BROMFORD HOME OWNERSHIP LIMITED

Financial Statements

for the year ended 31 March 2022

Co-operative and Community Benefit Society
Registration Number 29991R

Regulator of Social Housing
Registration Number L4450

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Bromford Home Ownership Limited

General Information
For the Year Ended 31 March 2022

Board members

The Board members who served from 1 April 2021 up to the date of approval of these financial statements were as follows:

	Position	Appointment/Retirement Date	Meetings Attended 2021/22
Stephen Dando	Independent Non-Executive Director Chair	Appointed 24 November 2015 Appointed chair 1 April 2020	11/11
Richard Bird	Independent Non-Executive Director	Appointed 2 July 2018	11/11
Carolyn Downs	Independent Non-Executive Director	Appointed 1 December 2021	4/4
Dame Sandra Horley	Independent Non-Executive Director	Appointed 1 May 2022	0/0
Vivienne Horton	Vice Chair and Senior Independent Director	Appointed 2 July 2018 Retired 27 November 2021	5/6
Richard Penska	Independent Non-Executive Director	Appointed 2 July 2018 Resigned 27 November 2021	5/6
Sarah Simpson	Independent Non-Executive Director	Appointed 1 April 2020	10/11
Jerry Toher	Independent Non-Executive Director	Appointed 1 April 2020	10/11
Robert Nettleton	Chief Executive	Appointed 31 December 2018	11/11
Paul Walsh	Chief Finance Officer	Appointed 1 August 2021	5/7

Meetings attended reflects the number of Board meetings that were attended by each Board member out of the total number of Board meetings they were eligible to attend.

Company Secretary	Appointment/Retirement Date
Sarah Beal	Appointed 1 August 2018

Advisors:

External Auditors:

Beever and Struthers
The Colmore Building
20 Colmore Circus
Queensway,
Birmingham, B4 6AT

Business Assurance Provider:

PricewaterhouseCoopers LLP
2 Glass Wharf
Bristol BS2 0FR

Bankers:

Barclays Bank plc
15 Colmore Row
Birmingham B3 2BH

Taxation Advisors:

Deloitte LLP
Four Brindley Place
Birmingham
B1 2HZ

Registered office:

Shannon Way
Ashchurch
Tewkesbury
GL20 8ND

Bromford Home Ownership Limited

Board and Strategic Report
For the Year Ended 31 March 2022

The Board of Bromford Home Ownership Limited ('BHO') is pleased to present its Annual Report and financial statements for the year ended 31 March 2022.

Who are we and what do we do?

BHO is a subsidiary of Bromford Housing Group Limited ('BHG'). It is a Registered Provider of Social Housing and a Registered Society under the Co-operative and Community Benefit Societies Act 2014. Together, BHG and its subsidiaries are known as 'Bromford'.

Bromford exists to provide affordable homes for people who can't access market housing. We believe in providing safe, secure and warm homes, but we're ultimately a people business. Not only do we care about what happens to people that live in a Bromford home, we want people to thrive.

That's why our purpose is simple and honest. ***We invest in homes and relationships so people can thrive.***

Bromford is a housing group – one that owns almost 46,000 homes, has individual relationships with around 100,000 customers and has a very strong balance sheet. All this is only possible because of the 1,800 people who work for the organisation.

BHO's principal activities have historically been the ownership and management of Bromford's Shared Ownership properties and building homes for outright sales. During the financial year, as part of the group's objective to simplify the group structure, BHO completed a partial transfer of engagement. The majority of the assets and liabilities of the Association were transferred to Bromford Housing Association Limited, as a result the Association will focus on procuring homes for outright sales.

Our Board – who are they and what do they do?

BHG is the parent company of BHO. Under Bromford's Governance Framework, BHO delegates matters of governance and financial authority to the BHG Board (The Board).

The BHG Board's role is to set and uphold Bromford's strategy and values and to make sure that effective leadership and sufficient resources are in place for Bromford to achieve its strategic aims and objectives. The Board monitors and tests performance in relation to approved plans and budgets and is responsible for determining risk appetite, to make sure good governance and decision-making is taking place. It promotes and supports our probity and values and makes sure that there are succession plans for Board members and the senior team. Bromford's day-to-day leadership is delegated to the Chief Executive.

Bromford's statement of strategy (published on our website) describes our 'DNA' (Fig. 1). Our DNA is what we stand for and the behaviours, qualities and values that represent what it means to Be Bromford.

Be.Honest

- we build trusting relationships based on openness, respect and integrity
- we learn from mistakes and are open when things go wrong
- we do what we say we will
- we're open to being challenged and challenging others

Be.Brilliant

- we collaborate with others, working smarter not just harder
- we see the best in people and believe we can all achieve more
- we're curious about learning new things

Be.Bold

- we do the right thing for our customers and colleagues
- we look for new possibilities and challenge assumptions
- we work with confidence but remain humble
- we empower others to make decisions

Be.You

- we dare to be different – using life experience and personality
- we embrace people's differences to build a better community
- we think big, celebrate success and are positive about what we can do
- we are energised, happy and productive

Fig 1. Bromford DNA

Board composition, meetings, decisions and delegations

The BHG Board operates as a unitary Board.

From the 1 April 2021, our Board comprised nine members – two Executive Directors (our Chief Executive and Chief Finance Officer) and seven Non Executive Directors (NEDs).

NEDs are recruited for their skills and experience and are appointed for an initial term of three years. Reappointment following the initial term is not automatic and NEDs are required to satisfy continuing independence and performance-related criteria before they are appointed for a second, three-year term. Any term beyond six years is subject to rigorous annual review which takes into account the need to progressively refresh the Board.

NEDs are offered ongoing training, support and access to independent professional advice to enhance their decision-making and help them discharge their duties effectively.

The time commitment required from NEDs is currently between 12 and 15 days per annum. The other significant commitments of the Chair, Steve Dando and NEDs were disclosed to the BHG Board before appointment and are summarised in the BHG Annual Report and Accounts.

Board effectiveness

All Board members are expected to contribute to a culture of clear and open debate. This is to promote informed and prudent decision-making and members are expected to keep developing and refreshing their knowledge and skills so they can continue to make positive contributions to Board discussions.

Each year the Board carries out a formal evaluation of Board, committee and individual director performance. At least every three years, as recommended by the code, this evaluation is facilitated by Altair, an external advisor to provide an independent perspective. There was an independent review of governance effectiveness in 2020 and the chair carried out an internal review in 2021. The findings were very positive:

- the Board is seen as effective and governs appropriately with individuals understanding their roles and responsibilities
- the governance structure and framework provide assurance to the Board and third-party assurance is sought where this is seen as necessary
- the updated skills matrix shows that there are no major skills gaps on the Board, the recent recruitment was targeted to fill the gaps left when the chair of Customer and Communities Influence Network (CCIN) retired.

Our senior independent director carried out a review of the chair's performance.

Board and Committee Decision-making

The Bromford Housing Group (BHG) operates a group structure with coterminous Boards across the four main entities – the parent – BHG and the main operating subsidiaries Bromford Housing Association (BHA), Bromford Home Ownership (BHO) and Merlin Housing Society (MHS). The membership of all entities is the same except for BHO where two members, Neil Rimmer and Charles Hutton-Potts are not members. This is in line with our Group Conflicts of Interest Policy and protects the charitable interests of BHG, BHA and MHS. All members of the Board, executive and non-executive make decisions by working together and achieving a general consensus.

To retain control of key decisions and to provide a clear division of responsibility between the running of the Board and the running of the business, the Board and the other Registered Providers in the group, have identified 'reserved matters' that only those Boards can approve.

Other matters have been delegated to the committees by the Boards. Any matters outside of these delegations fall within the chief executive's responsibility and authority.

The Board and each committee receive sufficient, reliable and timely information in advance of meetings and are provided with or are given access to all the necessary resources and expertise to enable them to undertake their duties in an effective manner.

The Board is scheduled to meet 10 times a year. The annual strategy setting event was held in November.

Each Board meeting has a planned agenda, which allows enough time to discuss both strategic and operational matters and includes consideration of performance and risk management.

