bpha Group
report and financial statements

Year ended 31 March 2018

CONTENTS

Strategic report
1 Our highlights
2 Chair's statement
3 Chief Executive Officer's review
4 At a glance
5 Our core operational area
6 Five year journey
8 Corporate strategy
10 Customer focus
12 The Oxford to Cambridge Corridor
14 A year in development
18 Operating and financial review
24 Value for Money

Governance
30 Governance report
34 Board and Committee attendance
36 Risk and assurance
38 Statement of the Board's responsibilities

Financial statements
39 Independent auditor's report
40 Group Statement of Comprehensive Income
41 Group Statement of Financial Position
42 Group Statement of Changes in Equity
43 Group Cash Flow Statement
44 Notes to the financial statements

Additional information
69 Board governance, advisors and bankers

Cover photo: Huxley House, Cambridge

ABOUT US

OUR VISION

To build communities where people can live happily in a home they can afford.

OUR MISSION

To build and maintain quality homes and thriving communities by being increasingly efficient and always considering the needs of those we house.

385
homes built or acquired

148
first tranche shared ownership sales

18,253
homes owned or managed

£61m
EBITDA MRI
(earnings before interest, tax, depreciation and amortisation, major repairs included)

£42m
surplus before tax

£22m
invested in maintaining and improving our existing homes

176%
EBITDA MRI
(% of interest payable and similar charges)

44%
operating margin on social housing lettings

100%
of homes have met Decent Homes Standard since 2010

S&P
A+ (stable)
credit rating from Standard & Poor's

V1
Regulator of Social Housing viability rating

G1
Regulator of Social Housing governance rating

bpha – stronger in every way

Robert Burgin
Chair

Last year I wrote my report in the immediate aftermath of the Grenfell Tower fire and, as Kevin notes in his CEO's report, ensuring the safety of those we house is a matter we take very seriously; for many years we have directly employed experienced former fire service officers and have run an accredited fire training academy. We have a number of high-rise blocks and none of these have been re-clad. However, even before Grenfell we had embarked upon a programme of retro-fitting sprinklers; bpha is committed to providing whatever investment is required to ensure the continued safety of tenants, whether housed in high-rise blocks or in our other properties.

bpha – stronger in every way

This year has been a very successful one for bpha but I shall focus upon our achievements in just four areas: New homes; People; Governance and Financial strength.

- **New homes:** over the last three years we have provided more than 1,300 new homes and in the past year alone we invested more than £100m into new and existing homes.
- **People:** people are the key to success in any organisation and in 2017 we reported how we were investing in the training and development of our own staff whilst offering new opportunities, and also how we had strengthened our Board and Committees; this work has continued over the last year.
- **Governance:** Governance has been strengthened over the last three years through the establishment of stronger sub-committees, appointing members with the requisite specialist skills. This has enhanced the efficiency of the Board and ensures proper ongoing scrutiny and risk management. During the year we have carefully reconsidered all of our Rules, Terms of Reference and other governance documentation to ensure that these provide the best possible framework for continued success. In 2017 bpha underwent the process of 'In-Depth Assessment' by our regulator; this proved a valuable opportunity for an independent insight to our governance and finances. The Board is delighted to report that bpha retains the highest governance and financial viability ratings of G1 and V1.
- **Financial strength:** bpha's finances have been improved materially in the last three years. In these statements we are reporting a record surplus and not only are surpluses and cash generation much higher but key liquidity measures have also been improved such that we continue to retain one of the best credit ratings in the sector. The financial statements set out details of the progress that has been made.

Serving our customers

We are all only too aware of the urgent need to provide additional quality housing at an affordable price and in a comfortable environment.

bpha has a robust record of being involved in the building of large strategic developments – Milton Keynes, Wixams and Cambridge Southern Fringe being just three such examples – but to build a community takes more than bricks and mortar. For both existing homes and for those newly built we work to support community groups and individuals to develop strong successful communities. Not only does this help fulfil our vision, ***to build communities where people can live happily in a home they can afford***, but it also helps to lower operating costs for maintaining the built environment.

Investment has been made to improve the way that customers interact with bpha and the services that we deliver. You will see reference throughout this report to the progress made in this area, such as Viewpoint to improve engagement and feedback, and mobile applications to enable our Home Agents to work more efficiently whilst providing more face-to-face tenant contact time.

What of the future?

bpha has grown successfully through development. As the CEO's report makes clear, the Oxford to Cambridge growth corridor offers additional housing development opportunities but we cannot meet all housing need on our own. It is imperative that every opportunity is taken to increase development capacity provided by housing associations operating within the growth corridor.

There is considerable diversity across the housing association sector ranging from the mega metropolitan-based or national groups down to very local associations with far fewer houses; one is rarely comparing like with like yet I have no hesitation in stating that one of bpha's key strengths is in development. The bpha Board has determined to investigate the possibility of creating further partnership agreements within this growth corridor in order to help deliver a greater number of units per annum than might otherwise prove possible and this will fall to my successor to deliver.

It has been a privilege to serve as Chair of the bpha Board of Directors and, having been appointed to help facilitate the last three years of the transformation programme and with bpha in an increasingly secure position, now is an appropriate moment for me to hand over responsibility for the next phase of bpha's growth and development. I have been proud to play a small part in the success of this great association.

I would like to take this opportunity to thank all of the staff, management, executive and Board colleagues, both past and present, for all of their hard work, their support and commitment which have taken bpha so far forward over the last three years. My thanks to everyone at bpha and best wishes for the future.

Robert Burgin
Chair
retired 31 March 2018

Capacity, capability... building for the future

Kevin Bolt
Chief Executive Officer

Fit for the future

2017/18 was bpha's first full year of our 'Fit for the Future' business unit operational model and I am delighted to be able to report that the new approach is settling down well. The numbers detailed within these financial statements clearly show that the organisation's financial performance has continued to strengthen following the pattern of progress from the previous four years.

Against a number of key measures 2018 is the organisation's best year on record and this performance has been achieved alongside a programme of investment that will shape and build the organisation's future operational and developmental potential.

Throughout these financial statements there are references to the progress that is being made to enhance the organisation's future capacity and capability in order to build upon the excellent start that has been made towards the delivery of bpha's longer term growth strategy.

bpha – investing in people

To support our strategic growth, service quality and efficiency ambitions, bpha's Executive Leadership Team (ELT) has been strengthened. Jeff Astle joined the organisation as Director of Development and Sales in January 2018 and Adrian Moore was promoted internally to the post of Director of IT. This process is ongoing and early in 2018/19 the post of Director of Service Delivery will be divided to create two new Director posts, one to focus solely on the management and utilisation of existing assets and the other to champion the customer and the services that they receive. This enables us to further enhance the balance of skills across ELT.

The strengthening of the Executive Leadership Team has been enhanced by further appointments to the Senior Management Team and the launch of a new front-line manager training initiative. Investments that are being made in new systems, processes and communication technologies will only deliver the intended ongoing organisational transformation if they are implemented and managed effectively.

bpha is, and will always be, a people business. The new technology and operating practices will open up the potential to:

- build more affordable homes
- provide better 'person centred' services
- give even higher levels of Health and Safety assurance to tenants and employees alike.

Our increased financial strength gives us more choices, and we are choosing to invest in people and systems to offer improved services to our tenants. The progress made in these areas is not always obvious during the early phases of implementation, but they are the driving force that will underpin the achievement of our longer term goals.

The Oxford to Cambridge Corridor – a strategic opportunity

For many years now bpha has been talking positively about our tightly defined operational area, which we called "the Oxford to Cambridge arc". We understand the importance of maintaining a tight geographic focus to the organisation's overall operational efficiency as well as recognising the growth potential on our doorstep. The opportunities and challenges of this unique combination of characteristics were brought into stark focus through the National Infrastructure Commission report on the Cambridge – Milton Keynes – Oxford Corridor in December 2017. Along with a strong call to action in support of the development of this world class research, innovation and technology corridor, two things were very striking to us at bpha about this report:

- firstly, it calls for a doubling of home building in support of future employment prospects
- secondly, it did this whilst making almost no reference to Housing Associations!

If ever anyone doubted it, this National Infrastructure Commission document made it very clear that there will be no shortage of challenges for bpha, and the other 'corridor' housing associations, in the 2020s and beyond. It is equally clear to us that this is a fantastic opportunity for bpha to help shape housing delivery in our core operational area for generations to come. Building capability and capacity, alongside delivering our annual plans, is what our future is all about.

The safety of those we house is paramount

As a modern housing association bpha fully recognises its responsibilities to provide affordable homes that are good and safe places in which to live. On 14 June 2017 this basic responsibility of all social housing providers was called into question as the tragedy of the Grenfell Tower fire unfolded. Very sadly 72 people lost their lives and bpha, along with every other provider in our industry, had to take stock, reflect and learn. I would like to take this opportunity to pass on bpha's condolences to everyone who was affected by this tragedy.

Throughout this document we are reporting bpha's performance and describing our plans and ambitions for the future. However, whilst the financial results can be studied and assessed, these achievements and ambitions will have little value if that basic requirement of safety for our tenants and other customers cannot be assured. We have always, and will always, take this very seriously – ultimately everything we do is to benefit those we house.

Kevin Bolt
Chief Executive Officer
4 July 2018

We have young stock that has grown through controlled development within an economically active area. Social housing remains at the core of the business.

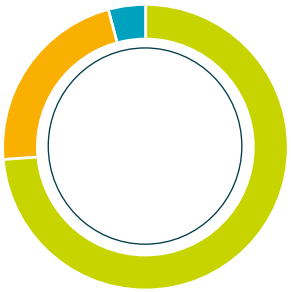
AGE PROFILE OF TENANTS

62% of our tenants are below the age of 50, a younger age profile than is typical across the sector.

<25	4%
25-30	12%
31-40	24%
41-50	22%
51-60	17%
61+	21%

ANALYSIS OF TURNOVER

Social housing lettings activity is the core component of our business, representing 74% of our total turnover.



Social housing lettings income	74%
Other social housing activities	22%
Non-social housing activities	4%

CORE DEVELOPMENT ACTIVITIES

Our development programme continues to be focused on core social housing for rent or shared ownership.

Affordable rent	55%
Private sale	2%
Shared ownership	43%

STOCK BY USAGE

The majority of our stock is modern general needs housing.

General needs	68%
HomeBuy	5%
Shared ownership	13%
Elderly care homes	8%
Other	6%

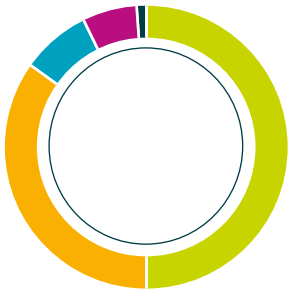
AGE PROFILE OF STOCK

48% of our stock is under 20 years old, resulting in lower maintenance costs.

0-10 years	33%
11-20 years	15%
21-40 years	13%
41-60 years	22%
61+ years	17%

STOCK BY TYPE

We offer a range of dwelling types, with the majority being family homes.



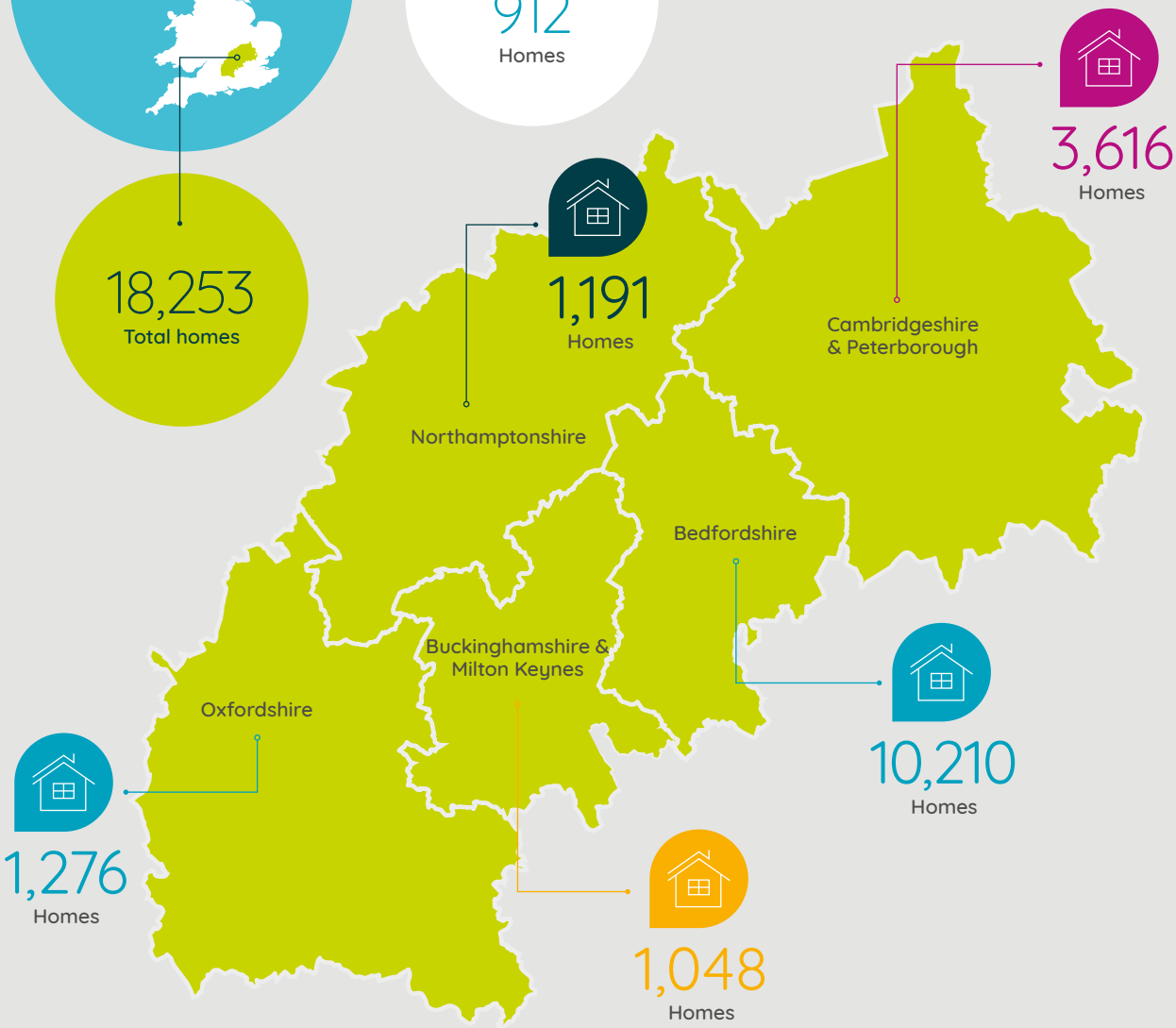
House	50%
Flat	35%
Nursing/care homes	8%
Bungalow	6%
Other	1%

THE OXFORD TO CAMBRIDGE CORRIDOR

This world class research, innovation and technology corridor spans Oxford, Milton Keynes, Bedford and Cambridge.

18,253
Total homes

OTHER COUNTIES
912
Homes



We have a fantastic opportunity to deliver the homes that people need and great places to live across our core operational area into the 2020s and beyond.

Our journey over the last 5 years has delivered many achievements that put us in an excellent position to take advantage of future opportunities.

2014

bpha move to modern open plan office at Bedford Heights

Kevin Bolt appointed Chief Executive Officer

£200m own name bond issue launched

Appointed Help to Buy agent for East and South East

Gog Magog joint venture set up between Bushmead Homes and Hill Partnership

2015

Attained G1 and V1 status

Robert Burgin appointed Chair of the Board

£100m of stand-alone interest swaps restructured

25 year anniversary of original Large Scale Voluntary Transfer

Finance and Treasury Committee established

Risk appetite defined and 3 lines of defence assurance framework adopted

Development focus concentrated on Oxford to Cambridge corridor

2016

First homes sold for profit by Bushmead Homes

Customer service training undertaken by all staff and management

£75m 10 year Revolving Credit Facility put in place

Community-based Home Agent team set-up, equipped with mobile technology delivering closer customer contact and greater Value for Money

Over 4,700 hours of staff volunteering undertaken over the year

£80m long term funds raised through AHF/EIB

2017

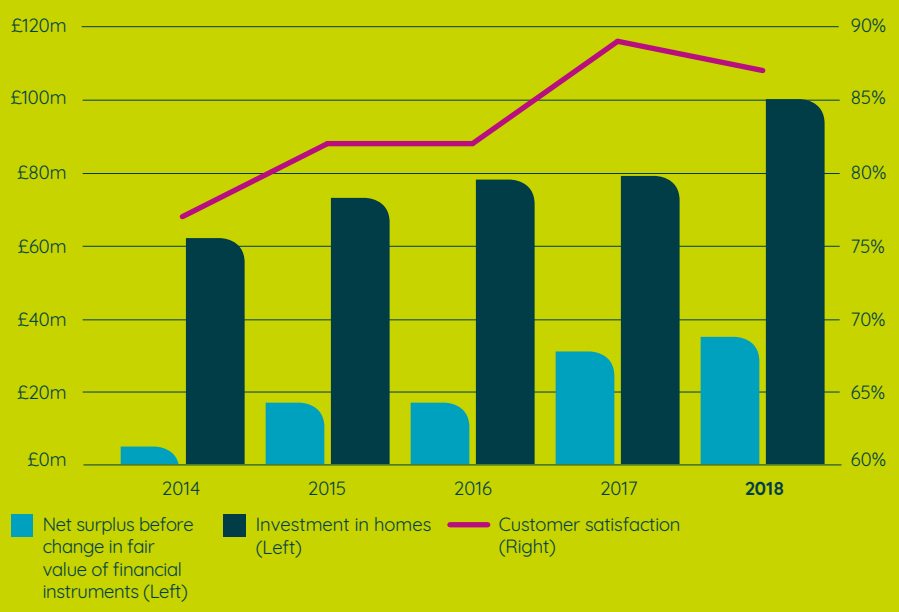
- Viewpoint digital customer consultation site launched
- 30% increase in IT team to support new digital ways of working
- Won HANA award for 'Best Risk Management'
- Restructured organisation into operational business units
- Strengthening of new Senior Management Team
- Customer mobile app launched to facilitate self-service

2018

- Customer Relationship Management system launched
- Record surplus of £42m
- Professor Paul Leinster CBE appointed Chair of the Board

The future... Investment across the Oxford to Cambridge corridor delivering increased numbers of new homes in 2018/19

Surpluses reinvested for the benefit of our customers



Serving our customers

VISION

To build communities where people can live happily in a home they can afford.

MISSION

To build and maintain quality homes and thriving communities by being increasingly efficient and always considering the needs of those we house.

