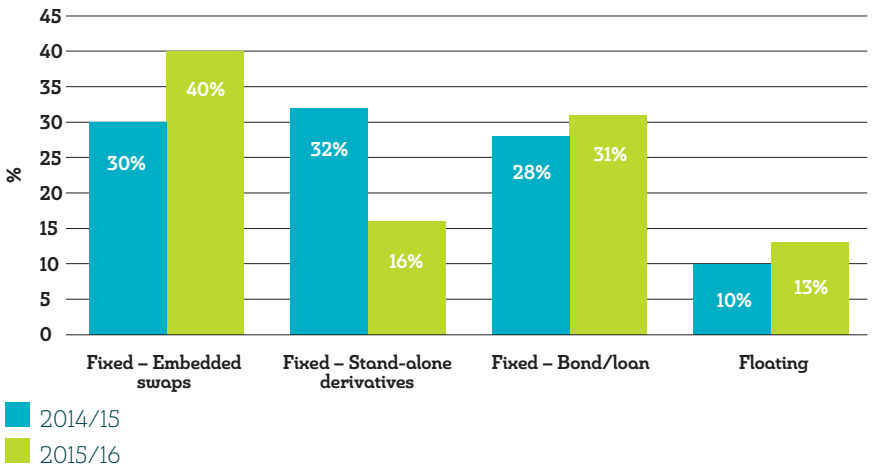
During 2015/16, £80m of funding was raised through the Affordable Housing Guarantee Scheme under two separate transactions. The funding was provided by Affordable Housing Finance PLC by way of long term loans guaranteed by the Secretary of State for Communities and Local Government. The first £36m was raised on 9 March 2016 through a tap of an existing bond under the programme with an all in yield of 2.71% and a spread of 0.43% over gilts. The second funding transaction took place on 31 March 2016 with a further £44m agreed with the European Investment Bank that can be drawn at any point until 31 December 2017.

Over the course of 2015/16, we undertook a strategy to significantly reduce potential mark to market (MTM) exposure on our stand-alone derivative portfolio. £100m of stand-alone interest rate swaps were unwound and immediately refixed on an embedded basis with no margin call exposure.

As at 31 March 2016, 87% of our drawn debt was fixed (90% at 31 March 2015), with 40% through embedded instruments (30% at 31 March 2015), 16% through stand-alone swaps (32% at 31 March 2015) and 31% through bonds/other fixed loans (29% at 31 March 2015).

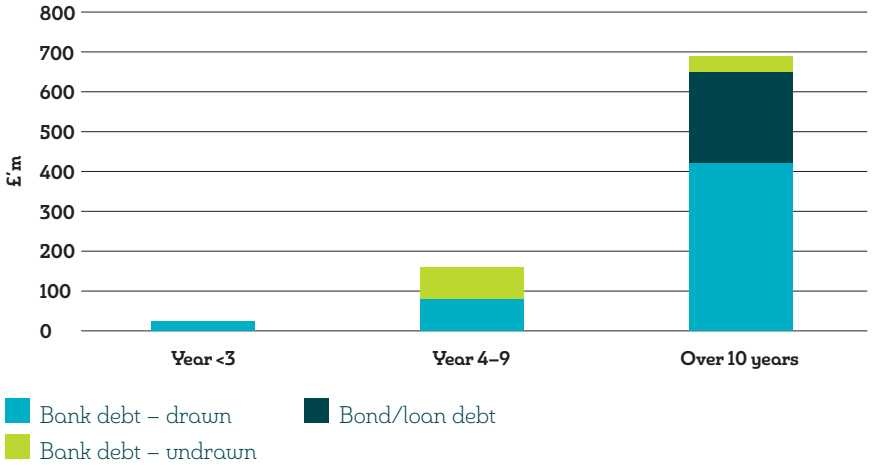
As we are reporting under FRS 102 for the first time this year, MTM liabilities of financial derivatives are shown on the Statements of Comprehensive Income and of Financial Position for the first time, totalling £64m as at 31 March 2016 (£115m at 31 March 2015). In order to retain flexibility for the restructuring of future derivatives, we have decided against hedge accounting any of our financial instruments despite the vast majority of the instruments being hedge effective standard interest rate swaps. Further details of the MTM of our financial derivative portfolio and the changes to the portfolio over the last 12 months are shown in note 18 to the financial statements.

HEDGING ACTIVITY



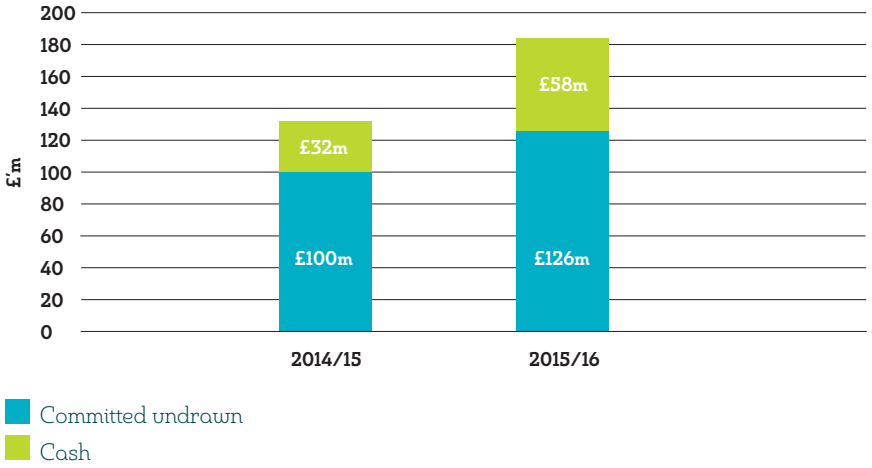
We exited from £100m of stand-alone derivatives and entered £100m of embedded swaps, materially reducing our exposure to margin calls.

DEBT REPAYMENT PROFILE



We have limited refinancing risk in the next four years with 79% of our loan facilities maturing after ten years.

LIQUIDITY



As at 31 March 2016, we maintained £126m of committed undrawn facilities available for drawing (£100m at 31 March 2015) and £58m of cash (£32m at 31 March 2015), representing total available liquidity of £184m (£132m at 31 March 2015). In line with our prudent policies on liquidity management, undrawn borrowing facilities and cash are more than sufficient to meet planned net operational and development expenditure for the year ahead.

VALUE FOR MONEY

We have been successful in delivering Value for Money through maintaining tight control of operational cost, investing in resident service delivery and maintaining existing stock, delivering new homes, and restructuring funding at a lower cost.

We have a Value for Money (VfM) strategy which sets out the framework by which efficiencies and savings are generated and how the delivery of 'value' will be measured. When measuring value we look at quality as well as cost. Other factors considered in assessing value include:

- offering more cost effective, improved services;
- generating a positive impact on residents and communities;
- ensuring decisions take a long term view rather than just considering short term costs; and
- whether or not activities are environmentally sustainable.

We use various sources of benchmarking data, including the HCA Global Accounts and HouseMark.

Measurement of performance is used to drive further improvement in delivery of VfM, with efficiency gains actively recorded and progress reported to stakeholders.

The Board has concluded that we have been successful in delivering Value for Money through maintaining tight control of operational cost, investing in resident service delivery and maintaining existing stock, as well as delivering new homes and restructuring funding at a lower cost.

The following paragraphs show why this conclusion was reached and the report concludes with a summary of key VfM benchmarks. This summary has been extracted from the full self-assessment report and stakeholders are advised to refer to that document which is published on our website **www.bpha.org.uk**.

Return on assets

We built 450 (2014/15: 558) new homes at a gross cost of £47.6m (2014/15: £55.2m). Delivery depends on the timing of completions across the large strategic sites and the current year's delivery of new homes is consistent with our four year track record.

Net debt per home is high by benchmark standards reflecting our successful long term record of investing in new homes. It should be noted that each development scheme has to independently meet various financial hurdles. Scheme appraisals do not take account of any cross subsidy from the surpluses generated from the existing stock of properties. As in previous years, current residents' rents have not subsidised the development of new homes for future residents.

We had a successful year with regard to property sales, with 236 existing units either sold outright or sold to increase the proportion owned by the shared owner. This activity contributed £3.5m surplus for reinvestment. Additionally, 139 units were sold as first tranche shared ownership which contributed £6.4m surplus for reinvestment.

This year, our investment of £8.1m (2014/15: £5.4m) into Bushmead Homes Limited, which is a wholly owned subsidiary of bpha Limited, returned a surplus of £1.6m (2014/15: loss of £0.1m). This surplus will be reinvested in further development of affordable homes and provides us with the opportunity to work in partnership with commercial developers.

As detailed previously, we invested £23.2m (£11.7m capital and £11.5m revenue spend) in maintaining and improving existing homes which equates to £1,295 per home, which is low by benchmark standards and reflects the young age and good condition of stock.

In comparison to the prior year, the total expenditure on repairs and maintenance for existing properties reduced by 3.4%. Expenditure on existing properties is carefully controlled to ensure our stock continues to meet the Government's Decent Homes Standard and therefore the reduction in spend represents good VfM for our residents.

We record stock condition data for all of our stock where we have a repairing responsibility and resurvey all such stock every five years. During the year 2,512 properties were resurveyed to keep stock condition data up to date. This makes future maintenance liabilities visible and enables us to plan work to deliver the greatest VfM.

In 2015/16, we secured the reprocurement of repairs and maintenance contracts and we anticipate cost savings of £530k from this.

We continued to have a very strong operating margin on social housing lettings of 46.0% (2014/15: 46.0%) reflecting efficiency of cost control and maximisation of income.

Asset modelling software is used to evaluate our stock and identify the performance of different assets. Evaluation was undertaken during the year of the entire stock portfolio and this showed that all stock had a positive net present value. We believe that this positive value reflects the strict development criteria applied over many years as well as the age, condition and location of the stock. Since all assets contribute value, we have concluded therefore that, whilst there is no urgency to dispose of any assets, on an ongoing basis we will consider how return on assets can be enhanced by managing assets through defined business units.

Social and environmental returns

£396k was invested in aids and adaptations to support disabled and elderly residents with 85 major and 312 minor adaptions carried out. This investment contributed to the continued independence, autonomy and wellbeing of these residents.

The Standard Assessment Procedure (SAP) rating of our homes has improved from 67 to 73 over the last five years.

All new stock is built to more efficient modern standards and this drives improvement in the overall average rating.

We continue to improve our existing stock by activities such as replacing inefficient electric heating systems, replacing windows, fitting energy efficient modern lighting and other measures. During 2016/17, we will undertake an ambitious boiler replacement programme which will see 750 properties which currently have an older, less efficient gas boiler fitted with a highly efficient modern boiler, which will improve the SAP rating of each property by an average of 4–5 points.

During 2016/17, we will undertake a boiler replacement programme upgrading 750 homes with modern efficient boilers.

We consider that investment in energy efficiency represents VfM:

- from a resident's perspective; this reduces their potential bills, improves the quality of their lives and reduces the risk of fuel poverty; and
- from our perspective; more energy efficient homes are more valuable, improving return on assets, and the reduction in fuel poverty potentially improves the chances of residents being able to meet their rent commitments.

We have established an accredited Fire Academy providing fire safety and risk management training. The academy trains our employees and in the future will run courses for third parties, which will generate additional income.

Resident satisfaction

Last year, we concluded that because operating costs are already low by sector standards, the focus for the delivery of VfM would be through improvements to service delivery with process efficiency being recycled through better customer service. During 2015/16, all employees have undertaken customer service training, including a programme to embed the new behaviours with follow up and refresher training.

We are committed to improving the quality of services offered and to improving resident satisfaction as a result. Results from our internal customer contact surveys, detailed in the table overleaf, show that targets are being exceeded and therefore we anticipate that benefits from ongoing investment and focus will be fully realised in subsequent periods.

VALUE FOR MONEY CONTINUED

Customer satisfaction

	Ease of contact	Polite	Knowledgable	Dealt with enquiry fully	Overall satisfaction
Target	90%	95%	93%	85%	90%
Average 2015/16	95%	98%	94%	88%	95%

Following a repair, we perform post inspection surveys of a proportion of jobs. The overall resident satisfaction rate from these surveys for the whole year was 96.2% which we consider an excellent indication of a good level of customer service in this area.

We have strengthened our processes for dealing with complaints with the objective of delivering better outcomes for customers and to provide insight to identify and address any shortcomings that led to the complaint. During the year the number of complaints fell by 30%.

Each year, we canvas our new shared ownership customers to ascertain their satisfaction with our Options to Buy sales service. We are very pleased that for 2015/16, 70% of customers were either satisfied or very satisfied with the overall service delivered by our Options to Buy team.

As detailed in the table below, tenant and resident satisfaction with overall service provided has improved for Housing for Older People and Shared Ownership, and stayed level for General Needs, but this fell short of our targets which remain unchanged. Trends over the three years from April 2013 indicate that progress is being made. That said, in each of the three areas, residents are more satisfied that their rent provides VfM than the benchmark median.

Resident satisfaction with:	**2016/17 Target**	2015/16 Actuals	2014/15 Actuals	2013/14 Actuals	Benchmark* median
General needs					
Rent provides value for money		85%	85%	75%	81%
Overall service provided	**87%**	82%	82%	77%	87%
Housing for older people					
Rent provides value for money		93%	89%	77%	88%
Overall service provided	**95%**	95%	93%	85%	91%
Shared ownership					
Rent provides value for money		68%	72%	n/a	63%
Overall service provided	**65%**	62%	59%	63%	56%

* Benchmark data, HouseMark April 2016. We plan to continue the ongoing focus on overall resident satisfaction and have set target levels at or above the benchmark median level for the coming year.

There is an increasing focus upon mobile working. During 2015/16 a pilot programme was run to enable our housing officers to increase the number of tasks they can handle remotely and thereby enable them to spend more time with residents. This will be rolled out further during 2016/17. We intend to continue to use technology to enhance the choices available to customers as to how they access information and services. At present the web-based self-service offering falls short of what we would like to offer and a project to improve this has now commenced, starting with a new online lettings portal launched in June 2016.

Efficiency gains and future improvements to VfM

Our approach to recording efficiency gains is to include only the gains achieved relating to the first year, since even if they recur in later periods they are considered as 'business as usual', as they will have been absorbed into budgets and business plans. Accordingly recurring gains are not recorded in later years' VfM self-assessments.

A new post of Head of Procurement and Contracts has been created, which will consolidate the procurement activity and ensure that maximum value is derived whenever we procure goods or services from third parties. Already, the reprocurement of various repairs contracts has delivered £70k savings for 2015/16, with a further £530k saving budgeted for 2016/17.