Each Board committee meets as many times as necessary to discharge their duties and responsibilities under their terms of reference. For reports from our committees, refer to the BHG Annual Report and Accounts.

The Board and committees can seek advice to support them in their decision making.

Value for Money

Ensuring Value for Money for our customers and our group is ingrained in our culture and enables us to deliver our strategy and to enable customers to thrive. Our value for money statement is published within our Group Annual Report and Accounts.

Statement of compliance with the regulatory standards

Our regulator, the Regulator of Social Housing (RSH), publishes a regulatory framework and regulatory standards. The regulatory standards comprise of the economic standards (namely the governance and financial viability, value for money and rent standards) and the consumer standards (namely the tenant involvement and empowerment, home, tenancy and neighbourhood and community standards).

One of the core economic standards is governance and financial viability. This requires Registered Providers (RPs) to have effective governance arrangements in place that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner. It also requires RPs to manage their resources effectively, to make sure their viability is maintained whilst ensuring that social housing assets are not put at undue risk.

As part of being regulated by the RSH, Bromford has been given a rating for governance, as assessed against the governance and financial viability standard. Following an In-Depth Assessment carried out by the RSH in 2019, Bromford maintains a G1 governance and V1 financial viability rating, the highest ratings on the scale throughout the financial year ended 31 March 2022.

The Board is committed to ensuring that we comply with our legal and regulatory responsibilities, including the Modern Slavery Act 2015. Bromford's modern slavery statement is available on the website.

Each year the RSH requires RPs to assess their compliance with the governance and financial viability standard and provide assurance to customers and stakeholders that the RSH specific expectations are being complied with.

We have undertaken an annual review of compliance. The Board is assured that Bromford is compliant with the regulatory framework including the governance and financial viability standard and its accompanying code of practice.

Statement of compliance with our code of governance

The Bromford Housing Group has voluntarily adopted the UK Corporate Governance Code 2018 (the UK code). The UK code reflects our commercial outlook, focus on achieving the highest possible standards of accountability and transparency and our desire to position ourselves alongside other high-achieving organisations, regardless of sector.

To support implementation of the UK code it has adopted a group wide Governance Framework and Delegations Framework that set out how the Group and each subsidiary registered provider will conduct its business in this respect. The Governance Framework and Delegations Framework include matters reserved for the Board and delegations to the group wide committees. This ensures that information from the Committees also reaches the Board of each subsidiary registered provider where appropriate. In this way the provisions of the UK code are met by Bromford Home Ownership Limited.

As we do not have shareholders in a conventional sense, some aspects of the UK code do not apply to us. However, we strongly support the objectives that this section aims to achieve and this is reflected in the open and transparent way we deal with our partners and stakeholders.

The UK code applies for our financial year 2021 to 2022.

Each year the Board reviews compliance with the UK code and during the financial year ended 31 March 2022, we consider that Bromford has complied with all relevant principles and provisions of the UK Corporate Governance Code 2018.

Risk management and internal control

Risk Overview

Bromford has a risk management process in place through which our principal risks and related controls are identified, assessed and managed. Our Board has overall responsibility for setting our risk appetite and ensuring there is an effective risk management process in place. Applying the principles of risk management effectively allows Bromford to create value by enabling us to take informed decisions whilst protecting value by reducing the uncertainty of achieving our strategy.

We operate a five-step risk management process. These steps are designed to identify problems before they occur, so that risk management activity may be planned and invoked as needed to mitigate impacts on achieving our strategy.

We think of risk as those things that could prevent us from achieving our strategic goals. Our approach to risk management is designed to enable the business to deliver its strategic goals while managing the inherent uncertainty that can manifest itself as both opportunities and threats to these outcomes. The Board defines clear statements and tolerances that set out the type and amount of risk we are prepared to assume as we deliver our strategy. Regular reporting to Board highlights any movement in the assessment of key risks.

How we manage our risks?

Bromford operates a three lines assurance model, targeted at areas of greatest risk. Using a risk-based approach provides an effective programme of assurance which considers areas that we know are high risk. This approach ensures clear separation between risk and control ownership (first line), oversight, support and challenge (second line) and audit (third line). We regularly reassess our assurance activity as risk is reduced in certain areas and increased where new risks are emerging, resulting in a proportionate assurance application.

Internal audit provide independent, objective assurance to management and the Board over the effectiveness of first and second lines and is independent of our executive management. This includes an agreed programme of reviews which highlight any areas where risks are not being managed within our appetite or where we may need to re-calibrate our appetite in the context of internal and external changes.

Additional assurance is provided from external sources, such as external audit, technical specialists and regulatory checks.

Risk appetite

Our Board has defined the risk appetite statements and metrics which are central to the core elements of our strategy. Across five key enterprise risk types they set out the type and amount of risk we are prepared to accept as we deliver our strategy, plans and run our day-to-day operations. These are integral to our corporate decision making.

No business is free of risk and to deliver our strategy we often need to take risk. We only take risk that is in line with our risk appetite, our purpose, our DNA and our strategy. Risk we accept must be clearly understood and regularly reviewed and managed effectively. We measure, monitor and report our exposures within agreed tolerances, with forward looking risk indicators and triggers in place. In some areas we have risks for which we have little or no appetite however the nature of these risks mean they cannot be eliminated completely.

	Averse	Minimal	Balanced	Open	Embracing
Legal and regulatory Our risk appetite is minimal, as we will do everything that is reasonably practical to ensure compliance and is averse with respect to landlord asset compliance and health and safety risks, meaning we do everything we can to ensure compliance with landlord obligations.					
Operational Our appetite is balanced as whilst we will explore new options for providing our services, we remain focused on operating our business to ensure a minimal level of disruption to our customers, brand and reputation.					
Financial Our appetite is balanced, as we will not accept risks which threaten our financial viability, but we will be open to diverse investment options.					
Development/commercial Our appetite is open as we seek to remain competitive in the marketplace whilst proactively seeking new opportunities for sustainable growth both in the short and longer term.					
Strategic As an innovative business our strategic risk appetite is open as we have set ambitious plans and have multiple channels for delivery, but we will not compromise on the provision of warm, safe and secure homes.					

Our principal risks

The Board review the principal risks, appetite and tolerances annually and the last review was in November 2021. The risks and associated indicators are monitored monthly by the Board. Business risks are monitored for emerging threats and operational trends, with escalation through executive forums, Audit and Risk Committee and then to Board.

The list of principal risks does not comprise all of the risks Bromford face and they are not presented in order of importance. The nature of the risk means the landscape can alter and we ensure our regular updates to the risks reflect this. Below we set out the profile of risks for Bromford. After making considerable progress with developing, implementing, testing and embedding our business continuity plans we have been successful in removing business continuity as a principal risk, though we continue to monitor it at an operational level.

Below we set out the profile of risks for Bromford

<table>
<tr><td>Death, injury or harm</td><td>Direction of travel: improving</td><td>Link to strategy: Future ready</td></tr>
<tr><td colspan="3">Risk: Our approach to health and safety lacks robust controls and oversight.
This results in death, injury or harm caused to colleagues, customers, contractors or the public.</td></tr>
<tr><td>Risk mitigations</td><td colspan="2">Changes in year</td></tr>
<tr><td>- A well-established health and safety (H&S) policy and framework sets out no one should be harmed by what we do.
- Audit and Risk Committee and Board receive independent assurance from technical experts throughout the year.
- Monitoring our supply chain to ensure safe practice.</td><td colspan="2">- ISO45001 accreditation received for all geographical areas within Bromford.
- Continued covid secure measures to keep colleagues and customers safe.
- Refreshed our approach to monitoring, training, documentation and assurance.
- 100% legal compliance achieved for landlord compliance.</td></tr>
</table>

