BROMFORD HOME OWNERSHIP LIMITED

Financial Statements

for

the year ended 31 March 2018

Co-operative and Community Benefit Society
Registration Number 29991R

Homes and Communities Agency
Registration Number L4450

Bromford.

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Bromford Home Ownership Limited

General Information
For the Year Ended 31 March 2018

Board members

The Board Members who served from 1 April 2017 up to the date of approval of these financial statements were as follows:

	Position	Appointment/Retirement Date	Meetings Attended 2017/18
Jonathan Simpson-Dent	Chair	Appointed 7 April 2015	3 out of 3
Oke Eleazu	Vice Chair and Senior Independent Director	Appointed 1 April 2015	3 out of 3
Nick Cummins	Executive Director	Retired 2 July 2018	3 out of 3
Philippa Jones	Executive Director	Appointed 1 April 2015	3 out of 3
Christine Baldwin	Independent Non-Executive Director	Retired 2 July 2018	3 out of 3
Stephen Dando	Independent Non-Executive Director	Appointed 24 November 2015	3 out of 3
Sally Higham	Independent Non-Executive Director	Retired 2 July 2018	3 out of 3
Balvinder Heran	Independent Non-Executive Director	Appointed 1 April 2016	3 out of 3
Lee Gibson	Executive Director	Appointed 1 August 2016	3 out of 3
Robert Nettleton	Chief Executive Designate	Appointed 2 July 2018	0 out of 0
Vivienne Horton	Independent Non-Executive Director	Appointed 2 July 2018	0 out of 0
Richard Bird	Independent Non-Executive Director	Appointed 2 July 2018	0 out of 0
Richard Penska	Independent Non-Executive Director	Appointed 2 July 2018	0 out of 0
Neil Rimmer	Independent Non-Executive Director	Appointed 2 July 2018	0 out of 0

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
John Wade	Appointed 19 July 2016

Advisors:

External Auditors:

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

Business Assurance Provider:

Mazars LLP
45 Church Street
Birmingham B3 2RT

Bankers:

Barclays Bank plc
15 Colmore Row
Birmingham B3 2BH

Taxation Advisor:

Beever & Struthers LLP
St George's House
215-219 Chester Road
Manchester M15 4JE

Registered office:

Exchange Court
Brabourne Avenue
Wolverhampton Business Park
Wolverhampton WV10 6AU

Bromford Home Ownership Limited

Board and Strategic Report
For the Year Ended 31 March 2018

The Board of Bromford Home Ownership Limited ('**BHO**') is pleased to present its annual report and financial statements for the year ended 31 March 2018.

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 is a **business with a social purpose** whose objective is to inspire our customers to be their best.

For over 50 years we've provided customers with **new and affordable homes** and provided a range of **services** aimed at **reducing welfare-dependency** and generating **social value** in **employment, education, health and community safety**.

Bromford's 30,000 properties are home to over 60,000 people.

BHO's principal activities are the ownership and management of Bromford's Shared Ownership properties and activities.

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 also 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.**

Fig. 1 – The Bromford DNA

Board composition, meetings, decisions and delegations

Board members to 1st July 2018	Board members from 2nd July up to the date of approval of the financial statements
Non-Executive Directors	**Non-Executive Directors**
Jonathan Simpson-Dent (Chair)	Jonathan Simpson-Dent (Chair)
Oke Eleazu (Vice Chair and SID)	Vivienne Horton (Vice Chair and SID)
Christine Baldwin	Richard Bird
Steve Dando	Steve Dando
Balvinder Heran	Oke Eleazu
Sally Higham	Balvinder Heran
	Richard Penska
	Neil Rimmer
Executive Board Members	**Executive Board Members**
Philippa Jones (Chief Executive)	Philippa Jones (Chief Executive)
Nick Cummins (Executive Director)	Robert Nettleton (Chief Executive Designate)
Darren Lee Gibson (Executive Director)	Darren Lee Gibson (Executive Director)

Fig 2 – Board members to 1 July and from 2 July 2018

The BHO Board operates as a unitary board.

Up to the 1st July 2018, our Board had nine members - three Executive Directors (our Chief Executive, Executive Director of Operations and Executive Director of Finance) and six Non-Executive Directors (NEDs).

From the 2nd July 2018, our Board comprises 11 members – three Executive Directors (our Chief Executive, Chief Executive Designate and Executive Director of Finance) and eight 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, Jonathan Simpson-Dent, and NEDs were disclosed to the BHG Board before appointment and are summarised in the BHG Annual Report and Accounts.

Board meetings and attendance.

The BHO Board meet twice a year. Each meeting has a planned agenda which allows enough time to discuss key areas of importance. Input from professional experts and/or external advisors is also sought by the Board when necessary. NEDs also participate in 'experience it' days to keep in touch with the business and our customers.

The **general information** section on page 1 sets out each current Board member's attendance at Board and committee meetings during the financial year.

Board and Committee Decision-making

Strategy, financial viability and risk management are important factors in the management and performance of the organisation. Our Governance and Delegations Framework helps us to achieve this by making sure that decisions are made by the right people or groups by specifying which matters are reserved for the Board, its committees and senior management. For reports from our committees refer to Report of the Board of Committees in the Group financial statements.

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). The objectives of the regulatory standards are set out in **Fig. 3.**

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. Bromford maintains a G1 governance and V1 financial viability rating, the highest ratings on the scale throughout the financial year ended 31st March 2018.

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.

Following our annual review of compliance, the BHO Board are pleased to confirm that during the year ended 31st March 2018 we consider that Bromford has complied with all applicable outcomes and specific expectations of the Governance and Financial Viability Standard and its accompanying Code of Practice and with the outcomes and requirements of all the other economic and consumer standards.

Fig. 3 - The objectives of the Regulatory Standards

Statement of compliance with our code of governance

We have adopted the UK Corporate Code of Governance (the UK Code) as the Code of Governance for Bromford Home Ownership. Whilst our entities are not required to comply with the UK Code, they undertake to adhere to the spirit of it and have adopted this over the NHF Code of Governance. We comply with the UK Code in all material aspects and the Regulator of Social Housing's Governance and Financial Viability Standard.

The Association has complied with the UK Corporate Governance Code (2016 version) except for Code provisions B.7 and El, and aspects of C.3 and D.2 that contemplate dialogue with external shareholders or decisions being referred to shareholders on matters of director appointments, auditor appointments and director remuneration and the use of the AGM to communicate with investors. The reason for this is that the Association does not have external shareholders in the sense contemplated by the Code and therefore it addresses the need for scrutiny and evaluation through the board or an appropriate committee of the board and it engages with investors directly and through an annual investor's forum.