Over the past year, there has been a particular focus on improving debt collection and reducing rent arrears. The VfM metrics indicate good progress this year, with rent arrears reducing to 3.5% (2014/15: 3.9%) and bad debt per home to £20 (2014/15: £24), which was significantly better than the target of £44. New processes have been introduced; however, based on pilot studies for the rollout of Universal Credit we anticipate that welfare reform will impact negatively on the debt arrears and collection metrics and accordingly have anticipated an increase to £30 per home.

A number of improvements to void processes have been introduced during the year, including any day tenancy start dates. These improvements, together with a lower than expected number of voids, have reduced our void loss per home which was more than 20% better than prior year at £45 (2014/15: £57). Our 2016/17 target for void loss per home anticipates an increased number of voids, resulting from an expected increase in the turnover of tenancies.

During 2015/16, £80m of funding was raised through the Affordable Housing Guarantee Scheme under two separate transactions. The funding was provided by Affordable Housing Finance PLC by way of long-term loans guaranteed by the Secretary for Communities and Local Government. The funding was raised at cheaper rates than could have been accessed directly in the capital markets and this results in savings of around £1.1m per annum.

Over the course of 2015/16, we undertook a strategy to significantly reduce potential mark to market (MTM) exposure on our stand-alone derivative portfolio. £100m of stand-alone interest rate swaps were unwound and immediately refixed on an embedded basis with no margin call exposure. This results in an annualised saving of £3.04m, though it should be noted that much of this will not be realised until the 2016/17 year. The end result was a reduction in future MTM volatility of over 50%, creating improved cash flow stability and fundamentally improving our credit strength. Improved credit strength will enhance our ability to continue to raise funding to support development at competitive rates and therefore represents VfM.

Overall, these treasury transactions, together with the full benefit of transactions in preceding years, have cut our weighted average cost of capital by 0.5% saving over £3.5m in interest costs on total drawn debt.

Over recent years, we have invested in improving data quality which has been central to our approach to critically evaluating our asset management performance. As a result a number of important lessons have been learnt that have contributed to our overall VfM performance.

In 2016/17, we will start to manage our operations through defined business units. This will enable a more commercial approach to asset management to be employed. Specific assets will be aligned directly to the services that are provided from them, allowing the income and costs that are directly associated with each property and service line to be analysed in more detail. The insights from this more sophisticated approach will support further improvements in ensuring that the best VfM performance is achieved from our assets.

This restructuring into business units will require changes and investments which will continue throughout 2016/17 and beyond. Ultimately, this new approach will enable us to make better commercial decisions and drive further improvements to the return on assets. However, these improvements in return will not be realised immediately and will build up over the following two years.

VfM benchmark

Our performance against the key VfM indicators we benchmark ourselves against, together with our targets for 2016/17, are set out in the table below. As discussed in the preceding paragraphs, we achieved results which were better than benchmark. In most areas we outperformed our 2015/16 target, but employee costs grew slightly faster than targeted as we recognised the need for additional skills in some areas. Nevertheless, we consider improving skills will drive up customer service and improve efficiency and therefore will drive value for money.

VALUE FOR MONEY INDICATORS

Value for money indicators	**2016/17 Target**	2015/16 Actual	2015/16 Target[2]	2014/15 Actual	Benchmark[1]
Employee cost per unit	**£695**	£700	£695	£684	£1,034
Planned and routine maintenance cost per home	**£645**	£639	£613	£606	£1,017
Capital expenditure on existing properties per home	**£653**	£655	£690	£751	£929
Total expenditure on properties per home	**£1,297**	£1,295	£1,303	£1,357	£1,945
Social housing void rent loss per home	**£56**	£45	£53	£57	£81
Operating cost per home excluding first tranche shared ownership sales	**£2,517**	£2,438	£2,366	£2,374	£4,152
Operating margin on social housing lettings	**45.0%**	46.0%	N/A	46.0%	N/A
Rent arrears %	**3.8%**	3.5%	4.0%	3.9%	4.7%
Bad debts per home	**£30**	£20	£44	£24	£37
Total number of homes	**18,254**	17,896	17,905	17,661	7,974
Units developed as % of units owned	**2.8%**	2.5%	2.5%	3.2%	1.8%
Net debt per home	**£38,694**	£38,020	£36,110	£34,661	£23,931

1 Benchmark data taken from HCA Global Accounts 2015 are stated in previous UK GAAP format.
2 2015/16 target data is presented in previous UK GAAP format.

GOVERNANCE REPORT

Our Board has ultimate responsibility for the governance of the organisation. Its central role is to lead, direct, control and evaluate the organisation's work.

HCA continues to rate us as G1 and V1 meaning we are properly governed and have the capacity to mitigate risk effectively.

Board members, officers and executive directors

The Board members of bpha are listed on the inside back cover of this report.

As at the date of signing of these financial statements, the Board of bpha comprises six non-executive directors, four executive directors and one co-opted Board member.

The non-executive directors comprise five independent members and one member nominated by the local authority, Bedford Borough Council. The independent Board members and Bedford Borough Council each hold one share in bpha. The independent Board members are drawn from a wide background bringing together professional, commercial and local experience. They possess specific qualifications and competencies necessary for effective governance and the determination of overall corporate strategic objectives.

CORPORATE STRUCTURE OF BPHA GROUP

The executive directors of bpha are the Chief Executive Officer, the Chief Financial Officer, the Director of Sales and Development and the Director of Service Delivery.

The executive directors, each of whom is a full Board member, hold no interest in bpha's shares and act as full-time salaried executives within the authority delegated by the Board.

The Board has ultimate responsibility for the governance of the organisation. Its central role is to lead, direct, control, scrutinise and evaluate the organisation's work. The Board operates in accordance with its written Terms of Reference which require that it:

- sets and ensures compliance with the values, vision and mission of organisation;
- sets a positive culture with a strong customer focus;
- satisfies itself of the integrity of financial information;
- establishes and oversees a risk management framework in order to safeguard the assets and reputation of the organisation; and
- appoints the Chief Executive Officer and ensures adequate succession planning for the Board and Executive Leadership Team.

We have insurance policies, which indemnify our directors, officers and committee members against liability when acting for us.

Regulatory framework

HCA, as social housing regulator, continues to rate us as G1, meaning that we are properly governed, and V1 meaning that the association is financially viable and has the capacity to mitigate its exposures effectively.

For the first time registered providers are required this year to certify their compliance with the Governance and Financial Viability Standard by their regulator, HCA. We confirm that we comply in all material respects with the Standard.

BPHA GOVERNANCE STRUCTURE

Corporate governance

During the year we complied with our chosen code of governance, namely the National Housing Federation Code of Governance 2015.

The Board recognises its responsibility for all aspects of the business and has in place a comprehensive and effective governance framework. The Board has reserved to itself, through its Terms of Reference, essential functions and significant matters which cannot be delegated.

In order to deliver effective governance and to manage risk, the Board has established three committees, the Audit and Risk Committee, Finance and Treasury Committee and Remuneration and Nominations Committee, all of which are governed by written Terms of Reference approved by the Board.

The day-to-day running is delegated to the Executive Leadership Team. During the year, the Executive Leadership Team comprised the four executive Board directors plus the Director of Strategy and Corporate Finance and the Director of Quality and Communications.

Audit and Risk Committee

The Audit and Risk Committee comprises one non-executive Board member together with two independent members and one co-opted Board member who are supported by specialist internal auditors from one of the leading international firms of accountants and auditors. The primary responsibilities of the Audit and Risk Committee, as set out in its Terms of Reference, are:

- Risk management and internal control – To review the adequacy and effectiveness of the group's internal controls and the group's risk management procedures, including reviewing the adequacy of our documented risk appetite and the robustness of management's stress testing of our documented business plan.
- Financial controls and reporting – To advise the Board on the adequacy of the group's financial controls, and to review the annual audited financial statements before submission to the Board.

GOVERNANCE REPORT CONTINUED

- Internal audit – To ensure that the group has appropriate internal audit arrangements and to monitor and review the effectiveness of the internal audit function in the context of the group's overall risk management system; to determine the annual internal audit plan and monitor quality and progress against agreed targets; to receive and consider internal audit reports and inform the Board thereof.
- External audit – To advise the Board on the appointment of external auditors, to review and monitor the effectiveness of the external audit work and to consider the independence of the external auditor and the external auditor's Audit Findings Report.
- Governance – To review compliance with key statutory duties and obligations, including the HCA regulatory framework and Value for Money self-assessment.
- Whistleblowing, anti-bribery and fraud – To monitor the operation and adequacy of our Anti-Bribery Policy, anti-fraud framework and arrangements for whistleblowing.

Finance and Treasury Committee

The Finance and Treasury Committee was established in September 2015 following a Board decision on 9 June 2015. During the year, the Committee comprised five members, three of whom are independent, together with the Chief Financial Officer and the Director of Strategy and Corporate Finance. The Chair is a non-executive director of the Board with relevant finance and treasury experience. The primary responsibilities of the Finance and Treasury Committee, as set out in its Terms of Reference, are:

- Assistance to the Board – To assist the Board in overseeing those financial and treasury matters which it has to formally endorse, recognise or make a decision upon.
- Policy – support the Executive Leadership Team and Corporate Finance Team in drafting policy, evaluating financial and treasury options and bringing forward recommendations for approval.
- Major financial transactions – To review, scrutinise and provide guidance to the Board when major financial transactions are brought forward by the Executive Officers for approval.
- Routine duties – To consider scrutinise and constructively challenge the group's annual budget, business plan, management accounts, quarterly treasury reports and annual treasury plan and policy prior to presentation to the Board for approval if applicable.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee comprises three non-executive directors of the Board. The primary responsibilities of the Remuneration and Nominations Committee, as set out in its Terms of Reference, are:

- To determine and recommend to the Board the remuneration and terms and conditions of employment of the Chief Executive Officer.
- To set and evaluate all elements of the remuneration package for the Executive Leadership Team.
- To advise the Board in its role in ensuring that the Board and its Committees contain members of the highest calibre with appropriate skills, competencies and experience necessary to govern the organisation.
- To review HR risk issues that impact on both current corporate performance and future strategy.
- To review key HR policies.

Details of directors' remuneration are set out in note 5 to the financial statements.

The Board established the Finance and Treasury Committee this year, providing greater capability for financial scrutiny.

BOARD AND COMMITTEE ATTENDANCE

	Non-executive directors							Executive directors				Independent members		
	Robert Burgin	**Ian Ailles (Co-opted member)** Appointed 01.07.15	**Shan Hunt**	**Martin Hurst** Appointed 01.07.15	**Peter Male**	**Neil McGregor-Paterson**	**Geoff Potton**	**Kevin Bolt**	**Paul Gray**	**Sarah Ireland** Appointed 01.07.15	**Julie Wittich** Appointed 01.07.15	**Cliff Broadhurst**	**Tim Ludlow**	**Malcolm Zack**
Board meetings														
27.04.15	Yes	–	Yes	–	Yes	Yes	Yes	Yes	Yes	In attendance	In attendance	–	–	–
09.06.15	Yes	–	Yes	–	Yes	Yes	Yes	Yes	Yes	In attendance	In attendance	–	–	–
06.07.15	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–	–	–
11.09.15[1]	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–	–	–
14.09.15	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–	–	–
02.11.15	Yes	Apologies received	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–	–	–
25.11.15[1]	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–	–	–
14.12.15	Yes	Apologies received	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–	–	–
12.01.16[1]	Yes	Yes	Part only	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–	–	–
23.02.16	Yes	Part only	Part only	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–	–	–
15.03.16	Yes	Part only	Part only	Yes	Yes	Apologies received	Yes	Yes	Yes	Yes	Yes	–	In attendance (part only)	–
Total	11/11	7/9	11/11	9/9	11/11	10/11	11/11	11/11	11/11	9/9	9/9	–	1/1	–
Audit and Risk Committee														
17.06.15	–	–	–	–	Yes	–	–	In attendance	In attendance	–	–	Yes	Yes	Yes
26.10.15	–	Yes	–	–	Yes	–	–	In attendance	In attendance	–	–	–	Yes	Yes
10.02.16[2]	–	Yes[2]	–	–	Yes[2]	–	–	In attendance	In attendance	–	–	–	–	Yes[2]
01.03.16	–	Yes	–	–	Yes	–	–	In attendance	In attendance	–	In attendance	–	Yes	Apologies
Total	–	3/3	–	–	4/4	–	–	4/4	4/4	–	1/1	1/1	4/4	3/4
Finance and Treasury Committee														
03.09.15	–	–	–	Yes	–	–	Apologies received	In attendance	Yes	–	–	Yes	–	–
23.10.15	–	–	–	Yes	–	–	Yes	In attendance	Yes	–	In attendance	Yes	–	–
10.02.16[2]	–	–	–	Yes[2]	–	–	Yes[2]	In attendance	Yes[2]	–	–	Yes[2]	–	–
09.02.16	–	–	–	Yes	In attendance (part only)	–	Yes	In attendance	Yes	In attendance	In attendance	Yes	In attendance (part only)	In attendance (part only)
Total	–	–	–	4/4	–	–	3/4	4/4	4/4	1/1	2/2	4/4	1/1	1/1
Remuneration and Nominations Committee														
27.04.15	Yes	Yes	–	–	In attendance	Yes	In attendance	In attendance	–	–	–	–	–	–
09.06.15	Yes	Yes	–	–	In attendance	Yes	In attendance	In attendance	–	–	–	–	–	–
06.07.15	Yes	Yes	–	–	–	Yes	–	In attendance	–	–	–	–	–	–
26.10.15	Yes	Apologies received	–	–	–	Yes	–	In attendance	–	–	–	–	–	–
03.03.16	Yes	Yes	–	–	–	Yes	–	In attendance	–	–	–	–	–	–
Total	5/5	4/5	–	–	2/2	5/5	2/2	5/5	–	–	–	–	–	–

Notes

1 In addition to formal Board meetings, included in the list above, are three additional meetings which were held to consider strategy and risk matters.

2 The meeting of 10 February 2016 was a combined meeting of the Audit and Risk Committee and the Finance and Treasury Committee.

GOVERNANCE REPORT CONTINUED

The Service Improvement Panel provides valuable insight into our services through scrutiny and resident engagement.

Service Improvement Panel

The Board recognises that it is important for residents to have the opportunity to scrutinise our performance and make recommendations about how performance might be improved. The Social Housing Regulator adopts a co-regulatory approach to compliance with its consumer standards and to assist the Board in meeting its co-regulatory obligations, we have set up a Service Improvement Panel.

The Service Improvement Panel comprises residents and operates independently to ensure we meet our co-regulatory requirements. The work of the Service Improvement Panel is governed by Terms of Reference which provide that its primary objectives are:

- Scrutiny and challenge – To monitor, scrutinise and challenge our performance to ensure continual improvement and development of best practice in service delivery for current and future residents.
- Resident involvement – To ensure that residents are involved at the highest level of decision making and that our strategic direction in service delivery reflects the needs and aspirations of our customers and residents.
- Customer service – To ensure that we are meeting our customer service obligations.