<table>
<tr><td>Environment and sustainability</td><td>Direction of travel: New</td><td>Link to strategy: Future ready</td></tr>
<tr><td colspan="3">Risk: Responding to our 2028 carbon reduction requirements.
This may result in material financial implications, regulatory intervention and reputational damage.</td></tr>
<tr><td>Risk mitigations</td><td colspan="2">Changes in year</td></tr>
<tr><td>- Delivering EPC rating C by 2028 ahead of the government 2035 requirement.
- Roadmap to 2050 net zero carbon developed which is monitored through the sustainability group.</td><td colspan="2">- Overall net zero carbon strategy developed and endorsed by the Board.
- Full costs for delivery now embedded in 30 year business plan.</td></tr>
</table>

<table>
<tr><td>Financial pressures for customers</td><td>Direction of travel: worsening</td><td>Link to strategy: Our relationship with customers</td></tr>
<tr><td colspan="3">Risk: Uncertainty within the external environment leads to increased financial pressure for customers.</td></tr>
<tr><td>Risk mitigations</td><td colspan="2">Changes in year</td></tr>
<tr><td>- Our coaching approach is designed to support our customers.
- The customer and communities' model is subject to an annual effectiveness review, reported to Board.
- Income management policies in place to support colleagues and customers.</td><td colspan="2">- We continue to evaluate the benefits and hardship funds made available from the government and how this can support customers.
- 'Money Matters' launched online for Bromford customers to offer help and advice on managing your money.</td></tr>
</table>

Cyber security and network controls	Direction of travel: Improving	Link to strategy: Future ready
Risk: Lack of robust network controls and security protocols. This results in susceptibility to service attacks, hacking and unauthorised access.		
Mitigation Strategies	Changes in year	
- Dedicated Information Security Team and Data Protection Officer responsible for monitoring information security and cyber threat. - Information security management systems aligned to ICO/EIC 27000 standards, with oversight through business forums and Audit and Risk Committee reporting.	- Working closely with third-party IT service partners to manage risk and improve technical standards. - Cyber security assessed as part of the Internal Audit programme. - Ongoing vulnerability and penetration testing.	

Third parties and supply chains	Direction of travel: static	Link to strategy: Future ready
Risk: Failure of third parties and supply chains. This results in adverse cost impact, quality or delays to Bromford.		
Mitigation Strategies	Changes in year	
- Strategic suppliers have been identified and we are working with them to ensure they have fit for purpose business continuity plans. - Business stability of suppliers is tracked through a variety of methods. - Contingency supplier capability assessed for single supply/ strategic goods or services.	- Regular contract review and performance meetings, including Key Performance Indicators (‘KPIs’) review and proactive supplier and market assessments. - Internal Audit on Procurement completed. - Close monitoring of inflation and working closely with suppliers to manage cost.	

Development and market sales	Direction of travel: static	Link to strategy: Growing the business
Risk: We fail to deliver our new homes and market sales aspirations. Rising costs, market downturn, competition in the market and/or a lack of opportunity could impact our ability to deliver against plan.		
Mitigation Strategies	Changes in year	
- A dedicated forum considers opportunities against strategy to ensure compliance with business policy, tracks programme delivery and monitors the external market for potential impacts.	- Despite ongoing covid restrictions throughout the year, we delivered 1,224 new homes. - Working with suppliers to negotiate and hold prices for key materials needed to construct new homes. - We have set up a dedicated Land Forum to discuss and approve land led opportunities.	

Financial planning and performance	Direction of travel: static	Link to strategy: Future ready
Risk: Our financial and resilience planning and/or monitoring fails to mitigate substantial macro-economic or political events.		
Mitigation Strategies	Changes in year	
- Robust financial planning, stress testing scenarios and resilience plans are in place, incorporating plausible macro-economic and political impacts, with close tracking at forum, committee and Board level against the financial framework and golden rules.	- 30-year business plan updated to reflect sustainability strategy. - Ongoing assessment and monitoring of impact of inflation and interest rate changes. - Moody’s confirmed our credit rating as A2 stable. - Standard & Poor’s confirmed as A+, outlook upgraded to ‘stable’.	

	- Moody's ESG credit impact score confirmed as CIS-2 Neutral to Low.

People		Direction of travel: static	Link to strategy: Enabling colleagues to thrive
Risk: A lack of skilled colleagues who are thriving in their role will impact our ability to achieve our objectives. This may be due to a failure to recruit, retain and/or motivate engaged colleagues.			
Mitigation Strategies	Changes in year		
- The embedding of our performance management process and both core and leadership competencies to support the ability of colleagues to achieve our objectives. - Continuation of our leadership 50 development programme including 360 feedback to raise the level of leadership capability. - Improving leadership capability for recruitment with the use of unconscious bias training, e-learning for recruitment and workshops to improve the quality of candidates appointed.	- The launch of our graduate programme to provide a pipeline of future talent to support succession planning. - Implementation of a 4% pay award to help with increasing cost of living and pressure in the recruitment market. - The development of career pathways to assist in the retention of colleagues and to improve the performance of colleagues in role while also providing a route for career development.		

Emerging risks

Emerging Risks are upcoming events which present uncertainty but are difficult to assess at the current stage. We use techniques such as horizon scanning to identify and report these risks and emerging risk management ensures we are adequately prepared for the potential opportunities and threats they pose. Business units consider changing, new or emerging risks through regular review and discussion, we produce insight reports which are shared through the governance channels to highlight new and growing threats. We closely monitor emerging risks that may, with time, become Enterprise Risk Management (ERM) risks. We consider the following to be risks that have the potential to increase in significance and affect the performance of Bromford.

Title	Detail	Area	Time Horizon
Macroeconomic uncertainty	Continued macroeconomic uncertainty post-pandemic and adjustment to Brexit. The full impact of the Ukrainian invasion is unknown, however inflation is set to continue to rise and interest rates are also likely to continue to steadily increase.	Economic	Short-medium term
Energy prices	Further price increases are anticipated in October 2022, with the cost impact currently estimated at a further 25% increase. These energy price increases will impact our customers, our colleagues and our supply chain.	Operational	Short-medium term
Net zero carbon	The carbon zero agenda has been set and Bromford has detailed the approach to delivery. The environmental agenda is subject to change and we may need to adapt our strategy to meet new targets.	Environmental	Long term

One of the Board's key responsibilities is to make sure that Bromford has a system of internal controls in place that robustly manages the operational and strategic risks that threaten our business model, future performance, solvency and liquidity.

Internal control

The Audit and Risk Committee (the committee) monitors and reviews the effectiveness of the internal control system, conducts an annual effectiveness review and reports the findings to the Board. The system of internal control is designed to manage rather than eliminate risk, to prevent and/or detect fraud and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2022 and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss which require disclosure in the financial statements.

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

Internal audit

Internal audit is an independent assurance function, provided by PricewaterhouseCoopers (PwC), which is available to the Board, Audit and Risk Committee and all levels of management. The role of internal audit is to provide assurance that Bromford's risk management and internal control systems are well designed and operate effectively and that any corrective action is taken in a timely manner. Each year internal audit develops an annual risk-based audit plan for approval by the Audit and Risk Committee which is supported by regular reporting that enables the committee to monitor delivery of the audit plan. The plan is created using a combination of PwC's housing sector experience, internal assessment of the risks to Bromford, the RSH sector risk profile report and feedback from the leadership team. The scope of work takes account of the function's own assessment of risks, the input of first and second-line management and the Audit and Risk Committee itself.

Significant issues considered by the Audit and Risk Committee for the year ended 31 March 2022

Significant issues were discussed with management and the external auditor in January 2022 when the Audit and Risk Committee reviewed the Audit Plan and strategy for the year and at the conclusion of the audit, when the financial statements were reviewed in July 2022.

The committee also considered all relevant reports and findings presented by the external auditor and also the adequacy of management's response. In addition, the committee reviewed the external auditor's independence, objectivity and effectiveness of the audit.

The audit plan and strategy for the year identified the key audit matters which are considered below.