The Group Annual report contains a Governance report that details the governance arrangements of the Group, and how the Code is applied at a Group level.

Mergers

The Board has considered the NHF voluntary Code of Practice on mergers and partnerships (the Code) and believes that some aspects of the detail set out in the Code are too prescriptive to be applied in practice to the very wide variety of ways in which mergers and partnerships between housing associations can be initiated. We adhere to the good governance principles and provisions set out in the UK Code.

Each year the Board reviews compliance with the UK Code and during the financial year ended 31 March 2018 we consider that Bromford has complied with all relevant principles and provisions of the UK Code, except for the provisions referred to on page 5.

Governance effectiveness review

Each year the Board carries out a formal evaluation of Board, committee and individual director performance. Every three years, as recommended by the UK Code, this evaluation is facilitated by an external advisor to provide an independent perspective. During the period November to February 2018, Altair, an external advisor carried out a review of the Governance Effectiveness Framework. A report has been prepared which will be used as the basis of the Board Induction and Development Plan for the new Bromford Board.

Openness and transparency

We believe in being open and transparent – not only because it helps to deliver fair, efficient, and effective customer service, but because we believe it should be easy for our customers, colleagues and stakeholders to get the information they need to make informed judgments about how we operate and use our resources. Our approach to openness and transparency is set out in **Fig. 4.**

The 'Get to know us' section of our website contains copies of our key policies and procedures, alongside copies of our statement of strategy, Governance Framework and Probity Policy.

Set an example of good business practice by explaining what we do and why we do it and by taking responsibility for our actions.

Explain our decisions and show people that we're careful about how we spend money and that we spend it wisely.

Set an example for our sector by sharing as much information as we can and, where possible, more than we're legally required to.

Create business relationships based on mutual trust and respect so people want to work with us or be our customer.

Fig. 4 reflects the position as at year ended 31st March 2018, these are being reviewed as part of the partnership with Merlin which came into force on 2nd July 2018.

An important part of being open and transparent is interacting with our customers, partners and stakeholders in ways which are constructive and meaningful. We want customers to be able to contact us easily and conveniently whenever and wherever they need to and we work hard to remove any barriers to doing this. Alongside traditional contact methods such as phone and email, we also have a strong social media presence with accounts on Facebook, Instagram, LinkedIn and Twitter. Customers respond well to the flexibility this offers and the ability to proactively manage their relationship with us in different ways.

We encourage our customers to 'Be Brave' and share their thoughts on the services we provide. The Bromford Lab, which we set up in 2013, is one way customers can get involved in developing what we do. The Lab provides customers with online information about the latest projects we have in the pipeline and gives them the opportunity to contribute their own ideas and suggestions.

We have continued to evolve our localities approach, with new neighbourhood coaches working closely with customers to ensure we offer them the right relationship as well as the right home, giving people the best chance to build resilience and achieve more. All customer feedback we receive helps to shape our plans for continuous improvement and allows us to deliver the best customer service we can. Performance feedback is reported quarterly on our website.

Risk management and internal control

Risk management is key to the delivery of our strategy. We know that as well as presenting opportunities, all activity carries some risk. Our approach is to be risk aware but not risk averse. We identify and manage risks – not avoid them.

We have adopted a robust approach to risk management which helps us to:

- Protect our customers and our assets;
- Make sure that we remain financially strong;
- Meet our obligations to funders and other partners;
- Continue to provide excellent service to our customers; and
- Provide colleagues with a great place to work.

With support from the Audit and Risk Committee, the Board has responsibility for safeguarding against risks to our strategy and that an appropriate and effective framework of internal controls is in place to manage and reduce the risks associated with delivery. The Board Performance Report, which is considered at each meeting, shows how the Executive is managing and controlling risk within the organisation.

The Board is constantly horizon scanning and receives an update from the Chief Executive at each meeting. In September 2017 the Board also considered the Sector Risk Profile and in light of the tragic events at Grenfell the Board has also continued to monitor fire and customer safety throughout the year.

During the year we have continued to refine our approach to risk management. A new Risk Management Policy was adopted by the Board in November 2017 which provides clarity about the risk management responsibilities throughout the organisation. Our risk register is closely aligned to our strategic objectives and key enablers. We have developed a new style risk report and a new risk scoring matrix which considers likelihood and a range of impacts. Our risk appetite schedule is now embedded in our risk scoring and has been revisited during the year. It allows us to better understand and assess the risks we face. This provides assurance to the board that we are alert to, and managing risks and opportunities appropriately.

The Board has delegated authority to the Audit and Risk Committee to keep under review, and make recommendations to the Board in relation to, the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems. AAC undertake risk 'deep dives' into different functional areas to provide support to this work.

The Chief Executive has delegated responsibility for risk management on an operational level. She ensures that there is a risk management policy and that this is supported by an appropriate risk management framework. Under the CE's delegated authority, this responsibility has been shared with the Executive Directors. The CE and ED's have a duty to ensure that the business is protected as much as it can be against potentially harmful risks in relation to financial, regulatory, statutory, reputational and operational risk. This is done with the support of colleagues and having appropriate internal controls in place.

Functional Directors (FD's) have responsibility for reviewing and updating the risk register to ensure that it is complete; that the scoring is correct; and, to ensure that the right controls have been identified. This takes place at each meeting of the Executive Board. Through the completion of a Quarterly Assurance Statement they provide assurance that controls are in place and working. FD's also maintain an overview of the more operational risks as part of their business as usual and project management activity.

All colleagues have a responsibility for risk management. Appropriate, effective and proportionate systems of internal control are integral to risk management and again, the implementation and operation of these systems is a responsibility of all colleagues.

Delivery of the strategy requires us to understand our key risks and these are identified as:

The Right Home for Every Customer

Customer safety remains at the heart of our asset management. We carefully monitor all areas of asset compliance in order to ensure that we remain compliant with our legislative responsibilities.

The risks are that:

- Our homes are not safe;
- Our 'home standard' does not provide a springboard for our customers;
- We do not match customers with the right home;
- When homes become barriers we don't take action;
- We don't invest proactively in our existing homes.

Our controls are:

- Monitoring plans in place (both existing and new homes), including repair and replacements (planned and emergency), budgets, planned investment and regular MOT reviews;
- Inspections at each stage of the property/tenancy lifecycle (pre, post, annual reviews etc);
- Surveys completed on stock conditions, including communal areas;
- Business cases for A&A work where grant funded;
- Key performance indicators to monitor progress;
- Affordability assessments, Getting to Know You surveys and regular communication through NC's to ensure adequate support and relationship with customers and Local Authority partners to find suitable solutions;

- Processes and policies in place for asset data, including disposals, voids and stock conditions;
- Safety monitoring programmes in place for all regulatory compliance checks including fire, asbestos, gas etc;
- New technology adopted in new homes where applicable and relevant monitoring of compliance carried out;
- Training provided to all colleagues on health and safety;
- Internal and external audit with benchmarking exercises.

