Bromford Housing Group

Annual Report and Financial Statements

for the year ended 31 March 2019

Co-operative and Community Benefit Society Registration Number **29996R**
Homes England Registration Number **L4449**

Contents

A snapshot of our business.

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

1,800
colleagues

44,000
homes owned and managed

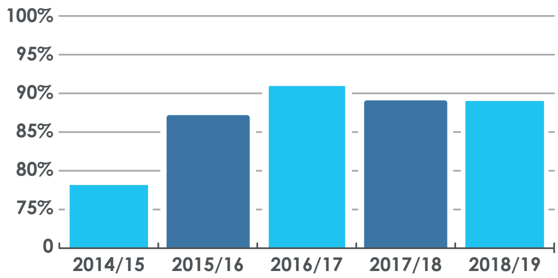
£257m
annual turnover

1,236
homes completed in 2018/19

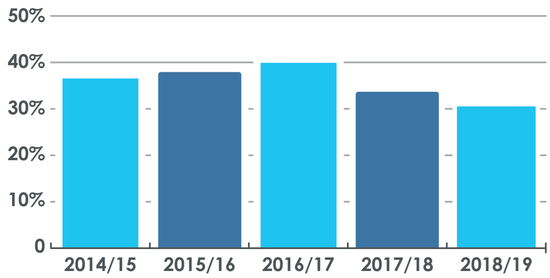
14,000
planned number of properties to be developed by 2028

Highlights of the year.

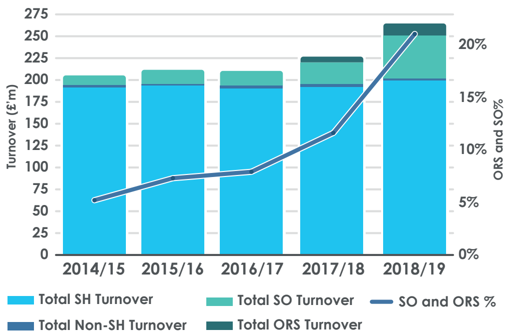
Customer advocacy (overall)%



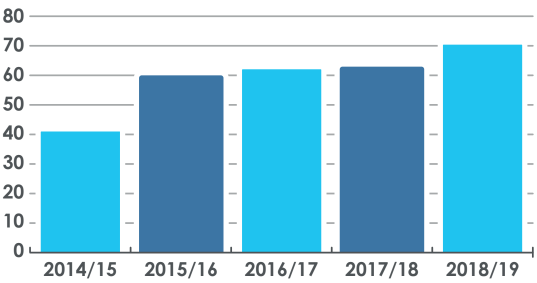
Operating margin (overall)%



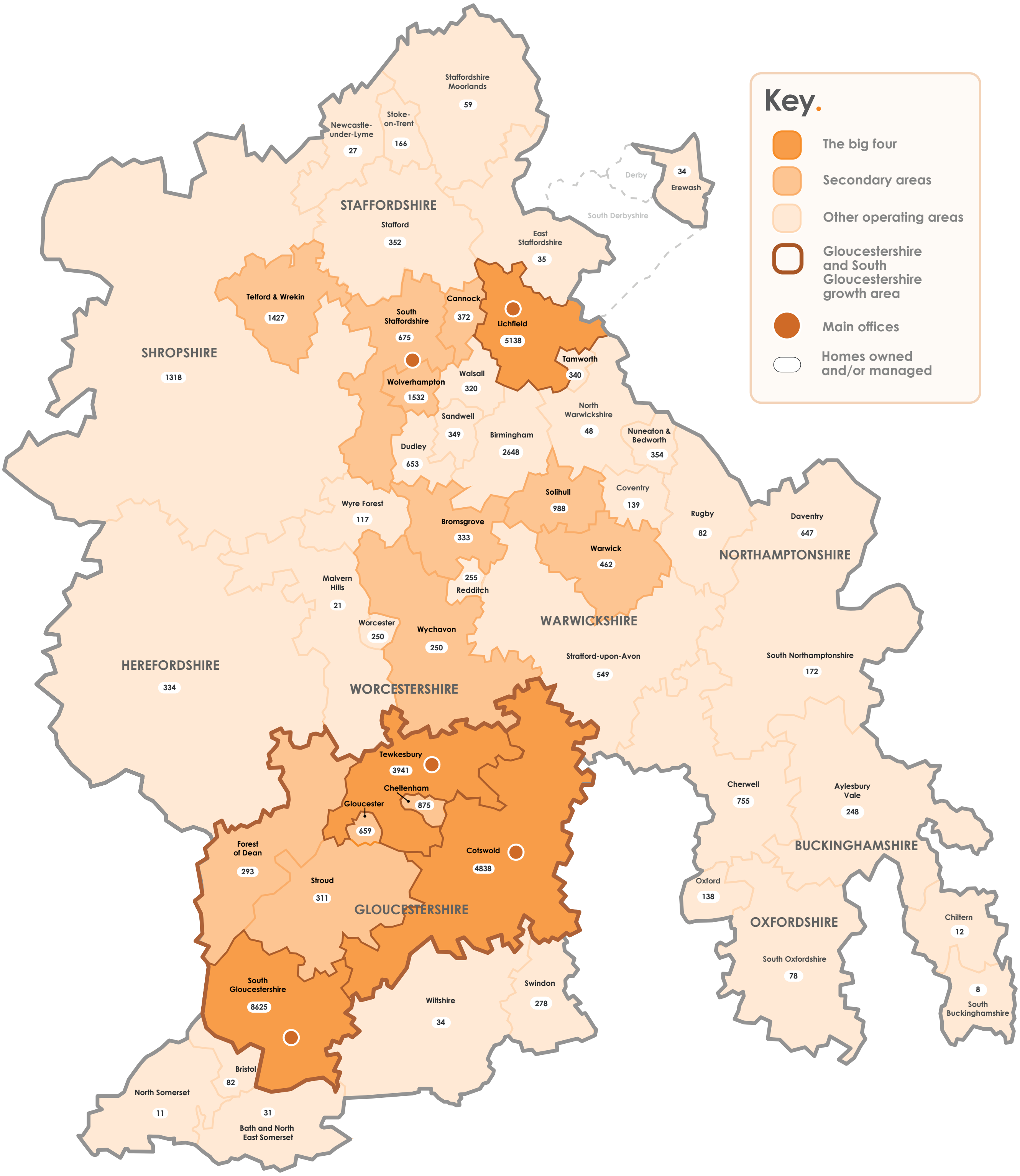
Bromford group turnover



Net surplus (£m)



Operational area.



* **The big four** - the places where we are majority social landlord and own up to 80% of the affordable homes.

Statement from the Chair.

A stronger platform, a bigger difference

The last year has seen the formation of a brand new organisation through the partnership with Merlin Housing Society and the subsequent acquisition of Severn Vale Housing Society (SV). The combined strength and capabilities of three organisations becoming one enables us to focus on our unwavering purpose, investing in homes and relationships so that people can thrive. Bromford's aim goes beyond supporting an ever-increasing need for safe and warm homes – our culture, values and strategy are driven by a core belief that we can have a broader impact on customers, communities and colleagues.

Our new organisation is built on stable and robust financial foundations. We are accelerating our housebuilding programme to become the housing association of choice in our key areas of operation and extending our frontline neighbourhood coaching approach to even more customers across our central England heartland. In addition, to fulfil our exciting potential, we are investing to change the way we work and interact with our customers and colleagues through programmeOne, a business-wide transformation programme now entering its second phase of implementation. Our scale and wider role within society allows us to invest in our relationship with existing customers whilst also investing in initiatives like helping to reduce homelessness as outlined in our new strategy.

Any period of transition comes with additional risks; growing in size, cultural and organisational integration, change management and the potential to lose focus on frontline service delivery. Bromford has moved quickly to establish and embed a new Board and governance structure, a fully integrated Executive Board, a new operating rhythm and four forums where smaller groups of colleagues and customers are responsible and accountable for shaping the way we do things.

The formation of our new Customer and Communities Influence Network (CCIN) together with our customer feedback process have been hugely positive for customers, colleagues and Board members to get closer to what is happening on the ground so that more informed decisions can be made. Given the new organisation is less than a year old, I was delighted with the outcome of our recent effectiveness review which endorses the challenge, support and assurance roles the Board is playing in the transformation of Bromford.

I would like to recognise how much has been accomplished in such a short time. We should not underestimate the team's achievement in maintaining service standards and customer satisfaction right across the business and I deeply thank all our colleagues for the support and commitment they continue to show every day.

I would also like to praise the brilliant leadership of all three Chief Executives, Philippa Jones, Tim Knight and Robert Nettleton, for converting vision into reality. Our retiring Chief Executives, Philippa and Tim, have dedicated 30 years and 20 years respectively, building amazing organisations and managing a seamless transition that have underpinned this defining transformation. Robert, our new Chief Executive, has hit the ground running with his unerring customer focus, vision and ambition for Bromford.

With so much to be positive about, 2019 was tinged with sadness after the passing of Les Good following a short battle with cancer. Les was the first Chair of Merlin Housing Society and worked tirelessly for customers through the council, Merlin and then Bromford for over 20 years. He leaves a strong legacy that we are all keen to channel and learn from moving forward.

Looking ahead this really is the beginning of our next chapter. The enlarged and fully-integrated organisation, a strong financial core and a robust governance framework provide a unique platform to deliver our strategic plan and purpose of enabling even more people to thrive and making a bigger difference in the communities and regions we serve.

Jonathan Simpson-Dent
Chair of the Board

Report from the Chief Executive.

Enabling more people to thrive

This year has seen us bring three organisations together, who all individually were focussed on investing in customers, to create a much stronger one. Combining Bromford, Merlin and Severn Vale will enable even more customers to thrive and will also allow us to be even more transformational for current and future communities.

Fundamental to the creation of the new organisation was the recognition of all parties as to why they exist and that the right partnerships, based on shared objectives and values, can reduce costs and unlock capacity to deliver more whilst at the same time providing greater insulation against potential material risks.

Very few in the housing association sector have brought three organisations together in the space of just six months and we achieved this thanks to the vision, planning and hard work of colleagues right across our new organisation.

By the end of 2019 we will have invested some of the efficiency savings into expanding our neighbourhood coaching approach to a further 12,500 households.

The result being that across our 44,000 homes we will employ over 225 neighbourhood coaches with the ultimate goal of helping more of our customers to thrive.

We operate in areas of extremely high demand for affordable homes and our consolidated balance sheet allows us to deliver the largest housing association-led development programme across these areas, enabling transformational partnerships to be created to both develop and regenerate communities. Over the next ten years we've committed to invest £2.5bn gross (£1.5bn net) into building 14,000 new homes.

Revenue increased year on year from £221m to £257m. This increase can be attributed to the acquisition of Severn Vale, an increase in the number of rental homes and a material increase in first tranche shared ownership revenues. We are pleased to report that surplus before tax increased from £64m to £69m. This increase can be attributed to a positive fair value associated with the Severn Vale acquisition which offsets lower year on year gains on fixed assets, higher year on year operating costs and a negative movement in the fair value of financial instruments.

We committed all this surplus back into maintaining our current homes and investing in new ones.

We completed 1,236 homes, at a cost of £172m, an increase of 188 homes on last year. Of the 1,236 homes, 760 were for rent, 442 for shared ownership and 34 for outright sale.

Supplementing this we were very pleased to execute an agreement to become a Homes England strategic partner providing us with an additional £66m to build more new homes for social rent, affordable rent and shared ownership by March 2024.

This year also saw us invest £38m into our existing homes enabling us to upgrade 1,240 kitchens and bathrooms; 2,240 windows and doors and 295 roofs and included the continuation of our corporate goal of reducing customers fuel bills by upgrading 3,213 heating systems.

During the year, we entered the public bond market on the back of our Moodys A1 (at the time of issue, subsequently A2), and Standard and Poor's A+ credit ratings and secured £300m at a sector leading 30-year rate of 3.125%. Recognising the potential volatility in the markets, we followed this up later in the year by diversifying our investor base with another sector leading 20-year private placement with five US investors at 3.01% - both transactions being materially oversubscribed. The result being that at year end we had available liquidity of £645m and net debt of £23k per unit.

As a result of creating the new organisation we spent considerable time during the year focussing on our future strategy. We launched the Bromford Strategy 2019-2023 in March 2019 and not only have we been explicit on our purpose, but we've been clear on what our core business is and what it isn't. We have established a series of clear measurable goals. We're clear that neighbourhood coaching is integral to our business and that our development activity will focus on affordable housing with an increase in social rent in high stress areas. We've also determined that others are better at managing student accommodation, so we will dispose of our portfolio and, over time, divest ourselves of our market rent portfolio too.

An integral part of creating our organisation was starting to shape the culture that we want to have. I was delighted that more than 600 colleagues joined over 30 workshops to unpick why Bromford is special for them, what makes us different, and how we should operate in the future. The workshops resulted in us settling on a new set of values, called DNA, which are to be Honest, Brilliant, Bold and You. These shared values and our purpose are what will drive us in the years ahead.

Part of enabling colleagues to deliver the strategy is providing them with the best tools for the job, streamlining processes and creating one platform. This year has been the first full year of delivering our programmeOne transformation programme, which has seen us implement a new D365 finance and procurement system. We've also made significant strides in the second phase which launches in 2020 – delivering a new and improved experience for how our customers engage with us.

Ultimately the reason Bromford exists is because making a difference to people's lives is a passion that burns deeply in all of us. And it is the belief that with the right home and the right relationship almost anything is possible, which is why we have and will continue to invest heavily in our coaching approach.

Across the early adopters of this new way of working, we have now engaged with 28,000 customers and are finding that our initial investment is leading to more engaged and sustainable communities. This is reflected in the research we glean from our feedback programme which tells us that a remarkable 89% of customers would recommend Bromford to a friend.

Despite the continued extension of universal credit, we are seeing a greater number of customers in credit, a decline in the number of failed tenancies, and a fall in the frequency that anti-social behaviour cases end up in court – clear evidence that our relationship with customers continues to transform. And we are clear that this colleague-customer relationship doesn't just affect frontline colleagues but every single person across the business.

The demand for affordable housing has never been more profound and this, coupled with our size, strength of balance sheet and opportunities, results in Bromford being an important organisation in the area in which we operate which, with our increasing focus on partnerships, provides an exciting footing for the future. Underpinned by our talented colleagues, our agile business model will ensure we can continue to invest in homes and relationships for existing and future customers whatever the challenges of the external environment.

I would like to finish by thanking all colleagues that work for Bromford. This year has seen us achieve a great deal but none of it would have been achieved without a group of absolutely dedicated people.

Robert Nettleton
Chief Executive

The Bromford Strategy 2019 to 2023.

Our purpose is to invest in homes and relationships so people can thrive.

The Bromford Strategy 2019 – 2023 sets out how we will achieve our overall purpose and the journey we will take to get there. It details five areas of strategic focus, which each contain a series of outcomes and goals.

Our relationship with our customers.

Building strong relationships with customers is fundamental to our work and that's why we will continue to invest in them rather than focusing on providing additional services. Doing so will enable customers to gain or maintain control of their lives and allow them to do more for themselves.

Investing in relationships with customers, in providing ways that allow them to easily interact with us, and acting on their feedback, will provide them with a better overall experience while living in our homes.

Homes that enable customers to thrive.

Over the period of our strategy we will be investing more than £300m in maintaining and upgrading our properties to ensure our customers have homes that are safe, secure and warm.

We're committed to providing homes that our customers are proud to live in. To do that we will increase our understanding of how our homes are operating by using the latest technology, so we can address any issues proactively before they become a problem for our customers. We will also invest in improvements to our homes to make them warmer and cheaper to heat, giving customers more money to spend on other things.

Growing the business to enable even more customers to thrive.

Our financial strength allows us to invest in quality, modern affordable homes over the next four years; allowing us to make a real difference to the lives of the thousands of people currently waiting for affordable housing in our area.

Working in partnership with others and delivering developments ourselves, our ambitions are not only to increase the number of affordable homes we develop but also to reduce building costs and our impact on climate change at the same time, utilising new technologies and reviewing modern methods of home construction.

Keeping Bromford future ready.

We have a clear ambition to ensure our systems and ways of working are ready for the future. We will achieve this through the delivery of programmeOne, our business-wide transformation programme.

We will move to a small number of integrated systems which will be used across the entire business. This will allow us to simplify the ways we work and to efficiently bring the three legacy organisations together and provide a consistent experience for both colleagues and customers.