Key audit matter	Committee response
Key judgements and estimates	The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for revenues and expenses during the year. The external auditor undertook testing to assess whether the key judgements and estimates have been made appropriately in line with the industry and are disclosed satisfactorily in the financial statements. The committee was satisfied with the outcomes of the audit which noted the results of the work proved satisfactory.
Property sales	The group generated proceeds from the sale of existing housing properties of £58.8m in the year to 31 March 2022, in addition to £37.0m of first tranche low cost home ownership sales and £13.6m of outright sales. Overall surplus across these categories was £33.5m. The external auditor undertook testing to assess areas including the systems and controls over development of shared ownership first tranche and staircasing sales, outright sales, RTB and RTA sales and other sales and reviewed the carrying value of the group's work-in-progress at the year-end to ensure it is stated at its selling price less costs to complete and sell. The committee was satisfied with the outcomes of the audit which noted no issues of concern.
New homes development	During the year new developments are capitalised by the group. COVID-19 has impacted on development progress in the current year and in terms of access to existing properties to complete works. The group delivered 1,224 new units during 2021/22. The external auditor tested a number of areas including the key controls over the approval and recording of development expenditure and disposals, including development appraisal assumptions and assessed the accounting policies for capitalising development overheads and interest on loans. The committee was satisfied with the outcomes of the audit which noted no issues of concern.
Housing properties	Improvement works are capitalised and the external auditor tested and evaluated a range of areas including the controls over the capitalisation of expenditure on major repairs and components to ensure the requirements of the Statement of Recommended Practice 2018 (SORP) have been met, as well as additional testing on accruals for maintenance expenditure, depreciation charges for the year and sample transactions to the recycled grant fund. The committee was satisfied with the outcomes of the audit which noted no issues of concern.

In addition to fulfilling its key responsibilities the committee reviewed the following topics

Area of focus	Committee action
Internal auditor	Considered internal audit reports presented to the committee and satisfied itself that management resolved or was in the process of resolving any outstanding issues or actions. Satisfied itself that management has adequate controls over the process for resolving issues and actions arising. Reviewed and approved the internal audit plan and approach for 2022 to 2023.
External auditor	Reviewed the proposed audit plan for the 2021 to 2022 audit, including the key audit risks, audit report from Beever and Struthers on the financial statements and the areas of particular focus for the 2021 to 2022 audit. Assessed the effectiveness of the external auditor and made a recommendation to the Board for the reappointment of Beever and Struthers as the external auditor.
Transformation governance	With an ongoing transformation programme underway, the committee continues to receive regular updates in relation to the governance and risk management in the programme.
Financial crime	Approved the revised anti-money laundering (AML) policy. Approved the AML officer appointment. Monitored fraud reporting and incidents of whistleblowing, including a review of the adequacy of the whistleblowing processes and procedures, prior to reporting to the Board on this activity.
Landlord compliance	The committee continues to receive regular updates in relation to landlord compliance performance. Oversight of the completion of the landlord compliance controls framework, including data reconciliations.
Information security and resilience	Received updates throughout the year on the outcomes of penetration and vulnerability testing, the committee noted that good progress had been made.
Risk management and internal reviews	Endorsed the risk management policy prior to recommending Board approval. The committee noted ongoing improvements to the internal controls and risk management systems. Reviewed the risk appetite statement. Reviewed the second line assurance reports and had oversight of the closure of material actions. Approved the second line assurance plan for 2022/23.
Internal review plan	Reviewed and approved the schedule of internal review activity undertaken by the risk and health and safety business assurance function.
Trading updates	Received and approved Bromford market trading updates.

Financial results

During the year BHO completed a partial transfer of engagement, where the majority of the assets and liabilities of the Association were transferred to Bromford Housing Association Limited.

Turnover increased to £20.6m (2021: £17.5m) with operating surplus increasing to £40.9m (2021: £7.2m). The surplus on the sale of housing assets was £35.8m (2021: £2.2m), which included a profit on the transfer of housing assets to Bromford Housing Association of £34.7m. The surplus before tax was £40.7m (2021: £6.8m).

Corporation tax

Bromford has a tax strategy which includes non-charitable subsidiaries making gift aid payments to charitable subsidiaries. BHO made a gift aid payment in the financial year of £6.1m (2021: £nil) relating to the previous year's financial results. The tax charge for the year is £nil (2021: £nil). The gift aid payment in respect of this financial year will be recognised when paid in the 2022 to 2023 financial year.

Fixed assets

Details of movements in fixed assets during the year are set out in notes 11 and 13 to the financial statements. During the year housing properties and investment properties with a net book value of £30.7m and £0.6m respectively were transferred to Bromford Housing Association as part of the partial transfer of engagement. The charge for the year for the depreciation of housing properties is £0.2m (2021: £0.2m).

Stock and work in progress

Stock and work in progress of £1.9m (2021: £13.8m) includes land of £nil (2021: £nil), completed outright sale properties £1.5m (2021: £3.9m), completed shared ownership properties of £0.2 (2021: £0.9m) and work in progress for outright sales and shared ownership schemes of £0.2m (2021: £9.0m).

Treasury management

During the year to facilitate the partial transfer of engagements, the loans were transferred to the Association's parent company Bromford Housing Group, as at March 2022 therefore the loans were £nil (2021: £37.3m).

Operating performance

Operational performance against targets is monitored at Group level and a summary is included within the Annual Report and Accounts of BHG, which are available on the Bromford website www.bromford.co.uk. This also includes our Value for Money (VfM) report including sector metrics at a Group level.

Effects of material estimates and judgments within these financial statements

- On an annual basis we review for potential impairment of non-financial assets. Following the review, no impairment was made.
- We have accounted for depreciation of assets on a straight line basis. The depreciation basis is reviewed regularly for the each class of asset and no changes were required.

Further details of key estimations can be found within our accounting policies on pages 25 to 26.

Public benefit entity

As a public benefit entity, BHO has applied public benefit entity 'PBE' prefixed paragraphs of FRS102.

Statement of Compliance with the 2018 Statement of Recommended Practice (SORP)

The Board confirms that the Strategic report contained within this Board report has been prepared in accordance with the principles set out in Para 4.7 of the 2018 SORP for Registered Social Housing Providers.

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

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

Co-operative and Community Benefit Societies Act 2014 requires the Board to prepare financial statements for each financial year. Under those regulations the Board have 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 Association and of the income and expenditure of the Association for that period.

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

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. 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 have decided to prepare voluntarily a Corporate Governance Statement as if the company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

Under applicable law and regulations, the Board are also responsible for preparing a Strategic Report and a Board Report that complies with that law and those regulations.

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

We consider the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the Board to assess the Association's position and performance, business model and strategy.

Going concern

The board, after reviewing the Association's budget for 2022 to 2023 and the Group's medium term financial position as detailed in the 30-year business plan is of the opinion that, taking account of severe but plausible downsides, the Association has adequate resources to continue in business for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

Viability statement

As required by the provisions of the UK Corporate Governance Code, the Board has undertaken an assessment of the future prospects of the Association taking into account its current position and principal risks. The assessment includes changes arising from the challenges to the sector as the covid pandemic and associated restrictions come to an end including rapidly increasing energy prices, supply chain shortages and rising material costs.

This assessment was made using the following core business processes:

Thirty year business plan (the 'plan') – the Board reviews each iteration of the plan during the year as part of its strategic planning process, the most recent business plan was approved in May 2022. This process includes detailed stress testing of the plan which involves flexing a number of assumptions underlying the forecast both individually and together under particular scenarios.

Risk management – as set out in the risk section of the strategic report, Bromford has a structured approach to the management of risk and the principal risks identified are reviewed regularly by the Board.

Liquidity – based on the output of the plan and regular reforecasting of cashflows the Board reviews the liquidity position of the group ensuring funding is secured in accordance with Bromford's treasury policy. Current available cash and unutilised loan facilities are over £500m which gives significant headroom for committed spend and other forecast cash flows that arise.

In undertaking this assessment, a period of three years has been selected. For the initial year of this three year period there is a greater level of certainty because detailed annual budgets are prepared and regularly reforecast. Monthly cashflow forecasts are reviewed by the Board covering a rolling 36 month period and are used to ensure sufficient facilities are in place. The largest single area of spend remains the development programme and the bulk of the committed programme completes within this timeframe. Whilst development spend and required facilities are planned over a longer term than three years, the period chosen ensures that Bromford is viable beyond its usual development commitment timeframe.