We have invested almost £30m in our properties, including grant of £3.3m; improving the quality, security, safety and thermal efficiency of our customer's homes. We have completed almost 15,000 separate pieces of improvement work, including the replacement of windows, kitchens, bathrooms and roofs, plus the installation of more effective and fuel-efficient heating systems that make it easier and cheaper for our customers to stay warm. We have installed insulation, modernised electrical wiring, improved areas of hard landscaping, and upgraded our sewerage treatment plants, invested in estate improvements and installed aids and adaptations to customer's homes in order to make them easier to live in. We update our 30 year business plan each year, ensuring that sufficient funds are made available to maintain and improve the quality of our customer's homes.

An Increasing Supply of Homes

The risks are that:

- We fail to deliver the target completions in the New Homes Plan;
- We fail to deliver the right affordable homes for our customers;
- We are unable to sell our properties – impacting on cash flow and our ability to implement the new homes plan;
- We fail to make robust New Homes investment decisions resulting in unsustainable investments;
- We fail to construct our new homes to agreed cost time and quality;
- We fail to construct our new homes safely;
- We fail to acquire appropriate S106 properties at the right cost, time and quality.

Our controls are:

- Comprehensive new homes plan;
- A sufficient pipeline of new land led schemes;
- Having the right people resource;
- Constant monitoring of the programme;
- Monitoring the external commercial operating environment; for example the housing market, mortgage availability and Government policy;
- Product overview and feedback;
- Researching and monitoring construction techniques;
- Sales products, incentives and performance monitored and reviewed.

The Right Relationship with Each Customer

The risks are that:

- No reduction in the demand for support services therefore benefits of the Localities Plan not met;
- Not making the best use of customer or community assets;
- Third party contractors damage our relationship with our customers;
- Bromford carries out consumer credit activities that we are not licenced for;
- We are not safeguarding our customers.

Our controls are:

- Every customer has a neighbourhood coach and encouraged to provide feedback;
- Investment in coaching skills through NC, Learning and Development Pathway and Academy;
- Supporting our customers into work, skills development and volunteering;
- Supporting customers with money and debt advice via trained Money Advisors and the Income team;
- Reduced patch sizes;
- Robust procurement and monitoring process of third party contractors;
- Monitoring of key performance indicators;
- Reviews of all progress at Customer and Communities Network half yearly;
- Raising awareness of safeguarding and our policy and procedure.

Enough Money

The risks are that:

- We fail to maximise income from agreed disposals affecting the delivery of our strategy;
- Reputational and financial loss from lack of control over payments, balance sheet, assets and liabilities, poor security of cash and cheques, insurance, financial authorisation levels and standing orders, recycle funds under deadline from Recycled Capital Grant Fund (RCGF);
- Inaccurate forecasting of cash for existing homes investment;
- We fail to maintain liquidity policy levels;
- We fail to access new borrowing or unable to access capital markets at a reasonable cost;
- Bromford fail to meet debt liabilities;
- We fail to protect our existing funding facilities;
- The bond is issued at a coupon rate outside of expected planning parameters.

Our controls are:

- Plans in place for funding we have on each supported housing scheme including contribution consultations with MP's etc;
- Affordability assessments and review meetings including offering money advice and support via trained advisors and for NC's through the training academy;

- Account Management Plans to ensure that our changing relationship with customers is not detrimental to income collection including reduced (Neighbourhood coach) NC patch sizes and the provision of collecting rents via direct debit;
- Maintain good working relationships with LA's to ensure restrictions are removed that may affect our sales programme;
- Numerous policies in place to ensure income collection and programmed progress (build and sales), as well as monitoring for external housing market changes to enable us to respond rapidly to any potential impact, lender appetites, market incentives and investment decision making on land and scheme acquisitions;
- External and internal audit of processes including annual budget setting, regular monitoring and forecasting processes with stress testing, including covenant compliance, project plans for pension solutions, major change projects, major investment projects, build cost inflation, valuations and horizon scanning of the economy; this is monitored under the VfM targets and our business plans. We undertake annual regulatory reporting;
- Review of progress at Treasury Committee on a quarterly basis in line with the Treasury Policy and monitoring of market pricing and Moody's sector ratings, advice from treasury specialists with expertise, maintenance of a liquidity buffer at all times and stress testing for bond coupon price changes.

We also manage the risks associated with ensuring that we have the right people, right tools and right organisation. We have a comprehensive project plan with its own formal governance arrangements and risk management to deliver our transformation programme – programmeOne.

Our activity to be the right organisation will see, by the time this report is published, a new Bromford following our partnership with Merlin Housing Society Ltd. This has been the subject of close scrutiny by the Board and robust project and risk management.

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 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.

As part of its annual review process the Audit and Risk Committee considers:

- The Executive Board's annual review of the effectiveness of the internal control system;
- The Risk Register;
- External auditor reports;
- Reports from our Business Assurance provider;
- Internal monitoring reports and key performance indicators;
- Reviews of statutory and regulatory compliance – including safety compliance;
- Financial accounts, budgets, forecast and financial controls.

Significant issues considered by the Audit and Risk Committee for the year ended 31st March 2018

Significant issues were discussed with management and KPMG in November 2017 when the Audit and Risk Committee reviewed KPMG's Audit Planning Memorandum and at the conclusion of the audit when the financial statements were reviewed in July 2018. The Audit Planning memorandum identified several audit risks which are considered below.

Development assumptions and judgements

Bromford has a significant development programme, which was expanded by the approval of the new homes business plan in March 2017. The accounting for these development schemes contains a number of assumptions and judgements relating to the recovery of work in progress, capitalised costs and the contractual relationships with third party contractors and partners. Consideration also needs to be given to impairment on significant developments due to time delays, increases in contractor costs and /or budget overruns. There is a risk that appropriate valuation and accounting treatment is not applied to development transactions. Management gave assurances to the Audit and Risk Committee that appropriate assumptions and judgements had been used in the accounting for development schemes. KPMG explained their audit testing of these assumptions and judgements. The Audit and Risk Committee questioned management and KPMG on the work performed and were satisfied that there was no material misstatement in terms of the accounting for development schemes.

Revenue recognition and fraud risk

Although KPMG consider fraud risk from revenue recognition on social housing lettings is not regarded as significant, there is still a significant risk for other areas of income such as property sales.