Enabling colleagues to thrive to create the best team we can.

In order to achieve our goals we need to ensure that our new DNA becomes the culture throughout Bromford. Investing in our people and creating brilliant leaders and teams will put us on track for future success.

The elements that make up our strategy.

Our strategy is not just the strategic plan – the organisational to do list. Our strategy comprises a number of distinct parts each of which plays an important part in helping us achieve the things we want to achieve over the period of the strategy.

Our DNA.

Be. Honest

- We do what we say we will and are open to being challenged and challenging others
- When things go wrong we hold our hands up, admit it and learn from our mistakes
- We build relationships based on openness, respect and integrity.

Be. Brilliant

- We work smarter, not just harder and collaborate with others to get results and hold ourselves and others accountable for achieving our goals
- We see the best in people and believe we can all achieve more
- We're curious about learning new things.

Be. Bold

- We do the right thing for our customers and colleagues
- We love new ideas and challenge assumptions
- We work with confidence and empower others to make decisions for themselves.

Be. You

- We embrace the fact that everyone is different and encourage people to use their life experience and personality every day to create positive experiences for customers and colleagues
- We think big, are positive and celebrate our successes and those of others
- We're energised, happy and productive.

Katana

Gas team

When customers get a phone call from Katana from our inhouse gas installs team, for many of them it can feel like they've won the lottery. She calls our customers to let them know that their heating system is on plan to be replaced. This can be from installing boilers and radiators to switching our customers from inefficient electric systems to gas central heating.

Katana manages a team of eight engineers across our southern region, who last year installed new heating systems at 577 homes. Sometimes jobs go smoothly and according to plan, but at other times an engineer can come across an unexpected problem, causing the work to overrun, which has a knock-on effect on the rest of the programme. At times like these Katana uses her excellent organisational skills to rearrange the workstream to cause the least disruption to customers.

Group financial performance.

The year has seen significant partnership activity resulting in increased group revenues, along with one-off acquisition income and costs. In addition, the group continues its transformation journey through programmeOne and the rollout of our neighbourhood coaching localities model. Against this backdrop, we have produced another strong set of results.

As set out in notes 38 and 39 to the accounts, the partnership with Merlin and subsequent acquisition of Severn Vale has had a material impact on the group numbers. The partnership with Merlin has been accounted for as a merger and as such, Merlin's revenues, costs, asset and liabilities have been added to the group. This increased group revenue, including property sales, in 2018/19 by £54m (24%) and increased total net assets by £160m including Severn Vale.

The acquisition of Severn Vale resulted in a one-off uplift to the income statement of £61m. Revenues and costs from operations are included from the point of acquisition on 2 January 2019 and increased revenue by £5m for the part year.

The financing transactions relating to merger and acquisition resulted in the repayment of £111m of loans, culminating in a one off cost of £37m. The £37m represents the off market interest rates associated with those loans, and is cash neutral across the group.

The results below, and in all the financial statements, have been restated to reflect the new combined group.

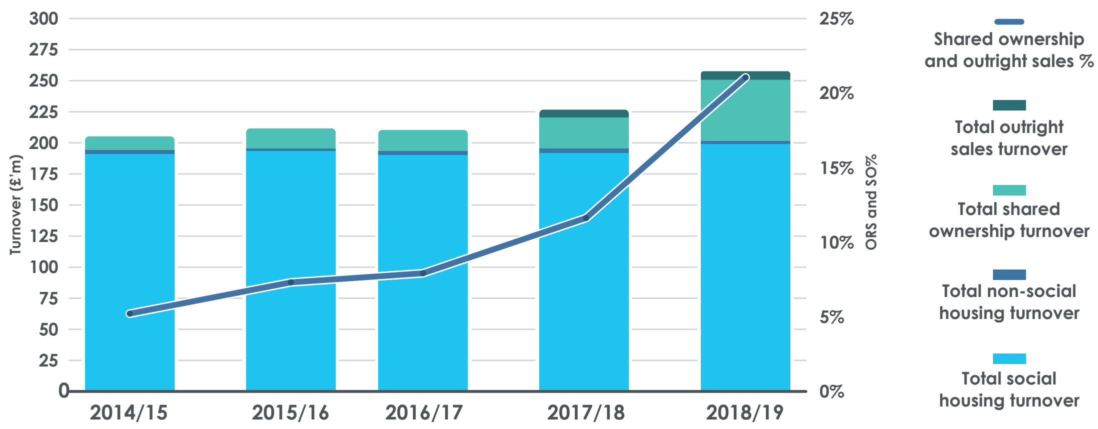
Summary of financial performance for the year

Income and expenditure £m	2015	2016	2017	2018	2019
Turnover	204	212	211	221	257
Operating costs and cost of sales	(127)	(129)	(128)	(146)	(180)
Surplus on disposal of assets	6	8	9	14	6
Change in valuation of investment properties	1	0	1	0	0
Operating surplus	84	91	93	89	83
Net interest charge and fair value movements	(41)	(31)	(30)	(25)	(38)
Gift on acquisition	0	0	0	0	61
Finance cost of new structure	0	0	0	0	(37)
Surplus for the year after taxation	**43**	**60**	**63**	**64**	**69**

Statement of financial position £m	2015	2016	2017	2018	2019
Housing properties at cost less depreciation	1,684	1,736	1,815	1,919	2,221
Other tangible fixed assets, intangible fixed assets and investments	28	29	27	31	66
Net current assets	62	100	72	91	212
Total assets less current liabilities	**1,774**	**1,865**	**1,914**	**2,064**	**2,499**
Loans due after one year	(631)	(667)	(667)	(751)	(1,155)
Unamortised grant	(449)	(447)	(441)	(437)	(437)
Other long-term liabilities and provisions	(115)	(107)	(104)	(117)	(61)
Total net assets	**579**	**644**	**702**	**759**	**823**
Total reserves	**579**	**644**	**702**	**759**	**823**

Turnover including sales

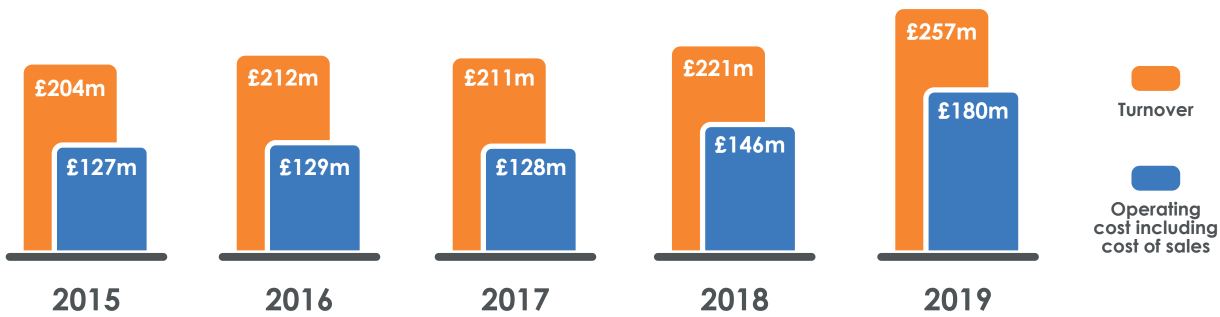
Group turnover (£m).



Group turnover increased to £257m (2018: £221m). Social housing lettings remain the core of Bromford's business and contributed 76% in 2018/19 (2018: 85%) of turnover. The £6m revenue associated with outright sales represents Bromford's modest entry in the outright sales market to complement our social housing offering.

Shared ownership sales income for the year was £48m (2018: £26m). We sold 435 shared ownership homes, at an equivalent 100% sales value of £236k (2018: 252 homes, 100% value: £229k). The average first tranche share sold increased slightly to 47% (2018: 45%).

Turnover and operating costs including cost of sales (£m).



Costs

Over the last year, we have seen an increase of 8% in our total operating costs, excluding cost of sales, from £128m in 2017/18, to £138m in 2018/19. This was due to several factors, including the acquisition of Severn Vale (£3m part year costs), investment in localities and delivering transformation activity through progammeOne. The business case for these changes was approved by the Board and included a detailed benefit analysis, with future efficiency and cost reduction built into our business plans.

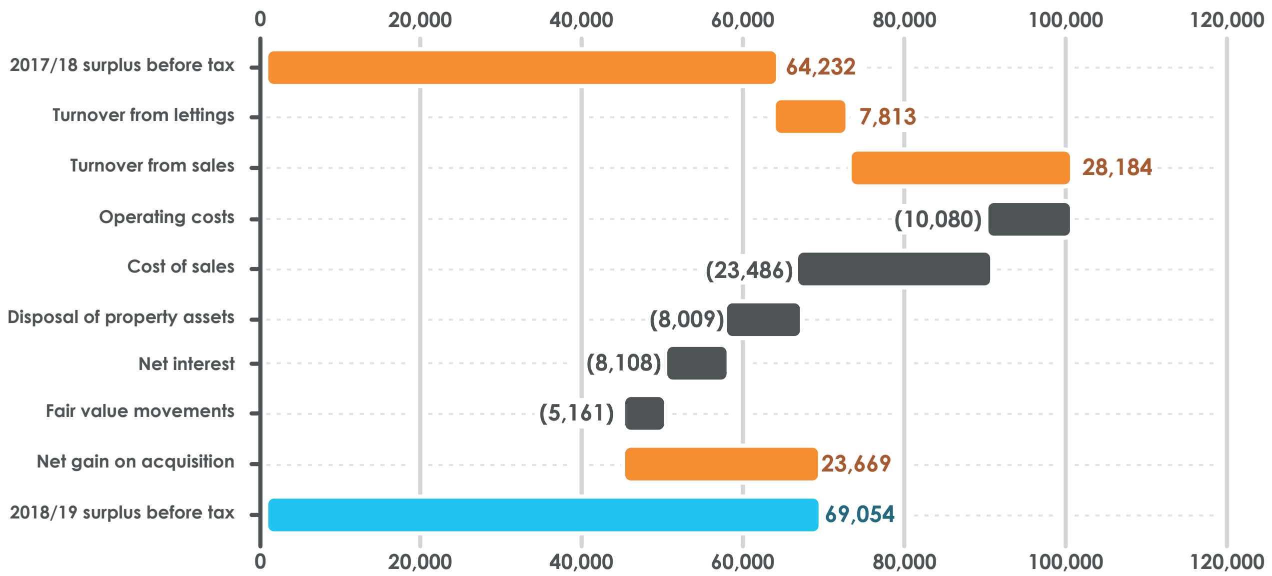
Operating costs for the year also include merger and integration costs of £2m.

Operating margins and surplus

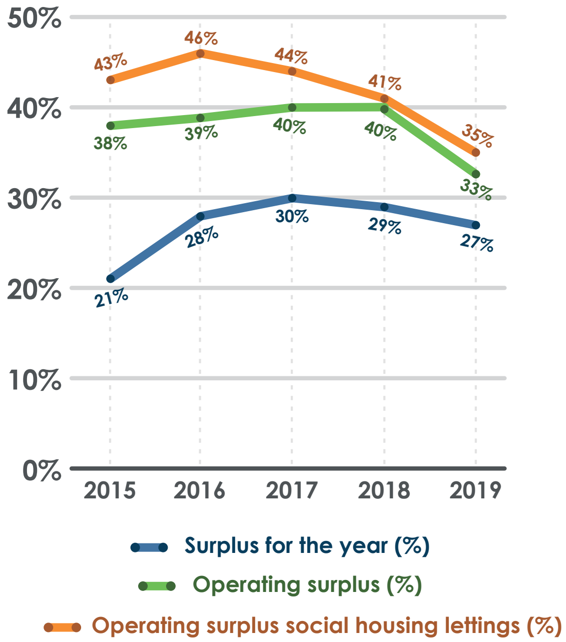
The surplus before taxation of £69m is another strong financial performance for Bromford (2017/18: £64m). Operating surpluses, including sale of fixed assets, were £83m (2017/18: £89m) with an operating margin of 33% (2017/18: 40%).

The operating margin on social housing lettings was 35% (2017/18: 41%). The reduction reflects the effect of a further year of rent reductions for the majority of our homes, the cost increase from investment in our localities model and transformation programmes.

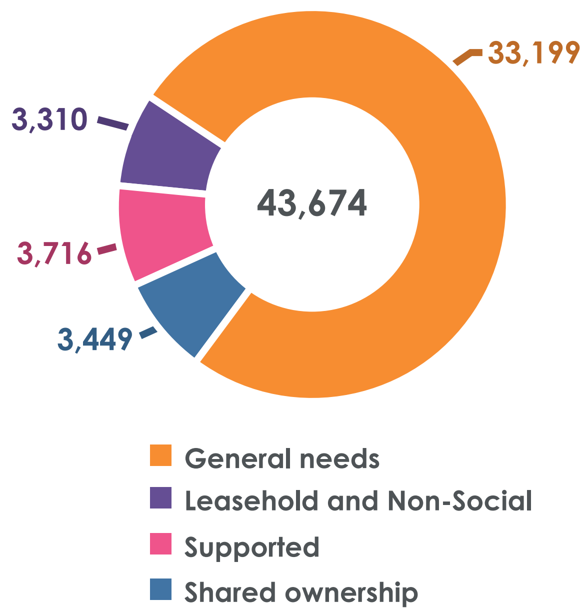
Movement in net surplus ('000s).



Operating and net surplus as a % of turnover.



Assets under management.



The number of properties owned and managed in the year increased due to the acquisition of Severn Vale Housing Society and an increase in property development activity. The table below shows the movement through the year.

	31/03/18	Development	Disposals	SV acquisition	Other	31/03/19
General needs	29,732	730	(145)	2,872	10	33,199
Supported housing	3,440	41	(85)	409	(89)	3,716
Shared ownership	3,112	431	(98)	161	(157)	3,449
Leasehold and Non Social	2,514	34	(34)	550	246	3,310
Total	**38,798**	**1,236**	**(362)**	**3,992**	**10**	**43,674**

43,674 assets represents Total units 45,401 less units under development, 1,727 (see note 4).

Disposals

Disposals are not a material feature of our financial results, but we expect them to grow over the near term as we proactively manage our homes and dispose of properties in non-core geographies.

Gain on property disposals for 2018/19 were £6.6m, £8.0m lower than the previous year. Property disposal profits in 2017/18 were high at £14.6m, in part due to the completion of a stock transfer of our Powys stock, which yielded a profit of £4.0m. Disposals in 2018/19 include Right to Buy/Right to Acquire generated a surplus of £0.3m. Other disposals included void and strategic disposal programme generated cash of £6.0m and £2.4m in recycled grant (2017/18: £30.1m and £2.0m respectively).

Investment in our homes

In 2018/19 we invested £38m (2017/18: £32m) in major repair and refurbishment programmes and £172m (2017/18: £122m) in new homes. This year on year increase reflects our desire to invest in homes that help our customers to thrive.

Sales exposure

Exposure to unsold shared ownership stock is not a material issue and there has been no impairment of property values. Due to the growth in our new homes programme and the timing of handovers in the months up to March 2019, the number of completed unsold shared ownership homes rose to 155 at March 2019 (March 2018: 140). The value of the unsold element was £14.9m.

We had 8 completed homes for outright sale unsold at the year-end.

The detail of stock and work in progress is shown in note 17. Stock and work in progress has increased from £53m at March 2018 to £59m at March 2019, which represents 83 schemes at various stages of building completion.

Pension provisions and liabilities

During the year the group participated in three multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) for legacy Severn Vale colleagues, the Staffordshire County Council pension scheme (LGPS) and the Avon pension fund (LGPS). On the 1 April 2018, we opened the Bromford Defined Benefit pension scheme administered by The Pensions Trust. The scheme offers employees the choice of CARE 80th or CARE 120th with Bromford contributing 10% of the employee's salary regardless of scheme choice. (CARE: Career average revalued earnings)

The pension liabilities on the balance sheet reflect the engagement with these schemes as set out in note 37.

Bromford Housing Group also participates in the Social Housing Pension Scheme's Defined Contribution scheme and Royal London Defined Contribution scheme to meet its obligations for auto-enrolment, which applied from October 2013.

Corporation Tax

We continue the policy of gift aiding taxable surpluses from non-charitable group members to charitable group members. The corporation tax charge for the year is £7k (2017/18: £109k credit).

Key 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 each class of asset, and no changes were required
- The majority of our **debt financial instruments** are classified as basic. We do however have seven standalone interest rate swaps which have been categorised as non-basic and these have been measured at fair value within these financial statements
- **Pension deficit liabilities** are based upon third party actuarial valuations.