On the basis of this and other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that BHO will be able to continue in operation and meet its liabilities as they fall due over the three year period used for this assessment.

Information for auditors

We the members of the Board who held office at the date of approval of these Financial Statements as set out above confirm, so far as we are aware, that there is no relevant audit information of which the Association's auditors are unaware. We have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Appointment of Auditor

Beever and Struthers have indicated their willingness to continue in office and will be proposed for re-appointment in accordance with the Companies Act 2006 s.485.

This report was approved for issue by the Board on 26 July 2022 and signed on its behalf by

Steve Dando
Chair

Independent Auditor's Report to Bromford Home Ownership Limited

Opinion

We have audited the financial statements of Bromford Home Ownership Limited (the Association) for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves and the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2022 and of the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We were first appointed as auditor of Bromford Home Ownership Limited by the Board for the period ending 31 March 2021. The period of total uninterrupted engagement for the Association is for two financial years ending 31 March 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. No non-audit services prohibited by that standard were provided.

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £412,320, determined with reference to a benchmark of Turnover (of which it represents 2%). We consider turnover to be the most appropriate benchmark and more appropriate than a profit-based benchmark as the Association is a not-for-profit organisation and the focus is on turnover rather than any surpluses, which are reinvested in the Association.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £20,616, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Key Audit Matters

Recoverability of stock and work in progress

<u>The risk – significant risk medium value</u>

The Association recorded turnover from properties developed for first tranche shared ownership sale of £3.8m (2021: £1.3m). Other property sales (such as staircasing and the disposals to BHA) generated a surplus of £35.8m (2021: £2.2m). At 31 March 2022, the Association held within current assets unsold properties with cost value of £1.7m (2021: £4.8m). Work in progress in relation to properties being developed for sale but still under construction at 31 March 2022 totalled £0.2m (2021: £9.0m).

Refer to page 31 (accounting policies) and page 43 (financial disclosures).

<u>Our response</u>

Our procedures included the following tests of detail:

- **Test of detail:** Agreeing the calculation of the surplus on sale for a sample of sales in the period**.**

- **Assessment of recoverability:** For a sample of development schemes, we reviewed the carrying value of the Association's stock and work-in-progress at the year-end including the financial appraisals of each scheme. This included testing on a sample basis the expected profitability of the current schemes and reviewing post-year end sales of properties held in stock at 31 March 2022.

Our results
We found no evidence that the year-end balance of stock and work in progress is overstated at the year end.
Our review of schemes under development did not identify any indication of work in progress that required provision or impairment write down.
We found no errors in the calculation of surplus on sale of properties.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

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

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

Corporate governance disclosures

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's voluntary compliance with the provisions of the UK Corporate Governance Code.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 15;
- Directors' explanation as to their assessment of the Association's prospects, the period this assessment covers and why the period is appropriate set out on page 16;
- Director's statement on whether it has a reasonable expectation that the Association will be able to continue in operation and meets its liabilities set out on page 16;
- Directors' statement on fair, balanced and understandable set out on page 15;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 10;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 11; and;
- Section describing the work of the audit and risk committee set out on pages 11 to 13.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 15, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.

- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing, recognising the nature of the Association's activities and the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

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 them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers
Chartered Accountants
Statutory Auditor

The Colmore Building
20 Colmore Circus Queensway
Birmingham
B4 6AT

Date:

Bromford Home Ownership Limited

Statement of Comprehensive Income
For the year ended 31 March 2022

		2022	2021
		£'000	£'000
Turnover	**2**	**20,616**	17,475
Cost of sales	**2**	**(14,475)**	(11,379)
Operating costs	**2**	**(977)**	(1,102)
Gain on disposal of property assets	**28**	**35,764**	2,162
Increase in valuation of investment properties	**2,13**	**-**	16
Operating surplus	**5**	**40,928**	7,172
Interest receivable	**6**	**5**	-
Interest and financing costs	**7**	**(230)**	(371)
Surplus before tax		**40,703**	6,801
Taxation	**10**	**-**	40
Surplus for the year after tax		**40,703**	6,841
Total comprehensive income for the year		**40,703**	6,841

The notes on pages 25 to 46 form an integral part of these financial statements.
The Association’s results relate wholly to continuing activities.

There were no recognised gains and losses other than those included in the Statement of Comprehensive Income.

Bromford Home Ownership Limited

Statement of Financial Position
As at 31 March 2022

	Notes	2022 £'000	2021 £'000
Fixed Assets			
Housing properties	11	24,903	53,578
Investment properties	13	-	596
HomeBuy loans receivable	14	-	291
		24,903	54,465
Current Assets			
Stocks	15	1,887	13,784
Trade and other debtors	16	11,394	8,761
Cash and cash equivalents	17	20,489	6,985
		33,770	29,530
Creditors: amounts falling due within one year	18	(2,439)	(5,204)
Net current assets		31,331	24,326
Total assets less current liabilities		56,234	78,791
Creditors - Amounts falling due after more than one year	19	(14,161)	(71,312)
Total net assets		42,073	7,479
Reserves			
Called up share capital		-	-
Income and expenditure reserve		42,073	7,479
Total reserves		42,073	7,479

The notes on pages 25 to 46 form an integral part of these financial statements.

The financial statements on pages 21 to 46 were approved and authorised for issue by the Board on 26 July 2022 and were signed on its behalf by:

Steve Dando
Chair

Robert Nettleton
Chief Executive

Sarah Beal
Company Secretary

Bromford Home Ownership Limited

Statement of Changes in Reserves
For the year ended 31 March 2022

	Income and expenditure reserve £'000	Total £'000
Balance at 1 April 2020	638	**638**
Surplus from Statement of Comprehensive Income	6,841	**6,841**
Balance at 31 March 2021	7,479	**7,479**
Surplus from Statement of Comprehensive Income	40,703	**40,703**
Gift aid payment	(6,109)	**(6,109)**
Balance at 31 March 2022	**42,073**	**42,073**

The notes on pages 25 to 46 form an integral part of these financial statements.

Bromford Home Ownership Limited

Statement of Cashflows
For the year ended 31 March 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Net cash generated from operating activities	**25**		**21,553**		10,765
Cashflow from investing activities					
Purchase of tangible fixed assets - new housing properties		**(3,024)**		(10,464)	
Purchase of tangible fixed assets - existing housing properties		**(9)**		(361)	
Grants received		**1,215**		7,162	
Interest received		**5**		-	
Net cashflow from investing activities			**(1,813)**		(3,663)
Cashflow from financing activities					
Gift aid		**(6,109)**		-	
Interest paid		**(127)**		(1,220)	
Repayment of borrowings		**-**		(1,880)	
Tax paid		**-**		(112)	
Net cashflow from financing activities			**(6,236)**		(3,212)
Net change in cash and cash equivalents			**13,504**		3,890
Cash and cash equivalents at the beginning of the year			**6,985**		3,095
Cash and cash equivalents at the end of the year			**20,489**		6,985

The notes on pages 25 to 46 form an integral part of these financial statements.

Legal Status

Bromford Home Ownership Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 (Registered Society number 29991R) and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing (registration number L4450). The registered office is Shannon Way, Ashchurch, Tewkesbury GL20 8ND.

1. Principal accounting policies

The accounting policies across Bromford Group have been aligned for financial reporting and any references to the Group also apply to BHO. The Group's financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investment properties and financial instruments and are presented in GBP sterling.

The Association's financial statements have been prepared in compliance with FRS102. The Association meets the definition of a public benefit entity (PBE).

Going concern

The Board, after reviewing the company budgets for 2022 to 2023 and the Group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and company have adequate resources to continue in business for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- **Development expenditure -** The Association capitalises development expenditure in accordance with the accounting policy described on page 28. Initial capitalisation of costs is based on management's judgement that the development scheme is likely to proceed. Costs capitalised in this way are regularly reviewed and any costs identified as abortive are charged in the Statement of Comprehensive Income.