Management reported to the Audit and Risk Committee that they were not aware of any material misstatements in the recognition of income and that all known fraud/potential fraud issues had been reported to the Audit and Risk Committee at each of its meetings.

KPMG explained their audit testing in this area. The Committee questioned management and KPMG on the work performed and were satisfied that there was no material misstatement in terms of revenue recognition and fraud risk.

Risk of management override of controls

KPMG explained that the risk of management override of controls was highlighted as management is typically in a unique position to perpetrate frauds because of its ability to manipulate accounting records and override controls, but that KPMG had not identified any additional risks of management override relating to Bromford. KPMG explained the work carried out over testing and substantive procedures, including over journal entries, accounting estimates and significant transactions outside the normal course of business. Management confirmed it had not overridden controls. The Committee questioned management and KPMG on the work performed and the control process and was satisfied that there was no material misstatement resulting from overriding controls in financial statements.

Some key elements of our internal control framework include:

- Our Governance Framework and Group Delegation Framework, including committee terms of reference, approved by the Board;
- Financial Standing Orders;
- Strong treasury management, supported by external advisors and experts where necessary;
- A clear risk management process and policy;
- Robust strategic and business planning processes;

- A bespoke business assurance programme;
- Up-to-date and innovative recruitment, training and development programmes for colleagues;
- Regular and formal reporting to Board on performance and progress on strategic priorities, targets and outcomes;
- Confidential Reporting and Probity policies;
- Anti-money laundering and fraud policies and registers.

All policies and 'How-to' guides are simple and easy to understand. The latest versions of all policies and 'How-to' guides are accessible to all colleagues on our colleague intranet.

Business Assurance and External Audit is an important way the Audit and Risk Committee obtains assurance that internal controls are in place and working. At the start of each financial year, our Business Assurance provider and external auditor work with us to put a work plan in place to review and test the controls in our biggest risk areas, or in areas of strategic importance.

During the year, no significant failings or weaknesses were identified by either our Business Assurance provider or external auditor.

The Board confirms it has an approved fraud policy that covers the prevention, detection and reporting of fraud. Details of identified frauds are maintained in the fraud register, which is reviewed annually by the Audit and Risk Committee on behalf of the Board.

The Group has also appointed a Money Laundering Reporting Officer as part of its compliance with anti-money laundering legislation.

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31st March 2018, 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.

Financial results

The operating surplus of £5.5m (2017: £5.8m) came from a turnover of £4.45m (2017: £4.56m). The surplus on the sale of housing assets was £2.6m (2017: £3.1m).

Fixed assets

Details of movements in fixed assets during the year are set out in notes 11-13 to the financial statements. The charge for the year for the depreciation of housing properties is £213k (2017: £226k).

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 of £5.06m (2017: £5.0m) to Bromford Housing Association Limited during the year. The tax charge for the year is £901k (2017: £986k).

Treasury management

As at March 2018, £13m of loans were drawn, reducing the remaining undrawn facility to £25m. All of this facility is fully secured and has an availability period that expires in June 2019. Business plan projections indicate that further drawings against the facility will take place throughout 2018/19.

Covenants

We have been moving to a situation where the majority of covenants are based on group numbers and are broadly consistent in their composition. We have considerable capacity on both our interest cover and asset gearing covenants and they do not limit our activities.

Operating performance

Operational performance against targets is monitored at Group level and a summary is included within the Annual Report and Financial Statements of BHG. This also includes our 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 deemed to be required.
- 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.
- All of BHO's **debt financial instruments** are classified as basic.

Further details of key estimations can be found within our accounting policies on page 27.

Public Benefit Entity

As a public benefit entity, Bromford Home Ownership Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

Statement of Compliance

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2014 SORP for Registered Social Housing Providers.

Statement of Board's responsibilities in respect of the annual report and the financial statements

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board 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
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

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

The directors 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 shareholders to assess the Association's position and performance, business model and strategy.

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; and 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.

Going Concern

In preparing the financial statements, the board members have reviewed the Association's financial plan for 2016/21 and has a reasonable expectation that Bromford has adequate resources to continue in operational existence to at least January 2020. Accordingly, the financial statements set out on pages 23 to 53 have been prepared on a going concern basis.

Viability statement

As required by the provisions of the UK Corporate Governance Code, the Board has undertaken an assessment of the future prospects of Bromford taking into account its current position and principal risks. This assessment was made using the following core business processes:

Five year financial plan (FP) – the board reviews the FP each year as part of its strategic planning process. This process includes detailed stress testing of the FP which involves flexing a number of assumptions underlying the forecast both individually and together under particular scenarios.

Risk management – as set 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 FP and regular reforecasting of cashflows the Board reviews the liquidity position of the Association, ensuring funding is secured in accordance with Bromford's treasury policy.

In undertaking this assessment a period of 3 years has been selected. For the initial year of this of this 3 year period there is a greater level of certainty because detailed annual budgets are prepared and regularly reforecast. Quarterly cashflow forecasts are reviewed by the Board covering a rolling 24 months period, and are used to ensure sufficient facilities are in place. The largest single area of spend is the development programme and the bulk of the committed programme completes within a 2 year timeframe. Whilst development spend and required facilities are planned over a longer term than 3 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 the Association will be able to continue in operation and meet its liabilities as they fall due over the 3 year period used for this assessment.

Appointment of Auditors

KPMG, Chartered LLP were appointed as Bromford's external auditors for a period of up to five years to 2021.

This report was approved for issue by the Board on 24 July 2018 and signed on its behalf by:

Jonathan Simpson-Dent

Chair

Independent auditor's report to Bromford Home Ownership Limited

Opinions and conclusions arising from our audit

1 Our opinion is unmodified

We have audited the financial statements of Bromford Home Ownership Limited ("the Association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2018 and of the income and expenditure of the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Development assumptions and judgements

Value of Stock = £15.91 million (2017: £8.02 million)
Value of Fixed Assets additions = £0.86 million (2017: £3.19 million)

Refer to page 12 (Issues considered by the Audit and Risk Committee section of the Board and Strategic Report), pages 31 to 32 (accounting policy) and pages 43 to 45 (financial disclosures).

The risk

Subjective estimate

Development of housing properties is a principal activity for the Association. The capitalisation of development activity in year (fixed asset additions and stocks) makes up 32% of the Association's total assets (by value) and capitalisation decisions affect the timing of charges to the statement of comprehensive income. We do not consider the capitalisation of these housing development costs to be at high risk of significant misstatement, or to be subject to a significant level of judgement because the level of subjectivity and the risk of impairment is low. However, due to the materiality in the context of the financial statements as a whole, this is considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our response

Our procedures included:

Tests of detail

For a sample of fixed and current asset additions in the year, agreeing the amount, nature and timing of development costs capitalised to third party documentation, such as invoices and completion certificates.