Further details of key estimations can be found within our accounting policies on pages 84 - 86.

Treasury

The 2018/19 financial year witnessed significant treasury activity across the group. We established a dual credit rating platform with Moody's (A1) and S&P (A+) ratings at sector leading levels. In May 2018, we leveraged our significant balance sheet capacity and strong credit profile to successfully issue our £300m debut public bond at the sector's most competitive all-in coupon rate in the year of 3.125%. The bond issue was over-subscribed several times over, representing the highest levels of investor demand.

Recognising the potential future uncertainty in the funding markets post Brexit, we augmented our debut public bond with our inaugural private placement issue in North America (USPP). We successfully diversified our investor base, bringing five new investors to Bromford and two new investors to the social housing sector, raising £100m at 3.01% with a spread impressively inside of the trading levels of our public bond secondaries. The orderbook was again subscribed several times over with bids at a range of tenors. This new funding was agreed before the year end on a deferred basis, with the funds successfully drawn in May 2019.

The year also witnessed the merger with Merlin and aquisition of Severn Vale. In July 2018 (Merlin) and January 2019 (Severn Vale) we successfully obtained merger consent with our funder group and established £180m of new undrawn revolving credit facilities (RCFs) on competitive market terms. In December 2018, we established a further £100m RCF with Lloyds, taking the total undrawn RCFs to £355m at the year end. Together with the deferred USPP of £100m, this presents £455m of undrawn facilities at the year end.

As a result of our new funding activity we closed the year with exceptional levels of liquidity, with available facilities being over twice the required levels. We are therefore in an excellent position to deliver our new strategy and new development ambitions whilst maintaining strong metrics across our suite of treasury indicators.

Capital structure, treasury and cashflow

The following table highlights our position:

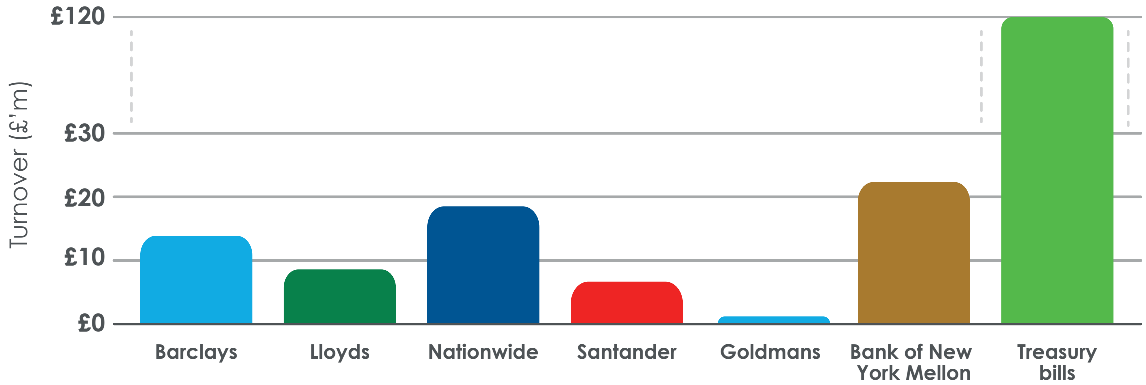
	As at 31 March 2019	As at 31 March 2018
Drawn facilities	£1,118m	£774m
Undrawn facilities	£455m	£200m
Cash and cash equivalents	£195m	£90m
Fixed rate borrowing	94%	85%
Weighted average cost of borrowing	4.04%	3.97%
Interest cover	3.4 times	3.65 times
Asset gearing (covenant 66.67% max)	39%	29%

Cash and short term liquidity

The group holds significant cash funds after the debut bond issue in May 2018. In line with sector best practice, the majority of these cash proceeds remain invested in multi tenor but short term sovereign treasury bills at terms ranging from four weeks to six months in amounts to meet the near term funding requirements of the business. The investment strategy is largely defensive, with safety and access to cash driving decision making rather than projected rates of return. Any cash deposits with institutional counter parties must meet minimum counterparty credit ratings and deposit values must not exceed £25m.

Our short term liquidity Treasury Management Policy requires a minimum of £10m of available funds on a same day access basis, and a further £15m available within two business days (including RCFs) to ensure day-to-day operational cashflow is funded without undertaking undue risk.

Where is our cash held (£m)



Long term liquidity and funding

Long term liquidity remains a key focus and our Treasury Management Policies set out a prudent requirement, requiring 18 months of all operational and development cashflows (including uncommitted spend) plus additional contingency to be held at all times.

The total facilities (drawn and undrawn) at the year end were £1,573m. A significant component of this undrawn funding is from an undrawn RCF (£355m) which helps us to meet the long term liquidity requirements whilst providing flexibility and reducing the cost of carry on excess funds.

We ended the year with £195m of cash and together with the £455m of undrawn facilities, this created total available funds of £650m, over twice the long term liquidity level required (£249m). Long term liquidity level is defined as 18 months forward look on all operational and development cash flow, net of 20% of sales slippage, plus a buffer of £25m. This provides the business with a level of cash and undrawn available facilities that exceed the Treasury Management Policy requirement and protects the group from potential future funding uncertainties in the funding markets post Brexit.

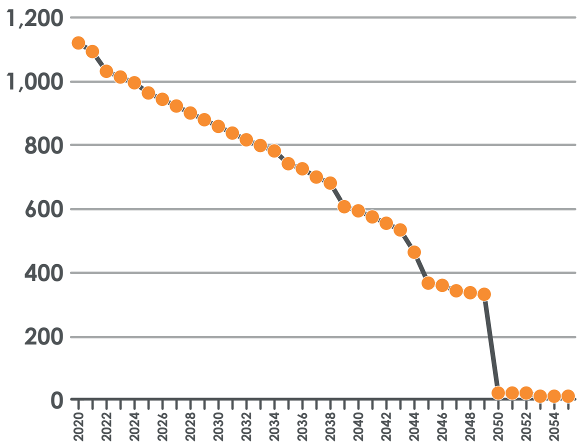
As at March 2019, the group had:

- Cash and cash equivalents of £195m (rising to £295m in May 2019 when the £100m USPP was drawn)
- £455m in undrawn loan facilities (including £355m Revolving Credit Facilities and £100m USPP with a drawdown deferred until May 2019)
- £550m of available security from uncharged properties, £118m of which was utilised for the USPP issue in May 2019
- In addition, Bromford holds security with its funders in excess of their asset cover requirements.

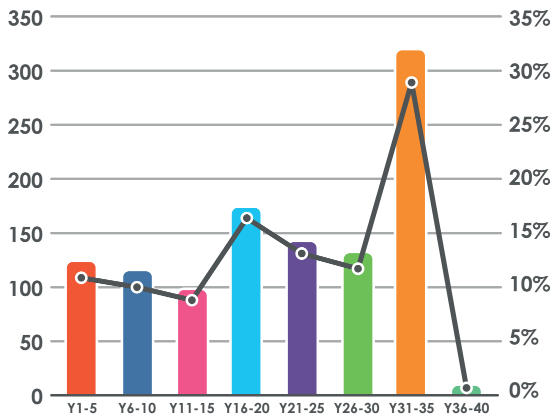
Refinancing risk

As we establish ourselves as a repeat issuer on the capital markets, we expect over the coming years to issue a number of long term bonds. We have therefore introduced a Treasury Management Policy to ensure we have a considered approach to smooth the profile of repayments. The group's repayment profile remains broadly linear, save for the repayment of the £300m public bond in 2048.

Group debt outstanding at the start of each financial year (£m).



Debt repayment profile (£m).



Bar = repayment amount

Line = percentage of loan book

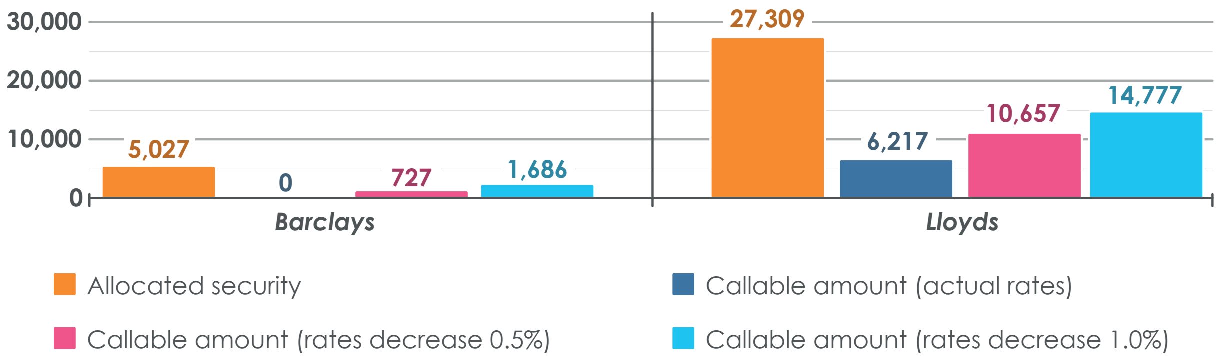
Interest rate management and mark to market position

We use fixed rate borrowings to manage our exposure to increases in interest rates and 94% of our borrowings are at fixed rates (2017/18: 85%). In a low interest rate environment, it is clearly advantageous to leverage the prevailing low interest rates offered in the longer term, and our high level of fixed rate debt reflects this.

The majority of the fixed debt is established through vanilla embedded fixes. The group has only entered into two International Swap and Derivatives Association (ISDA) arrangements with two separate counterparties which fix notional debt of £86m, a modest proportion of the overall loan-book. The mark to market (MtM) positions on the ISDAs moves as a result of the gilt curve but we benefit from threshold levels before any off market position may be called. We monitor the callable levels on our ISDA arrangements regularly. At the year end, the aggregate callable amount on our ISDAs was £6.2m with over £32.3m of security charged against the callable position, significantly in excess of our Treasury Management Policy of £15m.

The marginal rise in the average cost of borrowing is attributed to the inherited debt from Severn Vale along with a larger amount of variable debt being converted to fixed rate debt to leverage the low interest rate banking environment.

Do we have enough security for the MtM calls on our standalone swaps?



Security

Bromford has a healthy level of available uncharged security. Our £455m of undrawn facilities are all fully secured. In addition, we have £32m pre-charged security ring-fenced to cover any further movements in our MtM exposure over and above our substantial contractual thresholds.

Further security charging is at various stages of completion. We are currently working with a number of funders across the group's portfolio of charged stock to move from a valuation basis of Existing Use Value (EUV) to Market Value Subject To Tenancy (MVSTT), which may significantly increase the security value.

Covenants

The majority of our covenants are based on group results and are broadly consistent in their composition across our funder base. We have considerable capacity on both our interest cover and asset gearing covenants and they do not limit our activities.

Ratings

In April 2019, S&P re-affirmed the group's A+ (negative) rating. In June 2019, after twelve months of negative outlook, Moody's regraded the group to A2 (stable) to reflect the additional debt levels required to fund the development programme. This regrading aligned with the shadow credit rating analysis we carried out to identify the likely future projected credit ratings associated with our updated business plan. We communicated these projected ratings to our key stakeholders ahead of time through a series of roadshows. Our dual rating remains one of the highest in the sector and investor appetite for investment in Bromford remains high.

Kate

People team

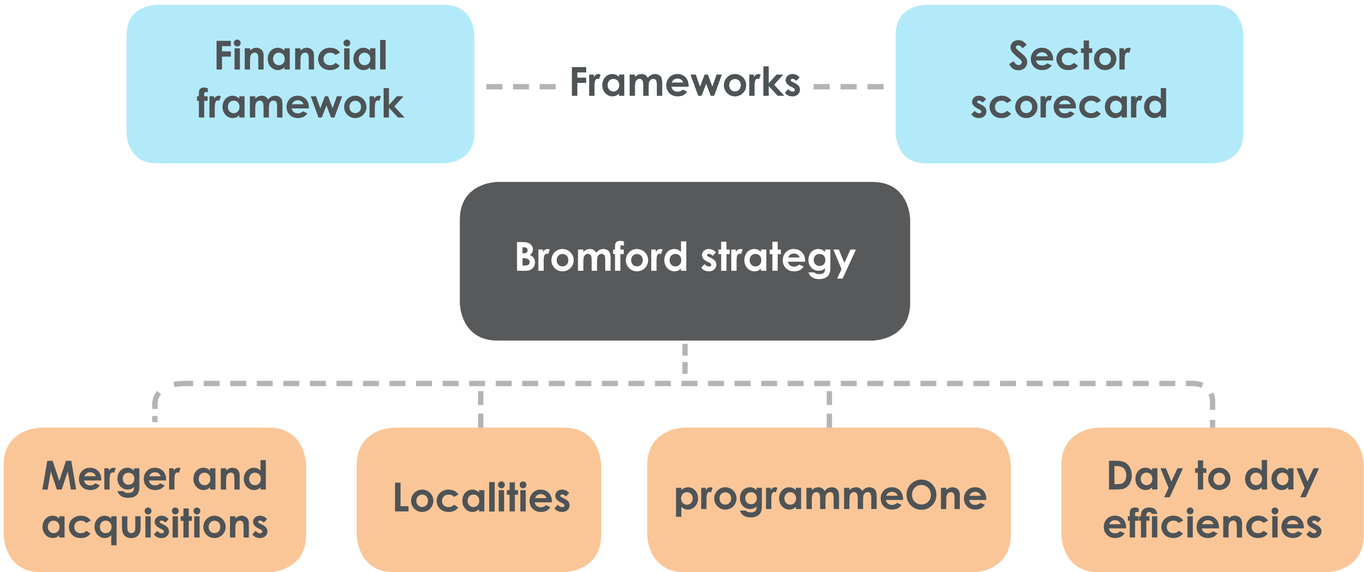
Every day is different for Kate, a member of our people team, whether its supporting leaders or colleagues with HR issues, helping recruit new members to our team, supporting people on long term sick, investigating disciplinary issues or helping colleagues develop their skills by organising training.

As well as her role in the people team, Kate is one of our change champions, communicating important updates about our transformation project programmeOne to her colleagues. It's a role she's enjoyed so much that she's just been seconded onto the programmeOne project team to help deliver the rollout of the HR Talent system which will be used by all of our colleagues.

Our approach and business model.

As a Board, we are clear on our purpose and how we translate that through our strategy into deliverable goals. Value for Money (VfM) is an integral part of that strategy. Our purpose is to invest in homes and relationships so people can thrive. We believe that by doing so, we create and maintain social value. Our strategic goals are as follows.

- Our relationships with customers
- Homes that enable customers to thrive
- Growing the business to enable even more customers to thrive
- Keeping Bromford future ready
- Enabling colleagues to thrive to create the best team we can.



Our long term financial plan sets out how we intend to achieve our strategy and allocate our resources. We operate to a five-year planning horizon and the business plan is subject to our key VfM areas of focus as set out above. Our financial framework, underpins the focus upon VfM throughout Bromford.

Key strategic initiatives are supported by detailed business cases to enable cost and benefits of change to be set and monitored. These include merger and acquisitions, our neighbourhood coaching locality model and our programmeOne business transformation project.

We have a solid understanding of the costs of our services and how our performance compares to our peer group. We continue to develop an appropriate peer group dependent on the activity being monitored. For example, development metrics will be compared against large developing organisations, and customer related metrics against more customer focused organisations both inside and outside the sector. This ensures we are comparing against the best in class to drive our aspirations.

VfM metrics

To demonstrate our progress in achieving VfM across the group, we report performance against the seven metrics defined by The Regulator of Social Housing (RSH). These measures alone do not capture the full extent of our strategic objectives, and therefore we supplement these metrics with four additional measures, reported in our monthly performance pack.

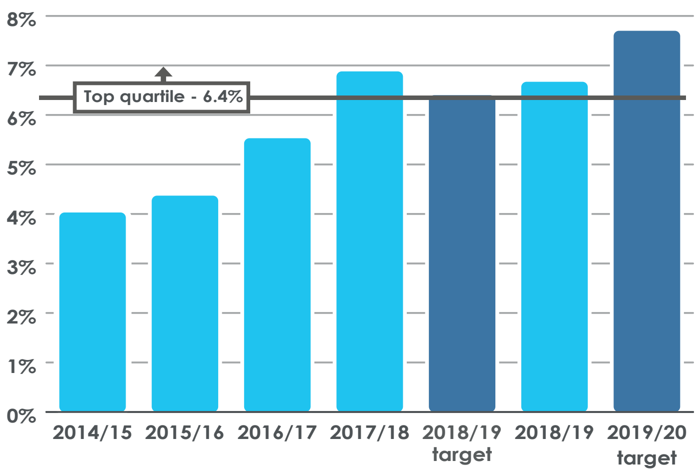
The metrics demonstrate a very positive story for Bromford:

- Financial stability through increasing revenues, strong operating margins, and external credit ratings
- Our continued investment in customers reflected in our neighbourhood coaching model, and customer advocacy scores of 89%
- Commitment to reinvest our revenues back into social housing
- Investing in Bromford to keep it future ready.