- **Categorisation of housing properties** - The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that market rented properties and commercial properties are investment properties.

- **Impairment -** The Association has identified a cash generating unit for impairment assessment purposes during development and construction at a programme level, with subsequent impairment assessment once in management at a property scheme level.

Other key sources of estimation and assumptions:

- **Tangible fixed assets -** Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- **Categorisation of debt -** The Association's loans have been treated as 'basic' in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Association has fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). On 2 June 2016, The Financial Reporting Council (FRC) issued a statement in respect of such loans and gave no prescriptive direction as to whether they should be classified as 'basic' or 'non basic'. The Association believes the recognition of each loan liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, therefore, the Association has retained its 'basic' treatment of its fixed rate loans following the FRC announcement.

- **Impairment of non-financial assets -** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

  Following a trigger for impairment, the Association performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model.

  The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Association as the existing property. The cash flows are derived from the business plan for the next 30 years and do not include any restructuring activities that the Association is not yet committed to nor any significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.
  Following the assessment of the indicators of impairment, no adjustment to impairment was required during the year.

- **Rent arrears and bad debt provisions -** The amount of arrears that will not be collected is estimated on past experience of collection of different types of debt. The impact of changes in welfare reform including Universal Credit and benefit caps have been estimated based on data provided from pilot studies and Bromford's experience based on a small population.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other properties developed for outright sale and other income recognised in relation to the period when the goods or services have been supplied.

Rental income receivable

Rental income receivable is shown net of void losses, rent received in advance is deferred and included in creditors. Rental income is recognised from the point when properties under development reach practical completion and are formally let. For schemes managed by agents, income is shown as rent receivable and management fees payable to agents are included in operating costs.

Shared ownership first tranche sales

Income from first tranche sales is recognised at the point of legal completion of the sale. The surplus or deficit arising on a first tranche sale is shown after deducting the cost of the properties and related sale expenses.

Service charges

Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position. Where periodic expenditure is required, a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Supporting people

Supporting people contract income received from administering authorities is accounted for as income in turnover as per note two. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings (note 3) and matched against the relevant costs.

Properties developed for outright sales

Sales of properties developed for outright sale are included in turnover at the point of legal completion. The surplus or deficit arising on an outright sale is shown after deducting the cost of the properties and related sale expenses.

Grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. If there are specific performance requirements, the grant is recognised in Turnover when the performance requirements are met.

Where developments have been financed wholly or partly by social housing grant (SHG) and other grants, the income is recognised in Turnover (using the accruals model) over the estimated useful life of the assets excluding land) which it funds.

Other Income

Other income is included at the invoiced value of goods and services provided.

Loan interest costs

Loan interest costs are calculated using the effective interest rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined based on the carrying amount of the financial liability at initial recognition.

Loan finance issuance costs

Arrangement fees, agency fees and related legal fees payable when entering new loans are capitalised then charged to the statement of comprehensive income over the life of the loan via the effective interest rate method.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that where a tax charge arises as a result of an item recognised as other comprehensive income or recognised directly in equity. In such cases, the tax charge is also recognised in other comprehensive income or directly in equity as appropriate.

Both the current and deferred income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Association operates and generates taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Value Added Tax

The Association charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Association and is not recoverable. The balance receivable or payable at the year-end is within the current assets or current liabilities.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation.

Housing properties

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 which comprise the modernisation and extension of existing properties. Donated land/assets or assets acquired at below market value from a government source, i.e. local authority, are included as a liability in the Statement of Financial Position at the fair value less consideration paid.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion.

Freehold land is not depreciated.

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

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

	Years
• Boilers	15
• Heating systems	30
• Kitchens	20
• Bathrooms	30
• Roofs	50 to 65
• Windows and doors	25 to 30
• Structure – houses	100 to 130
• Structure – flats	75 to 100
• Structure – rooms and bedsits	40

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

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

	Years
• Motor vehicles	6 (20% residual value)*
• Fixtures, fittings, plant and equipment	5
• Computer hardware	3
• Office buildings	50

*revised from 3-6 years as previously reported

Works to existing properties

Works to existing properties has been capitalised when:

A component which has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or

Subsequent expenditure provides an enhancement of economic benefits in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which do not meet the above criteria have been charged to the Statement of Comprehensive Income as incurred.

Non-component works to existing properties

Expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been 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.

Low cost home ownership properties

The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the period ending 31 March 2022, interest has been capitalised at an average rate of 3.74% (2021: 3.93%) that reflects the weighted average effective interest rate on the Group's borrowings required to finance housing property developments.

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

Property managed by agents

Where the Association carries the majority of the financial risk on property managed by agents, the total income and costs arising from the property are included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, only the income and costs solely attributable to the Association are included in the Statement of Comprehensive Income.

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

Investment property

Investment property includes commercial and other properties held by the Association for reasons other than social benefit or for use in the business. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and is derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

HomeBuy

The Association operates this scheme by lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of Social Housing Grant (SHG).

On redemption:

- The grant is recyclable up to the value of the original grant;
- If there has been a fall in value of the property, the shortfall in proceeds can be offset against the grant;

- The Association can keep any surplus.

HomeBuy loans are treated as concessionary loans and are initially recognised at the amount payable by the purchaser and reviewed annually for impairment. The associated HomeBuy grant from the Regulator of Social Housing is recognised as deferred income until the loan is redeemed.

Equity loans purchased from house builders

These are recorded at the lower of cost and net realisable value. An impairment review takes place at the end of each year to ensure that the amount repayable by the debtor at today's prices is greater than cost.

Stock and properties held for sale

Stocks of materials are stated at the lower of cost and net realisable value. Work in progress and finished goods include labour and attributable overheads. Cost of materials is based on the cost of purchase on an average costing basis. Net realisable value is the estimated selling price less costs to complete and sell.

Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income statement in other operating expenses.

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. If there are specific performance requirements, the grant is recognised as a liability until the performance requirements are met, when the grant is recognised as Turnover.

Social Housing and other Government grants

Where developments have been financed wholly or partly by social housing grant (SHG) and other grants, the amount of the grant received has been included in the Statement of Financial Position as deferred income. This income is recognised in turnover using the accruals model over the estimated useful life of the assets (excluding land) which it funds. SHG received for items of cost written off in the Statement of Comprehensive Income is included as part of turnover.

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

SHG must be recycled by the Association if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met. In that event, the amount repayable is shown in the Statement of Financial Position as a subordinated unsecured repayable debt.

Recycling of Capital Grant

Social Housing Grant which has been recycled is transferred to the Recycled Grant Fund and appears as a creditor until it is either used to fund the acquisition of new properties or is repaid.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are included as a component of cash and cash equivalents for the purpose only of the Statement of Cashflows.

Financial instruments

Financial assets and financial liabilities are initially measured at the transaction price adjusted, where the financial asset or liability is not required to be held at fair value, for any directly attributable costs of acquisition.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest rate method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Association are classified as follows:

- Cash is held at cost;
- Financial assets such as current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest rate method;
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest rate method;
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest rate method;
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment;
- An investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares are held at fair value;
- Derivatives such as interest rate swaps are classified as financial assets or financial liabilities at fair value.

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

- The best evidence of fair value is a quoted price in an active market;
- When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate;
- Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

The following financial instruments are assessed individually for impairment:

- All equity instruments regardless of significance; and
- Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

An impairment loss is measured as follows on instruments measured at cost or amortised cost:

- For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in Statement of Comprehensive Income immediately.

Carrying Amounts

The carrying amounts of the Society's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit (CGU) 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. 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 "CGU").
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 profit or loss.