Assessing a sample of interest capitalised to check that it relates to development schemes under construction and assessed the basis of the interest rate used as the weighted average interest rate.

Assessing the policy for capitalisation of internal development costs against the requirements of FRS 102. For a sample of internal costs capitalised in the period we assessed the appropriateness and correct application of this policy, based on our understanding of the business and status of development projects.

For a sample of fixed asset and current asset additions assessing the appropriateness of the classification of development costs between fixed assets and current assets (stocks), in accordance with the Statement of Recommended Practice. We did this by comparing the classification of properties, including the split of shared ownership developments between fixed and current assets, against the intended use of the properties as per the development scheme project plan.

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

Materiality for the Association financial statements as a whole was set at £68,000 (2017: £68,000), determined with reference to a benchmark of Association turnover, of which it represents approximately 1.5% (2017: 1.5%).

We consider total turnover to be the most appropriate benchmark as the Association is a not-for-profit organisation, therefore the focus is on revenue and any surplus generated is variable and reinvested.

We reported to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £3,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Association's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The association's Board is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Board's confirmation within the Viability Statement (page 16) that they have carried out a robust assessment of the principal risks facing the Association, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Board's explanation in the Viability Statement of how they have assessed the prospects of the Association, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Association will be able to continue in operation and meet its liabilities as they fall due over the period

of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Association's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

7 Respective responsibilities

Board's responsibilities

As more fully explained in their statement set out on page 14, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah Brown
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill,
Snow Hill Queensway
Birmingham,
B4 6GH

22 August 2018

Bromford Home Ownership Limited

Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Turnover	**2**	**4,449**	4,563
Cost of sales	**2**	**(176)**	(114)
Operating costs	**2**	**(1,461)**	(1,614)
Gain on disposal of property, plant and equipment (fixed assets)	**24**	**2,615**	3,139
Increase/ (Decrease) in valuation of investment properties	**2,12**	**30**	(149)
Operating surplus	**2**	**5,457**	5,825
Interest receivable	**6**	**2**	1
Interest payable	**7**	**(246)**	(265)
Surplus before tax		**5,213**	5,561
Taxation on surplus on ordinary activities	**10**	**(901)**	(986)
Total comprehensive income for the year		**4,312**	4,575

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.

The financial statements on pages 23 to 53 were approved and authorised for issue by the Board on 24 July 2018 and were signed on its behalf by:

Jonathan Simpson-Dent
Chair

Philippa Jones
Chief Executive

John Wade
Company Secretary

Bromford Home Ownership Limited

Statement of Financial Position
As at 31 March 2018

	Notes	2018	2017
		£'000	£'000
Tangible Fixed Assets			
Tangible fixed assets - housing properties	11	33,027	37,272
Investment properties	12	772	1,074
Other fixed assets			
Homebuy Loans	13	522	699
		34,321	39,045
Current Assets			
Stocks	14	15,910	8,018
Trade and other debtors : receivable within one year	15	1,093	477
Cash and cash equivalents		1,062	579
		18,065	9,074
Creditors: Amounts falling due within one year	16	(5,820)	(2,524)
Net Current Assets		12,245	6,550
Total Assets less Current Liabilities		46,566	45,595
Creditors : Amounts Falling Due after more than one year	17	(45,040)	(44,227)
Total net assets		1,526	1,368
Reserves			
Called up share capital	21	-	-
Income & Expenditure Account		1,526	1,368
Total reserves		1,526	1,368

These financial statements on page 23 to 53 were approved by the Board and authorised for issue on 24 July 2018, and were signed on behalf of the Board by:

Jonathan Simpson-Dent
Chair

Philippa Jones
Chief Executive

John Wade
Company Secretary

Bromford Home Ownership Limited

Statement of Changes in Reserves
As at 31 March 2018

	Income & Expenditure Account £'000	Total £'000
Balance at 1 April 2016	827	827
Surplus from Statement of Comprehensive Income	4,575	4,575
Gift aid payment	(5,000)	(5,000)
Tax credit on gift aid	966	966
Balance at 31 March 2017	**1,368**	1,368
Surplus from Statement of Comprehensive Income	**4,312**	4,312
Gift aid payment	**(5,055)**	(5,055)
Tax credit on gift aid	**901**	901
Balance at 31 March 2018	**1,526**	1,526

Bromford Home Ownership Limited

Statement of Cash Flows
For the year ended 31 March 2018

	2018		2017	
	£'000	£'000	£'000	£'000
Net cash generated from operating activities (Note 29)		**(3,615)**		**2,770**
Cashflow from investing activities				
Purchase of tangible fixed assets - new housing properties	**2,831**		(3,335)	
Purchase of tangible fixed assets - existing housing properties	**(5)**		(25)	
Purchase of investment properties	**-**		(50)	
Direct costs of disposal of tangible fixed assets	**(45)**		(83)	
Grants received	**150**			
Interest received	**2**		1	
Net Cash flow from Investing activities		**2,933**		(3,492)
Cashflow from financing activities				
Gift aid	**(5,055)**		(5,000)	
Interest paid	**(280)**		(281)	
New secured loans	**6,500**		6,500	
Inter-group loan repayment			(500)	
Net Cash flow from financing activities		**1,165**		719
Net change in cash and cash equivalents		**483**		(3)
Cash and cash equivalents at beginning of the year		**579**		582
Cash and cash equivalents at end of the year		**1,062**		579

Legal Status

Bromford Home Ownership Association 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 L4449). The registered office is Exchange Court, Brabourne Avenue, Wolverhampton, WV10 6AU.

1. PRINCIPAL ACCOUNTING POLICIES

The Association'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 2014.

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 2015. 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 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 Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Association regularly carries out a reassessment of the Association's business plan as well as an assessment of the likelihood of any imminent or future breach of borrowing covenants. The reassessment did not give rise to any significant concerns and the Board consider it appropriate to continue to prepare the financial statements on a going concern basis.

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 32. 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.

- **Revaluation of investment properties** - The Association carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Association engaged independent valuation specialists to determine the fair value at the reporting date. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 12.

- **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.

- **Interest rate SWAPs** - Uncertainties in the valuation of interest rate SWAPs include future interest rates and counterparty credit risk. The Association uses a debt and derivative advisory company, regulated by the Financial Conduct Authority, to support the valuation of its derivatives, which are valued by the relevant lender.

- **Pension and other post-employment benefits** - The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the actuary considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in the Group financial statements.