The direction of travel across the suite of metrics continues to demonstrate the financial strength of the group and is set out below for the last five years. We have compared against seventeen housing associations with similar characteristics in terms of size (>30,000 units) using the latest published data from the 2017/18 financial year. In the charts below top quartile refers to performance against the comparator group.

The Regulator of Social Housing Value for Money metrics.

Reinvestment

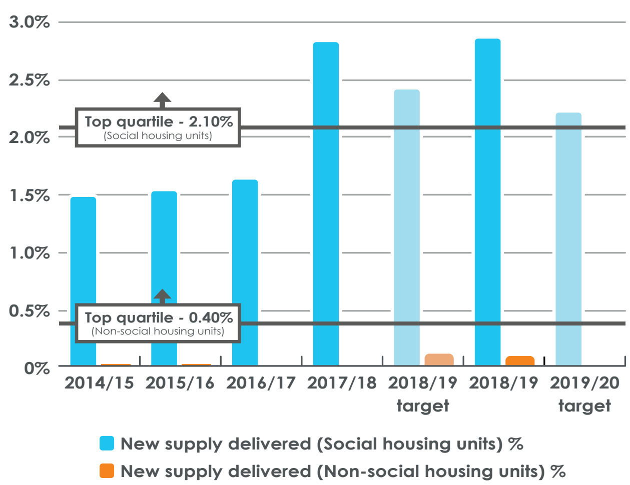


2018/19 Reinvestment has remained broadly static at 6.7% (2018: 6.9%) but is against a much larger asset base following M&A activity. Investment overall has increased with new development spend of £139m (2018: £123m) and investment in existing homes of £29m (2018: £27m).

2019/20 We are committed to maintaining our top quartile performance on new and existing homes with forecast spend of £175m on new homes and £33m on existing homes.

Target: 7.7%

New supply delivered (social and non-social housing)%

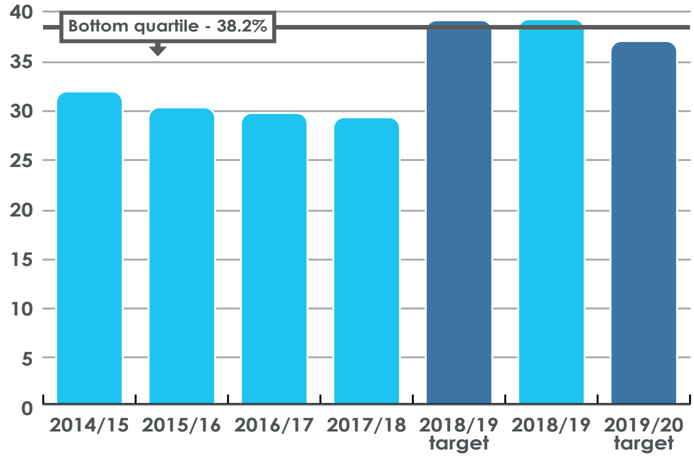


2018/19 New supply has increased to 1,236 units including 34 non-social units (excluding garages). This exceeded target and is set against an asset base of 43,674 units, 42,268 of which are social units.

2019/20 We have plans to deliver 1,000 new homes next year maintaining our top quartile performance.

Target: 2.2%

Gearing %

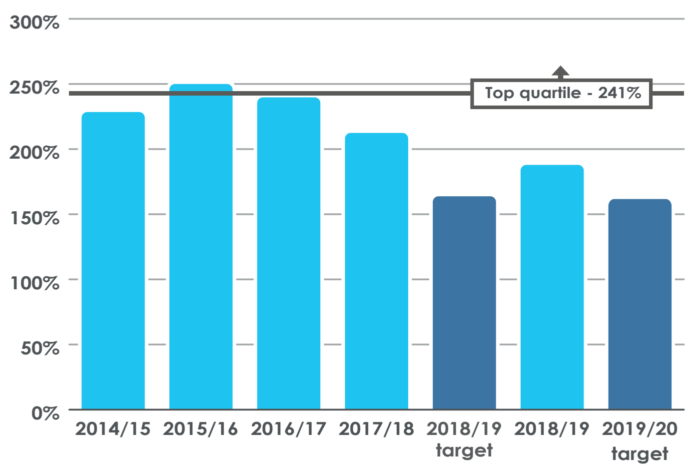


2018/19 Gearing has increased to 39% in line with expectation and is second quartile below our framework aspiration of 45%. The increase is due to the acquisition of Severn Vale plus borrowing undertaken for investment in new homes.

2019/20 We expect gearing to fall slightly as we generate higher asset values through development part funded through operating cash.

Target: 36.7%

EBITDA MRI*



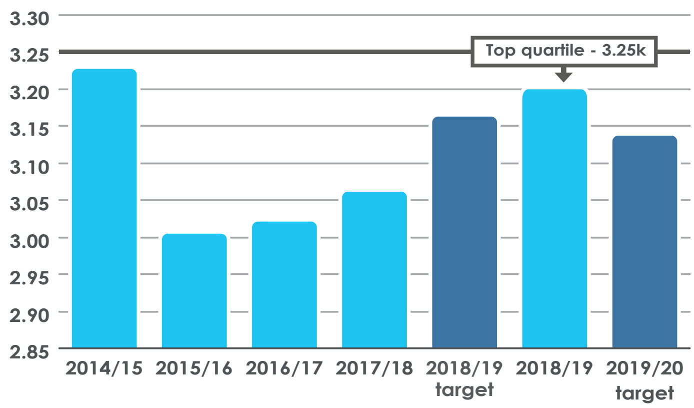
2018/19 EBITDA MRI of 182% is above expectation but a fall from previous years. This is driven by additional interest costs as we have increased our borrowing to fund our future property development programme.

2019/20 We have planned for EBITDA MRI to fall in 2019/20 as we bring in additional funding and continue to invest in new and existing homes particularly in Tewkesbury following the Severn Vale acquisition.

Target: 161%

*Earnings Before Interest, Taxes, Depreciation and Amortisation - Major Repairs Included

Headline social housing cost per unit (£000s)

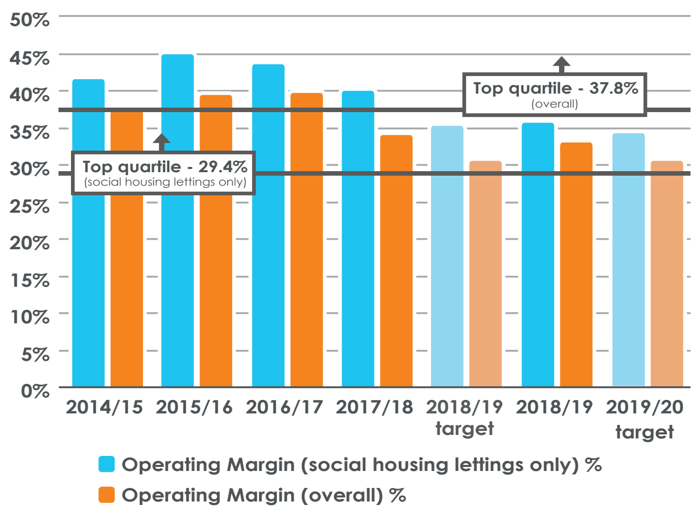


2018/19 Headline social housing costs of £3.20k per unit remains in the top quartile and broadly in line with forecast.

2019/20 We remain committed to efficient delivery of our core business as we continue to invest in neighbourhood coaching and our programmeOne transformation project.

Target: £3.14k per unit

Operating Margin (overall and social housing lettings) %

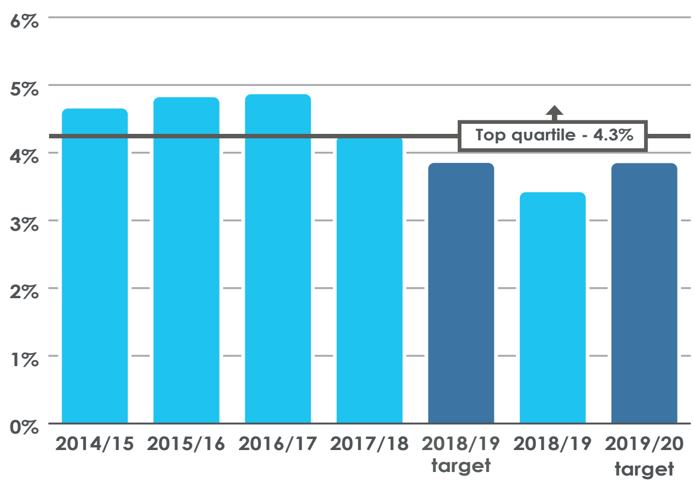


2018/19 Overall operating margin remains top quartile at 33% with social housing margin second quartile at 35%. This is in line with expectation as we incur costs of M&A and broader transformation including our localities coaches roll out.

2019/20 As we continue our investment programme we expect margins to remain broadly static before we increase in later years as benefits are realised.

Target: overall 30%; social housing 34%

Return on Capital Employed



2018/19 ROCE has decreased to 3.3%. Returns have remained stable at £83m but capital employed has increased following M&A and investment activity with additional cash holdings (£126m) following bond funding.

2019/20 ROCE is forecast to rise as we have a full year of returns from M&A and we utilise cash balances on investment activity

Target: 3.9%

Bromford's financial framework

The financial framework, set out below, provides a minimum hurdle rate for a number of key performance measures but more importantly provides an aspirational target that the organisation is seeking to achieve over the coming years. It is this aspiration target upon which the organisation is aligned and drives the behaviours across the business to ensure we always provide the best possible service to our customers at the most economically advantageous price.

Description	Aspiration	Golden Rule	2018/19 Forecast	2018/19 Actual	2019/20 Target
Operating Margin (overall) %	>38%	25%	31%	33%	30%
Operating Margin (social housing lettings only) %	>45%	30%	36%	35%	34%
EBITDA MRI / Net Interest	>2.4	1.5	1.6	1.8	1.6
Asset Gearing	<45%	50%	39%	39%	37%
Net Debt Per Unit	<£34k	£37k	£22k	£23k	£22k
Headroom above Liquidity Policy	-	£100m	-	£296m	-
Level of stock and WIP (shared ownership, outright sales, land)	-	£150m	-	£60m	-
Property sales as a percentage of turnover	<30%	30%	21%	21%	21%

We have set out in the proceeding pages Bromford's approach to VfM which whilst embedded throughout the organisation we must acknowledge there are areas which would benefit from greater focus. One such areas is voids where we currently have inconsistent performance in terms of turnaround days across different geographies. We will be focusing this year to standardise the turnaround time and associated costs. Another example is ensuring we have a consistent repairs standard across the group, allowing customers to have an identical high quality experience regardless of the geographic location of their property. We should also mention our benefits tracking model which pulls together the financial benefits associated with each initiative ensuring that all initiatives generate VfM for our customers. Ultimately we aim to hold margins as a percentage of sales broadly static in the coming financial year despite the 1% rent decrease.

Peter

New homes

Transforming a muddy field into affordable, modern homes provides Peter with a real sense of achievement. As one of our site managers, Peter is responsible for making sure all the homes on his site are built on time to the highest standards, all the while ensuring the site is safe for everyone to work on.

Currently he's six months into an 18-month project to build 44 new homes for rent and sale in Stratford. His day starts at 7am, programming in work across the site, which can be often affected by the weather, and also involves liaising with neighbours and answering their questions about the work.

And when it's all finished, Peter enjoys looking back and thinking "I built those homes", before moving onto the next site and starting all over again.

Our performance against strategy.

The sections below link to our strategy, cover performance in the year and identify what we are aiming to achieve in the next 12 months.

Our relationships with customers

A key element of our strategy is our localities neighbourhood coaching approach. Through this investment we will maintain a 1:175 coach to customer ratio with the aim of maximising support to customers enabling them to thrive. Following the partnerships, we have made good progress with the roll out of neighbourhood coaching in South Gloucestershire and planning is well under way for starting work on mobilisation of the North Gloucestershire locality.

Whilst the intense customer focus does add operating cost we believe it has a tangible benefit upon arrears. In the 2017/18 financial statement, we set a target for total arrears of 4.5% reflecting the expected staggered rollout of Universal Credit (UC). Gross arrears across the group in 2018/19 were 2.99% which we consider to be a strong performance. In addition to gross arrears, we also actively monitor performance of current arrears, rent void loss and re-let days.

Metric name	2018/19 target	2018/19 actual	2019/20 target
Gross rent arrears %	4.50%	2.99%	4.30%
Net current arrears %	3.00%	2.60%	3.00%

We continue to closely monitor the effect of Welfare Reform on our arrears performance. Performance on bad debts and arrears has been maintained at similar levels as in previous years, despite the further rollout of Welfare Reform and Universal Credit in some of our operating areas.

Localities arrears performance continues to be strong across Bromford with net arrears below target at all three legacy organisations. We now have over 4,000 customers on UC but have seen the average arrears for these customers fall from £361 to £321 in March (compared with a sector average of £678).

Metric name	2018/19 target	2018/19 actual	2019/20 target
Customer advocacy. Customers would recommend Bromford to a friend %	89%	89%	85%

During the year, the group monitored against legacy customer measures – customer advocacy for legacy Bromford and customers satisfied with the overall service provided at Merlin. For 2019/20, the group has one consistent measure based on customer advocacy. During the year we maintained performance of 89% of the legacy Bromford measure. We have set the 2019-20 target to reflect the ongoing integration and transformation activity and the likely impact this will have on advocacy. We expect performance to increase over the course of our strategy to 90% by 2023.

Our key targets for 2019/20:

- **Complete roll out of neighbourhood coaching approach to all areas**
- **Net current arrears of 3%**
- **Customer advocacy 85%**

Homes that enable customers to thrive

We have finished the year 100% compliant against requirements in all the areas of gas, electrical safety, solid fuel, fire risk assessments, asbestos and legionella in all homes. Work to achieve our higher, internal policy standard is ongoing. We will have achieved an electrical inspection within five years for all our homes by the end of 2020.

We are proud of the work we have undertaken on improving the energy efficiency of homes as measured through SAP ratings. Following our investment in data collection we have energy performance ratings for every home. This has driven individual assessments to see what the impact is of different works to identify the most cost efficient, viable options so we could target these with a view to raising all homes to a minimum 'D' rating. On some occasions this flagged homes that are no longer fit for purpose, resulting in disposal or regeneration.

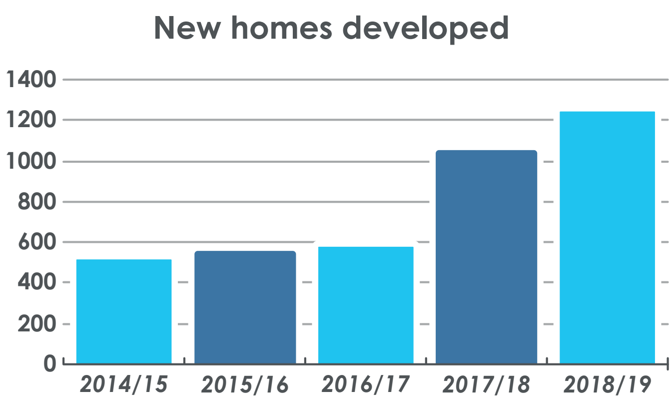
We have rolled out the same approach across the new group and as at 31 March 2019 we have an average SAP rating of 71.8, with 98.4% of homes being D rated or higher.

Our key targets for 2019/20:

- Over 99% of homes we intend to retain are at a minimum Standard Assessment Procedure rating of D
- Have a letting standard that customers rate highly 90%
- Repairs fixed in one visit 83%.

Growing the business to enable even more customers to thrive

We delivered our record number of new homes during 2018/19 with 1,236 completed by year-end with 39% in wider Gloucestershire and 61% in the Midlands region. Our investment was £144m on new homes and £28m in components for existing homes.



All of our new homes have to meet an investment hurdle rate and we are pleased to say we have achieved this across the programme in 2018/19.