LAST FIVE YEARS

Over the last 5 years we have:

1. Strengthened our finances
2. Developed a strong business model tightly focused on the Oxford to Cambridge corridor
3. Grown through tightly controlled development
4. Improved customer services
5. Invested in:
   - IT systems
   - People
   - New business unit operational structure

EVERYTHING WE DELIVER WILL BE UNDERPINNED BY OUR VALUES:

Right first time
We strive to get things right first time and to keep getting better

Pride and ownership
We are proud of the work we do and always take responsibility for our actions

As good as our word
We act with integrity; we do the right thing and deliver what we say we will

TIME TO REFLECT

Improved metrics give us choices. During 2017/18 the Board considered all aspects of strategy including:

1. Sustainability of our current business model
2. Housing need across the Oxford to Cambridge corridor
3. Priorities for investment and related funding
4. Services provided to customers
5. Value for Money

These were grouped into 6 strategic themes

SIX KEY STRATEGIC THEMES	OUR CHOICES FOR OUR FUTURE
1. **Customer services**	• Accelerate digital services offering, to reflect changing customer requirements • Develop range of services and tenancy pathways to meet diverse needs • Improve engagement and satisfaction metrics
2. **Delivery of new homes**	• Increase the delivery of new affordable homes across the corridor • Reduce dependence on Section 106 development with move to land-led schemes • Consider partnerships • Maintain strict development viability criteria
3. **Asset management**	• Reinvest in existing stock to provide the homes our customers require and to maintain long term value
4. **Internal efficiency**	• Invest in IT systems to improve efficiency • Increase use of information to support business unit decision making
5. **Financial viability**	• Further strengthen business modelling • Maintain conservative approach to funding • Take commercial decisions to enhance financial viability
6. **People, leadership and management**	• Invest in training and recruitment to improve capability through new skills • Build capacity and resilience to reduce risk and provide succession

Effective relationships

We know we achieve more by working effectively with others

Customers first

We listen to customers and put them at the heart of everything we do

Open and informative

We respect our employees and customers by sharing information and communicating in an open and easy to understand manner

We believe that to deliver great customer services these must be built upon informed commercial decisions.

We aim to deliver exceptional customer service through our culture, communication and service delivery across our organisation.

We are also very proud of the work we do to support our tenants and ensure that they can continue to maintain their tenancies and live safely and securely in their homes.

Our customers remain at the core of what we do. We believe in building our financial strength and capacity to enable us to consistently deliver our services to the highest standards.

Over the past year we have continued to improve and refine our services to customers. Through the delivery of our wide variety of housing options, we aim to ensure that each customer has a home to suit them and their needs, whatever stage they are at in their own personal housing journey.

We employ 'Home Agents', who are based out in the communities in which they work; their focus is our customers, their homes and tenancies. Our Resident Engagement Co-ordinator and Community Development Team are also out working with our customers, listening to feedback and liaising with other organisations and partners to continually evolve and improve our services.

We continue to invest in digital technology to make it easy for our customers to give feedback and manage their tenancies, where and when it suits them. Our new Customer App allows customers to quickly and simply update their details, make a payment and view their rent account, saving both time and money. Viewpoint, our new digital platform, allows customers to share their views and experiences as a bpha customer through online surveys and engagement tools.

The majority of our customers manage and sustain their tenancies without much support, beyond any repairs or specific issues but, for some, life throws up some challenges that require more help and support from us to enable them to stay in their homes.

Here are just a few examples of the work of our valuable teams:

Matching of scarce housing resources to specific customer needs delivers greatest Value for Money

The Retirement Living Team
Our dedicated Retirement Living Team supports the delivery of housing for our older customers.

The team was called in to work with Ann, who wanted to be considered for Extra Care or Sheltered accommodation in her local area. Social Services were recommending that she remained in residential care as her mobility had become limited and she was unable to return to her current flat, which could only be accessed by a staircase.

During her assessment, it became clear that retaining her independence and having some choice in where she lived were very important. As a result, working with the care team, which confirmed her suitability for Extra Care, we were able to offer her a care package and she was able to move to Sir William Harpur House in Bedford.

Ann is now enjoying living in her new home and is very thankful to the Retirement Living Team which helped her to retain her independence and access the support she needed.

Ann in her new home

Maintaining successful tenancies is good for the tenant and is cheaper than incurring eviction and void refurbishment costs

The Money Advice Team

Our Money Advice Team supports tenants in financial difficulty to maintain their tenancies and reduce debt.

Mrs B, a single parent of two children, found herself in financial difficulties and went to the bpha Money Advice Team for help.

Unable to work due to ill health and struggling to meet her household bills, Mrs B was supporting her family with just her disability and child benefits. Her deteriorating health made it difficult for her to access additional support through rent, council tax and sickness benefits. She had fallen into rent arrears and was struggling to cope with the increasing financial pressure.

The Money Advice Team helped Mrs B to apply for and access the benefits for which she and her family were eligible through liaising with benefit agencies and supporting her through the application processes. Working together, they were able to clear Mrs 'B's rent arrears through a backdated benefit package and she is now in credit, maintaining regular rent payments and is dealing with other debt matters independently following the team's advice.

> "The Money Advice Team at bpha went over and above what was required; they were so good and very professional. They took a load off my mind and were so supportive."

Mrs B

Early intervention is more cost effective, reduces estate operating costs and sustains successful communities

The Community Development Team

The Community Development Team supports the building of strong communities in new housing developments and helps address issues in existing ones.

Anti-Social Behaviour (ASB) can be notoriously difficult to address but, with anecdotal reports of ASB at two of our high-rise blocks, our Community Development Team set out to do just that.

Initially the team needed to understand the issues and concerns residents faced and what measures we could take to help address them. A consultation, including face-to-face meetings, with the residents of the 228 properties involved was implemented.

Consultation results were reported back to all the residents, sharing the findings and explaining how we planned to tackle the issues they had raised.

Over the 12 months following the consultation, residents were kept informed of the resultant actions. They were fully involved in the decision to invest £76,000 on a state-of-the-art CCTV system in the communal areas, which was their number one desire based on what they had told us through the consultation. Other outcomes included the delivery of co-ordinated community events such as litter picks and Community Safety Days with other partner organisations including the Police, Fire Services and other teams from across bpha. We also produced improved communications for reporting ASB issues in future, clarifying the methods and process residents needed to follow.

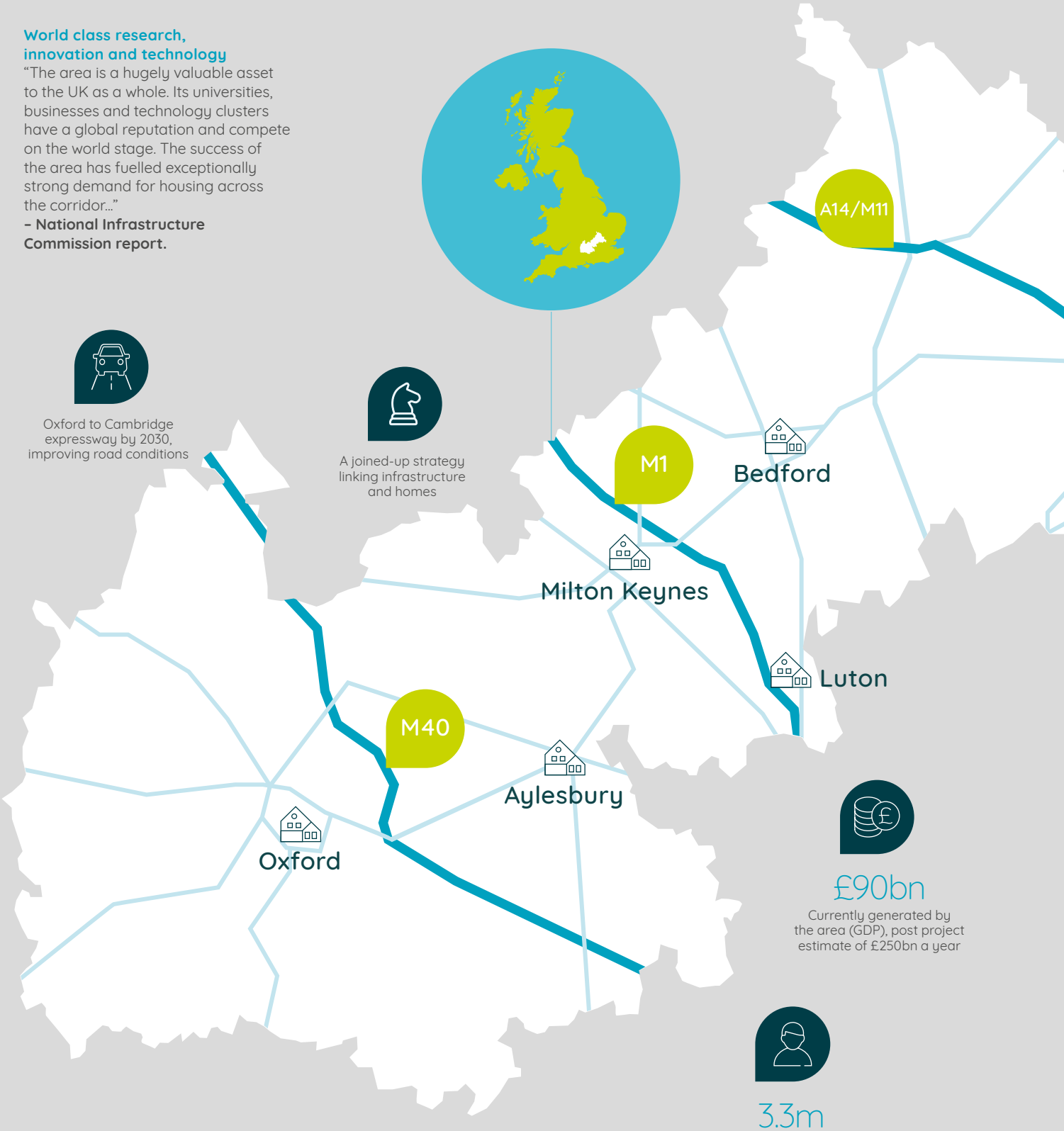
The primary outcome was the clear demonstration that residents' views were listened to, taken seriously and, as a result, we directed our business resources to address their main areas of concern to help build a safer neighbourhood.

bpha is uniquely positioned to maximise the opportunity within the Oxford to Cambridge corridor.

World class research, innovation and technology
"The area is a hugely valuable asset to the UK as a whole. Its universities, businesses and technology clusters have a global reputation and compete on the world stage. The success of the area has fuelled exceptionally strong demand for housing across the corridor..."
– National Infrastructure Commission report.

Oxford to Cambridge expressway by 2030, improving road conditions

A joined-up strategy linking infrastructure and homes



£90bn

Currently generated by the area (GDP), post project estimate of £250bn a year

3.3m

People living in the Oxford to Cambridge corridor

Cambridge to become one of eight new Tech Nation hubs

5

New garden towns – distinct, self-contained communities of between 1,500 and 10,000 homes

1.0m

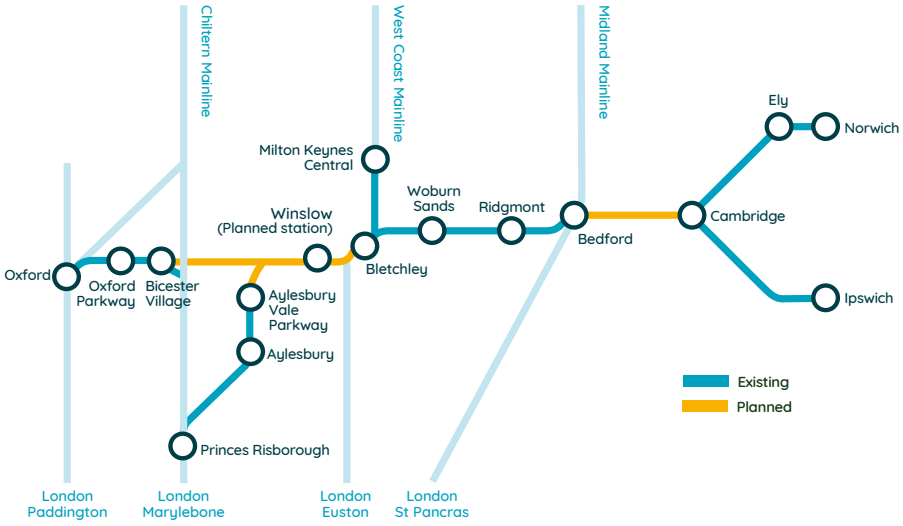
New homes required by 2050

Why we are uniquely positioned

As well as our geographic position, we have the right blend of experience and knowledge to take advantage of the opportunity presented within the corridor. This includes:

- an established presence in Cambridge following delivery of over 2,000 homes under the 'Cambridge Challenge'
- extensive relationships with developers, land owners and local authorities across the corridor
- a track record of delivering new communities such as Wixams and Trumpington
- experience of strategic partnerships with universities, hospitals and businesses and other housing associations
- financial strength and capacity.

Rail corridor



East-West rail will support more than 100,000 new jobs in the region

A new link between Bedford and Cambridge will open in the mid-2020s

A new Cambridge South train station

Improved connection between Oxford and Bedford, and from Aylesbury to Milton Keynes by 2024

Opening of connectivity to London

We have continued our outstanding track record of delivering high-quality homes across the Oxford to Cambridge corridor.

TOTAL INVESTED IN BUILDING NEW HOMES IN 2018

£88m

From Longford Park in Oxfordshire to Northstowe in Cambridgeshire, we have delivered the right homes where and when they are needed by our customers.

Whether for rent, outright sale or shared ownership, we have the experience, knowledge and financial resources to deliver large scale developments and build communities.

> **We are very well placed to respond to the housing challenges across the Oxford to Cambridge corridor. We have a good development pipeline but are working to ensure that our contribution to providing quality affordable homes in this area grows further over the coming years.**

Jeff Astle
Director of Development and Sales

KEY DEVELOPMENTS IN 2017/18 STRATEGIC DEVELOPMENT

Wixams Village, Bedfordshire

Located four miles south of the town centre of Bedford, Wixams village will eventually become four new villages centred around lakes, offering new schools, community centres, shops and a railway station.

During 2018, bpha has completed 43 new homes in Wixams, 18 for shared ownership and 25 for affordable rent, adding to the 202 homes we already own there.

The development of our affordable housing on the site is helping to meet the growing need for affordable family homes in the area, which is very much a key strategic site for us.

Building on the site began in November 2017 and was completed in March 2018.

Northstowe, Cambridgeshire

Sitting just to the north of Cambridge amongst neighbouring villages is Northstowe, a new town which, when completed over the next few years, will be the largest new settlement in the UK since Milton Keynes was created over 50 years ago.

Comprising almost 10,000 new homes, Northstowe will be home to more than 24,000 people who will be able to enjoy all the new amenities and infrastructure which the town will have to offer, including cycleways, a guided busway, green spaces, shops and schools as well as a number of community recreation facilities in line with NHS England's Healthy New Towns principles.

Phase One of the development will see in the region of 1,500 new homes built. bpha, in partnership with five different house builders, and drawing upon our wealth of experience from other major strategic developments such as Clay Farm and Trumpington, will provide the affordable element of this phase with an investment of circa £44m to deliver 300 affordable properties.

The first phase of affordable homes at Northstowe will complete in summer 2018.

KEY DEVELOPMENTS IN 2017/18 COMMUNITY DEVELOPMENT

Clay Farm, Cambridgeshire

Secured through the Cambridge Challenge initiative, Clay Farm in the Southern Fringe growth area of Cambridge has been in development since 2008.

The town of Trumpington is built around its community, with Clay Farm Community Centre at its core, and bpha helped establish a variety of groups, community hubs and other support networks.

The scheme has 513 homes, 296 of which are for affordable or intermediate rent and 217 for shared ownership.

Kathryn Beck, Community Development Officer, said: "We regularly attend forum meetings with other partner agencies in Cambridge to keep abreast of community matters and during 2017/18 bpha was pleased to support the youth festival and drama group."

> **We help to provide a positive presence in the community, working with the residents to promote community development.**

Kathryn Beck
Community Development Officer

Wootton, Bedfordshire

Situated on the edge of the popular village of Wootton, this greenfield site is approximately 6 miles from Bedford town centre and 15 miles from Milton Keynes.

In June 2016, full planning consent was granted for the construction of 600 houses situated next to our ongoing development of 55 Extra Care homes, currently under construction.

The village has a good range of community services, employment opportunities and facilities, including a doctor's surgery, pharmacy, churches, shops, a primary school (for children aged between 4 and 11) and pre-school nursery, library and sporting facilities.

The combined scheme across three constructors will provide 84 affordable rent and 41 shared ownership homes for bpha.

KEY DEVELOPMENTS IN 2017/18
RETIREMENT LIVING AND EXTRA CARE

Wootton,
Bedfordshire

Extra Care housing is designed around the requirements of older people with a range of needs and offers 55 self-contained flats all for affordable rent (35 with one bedroom and 20 with two bedrooms).

The main communal spaces are at the core of the development, creating a social heart to the scheme.

The ground floor communal area has been designed to create a hub for residents, families and visitors to enjoy. Residents are able to keep their independence whilst help is available when they need it.

The scheme is due for completion in spring 2019 and demonstrates our ongoing commitment to ensuring we deliver developments for a range of customers.

Mill View,
Hauxton, Cambridgeshire

Mill View is a development of 70 purpose-built apartments for affordable rent and sale within a modern building, and forms part of the wider Hauxton Meadows development which sits on the outskirts on the village of Hauxton, overlooking the surrounding Cambridgeshire countryside.

The site is built to high specification with a focus on interior design and will open its doors to the over 55s next year.

As statistics reveal that more than 23% (15m) of the UK population are now aged 60 and above, the need for suitable homes for older people has never been greater.

The scheme has been designed to include a rooftop café, a light and airy atrium, social spaces and a shop and hairdressers, and we have taken a holistic approach with on-site and flexible care, to help create a real community.

> Responding to a growing older population, our Retirement Living and Extra Care developments have a strong sense of community and provide safe and secure homes with flexible care and support which is tailored to the individual.

Claire Bishop
Head of Development

KEY DEVELOPMENTS IN 2017/18
SHARED OWNERSHIP

Amy Eldridge, Longford Park

Longford Park,
Banbury, Oxfordshire

Longford Park is located in the small village of Bodicote near the market town of Banbury, and the development will be completed over three phases.

In 2017, a primary school was opened at the site, an important contribution to the creation of a new community, and bpha delivered 59 homes for affordable rent and 24 for shared ownership with three national house builders.

Our Shared Ownership homes offer affordable access to home ownership, something which Amy Eldridge and her boyfriend Matt Brooks took advantage of after years of paying high rents.

"First of all we didn't know if we could afford it, then we saw there were homes available with bpha for Shared Ownership sale," said Amy.

"We looked at the homes that were available and very quickly found one we loved."

Amy and Matt applied through Help to Buy and, once approved, got in touch with bpha to progress their purchase.

"The whole process has been really smooth. We moved in a few months ago, and we're really starting to feel at home. We're really happy here."

"Being able to afford to buy a home is a challenge for many across our area of operation. During 2017/18, we were delighted to help 148 customers make that significant step towards affordable home ownership through our Shared Ownership programme. In 2018/19 we look forward to doing the same for over 200 purchasers and growing our programme further in years to come."

Catherine Cannon
Head of Home Ownership

The last five years have seen a significant improvement in our finances, generating higher surpluses, without reliance on non-social housing activities.

Our £200m own name bond was issued in 2014; the commentary below primarily focuses upon what has been achieved in the four years that followed.