2. Turnover and operating surplus	Note	2022 Turnover	Cost of sales	Operating costs	Surplus on disposal	Revaluation of investment property	Operating surplus/ (deficit)
		£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings							
Housing accommodation	3	304	-	(111)	-	-	193
Supported housing accommodation	3	437	-	(201)	-	-	236
Shared ownership accommodation	3	2,365	-	(820)	-	-	1,545
		3,106	-	(1,132)	-	-	1,974
Other social housing activities							
First tranche sales		3,776	(3,886)	178	-	-	68
Support contracts		-	-	(17)	-	-	(17)
Sales and development		-	-	-	-	-	-
Other		2	-	(1)	-	-	1
Gain on disposal of property, plant and equipment		-	-	-	35,764	-	35,764
Non-social housing activities							-
Market rents		24	-	(5)	-	-	19
Properties developed for outright sale		13,644	(10,555)	-	-	-	3,089
Property development/equity loan sales		64	(34)	-	-	-	30
		20,616	(14,475)	(977)	35,764	-	40,928

2. Turnover and operating surplus	Note	Turnover	Cost of sales	Operating costs	Surplus on disposal	Revaluation on investment property	Operating surplus/ (deficit)
		2021					
		£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings							
Housing accommodation	3	218	-	(131)	-	-	87
Supported housing accommodation	3	370	-	(107)	-	-	263
Shared ownership accommodation	3	3,884	-	(709)	-	-	3,175
		4,472	-	(947)	-	-	3,525
Other social housing activities							
First tranche sales		1,261	(1,460)	-	-	-	(199)
Support contracts		-	-	-	-	-	-
Sales and development		-	-	(140)	-	-	(140)
Other		1	-	(18)	-	-	(17)
Gain on disposal of property, plant and equipment		-	-	-	2,162	-	2,162
Non-social housing activities							-
Market rents		39	-	3	-	-	42
Properties developed for outright sale		11,598	(9,865)	-	-	-	1,733
Property development/equity loan sales		104	(54)	-	-	-	50
Increase in valuation of investment properties		-	-	-	-	16	16
		17,475	(11,379)	(1,102)	2,162	16	7,172

3. Income and Expenditure from social housing lettings	**2022** Housing Accommodation £'000	**2022** Supported housing for older people and My Place £'000	**2022** Shared Ownership £'000	**2022** Total £'000	2021 Total £'000
Income					
Rent receivable net of identifiable service charge	**268**	**132**	**1,835**	**2,235**	3,404
Service charge income	**14**	**305**	**408**	**727**	903
Charges for support services	**22**	**-**	**56**	**78**	48
Amortised government grants	**-**	**-**	**66**	**66**	117
Turnover from social housing lettings	**304**	**437**	**2,365**	**3,106**	4,472
Expenditure					
Management	**42**	**23**	**760**	**825**	444
Service charge costs	**13**	**145**	**55**	**213**	215
Routine maintenance	**7**	**(1)**	**1**	**7**	3
Planned maintenance	**1**	**-**	**-**	**1**	12
Major repairs expenditure	**2**	**-**	**-**	**2**	7
Bad debts	**(1)**	**2**	**(81)**	**(80)**	34
Depreciation of housing properties	**47**	**32**	**85**	**164**	232
Operating expenditure on social housing lettings	**111**	**201**	**820**	**1,132**	947
Operating surplus on social housing lettings	**193**	**236**	**1,545**	**1,974**	3,525
Voids	**(3)**	**(9)**	**-**	**(12)**	(35)

4. Accommodation - owned, managed and in development	**2022 Number**	2021 Number
Under management at the end of the year		
General needs housing - social rent	**57**	16
General needs housing - affordable rent	**11**	31
Supported housing	**16**	16
Low-cost home ownership	**59**	1,074
Leasehold	**54**	271
	197	1,408
Under development at the end of the year		
General needs housing - affordable rent	**24**	31
Supported housing	**-**	-
Low-cost home ownership	**-**	-
Properties for outright sale	**-**	22
Total social housing units	**221**	1,461
Non-social housing		
Market rent	**-**	5
Offices and resource	**-**	2
Retained freehold	**78**	111
Total non social housing units	**78**	118
Total units	**299**	1,579
Owned and managed	**201**	1,381
Owned and managed by others	**-**	29
Managed for others	**74**	116
Under development	**24**	53
Total Units	**299**	1,579
Garages/parking spaces	**50**	50

During the year a significant number of housing units were transferred to Bromford Housing Association as part of the partial transfer of engagement.

5. Surplus on ordinary activities

The surplus on ordinary activities is stated after charging	**2022**	2021
	£'000	£'000
Auditor's remuneration		
Audit of financial statements	**8**	9

6. Interest receivable and income from investments

	2022	2021
	£'000	£'000
Interest receivable from cash, deposits and intragroup loans	**5**	-

7. Interest payable and similar charges

	2022	2021
	£'000	£'000
Interest on loans, overdrafts and other financing		
Repayable wholly within five years	**249**	-
Repayable wholly or partly in more than five years	**-**	482
	249	482
On loans from Bromford Housing Group Limited	**58**	89
Other finance charges	**18**	10
Amortised net finance costs	**10**	17
	335	598
Interest payable capitalised on housing properties under construction 3.74% (2021: 3.96%)	**(105)**	(227)
	230	371

8. Colleague costs

Colleagues in the Group are employed on a joint and several basis by the Group and its members, details of the colleague numbers and costs are disclosed in the Bromford Group accounts.

9. Directors' emoluments

Emoluments of Directors are paid through Bromford Housing Group Limited and are disclosed in the Group accounts. Directors' emoluments are part of the overheads recharged to the Association, however cannot be separately identified.

10. Taxation on surplus on ordinary activities	**2022**	2021
	£'000	£'000
Current tax		
UK corporation tax credit on ordinary activities	**-**	-
Over provision in previous years	**-**	(18)
Total current tax	**-**	(18)
Deferred tax		
Origination and reversal of timing differences	**-**	(22)
Tax on surplus on ordinary activities	**-**	(40)
Total tax reconciliation		
Surplus on ordinary activities before taxation	**40,703**	6,801
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	**7,734**	1,292
Effects of		
Items not allowable for tax purposes	**36**	44
Timing differences	-	(22)
Gift aid	**(4,748)**	(1,095)
Income not taxable for tax purposes	**(3,022)**	(241)
Adjustment from previous periods	-	(18)
	-	(40)

11. Tangible fixed assets - housing properties

	Housing properties held for letting	Housing properties under construction	Completed shared ownership housing properties	Shared ownership properties under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
As at 1 April 2021	6,767	17,615	27,856	4,664	56,902
Additions	-	750	-	2,169	2,919
Replacement of components	3	-	6	-	9
Transferred on completion	-	-	321	(321)	-
Transfer to group company	(1,963)	(4,598)	(26,511)	(922)	(33,994)
Disposals	(37)	-	(793)	-	(830)
As at 31 March 2022	**4,770**	**13,767**	**879**	**5,590**	**25,006**
Depreciation					
As at 1 April 2021	65	-	3,259	-	3,324
Charge for the year	62	-	102	-	164
Transfer to group company	(53)	-	(3,259)	-	(3,312)
Disposals	(3)	-	(70)	-	(73)
As at 31 March 2022	**71**	**-**	**32**	**-**	**103**
Net book value					
As at 31 March 2022	**4,699**	**13,767**	**847**	**5,590**	**24,903**
As at 31 March 2021	6,702	17,615	24,597	4,664	53,578

Properties held for security

Bromford Home Ownership - Registered Social Housing Provider - has property pledged as security using existing use value – social housing (EUV – SH) and market value subject to tenacy (MV - STT) of £nil (2021: £42.6m). The number of units on which security was pledged amounted to nil (2021: 957).

12. Expenditure on work to existing properties	2022	2021
	£'000	£'000
Replacement of components	**9**	361
Amounts charged to Statement of Comprehensive Income	**2**	7
	11	368

13. Investment properties held for letting

	2022	2021
	£'000	£'000
As at 1 April	**596**	580
Transfer to group company	**(596)**	-
Gain from adjustment in value		
Market rent investment properties	**-**	16
As at 31 March	**-**	596

During the year the investment properties were transferred to Bromford Housing Association as part of the partial transfer of engagement.

14. HomeBuy loans

	2022	2021
	£'000	£'000
As at 1 April	**291**	345
Transfer to group company	**(256)**	-
Loans redeemed in the year	**(35)**	(54)
As at 31 March	**-**	291

During the year the HomeBuy loans were transferred to Bromford Housing Association as part of the partial transfer of engagement.