The Service Improvement Panel identifies each year key areas of customer service to examine in depth in order to make recommendations for improvements. The outcome of reviews is formally reported to the Senior Management Team. Reviews this year have included reviews of shared ownership and planned maintenance.

Our Service Improvement Panel are residents who work with us to make our services even better.

Subsidiary company governance

The Board retains the ultimate responsibility for the governance of its subsidiary companies and has reserved to itself the power to appoint and remove directors from the Board of any of its subsidiary entities.

The Board has determined that the Board of Bushmead Homes Limited should be chaired by a non-executive Board member, in order to provide appropriate oversight of all development activity.

Internal control assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all of our association and all of our subsidiaries.

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

The Board cannot delegate ultimate responsibility for the system of internal control, but has delegated responsibility to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board

100% of bpha homes comply with the Decent Homes Standards.

receives minutes of all Audit and Risk Committee meetings, which normally take place four times a year.

The Senior Management Team, which comprises the Executive Leadership Team together with the departmental Heads, formally discusses lessons learned from reviews of the internal control framework, and systems and processes are strengthened accordingly.

The Board has determined that the system of internal control of the organisation is effective. The Board has also received the annual report of the internal auditor which did not identify any matters that would undermine the overall integrity of the system of internal control. This approach is underpinned by the ISO 9001 registration, which provides a recognised quality assurance standard for managing and auditing our operational procedures.

The process for identifying, evaluating and managing the significant risks we face is ongoing and has been in place throughout the period commencing 1 April 2015 up to the date of approval of the Annual Report and financial statements.

The key elements of the control framework include:

Board and Committees:

- Formal Terms of Reference for Board and Committees.
- Delegated authorities.
- Established reporting to Board and Committees.
- Committee structure (with suitably qualified independent members) providing depth and breadth of scrutiny and challenge.

Risk management:

- Clearly defined management responsibilities for the identification, evaluation and control of risks.
- Established anti-fraud and bribery policies.
- Strategic business planning process with detailed financial budgets and forecasts.
- Established authorisation and appraisal procedures for all new initiatives and commitments.
- In-house corporate finance expertise.
- Regular monitoring of loan covenants.

People:

- Formal employee recruitment, retention and development policies.
- Whistleblowing.
- Health and safety ethos embedded across the association; policies and procedures reinforced via mandatory training and practical seminars.

External assurance/ regulatory scrutiny:

- Internal audit programmes designed to evaluate effectiveness of controls for all areas of the business in a rolling programme – bespoke audits for new risks when appropriate.
- Specialist support commissioned when appropriate.
- Reports to HCA through a range of regulatory returns.
- ISO 9001 assurance.

The control framework is underpinned by monthly performance reports which are used to monitor performance against annual targets. These reports include monitoring of customer satisfaction, housing management, financial results and repairs and maintenance performance and, where applicable, KPIs are benchmarked both with HouseMark peer group results and other sources.

The Board has determined that the system of internal control is effective.

RISK MANAGEMENT

We have a strategy to manage our exposure to risks both within and beyond our control ...

Risk

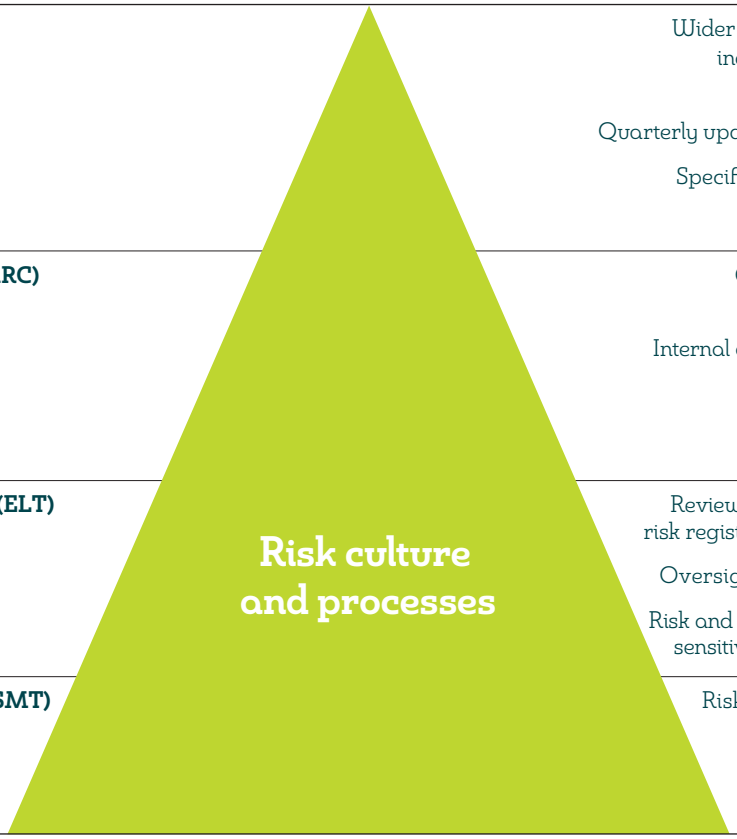
is the 'effect of uncertainty on objectives', where uncertainty can be either positive or negative.

Our approach to risk and assurance provides us with the confidence, evidence and certainty that what should be done is being done. To enable this, we must have transparent and effective processes in place to respond to and manage risk.

Over the last 12 months, our approach to risk has been evolving along with the development of a new assurance framework. This framework combines risk management with a wider assurance mapping process that helps us to achieve our objectives and protect our business.

HOW WE MANAGE RISK

Strategic objectives
Risk and assurance strategy



Board

Wider assurance and risk overview including oversight of sensitivity analysis and stress testing

Quarterly updates and exception reporting

Specific escalation of risk from ARC

Risk appetite statement

Audit and Risk Committee (ARC)

Quarterly risk and assurance dashboard reporting

Internal audit by independent auditors

Horizon scanning

Thematic deep dive

Executive Leadership Team (ELT)

Review and moderation of quarterly risk register and assurance framework

Oversight of SMT risk management

Risk and performance culture including sensitivity analysis and stress testing

Senior Management Team (SMT) and Operational Teams

Risk and mitigation management at departmental level

Performance management

... How we identify risks and set our risk appetite enables us to remain alert and respond effectively.

Our three lines of defence

Our assurance framework identifies, rationalises and consolidates multiple sources of assurance and facilitates swift escalation of issues to the Board and senior management.

The framework follows the three lines of defence approach:

1st Line of Defence
Frontline response

Frontline operational activities, e.g. delivery of objectives, risk management, policy and performance, system controls

→

2nd Line of Defence
Management response

Oversight of management activities, e.g. compliance assessments, quality auditing, health and safety, information and data assurance, delivery of strategic objectives

→

3rd Line of Defence
Independent response

Independent and objective review to provide an assessment of management of risk, governance and control. This may also take assurance from other third line operators, e.g. HCA and internal audit

OUR PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Impact	Mitigation	Change
Political and welfare reform	Any potential accelerated rollout of Universal Credit and changes from the Housing and Planning Act 2016 could impact on rent income and arrears.	Due to relatively high levels of economic activity and employment in our operating region, we are less exposed to welfare reform risk than some associations. Teams have plans in place to ensure risks are tightly managed and controlled. Within our financial plans, we have amended assumptions to risks relating to welfare reform.	↑
Financial markets	The ongoing volatility in financial markets and other global economic challenges could adversely affect the UK's housing market.	Our treasury strategy and policy, approved by the Board annually, outlines our risk strategy for, amongst others, financial market risk, liquidity risk and counterparty risk. These risks are monitored quarterly, ensuring we perform within the parameters of the strategy and that we remain loan covenant compliant.	↑
Health and safety	There are many potential risks that could arise to tenants and employees from failure to fully comply with health and safety requirements.	A dedicated health and safety team supports all of our activities. This work is reinforced by regular independent reviews. Health and safety is managed by a cross functional strategic health and safety group and compliance updates are regularly reported to the Board.	↔
Business continuity	Loss of core operational systems and technology disrupting our service team's ability to operate.	Business continuity plans are maintained and tested, and external advice is taken to ensure that these plans are robust. There is ongoing investment in software systems and IT infrastructure, which is designed to reduce the risk of external threats and other disruptions to core services.	↔

STATEMENT OF THE BOARD'S RESPONSIBILITIES

Statement of the Board's responsibilities in respect of the Board's Report and the financial statements.

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

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

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

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

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Statement as to disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the association's auditors are unaware, and each Director has taken steps that they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the association's auditors are aware of this information.

Auditors

A resolution to reappoint KPMG LLP as auditors of the association will be submitted to the 2016 Annual General Meeting.

Approval of Report

The Report of the Board was approved by the Board on 26 July 2016 and signed on its behalf by:

Philippa Spratley
Company Secretary
26 July 2016

FINANCIAL STATEMENTS

Independent auditor's report to bpha Limited.

We have audited the financial statements of bpha Limited for the year ended 31 March 2016 set out on pages 38 to 76. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 36 the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the association's affairs as at 31 March 2016 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Harry Mears
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

4 August 2016

FINANCIAL STATEMENTS

Group Statement of Comprehensive Income

for the year ended 31 March 2016

	Note	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Turnover	3	**123,093**	**118,418**	**117,741**	**117,741**
Cost of sales	3	(26,265)	(22,955)	(24,714)	(24,489)
Operating costs	3	(48,193)	(48,193)	(45,949)	(45,949)
Operating surplus	3	**48,635**	**47,270**	**47,078**	**47,303**
Gain on disposal of tangible fixed assets	10	3,461	3,461	4,153	4,153
Interest receivable and similar income	7	602	413	357	197
Interest payable and similar charges	8	(35,009)	(35,009)	(35,251)	(35,251)
Termination of loan arrangements		–	–	(14,690)	(14,690)
Movement in fair value of financial instruments	18	575	575	(51,874)	(51,874)
Valuation (loss)/gain on investment properties		(490)	(490)	296	296
Surplus/(deficit) before tax		**17,774**	**16,220**	**(49,931)**	**(49,866)**
Tax on surplus/(deficit) on ordinary activities		–	–	–	–
Surplus/(deficit) for the year	9, 21	**17,774**	**16,220**	**(49,931)**	**(49,866)**
Other comprehensive income					
Actuarial gains/(losses) on pension scheme	19	1,631	1,631	(5,551)	(5,551)
Other comprehensive income for the year, net of income tax		**1,631**	**1,631**	**(5,551)**	**(5,551)**
Total comprehensive income/(loss) for the year		**19,405**	**17,851**	**(55,482)**	**(55,417)**

All operations are continuing.

Philippa Spratley
Company Secretary

Peter Male
Chair, Audit and Risk Committee

Paul Gray
Chief Financial Officer

FINANCIAL STATEMENTS

Group Statement of Financial Position

for the year ended 31 March 2016

	Note	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Fixed assets					
Tangible assets					
Housing properties and other fixed assets	11	973,398	973,398	927,181	927,181
Investments	28	12,860	20,948	13,350	18,713
HomeBuy loans receivable		48,395	48,395	54,357	54,357
Investment in joint arrangements	29, 30	4,975	–	3,362	–
		1,039,628	**1,042,741**	**998,250**	**1,000,251**
Current assets					
Properties for sale and work in progress	11	9,116	8,628	17,693	16,114
Trade and other debtors	12	8,780	7,971	10,607	24,980
Investments	13	50,699	50,699	54,708	54,708
Cash and cash equivalents		21,274	17,533	31,868	21,618
		89,869	**84,831**	**114,876**	**117,420**
Creditors: amounts falling due within one year	14	(32,731)	(32,211)	(42,453)	(46,804)
Net current assets		**57,138**	**52,620**	**72,423**	**70,616**
Total assets less current liabilities		**1,096,766**	**1,095,361**	**1,070,673**	**1,070,867**
Creditors: amounts falling due after more than one year					
Other creditors	15	(839,667)	(839,638)	(781,476)	(781,492)
Other provisions	18	(64,227)	(64,227)	(114,638)	(114,638)
Pension liability	19	(23,927)	(23,927)	(25,019)	(25,019)
		(927,821)	**(927,792)**	**(921,133)**	**(921,149)**
Net assets		**168,945**	**167,569**	**149,540**	**149,718**
Capital and reserves					
Called up share capital	20	–	–	–	–
Revenue reserve	21	168,945	167,569	149,540	149,718
Total funds		**168,945**	**167,569**	**149,540**	**149,718**

These financial statements were approved by the Board of directors on 26 July 2016 and were signed on its behalf by:

Philippa Spratley
Company Secretary

Peter Male
Chair, Audit and Risk Committee

Paul Gray
Chief Financial Officer

FINANCIAL STATEMENTS

Group Statement of Changes in Equity

for the year ended 31 March 2016

Group	Note	Called up share capital £'000	Revaluation reserve £'000	Revenue reserve £'000	Total equity £'000
Balance at 1 April 2014 as previously reported		**–**	**252,445**	**14,661**	**267,106**
Effects of adoption of FRS 102	31	–	(252,445)	193,530	(58,915)
Prior year adjustment	27	–	–	(3,055)	(3,055)
Deficit from fellow group companies not previously consolidated		–	–	(114)	(114)
Balance at 1 April 2014 (restated)		**–**	**–**	**205,022**	**205,022**
Total comprehensive income for the 2014/15 year					
As originally reported			(847)	(5,216)	(6,063)
Effects of adoption of FRS 102	31	–	847	(43,954)	(43,107)
Prior year adjustment	27	–	–	(761)	(761)
Actuarial (losses) on pension scheme		–	–	(5,551)	(5,551)
Balance at 31 March 2015	21	**–**	**–**	**149,540**	**149,540**
Total comprehensive income for the 2015/16 year					
Surplus for the year	21	–	–	17,774	17,774
Actuarial gains on pension scheme	21	–	–	1,631	1,631
Balance at 31 March 2016	21	**–**	**–**	**168,945**	**168,945**

Company	Note	Called up share capital £'000	Revaluation reserve £'000	Revenue reserve £'000	Total equity £'000
Balance at 1 April 2014 as previously reported		**–**	**252,445**	**14,661**	**267,106**
Effects of adoption of FRS 102		–	(252,445)	193,529	(58,916)
Prior year adjustment				(3,055)	(3,055)
Balance at 1 April 2014 (restated)		**–**	**–**	**205,135**	**205,135**
Total comprehensive income for the 2014/15 year					
As originally reported			(847)	(5,152)	(5,999)
Effects of adoption of FRS 102		–	847	(43,953)	(43,106)
Prior year adjustment	27	–	–	(761)	(761)
Actuarial (losses) on pension scheme		–	–	(5,551)	(5,551)
Balance at 31 March 2015	21	**–**	**–**	**149,718**	**149,718**
Total comprehensive income for the 2015/16 year					
Surplus for the year	21	–	–	16,220	16,220
Actuarial gains on pension scheme	21	–	–	1,631	1,631
Balance at 31 March 2016	21	**–**	**–**	**167,569**	**167,569**