Metric Name	2018/19 Target	2018/19 Actual	2019/20 Target
Internal Rate of Return (IRR) on all new homes	5.49%	6.09%	5.50%

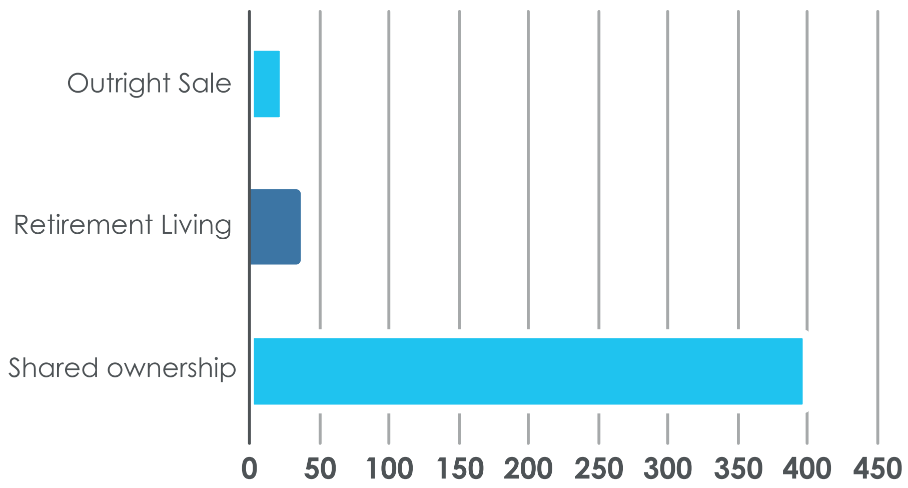
We had a strong sales performance selling 460 predominately shared ownership homes across the year. The full year outturn of £54m exceeded the original budget of £52m.

We should recognise that 2018/19 was a strong year in terms of development reflected in the Internal Rate of Return on all new homes of 6.09%. The target for 2019/20 shows a modest decrease at 5.50% which takes into account the competition for S106 properties and land, within the market. In addition Bromford is focused on delivering the new homes strategy whilst ensuring we operate seamlessly as one team across our new geography.

Our key targets for 2019/20:

- **Delivery of 1,000 new affordable homes**
- **Average days to sales completion of 65 days**

Housing sales during 2018/19



Keeping Bromford future ready

Metric name	2018/19 target	2018/19 actual	2019/20 target
Achievement of financial benefits from key strategic initiatives	£3.3m	£3.0m	3.4m

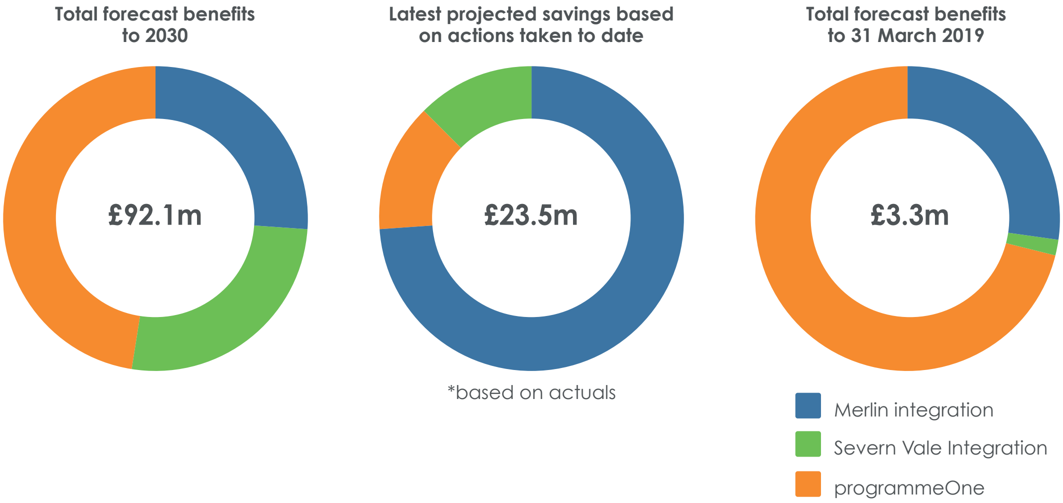
Another key focus in 2018/19 has been the merger and acquisition activity with Merlin and Severn Vale joining the group during the year. This has enabled even more customers to access the Bromford neighbourhood coaching model.

The business transformation programme called programmmeOne is aimed at improving ways of working in order to deliver better customer and colleague outcomes. The vision for the programme is to help create one organisation that has simple, customer-focused ways of working and services that are as easy as possible for colleagues to deliver and for customers to access; where the customer and colleague experience feels consistent wherever you go and where we are as successful as possible because complexity isn't holding us back.

We have successfully undertaken the first part of this transformation programme. During 2018/2019 we invested £10.9m leading to the launch of new ways of working and new systems in finance, sourcing and supplier management and ICT.

The work to achieve the outcomes for 2019/20 will involve the launch of a new customer portal allowing more digital access to services for our customer base.

Benefits are being tracked at programme level and in conjunction with the group's other strategic initiatives and the mergers with Merlin and Severn Vale Housing. Savings realised to 31 March 2019 are £3.0m against a forecast of £3.3m. Based on actions taken to date, £23.5m of savings are projected over the lives of the respective business cases against a total forecast of £92.1m. We expect to have completed the necessary actions that achieve the cumulative savings of £92.1m by the end of 2021.



Our key targets for 2019/20:

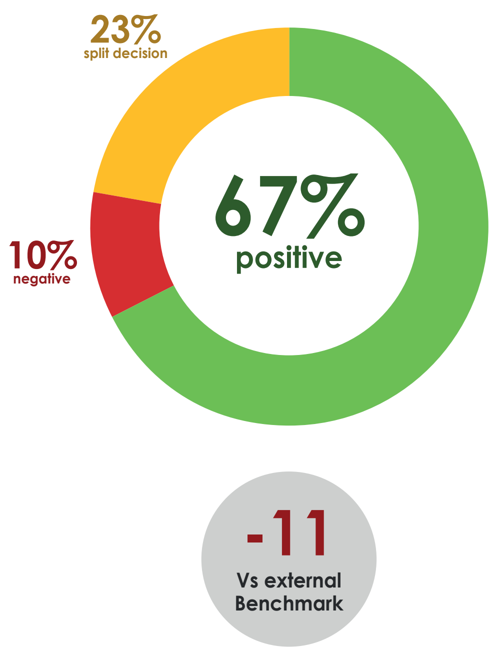
- Achieve cashable savings of £3.4m through the delivery of programmeOne
- Complete the integration phase of the two merger business cases
- Complete the review of our workspaces and commence implementation of the resultant plan

Enabling colleagues to thrive to create the best team we can

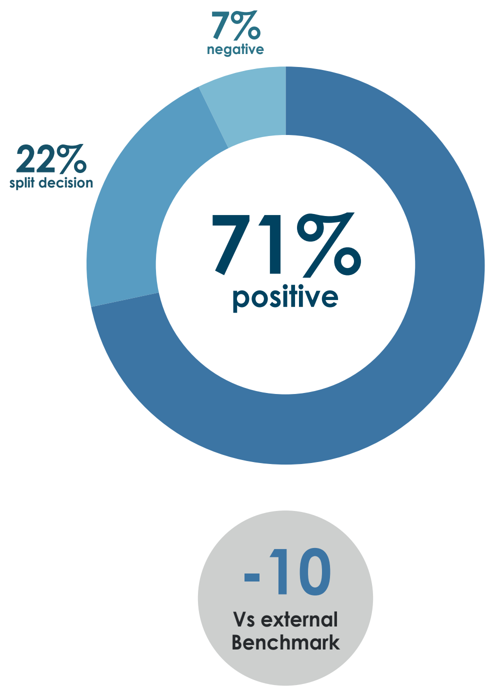
Our culture and DNA is our competitive advantage that will enable us to achieve our goals. We are investing in great leadership and colleague engagement to enable our colleagues to thrive. Following partnership, we have seen:

- The establishment of the new colleague engagement forum Be.Heard
- Workshops involving 600 colleagues which led to the new Bromford DNA
- Training of 70 colleagues as mental health first aiders
- Health and safety training programme that has seen us reach 98% of colleagues completing their essential training
- New senior leadership development programme started in March 2019 and two aspiring leadership programmes commencing in May 2019
- The first organisation-wide Great Place to Work survey.

Trust index score:



Engagement score:



Our key targets for 2019/20:

- Achieve an annual Great Places to Work Trust survey score of 70%
- Voluntary turnover <18%
- Sickness average of 7.0 days per employee

Penny

Information and communication technology

As applications co-ordinator at our Shannon Way office, Penny ensures that all our key systems are running smoothly all-day every-day. It's a vital service, much more than just helping colleagues who have forgotten their passwords, that ensures everyone else across the business, from neighbourhood coaches and repairs engineers, to finance and new homes colleagues has the systems they need to do their jobs. And it's not your typical 9-5 job either, as lots of the work to improve systems has to happen in the evenings or at weekends when colleagues are offline, ensuring everything it running as normal when they return the following day.

Board of Directors.

1

Oke Elauzu Non-Executive Director

Oke is currently Chief Operating Officer of Bought By Many, an Insurtech start-up. He is responsible for all the operational elements of the organisation including customer service and programme delivery.

Oke is also a Non-Executive Director at the Institute of Customer Service.

2

Helen Adlard Non-Executive Director

Helen was an Executive Director of the Infrastructure Planning Commission (IPC) setting up a new consenting regime for major infrastructure and during the IPC's merger with the Planning Inspectorate. She was subsequently on the Board of the Planning Inspectorate as Chief Planning Inspector, playing a key part in developing the inspectorate's Strategic Plan. She has a deep understanding of central government policy and law-making and regulation.

Her background as a planning lawyer with Eversheds and then as a partner at Charles Russell gives her broad and in-depth knowledge of housing development including affordable housing, legal and commercial issues in relation to land and local government.

Prior to this Helen spent several years in business management in Thorn EMI and Hoskyns Group plc.

3

Robert Nettleton Chief Executive

Robert became Chief Executive of Bromford in November 2018, after being appointed as Chief Executive Designate in July 2018.

Robert was previously Chief Executive of Merlin. He joined Merlin in March 2014 and was appointed to the Merlin Board in April 2015. At Merlin, Robert led the organisation to double its operating margin, quadruple surpluses and create a new homes programme; delivering 300 affordable homes per annum whilst increasing customer satisfaction.

Prior to joining Merlin, Robert was Chief Executive at Cornwall-based Coastline Housing. Under Robert's leadership Coastline achieved Investors in People Gold status and a 92% customer satisfaction rating.

4

Jonathan Simpson-Dent Chair

Jonathan is CEO, EMEA at Williams Lea Tag.

He was previously CEO of Cardtronics International, the world's largest ATM operator, and Chief Commercial Officer of their global business, as well as serving on the Link Board which is the payment scheme governing the UK's ATM network. He is an experienced leader having previously held senior positions at PWC, McKinsey and PepsiCo and been CEO of Evander and Cardpoint Services.

Jonathan is a Fellow of the Institute of Chartered Accountants.

5

Vivienne Horton Vice Chair and Senior Independent Director

Vivienne's professional background is as a solicitor. She was employed in a number of local authorities in senior legal roles before becoming Director of Resources and then Chief Executive of Macclesfield Borough Council where her five key roles were strategic management, community engagement including partnership working, service delivery, performance management and organisational development.

After that role she held a number of positions including Director of Risk at Standards for England – a national strategic regulator responsible for councillor conduct and Director and Head of the Public Sector team at Kennedy Cater, a legal costs consultancy.

6

Richard Bird Non-Executive Director

Richard has been involved in the housing and development industry for over 40 years. During his first decade, his career developed from planner, to project manager, and ultimately to Head of Production for a PLC home builder. The next four years provided a much wider experience as a Director of construction, housing and development companies within a private limited group.

Returning to the PLC environment in 1991, Richard joined Taylor Woodrow and was appointed to the Board of the housing subsidiary a year later. He was appointed Regional Managing Director in 1994, and in 1996 given responsibility for the South West and Wales. The merger of Taylor Woodrow with George Wimpey in 2007, resulted in Richard being appointed Divisional Managing Director, responsible for four business units in the South West and Wales. He held this post until 2013.

7

Balvinder Heran Non-Executive Director

Balvinder is the Joint Strategic Director – Information Assets and Digital Development, Buckinghamshire County Council, Healthcare NHS Trust and Clinical Commissioning Group. She previously worked at LB Hounslow, as a Strategic Director and Stratford-on-Avon District Council where she successfully negotiated and implemented shared ICT and Business Development Services across four councils (Stratford- on-Avon, South Northamptonshire, Cherwell and South Staffordshire).

Balvinder has a real passion for transforming services shaped around individual needs through the effective use of ICT, digital solutions and service re-design. She has also played a lead role in developing customer services, performance management and improvement, smarter working and community consultation. She lives in Leamington and is very involved in local community activities.

8

Neil Rimmer Non-Executive Director

Neil is an experienced entrepreneur and Board Member with over 25 years Board experience within international and UK companies. Most recently he was a founder and Commercial Director of a retirement village development/operations enterprise and Managing Director of a care home group.

As well as bringing board experience from within the leisure, debt recovery and property sectors Neil also has a strong background in technology having owned a Microsoft Gold Partnership software development business.

9

Steve Dando Non-Executive Director

Steve is currently Chief Financial Officer of Punch Taverns, one of the UK's leading independent pub companies with an estate of 1,300 pubs. His particular areas of expertise include M&A, business restructuring, integration and financing, and multi-site retailing and asset management. Most recently Steve led the restructure of Punch Taverns as Chief Executive Officer (Interim) following the successful sale of the business and assets to Patron Capital and Heineken.

Prior to joining Punch, Steve held a number of senior finance roles with Courtaulds plc, having started his career at PricewaterhouseCoopers.

Steve is a member of the Institute of Chartered Accountants.

10

Lee Gibson Executive Director of Finance

Lee joined Bromford in May 2016 and was appointed Executive Director of Finance on 1 August 2016. Before joining Bromford, Lee was the Finance and Commercial Director at Serco Group Plc and brings with him a wealth of experience in delivering better services for less.

He is a Fellow of the Chartered Institute of Management Accountants and has an Accounting and Business Studies degree plus 20 years' experience working for blue chip organisations such as Hewlett-Packard (HP) and Atos. He is a firm believer that as well as ensuring tight financial controls are in place, the finance function should add value by providing the right financial and commercial support to the wider business. Lee is particularly passionate about ensuring the finance function serves the needs of both internal and external customers.

11

Richard Penska Non-Executive Director

Richard has extensive experience of contract management. He is currently Director of Finance and Property at North Somerset Council.

Before joining North Somerset Council, Richard held a variety of positions within the electricity supply industry and the Department of Health and Social Security.

Richard has operated at strategic management level within a number of functions including: ICT, finance, internal audit and risk management, and customer services.

Richard is a Fellow of the Chartered Institute of Certified Accountants.

Executive Board and leadership team.

1 **Martyn Blackman** Executive Director of New Homes

2 **Helena Moore** Director of People Experience

3 **John Wade** Director of Strategy

4 **Robert Nettleton** Chief Executive

5 **Catherine Jarrett** Director of Sales and Marketing

6 **David Anderton** Director of Transformation and ICT

7 **Ben Taylor** Director of Finance

8 **Nick Cummins** Executive Director of Integration & Transformation

9 **Julie Leo** Director of Service Delivery

10 **Paul Coates** Executive Director of Customer Experience

Absent from photograph:

- **Lee Gibson** Executive Director of Finance
- **Sara Thomson** Director, Chief Risk Officer
- **Russ Fowler** Director of Strategic Asset Management

Board updates.

2 July 2018

Appointed
Vivienne Horton, Richard Bird, Richard Penska, Neil Rimmer and Robert Nettleton (Chief Executive Designate)

Resigned
Sally Higham and Christine Baldwin (Non-Executive Directors)

Nick Cummins (Executive Director)*

31 Dec 2018

Resigned
Phillipa Jones (former Chief Executive)

2 Jan 2019

Appointed
Helen Adlard

*Nick Cummins continues in his operational role.

Board structure.