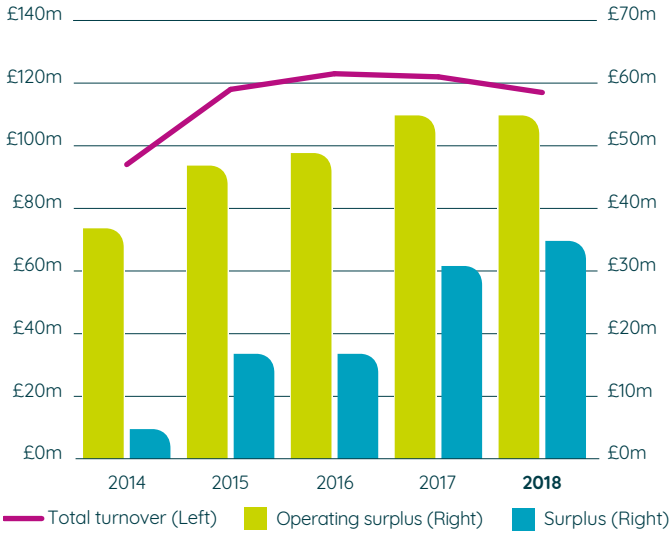
The key performance metrics demonstrate that our core business model does not rely on asset sales and illustrate the improvements that have been achieved during this period.

In 2017/18 we continued to deliver strong financial performance. We operate in a region with a high demand for affordable homes and our focus on our core social housing business, together with a carefully controlled development programme, has resulted in improvements in our finances over the five year period from 2014 to 2018.

Key highlights include:

- operating surplus growth to £55m in 2018 from £37m in 2014
- overall operating surplus as a percentage of turnover of 47.2% (2017: 44.8%) remained strong over this five year period
- underlying surplus growth to £35.1m in 2018 from £5.7m in 2014
- further strengthening of liquidity with strong operational cash flow resulting in long term debt decreasing by £7m to £731m (2017: £738m)
- completion of 385 new homes (2017: 508) and a record £88m invested in ongoing developments.

Turnover and surplus

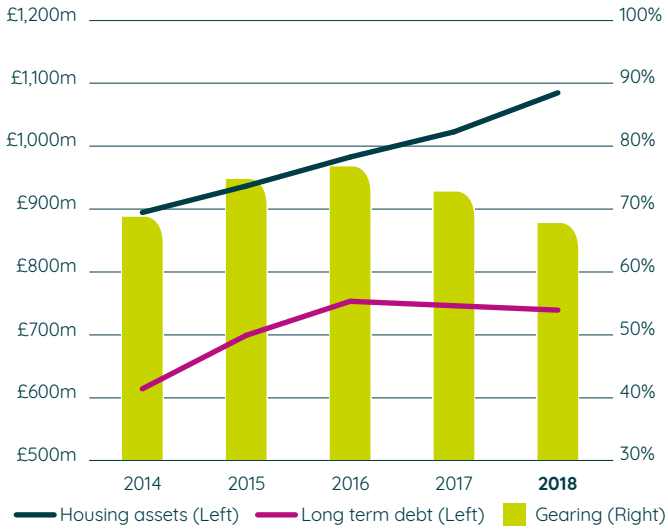


As turnover has increased, operating margins have remained strong leading to increased operating and bottom line surpluses. 2017/18 shows our greatest bottom line performance to date at £35m.

	2014	2015	2016	2017	**2018**
Total turnover	£94m	£118m	£123m	£122m	£117m
Operating surplus	£37m	£47m	£49m	£55m	£55m
Surplus*	£6m	£17m	£17m	£31m	£35m

* Stated before movement in fair value of financial instruments and investment properties.

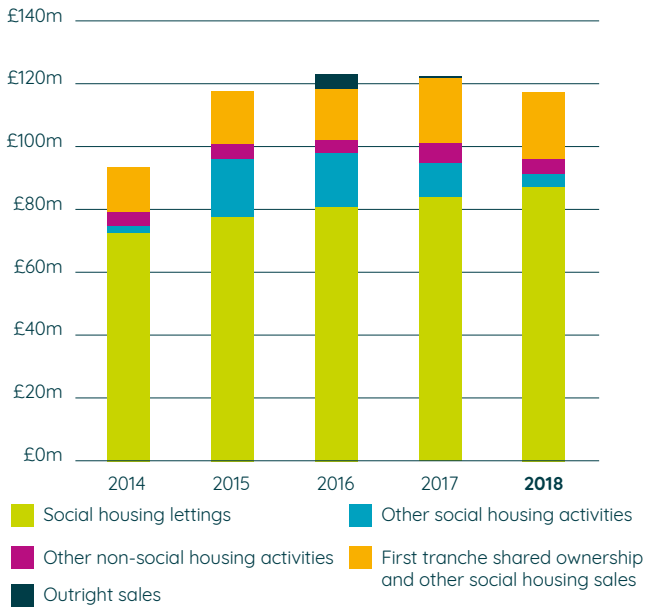
Gearing, assets and debt



The value of our housing assets has continued to rise, and strong cash flow generation meant debt has risen at a slower rate leading to improvements in our gearing metrics.

	2014	2015	2016	2017	**2018**
Housing assets	£894m	£936m	£982m	£1,022m	£1,084m
Long term debt	£614m	£699m	£753m	£746m	£739m
Gearing	69%	75%	77%	73%	68%

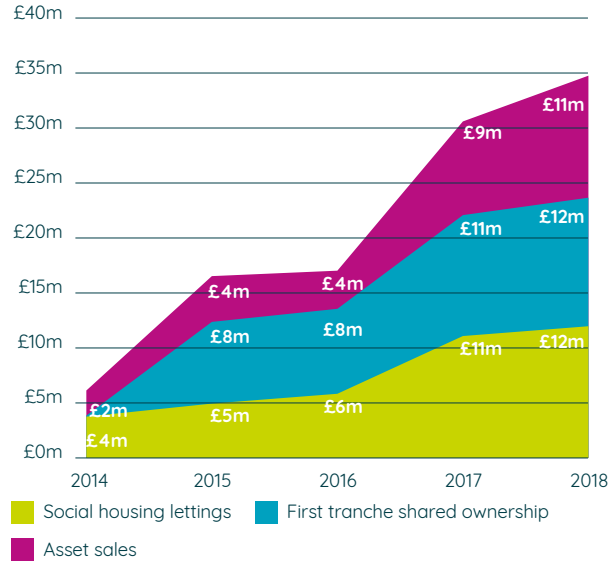
Turnover breakdown



The majority of our income is from social housing lettings which has steadily increased since 2014. Non-social housing activities accounted for just 4% of turnover in 2018.

	2014	2015	2016	2017	**2018**
Social housing lettings	£72.6m	£77.7m	£80.9m	£83.9m	£87.1m
First tranche shared ownership	£14.5m	£17.0m	£16.3m	£20.8m	£21.4m
Other social housing activities	£2.2m	£18.3m	£17.0m	£10.9m	£4.1m
Other non-social housing	£4.2m	£4.7m	£4.1m	£6.3m	£4.7m
Outright sales	–	–	£4.8m	£0.5m	–
	£93.5m	**£117.7m**	**£123.1m**	**£122.4m**	**£117.3m**

Surplus contribution



Social housing lettings contribution, after financing costs, has continued to grow over the period, while sales have made an increased contribution to bottom line surplus.

The contribution from social housing lettings is net of all interest costs showing that servicing interest is not dependent on sales or development.

	2014	2015	2016	2017	**2018**
Social housing lettings	£3.8m	£5.0m	£5.9m	£11.2m	£12.1m
First tranche shared ownership	£0.1m	£7.5m	£7.8m	£11.1m	£11.8m
Asset sales	£2.3m	£4.2m	£3.5m	£8.6m	£11.2m
	£6.2m	**£16.7m**	**£17.2m**	**£30.9m**	**£35.1m**

Five year summary – key figures

	Previous UK GAAP	FRS 102			
Group statement of comprehensive income	2014 £'m	2015 £'m	2016 £'m	2017 £'m	**2018 £'m**
Social housing turnover	94.3	113.0	114.2	115.6	**111.9**
Turnover	**113.5**	**117.7**	**123.1**	**122.4**	**117.3**
Operating surplus	**37.0**	**47.1**	**48.6**	**54.9**	**55.4**
Operating surplus as a % of turnover	*38.7%*	*40.0%*	*39.5%*	*44.8%*	***47.2%***
Net interest	(33.6)	(34.9)	(34.4)	(33.0)	**(31.5)**
Surplus from asset sales	2.3	4.2	3.5	8.6	**11.2**
Underlying surplus for the year	**5.7**	**16.4**	**17.7**	**30.5**	**35.1**
Gains/(losses) on financial instruments, investment properties and termination of hedging agreements	(11.9)	(66.3)	0.1	(1.5)	**6.6**
Surplus before tax	**(6.2)**	**(49.9)**	**17.8**	**29.0**	**41.7**

	Previous UK GAAP	FRS 102			
Group statement of financial position	2014 £'m	2015 £'m	2016 £'m	2017 £'m	**2018 £'m**
Housing fixed assets	894.2	922.9	969.5	1,008.3	**1,073.4**
Other assets less current liabilities	32.9	147.8	127.3	109.5	**75.7**
Total assets less current liabilities	**927.1**	**1,070.7**	**1,096.8**	**1,117.8**	**1,149.0**
Debt (due over one year)	613.7	698.7	752.4	737.8	**731.4**
Other long term liabilities	46.3	222.5	175.4	185.9	**180.9**
Total long term liabilities	**660.0**	**921.2**	**927.8**	**923.7**	**912.3**
Reserves: total	**267.1**	**149.5**	**168.9**	**194.1**	**236.8**
Total long term funding and reserves	**927.1**	**1,070.7**	**1,096.8**	**1,117.8**	**1,149.0**

2017/18 in focus – getting stronger through development

Service delivery

As detailed in the table above, we remain strongly focused on social housing. Social housing lettings activity remains the core component of our business, generating turnover of £86.5m, or 74% of total turnover. Our social housing lettings and other social housing activities together account for 96% of our total turnover.

During the year we have continued our investments in people, processes and systems to deliver better customer service. The cost of this investment has largely been met through internally generated efficiencies. Our margin on social housing lettings of 44.3% is in line with last year.

During the year, we invested £22.0m (2017: £22.8m) in maintaining and improving existing homes, of which £11.8m (2017: £11.4m) was capitalised and £10.1m (2017: £11.4m) was charged to revenue. Detailed stock condition data allows us to have a good understanding of our future maintenance liabilities and enables us to plan work in cost effective packages, which can vary significantly from year to year. During the year ended 31 March 2018, 2,520 properties were resurveyed to keep our stock condition data up to date. We have been 100% Decent Homes Standard compliant since 2010.

Many of our tenants are economically active in full-time employment and consequently are not dependent on welfare benefits. Consequently, we are less exposed to the introduction of Universal Credit and welfare reform than may be the case for others in the sector.

We also invested in technology and people to modernise our service delivery. This included implementing new digital service delivery channels, such as a new Customer App, and providing our staff with technology which enabled mobile working and closer customer contact. This helped minimise the impact of bad debts and arrears during the year.

Development and sales

Across the Oxford to Cambridge corridor, rental yields are strong with market rents considerably exceeding social rents. As property prices are high, this generates demand for shared ownership properties and provides opportunity to cross subsidise the development of further affordable rented units. Bushmead Homes, our build for private sale subsidiary, is also continuing to grow at a measured pace but without creating an undue level of sales risk exposure.

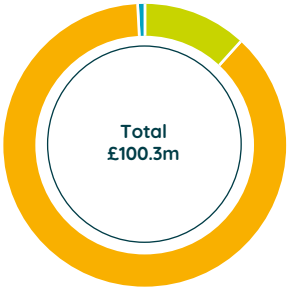
During the year, we developed or acquired 385 new affordable homes (2017: 508). This is equivalent to 2.6% of total units owned and in management and compares well to the sector mid-quartile delivery of 1.2% new units developed as a percentage of total units owned and in management (as taken from the HCA Global Accounts 2017). Within the five years to 2018 we completed over 2,300 new affordable homes.

In addition to this, 14 private sale units were completed in 2018 which represents our 25% share of units completed by Gog Magog Partnership LLP.

The strong controls in place over new development commitments have ensured that, during the period, first tranche surpluses have contributed to an increased operating surplus and completed units have added to balance sheet strength.

Total investment in homes in 2018 exceeded £100m:

Capital spend by type



Improvements to existing homes	£11.8m
Investment in new homes	£87.8m
Other	£0.7m

The vast majority of our investment is used to fund the creation of new homes and to improve existing homes.

During the year, our housing fixed assets increased by £65m and our property portfolio (owned and managed) increased by 67 units to 18,253 as shown in the table below. This was the net impact of completions from the development programme less the hand-back of units managed for others, customers' staircasing to 100% and other asset sales.

Asset management sales and staircasing performed strongly this year, contributing £11.2m (2017: £8.6m) to the overall surplus. This is driven in part by increased numbers of units sold and in part by higher surplus per property due to the type of dwelling sold. Most of our stock performs well economically and therefore there is no imperative for stock rationalisation. Hence this asset management activity is mainly driven by customer demand, such as staircasing by shared owners, rather than as part of a wider asset management strategy. Whilst such surpluses help fund further development, our business model does not rely upon this.

Turnover from first tranche shared ownership sales and sales to other social housing providers (part of our other social housing activity) is £21.4m in 2018 (2017: £27.8m) having grown from £14.5m in 2014. To ensure the development of new housing for social and affordable rent is economically viable, subsidy of the building cost is required. The surplus generated by these sales of £11.8m in 2018 (2017: £11.1m) is a key component of our development model.

Financial strength

Over the five years, our total operating surplus has grown to £55.4m in 2018 (2017: £54.9m) from £36.2m in 2014.

At the same time the underlying surplus for the year has grown to £35.1m in 2018 (2017: £30.5m) from £4.6m in 2014. This significant improvement in our performance has been driven by contributions from development and asset sales and benefits from refinancing undertaken in previous years. These improvements continue to be underpinned by strong operating performance from our core social housing lettings activities which has been achieved despite the 1% social housing rent cut which took effect at the start of last year.

Our earnings before interest, tax, depreciation and amortisation, major repairs included (EBITDA MRI) has grown during the five years to £61.4m (2017: £61.0m) from 2014 to 2018 from £34.4m. This is mainly as a result of our increased surplus contribution from strategic long term development sites and implementation of strict development appraisal criteria.

Over the same period, despite growth in stock and associated funding, debt interest costs remained largely unchanged. Consequently, EBITDA MRI as a percentage of interest payable and similar charges, has grown to 176% in 2018 (2017: 167%) from 104% in 2014. The growth in the EBITDA MRI/interest ratio shows that we are in a strong position to more than meet our financing obligations whilst continuing to invest both in our housing properties and development of new homes.

Our total assets less current liabilities have reached £1,149m (2017: £1,118m) and this has risen steadily from £924m in 2014. The asset base has been funded through a combination of retained reserves of £237m (2017: £194m), long term funding of £731m (2017: £738m) and other long term liabilities of £181m (2017: £186m).

Other long term liabilities are detailed in the notes to the financial statements and include government grant, pension liabilities and market value of financial instruments. The pension liability of £27.2m (2017: £27.6m) represents our share of a long term liability under the Local Government Pension Scheme which has been closed to new members since 2010. The market valuation of financial instruments of £57m (2017: £66m) has improved by £9m during the year.

	Units as at 1 April 2017	Additions	Disposal	Out of management	**Units as at 31 March 2018**
Total owned	16,415	385	(64)	–	16,736
Managed on behalf of others	1,771	28	(110)	(172)	1,517
Total owned and in management	**18,186**	**413**	**(174)**	**(172)**	**18,253**

Cash generation

Our net cash flow from operating activities is sufficient to cover both debt interest and capital expenditure on existing assets, showing that our core operations are cash generative.

During the year the net cash generated from operating activities combined with the proceeds from sales covered the majority of expenditure on development.

	2018 £'m
Net cash from operating activities	55.7
Interest paid	(34.3)
Operating cash flow net of interest	**21.4**
Improvements to housing properties	(11.8)
Other items	1.8
Operating cash flow net of interest & capex & other	**11.4**
Proceeds from asset sales	24.9
First tranche shared ownership sales	21.4
Operating and sales cash flow	**57.7**
Development spend	(78.4)
Net movements in borrowings and deposits	(3.5)
Net cash flow after development activities	**(24.2)**

Treasury

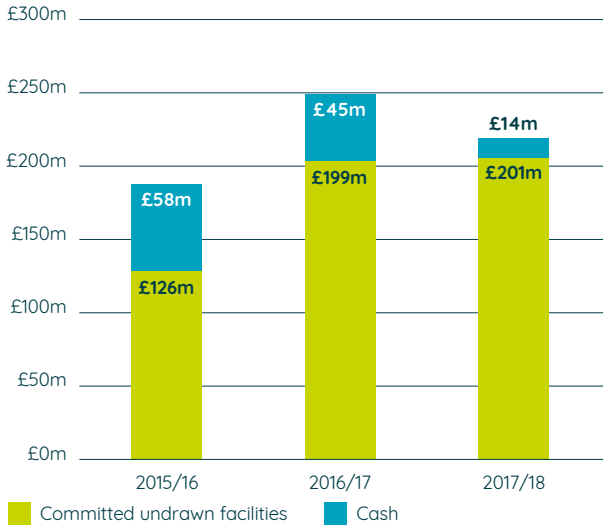
We have strict liquidity targets to ensure that sufficient liquidity is available to fund ongoing and planned activities. At 31 March 2018, £744m of funding was drawn against total facilities of £945m (includes £3m overdraft) and £14m of cash was immediately available. This meant that our liquidity headroom remained strong at £215m. Our security headroom (made up of undrawn facilities which are fully secured and available to draw within 48 hours, plus cash on deposit) has also remained strong at £129m.

This strong liquidity means that all future committed developments can be funded from existing facilities, without the need to raise new funding. As detailed in the group cash flow statement, strong operational cash flow in the year has meant that drawn debt actually fell by £7.1m over the year to £743.7m (2017: £750.8m).

Our loan covenants are predominantly based upon interest coverage, asset cover and gearing ratios. Covenants are regularly monitored in accordance with our governance framework and were comfortably met throughout the year.

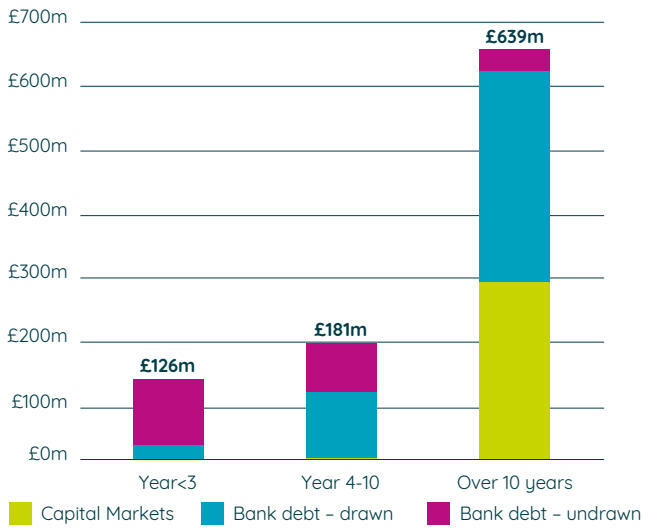
In November 2017 Standard & Poor's reaffirmed our credit rating as A+ (stable).