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Cash Flow Statement

for the year ended 31 March 2016

	Note	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Cash flows from operating activities					
Comprehensive income/(loss) for the year	a	**19,405**	**17,851**	**(55,482)**	**(55,417)**
Adjustments for:					
Depreciation, amortisation and impairment		14,403	14,403	15,426	15,426
Gain on disposals of tangible fixed assets		(3,461)	(3,461)	(4,153)	(4,153)
Change in value of investment property		490	490	(296)	(296)
Interest receivable and similar income		(602)	(413)	(357)	(197)
Interest payable and similar charges		35,009	35,009	35,251	35,251
Movement in fair value of financial instruments		(575)	(575)	51,874	51,874
Termination of loan arrangement		–	–	14,690	14,690
Internal development on-costs		(3,014)	(3,014)	(3,286)	(3,286)
Amortisation of government grant		(138)	(138)	(5,653)	(5,653)
	b	**42,112**	**42,301**	**103,496**	**103,656**
Decrease/(increase) in trade and other debtors		848	16,029	2,142	(12,231)
Decrease/(increase) in properties for sale and work in progress		8,577	7,486	(10,877)	(9,298)
(Decrease)/increase in trade and other creditors		(3,890)	(8,997)	(16,224)	(11,744)
(Decrease)/increase in pension liability provision		(1,889)	(1,889)	5,023	5,023
	c	**3,645**	**12,629**	**(19,936)**	**(28,250)**
Net cash from operating activities	d=a+b+c	**65,161**	**72,781**	**28,078**	**19,989**
Cash flows from investing activities					
Disposals of tangible fixed assets		15,074	15,074	14,609	14,609
Investment in joint arrangments		(1,614)	(2,725)	(2,849)	(4,850)
Interest received		413	413	357	197
Acquisition of tangible fixed assets (non-property)		(548)	(548)	(2,167)	(2,167)
Purchase and development of housing properties		(61,848)	(61,848)	(42,672)	(42,672)
Proceeds from the receipt of government grants		2,085	2,085	2,236	2,236
Acquisition of investment property		–	–	(611)	(611)
Net cash outflow from investing activities	e	**(46,438)**	**(47,549)**	**(31,097)**	**(33,258)**
Cash flows from financing activities					
Net movement on borrowings		54,573	54,573	96,396	96,396
Interest paid		(38,062)	(38,062)	(29,341)	(29,341)
Financing break cost		(49,836)	(49,836)	(14,690)	(14,690)
Net cash withdrawal of short term deposits and investments		4,009	4,009	(35,365)	(35,365)
Net cash from financing activities	f	**(29,316)**	**(29,316)**	**17,000**	**17,000**
Net (decrease)/increase in cash and cash equivalents	g=d+e+f	(10,594)	(4,085)	13,982	3,732
Cash and cash equivalents at 1 April 2015		31,868	21,618	17,886	17,886
Cash and cash equivalents at 31 March 2016	25	**21,274**	**17,533**	**31,868**	**21,618**

FINANCIAL STATEMENTS

Notes to the financial statements

for the year ended 31 March 2016

1. Legal status

bpha Limited (the association or the company) is registered under the Co-operative and Community Benefit Societies Act 2014 Register (No: 26751R) and is registered with the Homes and Communities Agency (HCA) (No: LH 3887) as a social landlord. It is a public benefit entity.

2. Principal accounting policies

2.1 Basis of consolidation

bpha Limited is the ultimate parent undertaking for the group and has prepared consolidated financial statements as there are three subsidiaries, bpha Finance plc, Bushmead Homes Limited and CPLhomes Management Services Limited, that are considered to be material components of the group. The group financial statements consolidate the accounts of the association and all of its subsidiaries at 31 March 2016.

Subsidiary financial statements are prepared for the same reporting periods as the association, using consistent accounting policies except where indicated in the notes to the financial statements. Intra-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full on consolidation.

2.2 Basis of accounting and transition to Financial Reporting Standard 102 (FRS 102)

The financial statements of the group and association are prepared under the historical cost convention and, for the first time, in accordance with Financial Reporting Standard 102 (FRS 102) *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2014 (SORP 2014), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. Information on the impact of first-time adoption of FRS 102 is given in note 31. The transition date to FRS 102 that forms the basis of these financial statements is 31 March 2014.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102 in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – In previous periods, the association undertook an annual revaluation of certain fixed assets. The valuation at 31 March 2014 has been used as deemed cost for tangible fixed assets. This valuation has been made on the basis of existing use value for social housing (EUV-SH) calculated on discounted cash flows apportioned between land and depreciable components on a consistent basis to that used when component accounting was first adopted.
- Lease arrangements – In order to determine whether an arrangement contains a lease, the facts and circumstances existing at 31 March 2014 have been analysed rather than those existing at the commencement date of the arrangement.

2.3 Going concern

After having reviewed the group and association's forecasts and projections, the Board has a reasonable expectation that the group and association have adequate resources to continue in operational existence for the foreseeable future. The group and association therefore continue to adopt the going concern basis in preparing these financial statements.

2.4 Impairment

The carrying amounts of the association's assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Additionally, because the association's assets are held for their service potential, the depreciated replacement cost is also considered as part of the impairment review. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit or CGU).

The calculation of the recoverable amount for impairment testing, including the depreciated replacement cost of housing properties held for social benefit, is an accounting estimate that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

2.5 Joint arrangements

Joint arrangements are those contractual undertakings in which the group exercises joint control over the operating and financial policies of the arrangement. Where the joint arrangement is carried out through a legal entity, it is treated as a jointly controlled entity. Joint arrangements are held as fixed asset investments, shown at cost, less any amounts written off.

Where the group has entered into a contractual arrangement that is classed as a jointly controlled entity, the jointly controlled entity is accounted for using the equity method, which reflects the group's share of the profit or loss, other comprehensive income and equity of the jointly controlled entity.

2. Principal accounting policies (continued)

2.6 Turnover

Turnover comprises rental and service charge income receivable (net of void losses), first tranche sales of shared ownership properties, sales of properties built for sale, supporting people income, fees, and other services included at the invoiced value (excluding VAT where applicable) of goods and services supplied in the year, amortisation of deferred capital grants, and other revenue grants receivable. It also includes, in accordance with FRS 102, amortisation of Social Housing Grant by applying the accrual model such that deferred grant income is released as income over the life of the asset. Revenue grants are recognised when the conditions for receipt of agreed grant funding have been met.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from property sales is recognised at the point of legal completion of the sale.

2.7 Costs of sales

Included within operating costs are costs relating to newly developed properties sold in the year. These costs include expenditure incurred during the course of development of those properties, including capitalised interest, direct overheads, marketing and other incidental costs incurred during the course of sale of those properties.

2.8 Improvements to existing properties

The amount of expenditure incurred which relates to an improvement, which is defined as delivering an increase in the net rental stream or the life of a component, is capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the Statement of Comprehensive Income in the period in which it is incurred.

2.9 Leased assets

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. The aggregate benefits of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis. As per FRS 102 section 35.10 (p), an exemption has been applied such that leases commenced prior to transition to FRS 102 continue to be measured with lease incentives recognised over the term of the lease.

2.10 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 Statement of Comprehensive Income includes VAT to the extent that this is suffered by the association and not recoverable from HM Revenue & Customs.

2.11 Interest payable

Interest payable is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development. Capitalised interest is calculated on borrowings of the association as a whole to the extent that they can be deemed to be financing the development programme. Other interest payable is charged to the Statement of Comprehensive Income in the year.

2.12 Corporation Tax

The association has charitable status and is not subject to Corporation Tax on surpluses arising as a result of, or earned in furtherance of, its charitable objectives.

The association is considered to pass the tests set out in Paragraph 1 Schedule 6 to the Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation Tax purposes. Accordingly, the association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The association has a number of subsidiary companies, some of which do not have charitable status and which therefore are subject to Corporation Tax. For these entities, the charge for Corporation Tax is based on the result for the period and takes into account deferred taxation. Deferred taxation is provided on differences between the treatment of certain items for taxation and accounting purposes, unless it is probable that the difference will not reverse in the foreseeable future.

2.13 Housing properties and other tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements. Improvements are works which 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.

Housing properties are principally properties available for rent and properties subject to shared ownership leases.

Properties under construction are stated at cost within current assets and are transferred into housing properties when completed. The costs of shared ownership properties are split proportionately between current and fixed assets; the proportion relating to expected first tranche sales is classed as a current asset. The remaining element, less any provisions needed for impairment, is classed as a fixed asset and included in housing properties.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

2. Principal accounting policies (continued)

2.13 Housing properties and other tangible fixed assets (continued)

Land donated by local authorities and others is added to cost at the market value of the land at the time of donation.

2.14 Depreciation

The association separately identifies the major components which comprise its housing properties and charges depreciation, so as to write down the cost of each component to its estimated residual value on a straight line basis over its estimated useful life. The group believes that the lives used are reasonable based on their experience. The most material assumption is the lives of housing property components: these were determined in 2010 when component accounting was first adopted. Where a component is replaced, any residual carrying value is fully written off in the year of replacement, and the cost of the replacement component is capitalised.

Care home properties are depreciated over the length of the related Lease Agreements.

Major components are treated as separable assets and depreciated over their expected useful economic lives as detailed below:

Assets	Years
Structure	100
Kitchens	20
Bathrooms	30
Heating systems – Boilers	12
Heating systems – Radiators	30
Roofs	60
Windows and doors	30
Electrics	30
Lift – Refurbishment	20
Lift – Renewal	60

Freehold land is not depreciated.

Furniture and equipment are depreciated on a straight line basis over the expected economic useful lives of the assets, which range between two and ten years. Long leasehold offices are stated at the lower of cost and net realisable value. Short leasehold offices are depreciated on a straight line basis over the life of the lease.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the group expects to consume an asset's future economic benefits.

2.15 Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value at the year end date, with changes in fair value recognised in the Statement of Comprehensive Income. Fair value is determined annually by appropriately qualified external valuers and is derived from current market rents and investment property yields for comparable properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided on investment properties.

2.16 Concessionary loans

A concessionary loan is a loan made or received between a public benefit entity or an entity within a public benefit entity group and another party:

(a) at below the prevailing market rate of interest;

(b) that is not repayable on demand; and

(c) that is for the purposes of furthering the objectives of the public benefit entity or public benefit entity parent.

These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment. Any associated grant is recognised as deferred income until the loan is redeemed.

The association has a number of arrangements that are considered to be concessionary loans:

HomeBuy and other similar schemes – Under the HomeBuy scheme, the association received a HomeBuy grant representing a percentage of the open market purchase price of a property in order to advance interest free or low interest loans to a homebuyer. The loans advanced by the association meet the definition of concessionary loans and are shown as fixed assets investments on the Statement of Financial Position. The HomeBuy grant provided by the Government to fund all or part of a HomeBuy loan has been reclassified as deferred income under FRS 102 as a creditor due in more than one year.

In the event that the property is sold, the association recovers the equivalent loaned percentage value of the property at the time of the sale. The grant is reclassified to Recycled Capital Grant Fund when the loans are redeemed up to the amount of the original grant and to the extent the proceeds permit. The association is able to retain any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the value of the property. If there is a fall in the value of the property the shortfall of proceeds is offset against the grant creditor.

Rent and service charge agreements – The association has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

2. Principal accounting policies (continued)

2.17 Properties for sale

Properties held for sale including shared ownership properties and property under construction are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

2.18 Basic financial instruments

Tenant arrears, trade and other debtors – Recognised initially at transaction price. Tenants and other debtors that are collected through the administration of payment plans or over an agreed finite period of time are discounted to determine their net present value with a subsequent impairment evaluation undertaken and resultant impact recorded in the Statement of Comprehensive Income.

Trade and other creditors – Recognised initially at transaction price. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments – Recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the straight line method, less any impairment losses. Where the group has incurred a premium or discount on its bond issues, the balance is shown net against the associated bond liability and is charged over the term of the debt using the straight line method.

Investments in subsidiaries, jointly controlled entities and associates – Recognised at transaction price including attributable transaction costs.

Cash and cash equivalents – Comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

2.19 Current asset investments

Current asset investments are stated at market value and include mark to market collateral deposits and investments.

2.20 Liquid resources

Liquid resources are readily disposable current asset investments. They include some money market deposits held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

2.21 Social Housing Grant

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by SORP 2014. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Grant received since the transition date in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and SORP 2014. As required by SORP 2014, grant is carried as deferred income in the Statement of Financial Position and released as income within the Statement of Comprehensive Income account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with SORP 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives above).

Where Social Housing Grant funded property is sold, the grant becomes recyclable and is transferred to a Recycled Capital Grant Fund (RCGF) or Disposal Proceeds Fund (DPF) until it is reinvested in a replacement property or repaid. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

Grants relating to revenue are recognised as income in the Statement of Comprehensive Income over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

2.22 Other grants

Other grants include grants from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate.

2.23 Deferred income

Deferred income comprises both premiums on leases which are released over the life of the lease and other income received, such as amortisation of grants, which is carried forward over the lives of the assets concerned.

2.24 Provisions

A provision is recognised in the Statement of Financial Position when the association has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

2. Principal accounting policies (continued)

2.24 Provisions (continued)

The association's receivables provision policy is based on review of the age profile of its debt, historical collection rates and the class of debt. Bad and doubtful debts are provided on all debtors' arrears and are dependent on the status of the tenancy or debtor and on the age of the debt.

Current tenant debtors are provided for at a level which is based on reviews of individual balances, while former tenants are provided for in full. Other debtors are reviewed on a case-by-case basis.

2.25 Other financial instruments and hedging

The association uses interest rate swaps to reduce its exposure to future increases in interest rates on floating rate loans. Amounts payable and receivable in respect of these agreements are recognised as adjustments to interest payable over the period of the agreement. These interest rate swaps are classified either as basic or other financial instruments in accordance with the requirements of FRS 102.

Other financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. The group considers whether each individual derivative contract is hedge effective. If it is hedge effective, the group considers whether or not to hedge account for the derivative contract according to business circumstances and then applies this consistently in successive years over the life of the contract. To the extent that a derivative is not hedge effective, or the group chooses not to hedge account, the gain or loss on remeasurement to fair value is recognised immediately in the Statement of Comprehensive Income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of derivatives is disclosed in note 18.