Bromford Housing Group Limited
A non-profit Registered Provider

Merlin Housing Society Limited
A charitable Community Benefit Society which develops and manages affordable homes for sale, rent or shared ownership

Oakbrook Homes Limited
A Limited Company

Bromford Housing Association Limited
A charitable Community Benefit Society which develops and manages affordable homes for sale, rent or shared ownership

Bromford Assured Homes Limited
A limited Company

Bromford Home Ownership
A non charitable non profit registered provider

Bromford Developments Limited
A Limited Company

BHG operates a group structure with coterminous boards across the four main entities – the parent – BHG and our main operating subsidiaries Bromford Housing Association, Bromford Home Ownership and Merlin Housing Society. All members of the Board, Executive and Non-Executive – make decisions by working together and achieving a general consensus.

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

Board report.

Strong and effective governance is at the heart of our success. This is underpinned by a strong and effective Board. In our preparations for Bromford's partnership with Merlin, a robust process was carried out to create a new Board reflecting both legacy organisations. A similar process was carried out when Helen Adlard (a previous Severn Vale Board Member) joined the Board on 2 January 2019.

In a period of significant change, the Board has developed the new Bromford strategy; setting budgets that ensure our activity is adequately resourced, whilst continuing to deliver value for money and ensuring our long-term success; in addition developing a reporting framework that will enable the Board to monitor its delivery.

Alongside the development of a new Board there has been a review of the Executive. During the year Robert Nettleton has joined the Board and succeeded Philippa Jones as Chief Executive and there has been a review of the senior leadership team. Robert is charged with delivering the strategy and ensuring that he has the right resources, including colleagues with the right skills and capabilities to do this.

The strategy sets the operational direction for the Executive who are held to account at each Board meeting on the performance of plans, budgets and controls.

Organisational culture and values are an intrinsic part of delivering the Bromford strategy and during the year the Executive worked with more than 600 colleagues to develop our new DNA.

The Board is committed to achieving the highest standards of governance and its chosen governance code is the UK Corporate Governance Code (the Code).

During the year, the Board has been working through its plans to implement the 2018 Code, which applies from the next financial year. A key part of the Code is that the Board should assess and monitor culture. To support the Board to do this we have appointed a Workforce Engagement Non-Executive Director (NED), Vivienne Horton, who will provide a direct link between colleagues and the Board.

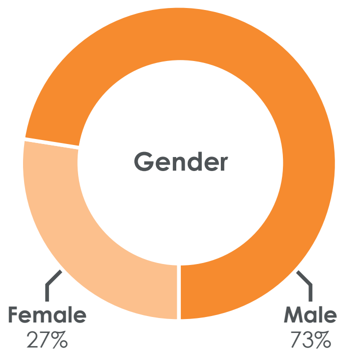
The Board has also adopted a new whistleblowing policy, which provides an opportunity for colleagues to raise, in confidence, any issues of concern.

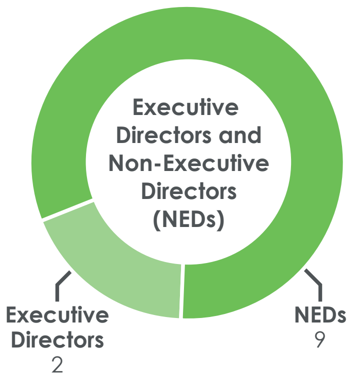
Board Composition.

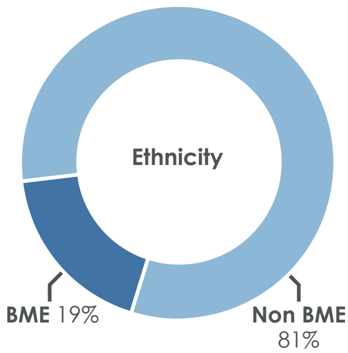
Up to 1 July 2018, the Board had nine members – three Executive Directors and six Non-Executive Directors. From 2 July 2018, the Board comprised eleven members – three Executive Directors and eight Non-Executive Directors. On 2 January 2019, an additional Non-Executive Director was appointed.

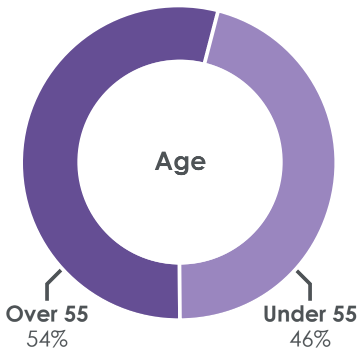
Board members to 1 July 2018	Board members from 2 July up to 31 December 2018	Board members from 2 January 2019
Non-Executive Directors	**Non-Executive Directors**	**Non-Executive Directors**
Jonathan Simpson-Dent (Chair)	Jonathan Simpson-Dent (Chair)	Jonathan Simpson-Dent (Chair)
Oke Eleazu (Vice Chair and SID)	Vivienne Horton (Vice Chair and SID)	Vivienne Horton (Vice Chair and SID)
Christine Clarke	Richard Bird	Helen Adlard
Steve Dando	Steve Dando	Richard Bird
Balvinder Heran	Oke Eleazu	Steve Dando
Sally Higham	Balvinder Heran	Oke Eleazu
	Richard Penska	Balvinder Heran
	Neil Rimmer	Richard Penska
		Neil Rimmer
Executive Board Members	**Executive Board Members**	**Executive Board Members**
Philippa Jones (Chief Executive)	Philippa Jones (Chief Executive until 10 November 2018)	Robert Nettleton (Chief Executive)
Nick Cummins (Executive Director)	Robert Nettleton (Chief Executive as of 10 November 2018)	Darren Lee Gibson (Executive Director)
Darren Lee Gibson (Executive Director)	Darren Lee Gibson (Executive Director)	

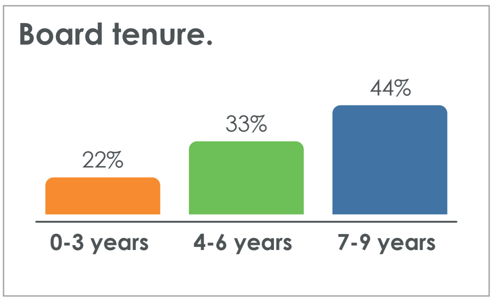
Board analysis at 31 March 2019

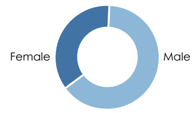
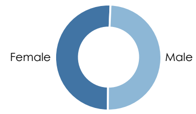










	Male (number)	Female (number)	Male (percentage)	Female (percentage)	
Employees in other senior leadership positions	9	5	64.0%	36.0%	
Other employees of the group	860	874	49.6%	50.4%	

Note: senior leaders are defined as an employee who has responsibility for planning, directing or controlling the activities of the entity or a strategically significant part of it. For these purposes Bromford has defined senior managers as those colleagues who are operating at functional director level or above

Our Board members

All of our NEDs are independent in nature, character and judgement and had no prior link or association with Bromford before their appointment. Our Board members are recruited for their skills and experience and for the value they can bring as a result of their leadership and operational experience. We use our Board Skills Matrix to create a strong and effective board. More information about each of our Board members' background and expertise is described in the Board of Directors section on pages 33 - 35.

Members of the Board undertake different roles and these are set out below.

Board composition and roles

The Board currently comprises a Non-Executive Chairman (who was independent on appointment), two Executive Directors and eight independent Non-Executive Directors (in addition to the Chair). Their key responsibilities are as set out below:

Chair	Jonathan Simpson-Dent	Responsible for leading the Board, its effectiveness and governance and for monitoring and measuring progress against strategy and the performance of the Chief Executive. Maintains a culture of openness and debate and helps set the tone from the top in terms of the purpose, vision and values for the whole organisation.
Chief Executive	Robert Nettleton	Responsible for implementing the strategy, running the business day-to-day and leading the Executive team. Maintains a close working relationship with the Chair.
Executive Director of Finance	Lee Gibson	Supports the Chief Executive in developing and implementing strategy in relation to the financial performance of the group.

Non-Executive Directors	Helen Adlard Richard Bird Steve Dando Oke Eleazu Balvinder Heran Richard Penska Neil Rimmer	Responsible for bringing an external perspective, sound judgement and objectivity to the Board's deliberations and decision-making. Support and constructively challenge the Executive Directors using their broad range of experience and expertise. Monitor the delivery of the agreed strategy within the risk management framework set by the Board.
Senior Independent Director	Vivienne Horton	Acts as a sounding board for the Chair and is a trusted intermediary for other Directors. Leads the other independent Non-Executive Directors in the performance evaluation of the Chair. Chair of the Remuneration and Nominations Committee
Supported by the Company Secretary	Sarah Beal from 1 August 2018	Provides advice and assistance to the Board, the Chair and other Directors, particularly in relation to corporate governance practices, induction training and development. Ensures that Board procedures are complied with, applicable rules are followed and good information flow exists to the Board and its committees. The appointment and removal of the Company Secretary is a matter for the Board as a whole

The longest serving member of our Board, our Chair, has served seven years and was due to retire in 2018. The Board agreed that the Chair be re-appointed until March 2020 to facilitate integration. A process is underway to identify and appoint a successor. The roles of Chair and Chief Executive are undertaken by different people.

The Non-Executive Directors are appointed for an initial term of up to three years. Re-appointment 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 further term. Following the recommendations in the UK Corporate Governance Code 2018, the Board will move to a process of annual re-appointments of all NEDs during the year 2019/20.

All Board members are expected to contribute to a culture of clear and open debate so that informed and prudent decision-making can take place. The Board monitors the performance of leaders and the business via KPI's and performance and progress monitoring and constructively challenges proposals where this is appropriate or necessary.

All Board members are expected to keep developing and refreshing their knowledge and skills so they can continue to make informed and positive contributions to Board discussions. Post partnership Board discussions have included a series of position statements on strategic objectives to help support an operational understanding for the Board. Members of the Executive are invited to each meeting of the Board to provide updates and more information about performance. There have been externally facilitated sessions at Board meetings to support members understanding of their compliance obligations around fire, gas, electrical and lift safety. The Board is also encouraged to participate in training events and spend time out in the business to understand how it operates and how our team work and interact with each other.

Simon

New homes

Marketing co-ordinator Simon is a new arrival at Bromford but says it's the happiest he's been in a job for a long time. He plays a key part in our sales team, which last year sold £54m of new homes.

He's responsible for liaising with the development officers in our new homes team to ensure all of our developments are on track, so he knows when homes are nearing completion and ready to be marketed to buyers looking for a place to call home. Then he rolls into action organising all the marketing collateral that the sales team will need to help sell the homes, from ordering brochures and promotional items to managing open days.

At any given time we could have up to 60 live sites and 30 that are coming soon so Simon uses his finely honed organisational skills to ensure everything's on track to sell our new homes.

Time commitment and NED's other significant commitments

The time commitment required from NEDs is currently between 12 and 15 days a year. This includes attendance at Board and committee meetings, preparation for meetings and participation in away days and experience it days. The below diagram shows each Board member's attendance at meetings during the financial year.

The other significant commitments of the Chair, Jonathan Simpson-Dent, and NEDs were disclosed to the Board before their appointment and are summarised in the Board Members section, starting on page 33.

There were no occasions during the financial year where the Board considered that the Chair or a NED's external commitments interfered with or impeded their ability to exercise their duties and responsibilities on behalf of Bromford.

Conflicts of interest are noted at the start of each Board meeting and Board members abstain from discussions or decision-making where an actual or perceived conflict may exist. Conflict of interest is reviewed annually by the Board and a register is maintained by the Company Secretary.

Board attendance table:

	Board	Audit and Risk Committee	Remuneration and Nominations Committee	Treasury Committee
Jonathan Simpson-Dent	9/9			
Vivienne Horton	8/8		4/4	
Helen Adlard	3/3			
Richard Bird	8/8	4/5		
Steve Dando	8/9	6/6		7/7
Oke Eleazu	8/9		4/4	
Balvinder Heran	8/9			
Richard Penska	7/8	5/5		
Neil Rimmer	8/8		4/4	4/4
Robert Nettleton	8/8		4/4	
Lee Gibson	9/9			7/7
Philippa Jones	6/6		1/1	
Sally Higham	1/1	1/1		
Christine Baldwin (Clarke)	1/1			3/3
Nick Cummins	1/1			

Decision making

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

Other matters have been delegated to the committees. Any matters outside of these delegations fall within the Chief Executive's responsibility and authority.

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

Bromford Housing Group Board

Coterminous Group Board collectively responsible for Bromford's long-term success. Provides leadership and direction. This includes setting the strategy and overseeing its implementation ensuring that only acceptable risks are taken; it establishes organisational culture and values; it has responsibility for ensuring financial performance and corporate governance.

Audit and Risk Committee

Provides assurance to the Board on the effectiveness of the group risk and internal control frameworks; financial reporting and accounting issues. Oversees the internal and external audit functions.

Remuneration and Nominations Committee

Reviews and approves Executive Remuneration Policy and determines remuneration of the Senior Executive; makes recommendations to the Board on remuneration for NEDs.

Reviews the structure, size and composition of the Board and makes recommendation to the Board.

Treasury Committee

Reviews and makes recommendations to the Board on Treasury Policy and Treasury Strategy and on the adequacy of liquidity and funding arrangements.

Any matters outside of these delegations fall within the Chief Executive's responsibility and authority.

The Board

The Board meets up to ten times a year and also has a strategy setting event. Each Board meeting has a planned agenda, which allows enough time to discuss both strategic and operational matters including performance and risk management.

Each Board committee meets as many times as necessary to discharge their duties and responsibilities under their terms of reference. For reports from our committees, refer to pages 56 to 63.

During the year, the Board has focussed its decision making on six key areas. The principle decisions made by the Board have been:

Area of focus	Principle decisions
Leadership	Appointed a new post partnership Board. Appointed a new Chief Executive and endorsed the director structure for the new organisation. Agreed an approach for the appointment of a new Group Chair to succeed Jonathan Simpson-Dent
Strategy development and Implementation	Had oversight and approval of the business cases and subsequent legal, financial, governance and transaction for strategic partnership between Bromford and Merlin Housing Society and Transfer of Engagements of Severn Vale Housing Society to Merlin Housing Society. Adopted a suite of new core policies, to operate across new entities to ensure strong governance from day one – to include probity, health and safety and governance framework. Developed and launched the new Bromford Group Strategy. Agreed new development appraisal assumptions. Agreed the new homes plan and approved development schemes over £4m.
Finance	Approved annual and revised budgets and 30-year plan. Adopted a Financial Framework – including our 'golden rules'. Engaged on and approved a set of rigorous stress tests and mitigation strategies. Adopted a new Treasury Strategy and Policy. Approved £480m of funding through RCF's and a Public Bond. Approved Private Placement totalling £100m. Approval of Group Rent Policy. Approval of Voluntary Right to Buy Policy.

Performance	Agreed a suite of indicators for the new group and reporting requirements for monthly review. Monthly scrutiny of group performance against key financial budget metrics and performance targets. Maintained oversight and scrutiny of key strategic business cases. Localities business case, merger business case, programmeOne and new homes plan delivery and programmeOne delivery.
Risk management and compliance	Considered significant and emerging risks and Sector Risk Profile. Approved new Key Strategic Risks, metrics and key controls (see page 51). Adopted new Risk Management Policy and Framework. Defined and agreed new risk appetite statements and metrics for Bromford. Received monthly compliance reporting on landlord compliance and health and safety. Received a series of presentations from Staffordshire Fire and Rescue Service, gas, electrical and lift safety experts. Agreed the Health and Safety Policy. Had oversight and agreed action mitigations regarding the impact of Brexit. Approval of Complaints Policy.
Governance	Adopted new post partnership governance arrangements. Approved a Group Conflicts of Interest Policy and appointed four NEDs to represent the group's charitable entities. Appointed a Colleague Engagement NED. Implemented changes to respond to UK Corporate Governance Code 2018. Adopted an action plan following the Board Effectiveness Review. Received regular updates from the committee Chairs. Approved the Group Slavery and Human Trafficking statement for publication. Considered updates to the Regulator of Social Housing Standards. Considered CEO letters from the regulator including those on impact of Brexit and Sector Risk Profile.

Statement of compliance with the regulatory standards

Our regulator, the Regulator of Social Housing (RSH), publishes a Regulatory Framework and Regulatory Standards. The Regulatory Standards comprise of the Economic Standards (namely the Governance and Financial Viability, Value for Money and Rent Standards) and the Consumer Standards (namely the Tenant Involvement and Empowerment, Home, Tenancy and Neighbourhood and Community Standards).

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

As part of being regulated by the RSH, Bromford has been given a rating for governance, as assessed against the Governance and Financial Viability Standard. Bromford maintains a G1 governance and V1 financial viability rating, the highest ratings on the scale throughout the financial year ended 31 March 2019.