Liquidity



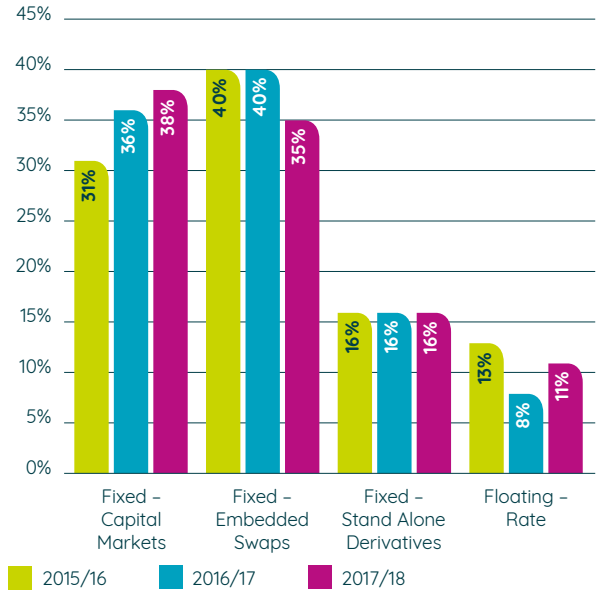
Our liquidity position remained very strong year on year and at 31 March 2018 we had £215m of available liquidity. Our development commitments are fully funded. As £129m of our facilities can be drawn within 48 hours our policy is to hold a relatively low cash balance.

Loan maturity profile



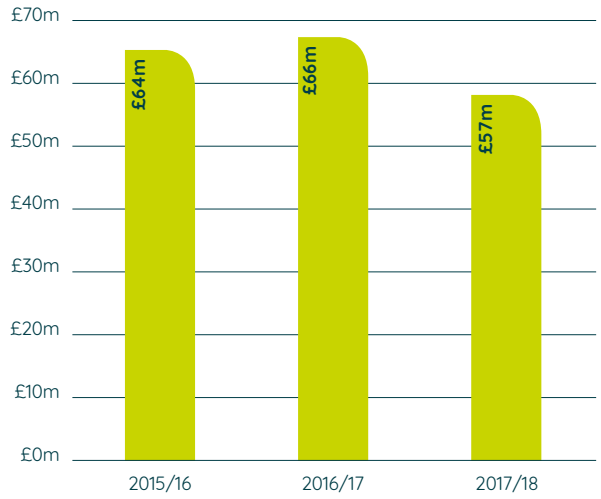
68% of our loan facilities mature after ten years. We have very limited short term refinancing risk since facilities due to mature over the next three years are mostly attributable to £100m of revolving credit facilities which are currently undrawn.

Hedging activity



At 31 March 2018, 89% of our drawn debt was at a fixed rate of interest, of which the majority comprised fixed rate capital market debt and bank debt hedged through embedded swaps. Only 16% related to stand-alone swaps with exposure to margin calls.

Marked To Market



Our Marked To Market position has decreased by £9m throughout the year, this represents a lower exposure to our stand-alone derivatives. Further details are set out in note 19.

Delivering best value through all our services is critical; ensuring we improve delivery of our services and maintain our strong financial position.

Board responsibility

The Board takes responsibility for Value for Money (VfM) at bpha by:

- setting objectives and targets
- approving the use of resources through the budget and business plan
- monitoring performance and results to ensure achievement.

We generate value through our mission to build and maintain quality homes and thriving communities by being increasingly efficient. In support of this, we have four interdependent goals:

- the development of new homes
- the protection and efficient utilisation of existing assets
- the delivery of well defined, appropriate services to a range of tenant and customer groups
- the protection and development of the organisation's financial capability.

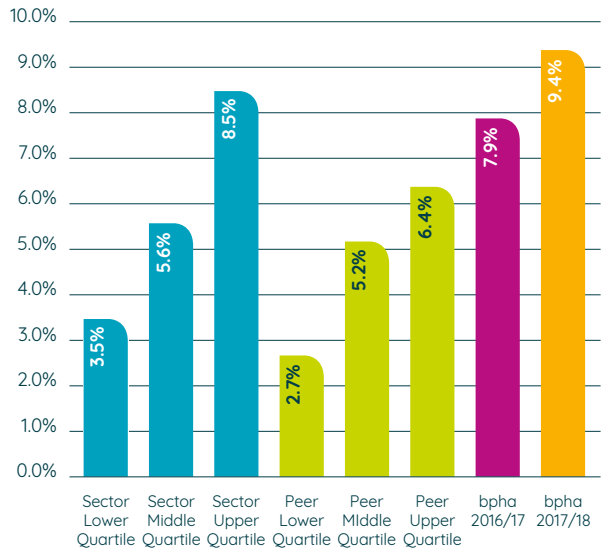
After consideration of the core Value for Money measures set by the Regulator of Social Housing and of other key performance indicators, the Board has concluded that we have been successful in delivering Value for Money, having continued to maintain tight control of costs, invest in improvements to service delivery and existing stock and deliver new homes.

Value for Money performance

We have continued to achieve strong performance across a range of indicators. Where possible, the measures outlined below have been benchmarked against a comparable group of housing associations in terms of size and geography, as well as nationally. We are comparing with the most recent available information, which in most cases relates to 2016/17.

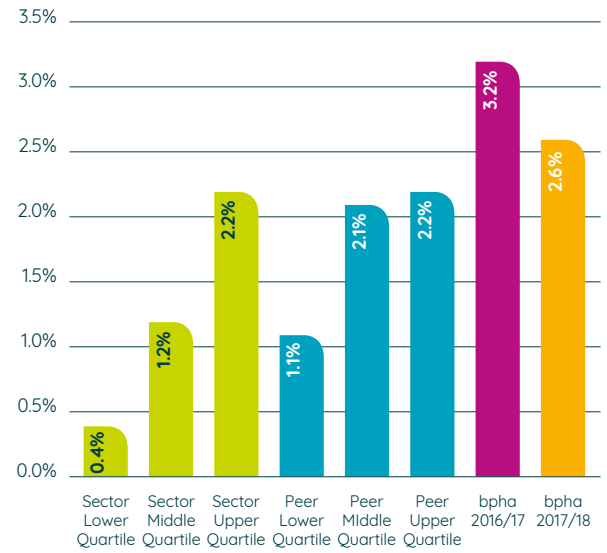
These measures have been mandated by the Regulator of Social Housing, including the definition of the measure, which sometimes differs to measures elsewhere in the financial statements and to our financial covenants. With the exception of 'Total expenditure on properties per home', the remaining measures presented here are the mandatory measures as prescribed by the Value for Money Metrics – Technical note (issued in September 2017).

Reinvestment %



Our reinvestment rates have been historically high compared with others in the sector and in particular our peer group. This reflects our twin objectives of maintaining our existing assets and developing new homes. We expect the level of reinvestment to remain high as we expand our development programme towards a goal of 700 homes per year.

New social housing units delivered %



The delivery of new homes is dependent on the timing of development schemes and may not reflect the level of investment during a particular period. The proportion of new social housing units delivered has fallen during the year but remains high compared with others in the sector and our peers. We expect this measure to rebound during the coming year as our development schemes reach handover stage.

OUR PEOPLE

Having the right people in the right roles with the right motivation is central to bpha's Value for Money performance. They deliver our services, they bring ingenuity and problem-solving skills, they find better and more efficient ways of doing things and they care passionately about our customers whatever their needs or backgrounds. Retaining and developing our current workforce as well as recruiting for new skills when we need them is extremely important to bpha's ability to achieve its core goals.

Retaining and developing our employees

bpha invests consistently in the development of its workforce. In 2017 the organisation launched a management development programme for 'new' managers. Whilst external specialists were used to provide a framework of core skills, internal subject experts were developed through a 'train the trainer' approach to augment the content and delivery of the course. This has enabled our investment to be extended to more people and ensures that the learning is embedded and applied. As a result, the new skills and ways of working that are taught in theory get encouraged and supported on a day-to-day basis by our growing number of 'internal trainers'.

Recruitment

Over the past year we have worked to improve our recruitment processes to ensure we attract the highest quality of candidates to meet the requirements of our ambitious business plan. By using a blend of targeted advertising, social media, referrals and specialist agencies, we have been able to fill high-demand specialist posts, general requirement roles and training posts in a cost effective and efficient manner. By ensuring that bpha's brand, purpose and ambition are to the fore of our communication and working through suppliers where we have been able to agree competitive terms, we have met both our quality and value targets.

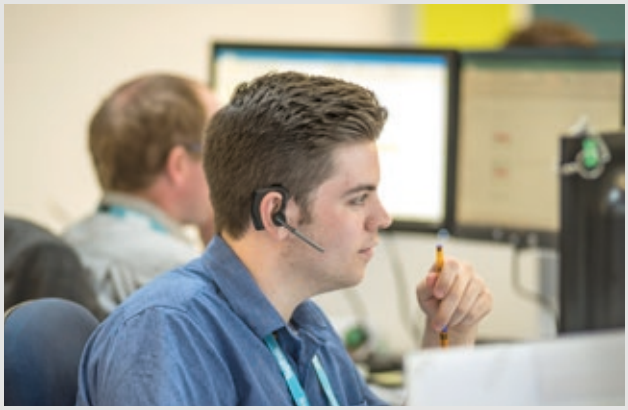
A good place to work

Through our overall approach to the management and development of our workforce, we have the resources needed to meet the requirements of our corporate plan. Furthermore, when asked through the UK's leading employee engagement survey, Best Companies, our employees tell us we are a good organisation to work for. In 2017 we were placed at 90 within the Sunday Times 100 Best Not-for-Profit Organisations, a result that we are pleased with, but will never be complacent about. Our employees are the driving force of our Value for Money performance.

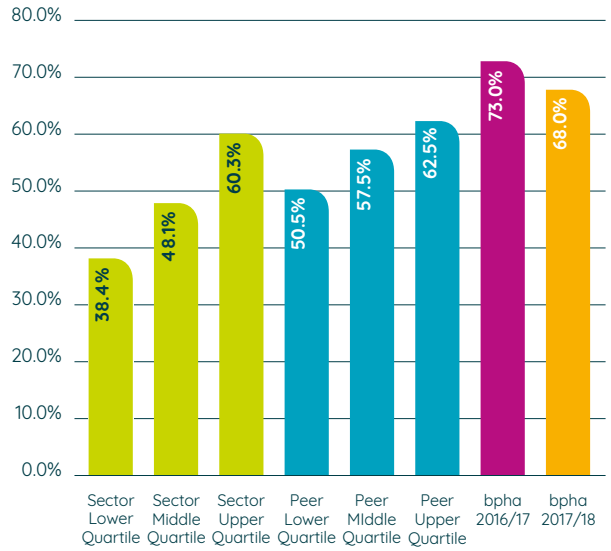
OUR SYSTEMS

Having outsourced our IT infrastructure (servers and storage) for several years, decreased costs and investment in internal capacity and skills have allowed us to bring those services in house. In 2017 we moved those services to our Bedford Heights head office.

These changes have allowed us to implement a state-of-the-art storage solution, ensuring a comprehensive Disaster Recovery Environment and generating a saving of over £350,000 per year.

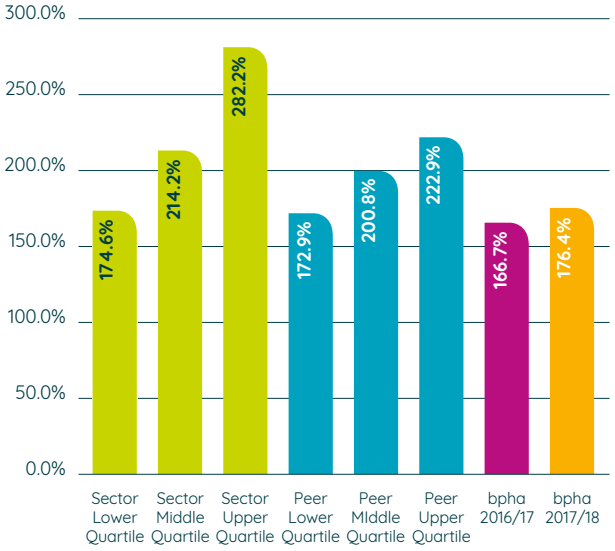


Gearing %



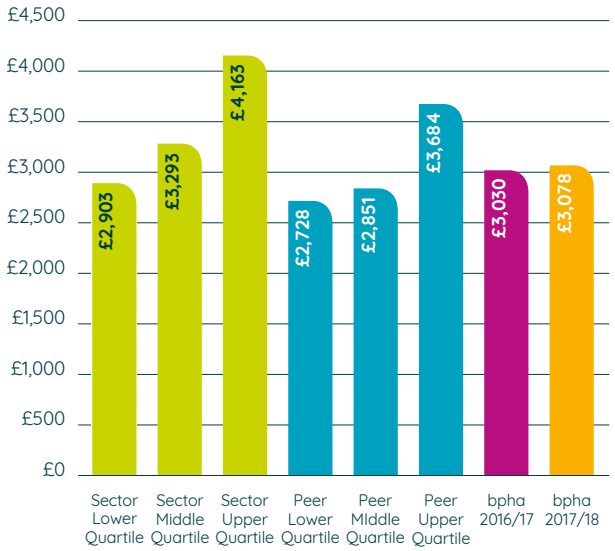
Our level of gearing, measured as the proportion of debt to the book value of housing, shows that we are making use of our assets to raise funds for investment while maintaining a sustainable level of debt. This reflects our objectives of investing in both new and existing homes, and we expect this to remain relatively high.

EBITDA MRI interest cover %



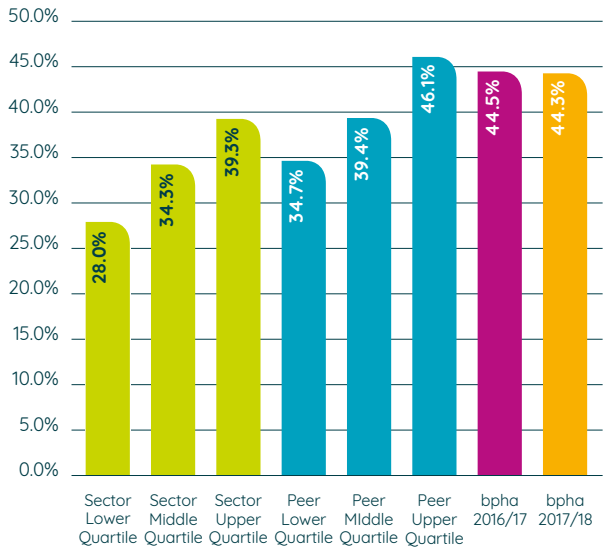
Our earnings continue to exceed our interest charges by a margin, considerably exceeding our funding covenants. We remain below the lower quartile compared both with our close peers and nationally, reflecting bpha's long term track record of delivering new homes supported by higher gearing.

Social housing cost per unit £



Traditionally, we have been able to demonstrate a high level of control over our costs. Our headline social housing cost per unit has barely increased during the year, remaining below sector averages and close to the lower quartile. We expect this cost to increase in the short term due to our investment in systems and people to support future efficiency gains.

Operating margin (social housing lettings only) %



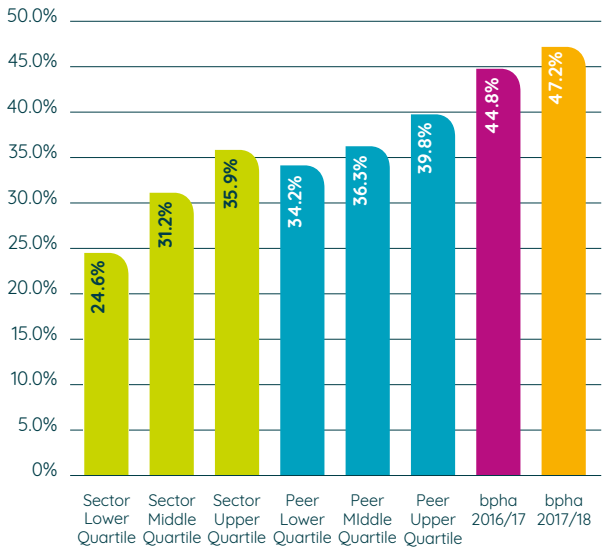
The margin on our social housing lettings remains consistent and is in the top quartile against both our peers and the sector. This business is very stable and our target for 2018/19 is 46%, a slight increase on 2017/18.

OUR CUSTOMERS

Each tenancy failure has both a human and a financial cost, minimising the incidence of these must be a priority.

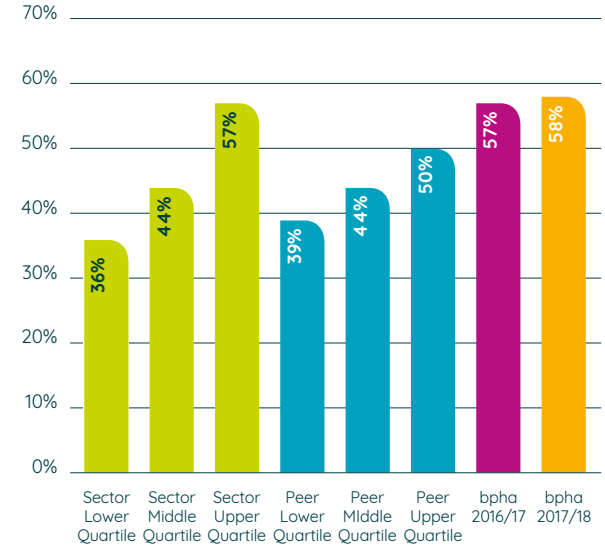
We employ a Tenancy Sustainment Officer (TSO) to help support those facing challenges that may put them at risk of losing their home. The direct cost to us of a failed tenancy is an average of £9,000 but the wider costs of homelessness to the local authority and other support services and to the customer themselves could be even more. The work of the TSO also helps to minimise the impact of rent arrears, an increasing concern since the introduction of Universal Credit.

Operating margin (overall) %



Our overall operating margin has grown in the year, and remains comfortably higher than top quartile against both peers and the sector, reflecting our high levels of efficiency. This measure can be impacted by the volume of sales arising in the development programme, which may differ from year to year, but we aim to ensure that our cost controls free funds for greater investment in new and existing homes. Our target for 2018/19 is 42%, reflecting an investment in the business for future efficiency.

Return on capital employed %



Our return on capital employed exceeds top quartile for our close peers and matches top quartile nationally, reflecting our control of costs and the effective use of our existing assets to generate funds for reinvestment.

In addition to the mandated VfM measures, we also monitor the following KPIs to ensure we are meeting our objectives:

Total maintenance expenditure on properties per home £

This measure reflects the amount that we spend on maintaining our properties. This will vary according to our maintenance programmes and looks low compared with others in the sector and our peers. Since much of our stock is relatively young, this requires lower maintenance expenditure. Our strong purchasing controls and good stock condition data enable us to minimise cost.

Customer satisfaction

An important measure of VfM is the satisfaction of our customers with the quality of home and service we provide. We monitor this through the Survey of Tenants and Residents (STAR), a common format used across the sector. Our customer satisfaction results for the last three years are as follows:

	2015/16	2016/17	**2017/18**
General Needs (rent provides Value for Money)	85%	87%	**88%**
General Needs (overall service provided)	82%	89%	**87%**
Housing for Older People (rent provides Value for Money)	93%	88%	**83%**
Housing for Older People (overall service provided)	95%	94%	**96%**
Shared Ownership (rent provides Value for Money)	68%	73%	**72%**
Shared Ownership (overall service provided)	62%	78%	**77%**

We consistently score highly for rent providing Value for Money in general needs and have improved our satisfaction levels for shared ownership. Whilst older people have remained satisfied with the quality of their home, they have become less satisfied with Value for Money, which appears to be driven by increases in service charges, where the cost of provision in recent years has increased.