2.26 Pension costs

The association operated a defined benefit pension scheme which closed to new members from 31 March 2010.

The assets of the closed scheme are invested and managed independently of the finances of the group. These pension scheme assets are measured using market values and pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. In accordance with FRS 102 section 28, the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the Statement of Comprehensive Income, actuarial gains and losses.

Pension costs are assessed in accordance with the advice of independent qualified actuaries. Costs include the regular cost of providing benefits which, it is intended, should remain a substantially level percentage of the current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the Statement of Comprehensive Income over the average remaining service lives of the current employees.

There are a number of critical underlying assumptions when measuring the defined benefit scheme, including standard rates of inflation, mortality, discount rates and anticipation of future salaries. Variation in these assumptions may significantly impact the defined benefit obligation and annual expense. These assumptions and calculations are prepared by an independent actuary.

These actuarial assumptions may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Refer to note 19 for the valuation of the Local Government Pension Scheme deficit funding contributions and valuations of defined benefit assets/liabilities.

Since 1 April 2010 a defined contribution scheme has been available to employees. The charges represent the employers' contribution payable to the scheme for the accounting period.

2.27 Other employee benefits

The policy of the association is to recognise the cost of all employee benefits to which employees have become entitled as a result of service rendered during the reporting year.

2.28 Contingent liabilities

A contingent liability is either a possible but uncertain obligation as a result of a past event, or present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of economic resources will be required; or
- the amount of the obligation cannot be measured with sufficient reliability.

The association's policy is not to provide for contingent liabilities. Full disclosure is made within the financial statements.

2.29 Capital commitments

These are predominantly commitments towards developments which have been contracted and which have started on site, or which have been approved by the association's Board.

3. Turnover, operating costs and operating surplus

	Units	2016 Turnover £'000	Operating costs £'000	Operating surplus £'000	Operating surplus %
Social housing lettings	**16,893**	80,898	(43,706)	37,192	46.0
Other social housing activities					
Supporting People contract income		185	(185)	–	
Management fees		284	–	284	
First tranche shared ownership sales		16,272	(9,833)	6,439	
Sales to other housing associations		13,142	(13,142)	–	
Outright sales[1]		4,769	(3,404)	1,365	
Other (including HomeBuy and Help to Buy agents)		3,400	(2,281)	1,119	
		38,052	(28,845)	9,207	24.2
Total social housing activities		**118,950**	**(72,551)**	**46,399**	**39.0**
Non-social housing activities	1,003	4,143	(1,907)	2,236	54.0
Total housing activities	**17,896**	**123,093**	**(74,458)**	**48,635**	**39.5**

	Units	2015 Turnover £'000	Operating costs £'000	Operating surplus £'000	Operating surplus %
Social housing lettings	16,658	77,662	(41,936)	35,726	46.0
Other social housing activities					
Supporting People contract income		212	(212)	–	
Management fees		328	–	328	
First tranche shared ownership sales		16,992	(9,468)	7,524	
Sales to other housing associations		15,021	(15,021)	–	
Other (including HomeBuy agent)		2,874	(1,661)	1,213	
		35,427	(26,362)	9,065	25.6
Total social housing activities		**113,089**	**(68,298)**	**44,791**	**39.6**
Non-social housing activities	1,003	4,652	(2,365)	2,287	49.2
Total housing activities	**17,661**	**117,741**	**(70,663)**	**47,078**	**40.0**

[1] This relates to sales, operating costs and operating surpluses on properties developed and sold at open market value by Bushmead Homes Limited. These results are consolidated into the group performance but are not included within the bpha Limited company level results.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

3. Turnover, operating costs and operating surplus (continued)
Income and expenditure from social housing lettings

	General housing	Low cost home ownership	Supported housing	Residential care homes	Others	**2016**	2015
Unit numbers	**11,550**	**1,901**	**689**	**899**	**1,854**	**16,893**	**16,658**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from social housing lettings							
Rent receivable net of identifiable service charges	52,782	5,545	5,666	4,717	6,519	75,229	72,258
Charges for support services	–	–	160	–	–	160	154
Service charge income	2,966	207	1,744	–	280	5,198	5,154
Net rents receivable	55,748	5,752	7,570	4,717	6,799	80,586	77,566
Revenue grants from local authorities and other agencies	312	–	–	–	–	312	96
Total income from social housing lettings	**56,060**	**5,752**	**7,570**	**4,717**	**6,799**	**80,898**	**77,662**
Expenditure on letting activities							
Management	(10,629)	(1,749)	(634)	–	(1,740)	(14,752)	(12,628)
Service charge cost	(3,309)	(545)	(197)	–	(531)	(4,581)	(4,636)
Routine maintenance	(6,233)	–	(373)	–	(1,001)	(7,606)	(7,779)
Planned maintenance	(3,145)	–	(188)	–	(505)	(3,838)	(2,930)
Rent losses from bad debts	(293)	(48)	(18)	–	(47)	(407)	(417)
Depreciation	(8,828)	–	(530)	(2,163)	(1,001)	(12,522)	(13,546)
Total expenditure on social housing lettings	**(32,437)**	**(2,342)**	**(1, 940)**	**(2,163)**	**(4,825)**	**(43,706)**	**(41,936)**
Operating surplus on social housing lettings	**23,623**	**3,410**	**5,630**	**2,554**	**1,975**	**37,192**	**35,726**
Void losses	**(1,209)**	**(3)**	**(100)**	**–**	**(40)**	**(1,352)**	**(1,276)**

Company information has not been separately disclosed within this note as group is the same as company.

4. Number of units owned and in management

			Analysis of movement 2015 to 2016			
	2016	2015	Category change	Additions	Disposal	Total movement
Owned – General	8,852	8,852	8	1	(9)	–
Owned – Affordable	1,016	810	(1)	207	–	206
Owned – Managed by others	656	565	16	75	–	91
Near market rents	405	408	(1)	–	(2)	(3)
Rent to HomeBuy	621	621	–	–	–	–
General Housing	**11,550**	**11,256**	**22**	**283**	**(11)**	**294**
Shared ownership	1,683	1,662	(105)	167	(41)	21
Key worker – Shared ownership	218	232	–	–	(14)	(14)
Low cost home ownership	**1,901**	**1,894**	**(105)**	**167**	**(55)**	**7**
Owned – Supported	125	128	(3)	–	–	(3)
Owned – Housing for older people	564	571	(7)	–	–	(7)
Supported housing	**689**	**699**	**(10)**	**–**	**–**	**(10)**
Owned – Elderly residential care homes	899	899	–	–	–	–
Residential care homes	**899**	**899**	**–**	**–**	**–**	**–**
Owned – Students/Nurses	498	498	–	–	–	–
Owned – Elderly nursing care homes	496	496	–	–	–	–
Owned – Managed by others	2	2	–	–	–	–
Commercial	7	7	–	–	–	–
Non-social	**1,003**	**1,003**	**–**	**–**	**–**	**–**
Total owned	**16,042**	**15,751**	**(93)**	**450**	**(66)**	**291**
Open market HomeBuy	583	688	–	–	(105)	(105)
MyChoice HomeBuy/Shared equity	524	585	–	–	(61)	(61)
Leaseholders	559	539	–	21	(1)	20
Leaseholders – reversionary interest	4	4	–	–	–	–
Managed for others	184	94	90	–	–	90
Others	**1,854**	**1,910**	**90**	**21**	**(167)**	**(56)**
Total owned and in management	**17,896**	**17,661**	**(3)**	**471**	**(233)**	**235**

Company information has not been separately disclosed within this note as group is materially the same as company.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

5. Non-executive directors' and directors' emoluments

The Board of directors of the association is comprised of non-executive directors and executive directors together with co-opted members. All members of the Board other than Cllr Shan Hunt have been paid. Total emoluments in the period to 31 March 2016 for the Non-Executive Directors and co-opted members amounted to £107k (31 March 2015: £112k).

Non-executive directors	Salary £'000	Expenses £'000	**2016 Total £'000**	2015 Total £'000
Robert Burgin Chair (appointed 01/02/2015)	28	1	29	2
Fiona Gregory Vice Chair (appointed Acting Chair 08/07/2014; resigned 31/01/2015)	–	–	–	28
Stephen Hallett Chair (resigned 07/07/2014)	–	–	–	21
Cllr Shan Hunt	–	–	–	–
Martin Hurst Chair – Finance and Treasury Committee (appointed 01/07/2015)	4	–	4	–
Peter Male Senior Independent Director Chair – Audit and Risk Committee	23	1	24	21
Neil McGregor-Paterson Chair – Remuneration and Nominations Committee	15	2	17	19
Geoff Potton Chair – Bushmead Homes Limited	23	2	25	21
	93	**6**	**99**	**112**
Co-opted members				
Ian Ailles Co-optee to the Board (appointed 01/07/2015)	8	–	8	–
	101	**6**	**107**	**112**

In addition to the above, a total of £11k (2015: £17k) was paid to the independent members of the Audit and Risk Committee and of the Finance and Treasury Committee who are not members of the bpha Board. These positions are paid annual remuneration of up to £5k per member.

Company information has not been separately disclosed within this note as group is materially the same as company.

5. Non-executive directors' and directors' emoluments (continued)

Board executive directors	Basic salary £'000	Benefits in kind £'000	Pension contributions £'000	**2016 Total £'000**	2015 Total £'000
Kevin Bolt Chief Executive Officer	170	8	20	198	202
Paul Gray Chief Financial Officer	149	7	18	174	172
Julie Wittich Director of Service Delivery[1] (appointed 01/07/2015)	113	7	24	144	54
Sarah Ireland Director of Development and Sales[1] (appointed 01/07/2015)	113	7	24	144	61
David Keeling Chief Operating Officer (resigned 23/05/2014)	–	–	–	–	89
Sub total – Board executive directors	**545**	**29**	**86**	**660**	**578**
Other executive directors					
Simon Century Director of Strategy and Corporate Finance[2] (resigned 29/04/2016)	115	7	14	136	58
Liz Hall Director of Quality and Communications[2]	86	5	18	109	43
Heidi Stewart Business Development Director (resigned 15/06/2014)	–	–	–	–	108
Sub total – Other executive directors	**201**	**12**	**32**	**245**	**209**
Grand total	**746**	**41**	**118**	**905**	**787**

Company information has not been separately disclosed within this note as group is materially the same as company.

Kevin Bolt, who as Chief Executive Officer is the highest paid director, is entitled to a contribution of 12% of basic salary to be paid into a defined contribution scheme.

1 Sarah Ireland and Julie Wittich were initially appointed as executive directors on 1 November 2014, before subsequently being appointed as Board executive directors on 1 July 2015; their remuneration disclosed for 2015 relates to payments made for the five month period after their initial appointment; the amount disclosed for 2016 includes all remuneration for the year including the period prior to Board appointment.

2 Liz Hall and Simon Century were appointed as executive directors on 1 November 2014 and their 2015 remuneration is from the date of their appointment.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

6. Employee information
The average number of persons expressed in full-time equivalents employed during the year was:

Department	Female	Male	2016 Total	Female	Male	2015 Total
Executive and Senior Management Team	9	7	16	5	6	11
Development and Sales	48	24	72	44	20	64
Finance and IT	26	16	42	22	16	38
Quality and Communications	16	3	19	14	3	17
Service Delivery	112	70	182	111	67	178
Strategy, HR and Corporate Finance	9	7	16	10	5	15
	220	**127**	**347**	**206**	**117**	**323**

Employee costs (for the above persons)	2016 £'000	2015 £'000
Wages and salaries	11,083	10,145
Social security costs	1,055	989
Pension – defined benefit current service cost (note 19)	1,539	1,324
Pension – defined contribution cost	398	287
	14,075	**12,745**

The number of employees (excluding directors) who receive remuneration on a full-time equivalent basis, including employer pension contribution, in excess of £60k are as follows:

The full-time equivalent number of employees who receive remuneration	2016 No.	2015 No.
£60,001 to £70,000	16	16
£70,001 to £80,000	10	9
£80,001 to £90,000	7	5
£90,001 to £100,000	–	–
£100,001 to £110,000	2	2
£110,001 to £120,000	–	2

Full-time equivalents are calculated based on a standard working week of 37 hours.

Company information has not been separately disclosed within this note as group is materially the same as company.

7. Interest receivable and other income

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Interest receivable from unlisted investments	602	413	357	197

Included within the amounts disclosed above is interest receivable by Bushmead Homes Limited, a fellow group company, of £189k (2015: £160k).

8. Interest payable and similar charges

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
On bonds, bank loans, overdrafts and other loans	35,742	35,742	36,781	36,781
On defined benefit pension scheme (note 19)	797	797	813	813
Less: interest payable capitalised on housing properties under construction	(1,530)	(1,530)	(2,343)	(2,343)
	35,009	**35,009**	**35,251**	**35,251**
Capitalisation rate used to determine finance costs capitalised during the period	**5.58%**	**5.58%**	5.77%	5.77%

9. Surplus/(deficit) for the year

	2016 Group £'000	2015 Group £'000
Surplus/(deficit) for the year is stated after charging:		
Depreciation of housing properties	13,475	14,861
Depreciation of other tangible fixed assets	928	565
Auditors' remuneration (excluding VAT)		
– for audit services		
• Relating to current auditors	53	45
– for non-audit services		
• Pensions advisory	–	14
• FRS 102	12	18
• service charges	14	–
• other	17	15
Operating lease payments		
– Vehicles, computers and equipment	52	55
– Land and buildings	207	106

Company information has not been separately disclosed within this note as group is materially the same as company.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

10. Gain on disposal of fixed assets – housing properties

	2016 Group £'000	2015 Group £'000
Disposal proceeds	15,074	14,609
Carrying value of fixed assets	(11,613)	(10,456)
Gain on disposal	**3,461**	**4,153**

11. Tangible fixed assets

	Tangible fixed assets – housing properties (shared ownership) £'000	Tangible fixed assets – housing properties (general needs) £'000	Housing properties in course of construction (shared ownership) £'000	Housing properties in course of construction (general needs) £'000	Long leasehold £'000	Furniture and equipment £'000	**Total £'000**
Cost							
At 31 March 2015	**117,787**	**791,882**	**8,539**	**19,513**	**2,062**	**6,338**	**946,121**
Schemes completed in the year	11,099	36,526	(11,099)	(36,526)	–	–	–
Additions		–	30,373	36,481	206	342	67,402
Transfer to current assets			(15,320)	–			(15,320)
Improvements	–	11,729	–	–	–	–	11,729
Interest capitalised		–	284	1,246	–	–	1,530
Disposals	(4,092)	(630)	–	–	–	–	(4,722)
At 31 March 2016	**124,794**	**839,508**	**12,777**	**20,714**	**2,268**	**6,680**	**1,006,741**
Depreciation							
At 31 March 2015	**–**	**14,861**	**–**	**–**	**978**	**3,101**	**18,940**
Charge for year		13,475	–	–	60	868	14,403
At 31 March 2016	**–**	**28,336**	**–**	**–**	**1,038**	**3,969**	**33,343**
Net book value at 31 March 2016	**124,794**	**811,172**	**12,777**	**20,714**	**1,230**	**2,711**	**973,398**
Net book value at 31 March 2015	**117,787**	**777,021**	**8,539**	**19,513**	**1,084**	**3,237**	**927,181**

Company information has not been separately disclosed within this note as group is the same as company.