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

Each year the RSH requires RPs to assess their compliance with the Governance and Financial Viability Standard and provide assurance to customers and stakeholders that the RSH specific expectations are being complied with.

We have undertaken an annual review of compliance. The Board is assured that Bromford is compliant with the Regulatory Framework including the Governance and Financial Viability Standard and its accompanying Code of Practice. [1]

Statement of compliance with our code of governance

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

As we do not have shareholders in a conventional sense; some aspects of the UK Code (such as Section E) do not apply to us. However, we strongly support the objectives that this section aims to achieve and this is reflected in the open and transparent way we deal with our partners and stakeholders. Merlin Housing Society does have legacy shareholders and continues to hold an annual general meeting.

The UK Corporate Governance Code 2018 will apply for our financial year 2019/20. The Board has been planning for its introduction and although the Code will see significant changes in the reporting requirements we have identified, through gap analysis, that many of the requirements are already reflected in our working practices. Where there were gaps we have developed new arrangements and have adopted a new Governance Framework from 1 April 2019, to support our compliance reporting in our next accounts.

Each year the Board reviews compliance with the UK Code and during the financial year ended 31st March 2019 we consider that Bromford has complied with all relevant principles and provisions of the UK Corporate Governance Code 2016.

[1] During the year it was identified that errors were made in the statistical data return to the Regulator in May 2018. Those errors were corrected and we took the opportunity to review our internal processes and controls to ensure the integrity of future regulatory returns.

Mitch

Finance

While we had a turnover of £257m last year we also make millions of pounds of payments each year as well. Accountancy apprentice Mitch is part of the team making sure all our payments to suppliers, partners and tenants are made on time.

Every day Mitch and other members of the team log all our payments on our new finance system, which can be from a few hundred pounds to million pound-plus payments. As well as processing our electronic payments, Mitch is also responsible for dealing with non-electronic payments; usually one-off payments to new suppliers or customers.

Governance effectiveness review

Each year the Board carries out a formal evaluation of Board, Committee and individual Director performance. At least every three years, as recommended by the Code, this evaluation is facilitated by an external advisor to provide an independent perspective.

During the period November to February 2018, Altair an external advisor carried out an independent review of governance effectiveness and prepared a report which was used to support development of the new Board. The Chair carried out an internal review in January 2019, and it has been agreed that as a result of the significant amount of change that there be a further external review during 2019/20.

Systems of internal control

The Audit and Risk Committee monitors and reviews the effectiveness of the internal control system and reports the findings to the Board.

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

- The annual review of the effectiveness of the internal control based on quarterly business assessments
- The Risk Register, key controls and indicators
- External auditor reports
- Reports from our internal audit and business assurance providers
- Internal monitoring reports and key risk and performance indicators
- Reviews of statutory and regulatory compliance – including safety compliance
- Financial accounts and financial controls.

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 and clear statements of risk appetite and tolerances set by the Board
- 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 the 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 are simple and easy to understand and are accessible to all colleagues. Internal audit 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, a work plan agreed with internal and external auditors and our internal assurance functions for risk and health and safety, with ongoing schedule of activity in place to review and test the controls in our biggest risk areas, or in areas of strategic importance. Additional technical advisory and independent third parties' reviews are also used to support overall assurances.

During the year, no significant failings or weaknesses were identified by either our internal 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 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 for the year to 31 March 2019, 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.

Business and Risk Report

Effective risk management is at the heart of our business and has an important part to play in delivering our purpose. We have well-established risk management processes, and control frameworks, which guide and support how our colleagues work, behave and the decisions they make.

How we manage our risks?

Our Board defines clear statements and tolerances that set out the type and amount of risk we are prepared to assume as we deliver our strategy, plans and run our day-today operations. This informs our strategy for managing risks and determines the controls we put in place to mitigate them. This provides clarity to colleagues and key stakeholders on the way we do business; enabling informed individual decision making and empowerment, and a clear framework for considering risk and capacity when formulating strategic and tactical business decisions.

Our financial risk capacity (the amount of risk we can assume considering capital, liquidity, borrowing and regulatory requirements) is embedded within the financial framework and Golden Rules. We also have regard for non-financial elements; people, customers, capability and operational systems, and the cumulative impacts of these factors.

For further detail on our enterprise risk management framework see page 54.

Our principal risks

Bromford is exposed to the principal risks as set out below. Key risks are determined by the Board, and appetite and tolerances set. The risks and indicators are monitored on a monthly basis by the Board. Business risks are monitored with escalation through executive forums, Audit and Risk Committee and then to the Board.

Legal and Regulatory Risk

The risk that Bromford fails to design and implement operational arrangements, systems and controls such that it can maintain current and future legal, regulatory and safety requirements.

Board Risk Appetite

Bromford recognises that legal, regulatory and safety requirements exist to ensure the safety of our people and our business and we take these responsibilities seriously. Bromford will ensure both compliance and people safety, identifying all applicable regulation, legislation and codes through internal and external sources and will maintain assurance of compliance across all the three lines of defence to maintain the highest Governance rating for RP's. Our risk appetite is minimal, as we will do everything that is reasonably practicable to ensure compliance and is averse with respect to landlord asset compliance and health and safety risks.

Key Risks	Mitigations
Death, injury or harm caused to colleagues, customers, contractors or members of the public.	Maintaining external accreditation and practices validated by independent bodies. Rigorous testing of processes and reconciliation of data through 1st, 2nd and 3rd line activity and technical experts for legal asset compliance. Mandatory training programme is in place to ensure all colleagues' competencies are up to date and fit for purpose.
Responding to the customer voice (customers in control)	Customer and communities influence models at group level and localities connect us with customers and a strong tie back to the Board. Continuous engagement through the neighbourhood coaching model, customer feedback and complaints and analysis.

Strategic Risk

The risk that Bromford is unable to deliver against its business plan, either through poor strategic business decisions and/or failing to properly implement those plans.

Board Risk Appetite

Our strategy sets the direction of our business and informs all business activity. Bromford will maintain robust change protocols and rigorously prepare and track implementation against our strategy. As an innovative business our appetite is open as we have set ambitious plans and have multiple channels for delivery to achieve the targets set.

Key Risks	Mitigations
Macro-economic and political uncertainty	Identifying and monitoring potential risks to the business through dedicated horizon scanning, government policy review and monthly Board briefing. Stress testing scenarios and resilience plans account for a variety of economic and non-economic scenarios and reflect Brexit impact and mitigations.

Development/Commercial Risk

The risk that Bromford has insufficient income, capacity and/or opportunity to deliver its development ambitions.

Board Risk Appetite

Bromford has the financial strength and capability to enable even more customers to thrive. Bromford will take a balanced view on short and longer-term risk and identify opportunities and strategic partners to deliver new homes at scale. We will remain nimble and pursue different types of opportunities as long as they enable us to build more affordable homes. Our appetite is open as we seek to remain competitive in the market place whilst proactively seeking new opportunities for sustainable growth both in the short and longer term. We aspire to deliver a balanced programme which will enable us to deliver significant growth and ensure we build homes and communities our customers aspire to live in.

Key Risks	Mitigations
Delivery of new homes aspirations	Rigorous monitoring of the external market and review of business risks that may impact on our programme. A dedicated forum considers opportunities against strategy and monitors and tracks progress against plan with monthly reporting to Board. There are financial limits in place on items that require review and approval by the Board, and these and exceptions to existing parameters, and their value for money impacts are considered by the Board.
Housing market sales	Approvals on all schemes include testing and exit strategies ahead of commitment. Performance data is tracked through a dedicated forum to ensure we are delivering the sales programme and income assumed in appraisals. Specific golden rules and limits on sales percentage of overall homes programme to support new strategy and considering operating environment.

Financial Risk

The risk of Bromford having inadequate income, cash flow or liquidity to meet current or future requirements and expectations. It includes loss of earnings capacity or liquidity arising from mismatches between Bromford's assets, funding and other commitments and which may be exposed to changes to market rates or conditions.

Board Risk Appetite

Financial strength is critical to delivering our vision and our core business effectively. Therefore, we need to maintain financial discipline, strong balance sheets, cash generation capability and allocation of capital. Bromford will operate in line with agreed Golden Rules, which ensure we hold sufficient liquidity resources, with secure counterparties, supported by sustainable earnings, low risk, diverse sources of funding and minimal exposure to market and off-balance sheet risk, to ensure there is no significant risk that our liabilities cannot be met as they fall due. Our appetite is balanced, as we will not accept risks which threaten our financial viability, but we will be open to diverse investment options.

Key Risks	Mitigations
Financial planning and / or insufficient liquidity	Parameters and decision framework, with rigorous monitoring of key financial ratios and liquidity against future spend. Stress testing and mitigation plans reviewed and monitored.
Borrowing new money and access capital markets	Prudent treasury strategy and policies enable access to diverse, low risk funding options; maintaining strong dual credit rating. Board and Treasury Committee monitoring of available security, excess charge, our market position and bond trading levels support funding strategy and day to day management.
Welfare Reform	A robust Welfare Reform Action plan is in place. Data insight is performed on Universal Credit cases to track and inform future plans to support customers. Stress tests consider reform impacts.

Operational Risk

The risk that Bromford is unable to maintain business continuity through inadequate or failed internal process, technology, people or impacts from external events. This may include power outages, theft or people shortage.

Board Risk Appetite

Our core business is the main reason for which we exist and we, along with our customers, depend on our ability to maintain core functions. Bromford will maintain a skilled workforce, with processes and technology which are tried and tested to withstand a range of severe but plausible incident scenarios. Our appetite is balanced as whilst we will explore new options for providing our services, we remain focused on operating our business to ensure a minimal level of disruption to our customers, brand and reputation.

Key Risks	Mitigations
Major transformation outcomes and benefits	Rigorous programme governance and oversight on major transformation including integration, with internal Board and executive oversight of performance, risks and benefits cases realisation, supported by periodic independent external assurance.
Retain, recruit and motivate engaged colleagues to deliver our strategy and purpose	A clear strategy with values-based recruitment and embedding of our DNA ensures we retain and attract colleagues aligned to our purpose. Enterprise surveys and monthly monitoring of key performance and risk indicators inform specific actions.
Data governance	Data use, quality, interpretation and reporting is a critical area. A dedicated data governance group meets to assess business practice, monitor risks and improvement plans and provide reporting to Audit and Risk Committee and Board. Data dashboards and audits validate accuracy, completeness and intended outcomes for key data sets. As part of business transformation data governance is a sub-topic of all 3rd line assurance exercises across our 2019/20 Internal Audit Plan.
Business operational resilience	Cyber security: Maintaining enterprise grade perimeter and internal security services to protect against attacks. Regular penetration and scenario testing and embedding an integrated information security framework, policy and toolkit. Business continuity and major incident planning: framework and assessments in place, with testing and reporting. This year we have taken the opportunity to review existing practices and move to new integrated approach for our organisation post mergers.

Enterprise Risk Management Framework (ERMF)

We manage our risks through an Enterprise Risk Management Framework, which sets out the minimum standards, and associated processes, for successful risk management to support strategic decision making.

The ERMF supports risk management through robust and consistent processes, supported by appropriate tools and guidance, enabling business decisions for delivery of Bromford's strategy.

Bromford operates a three lines of defence model, ensuring clear separation between risk and control ownership (first line), oversight, support and challenge (second line), and audit assurance (third line). The diagram below sets out our framework:

Enterprise Risk Management

Risk Management and Assurance Process

Statutory and Regulatory Expectations

The Regulator of Social Housing's VfM Standard and Code of Practice. Applicable laws and regulations

Governance & Culture

Our vision, objectives and values which form the basis of our corporate plan are fundamental culture and strategy. Our Board sets our appetite for the type and level of risks it is willing to take in the pursuit of strategic goals.

Strategy and objective setting.

Our market

Customer feedback and advocacy. Commercial opportunities & threats. Industry best practice.

Monitoring and Assurance

All the components of the risk management and assurance process are reviewed to ensure they are funtioning as planned; material changes (internal and external) are understood and assessed; on-going continuous improvement.

Information, Communication and Reporting

Risk reporting at all levels supports decision-making and enables the Board and others to fulfil their risk oversight responsibilities.

Risk Management

Risks that may impact the achievement of strategy and business objectives are identified, assessed and prioritised. Risk responses are selected. Our risk mangement approach provides a portfolio view of our risks.

System of Internal Control "3 Lines of Defence"

1st line

- Compliance with all laws attestations
- Quarterly assurance statements by Directors
- Financial strategies, including stress testing and scenario planning
- Annual review of system of internal control
- Deep dives on risk and control areas
- Incident reporting/ lessons learned.

- Our governance structure, framework and reporting
- Performance targets and KPIs
- Our Risk Appetite Statements
- Our group Policy Framework
- Monthly/quarterly reporting to Board and A&RC on indicators, appetite, risk mitigations and control environment.

- Our Risk Management Policy and Framework
- The business owns risks and manages these through control activities
- A range of methods is used to identify both key strategic and business risks
- Risk registers document the risks
- Assurance mapping.

2nd line

Support, challenge and compliance reviews provided by the Governance, Risk and Assurance Functions

3rd line

Independent, objective assurance provided by internal audit (and external bodies)

Chris

Customer services

Chris is part of our front line team of customer services advisors who are the first point of contact for many customers. Every day is different for Chris and like the rest of the team, he never knows what a customer will be calling about, but no matter what the issue he remains calm, confident and polite throughout, treating each caller with respect and dignity, trying to put himself in the shoes of the customer so he can understand and empathise with their issue. And if the call ends, with the customer thanking him for their help and Chris feeling like he's made a difference to their day, that's what gives him the feelgood factor for the rest of the day.

Report of the Chair of Renumeration and Nominations Committee.

Committee members

Vivienne Horton (Chairman) from 2 July 2018

Oke Eleazu

Neil Rimmer from 2 July 2018

Robert Nettleton (for Nomination matters) from 2 July 2018

Philippa Jones (for Nomination matters) until 31 December 2018

Key responsibilities

To keep under review the leadership needs of the group – both executive and non-executive

To make recommendations to the Board in respect of the structure, size and composition of the Board

To make recommendations to the Board in respect of succession planning

To determine the Executive Remuneration Policy and executive remuneration.

Committee members who served during 2018/19	Number of meetings attended (eligible to attend)
Vivienne Horton	4/4
Oke Eleazu	4/4
Neil Rimmer	4/4
Robert Nettleton	4/4
Philippa Jones	1/1

This has been a significant year of transformation and change for Bromford which has been reflected in the work and the membership of the Remuneration and Nominations Committee.

I became Chair of the committee on 2 July 2018, when I was appointed to the Bromford Board and took up the role of Bromford's Senior Independent Director (SID). Oke Eleazu had previously chaired the committee and I would like to thank him for this work.

To ensure that we have continuity Oke remains a member of the committee. Neil Rimmer and Robert Nettleton also joined the committee on 2 July 2018.

During the year, Philippa Jones stepped down as Chief Executive and Robert Nettleton, who was initially appointed as Chief Executive Designate, took over in this role on 10 November 2018. For more than 30 years, Philippa made an enormous contribution to the work of Bromford, and I would add my thanks to those I know that others have already made within this report.

At its meeting on 2 July 2018, the new Board approved a number of matters that would normally be within the remit of the Remuneration and Nominations Committee. These included the appointment and remuneration of the new Board and Executive Team.

These decisions were based on recommendations from the shadow Remuneration and Nominations Committee, which the current members of this committee were all part of. This work was supported by Altair, our Board Advisors.

Appointments were made after a robust recruitment and interview process which was informed by the new Board skills matrix and succession plan. This will help to ensure the new Board provides strong strategic leadership.

The Board also made appointments to, and agreed the remuneration for, the senior leadership team, again based on the recommendations of the shadow Remuneration and Nominations Committee.

Our work throughout the year has been influenced by our preparations for the implementation of the new 2018 UK Corporate Governance Code (the Code) and will position us for our reporting in the next financial year.

We have agreed a new Executive Remuneration Framework that sets out the approach for the Chief Executive, the Executive Directors and Functional Directors. The Framework reflects the principles that were agreed when the new team was established but also reflects the principles set out in the Code. Amongst other things, the Framework will ensure that only basic salary is pensionable and that the pension contribution rates for directors, or payments in lieu, should be aligned with those available to the workforce; notice periods will not be more than six months and compensation commitments will not reward poor performance.