Our overall scores remain high and meet or exceed our targets. The lower levels of overall satisfaction among our shared ownership tenants, which are improving, appear to be related to historical problems with reporting repairs. Satisfaction scores for repairs reported in the last 12 months have increased over the year, suggesting that measures taken to address the problems are working and will gradually lead to improvements in this area.

Overall, we are pleased with the results of the Value for Money indicators, while recognising that this is an area where we only maintain our results through continued improvement of the underlying operations.

VfM targets 2018/19

	Actual 2017/18	Target 2018/19
Financial targets		
Reinvestment	**9.4%**	10.2%
New Social Housing Units delivered	**2.6%**	3.5%
Gearing	**68.0%**	65.7%
EBITDA MRI Interest Cover	**176.4%**	160.8%
Maintenance expenditure per unit	**£1,521**	£1,627
Social Housing Cost per home	**£3,078**	£3,452
Operating margin – social housing lettings	**44.3%**	41.6%
Operating margin – overall	**47.2%**	43.0%
Return on Capital Employed	**5.8%**	5.3%
Customer satisfaction targets		
General needs		
Rent provides Value for Money	**88%**	85%
Overall service provided	**87%**	87%
Housing for older people		
Rent provides Value for Money	**83%**	85%
Overall service provided	**96%**	95%
Shared ownership		
Rent provides Value for Money	**72%**	70%
Overall service provided	**77%**	70%

The Board has set the VfM targets which will deliver the aims of the six key strategic themes detailed on page 9. In particular, we have purposely decided to increase some costs by investing in our choices for our future:

- we are investing more in existing homes and in delivery of new homes and the reinvestment and new homes percentages are targeted to rise accordingly
- financial viability criteria have been maintained and will not be compromised by increased homes delivery; strong cash flow from operations and asset sales will continue to provide significant funding for development and accordingly gearing is targeted to fall
- we have planned increased investment into improving existing homes during 2018/19. In addition, we are investing in digital services, IT infrastructure and in the capacity and capability of our staff in order to have an organisation fit to deliver our strategy. Together these investments will result in short term increases in cost per unit and corresponding falls to operating margins but will deliver greater value in the medium term
- an increased proportion of income will arise from shared ownership, which generates a lower margin, results in targeted overall operating margin falling
- customer satisfaction has improved over several years. The investment will help maintain the improvement and the targets have been kept the same as those set for 2017/18.

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.

The role of the Board

The Board is committed to maintaining the highest standards of governance. This report explains how the Board and its Committees discharge their governance duties and apply the principles of good governance enshrined in bpha's adopted code of governance, the National Housing Federation Code of Governance 2015. bpha has remained fully compliant with this code during the year.

During the year the Board has reviewed the vision, mission and values of the Group to ensure that these remain aligned to the Board's strategic vision for the Group moving forward.

In-Depth Assessment and Governance review

bpha is regulated by the Regulator of Social Housing (formerly the HCA). During the year we received our first In-Depth Assessment (IDA) from the regulator. The IDA includes a detailed review of our strategy, structure, risk profile and risk mitigation, financial resilience and governance.

bpha was delighted to retain both our G1 and V1 governance ratings, showing that we meet all governance and viability requirements and that we have the financial capacity to deal with a wide range of adverse scenarios.

We continually review and update our governance arrangements to ensure that they reflect the current environment and best practice. During the year we have carried out a full governance review led by our Senior Independent Director, which includes a full evaluation of our Rules, Board and Committee Terms of Reference and other governance documents.

The revised and updated Rules were approved by the Financial Conduct Authority on 18 April 2018. Following the Rules' revision, and the enactment by the Government of the Regulation of Social Housing (Influence of Local Authorities) (England) Regulations 2017, our new Rules will no longer provide for a local authority nominated Board member. The Board wishes to thank Shan Hunt, our local authority nominee, for her service to the Board over the last seven years and has asked her to serve a further year as an Independent Non-Executive to provide continuity. bpha remains committed to working closely with its local authority stakeholders in the future.

Composition of the Board

The Board of bpha is made up of members chosen for their skills, qualifications and experience. As at 31 March 2018, the Board of bpha was made up of 6 Non-Executive Directors, 1 Co-Opted Non-Executive and 4 Executive Directors providing a balance between the detailed executive knowledge of the business and the need for independent scrutiny and challenge.

At the end of the financial year the Chair of the Board, Robert Burgin, stepped down having completed his term of office. The Remuneration and Nominations Committee oversaw the recruitment for a successor and utilised an executive search firm. Following a robust selection process bpha was delighted to appoint Professor Paul Leinster CBE as our new Chair from 23 April 2018.

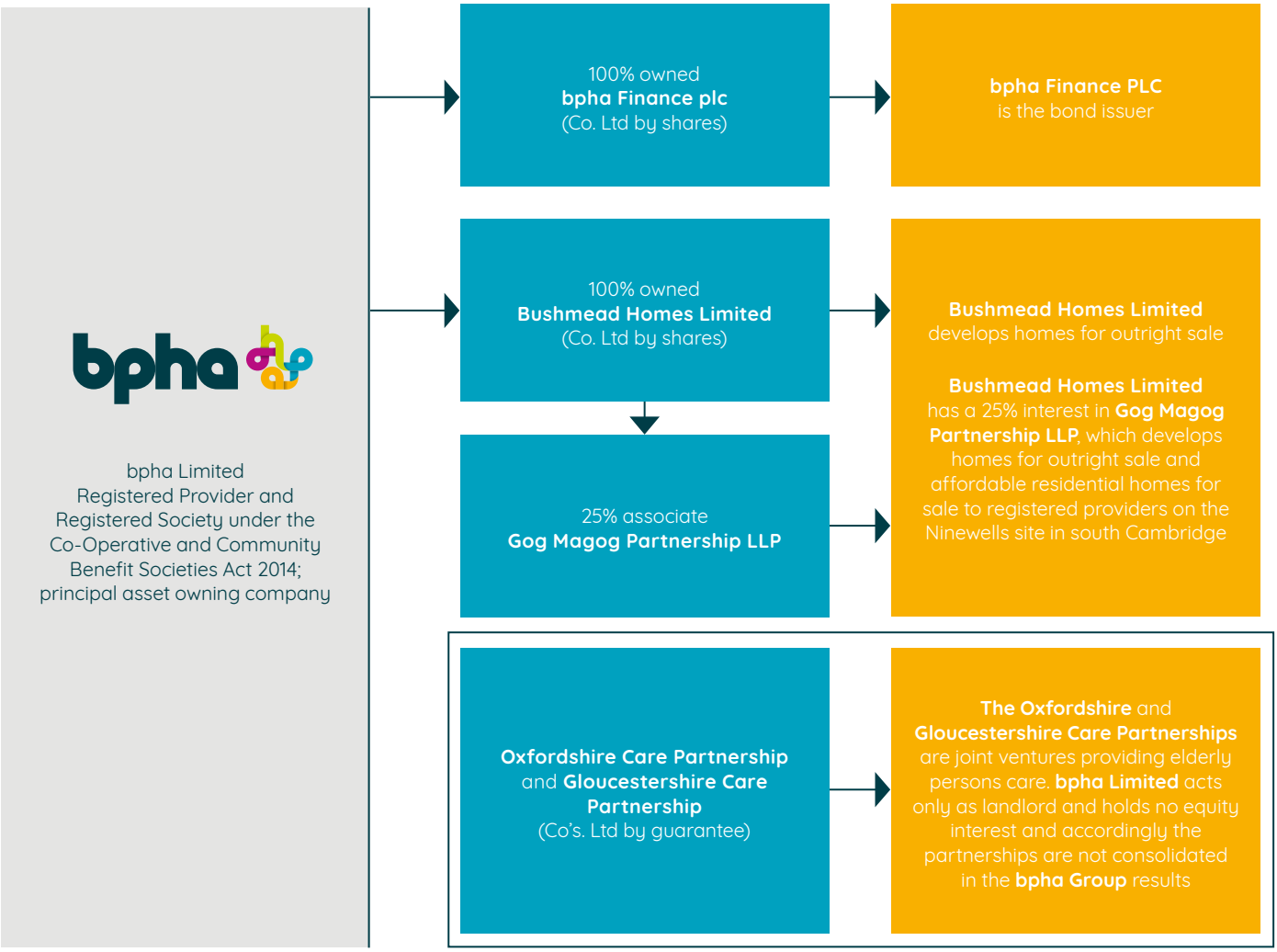
Paul Leinster CBE
Professor of Environmental Assessment at Cranfield University

Paul Leinster CBE is Professor of Environmental Assessment at Cranfield University and a non-executive board member of Flood Re, the Centre for Ecology & Hydrology, the Institute of Environmental Management & Assessment and Delphic HSE. He is a member of the Government's Natural Capital Committee and chairs the Bedfordshire Local Nature Partnership. His first job was with BP. He then worked for Schering Agrochemicals before moving into consultancy and then on to SmithKline Beecham. Paul joined the Environment Agency in 1998 and was appointed Chief Executive in 2008, a post he held until 2015.

Professor Leinster has lived in Bedford for almost 30 years and has extensive experience of the environmental, planning and infrastructure opportunities and challenges within bpha's area of operation, the 'growth and innovation' corridor between Oxford and Cambridge. Over the years in his various roles he has established an extensive network of contacts within local authorities, developers, planners, government departments and agencies and major infrastructure providers.

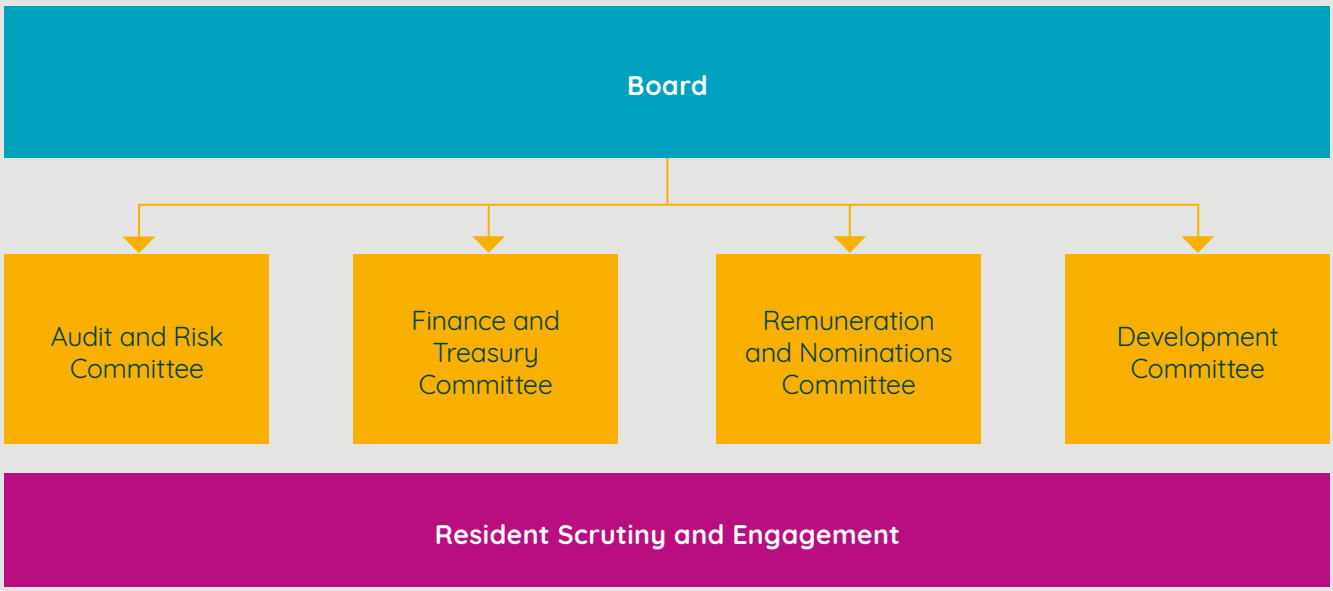
Professor Leinster said: "I can draw many parallels between work that I have been involved in at the Environment Agency and the challenges facing modern housing associations. I am excited at the prospect of being able to contribute to the future development of bpha, my 'local' housing association. bpha is uniquely positioned to meet the challenges of providing much needed new homes in an area that will undergo considerable change as the Oxford to Cambridge corridor develops."

Corporate structure of the bpha Group



The chart above only includes those entities which had material activities at 31 March 2018; further details are set out in notes 28 and 29.

bpha governance structure



Board meeting
February 2018

In January 2018 the Board also welcomed the appointment of Jeff Astle as Executive Director of Development and Sales. Jeff brings a wealth of experience of large scale development projects and for-profit development which will augment bpha's current development and sales strengths. He is leading the organisation's plans to deliver circa 3,000 new affordable homes over the next 5 years and will help shape the growth of our Bushmead Homes subsidiary, which delivers homes for outright sale.

The Board believes that the current composition of the Board reflects skills, qualifications and experience, and diversity of backgrounds required, to support the Board's strategy over the coming year. The Board met formally on six occasions during the financial year and met on a further two occasions to focus on strategy and the future direction of the organisation.

Compliance with regulatory standards

We confirm that during the year the requirements of the Regulator's Governance and Financial Viability Standard were met in full and the Board has reviewed bpha's systems of internal control.

Committees and Committee structure

The Board considers its Committee structure each year and has determined that the Board can operate most effectively through the use of Committees to provide detailed scrutiny and assurance and to which appropriate matters may be delegated. During the year the Board operated through four Committees:

Report of the Audit and Risk Committee

The Audit and Risk Committee (ARC) is made up of two Non-Executive Board directors, supported by Independent Members, whose role is to bring external independent thinking, scrutiny and challenge to the Committee.

In July 2017, Peter Male stepped down as ARC Chair and was succeeded by Ian Ailles. Tim Ludlow is due to step down as an Independent Member in July 2018 after 6 years of service and the Board would like to thank him for his contribution during this time. As part of ongoing succession planning we have appointed Bob Tattar as ARC's new Independent Member.

During the year ended 31 March 2018 ARC met on 5 occasions and the key areas of activity are summarised below.

Financial statements and reports

- engaged with the external auditor, considered the effectiveness of external audit work and reviewed the 31 March 2017 Annual Report and financial statements including the external auditor's report
- reviewed the effectiveness of the Group's internal controls and disclosures made in the Annual Report and financial statements.

Risk management and compliance

- considered the Group risk register, including changes to risk profile and effectiveness of risk mitigations and wider risk management
- undertook a detailed review of the fire safety measures within the organisation's tower blocks
- received regular reports on the organisation's progress towards the implementation of the General Data Protection Regulation (GDPR)
- approved the organisation's compliance with Regulatory Standards.

Internal audit

- reviewed and evaluated the effectiveness and the scope of work undertaken by the internal audit function which is carried out by external firm BDO
- scrutinised management responses to internal audit reports issued during the year.

Stress testing

- critically evaluated and challenged the stress testing undertaken by the association and considered the potential recovery strategies from the identified stress factors.

Report of the Remuneration and Nominations Committee

The Remuneration and Nominations Committee (RNC) is comprised of 3 Non-Executive Directors, including the Board Chair.

During the year ended 31 March 2018 RNC met on 4 occasions and the key areas of activity are summarised below.

Nominations

- appointed a panel led by the Senior Independent Director to appoint the new Board Chair
- reviewed Board and Committee skills, competence and experience
- undertook succession planning including for Board and independent Committee members.

Remuneration

- reviewed the People Strategy to ensure that the organisation has or is able to obtain the skills required to deliver its strategic objectives
- reviewed the Group's Learning and Development Programme
- reviewed and benchmarked the remuneration of the Executive Leadership Team including the Chief Executive Officer
- reviewed the organisation's Gender Pay Gap analysis and statement.

Report of the Finance and Treasury Committee

The Finance and Treasury Committee (FTC) is comprised of both Non-Executive, Co-Opted, Independent and Executive members. FTC was chaired by a Non-Executive Director. The executive members of FTC are the Chief Financial Officer and the Head of Corporate Finance.

During the year ended 31 March 2018 FTC met on 5 occasions and the key areas of activity are summarised below.

- scrutinised and challenged the Group's annual budget before this was presented to the Board for approval
- reviewed the Group's annual Business Plan before this was presented to the Board for approval, including review of sensitivity analysis
- monitored the Group's quarterly management accounts and treasury compliance reports, including performance against budget
- reviewed the Group's Annual Treasury Plan and Treasury Policy before these were presented to the Board for approval
- checked progress against the Annual Treasury Plan including scrutinising and maintaining oversight of all significant treasury proposals before these were presented to the Board for approval.

Report of the Development Committee

The Development Committee (DevCom) is comprised of both Non-Executive, Co-Opted and Executive members. DevCom is chaired by a Co-Opted Board member, supported by two other Non-Executive Directors, the Chair of ARC and the Chair of FTC, allowing for close alignment of the work of those Committees. The executive members of the Committee are the CEO and the Director of Development and Sales.

During the year ended 31 March 2018 DevCom met on 5 occasions and the key areas of activity are summarised below.

- reviewed bpha's Growth and Asset Management Strategy prior to Board approval
- undertook ongoing monitoring of development and sales
- reviewed risks associated with development and sales to ensure these are being effectively managed and mitigated in accordance with bpha's risk appetite statement
- ensured that sales and development outcomes are being achieved in a manner that provides demonstrable Value for Money
- reviewed the future development pipeline to ensure it is appropriate to the organisation's longer term aspirations
- ensured the development of the future pipeline of opportunities is fully aligned to the organisation's treasury policies and plans.

Resident Scrutiny and Engagement

As part of bpha's ongoing commitment to engaging with a broad range of residents, we have introduced our new online portal Viewpoint, which gives residents the opportunity to provide feedback on our services. This service, in line with bpha's digital strategy, is available 24 hours a day to all our residents allowing them the chance to engage with us on a wide variety of topics.

This service takes over from the work of the Service Improvement Panel, which had previously provided an excellent forum for Resident Scrutiny and Engagement and the Board would like to thank all those involved.

bpha remains committed to Scrutiny and Engagement with its residents through the work of the resident engagement staff.

Following an In-Depth Assessment in the summer of 2017, we retained our G1 and V1 ratings for governance and financial viability.