From 1 April 2016, the association reduced social housing rents by one per cent per annum and will continue to do so in each year until 31 March 2020 in accordance with Welfare Reform and Work Act 2016. Compliance with the new rent regime has resulted in a reduction of net income for certain social housing property and this is a trigger for an impairment review of housing property assets. During the consequent impairment review, the estimated recoverable amount for housing properties was determined in accordance with the association's accounting policy and it was determined that there was no impairment required to social housing properties.

11. Tangible fixed assets (continued)

Expenditure on improvements to existing properties

	2016 £'000	2015 £'000
Amounts capitalised	**11,729**	13,271

Completed properties and work in progress transferred to current assets

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Work in progress	3,602	3,451	3,897	2,318
Properties held for sale	5,514	5,177	13,796	13,796
	9,116	**8,628**	**17,693**	**16,114**

Under FRS 102 (s. 17.32) the group is required to disclose the carrying value of property pledged as security for liabilities and contractual commitments. The carrying value of this property at the end of the year was £703m.

12. Trade and other debtors

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Accounts falling due within one year:				
Rental and service charges debtors	**2,599**	**2,599**	**3,326**	**3,326**
Less: provision for bad and doubtful debts	(2,244)	(2,244)	(2,186)	(2,186)
	355	355	1,140	1,140
Other debtors, prepayment and accrued income	8,453	7,644	7,762	22,135
Less: provision for bad and doubtful debts	(725)	(725)	(453)	(453)
	7,728	6,919	7,309	21,682
Social Housing Grants receivable	–	–	1,079	1,079
Housing benefit from local authorities	697	697	723	723
Accounts falling due after more than one year:				
Loan to Gloucestershire Care Partnership Ltd	363	363	356	356
Less: provision for bad and doubtful debts	(363)	(363)	–	–
	8,780	**7,971**	**10,607**	**24,980**

Included within the amounts disclosed as 'Other debtors, prepayments and accrued income' under 'company' is an intercompany receivable balance due from bpha Finance plc, a fellow group company. This balance has been eliminated upon consolidation and therefore does not form part of the balance reported under 'group'. Also included within 2016 are amounts receivable from third parties by two fellow group companies, CPLhomes Management Services Limited £216k (2015: £170k) and Bushmead Homes Limited £809k (2015: £177k).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

13. Current asset investments

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Mark to market deposit	13,620	13,620	54,708	54,708
Cash collateral securing loan (note 17)	37,079	37,079	–	–
Current asset investments	**50,699**	**50,699**	**54,708**	**54,708**

14. Creditors: Amounts falling due within one year

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Rent and service charges received in advance	737	737	619	619
Contracts for capital works and retentions	14,636	14,636	11,913	11,913
Taxation and social security	244	244	222	222
Recycled Capital Grant Fund (note 16)	3,426	3,426	4,429	4,429
Other creditors	8,024	7,728	17,716	22,067
Accruals and deferred income	5,664	5,440	7,554	7,554
	32,731	**32,211**	**42,453**	**46,804**

Other creditors includes £402k (2015: £400k) in respect of grants received in advance for specific purposes. Included within the amounts disclosed as other creditors shown under 'company' are amounts payable to bpha Finance plc, a fellow group company. Also included within the amounts disclosed under 'company' are amounts payable to third parties by two fellow group companies, CPLhomes Management Services Limited £430k (2015: £170k) and Bushmead Homes Limited £77k (2015: £26k).

Payments to creditors
The association's policy is to pay purchase invoices when due.

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

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Debt (note 17)	752,382	752,382	698,716	698,732
Recycled Capital Grant Fund (note 16)	15,750	15,750	10,352	10,352
Disposal Proceeds Fund (note 16)	555	555	590	590
Deferred government grant	18,813	18,813	16,688	16,688
Grant on HomeBuy and MyChoice HomeBuy loans	35,825	35,825	40,439	40,439
Major Repairs Fund	5,039	5,010	4,312	4,312
Bond premium	11,303	11,303	10,379	10,379
	839,667	**839,638**	**781,476**	**781,492**

16. Recycled Capital Grant Fund and Disposal Proceeds Fund

	Group 2016			Group 2015		
	RCGF £'000	**DPF £'000**	**Total £'000**	RCGF £'000	DPF £'000	Total £'000
At 1 April	14,782	590	15,372	23,087	1,235	24,322
Grants recycled – housing properties	2,948	–	2,948	3,113	–	3,113
Grants recycled – HomeBuy	2,618	–	2,618	2,161	–	2,161
Interest accrued	105	–	105	104	2	106
Grant repaid	–	–	–	(4,499)	–	(4,499)
Transfer to other housing associations	–	–	–	(2,906)	–	(2,906)
Purchase/Development of properties	(1,277)	(35)	(1,312)	(6,279)	(647)	(6,926)
Balance at 31 March	**19,176**	**555**	**19,731**	**14,781**	**590**	**15,371**
Due within one year	3,426	–	3,426	4,430	–	4,430
Due after more than one year	15,750	555	16,305	10,352	590	10,942
	19,176	**555**	**19,731**	**14,782**	**590**	**15,372**

Included within the RCGF figures above are amounts that, at 31 March 2016, were over three years old and which potentially could become repayable to HCA. Accordingly, the RCGF and DPF liability has been analysed between amounts potentially due witin one year and amounts falling due after more than one year.

Company information has not been separately disclosed within this note as group is the same as company.

17. Debt analysis

Bank and building society loans are secured by specific charges on the association's housing properties and are repayable at fixed rates of interest (excluding margin on the loan) ranging from 1.29% to 10.64% and at variable rates linked to LIBOR. The date of repayment of the earliest loan is March 2017, with the latest loan due for payment in December 2047.

In March 2016, the association secured £80m of funding arranged through The Housing Finance Corporation (THFC) under the Affordable Homes Guarantee Programme. Of this, £36m was drawn down immediately and £44m is available to be drawn from the European Investment Bank. The loan from THFC was initially secured by cash collateral until property security charging could be completed.

During the year ended 31 March 2015, the group raised £200m by issuing a bond through its subsidiary, bpha Finance plc. The £200m bond carries a coupon of 4.816%, is repayable in 2044 and is secured by specific charges on the association's properties.

	Drawn debt	
	Group 2016 £'000	Group 2015 £'000
Due after more than one year:		
Bank and building society loans	518,547	496,508
The Housing Finance Corporation	36,000	–
Bond	200,000	200,000
Other loans	1,895	6,293
Deferred costs	(4,060)	(4,085)
	752,382	**698,716**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

17. Debt analysis (continued)

	2016 £'000	2015 £'000
Debt is repayable as follows:		
Due within one year	–	–
Due after one year and within two years	8,047	8,350
Due after two years and within five years	40,500	22,500
Due after more than five years	703,835	667,866
	752,382	**698,716**

Company information has not been separately disclosed within this note as group is materially the same as company.

18. Financial instruments

The association has stand-alone International Swaps and Derivatives Association arrangements in order to hedge against the long term risk of an increase in variable interest rates under its principal loan facility. As a Co-operative and Community Benefit Society with charitable objectives and a social landlord registered with HCA, the association does not trade for profit and is regulated by HCA which has issued extensive guidelines on the use of derivative instruments by registered social landlords.

The association has applied this guidance in entering into derivative transactions which include swaptions in which the bank counterparties have the right to enter an equal and opposite swap at various dates in the future and these are detailed in the table below. The commencement dates of these swaps range from 27 February 2004 to 28 March 2014.

During the year the association undertook a comprehensive strategy in relation to all financial instruments in order to reduce the risk of margin calls in relation to stand-alone swaps and to reduce future interest costs. The association terminated a number of swaps and partially terminated some others and at the same time entered into new embedded swaps. The association's exposure to margin calls has been materially reduced as a result this restructuring.

All of the interest rate swaps detailed under (i) below are hedge effective but the association has chosen not to hedge account for these.

	Nominal 2016 £'000	Nominal 2015 £'000	Nominal 2014 £'000	Market valuation; liability at 2016 £'000	Market valuation; liability at 2015 £'000	Market valuation; liability at 2014 £'000	Movement 2016[1] £'000	Movement 2015[1] £'000
(i) Interest rate swaps: bpha pays fixed, receives variable	120,880	220,900	220,900	56,798	106,523	54,080	224	(52,443)
(ii) Margin swap: bpha pays floating plus margin, receives floating	20,000	20,000	20,000	5,879	6,025	5,355	146	(670)
(iii) Swaptions – banks' option to enter swaps to exactly offset some of the swaps included in (i) above	24,880	30,900	50,900	1,550	2,090	3,327	204	1,239
Total	**165,760**	**271,800**	**291,800**	**64,227**	**114,638**	**62,764**	**575**	**(51,874)**

[1] The movement for the year is the change in market valuation until termination date or, in the case of swaps retained, until 31 March.

Reconciliation of change in value of financial instruments

	2016 £'000	2015 £'000
Market value: liability at start of year	114,638	62,764
Change in market value: (decrease)/increase in liability	(575)	51,874
Termination payments	(49,836)	–
Market value: liability at end of year	64,227	114,638

Company information has not been separately disclosed within this note as group is materially the same as company.

19. Pensions

The association is an admitted member of the Bedfordshire Pension Fund (the fund). This is a multi-employer scheme with more than one participating employer, which is administered by Bedford Borough Council under the Regulations governing the Local Government Pension Scheme, and is a defined benefit scheme. The association closed admission of new members to the fund from 31 March 2010. At 31 March 2016 there were 142 employees who were active members of the fund.

The employers' contributions to the fund by the association for the year ended 31 March 2016 totalled £1,797k (31 March 2015: £1,852k) which included both a lump sum contribution together with an amount relating to current employees for which the employers' contribution rate from 1 April 2015 to 31 March 2016 was 19.6%. From 1 April 2016 the employers' contribution rate will remain at 19.6% with an additional lump sum cash contribution of £846k to be made in the next year (estimated total contributions for 2016/17: £1,875k).

Triennial actuarial valuations of the fund are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2013 and the next will be completed during 2016.

The market value of the fund assets at 31 March 2013 was £1,467m and the level of funding was 70%. The main actuarial assumptions used in the valuation were:

	2013 % per annum
Salary increases	3.30%
Future pension increases	2.50%

Financial assumptions

The main financial assumptions used by the actuary in assessing liabilities on a basis consistent with FRS 102 were:

	2016 % per annum	2015 % per annum
Pension increase rate	2.20%	2.40%
Salary increase rate	3.20%	3.30%
Discount rate	3.20%	3.20%

FRS 102 requires that the discount rate used in assessing liabilities should be determined by reference to market yields on high quality corporate bonds. The currency and term of the high quality corporate bonds used to set the discount rate should be consistent with the currency and term of the pension liabilities. The scheme actuaries calculated based upon the constituents of the iBoxx AA corporate bond index and the weighted average duration of the benefit obligation that a discount rate of 3.5% could be applied, which would have reduced the scheme liabilities and resulted in an actuarial gain for the year. In view of the impending triennial valuation due in 2016 and of the market uncertainties caused by the result of the European Referendum, the association decided to take a more cautious approach and asked the actuaries to leave the discount rate unchanged from the rate of 3.2% which was applied in 2015.

Mortality assumptions

The post retirement mortality assumptions used to value the benefit and obligation at March 2013 are based on the fund's VitaCurves with improvements from 2010 in line with the medium cohort and a 1% per annum underpin. For March 2015 and 2016 it assumes a 1.25% per annum improvement.

Based on these assumptions, the average future life expectancies at age 65 are:

	Males 2016	Males 2015	**Females 2016**	Females 2015
Current pensioners	22.4 years	22.4 years	24.3 years	24.3 years
Future pensioners	24.4 years	24.4 years	26.8 years	26.8 years

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

19. Pensions (continued)
Sensitivity analysis
The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2016:	Approximate % increase to employer liability	Approximate monetary amount £'000
0.5% decrease in real discount rate	11%	6,841
1 year increase in member life expectancy	3%	1,830
0.5% increase in the salary increase rate	3%	1,992
0.5% increase in the pension increase rate	8%	4,742

Actual return on plan assets

	2016 £'000	2015 £'000
Interest income on plan assets	1,174	1,373
(Loss)/return on plan assets excluding amounts included in net interest	(1,253)	2,614
Actual return on plan assets	(79)	3,987

Major categories of plan assets with estimated values and as a percentage of total plan assets
The expected rates of return for all fund assets are set equal to the discount rate for both the current and prior year as required under FRS 102.

	2016 Assets £'000	2016 Assets %	2015 Assets £'000	2015 Assets %
Equities	24,844	67%	21,743	60%
Bonds	7,045	19%	8,698	24%
Property	4,079	11%	3,262	9%
Cash	1,112	3%	2,537	7%
Total	**37,080**	**100%**	**36,240**	**100%**

Amounts for the current and previous four years

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Present value of defined benefit obligation	(61,007)	(61,259)	(50,831)	(48,417)	(40,618)
Fair value of scheme assets	37,080	36,240	31,648	28,680	24,892
Deficit on scheme	**(23,927)**	**(25,019)**	**(19,183)**	**(19,737)**	**(15,726)**
Experience gains/(losses) on plan liabilities	623	431	(348)	43	(354)
Experience (losses)/gains on plan assets	(1,253)	2,614	796	1,417	(1,584)

Analysis of the amount charged to the Statement of Comprehensive Income

	2016 £'000	2015 £'000
Current service cost	1,522	1,324
Past service cost (including curtailments)	17	–
Total operating charge	**1,539**	**1,324**

19. Pensions (continued)

Analysis of net interest charged to the Statement of Comprehensive Income

	2016 £'000	2015 £'000
Expected return on pension scheme assets	(1,174)	(1,373)
Interest on pension scheme liabilities	1,971	2,186
Net interest charge	**797**	**813**

Analysis of the amount recognised in other comprehensive income

	2016 £'000	2015 £'000
(Loss)/return on plan assets excluding amounts included in net interest	(1,253)	2,614
Changes in financial and other assumptions underlying the present value of scheme liabilities	2,884	(8,165)
Actuarial gains/(losses) recognised in other comprehensive income	**1,631**	**(5,551)**

The cumulative actuarial loss at 31 March 2016 is £12,724k (31 March 2015: £18,552k loss).