- **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 perform 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.

- **Leases** - A review of all leases has been carried out to classify leases as either operating or finance. These decisions depend upon an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- **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 cap 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 (net of voids) is recognised when the property is available for let. Income from property sales is recognised on legal completion. Supporting People income is recognised under the contractual arrangements.

Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

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.

Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issuance costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the gross proceeds at issue after deducting any amortised issuance costs.

Where loans are redeemed during the year, any redemption penalty and any connected loan finance issuance costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

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 change arises as a result of an item recognised as other comprehensive income or recognised directly in equity, that 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.

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.

Tangible fixed assets and depreciation

Housing properties

Tangible fixed assets are stated at cost, less accumulated depreciation. 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
• Bathroom	30
• Roofs	65
• Windows and doors	25
• Structure – houses	130
• Structure – flats	75
• 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	3
• Fixtures, fittings, plant and equipment	5
• Computer software (reclassify as intangible)	3
• Computer hardware	3
• Office buildings	50

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.

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.

Administration costs relating to component installations are capitalised only to the extent that they are directly attributable to the component.

Intangible fixed assets

Intangible assets are stated at cost, less accumulated amortisation. Amortisation is charged on a straight line basis over the expected economic useful life of the asset as follows:

	Years
• Architect fees	3
• Computer software	3
• Business Transformation costs (Bromford 2point0/ProgrammeOne)	7

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 Association's Statement of Financial Position.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease.

The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Investment property

Investment property includes commercial and other properties held by the Association for reasons other than social benefit. 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 SHG is recycled;
- The SHG is written off, if a loss occurs, , otherwise it is transferred to the Recycled Grant Fund
- The Association keeps 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 HCA 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.

Valuation of investments

Investments in subsidiaries are measured at cost less any accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 30 days which cannot be accessed within 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the statement of comprehensive income.

Stock and properties held for sale

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

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.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

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 Account 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.

Holiday pay accrual

Unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods is recognised as a liability in the Statement of Financial Position. This is measured at the undiscounted salary cost of the accrued future holiday entitlement.

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Association has a participating interest.

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Association's financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor of 2.07% at 31 March 2016, 1.32% at 31 March 2017 and 1.71% at March 2018. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

The Association's participates in the defined benefit Gloucestershire County Council and Staffordshire County Council pension schemes which are closed to new employees. The amounts charged to operating surplus are the costs arising from the employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to surplus for the year and included within finance costs. Re-measurement of the net assets/defined liability are recognised in other comprehensive income. Defined benefit schemes are funded in separate trustee administered funds. Pension scheme

assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained triennially and are updated at each reporting date.

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 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:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method;
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method;
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest 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:

a) The best evidence of fair value is a quoted price in an active market;
b) 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;
c) 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:

a) All equity instruments regardless of significance; and

b) 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:

a) 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.

b) 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.

Notes to the Financial Statements
For the year ended 31 March 2018

2. Turnover and operating surplus

	Notes	Turnover	Cost of Sales	Operating Costs	Surplus on disposal	Revaluation on investment property	Operating Surplus / (Deficit)
		2018					
		£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings							
Housing accommodation	3	20	-	(2)	-	-	18
Shared ownership and leaseholder accommodation	3	4,059	-	(1,423)	-	-	2,636
		4,079	-	(1,425)	-	-	2,654
Other Social Housing Activities							
Other		19	-	-	-	-	19
Gain on disposal of property, plant and equipment		-	-	-	2,615	-	2,615
Non Social Housing Activities							
Market rents		51	-	(1)	-	-	50
Properties developed for outright sale		-	-	(35)	-	-	(35)
Property development/equity loan sales		300	(176)	-	-	-	124
Increase in valuation of investment properties		-	-	-	-	30	30
		4,449	(176)	(1,461)	2,615	30	5,457

	Notes	Turnover	Cost of Sales	Operating Costs	Surplus on disposal	Revaluation on investment property	Operating Surplus / (Deficit)
		2017					
		£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings							
Housing accommodation	3	12	-	(2)	-		10
Shared ownership and leaseholder accommodation	3	4,089	-	(1,561)	-		2,528
		4,101	-	(1,563)	-	-	2,538
Other Social Housing Activities							
Other		103	-	-	-	-	103
Gain on disposal of property, plant and equipment		-	-	-	3,139	-	3,139
Non Social Housing Activities							
Market rents		162	-	(2)	-	-	160
Properties developed for Outright Sale		-	-	(29)	-	-	(29)
Property development/equity loan sales		197	(114)	-	-	-	83
(Decrease) in valuation of investment properties		-	-	-	-	(149)	(149)
		4,563	(114)	(1,614)	3,139	(149)	5,825

Notes to the Financial Statements
For the year ended 31 March 2018

3. Income and expenditure from social housing lettings

	2018			2017
	Housing Accommodation	Home Ownership	Total	Total
	£'000	£'000	£'000	£'000
Income				
Rent receivable net of voids	18	3,295	3,313	3,323
Service charges	2	631	633	638
Amortised government grants	-	133	133	140
Total Income from Lettings	20	4,059	4,079	4,101
Expenditure on letting activities				
Services	(1)	(400)	(401)	(411)
Care and support costs	-	-	-	-
Management	-	(704)	(704)	(855)
Routine Maintenance	-	(12)	(12)	(11)
Planned Maintenance	-	(36)	(36)	(38)
Major repairs expenditure	-	(33)	(33)	(23)
Rent losses from bad debts	-	(28)	(28)	-
Depreciation of housing properties	(1)	(210)	(211)	(225)
Total Expenditure on lettings	(2)	(1,423)	(1,425)	(1,563)
Operating surplus on letting activities	18	2,636	2,654	2,538
Void losses	(3)	-	(3)	(2)

4 Accommodation owned, managed and in development

	2018 Number	2017 Number
Under management at end of year:		
General needs housing social rent	4	4
General needs housing affordable rent	18	12
Low-cost home ownership	1,163	1,215
Leasehold	185	173
	1,370	1,404
Under development at end of year:		
Low-cost home ownership	17	93
Properties for outright sale	94	-
Total Social Housing	1,481	1,497
Under management at end of year:		
Market rent	7	12
Office & Resources	2	2
Retained freeholds	50	43
Total Non Social Housing Units	59	57
Total units	1,540	1,554
Owned and managed	1,345	1,393
Owned and managed by other	29	29
Managed for other	55	39
Under Development	111	93
Total units	1,540	1,554