BOARD AND COMMITTEE ATTENDANCE YEAR ENDED 31 MARCH 2018

BOARD

Non-executive directors

Executive directors

Robert Burgin
Chair of the Board (retired 31/03/2018)

Ian Ailles
Chair of the Audit and Risk Committee

Jill Ainscough
Chair of the Remuneration and Nominations Committee

Paul High
Chair of the Development Committee (Co-opted member)

Shan Hunt
Local Authority Nominee

Martin Hurst
Chair of the Finance and Treasury Committee

Peter Male
Senior Independent Director

Kevin Bolt
Chief Executive Officer

Board
6 meetings and 2 strategy days

Robert Burgin	● ● ● ● ● ● ● ●	8/8
Peter Male	● ● ● ● ● ● ● ●	8/8
Shan Hunt	● ● ● ● ● ● ● ●	8/8
Ian Ailles	● ● ● ● ● ● ● ●	8/8
Martin Hurst	● ● ● ● ● ● ● ●	8/8
Jill Ainscough	● ● ● ● ○ ● ● ●	7/8
Paul High	● ● ● ● ● ● ● ●	8/8
Kevin Bolt	● ● ● ● ● ● ● ●	8/8
Paul Gray	● ● ● ● ● ● ● ●	8/8
Julie Wittich	● ● ● ● ● ● ● ●	8/8
Jeff Astle	● ● ●	3/3
Sarah Ireland[1]	○ ○	0/2

Audit and Risk Committee
5 meetings

Ian Ailles	● ● ● ● ●	5/5
Malcolm Zack	● ● ○ ● ●	4/5
Tim Ludlow	● ● ● ● ●	5/5
Jill Ainscough	○ ● ● ● ○	3/5
Peter Male	● ● ●	3/3

Remuneration and Nominations Committee
4 meetings

Jill Ainscough	● ● ● ●	4/4
Robert Burgin	● ● ● ●	4/4
Shan Hunt	○ ● ● ●	3/4

EXECUTIVE LEADERSHIP TEAM

Jeff Astle
Director of Development and Sales (appointed 02/01/2018)

Paul Gray
Chief Financial Officer

Julie Wittich
Director of Service Delivery

Adrian Moore
Director of IT (appointed 02/01/2018)

Liz Parsons
Director of Quality and Communications

INDEPENDENT AND OTHER COMMITTEE MEMBERS

Malcolm Zack
Independent member

Tim Ludlow
Independent member

Cliff Broadhurst
Independent member

Gosia Motler
Head of Corporate Finance

Finance and Treasury Committee
5 meetings

Martin Hurst	5/5
Paul High	5/5
Paul Gray	5/5
Cliff Broadhurst	5/5
Gosia Motler	5/5

Development Committee
5 meetings

Paul High	5/5
Ian Ailles	4/5
Martin Hurst	5/5
Kevin Bolt	5/5
Jeff Astle	1/1

KEY
- Non-executive directors
- Executive directors
- Independent members
- Head of Corporate Finance

1 Resigned 15 June 2017

Philippa Spratley
Company Secretary

The Company Secretary attends all Board and Committee meetings

We consider risk management to be a core part of our approach to delivering our organisational goals.

Risk and Assurance at bpha

It is part of what we do every day at bpha; assurance and internal controls help us challenge how we protect our organisation and how we learn and improve for the future.

Our risk strategy brings together risk appetite, risk management and assurance, and this in turn aligns closely with our quality management, internal audit and continual improvement ethos. We recognise that you cannot eliminate risk, rather we need to understand it, to take advantage of the upsides and minimise the downsides.

Achievements

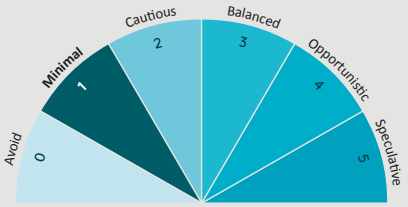
This year we were successful in winning the Housing Association National Accountancy (HANA) award, for 'Best Risk Management', recognising that we have embedded risk management into our culture and it is a key tool supporting decision making.

We also underwent an IDA by the Regulator of Social Housing. Our risk and assurance process was recognised as a thorough and embedded process throughout the organisation.

Risk Appetite

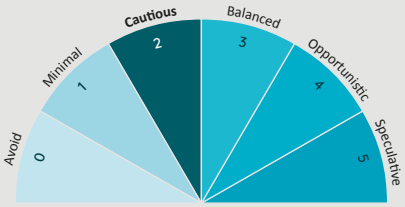
Our risk appetite statement ensures that when we make decisions, we are conscious of and consider opportunities within the parameters of agreed risk levels that are approved annually by the Board. This is evident when considering new development schemes, where each scheme must be assessed against our appetite statement, as illustrated below.

RISK APPETITE



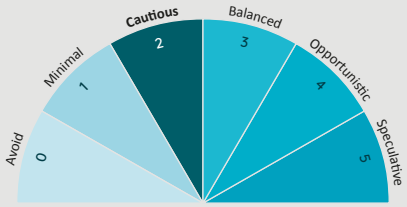
Health & Safety and service delivery

Only accept minimal risk in this area. Due to the nature of operations, we seek to minimise Health & Safety and Service Delivery risk to as low a level as possible whilst accepting that from time to time certain risks, such as lone working, will occur. For other risks such as gas safety, a zero risk tolerance approach is adopted.



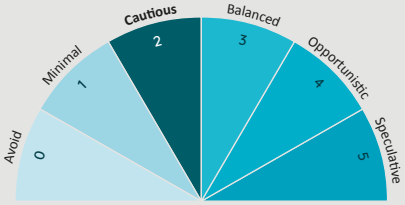
Finance and treasury

We are prepared to accept the possibility of some well managed risk in this area. Appropriate risk buffers over and above covenant and future liquidity thresholds are required for both existing and future activities.



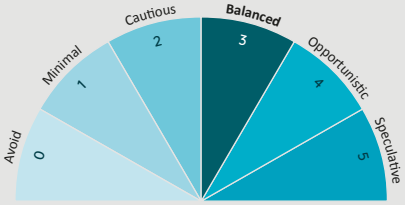
Legal and regulation

This is in line with a 'comply or explain' principle, where the approach must be justified and based on sound decision making.



Reputation

Tolerance for reputational risk is limited to those events where there is little or no chance of significant repercussion for the organisation.



Strategy – innovation and diversification

We accept that to meet our strategic goals, there may be times in which riskier options may have to be pursued. We will therefore accept some clearly defined risk but only on the basis of well assessed opportunities within a controlled and measurable framework.

Risk scoring and areas of Assurance

All individual risks are recorded in departmental risk registers which are consolidated, reviewed, moderated and reported. We score risks based upon the likelihood of a risk occurring multiplied by the impact if the risk event were to happen. Both likelihood and impact are scored on a scale of 1-10. We also consider what mitigations are in place to reduce the likelihood and/or impact.

Once moderated, the top risks are reported to the Audit and Risk Committee at its quarterly meetings and are subsequently considered by the Board.

The quarterly review of our Assurance Framework, the '3 Lines of Defence', follows the risk update cycle and from this a scorecard report is produced.

Our Principal Risks and Uncertainties

Risk	Impact	Mitigation	Change
Health and Safety and HR resources	There are many potential risks that could arise to tenants and employees from failure to fully comply with Health & Safety (H&S) requirements. More generally, there are risks associated with dependency on key employees.	Considerable H&S focus at all levels which is managed by a cross functional Strategic Health and Safety Group. Following the Grenfell Tower fire, this area has had more focus across the sector. The Board has been kept updated on compliance on a regular basis. Manager Standard training has been introduced this year, which will help to provide organisational resilience.	↑
Financial and Economic	Uncertainty in financial markets and other global economic challenges could adversely affect the UK's economy and housing market with consequent financial impact.	Our business plan is fully funded and liquidity has further improved. Our treasury strategy and policy are approved by the Board annually and outline 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. Britain's exit from the European Union started to impact during the year with the European Investment Bank no longer providing funding across the whole of the UK.	↔
IT Service Disruption and Data Regulatory Compliance	Increased dependence on technology means any loss of core operational systems and technology would disrupt our ability to operate. There is increased risk of malicious attack from hackers or malware.	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. This area has seen an increase due to the GDPR in place from 25 May 2018.	↑
Political and Welfare Reform	Rollout of Universal Credit and changes from the Housing and Planning Act 2016 could impact rental income and debt. There is uncertainty about the Government's housing policy and initiatives pre-Brexit.	Universal Credit has continued to be rolled out across our area of operation. Increased focus on debt management and mobile working has facilitated closer customer contact to ensure risks are tightly managed and controlled. The collapse of Carillion caused the Government to consider the risk of concentrating a large number of contracts with a single company. As a result we assessed our own contractor relationships.	↔

GRENFELL TOWER

Implications for bpha

Following the tragedy of the Grenfell Tower fire on 14 June 2017, which sadly claimed 72 lives, we reconsidered all aspects of risks in relation to the tower blocks owned by us and in relation to the sector as a whole.

bpha owns 14 tower blocks located over 6 sites in Bedfordshire. None of these blocks have been re-clad since their original construction. No additional risks were identified as a result of updated, post Grenfell fire risk assessments. In addition we had, over several years pre Grenfell, already been retro-fitting sprinkler systems and this work continues.

Whilst we are satisfied that no additional risks have been identified, until the final reports and recommendations of Dame Judith Hackitt and Sir Martin Moore-Bick are published and fully understood we cannot be certain of the implications, if any, for bpha. Therefore in the meantime, in light of understandable public and regulatory concerns and scrutiny about tower blocks across the sector as a whole, we have reflected these concerns in an increased risk score.

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;
- assess the group's and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

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. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Board's 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 2018 Annual General Meeting.

Approval of Report

The Report of the Board, including the Strategic Report and Governance Report, was approved by the Board on 4 July 2018 and signed on its behalf by:

Philippa Spratley
Company Secretary
4 July 2018

Opinion

We have audited the financial statements of bpha Limited ('the association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least 12 months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The association's Board is responsible for the other information, which comprises the Strategic Report and the Governance Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required 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 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.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 38, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

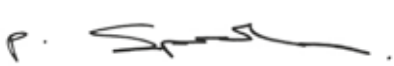
Harry Mears
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
2 August 2018

bpha GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 Group £'000	2018 Association £'000	2017 Group £'000	2017 Association £'000
Turnover	3	**117,322**	**116,390**	**122,366**	**119,735**
Cost of sales	3	(9,599)	(9,599)	(17,091)	(16,612)
Operating costs	3	(52,346)	(52,167)	(50,412)	(49,994)
Operating surplus	3	**55,377**	**54,624**	**54,863**	**53,129**
Gain on disposal of tangible fixed assets	10	11,195	11,195	8,561	8,561
Interest receivable and similar income	7	1,090	871	1,426	1,093
Interest payable and similar charges	8	(32,615)	(32,615)	(34,433)	(34,433)
Movement in fair value of financial instruments	19	9,142	9,142	(1,967)	(1,967)
Valuation (loss)/gain on investment properties		(2,530)	(2,530)	505	505
Gift aid		–	2,316	–	905
Surplus before tax		**41,659**	**43,003**	**28,955**	**27,793**
Tax on surplus on ordinary activities	11	347	–	(373)	–
Surplus for the year	9, 22	**42,006**	**43,003**	**28,582**	**27,793**
Other comprehensive income					
Actuarial gains/(losses) on pension scheme	20	643	643	(3,423)	(3,423)
Other comprehensive income for the year	22	**643**	**643**	**(3,423)**	**(3,423)**
Total comprehensive income for the year		**42,649**	**43,646**	**25,159**	**24,370**

Ian Ailles
Chair, Audit and Risk Committee

Paul Gray
Chief Financial Officer



Philippa Spratley
Company Secretary

bpha GROUP STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2018

	Note	2018 Group £'000	2018 Association £'000	2017 Group £'000	2017 Association £'000
Fixed assets					
Housing properties and other fixed assets	12	1,075,854	1,075,854	1,011,626	1,011,626
Fixed asset investments	28	10,835	20,847	13,365	21,452
HomeBuy loans receivable		38,138	38,138	42,945	42,945
Investment in joint arrangements	29, 30	3,106	–	4,044	–
		1,127,933	**1,134,839**	**1,071,980**	**1,076,023**
Current assets					
Properties for sale and work in progress	12	19,383	17,878	13,010	12,910
Trade and other debtors	13	11,967	9,034	10,892	10,056
Short term investments	14	10,115	10,115	13,558	13,558
Cash and cash equivalents		19,996	16,982	44,181	38,722
		61,461	**54,009**	**81,641**	**75,246**
Creditors: amounts falling due within one year	15	(40,348)	(40,245)	(35,851)	(35,014)
Net current assets		**21,113**	**13,764**	**45,790**	**40,232**
Total assets less current liabilities		**1,149,046**	**1,148,603**	**1,117,770**	**1,116,255**
Creditors: amounts falling due after more than one year					
Other creditors	16	(828,018)	(828,743)	(829,876)	(830,526)
Other provisions	19	(57,052)	(57,052)	(66,194)	(66,194)
Pension liability	20	(27,223)	(27,223)	(27,596)	(27,596)
		(912,293)	**(913,018)**	**(923,666)**	**(924,316)**
Net assets		**236,753**	**235,585**	**194,104**	**191,939**
Capital and reserves					
Called up share capital	21	–	–	–	–
Revenue reserve	22	236,753	235,585	194,104	191,939
Total funds		**236,753**	**235,585**	**194,104**	**191,939**

These financial statements were approved by the Board of directors on 4 July 2018 and were signed on its behalf by:

Ian Ailles
Chair, Audit and Risk Committee

Paul Gray
Chief Financial Officer

Philippa Spratley
Company Secretary

bpha GROUP STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 MARCH 2018

Group	Note	Called up share capital £'000	Revenue reserve £'000	Total equity £'000
Balance at 1 April 2016		–	**168,945**	**168,945**
Total comprehensive income for the 2016/17 year				
Surplus for the year		–	28,582	28,582
Actuarial (losses) on pension scheme		–	(3,423)	(3,423)
Balance at 31 March 2017	22	–	**194,104**	**194,104**
Total comprehensive income for the 2017/18 year				
Surplus for the year	22	–	42,006	42,006
Actuarial gains on pension scheme	22	–	643	643
Balance at 31 March 2018	22	–	**236,753**	**236,753**

Association	Note	Called up share capital £'000	Revenue reserve £'000	Total equity £'000
Balance at 1 April 2016		–	**167,569**	**167,569**
Total comprehensive income for the 2016/17 year				
Surplus for the year		–	27,793	27,793
Actuarial (losses) on pension scheme		–	(3,423)	(3,423)
Balance at 31 March 2017	22	–	**191,939**	**191,939**
Total comprehensive income for the 2017/18 year				
Surplus for the year	22	–	43,003	43,003
Actuarial gains on pension scheme	22	–	643	643
Balance at 31 March 2018	22	–	**235,585**	**235,585**

bpha GROUP CASH FLOW STATEMENT
FOR YEAR ENDED 31 MARCH 2018

	Note	2018 Group £'000	2018 Association £'000	2017 Group £'000	2017 Association £'000
Cash flows from operating activities					
Total comprehensive income for the year	a	42,649	43,646	25,159	24,370
Adjustments for:					
Depreciation and amortisation		16,989	16,989	16,418	16,418
Cost of fixed asset sold		13,704	13,704	12,401	12,401
Proceeds from sale of tangible fixed assets		(24,899)	(24,899)	(20,962)	(20,962)
First tranche shared ownership surplus		(11,778)	(11,778)	(3,529)	(3,529)
Change in value of investment property		2,530	2,530	(505)	(505)
Interest receivable and similar income		(1,089)	(871)	(1,426)	(1,093)
Interest payable and similar charges		32,615	32,615	34,433	34,433
Movement in fair value of financial instruments		(9,142)	(9,142)	1,967	1,967
Internal development on-costs		(3,845)	(3,845)	(3,057)	(3,057)
Amortisation of government grant		(266)	(266)	(185)	(185)
Taxation		–	–	347	–
	b	14,819	15,037	35,902	35,888
(Increase)/decrease in trade and other debtors		(989)	1,108	(1,642)	(1,616)
(Increase)/decrease in properties for sale and work in progress		(1,405)	–	(247)	(635)
Increase in trade and other creditors		1,692	2,425	3,459	3,488
(Decrease)/increase pension liability provision		(1,084)	(1,084)	2,913	2,913
	c	(1,786)	2,449	4,483	4,150
Net cash from operating activities	d=a+b+c	55,682	61,132	65,544	64,408
Cash flows from investing activities					
Disposals of tangible fixed assets		24,899	24,899	20,962	20,962
Proceeds from sale of first tranche shared ownership		21,377	21,377	20,775	20,775
Investment in subsidiaries		–	(1,925)	–	–
Investment in joint arrangements		938	–	931	–
Interest received		1,088	870	1,435	1,103
Acquisition of tangible fixed assets (non-property)		(89)	(89)	(116)	(116)
Development of, and improvements to, housing properties		(92,542)	(92,542)	(82,038)	(82,038)
Proceeds from the receipt of government grants		2,392	2,392	861	861
Net cash outflow from investing activities	e	(41,937)	(45,018)	(37,190)	(38,453)
Cash flows from financing activities					
Net movement on borrowings		(6,880)	(6,805)	(6,609)	(5,958)
Interest paid		(34,310)	(34,234)	(36,297)	(36,267)
(Decrease)/increase on revolving credit facilities and deposits		(148)	(224)	35,487	35,487
Net cash withdrawal from short term deposits and investments		3,408	3,408	1,972	1,972
Net cash from financing activities	f	(37,930)	(37,855)	(5,447)	(4,766)
Net (decrease)/increase in cash and cash equivalents	g=d+e+f	(24,185)	(21,741)	22,907	21,189
Cash and cash equivalents at 1 April 2017		44,181	38,722	21,274	17,533
Cash and cash equivalents at 31 March 2018	26	19,996	16,982	44,181	38,722

1. Legal status

bpha Limited (the association) is registered under the Co-operative and Community Benefit Societies Act 2014 Register (No: 26751R) and is registered with the Regulator of Social Housing (No: LH 3887) as a social landlord. It is a public benefit entity.

2. Principal accounting policies

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 2018.

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.

Basis of accounting

The financial statements of the group and association are prepared under the historical cost convention and, in accordance with Financial Reporting Standard 102 (FRS 102) which is the applicable financial reporting standard 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.

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements management have made a number of judgements and estimates in relation to the treatment of certain items, which include:

- **Capitalisation of property development and other costs:** distinguishing the point at which a potential property development project is more likely than not to go ahead. This forms the basis for capitalisation of associated development and other costs.
- **Allocation of costs for mixed tenure developments:** costs incurred in the development of schemes may not be directly attributable to specific units; total scheme costs are allocated to individual units on a per-bedroom or unit size basis depending on the appropriateness for each scheme.
- **Financial instruments:** determining the categorisation of financial instruments as basic or other and, if hedge effective, whether or not to adopt hedge accounting.
- **Useful lives of depreciable assets:** fixed assets are depreciated over their useful lives taking into account estimated residual values. Further details are set out in the accounting policy notes below.
- **Impairment:** details of judgements in relation to impairment are set out in the accounting policy note below.

In certain areas, in exercising judgement or making estimates, management have taken account of the advice of independent qualified parties who provide technical expertise and/or valuations. In the event that management feel it appropriate to apply a different valuation to that of the independent advisors then attention will be drawn to this within the financial statements.

Key areas where management take account of independent third-party advice in determining valuations include the following:

- Financial instruments – refer to note 19
- Pension costs and fund valuation – refer to note 20
- Investment properties – refer to note 28

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 indicator of impairment. If any such indicator 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.

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.

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.

Cost 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.

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.

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.

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.

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.

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 of 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.

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 fixed assets and are transferred into housing properties when completed. The costs of shared ownership properties under construction are split proportionately between current and fixed assets; the proportion relating to expected first tranche sales is classed as a current asset and the remaining element is classed as a fixed asset which is transferred into housing properties when completed.

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

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 its 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.

2. Principal accounting policies (continued)

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.

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.

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:

- at below the prevailing market rate of interest;
- that is not repayable on demand; and
- 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 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 classified as a deferred income 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 a 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 arrangements with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

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.