15. Stocks and work in progress

	2022	2021
	£'000	£'000
Properties in development for outright sale	**1,522**	11,368
Cost of first tranche element of shared ownership properties	**365**	2,416
	1,887	13,784
Shared ownership properties		
Completed	**202**	878
Under construction	**163**	1,538
	365	2,416
Properties developed for Outright sale		
Completed	**1,522**	3,921
Under Construction	**-**	7,447
	1,522	11,368

16. Trade and other debtors	**2022**	2021
	£'000	£'000
Amounts falling due within one year		
Rent arrears	**18**	143
Less: provision for bad debts	**(7)**	(82)
	11	61
Amounts due from group companies	**11,318**	8,570
Other debtors	**64**	118
Prepayments and accrued income	**1**	12
	11,394	8,761

17. Cash and cash equivalents	**2022**	2021
	£'000	£'000
Cash at bank	**20,489**	6,985

18. Creditors: amounts falling due within one year	**2022**	2021
	£'000	£'000
Prepaid rental income	**28**	147
Loans	**-**	1,920
Trade creditors	**7**	2
Amounts due to group companies	**1,927**	814
Other taxes	**14**	46
Deferred capital grant	**-**	115
Recycled capital grant fund	**-**	1,006
Other creditors	**-**	73
Accruals and deferred income	**463**	1,081
	2,439	5,204

19. Creditors: amounts falling due after more than one year	**2022**	2021
	£'000	£'000
Loans	**-**	35,355
Amounts due to group companies	**-**	8,206
Deferred capital grant	**14,161**	26,447
Recycled capital grant fund	**-**	1,304
	14,161	71,312
Loan repayment profile		
Repayable within one year	**-**	1,920
Repayable between one and two	**-**	2,024
Repayable between two and five years	**-**	5,616
Repayable after five years	**-**	28,011
Less: Loan finance costs	**-**	(296)
	-	37,275

The interest risk profile of loan liabilities are as follows	**2022**	2021
	£'000	£'000
Floating rate - average Nil% (2021: 0.34%)	**-**	11,400
Fixed rate - average Nil% (2021: 5.07%)	**-**	26,171
	-	37,571

During the year the loans were novated to Bromford Housing Group Limited.

20. Deferred capital grant	**2022**	2021
	£'000	£'000
At 1 April	**26,562**	19,966
Grants received in year	**1,637**	7,175
Transferred to group company	**(13,607)**	-
Transferred to third party	**(422)**	(13)
Grants recycled to the recycled capital grant fund	**-**	(537)
Amortised in year	**(66)**	(117)
Amortised grant on disposal	**57**	88
As at 31 March	**14,161**	26,562
Amount due to be released within one year	**-**	115
Amount due to be released in more than one year	**14,161**	26,447
	14,161	26,562

During the year certain grants were transferred to Bromford Housing Association as part of the partial transfer of engagement.

21. Recycled capital grant fund	**2022**	2021
	£'000	£'000
At 1 April	**2,310**	1,779
Inputs to reserve		
Grants recycled	**-**	537
Interest accrued	**-**	2
Utilised		
Transfer to group company	**(2,310)**	(8)
New build	**-**	-
	-	2,310
Amounts due within one year	**-**	1,006
Amounts due after more than one year	**-**	1,304
	-	2,310
Amount three years or older where repayment may be required	**-**	617*

*Consent has been received from Homes England for these funds to be used during 2022/23

22. Deferred taxation	**2022**	2021
	£'000	£'000
As at 1 April	**-**	22
Origination and reversal of timing differences	**-**	(22)
As at 31 March	**-**	-

23. Share Capital	**2022**	2021
	£	£
Issued and fully paid (nominal value £1)		
At 1 April	**7**	7
Issued	**2**	3
Cancelled	**(2)**	(3)
At 31 March	**7**	7

The share capital of the Association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. The shares are non-withdrawable and non-transferable. When a shareholder ceases to be a shareholder, the share is cancelled and the amount paid up becomes the property of the Association.

24. Analysis of changes in net debt	**At 1 April 2021 £'000**	**Cashflows £'000**	**Amortisation of loan costs £'000**	**Transfer to group company £'000**	**At 31 March 2022 £'000**
Cash at bank and cash equivalents	6,985	13,504	-	-	**20,489**
Short term investments	-	-	-	-	**-**
	6,985	13,504	-	-	**20,489**
Other loans					
Loans due within one year	(1,920)	-	-	1,920	**-**
Loans due after more than one year	(35,355)	-	-	35,355	**-**
Change in net debt resulting from cashflows	(30,290)	**13,504**	**-**	**37,275**	**20,489**

25. Cash flow from operating activities

	2022	2021
	£'000	£'000
Surplus for the year	**40,703**	6,841
Adjustments for non-cash items		
Depreciation of tangible fixed assets - housing properties	**164**	232
Amortisation of government grant	**(66)**	(117)
Decrease in stock	**11,897**	7,940
Decrease/(increase) in trade and other debtors	**115**	(76)
(Decrease)/increase in trade and other creditors	**(835)**	616
Decrease in intergroup balances	**(31,499)**	(6,786)
Carrying amount of tangible fixed assets disposals	**814**	1,746
Adjustments for investing or financing activities		
Movement on shared equity loans	**35**	54
Movement in value of investment property	**-**	(16)
Interest payable	**230**	371
Interest receivable	**(5)**	-
Tax	**-**	(40)
Net cash generated from operating activities	**21,553**	10,765

27. Grant and financial assistance

The total accumulated government grant and financial assistance received or receivable at 31 March was as follows

	2022	2021
	£'000	£'000
Held as deferred capital grant	**14,161**	26,562
Recognised as income in Statement of Comprehensive Income	**2,422**	2,356
	16,583	28,918

28. Sale of properties not developed for outright sale and other fixed assets

	Proceeds of sales £'000	**Cost of sales £'000**	**Surplus £'000**	**Capital grant recycled £'000**
Further tranches of shared ownership	**1,833**	**(775)**	**1,058**	-
Other property disposals	**65,396**	**(30,690)**	**34,706**	-
Total 2022	**67,229**	**(31,465)**	**35,764**	**-**
Total 2021	3,623	(1,461)	2,162	537

29. Related party transactions

Transactions with non-regulated members of the Group

	2022	2021
	£'000	£'000
Bromford Developments Limited	-	11,474

Bromford Home Ownership Limited has the following debtor intercompany balances with non-regulated group members

	2022	2021
	£'000	£'000
Bromford Developments Limited	**523**	523

Bromford Developments Limited provides development services through the construction of housing properties on behalf of the Bromford Home Ownership Limited. Amounts due from Bromford Developments Limited are stated above, these balances are unsecured.

Bromford Housing Group Limited and its subsidiaries has indemnified its Board Members, Executive Team, Directors and employees for insurance cover no longer provided within its current Directors' and Officers' Liability insurance for the year ending 31 March 2023 which was included in its previous policy. The maximum exposure across the Group for this indemnity is £10million and expires on 31 March 2023. This is described in more detail in note 30.

30. Contingent liability

A deed has been entered into by the Board Members of Bromford Housing Group Limited to indemnify its Board Members, Executive Team, directors and employees across Bromford Housing Group Limited and its subsidiaries for insurance cover no longer provided within its current directors' and officers' liability insurance policy. Any claim made would be against the relevant entity with ultimate responsibility for reimbursement being through Bromford Housing Group Limited where required. The maximum exposure across the Group for this indemnity is £10 million and it expires on 31 March 2023.

31. Parent Entity

The company's ultimate parent organisation is Bromford Housing Group Limited registered in England and Wales under the Co-operative & Community Benefit Societies Act 2014 (Registered Society Number 29996R).

The results of Bromford Home Ownership Limited are included in the results of Bromford Housing Group Limited. Copies of Group financial statements for Bromford Housing Group are available from; Shannon Way, Ashchurch, Tewkesbury GL20 8ND.