5 Surplus on ordinary activities before taxation

Is stated after (charging)/crediting:	2018 £'000	2017 £'000
Operating lease rentals:		
vehicles	-	-
Surplus on sale of:		
housing properties not developed for outright sale	2,615	3,139
Depreciation of housing properties	(213)	(226)
Depreciation of tangible owned fixed assets	-	-
Current Auditor's remuneration (excl VAT):		
Audit of the financial statements	(7)	(7)
Previous Auditor's remuneration (excluding VAT):		
Audit of the financial statements	-	(6)
Fees payable to the company's previous auditor and its associates for other services to the company:		
Service Charge certification	-	(2)
Taxation advisory	-	-

6 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable from cash and money market deposits	2	1

7 Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest on loans, overdraft and other financing:		
On loans repayable within five years	14	6
Repayable wholly or partly in more than five years	43	11
	57	17
Other finance charges	44	54
On loans from Bromford Housing Association	212	217
Finance costs	18	18
Interest payable capitalised on housing properties under construction 4.10% (2017: 4.42%)	(85)	(41)
	246	265

8 Staff costs

	2018	2017
	£'000	£'000
Wages and salaries	-	372
Social Security costs	-	31
Other pension costs	-	22
	-	425

Average number of full time equivalent employees (including Executive Directors) employed during the year:

		2017
	No.	No.
Housing Management and support	-	13
Total	-	13

The details above relate to colleagues directly attributable to Bromford Home Ownership. Colleagues in the Group are employed on a joint and several basis by Bromford Housing Group Ltd and its members. Details of the number of FTE's whose total remuneration exceeds £60k are disclosed in the Group Accounts.

A full time equivalent employee is classed as working a 35 hour week.

Colleagues in the Group are employed on a joint and several basis by the Group and its members. Details of colleague numbers and costs are available in the Group accounts.

9 Directors emoluments

Emoluments of Directors are paid through Bromford Housing Group Limited and are disclosed in the Group accounts.

10 Taxation on surplus on Ordinary Activities

(a) Analysis of the charge in the period

The tax charge on the surplus on ordinary activities for the year was as follows:

	2018	2017
	£'000	£'000
Current tax:		
UK Corporation Tax Charge for the year	901	965
Under/(over) provision in previous years	-	-
Total current tax	901	965
Deferred tax:		
Origination and reversal of timing differences	-	21
Tax on surplus on ordinary activities	901	986

(b) Factors affecting tax charge for the period

Surplus on ordinary activities before tax	5,213	5,561
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	990	1,112
Effects of:		
Expenses not deductible for tax purposes	40	41
Fixed asset differences	(469)	(623)
Chargeable gains	373	498
Adjust closing deferred tax to average rate	-	1
Adjust opening deferred tax to average rate	-	(7)
Deferred tax not recognised	(27)	(60)
Revaluation of properties	(6)	24

Notes to the Financial Statements
For the year ended 31 March 2018

11. Tangible fixed assets - housing properties

	Housing Properties held for Letting £'000	Housing Properties under Construction £'000	Shared Ownership Housing Properties £'000	Shared Ownership Properties under Construction £'000	Total £'000
Cost					
At 1 April 2017	1,688	2,709	33,927	1,972	40,296
Additions	-	593	-	268	861
Replacement of components in the year	-	-	4	-	4
Disposals	-	-	(1,772)	-	(1,772)
Transfers from investment property	332	-	-	-	332
Transfer to Group association	-	(1,810)	-	(1,786)	(3,596)
At 31 March 2018	2,020	1,492	32,159	454	36,125
Less:- Depreciation and impairment					
At 1 April 2017	2	-	3,022	-	3,024
Charge for the year	2	-	211	-	213
Disposals	-	-	(139)	-	(139)
At 31 March 2018	4	-	3,094	-	3,098
Net Book Value at 31 March 2018	2,016	1,492	29,065	454	33,027
Net Book Value at 31 March 2017	1,686	2,709	30,905	1,972	37,272

Properties held for security

Bromford Home Ownership – Registered social housing provider had property pledged as security with a value (EUV-SH and MV-STT) of £44.6m (1,062 units) at 31 March 2018 (£46.8m (1,102 units) - 2017).

Notes to the Financial Statements
For the year ended 31 March 2018

12. Investment properties held for letting

	2018	2017
	£'000	£'000
At start of year	1,074	2,828
Additions	-	50
Disposals	-	-
Transfer to tangible fixed assets	(332)	(1,656)
Loss on transfer properties	-	(180)
Gain from adjustment in value	30	31
Disposals in the Year	-	1
At end of year	772	1,074

Investment properties were valued at 31 March 2018 by Jones Lang LaSalle Ltd. professional qualified external
The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valu
Standards.
In valuing the properties the following significant assumptions were used:

Discount rate	8%
Annual inflation rate	1.5% to 6.5%
Level of long term rent increase	1% - 2%

13. Homebuy loans

	2018	2017
	£'000	£'000
At start of year	699	812
Loans issued in the year	-	-
Loans redeemed in the year	(177)	(114)
At end of year	522	699

14. Stocks and work in progress

	2018	2017
	£'000	£'000
Properties in development for outright sale		
Work in progress	8,905	692
Land	5,967	3,864
Cost of first tranche element of shared ownership properties		
Completed	-	3,030
Work in progress	1,038	432
	15,910	8,018

The work in progress for outright sale and shared ownership properties relate to our retirement living scheme.

Shared ownership properties:		
Under construction	1,038	-
	1,038	-

Notes to the Financial Statements
For the year ended 31 March 2018

15. Debtors

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Rent arrears	102	70
Less: provision for bad debts	(53)	(25)
	49	45
Other debtors	215	209
Prepayments and accrued income	46	53
Amounts due from group companies	783	170
Amounts falling due within one year	1,093	477

16. Creditors: amount falling due within one year

	2018	2017
	£'000	£'000
Prepaid rental income	104	124
Housing loans	1,880	312
Trade creditors	11	4
Amounts due to group companies	1,001	640
Deferred Capital Grant	133	137
Recycled Grant Fund	1,865	867
Accruals and deferred income	826	440
	5,820	2,524

17. Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Housing loans	10,788	5,837
Amounts due to group companies	19,151	20,151
Deferred Tax	21	21
Deferred Capital Grant	13,471	16,199
Recycled capital grant fund	1,609	2,019
	45,040	44,227
Loans not wholly repayable within five years :-		
Repayable within one year	2,880	812
Repayable between one and two years	2,920	1,306
Repayable between two and five years	8,824	3,930
After five years	18,527	21,103
Less : loan finance costs	(332)	(351)
	32,819	26,800

17. Creditors: amounts falling due after more than one year (continued)

The interest rate risk profile of loan liabilities are as follows:

	2018	2017
	£'000	£'000
Floating rate - average 0.75% (2017: 0.46%)	13,000	6,500
Fixed rate - average 1.05% (2017: 1.05%)	20,151	20,651
	33,151	27,151

Undrawn committed borrowing facilities at 31 March were as follows:

	2018	2017
	£'000	£'000
Expiring within one year		33,500
Expiring between one and two years	25,080	-
	25,080	33,500

£25m of the undrawn committed borrowing facilities are currently secured.