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.

Current asset investments

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

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.

Social housing and other grants

Social housing grants received in relation to assets that are presented at deemed cost at the date of transition to FRS 102 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.

Social housing grants 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 assets 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 a 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 in 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.

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.

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

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.

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.

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 19.

Pension costs
The association operates 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 to 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 20 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 charge to the Statement of Comprehensive Income which represents the association's contribution to the scheme for the accounting period is detailed in note 20.

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.

Contingent liabilities
A contingent liability is either a possible but uncertain obligation as a result of a past event, or a 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 of any contingent liabilities is made within the financial statements.

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	**2018 Turnover £'000**	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000	*Operating surplus %*
Social housing lettings	17,224	86,455	–	(48,151)	38,304	*44.3%*
Other social housing activities						
Management fees		207	–	–	207	
First tranche shared ownership sales		21,377	(9,599)	–	11,778	
Other (including HomeBuy and Help to Buy agents)		3,891	–	(1,876)	2,015	
		25,475	(9,599)	(1,875)	14,000	*55.0%*
Total social housing activities		**111,930**	**(9,599)**	**(50,027)**	**52,304**	***46.7%***
Non-social housing activities	1,029	5,392	–	(2,319)	3,073	*57.0%*
Total housing activities	**18,253**	**117,322**	**(9,599)**	**(52,346)**	**55,377**	***47.2%***

	Units	2017 Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000	*Operating surplus %*
Social housing lettings	17,179	83,265	–	(46,538)	36,727	*44.1%*
Other social housing activities						
Management fees		335	–	–	335	
First tranche shared ownership sales		20,775	(10,456)	–	10,319	
Sales to other social housing providers		6,983	(6,156)	–	827	
Other (including HomeBuy and Help to Buy agents)		3,576	–	(1,568)	2,008	
		31,669	(16,612)	(1,568)	13,489	*42.6%*
Total social housing activities		**114,934**	**(16,612)**	**(48,106)**	**50,216**	***43.7%***
Non-social housing activities	1,007	7,432	(479)	(2,306)	4,647	*62.5%*
Total housing activities	**18,186**	**122,366**	**(17,091)**	**(50,412)**	**54,863**	***44.8%***

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

Included within the non-social housing turnover reported for the group is £1.1m (2017: £2.1m) of turnover attributable to Bushmead Homes Limited, a fellow subsidiary of the group. Turnover of £692k (2017: £649k) was reclassified from social housing lettings to non-social housing lettings.

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	**2018**	2017
Unit numbers	**11,154**	**2,401**	**1,199**	**953**	**1,517**	**17,224**	**17,179**
	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Income from social housing lettings							
Rent receivable net of identifiable service charges	60,924	7,099	6,186	4,424	271	78,904	77,378
Charges for support services	–	–	129	–	–	129	144
Service charge income	3,838	667	1,876	–	769	7,150	5,535
Net rents receivable	**64,762**	**7,766**	**8,191**	**4,424**	**1,040**	**86,183**	**83,057**
Revenue grants from local authorities and other agencies	272	–	–	–	–	272	208
Total income from social housing lettings	**65,034**	**7,766**	**8,191**	**4,424**	**1,040**	**86,455**	**83,265**
Expenditure on letting activities							
Management	(12,177)	(2,621)	(1,309)	–	–	(16,107)	(15,500)
Service charge cost	(3,735)	(804)	(402)	–	(508)	(5,449)	(4,379)
Routine maintenance	(5,958)	–	(640)	–	–	(6,598)	(7,386)
Planned maintenance	(3,200)	–	(344)	–	–	(3,544)	(3,992)
Rent losses from bad debts	(931)	(200)	(100)	–	–	(1,231)	(842)
Depreciation	(11,157)	–	(1,199)	(2,866)	–	(15,222)	(14,439)
Total expenditure on social housing lettings	**(37,158)**	**(3,625)**	**(3,994)**	**(2,866)**	**(508)**	**(48,151)**	**(46,538)**
Operating surplus on social housing lettings	**27,876**	**4,141**	**4,197**	**1,558**	**532**	**38,304**	**36,727**
Void losses	**(1,013)**	**(24)**	**(368)**	**–**	**–**	**(1,405)**	**(1,054)**

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

4. Number of units owned and in management

			Analysis of movement 2017 to 2018			
	2018	2017	Category change	Additions	Disposal	Total movement
Owned – General	8,858	8,849	17	–	(8)	9
Owned – Affordable	1,412	1,209	5	199	(1)	203
Owned – Managed by others	–	598	(598)	–	–	(598)
Near market rents	407	409	(7)	10	(5)	(2)
Rent to HomeBuy	477	569	(91)	–	(1)	(92)
General housing	**11,154**	**11,634**	**(674)**	**209**	**(15)**	**(480)**
Shared ownership	2,079	1,871	90	165	(47)	208
Key worker – Shared ownership	209	211	–	–	(2)	(2)
Shared ownership – Managed by others	113		113	–	–	113
Low cost home ownership	**2,401**	**2,082**	**203**	**165**	**(49)**	**319**
Owned – Supported	137	126	–	11	–	11
Owned – Supported – Managed by others	161	–	161	–	–	161
Owned – Housing for older people	602	607	(5)	–	–	(5)
Owned – Housing for older people – Managed by others	299	–	299	–	–	299
Supported housing	**1,199**	**733**	**455**	**11**	**–**	**466**
Owned – Elderly residential care homes	953	959	(6)	–	–	(6)
Residential care homes	**953**	**959**	**(6)**	**–**	**–**	**(6)**
Owned – Students/Nurses	498	498	–	–	–	–
Owned – Elderly nursing care homes	496	496	–	–	–	–
Owned – Managed by others	2	2	–	–	–	–
Commercial	33	11	22	–	–	22
Non-social	**1,029**	**1,007**	**22**	**–**	**–**	**22**
Total owned	**16,736**	**16,415**	**–**	**385**	**(64)**	**321**
Open Market HomeBuy	484	531	–	–	(47)	(47)
MyChoice HomeBuy/Shared equity	398	457	–	–	(59)	(59)
Leaseholders	617	593	–	28	(4)	24
Leaseholders – reversionary interest	4	4	–	–	–	–
Managed for others	14	186	–	–	(172)	(172)
Others	**1,517**	**1,771**	**–**	**28**	**(282)**	**(254)**
Total owned and in management	**18,253**	**18,186**	**–**	**413**	**(346)**	**67**

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

5. Non-executive directors' and directors' emoluments

The Board of directors of the association comprises 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 2018 for the non-executive directors and co-opted members amounted to £121k (2017: £122k).

Non-Executive Directors	Salaries £'000	Expenses £'000	**2018 Total £'000**	2017 Total £'000
Robert Burgin Chair (retired 31/03/2018)	28	1	29	29
Paul Leinster Chair (appointed 23/04/2018)	–	–	–	–
Jill Ainscough Chair – Remuneration and Nominations Committee	17	–	17	7
Ian Ailles Chair of Audit and Risk Committee (appointed 01/08/2017; previously co-opted)	16	1	17	3
Cllr Shan Hunt Bedford Borough Local Authority Nominee	–	–	–	–
Martin Hurst Chair – Finance and Treasury Committee	17	1	18	18
Peter Male Senior Independent Director	19	1	20	24
Neil McGregor-Paterson Chair – Remuneration and Nominations Committee (resigned 31/08/2016)	–	–	–	6
Geoff Potton Chair – Bushmead Homes Limited (resigned 30/09/2016)	–	–	–	14
	97	**4**	**101**	**101**
Co-opted Members				
Paul High Co-opted to the Board Chair – Development Committee and Bushmead Homes Limited	17	3	20	12
Ian Ailles Co-opted to the Board (through to 01/08/2017; see above)	–	–	–	9
	17	**3**	**20**	**21**
	114	**7**	**121**	**122**

In addition to the above, a total of £12k (2017: £12k) 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 £4k per member.

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

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

Board executive directors	Basic salary £'000	Benefits in kind £'000	Pension contributions £'000	**2018 Total £'000**	2017 Total £'000
Kevin Bolt Chief Executive Officer	178	8	21	207	202
Paul Gray Chief Financial Officer	155	7	19	181	176
Julie Wittich Director of Service Delivery (maternity leave 05/12/2016 to 04/06/2017)	97	7	25	129	131
Jeff Astle Director of Development and Sales (appointed 02/01/2018)	33	2	1	36	–
Sarah Ireland Director of Development and Sales (resigned 15/06/2017)	24	1	5	30	142
Sub Total – Board executive directors	**487**	**25**	**71**	**583**	**651**
Other executive directors					
Liz Parsons Director of Quality and Communications	97	7	20	124	112
Adrian Moore Director of IT (appointed 02/01/2018)	25	2	3	30	–
Simon Century Director of Strategy and Corporate Finance (resigned 29/04/2016)	–	–	–	–	12
Margaret Dodwell Interim Operations Director (28/11/2016 to 31/12/2017)	83	5	5	93	42
Sub Total – Other executive directors	**205**	**14**	**28**	**247**	**166**
Grand Total	**692**	**39**	**99**	**830**	**817**

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.

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

6. Employee information

The number of persons expressed in full time equivalents employed at the year end was:

Department	Female	Male	2018 Total	Female	Male	2017 Total
Executive, Senior Management and support	17	9	26	12	6	18
Development and Sales	56	31	87	49	35	84
Finance and IT	26	33	59	28	24	52
Quality and Communications	14	5	19	14	4	18
Service Delivery	102	62	164	108	62	170
HR and Governance	12	2	14	10	1	11
	227	142	369	221	132	353

Employee costs (for the above persons)

	2018 £'000	2017 £'000
Wages and salaries	12,609	11,394
Social security costs	1,325	1,210
Pension – defined benefit current service cost (note 20)	1,529	1,245
Pension – defined contribution cost	583	465
	16,046	14,314

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

	2018	2017
£60,001 to £70,000	14	18
£70,001 to £80,000	14	10
£80,001 to £90,000	8	4
£90,001 to £100,000	–	–
£100,001 to £110,000	1	2
£110,001 to £120,000	1	–

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

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

7. Interest receivable and similar income

	2018 Group £'000	**2018 Association £'000**	2017 Group £'000	2017 Association £'000
Interest receivable	287	287	453	453
MyChoice HomeBuy interest receivable	584	584	640	640
Interest receivable from joint venture	219	–	333	–
	1,090	**871**	1,426	1,093

Included within the amounts disclosed above is interest receivable by Bushmead Homes Limited, a fellow group company, of £219k (2017: £333k).

8. Interest payable and similar charges

	2018 Group £'000	**2018 Association £'000**	2017 Group £'000	2017 Association £'000
On bonds, bank loans, overdrafts and other loans	33,013	33,013	34,366	34,366
Other loan costs	1,084	1,084	1,487	1,487
On defined benefit pension scheme (note 20)	711	711	757	757
Less: interest payable capitalised on housing properties under construction	(2,193)	(2,193)	(2,177)	(2,177)
	32,615	**32,615**	**34,433**	**34,433**
Capitalisation rate used to determine finance costs capitalised during the period	**4.80%**	**4.80%**	**5.06%**	**5.06%**

9. Surplus for the financial year

	2018 Group £'000	2017 Group £'000
Surplus for the year is stated after charging:		
Depreciation of housing properties	15,842	15,334
Depreciation of other tangible fixed assets	1,147	1,084
Auditors' remuneration (excluding VAT)		
• For audit services	55	53
• For non-audit services		
– Service charges	6	26
– Other	–	14
Operating lease payments		
• Vehicles, computers and equipment	45	49
• Land and buildings	165	165

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

10. Gain on disposal of fixed assets – housing properties

	2018 Group			2017 Group		
	Disposal proceeds £'000	**Cost of sales £'000**	**Gain on disposal £'000**	Disposal proceeds £'000	Cost of sales £'000	Gain on disposal £'000
Shared Ownership staircasing	15,580	(7,522)	8,058	12,863	(6,702)	6,161
Asset Management & other sales	2,007	(1,111)	896	551	(289)	262
Right To Buy	433	(282)	151	361	(231)	130
MyChoice HomeBuy	4,780	(3,463)	1,317	4,986	(3,628)	1,358
Open Market HomeBuy	2,099	(1,326)	773	2,201	(1,551)	650
	24,899	**(13,704)**	**11,195**	20,962	(12,401)	8,561

11. Taxation

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 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.

The adjustment in respect of prior periods relates to Bushmead Homes Limited, whose results are consolidated into the bpha group accounts.

Total tax expense recognised in the group statement of comprehensive income

	2018 Group £'000	2017 Group £'000
Total tax (credit)/expense	**(347)**	**373**

Reconciliation of effective tax rate

	2018 Group £'000	2017 Group £'000
Profit for the year after taxation – bpha group	42,006	28,582
– Less: bpha Limited	(40,687)	(26,888)
	1,319	1,694
Total tax (credit)/expense	(347)	373
Profit excluding taxation	**972**	**2,067**
Tax using the UK corporation tax rate of 19% (2017: 20%)	185	413
Tax exempt revenue	(42)	(66)
Relief as a result of gift aid distribution	(143)	–
Total tax expense in respect of current period	–	347
Adjustments in respect of prior periods	(347)	–
Recognition of previously unrecognised tax losses	–	26
Total tax (credit)/expense	**(347)**	373

12. 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 2017	**135,263**	**885,030**	**15,370**	**16,205**	**2,364**	**7,121**	**1,061,353**
Schemes completed in the period	14,316	35,446	(13,514)	(35,446)	(802)	–	**–**
Additions	–	–	33,194	54,595	–	679	**88,468**
Transfer to current asset	–	–	(14,187)	–	–	–	**(14,187)**
Reclassification	1,935	(1,935)	(6,065)	6,065	–	–	**–**
Improvements	–	11,822	–	–	32	–	**11,854**
Interest capitalised	–	–	672	1,511	–	–	**2,183**
Disposals	(4,065)	(10,800)	–	–	–	–	**(14,865)**
At 31 March 2018	**147,449**	**919,563**	**15,470**	**42,930**	**1,594**	**7,800**	**1,134,806**
Depreciation							
At 31 March 2017	**–**	**43,636**	**–**	**–**	**1,104**	**4,987**	**49,727**
Charge for year	–	15,842	–	–	416	731	**16,989**
On disposals	–	(7,438)	–	–	(326)	–	**(7,764)**
At 31 March 2018	**–**	**52,040**	**–**	**–**	**1,194**	**5,718**	**58,952**
Net book value at 31 March 2018	**147,449**	**867,523**	**15,470**	**42,930**	**400**	**2,082**	**1,075,854**
Net book value at 31 March 2017	**135,263**	**841,394**	**15,370**	**16,205**	**1,260**	**2,134**	**1,011,626**

Depreciation on housing properties for the year totalled £15,842k (2017: £15,334k). Of this total £15,222k (2017: £14,439k) related to social housing lettings as detailed in note 3 Page 49, and £620k (2017: £895k) related to non-social lettings and is included within the operating costs of £2,306k (2017: £2,021k) detailed in note 3 Page 48.

The carrying value of property pledged as security for liabilities and contractual commitments at the end of the year was £804m (2017: £790m).

Expenditure on improvements to existing properties

	2018 Group £'000	2017 Group £'000
Amounts capitalised	11,822	11,384
Routine and planned maintenance	10,142	11,378
	21,964	**22,762**

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

Completed properties and work in progress transferred to current assets

	2018 Group £'000	**2018 Association £'000**	2017 Group £'000	2017 Association £'000
Current asset work in progress	11,288	9,783	5,926	5,826
Completed properties held for sale	8,095	8,095	7,084	7,084
	19,383	**17,878**	**13,010**	**12,910**

The cost of shared ownership properties in the course of construction is apportioned between the equity percentage retained by the association and percentage being sold. The cost attributable to the percentage to be sold is included within current assets, and that expected to be retained is included in fixed assets "Housing properties in the course of construction (shared ownership)".

13. Trade and other debtors

	2018 Group £'000	2018 Association £'000	2017 Group £'000	2017 Association £'000
Accounts falling due within one year:				
Rental and service charges debtors	3,746	3,746	3,390	3,390
Less: provision for bad and doubtful debts	(2,010)	(2,010)	(3,075)	(3,075)
	1,736	1,736	315	315
Other debtors	6,834	4,803	8,098	4,826
Prepayment and accrued income	5,288	2,887	2,203	2,027
Amounts owed by group undertakings	–	1,499	–	2,612
	12,122	9,189	10,301	9,465
Less: provision for bad and doubtful debts	(1,891)	(1,891)	(615)	(615)
	10,231	7,298	9,686	8,850
Housing benefit from local authorities	–	–	891	891
Accounts falling due after more than one year:				
Loan to Gloucestershire Care Partnership Ltd	378	378	370	370
Less: provision for bad and doubtful debts	(378)	(378)	(370)	(370)
	11,967	**9,034**	**10,892**	**10,056**

Included within the amounts disclosed as "Amounts owed by group undertakings" under 'Association' are intercompany receivable balances due from Bushmead Homes Limited and bpha Finance plc, fellow group companies. These balances have been eliminated upon consolidation and therefore do not form part of the balance reported under 'Group'. Included within the amounts disclosed as "Other debtors" under 'Group' are amounts due from an associate, Gog Magog Partnership LLP, of £1,597k (2017: £3,146k).

14. Current asset investments

	2018 Group £'000	2018 Association £'000	2017 Group £'000	2017 Association £'000
Mark to market cash collateral deposit	8,240	8,240	11,648	11,648
Cash collateral on securing loan and interest	1,875	1,875	1,910	1,910
Current asset investments	**10,115**	**10,115**	**13,558**	**13,558**

15. Creditors: Amounts falling due within one year

	2018 Group £'000	2018 Association £'000	2017 Group £'000	2017 Association £'000
Trade creditors	2,283	2,283	2,024	1,567
Contracts for capital works and retentions	12,392	12,315	9,006	9,006
Accruals and deferred income	9,220	8,967	7,684	7,684
Debt (note 18)	7,500	7,500	7,970	7,970
Interest payable	6,196	1,644	6,128	1,576
Rent and service charges received in advance	1,576	1,576	930	930
Taxation and social security	139	139	555	207
Disposal Proceeds Fund (note 17)	–	–	308	308
Amounts due from group undertakings	–	4,552	–	4,552
Other creditors	1,042	1,269	1,246	1,214
	40,348	**40,245**	**35,851**	**35,014**

Other creditors includes £398k (2017: £402k) in respect of grants received in advance for specific purposes.