Movement in deficit during the year

	2016 £'000	2015 £'000
Association's share of scheme deficit at beginning of year	(25,019)	(19,183)
Movement in year:		
Current service cost	(1,522)	(1,324)
Past service cost (including curtailments)	(17)	–
Employer contributions	1,797	1,852
Other finance costs	(797)	(813)
Actuarial gains/(losses)	1,631	(5,551)
Association's share of scheme deficit at end of year	**(23,927)**	**(25,019)**

Changes in present value of defined benefit obligation

	2016 £'000	2015 £'000
Opening defined benefit obligation	61,259	50,831
Current service cost	1,522	1,324
Past service cost (including curtailments)	17	–
Interest cost	1,971	2,186
Contributions by members	383	408
Actuarial (gains)/losses	(2,884)	8,165
Estimated benefits paid	(1,261)	(1,655)
Closing defined benefit obligation	**61,007**	**61,259**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

19. Pensions (continued)
Changes in the fair value of plan assets

	2016 £'000	2015 £'000
Opening fair value of plan assets	36,240	31,648
Expected return on assets	1,174	1,373
Contributions by members	383	408
Contributions by employer	1,797	1,852
Actuarial (losses)/gains	(1,253)	2,614
Benefits paid	(1,261)	(1,655)
Closing fair value of plan assets	**37,080**	**36,240**

History of experience gains and losses

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Actuarial (losses)/gains on plan assets	(1,253)	2,614	796	1,417	(1,584)
Experience gains and (losses) on share of scheme liabilities	623	431	(348)	43	(354)
Total amount recognised in other comprehensive income	**1,631**	**(5,551)**	**1,078**	**(3,527)**	**(4,064)**

Company information has not been separately disclosed within this note as group is materially the same as company.

20. Called up share capital
Each non-executive member of the Board other than the local authority nominated member, together with Bedfordshire Borough Council, holds one ordinary share of £1 in the association.

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distribution on winding up. Shares are cancelled when the holder ceases to be a qualifying member of the Board.

	Group 2016 £	Group 2015 £
Allotted, issued and fully paid ordinary shares	**6**	6

21. Reserves

	Group Revenue Reserve £'000	Company Revenue Reserve £'000
At 1 April 2015	**149,540**	**149,718**
Surplus for year	17,774	16,220
Other comprehensive income for the year	1,631	1,631
At 31 March 2016	**168,945**	**167,569**

22. Financial commitments

	Group 2016 £'000	Group 2015 £'000
Capital commitments		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**97,244**	**73,122**
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**79,747**	**89,154**

Uncontracted capital expenditure includes two strategic sites in Cambridge that will be contracted for in phases over the next five years.

The above commitments will be financed primarily through borrowings, under existing loan arrangements or from access to debt capital markets, together with Social Housing Grant and sale of shared ownership properties.

Operating leases

At 31 March 2016, the association had non-cancellable operating lease rentals payable as follows:

	Group 2016 £'000	Group 2015 £'000
Less than one year	201	217
Between one and five years	335	535
More than five years	–	–
	536	**752**

During the year £190k was recognised as an expense in the profit and loss account in respect of operating leases (2015: £162k).

Company information has not been separately disclosed within this note as group is materially the same as company.

23. Grant movement and contingent liability

	Reserve amount £'000	Creditor amount[1] £'000	Group Total amount £'000
At 1 April 2014	**(274,308)**	**–**	**(274,308)**
Additions to grant for completed units under the performance model	(3,633)	–	(3,633)
Additions to grant for completed units and work in progress under the accrual model	–	(16,735)	(16,735)
Grant recycled	1,099	–	1,099
Grant amortised	(48)	48	–
At 31 March 2015	**(276,890)**	**(16,687)**	**(293,577)**
Additions to grant for completed units under the accrual model	–	(8,798)	(8,798)
Adjustments to grant for work in progress under the accrual model	–	6,536	6,536
Grant recycled	953	–	953
Grant amortised	(136)	136	–
At 31 March 2016	**(276,073)**	**(18,813)**	**(294,886)**

[1] This excludes grant relating to HomeBuy and MyChoice HomeBuy loans (refer to note 15).

As at 31 March 2016, grant which has been written off to reserves represents a contingent liability of £276,073,000. This contingent liability will be realised if the assets to which the written off grant relates are disposed.

Company information has not been separately disclosed within this note as group is materially the same as company.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

24. Reconciliation of net cash flow to movement in net debt

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Increase in cash	(10,594)	(4,085)	13,982	3,732
Cash flow from increase/(decrease) in liquid resources	(4,009)	(4,009)	35,365	35,365
Cash inflow from increase in debt and lease finance and set up fees	(53,627)	(53,627)	(84,653)	(84,653)
Increase in net debt from cash flows	(68,230)	(61,721)	(35,306)	(45,556)
Non-cash flow items	(23)	(23)	(418)	(418)
Total changes in net debt for the period	(68,253)	(61,744)	(35,724)	(45,974)
Net debt brought forward at 1 April 2015	**(612,156)**	**(622,406)**	**(576,432)**	**(576,432)**
Net debt at 31 March 2016	**(680,409)**	**(684,150)**	**(612,156)**	**(622,406)**

25. Analysis of net debt

	1 April 2015 £'000	Cash flow £'000	Non-cash flow items £'000	31 March 2016 £'000
Loans	(696,508)	(49,229)	–	(745,737)
Other loans	(6,309)	(4,398)	–	(10,707)
Loan set up fees	4,085	–	(23)	4,062
Changes in debt	(698,732)	(53,627)	(23)	(752,382)
Cash at bank and in hand	31,868	(10,594)	–	21,274
Current asset investments	54,708	(4,009)	–	50,699
Changes in net debt	**(612,156)**	**(68,230)**	**(23)**	**(680,409)**

Company information has not been separately disclosed within this note as group is materially the same as company.

26. Post balance sheet events
There have been no material post balance sheet events.

27. MyChoice HomeBuy
The association has offered subsidised loans to customers to purchase properties through the MyChoice HomeBuy scheme, which was set up in 2008. The loans were primarily funded by Social Housing Grant. The association was a member of a consortium of eight housing associations all of which operated MyChoice HomeBuy in a similar manner. Under the terms of the Consumer Credit Act 1974 the association corresponds with those borrowing and provides a suite of notices and statements which are required to be in a form specified in the Consumer Credit (Information Requirements and Duration of Licences and Charges) Regulations 2007.

In the event that the notices and statements are not substantially in the prescribed form, amongst other effects, any interest payable on a customer's account is no longer payable for as long as the notices and statements are non-compliant. During the year the consortium was advised that these notices and statements had not been compliant and accordingly that interest had not been validly charged in previous periods. Customers affected have been advised and the non-compliance has been rectified with effect from 30 November 2015. Refunds of interest have been made to customers from whom this has been incorrectly collected and as this was a correction of a material error relating to prior periods the impact has been recognised as a prior year adjustment.

The total cost of the interest incorrectly collected was £4.3m. The retained reserves at 31 March 2014 have been restated by £3.0m and the surplus for the year ended 31 March 2015 has been reduced by £0.8m. The prior year adjustment therefore totals £3.8m. The £0.5m balance of the interest refund relates to the current year. With effect from 30 November 2015 when the non-compliance was rectified, the association has resumed charging interest.

27. MyChoice HomeBuy (continued)

Prior year adjustment by year

	2009 £'000	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	sub total	2015 £'000	**2016 £'000**	**Total £'000**
Refund value	3	131	581	764	786	790	3,055	761	**N/A**	**3,816**

Refund summary

	Prior £'000	2015 £'000	**2016 £'000**	**Total £'000**
Refund value	3,055	761	**482**	**4,298**

Company information has not been separately disclosed within this note as group is materially the same as company.

28. Related party transactions

Board members

Two of the members of the Board have professional relationships with related party organisations that conduct dealings with bpha or one of its subsidiaries. Geoff Potton is the non-executive Chairman of MDA Consulting Limited, a business providing quantity surveying services to Bushmead Homes Limited, a fellow group company. Cllr Shan Hunt is the appointee of Bedford Borough Council, a local authority having nomination rights over initial tenancies to new build association properties in its area. All transactions with the related parties are on normal commercial terms and the Board members are not able to use their position for their personal advantage or that of the related party. During the year, MDA Consulting Limited was paid £36,780 (2015: £7,920) for services rendered to Bushmead Homes Limited.

Oxfordshire Care Partnership (OCP) (see note 29)

The income and expenditure account includes the following transactions between the association and OCP:

	2016 £'000	2015 £'000
Income from lease rentals	4,115	4,170
Management fee receivable	14	45
Total income	**4,129**	**4,215**
Major repairs contribution	780	773
Major repairs expenditure	(851)	(844)
Balance taken (from)/to Major Repairs Fund	**(71)**	**(71)**

	2016 £'000	2015 £'000
The amounts due from OCP at the year end are:		
Income from lease rentals	315	412
Management fee receivable	–	29
Major repairs contribution	780	773
	1,095	**1,214**
The amounts due to OCP at the year end are:		
Fund for future major repairs expenditure	**2,275**	**2,044**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

28. Related party transactions (continued)
Gloucestershire Care Partnership (GCP) (see note 29)
The income and expenditure account includes the following transactions between the association and GCP:

	2016 £'000	2015 £'000
Income from lease rentals	2,378	2,378
Interest receivable	7	7
Total income	**2,385**	**2,385**

The amounts due from GCP at the year end are:	2016 £'000	2015 £'000
Income from lease rentals	1,868	1,091
Interest receivable on loan	114	107
Loan from bpha	250	250
	2,232	**1,448**

Investment in subsidiaries

	2016 £'000	2015 £'000
Bushmead Homes Limited	8,075	5,350
bpha Finance plc	13	13
	8,088	**5,363**

The investments disclosed under company of £20,948k includes investments in subsidiaries of £8,088k. This amount is eliminated in arriving at the investment figure of £12,860k disclosed under group on page 39.

Bushmead Homes Limited
Bushmead Homes Limited was a subsidiary of the association at the year end and is limited by shares. bpha Limited has the right to appoint members to the Board of the subsidiary and thereby exercise control over it. bpha Limited owns all £8.1m of the issued share capital.

Bushmead Homes Limited's principal activity is property development for open market sale.

The transactions noted below represent the only transactions of this company for the financial year and are consolidated within the group accounts.

The income and expenditure account includes the following transactions between the association and Bushmead Homes Limited:

	2016 £'000	2015 £'000
Income from central services	**155**	136

The amounts due from Bushmead Homes Limited at the year end are:

	2016 £'000	2015 £'000
Income from central services	–	8
Recharges for monies (received)/paid by bpha Limited on behalf of Bushmead Homes Limited	–	(4)
	–	4

28. Related party transactions (continued)

bpha Finance plc

bpha Finance plc is a special purpose vehicle for the purpose of issuing asset backed securities and on-lending the proceeds to bpha Limited. bpha Finance plc has issued 50,000 ordinary shares of £1 each, all of which are paid up to 25 pence. bpha Limited owns all of the issued share capital.

The income and expenditure account includes the following transactions between the association and bpha Finance plc:

	2016 £'000	2015 £'000
Interest income	**9,738**	**8,200**

Amounts due from/(to) bpha Finance plc at the year end are:

	2016 £000	2015 £000
Bond premium and interest	9,738	13,862
Bond interest	(9,738)	(8,200)
Amounts due for investment in bpha Finance plc	(13)	(13)
	(13)	**5,649**

CPLhomes Management Services Limited

CPLhomes Management Services Limited is a majority owned subsidiary that provides housing management services to properties in the Cambridge area.

The accounts include the following transactions between the association and CPLhomes Management Services Limited:

	2016 £'000	2015 £'000
Rent and service charge income	3,647	1,169
Rent and service charge expense	(3,647)	(1,169)
	–	**–**

Amounts due from/(to) CPLhomes Management Services Limited at the year end

	2016 £'000	2015 £'000
Amounts receivable for rent and service charges	1,014	1,196
Amounts payable for rent and service charges	(1,230)	(1,302)
	(216)	**(106)**

Cambridgeshire Partnerships Limited

During the financial year 2007/08 HCA selected a bid from Cambridgeshire Partnerships Limited, led by bpha and incorporating other housing association partners, to deliver the vision of the Cambridge Challenge.

Cambridgeshire Partnerships Limited which is an associated company in which bpha has a 25% stake, is now dormant but is retained for contractual reasons relating to the Cambridge Challenge.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

29. Joint arrangements

The association holds 50% of the shares in each of two joint arrangement companies, The Oxfordshire Care Partnership (OCP) and The Gloucestershire Care Partnership (GCP). The joint ventures are managed through a Board of Trustees on which the association and its partner, The Orders of St John Care Trust (OSJCT), are equally represented.

OCP's and GCP's principal activities are the provision of care to elderly people through care homes. OCP and GCP provide housing, accommodation, nursing or other assistance to people who are elderly or disabled and the provision of associated facilities and amenities for such people. The joint arrangements have been structured such that the association owns the care homes and receives rents on these, and that OSJCT is the Care Home operator and takes the financial and other risks associated with the operation. If the profits OSJCT attains from the operations exceed an agreed level then the excess will be retained by OCP and GCP but if the operations are loss making, the loss is sustained by OSJCT and therefore, other than a small contribution to certain fixed costs, OCP and GCP would not suffer any loss.

Any surplus from the joint arrangement companies shall be applied solely towards the promotion of charitable objects as determined by the Trustees. No profits by way of dividends will be distributed to the members of the companies.

Under FRS 102 section 15 'Investments in Joint Ventures', the association is required to prepare additional information including, on an equity accounting basis, its share of the results of the joint arrangement companies for the period to 31 March 2016 and the net assets as at 31 March 2016. However, since the association has no rights to the net profits or assets of the companies and has no rights to dividends, other returns or to assets in the event of being wound up, the association considers that it has no equity interest in the ventures and accordingly consolidates a nil interest.