18. Deferred Tax

	2018	2017
	£'000	£'000
As at 1 April	21	-
Origination and reversal of timing differences	-	21
As at 31 March	21	21

Deferred tax liabilities relate to changes in the value of investment properties and short term timing difference

19. Deferred capital grant

	2018	2017
	£'000	£'000
At start 1 April	**16,337**	17,333
Grant received in the year	**150**	-
Transferred to other Group association - Bromford Housing Association	**(2,225)**	-
Grants recycled to the Recycled capital grant fund	**(574)**	(975)
Transferred to third party association	**(25)**	-
Amortised in the year	**(133)**	(140)
Amortised grant on disposal	**77**	119
As at 31 March	**13,606**	16,337

	£'000	£'000
Amount due to be released < 1 year	**136**	137
Amount due to be released > 1 year	**13,471**	16,199
	13,607	16,337

20. Recycled Capital Grant Fund

	2018	2017
	£'000	£'000
As at 1 April	**2,886**	1,905
Inputs to reserve:		
Grants recycled	**574**	975
Interest accrued	**14**	6
As at 31 March	**3,474**	2,886
Amount three years or older where repayment may be required	**867***	-

* Consent has been received from the Homes England for these funds to be used during 2018/19

21. Called up share capital

	2018	2017
	£	£
Allotted, issued and fully paid		
As at 1 April	**7**	5
Allotted during the year	**-**	2
As at 31 March	**7**	7

Each Non-Executive member of the Board plus the Group parent holds one share in the Association. The shares do not have a right to any dividend or distribution in a winding up, and are not redeemable. Each share has full voting rights.

22. Reconciliation of net cash flow to movement net debt

	2018	2017
	£'000	£'000
Increase/ (Decrease) in cash	483	(2)
Cash outflow from increase in debt and lease financing	(6,019)	(5,650)
Change in net debt resulting from cashflows	(5,536)	(5,652)
Net funds at 1 April 2017	(26,221)	(20,569)
Net funds at 31 March 2018	(31,757)	(26,221)

23. Analysis of changes in net debt

	At 1 April 2017	Cashflows	At 31 March 2018
	£'000	£'000	£'000
Cash at bank and in hand	579	483	1,062
	579	483	1,062
Other loans			
Housing loans < 1 year	(812)	(2,068)	(2,880)
Housing loans > 1 year	(25,988)	(3,951)	(29,939)
	(26,221)	(5,536)	(31,757)

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

	Proceeds of Sales £'000	Cost of Sales £'000	Surplus £'000
Further Tranches	**4,198**	**(1,702)**	**2,496**
Other fixed asset disposals	**174**	**(55)**	**119**
Total 2018	**4,372**	**(1,757)**	**2,615**
Total 2017	5,526	(2,387)	3,139

25. Capital commitments

	2018 £'000	2017 £'000
Capital expenditure contracted for but not provided in the financial statements	**3,772**	16,469
Capital expenditure authorised but not yet contracted for in the financial statements	**460**	-

These commitments are to be financed by the receipt of Social Housing Grant and a mixture of loan finance and reserves, as follows:

Social housing grant	**242**	1,240
Proceeds from the sale of properties	**3,259**	14,898
Loans and reserves	**731**	331
	4,232	16,469

26. Related party transactions

The Association's ultimate parent undertaking and controlling party is Bromford Housing Group Limited (Registered Society Number 29996R).

The Company is a wholly owned subsidiary and advantage has been taken of the exemption provided by section 33.1A of FRS102 not to disclose related party transactions with other regulated group companies (social landlords).

Bromford Home Ownership Limited made a gift aid payment to Bromford Housing Association Limited of £5.055m in the year (2017: £5m).

Transactions with non regulated members of the Group

	2018	2017
	£'000	£'000
Non-regulated entities:		
Bromford Developments Limited	**6,172**	2,820

Bromford Development Limited provides development services through the construction of housing properties on behalf of Bromford Housing Group. Transactions paid by Bromford Home Ownership Limited to Bromford Developments Limited are stated above.

Bromford Home Ownership Limited was owed £519,679 as at 31 March 2017 from Bromford Developments Limited (2017: £169,679).

Copies of the Group financial statements for Bromford Housing Group Limited are available from; 1 Exchange Court, Brabourne Avenue, Wolverhampton Business Park, Wolverhampton, WV10 6AU.

27. Grant and financial assistance

	2018	2017
	£'000	£'000
The total accumulated Government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant	**13,607**	16,336
Recognised as income in statement of Comprehensive Income	**2,355**	2,222
	15,962	18,557

28. Financial instruments

The Company's financial instruments may be analysed as follows:

	2018	2017
	£'000	£'000
Financial assets		
Financial assets measured at amortised cost		
- Rent debtors	**50**	45
- Other receivables	**215**	209
- Cash and cash equivalents	**1,062**	579
Financial assets that are debt instruments measured at amortised cost		
Homebuy loans	**523**	699
Total financial assets	**1,850**	1,531
Financial liabilities		
Financial liabilities measured at amortised cost		
- Trade creditors	**11**	4
- Other creditors	**23,626**	23,677
Total financial liabilities	**23,637**	23,681

Notes to the Financial Statements
For the year ended 31 March 2018

29. Cash flow from operating activities

Cash flow from operating activities	2018 £'000	2017 £'000
Surplus for the year	**5,213**	5,561
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	**213**	226
Amortisation of Government grant	**(133)**	(140)
(Increase) in stock	**(7,892)**	(5,000)
(Increase) in trade and other debtors	**(3)**	(61)
Increase in trade and other creditors	**344**	369
(Decrease) in intergroup balances	**(3,478)**	(1,077)
Carrying amount of tangible fixed asset disposals	**1,757**	2,387
Grant transfer to net off cash disposal proceeds	**(25)**	-
Adjustments for investing or financing activities:		
Movement on Shared Equity Loans	**176**	114
Movement in value of investment property	**(30)**	149
Interest payable	**245**	265
Interest receivable	**(2)**	(1)
Taxation	**(901)**	(986)
Tax credit on gift aid	**901**	965
Net cash generated from operating activities	**(3,615)**	2,770