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

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

	2018 Group £'000	**2018 Association £'000**	2017 Group £'000	2017 Association £'000
Debt (note 18)	731,394	732,120	737,803	738,453
Recycled Capital Grant Fund (note 17)	14,061	14,061	10,793	10,793
Disposal Proceeds Fund (note 17)	197	197	246	246
Deferred government grant	37,825	37,825	32,737	32,737
Grant on HomeBuy and MyChoice HomeBuy loans	28,499	28,499	31,832	31,832
Major Repairs Fund held on behalf of – Oxfordshire Care Partnership	2,770	2,770	3,231	3,231
– Leaseholders	2,778	2,778	2,336	2,336
Bond premium	10,493	10,493	10,898	10,898
	828,017	**828,743**	**829,876**	**830,526**

17. Recycled Capital Grant Fund (RCGF) and Disposal Proceeds Fund (DPF)

	2018			2017		
	RCGF £'000	**DPF £'000**	**Group Total £'000**	RCGF £'000	DPF £'000	Group Total £'000
At 1 April	10,793	554	11,347	19,176	555	19,731
Grants recycled						
– housing properties	3,862	–	3,862	1,056	(1)	1,055
– MyChoice HomeBuy	10	–	10	2,211	–	2,211
– Open Market HomeBuy	1,326	–	1,326	1,513	–	1,513
Interest accrued	45	–	45	67	–	67
Purchase/development of properties	(1,975)	(357)	(2,332)	(13,230)	–	(13,230)
Balance at 31 March	**14,061**	**197**	**14,258**	**10,793**	**554**	**11,347**
Due within one year	–	–	–	–	308	308
Due after more than one year	14,061	197	14,258	10,793	246	11,039
	14,061	**197**	**14,258**	**10,793**	**554**	**11,347**

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

18. Debt analysis

Bank and capital markets debt are secured by specific charges on the association's housing properties and are subject to fixed rates of interest (excluding margin on the loan) ranging from 1.29% to 10.64% and at variable rates linked to LIBOR. Our syndicated loan facility has an amortised repayment profile under which the first repayment was made in March 2017 and the loan will be fully repaid by January 2041. The other bank and capital markets debt will be repaid by January 2047.

During the year ended 31 March 2014, 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	
	2018 Group £'000	2017 Group £'000
Due after more than one year:		
Bank and building society loans	498,500	505,000
The Housing Finance Corporation	36,000	36,000
Bond	200,000	200,000
Other loans	1,740	1,833
	736,240	742,833
Deferred costs	(4,846)	(5,030)
	731,394	**737,803**

	2018 £'000	2017 £'000
Debt is repayable as follows:		
Due within one year	7,500	7,970
Due after one year and within two years	7,500	7,500
Due after two years and within five years	32,500	27,500
Due after more than five years	691,394	702,803
	738,894	**745,773**

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

19. Financial instruments

The association has stand-alone International Swaps and Derivatives Association (ISDA) 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 the Regulator of Social Housing, the Association does not trade for profit and is regulated by the Regulator of Social Housing, 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.

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

Counterparty	**Nominal 2018 £'000**	Nominal 2017 £'000	Nominal 2016 £'000	**Market valuation; liability at 2018 £'000**	Market valuation; liability at 2017 £'000	Market valuation; liability at 2016 £'000	**Movement 2018[1] £'000**	Movement 2017[1] £'000
(i) Interest rate swaps: bpha pays fixed, receives variable	120,880	120,880	120,880	50,778	58,190	56,798	(7,412)	1,392
(ii) Margin swap: bpha pays floating plus margin, receives floating	20,000	20,000	20,000	5,462	5,787	5,879	(325)	(91)
(iii) Swaptions – banks' option to enter swaps to exactly offset specific swaps detailed above	24,880	24,880	24,880	812	840	1,551	(28)	(711)
(iv) Forward starting swap	–	11,000	–	–	1,377	–	(1,377)	1,377
TOTAL	**165,760**	**176,760**	**165,760**	**57,052**	**66,194**	**64,227**	**(9,142)**	**1,967**

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

	2018 £'000	2017 £'000
Market value: liability at start of year	66,194	64,227
Change in market value: increase/(decrease) in liability	(9,142)	1,967
Market value: liability at end of year	**57,052**	**66,194**

An embedded swap transaction was entered into with the Affordable Housing Finance in 2016 which carried a market valuation liability of £1.38m at 31 March 2017. As the loan relating to this swap was drawn during 2017/18, the forward swap ended and thus the liability was extinguished.

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

20. 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 2018 there were 103 (2017: 116) employees who were active members of the fund.

The employer's contributions to the fund by the association for the year ended 31 March 2018 totalled £1,970k (2017: £1,756k) which included both a lump sum contribution and an amount relating to current employees for which the employer's contribution rate from 1 April 2017 to 31 March 2018 was 21.1%. From 1 April 2018 the employer's contribution rate will remain at 21.1% with an additional lump sum cash contribution of £1,154k to be made in the next year (estimated total contributions for 2018/19: £1,969k).

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 2016 and the next will be completed during 2019.

The market value of the fund assets at 31 March 2016 was £1,733m and the level of funding was 71%. The main actuarial assumptions used in the valuation were:

	2016 % per annum
Salary increases	3.20%
Future pension increases	2.10%

Financial assumptions

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

	2018 % per annum	2017 % per annum
Pension increase rate	2.4%	2.4%
Salary increase rate	2.7%	2.7%
Discount rate	2.7%	2.6%

Mortality assumptions

The post retirement mortality assumptions used to value the benefit and obligation at March 2017 are based on the fund's VitaCurves. Mortality improvements from 2016 valuation are in line with the 2013 version of the Continuous Mortality Investigation longevity improvements model which for March 2017 assumes a 1.25% p.a. improvement in mortality rates.

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

	Males 2018	Males 2017	**Females 2018**	Females 2017
Current pensioners	22.4 years	22.4 years	24.5 years	24.5 years
Future pensioners	24.0 years	24.0 years	26.2 years	26.2 years

Sensitivity analysis

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

Change in assumptions at 31 March 2018:	Approximate increase to employer liability %	Approximate monetary amount £'000
0.5% decrease in real discount rate	11%	7,619
0.5% increase in the salary increase rate	2%	1,231
0.5% increase in the pension increase rate	9%	6,284

Actual return on plan assets

	2018 £'000	2017 £'000
Interest income on plan assets	1,115	1,196
(Loss)/return on plan assets excluding amounts included in net interest	(793)	3,483
Actual return on plan assets	**322**	**4,679**

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.

	2018 Assets £'000	**2018 Assets %**	2017 Assets £'000	2017 Assets %
Equities	24,062	55%	24,603	58%
Bonds	6,562	15%	5,939	14%
Property	4,375	10%	3,818	9%
Cash	8,750	20%	8,060	19%
Total	43,749	100%	42,420	100%

20. Pensions continued

Amounts for the current and previous four years are as follows

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Present value of defined benefit obligation	(70,972)	(70,016)	(61,007)	(61,259)	(50,831)
Fair value of scheme assets	43,749	42,420	37,080	36,240	31,648
Deficit on scheme	**(27,223)**	**(27,596)**	**(23,927)**	**(25,019)**	**(19,183)**
Experience gains/(losses) on plan liabilities	–	1,412	623	431	(348)
Experience (losses)/gains on plan assets	(793)	3,483	(1,253)	796	796

Analysis of the amount charged to the Statement of Comprehensive Income

	2018 £'000	2017 £'000
Current service cost	1,526	1,193
Past service cost (including curtailments)	3	52
Total operating charge	1,529	1,245

Analysis of net interest charged to the Statement of Comprehensive Income

	2018 £'000	2017 £'000
Expected return on pension scheme assets	(1,115)	(1,196)
Interest on pension scheme liabilities	1,826	1,953
Net interest charge	711	757

Analysis of the amount recognised in Other Comprehensive Income

	2018 £'000	2017 £'000
(Loss)/return on plan assets excluding amounts included in net interest	(793)	3,483
Changes in financial and other assumptions underlying the present value of scheme liabilities	1,436	(6,906)
Actuarial gains/(losses) recognised in Other Comprehensive Income	643	(3,423)

Movement in deficit during the year

	2018 £'000	2017 £'000
Association's share of scheme deficit at beginning of year	(27,596)	(23,927)
Movement in year:		
Current service cost	(1,526)	(1,193)
Past service cost (including curtailments)	(3)	(52)
Employer contributions	1,970	1,756
Other finance costs	(711)	(757)
Actuarial gains/(losses)	643	(3,423)
Association's share of scheme deficit at end of year	(27,223)	(27,596)

Changes in present value of defined benefit obligation are as follows

	2018 £'000	2017 £'000
Opening defined benefit obligation	70,016	61,007
Current service cost	1,526	1,193
Past service cost (including curtailments)	3	52
Interest cost	1,826	1,953
Contributions by members	290	341
Actuarial (gains)/losses	(1,436)	6,906
Estimated benefits paid	(1,253)	(1,436)
Closing defined benefit obligation	**70,972**	70,016

Changes in the fair value of plan assets are as follows

	2018 £'000	2017 £'000
Opening fair value of plan assets	42,420	37,080
Expected return on assets	1,115	1,196
Contributions by members	290	341
Contributions by employer	1,970	1,756
Actuarial (losses)/gains	(793)	3,483
Benefits paid	(1,253)	(1,436)
Closing fair value of plan assets	**43,749**	42,420

History of experience gains and losses

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Actuarial (losses)/gains on plan assets	(793)	3,483	(1,253)	2,614	796
Experience gains and (losses) on share of scheme liabilities:	–	1,412	623	431	(348)
Total amount recognised in other comprehensive income	**643**	(3,423)	1,631	(5,551)	1,078

21. 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.

	2018 Group £	2017 Group £
Allotted, issued and fully paid ordinary shares	6	6

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

22. Reserves

	Group revenue reserve £'000	Association revenue reserve £'000
At 1 April 2017	**194,104**	**191,939**
Surplus for year	42,006	43,003
Other comprehensive income for the year	643	643
At 31 March 2018	**236,753**	**235,585**

23. Financial commitments

	Group 2018 £'000	Group 2017 £'000
Capital commitments		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**127,168**	**115,747**
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**50,205**	**128,201**

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.

Based on the group funding strategy, the contracted capital commitments are planned to be funded by:

	Group Funding Plan 2018 £'m	Group Funding Plan 2017 £'m
Recycled Capital Grant Funding	15	16
Surpluses	67	33
Loans	45	67
	127	116

Operating leases

At 31 March 2018, the association had non-cancellable operating lease rentals payable as follows:

	Group 2018 £'000	Group 2017 £'000
Less than one year	149	266
Between one and five years	902	130
More than five years	150	–
	1,201	396

During the year £210k (2017: £214k) was recognised as an expense in the profit and loss account in respect of operating leases.

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

24. Grant movement and contingent liability

	Group reserve amount £'000	Group creditor amount[1] £'000	Group total amount £'000
At 31 March 2016	**(276,073)**	**(18,814)**	**(294,887)**
Additions to grant for completed units and work in progress under the accrual model	–	(14,108)	(14,108)
Grant recycled	1,054	–	1,054
Grant amortised	(185)	185	–
At 31 March 2017	**(275,204)**	**(32,737)**	**(307,941)**
Additions to grant for completed units under the performance model	–	(2,827)	(2,827)
Additions to grant for work in progress under the accrual model	–	(2,527)	(2,527)
Grant recycled (included in cost of sales – note 10)	1,883	–	1,883
Grant amortised (included in revenue grants – note 13)	(266)	266	–
At 31 March 2018	**(273,587)**	**(37,825)**	**(311,412)**

1 This excludes grant relating to HomeBuy and MyChoice HomeBuy loans (refer to note 17).

As at 31 March 2018, grant which has been written off to reserves represents a contingent liability of £273.6m. This contingent liability will be realised if the assets to which the written off grant relates are disposed.

The £266k (2017: £185k) grant amortised is included under revenue grants as shown in note 3 and forms part of turnover reported for group.

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

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

	2018 Group £'000	**2018 Association £'000**	2017 Group £'000	2017 Association £'000
(Decrease)/increase in cash	(24,185)	(21,740)	22,907	21,189
Cashflow from (decrease)/increase in liquid resources	(3,408)	(3,408)	1,972	1,972
Cash inflow from increase in debt and lease finance and set up fees	7,029	7,029	(33,473)	(33,473)
Increase in net debt from cash flows	(20,564)	(18,119)	(8,594)	(10,312)
Non-cash flow items	(185)	(185)	969	969
Total changes in net debt for the period	(20,749)	(18,304)	(7,625)	(9,343)
Net debt brought forward at 1 April	(688,034)	(693,493)	(680,409)	(684,150)
Net debt at 31 March	**(708,783)**	**(711,797)**	**(688,034)**	**(693,493)**

26. Analysis of net debt

	1 April 2017 £'000	Cash flow £'000	Non-cash flow items £'000	**31 March 2018 £'000**
Loans	(740,159)	6,972	–	(733,187)
Other loans	(10,645)	93	–	(10,552)
Loan set up fees	5,031	–	(185)	4,846
Debt	(745,773)	7,065	(185)	(738,893)
Cash at bank and in hand	44,181	(24,185)	–	19,996
Current asset investments	13,558	(3,408)	(35)	10,115
Net debt	**(688,034)**	**(20,528)**	**(220)**	**(708,783)**

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

27. Post balance sheet events

There have been no material post balance sheet events.

28. Related party transactions

Board members

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.

Investments

The investments in the group and association comprise investments in fellow group companies, which are eliminated on consolidation, and other investments in certain external parties:

	Group 2018 £'000	**Association 2018 £'000**	Group 2017 £'000	Association 2017 £'000
Bushmead Homes Limited	–	10,000	–	8,075
bpha Finance plc	–	12	–	13
Investment properties	10,835	10,835	13,365	13,365
	10,835	**20,847**	**13,365**	**21,453**

The reported balance and movement in the investment properties following the annual valuation was:

	Group 2018 £'000	**Association 2018 £'000**	Group 2017 £'000	Association 2017 £'000
Opening balance	13,365	13,365	12,860	12,860
Movement during the year	(2,530)	(2,530)	505	505
Closing balance	**10,835**	**10,835**	**13,365**	**13,365**

The valuation of investment properties is undertaken by a leading firm of independent professional valuers using prudent assumptions in accordance with RICS definition of 'market value' and taking into account the provisions of any relevant leases. Wherever possible, the valuers benchmark the properties against comparable units to ensure that the methodology is consistent, and the valuation outcomes are reasonable. For the purposes of valuation, a yield of 7% has been used.

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 £6m 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 association for the financial year and are consolidated within the group accounts. They represent a reallocation of cost incurred by fellow group companies and are calculated on a cost of provision basis.

The association's statement of comprehensive income includes the following transactions between the association and Bushmead Homes Limited:

	2018 £'000	2017 £'000
Income from central services	**126**	**326**

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 association's statement of comprehensive income includes the following transactions between the association and bpha Finance plc:

	2018 £'000	2017 £'000
Interest income	**9,632**	**9,669**

The accounts include the following transactions between the association and bpha Finance plc:

	2018 £'000	2017 £'000
Bond premium and interest	9,632	9,669
Bond interest	(9,632)	(9,669)
	–	–
The amounts due from/(to) bpha Finance plc at the year end are:		
Amounts due for investment in bpha Finance plc	(13)	(13)
	(13)	**(13)**

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

Shortly following the financial year ended 31 March 2017, CPLhomes Management Services Limited ceased to manage the properties owned by Flagship previously held on its management portfolio. In addition, the Board of CPLhomes Management Services Limited has taken the business decision that bpha Limited should take over direct management of its properties. This resulted in CPLhomes Management Services Limited having no managed properties on its portfolio. As a result, it was not trading at 31 March 2018 and is expected to be dormant in the coming year.

The transactions noted below represent the only transactions of this association for the financial year and are consolidated within the group accounts. They represent rent, service charges and management fees and are conducted on a commercial arm's length basis.

The association statement of comprehensive income includes the following transactions between the association and CPLhomes Management Services Limited:

	2018 £'000	2017 £'000
Rent and service charge income	53	4,727
Rent and service charge expense	(53)	(4,727)
	–	–

The amounts due from/(to) CPLhomes Management Services Limited at the year end are:

	2018 £'000	2017 £'000
Amounts receivable for rent and service charges	–	179
Amounts payable for rent and service charges	–	(2,293)
	–	**(2,114)**

Cambridgeshire Partnerships Limited
During the financial year 2007/08 the 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.

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.

bpha Group holds a major repairs fund on behalf of OCP to cover the costs of such repairs as per the agreement with OCP as shown in note 16.

Under FRS 102 section 15 'Investment 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 year ended 31 March 2018 and the net assets as at 31 March 2018. 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.

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 year ended 31 March 2018 and its share of the assets and liabilities as at 31 March 2018:

	Group 2018 £'000	**Association 2018 £'000**	Group 2017 £'000	Association 2017 £'000
Share of turnover of associates	7,176	–	12,139	–
Share of cost of sales of associates	(6,047)	–	(10,027)	–
	1,129	**–**	**2,112**	**–**
Share of assets	7,676	–	8,723	–
Share of liabilities	(6,042)	–	(6,167)	–
Share of net assets	**1,634**	**–**	**2,556**	**–**
Investment as at 1 April	4,044	–	4,975	–
Capital issued in the year	–	–	2,098	–
Capital returned in the year	(938)	–	(3,029)	–
Investment as at 31 March	**3,106**	**–**	**4,044**	**–**

BOARD GOVERNANCE, ADVISORS AND BANKERS

Board non-executive directors	
Robert Burgin	Chair (retired 31 March 2018)
Paul Leinster	Chair (appointed 23 April 2018)
Ian Ailles	Chair – Audit and Risk (appointed 1 August 2017; previously co-opted)
Jill Ainscough	Chair – Remuneration and Nominations Committee
Paul High	Chair – Development Committee and Bushmead Board (co-opted member)
Cllr Shan Hunt	Nominated Local Authority member
Martin Hurst	Chair – Finance and Treasury Committee
Peter Male	Senior Independent Director and Chair – Audit and Risk Committee (resigned as Chair 31 July 2017)
Board executive directors	
Kevin Bolt	Chief Executive Officer
Paul Gray	Chief Financial Officer
Jeff Astle	Director of Development and Sales (appointed 2 January 2018)
Sarah Ireland	Director of Development and Sales (resigned 15 June 2017)
Julie Wittich	Director of Service Delivery
Executive Leadership Team – The Executive Leadership Team consists of the Board executive directors together with the following:	
Liz Parsons	Director of Quality and Communications
Margaret Dodwell	Interim Operations Director (resigned 22 December 2017)
Adrian Moore	IT Director (appointed 2 January 2018)
Company Secretary	
Philippa Spratley	Company Secretary
Audit and Risk Committee	
Peter Male	Chair (resigned 31 July 2017)
Ian Ailles	Chair (appointed 1 August 2017)
Jill Ainscough	Board member (appointed to Committee 28 March 2017)
Tim Ludlow	Independent
Bob Tattar	Independent (appointed 1 April 2018)
Malcolm Zack	Independent
Remuneration and Nominations Committee	
Jill Ainscough	Chair
Robert Burgin	Chair of Board (resigned 26 March 2018)
Paul Leinster	Chair (appointed 23 April 2018)
Cllr Shan Hunt	Board member
Finance and Treasury Committee	
Martin Hurst	Chair
Cliff Broadhurst	Independent
Paul Gray	Board member and Chief Financial Officer
Paul High	Co-opted member
Gosia Motler	Head of Corporate Finance
Development Committee	
Paul High	Chair
Ian Ailles	Board member
Jeff Astle	Director of Development and Sales
Kevin Bolt	Chief Executive Officer
Martin Hurst	Board member
External auditor	
KPMG LLP	
Internal auditor	
BDO LLP	
Principal solicitors	
Devonshires	
Trowers and Hamlins	
Valuers	
Savills (UK) Limited	
Principal bank funders	
Bank of Tokyo Mitsubishi, 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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bpha Limited
Registered as a registered society under the Co-operative and Community Benefit Societies Act 2014
Register No: 26751R
Registered with the Regulator of Social Housing No: LH 3887