In the interest of full disclosure, further details of both joint ventures' finances are set out below:

Statement of Comprehensive Income for the year ended 31 March 2016

	2016 Group (excluding OCP & GCP) £'000	**2016 OCP £'000**	**2016 GCP £'000**	**2016 Group including joint arrangements Total £'000**	2015 Group including joint arrangements Total £'000
Turnover	123,093				
Cost of sales	(26,265)				
Operating costs	(48,193)				
Operating surplus	**48,635**	**50**	**(17)**	**48,668**	**47,078**
Gain on disposal of tangible fixed assets	3,461	–	–	3,461	4,153
Interest receivable and similar income	602	14	2	618	357
Interest payable and similar charges	(35,009)	–	(7)	(35,016)	(35,251)
Movement in fair value of financial instruments	575	–	–	575	(66,564)
Valuation (loss)/gain on investment properties	(490)	–	–	(490)	296
Surplus/(deficit) on ordinary activities before and after tax	**17,774**	**64**	**(22)**	**17,816**	**(49,931)**

29. Joint arrangements (continued)
Statement of Financial Position as at 31 March 2016

	2016 Group (excluding OCP & GCP) £'000	2016 Joint arrangement OCP £'000	2016 Joint arrangement GCP £'000	2016 Group including joint arrangements £'000	2015 Group including joint arrangements £'000
Fixed assets					
Tangible assets					
Housing properties and other fixed assets	973,398	–	–	973,398	927,181
Investments	12,860	–	–	12,860	13,350
HomeBuy loans receivable	48,395	–	–	48,395	54,357
Investment in joint arrangments	4,975	–	–	4,975	3,362
Joint ventures:					
Share of gross assets	–	3,247	644	3,891	–
Share of gross liabilities	–	(1,404)	(923)	(2,327)	–
	1,039,628	1,843	(279)	1,041,192	998,250
Current assets					
Properties for sale and work in progress	9,116	–	–	9,116	17,693
Trade and other debtors	8,780	–	–	8,780	10,607
Investments	50,699	–	–	50,699	54,708
Cash and cash equivalents	21,274	–	–	21,274	31,868
	89,869	–	–	89,869	114,876
Creditors: amounts falling due within one year	(32,731)	–	–	(32,731)	(42,453)
Net current assets	57,138	–	–	57,138	72,423
Total assets less current liabilities	**1,096,766**	**1,843**	**(279)**	**1,098,330**	**1,070,673**
Creditors: Amounts falling due after more than one year					
Other creditors	839,667	–	–	839,667	781,476
Other provisions	64,227			64,227	114,638
Pension liability	23,927	–	–	23,927	25,019
Capital and reserves					
Called up share capital	–	–	–	–	–
Revenue reserve	168,945	1,843	(279)	170,509	149,540
	1,096,766	**1,843**	**(279)**	**1,098,330**	**1,070,673**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

30. Investment in associates

bpha Limited (via Bushmead Homes Limited) has a 25% interest in Gog Magog Partnership LLP, whose principal activity is the development of residential accommodation for private sale and of affordable residential accommodation for sale to registered providers.

Associates are accounted for in accordance with FRS 102 Section 14 'Investments in Associates' in the consolidated financial statements using the equity method. Within the subsidiary undertaking individual financial statements in which the investment is held, this is held as a fixed or current asset investment shown at cost less amounts written off.

bpha Limited is required to prepare additional information including its share of the associate's turnover for the period to 31 March 2016 and its share of the assets and liabilities as at 31 March 2016:

	2016	**2016**	2015	2015
	Group £'000	**Company £'000**	Group £'000	Company £'000
Share of turnover of associates	2,547	–	178	–
Share of cost of sales of associates	(2,103)	–	(178)	–
	444	**–**	**–**	**–**
Share of assets	8,731	–	5,082	–
Share of liabilities	(8,287)	–	(5,082)	–
Share of net assets	**444**	**–**	**–**	**–**

31. Explanation of transition to FRS 102 from previous UK GAAP

As stated in note 2, these are the association's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

In preparing its FRS 102 Statement of Financial Position, the association has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting, previous UK GAAP. An explanation of how the transition from previous UK GAAP to FRS 102 has affected the association's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

31. Explanation of transition to FRS 102 from previous UK GAAP (continued)

Reconciliation of equity

	Note	As previously reported UK GAAP £'000	31 March 2015 Effect of transition to FRS 102 £'000	As restated FRS 102 £'000
Fixed assets				
Tangible fixed assets	a	931,364	50,174	981,538
Investments	b	3,362	13,350	16,712
		934,726	**63,524**	**998,250**
Current assets				
Stocks		17,693	–	17,693
Debtors	c	10,631	(24)	10,607
Investments		54,708	–	54,708
Cash at bank and in hand		31,868	–	31,868
		114,900	**(24)**	**114,876**
Creditors: amounts due within one year	d	**(38,485)**	**(3,968)**	**(42,453)**
Net current assets		**76,415**	**(3,992)**	**72,423**
Creditors: amounts falling due after more than one year				
Provisions for liabilities				
Provisions for liabilities	e	(724,347)	(57,129)	(781,476)
Other provisions	f	–	(114,638)	(114,638)
Pension liability		(25,019)	–	(25,019)
		(749,366)	**(171,767)**	**(921,133)**
Net assets		**261,775**	**(112,235)**	**149,540**
Capital and reserves				
Called up share capital		–	–	–
Revaluation reserve	g	251,598	(251,598)	–
Revenue reserve	h	10,177	139,363	149,540
Shareholders' equity		**261,775**	**(112,235)**	**149,540**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

31. Explanation of transition to FRS 102 from previous UK GAAP (continued)
Reconciliation of profit for 31 March 2015

	Note	31 March 2015 As previously reported UK GAAP £'000	2016 Effect of transition to FRS 102 £'000	As restated FRS 102 £'000
Turnover	i	**118,169**	**(428)**	**117,741**
Cost of sales	j	(32,088)	7,374	(24,714)
Operating costs	k	(41,634)	(4,315)	(45,949)
Operating surplus		**44,447**	**2,631**	**47,078**
Gain on disposal of tangible fixed assets	l	4,811	(658)	4,153
Interest receivable and similar income		357	–	357
Interest payable and similar charges	m	(34,766)	(485)	(35,251)
Temination of loan arrangments		(14,690)	–	(14,690)
Movement in fair value of financial instruments	n	–	(51,874)	(51,874)
Valuation gain on investment properties	o	–	296	296
Surplus/(deficit) before tax		**159**	**(50,090)**	**(49,931)**
Tax on surplus/(deficit) on ordinary activities		–	–	–
Surplus/(deficit) for the year		159	(50,090)	(49,931)
Other comprehensive income				
Actuarial gains/(losses) on pension scheme	m	(6,012)	461	(5,551)
Total comprehensive loss for the year		**(5,853)**	**(49,629)**	**(55,482)**

31. Explanation of transition to FRS 102 from previous UK GAAP (continued)
Notes

	Accounting policy reference	FRS 102 reference[1]	31 March 2015
a. Tangible fixed assets			
Adjustment to revenue reserves			
Additional depreciation charge resulting from higher asset values, write off of assets and replacement of certain components	2.13, 2.14	35.10 (c)	(4,305)
Recognition of additional surplus on first tranche sales in line with SORP 2014	2.17	35.10 (c)	7,374
Move recycled grant relating to staircasing and asset management sales made in 2014/15 to reserves	2.13	24	(1,099)
Adjustment to cost of properties sold in 2014/15 to reflect deemed cost rather than valuation	2.2	35.10 (c)	802
Transfer of grants received for properties completed to reserves			3,917
			6,689
Adjustment to other position statement accounts			
Move investment properties from fixed assets to investments	2.15, 2.16, 2.21, 2.23	16, 24	(13,054)
Move historical grant from fixed assets to other provisions	2.16, 2.21, 2.23	24	44,604
Move grant related to work in progress to other provisions	2.16, 2.21, 2.23	24	11,896
Move grant related to properties completed in the 2014/15 financial year to provisions	2.16, 2.21, 2.23	24	4,841
Move recycled grant net of losses relating to HomeBuy loans to provisions	2.13	24	(4,165)
Reversal of revaluation surplus recognised in 2014/15	2.2	35.10 (c)	(637)
			43,485
			50,174

			£'000
b. Investments			
Adjustment to revenue reserves			
Valuation gain on investment properties as at 31 March 2015	2.15	16	296
Adjustment to other position statement accounts			
Move investment properties from fixed assets to investments	2.15, 2.16, 2.21, 2.23	16	13,054
			13,350

			£'000
c. Debtors (due with one year)			
Adjustment to revenue reserves			
Impairment of debtors with payment plans	2.18	11	(24)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

31. Explanation of transition to FRS 102 from previous UK GAAP (continued)
Notes (continued)

	Accounting policy reference	FRS 102 reference[1]	31 March 2015
d. Creditors: amounts due within one year			
			£'000
Adjustment to revenue reserves			
Short term liability relating to holiday accrued but not taken	2.27	28	(152)
Refund of interest on MyChoice HomeBuy properties (refer to note 27)	N/A	N/A	(3,816)
			(3,968)

e. Provisions for liabilities			
			£'000
Adjustment to revenue reserves			
Amortised grant income relating to properties completed in the year ended 31 March 2015	2.16, 2.21, 2.23	24	48
Adjustment to other position statement accounts			
Move historical grant from fixed assets to other provisions	2.16, 2.21, 2.23	24	(44,604)
Move grant related to work in progress to other provisions	2.16, 2.21, 2.23	24	(11,896)
Transfer of grant received for properties completed in the 2014/15 financial year from fixed assets	2.16, 2.21, 2.23	24	(4,841)
Move recycled grant net of losses relating to HomeBuy loans to provisions	2.13	24	4,165
			(57,176)
			(57,128)

f. Other provisions (mark to market of derivative portfolio)			
			£'000
Adjustment to revenue reserves			
Fair value movement of non-basic financial instruments	2.18, 2.25	12	**(114,638)**

g. Revaluation reserve			
			£'000
Adjustment to revenue reserves			
Elimination of revaluation reserve on transition to deemed cost	2.16, 2.21, 2.23	35.10 (c)	(252,445)
Revaluation surplus realised on disposal of revalued properties in 2014/15	2.2	35.10 (c)	1,484
			(250,961)
Adjustment to other position statement accounts			
Reversal of revaluation surplus recognised in 2014/15	2.2	35.10 (c)	(637)
			(251,598)

31. Explanation of transition to FRS 102 from previous UK GAAP (continued)
Notes (continued)

	Accounting policy reference	FRS 102 reference[1]	31 March 2015
h. Profit and loss account			
			£'000
Transfer of historical grants from fixed assets to reserves (movement of profit and loss reserve to revaluation reserve)	2.16, 2.21, 2.23	35.10 (c)	252,445
Fair value movement of non-basic financial instruments	2.18, 2.25	12	(114,638)
Refund of interest on MyChoice HomeBuy properties (refer to note 27)	N/A	N/A	(3,816)
Other items (as detailed in (a) to (g) above)			5,372
			139,363
i. Turnover			
			£'000
Amortised grant income	2.16, 2.21, 2.23	24	333
Refund of interest on MyChoice HomeBuy properties (refer to note 27)	N/A	N/A	(761)
			(428)
j. Cost of sales			
			£'000
Recognition of additional surplus on first tranche sales	2.17	N/A	**7,374**
k. Administrative expenses			
			£'000
Additional depreciation charge resulting from higher asset values, write-off of assets and replacement of certain components	2.13, 2.14	35.10 (c)	(4,305)
Short term liability relating to holiday accrued but not taken	2.27	28	(10)
			(4,315)
l. Gain/(loss) on disposal of tangible fixed assets			
			£'000
Inclusion of grant relating to staircasing and asset management sales in cost of sales	2.13	24	(1,099)
Reduction of surplus on fixed asset sales included with Statement of Comprehensive Income as a result of higher asset value	2.13, 2.17	35.10 (c)	441
			(658)
m. Interest payable and similar charges			
			£'000
Impairment of debtors with payment plans	2.18	11	(24)
Movement in return on assets and actuarial gain/loss from other comprehensive income to interest payable	N/A	N/A	(461)
			(485)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2016

31. Explanation of transition to FRS 102 from previous UK GAAP (continued)
Notes (continued)

	Accounting policy reference	FRS 102 reference[1]	31 March 2015
n. Movement in fair value of financial instruments			
			£'000
Fair value movement of non-basic financial instruments	2.18, 2.25	12	**(51,874)**

o. Reversal of previous decrease in valuation of housing property			
			£'000
Valuation gain on investment properties as at 31 March 2015	2.15	16	**296**

Company information has not been separately disclosed within this note as group is materially the same as company.

[1] The reference relates to the section or note within the FRS 102 reporting standard and is included to provide the guidance used in determining the accounting treatment and disclosure within these financial statements.

BOARD GOVERNANCE, ADVISORS AND BANKERS

Board	
Non-executive directors	
Robert Burgin	Chairman (appointed 1 February 2015)
Ian Ailles	Co-opted member (appointed 1 July 2015), member Audit and Risk Committee
Cllr Shan Hunt	Nominated Local Authority member, member Remuneration and Nominations Committee
Martin Hurst	Chair Finance and Treasury Committee (appointed on 1 July 2015)
Peter Male	Senior Independent Director, Chair Audit and Risk Committee
Neil McGregor-Paterson	Chair Remuneration and Nominations Committee
Geoff Potton	Chair Bushmead Homes Limited
Executive Directors	
Kevin Bolt	Chief Executive Officer
Paul Gray FCA	Chief Financial Officer and Secretary (resigned as company Secretary 27 April 2015)
Sarah Ireland	Director of Sales and Development (appointed 1 July 2015)
Julie Wittich	Director of Service Delivery (appointed 1 July 2015)
Executive Leadership Team – The Executive Leadership Team consists of the executive directors together with the following:	
Simon Century	Director of Strategy and Corporate Finance (appointed as Director 1 November 2014, resigned 30 April 2016)
Liz Hall	Director of Quality and Communications (appointed as Director 1 November 2014)
Company Secretary	
Philippa Spratley	Company Secretary (appointed 27 April 2015)
Audit and Risk Committee	
Peter Male	Chair
Ian Ailles	Co-opted Board member
Peter Bateson	Independent (resigned 31 March 2015)
Tim Ludlow	Independent
Malcolm Zack	Independent (appointed 17 June 2015)
Remuneration and Nominations Committee	
Neil McGregor-Paterson	Chair
Robert Burgin	Board member and Chair of Board
Cllr Shan Hunt	Board member
Finance and Treasury Committee	
Martin Hurst	Chair
Geoff Potton	Board member
Cliff Broadhurst	Independent (appointed 17 June 2016)
Paul Gray	Board member and Chief Financial Officer
Simon Century	Director of Strategy and Corporate Finance (resigned 30 April 2016)
External Auditor	
KPMG LLP	
Internal Auditor	
BDO LLP	
Principal solicitors	
Devonshires	
Trowers and Hamlins	
Valuers	
Savills (UK) Limited	
Principal bank funders	
Barclays Bank plc, Clydesdale Bank plc, Lloyds Banking Group plc, Nationwide Building Society, Royal Bank of Scotland plc, Santander UK plc	
Bankers	
HSBC Bank plc	

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Registered by the Homes and Communities Agency No: LH 3887