The committee has subsequently developed and implemented a scheme of performance related pay for this group of colleagues, including the creation of a series of stretching targets that support delivery of the Bromford Strategy.

The Code will impact significantly on the work of the committee and our other preparations have included a review of all the NED role descriptions; the development of a new role description for the Workforce Engagement NED, who will provide a direct line of sight between the Board and colleagues; and, a review of our terms of reference. All of our recommendations have been adopted by the Board.

I believe it is important that the committee understands matters affecting the wider group of colleagues and as part of our work we have considered the findings of the recent Great Places to Work Survey.

Vivienne Horton
Chair - Renumeration and
Nominations Committee

Report of the Chair of the Treasury Committee.

Committee members

Steve Dando (Chair)

Darren Lee Gibson

Neil Rimmer

Christine Baldwin (Clarke) until 2 July 2018

Key responsibilities

Amongst its duties the committee keeps under review and reports to the Board in relation to:

The adequacy of the group's liquidity and funding arrangements

Compliance with the Treasury Policy

The adequacy and preparation of assets available to charge as future loan security

Monitoring of significant new initiatives/ transactions that could impact treasury management

Monitoring of secondary market pricing of group securities and third party relationships with Rating Agencies and the Bond Investor community.

It also reviews and makes recommendations to the Board in respect of:

The funding strategy for the group (including risk mitigation and management)

The Treasury Policy: This sets out the approach in relation to treasury risk appetite, liquidity, investments, borrowing and hedging.

Committee members who served during 2018/19	Number of meetings attended (eligible to attend)
Steve Dando	7/7
Darren Lee Gibson	7/7
Neil Rimmer	4/4
Christine Baldwin (Clarke)	3/3

Steve Dando
Chair - Treasury Committee

Our Treasury activity is supported by the Treasury Committee.

As at 31 March 2019 the Committee comprised – Steve Dando (Chair), Neil Rimmer (NED) and Lee Gibson – Executive Director of Finance. Clive Williams acts as an advisor. Tariq Kazi retired as an advisor in August 2018. Neil Rimmer joined the committee on 2 July 2018 at the same time as Christine Clarke, the former Chair, retired.

During the year the committee considered:

- Arrangements for the Bromford Bond issue
- Lender consent arrangements for the Severn Vale transfer of engagements
- Bromford Pension arrangements
- Investment policy for the Merlin partnership
- Treasury policy and strategy for the Merlin partnership
- The new homes financial model
- The investor bi-annual update
- Proposals for new funding including options around private placement, public bond or other
- Future revolving credit facility arrangements
- Group on-lending arrangements.

Steve Dando
Chair - Treasury Committee

Report of the Audit and Risk Committee.

Committee members

Richard Penska (Chairman)

Steve Dando

Richard Bird

Sally Higham until 2 July 2018

Highlights

Reviewed changing risk factors and appetite in light of partnership and merger activity

Oversaw the tender for new internal audit functions

Deep dive reports on Safeguarding, Tenancies, Asset & Liability register and Asset Data

Tracked positive progress on the work of the Fire Strategy Group

Approved the annual report and accounts.

Key responsibilities

Monitors the integrity of the Group's reporting process and financial management

Ensures that risks are carefully identified and assessed, and that sound systems of risk management and internal control are in place

Scrutinises the full and half-yearly financial statements and investor reporting

Reviews in detail the work of the external auditor and valuer and any significant financial judgements made by management

Reviews the risk management framework and control environment.

Richard Penska
Chair – Audit and Risk Committee

Who sits on the Committee

Up until 1 July 2018 the Audit and Risk Committee (formerly Assurance and Audit Committee) comprised Chair Steve Dando and Sally Higham. Both were independent Non-Executive Directors, and brought considerable knowledge of the group's strategy and operations and also from their respective external employment.

From 2 July 2018 the Audit and Risk Committee comprises Richard Penska, Chair (NED); Steve Dando (NED) and Richard Bird (NED).

The Board believes members of the Audit and Risk Committee have the financial, risk, control and commercial expertise required to provide effective challenge to management. Further information on their background and experience can be found in the Board of Directors section, starting on page 33.

Committee members during 2018/19	Number of meetings attended (eligible to attend)	Regular attendees of the Committee include:
Richard Penska (Chair)	5/5	Chief Executive Officer; PWC; Chief Risk Officer; Executive Directors; External Auditors.
Sally Higham	1/1	
Steve Dando	6/6	
Richard Bird	4/5	

The committee is supported by key colleagues from across Bromford and by professional audit and business assurance advisors from KPMG, PWC and Mazars. It also has access to financial resources to obtain additional independent professional advice if necessary. In this way, access is provided to the most relevant and insightful technical expertise to help it discharge its duties.

How the committee works

The Audit and Risk Committee's members are independent Non-Executive Directors. Across the committee membership, there is a diverse range of experience in business, finance, auditing, risk and controls, with particular depth of experience in the housing and public sector. These skill sets enable the committee to challenge and scrutinise the work of management. The committee is also able to draw on the expertise of key advisors and control functions, including the internal and external auditors.

The committee provides oversight and advice to the Board on the matters listed in its terms of reference and reports to the Board on those matters after each meeting. The committee is authorised by the Board to obtain any information it needs from any director or employee of Bromford. It is also authorised to seek, at the expense of Bromford, appropriate professional advice as needed. The committee did not need to take any independent advice during the year but did consider the work of corporate advisors and specialists regarding the mergers and material risk, governance and control aspects as part of Board oversight. At each meeting the committee have the opportunity to meet with the Internal and External auditors without management present. The committee reviewed its terms of reference and effectiveness both as part of an annual cycle and in order to represent the newly merged organisations.

Audit and Risk Committee – Chair Statement

The Audit and Risk Committee safeguards Bromford, ensuring all risks are carefully managed, providing challenge to management and overseeing the integrity of our financial reporting.

I'm pleased to write to you as Chair of the Audit and Risk Committee, having taken post on 2 July 2018 following the adoption of a new governance framework and committee structure post partnership. I must take this opportunity to thank Steve Dando for his excellent service as Chair and wish him well in his new role as Chair of the Treasury Committee, whilst retaining his invaluable experience and expertise as he remains a member of the Audit and Risk Committee. I'd also like to thank Sally Higham, who retired from the committee on 1 July 2018, for her dedication and support on the committee.

The committee carries out work to provide the Board with assurance on the effectiveness of the risk management and internal control processes and frameworks to ensure that the operational and strategic risks do not materialise.

The committee continues to challenge the financial reports prepared by management, to scrutinise the effectiveness of Bromford's risk management frameworks and internal controls. It also oversees the assurance work of our internal and external auditors which this year saw work across multiple providers as we transition to one business.

We remain alert to external risks, specifically, uncertainty over future UK economic conditions and cyber threats. We are also mindful to the changing regulatory environment, revised housing standards, a new Corporate Governance Code and the General Data Protection regulations all having landed during this year.

In this exciting time of change, with new business partnerships and business transformation the role of the committee is ever more critical in ensuring we can continue to invest in homes and relationships, so people can thrive.

Richard Penska
Chair – Audit and Risk Committee

Report on the year

Preparation of the financial statements and external financial reporting

In considering the financial statements, the committee discussed and considered in detail management's analyses, the external auditor's work and conclusions on the main areas of judgement. Internal controls and risk management systems have been in place to provide assurance over the preparation of the annual report and accounts. Information submitted for inclusion in the financial statements is attested by individuals with appropriate knowledge and experience. The annual report and accounts are scrutinised throughout the process by relevant senior stakeholders. Subsequently, the Audit and Risk Committee provides debate and challenge, before requesting Board approval. Key controls in the process are subject to regular testing, the results of which are reported to the committee.

Significant issues considered by the Audit and Risk Committee for the year ended 31 March 2019

Significant issues were discussed with management and the external auditor in January 2019 when the Audit and Risk Committee reviewed the Audit Plan and Strategy for the year, and at the conclusion of the audit, when the financial statements were reviewed in August 2019.

The committee also considered all relevant reports and findings presented by the external auditor, and also the adequacy of management's response. In addition, the committee reviewed the external auditor's independence, objectivity and effectiveness of the audit. The Audit Plan and Strategy for the year identified the key audit matters which are considered below.

The impact of uncertainties due to the UK exiting the European Union	The committee has considered the potential impacts of Brexit on the Group. This includes effects on treasury and finances, the new homes development programme, service delivery, procurement and asset management, and also customers. Key considerations include the monitoring of supply chain management, review of inventory and stockholding measures and development exposures and uncertainty. This is also considered by the Group Board on a regular basis. The assumptions underpinning the business plan forecasts are also well understood, with appropriate stress testing undertaken in respect of likely Brexit conditions. This is informed by the Bank of England assumptions and stress tests, and evolving political commentary. In addition, Brexit uncertainty has been considered in the context of judgements and estimates relating to the financial statements.
Merger with Merlin Housing Society and Severn Vale Housing	Bromford completed two business combinations during the financial year; the merger with Merlin Housing Society in July 2018 and the acquisition of Severn Vale Housing Society in January 2019. A number of key judgements and estimates were used to arrive at the accounting treatment for each combination, and fair value estimates required as part of the acquisition accounting. The committee considered the assumptions and judgements had been applied in the accounting for these business combinations. The external auditor also provided updates of their assessment of these assumptions and judgements. The Audit and Risk Committee discussed with management the outcomes of the business combination and were satisfied the financial statements appropriately addressed the transactions underpinning both business combinations.
Bromford Pension Scheme, LGPS and SHPS Valuation	Bromford partakes in two LGPS pension schemes, SHPS and a further defined benefit pension scheme. As at March 2019 the valuation of the schemes rely on a number of actuarial assumptions which can differ depending on the actuarial firm involved in the valuation, and the membership profile of the schemes. Management gave assurances to the committee that the actuaries used appropriate assumptions which were based on the most recent valuation and are derived on a consistent basis, year on year. This included the impact of the landmark judgements on the equalisation of the Guaranteed Minimum Pensions (GMP) between men and women during the course of the audit. The external auditor presented the audit testing of the pension assets and liabilities. The committee was satisfied that the appropriate assumptions and disclosures have been applied to the pension liabilities presented in the financial statements.

Development assumptions and judgements	Bromford's significant development programme continued into this financial year, which was expanded by the approval of the latest new homes business plan. The accounting for these development schemes contains several assumptions and judgements relating to the recovery of work in progress, capitalised costs and the contractual relationships with third party contractors and partners. Consideration was also given to the risk of impairment on significant developments due to time delays, increases in contractor costs and/or budget overruns. The committee considered the risk that appropriate valuation and accounting treatment is not applied to these significant development transactions. Assurances were provided by management to the committee that appropriate assumptions and judgements had been used in the accounting for development schemes, in addition to the external auditor's audit testing and key focus as part of their audit methodology. The committee considered these assumptions and judgements to be applied and appropriately reflected in the financial statements.
Recoverability of inventory	The Group holds stock comprising of properties for sale in relation to shared ownership and outright sales units. This involves the Group to apply estimates in assessing the net realisable value of unsold units and the recoverability of this stock. Management gave assurances to the committee that appropriate assumptions and judgements had been used in arriving at the net realisable value of the units, in addition to the supporting work of the Investment Forum who appraises and monitors the developments of these units. The committee was satisfied from the assurances received, and from the assessments undertaken in the monitoring of these units.
Bond accounting	The Group issued its £300m debut publicly listed bond in May 2018. This is accounted for under the effective interest rate method, a method not previously adopted as there was no material difference in the valuation of debt instruments. As such the risk of error in its first time adoption is higher than usual. The committee considered the appropriateness of the calculations in determining the accounting for bond finance, and that this had undergone appropriate internal review. The external auditor also presented the audit testing of these calculations and verification of the base figures. The committee was satisfied on the work performed and with the bond accounting reflected in the financial statements.

Other key areas/matters considered by the committee during the year

In addition to fulfilling its key responsibilities, as detailed on page 59, the committee reviewed the following topics:

Area of Focus	Committee Action
UK Corporate Governance Code 2018	The committee reviewed preparations to ensure compliance with the UK Corporate Governance Code 2018 for the new financial year. Following the report provided by the Company Secretary the committee were satisfied that necessary steps were underway to ensure business readiness.
Risk Management Framework Policies	Immediately following business partnership, the committee sought a review of business risks and risk frameworks to ensure these remained appropriate for the business. The committee considered and discussed proposals and made recommendations to Board on revised Key Strategic Risks, Risk Appetite and an integrated Risk Management Policy for the group.
Appointment of Internal Auditor	The committee considered the terms of the tender process that would be used to appoint an Internal Auditor across the group. The committee agreed the proposals, which included the appointment of the Chair of the committee to the nomination panel member in the procurement process. The outputs and recommendations were presented to the committee in January 2019, who agreed with the proposals.
Insurance	In September 2018 the committee reviewed and agreed proposals for Insurance provisions across the new group.
Fire Strategy	Following the tragic events at Grenfell a Fire Strategy Group was established, who assess and operationalise the ongoing outputs of the Hackitt report. The committee received regular reports, detailing changes and business action to allow the opportunity for challenge and to gain assurance.
Stock and Materials Management	The Director of Service Delivery provided a report on the steps being taken to improve cost management and service efficiency and reduce the risk of fraud in respect of stock and materials management. The committee were satisfied with the plans proposed.
Regulatory Returns	The committee considered the control framework and assurance with respect to key data returns.
Rent and Service Charges	In September 2018, the committee received a report on the 2019/20 Rent and Service Charge Review to provide assurance that process and controls would ensure compliance with rent standard, and ongoing audit reporting through to year end.
Training compliance	Safe practice is a keen focus for the committee and in November the committee received a detailed report outlining existing controls and future plans to ensure all colleagues continue to receive appropriate compliance training. The committee were comfortable with the proposals and continue to seek quarterly updates of progress against plan.
Information Security Framework	As a growing area of risk across all sectors, following the appointment of a new Information Security Officer the committee reviewed the new Information Security Framework, ensuring that Bromford and its customers are protected.

Internal Audit.

Following partnership and merger activity the committee have overseen the conclusion of three Internal Audit Plans. The committee works closely with the Internal Auditor, who report directly to the Chair of the Audit and Risk Committee. Throughout the year, the committee carefully monitored the progress of the internal audit functions.

The Audit and Risk Committee approves the work of internal audit annually and through regular quarterly updates, specifically approving any changes to the audit plan. The scope of work takes account of the function's own assessment of risks, the input of first- and second-line management and the Audit and Risk Committee itself.

One of the committee's key areas of focus is to ensure that issues identified by internal audit reports are promptly and thoroughly addressed by management. Where an extension has been requested the committee has sought confirmation of business impact and have challenged management where the commentary supporting action closure does not support a removal of the identified issue. The work of internal audit is reviewed by the Chief Risk Officer who reviews operational performance against contract and reports findings directly to the Audit and Risk Committee Chair. No major issues arose during the year.

KPMG

Independent auditor's report

to the members of Bromford Housing Group Limited

1. Our opinion is unmodified

We have audited the financial statements of Bromford Housing Group Limited ("the Association") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cashflows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Group and of the Association as at 31 March 2019 and of the income and expenditure of the Group and 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors for the year ended 31 March 2017. The period of total uninterrupted engagement is for the 3 financial years ended 31 March 2019.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£2.47m (2018:£2.6m) 1% (2018: 1.5%) of Group Turnover	
Coverage	100% (2018:100%) of group turnover	
Key audit matters		**vs 2018**
Recurring risks	Development assumptions and judgements	◀▶
	Bromford Pension Scheme, LGPS and SHPS Valuation	◀▶
	New: Recoverability of inventory	▲
	New: Bond Accounting – Group and association	▲
Event driven	**New:** Merger with Merlin Housing Society and Severn Vale Housing	▲
	New: The impact of uncertainties due to the UK exiting the European Union - Group and association	▲

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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Group and parent **The impact of uncertainties due to the UK exiting the European Union** *Refer to page 61 (Audit and Risk Committee Report).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in *Recoverability of inventory*, and related disclosures and the appropriateness of the going concern basis of preparation of the accounts. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement 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 Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: — **Our Brexit knowledge:** We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks; — **Sensitivity analysis:** When addressing the key audit matters affected and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; — **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on the key audit matters affected we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** — As reported under the key audit matters affected, we found the estimates and disclosures of fair value of assets acquired and inventory and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Group only **Merger with Merlin Housing Society and Severn Vale Housing** (Value of fair value on business acquisition: £66.7 million) *Refer to page 61 (Audit and Risk Committee Report), page 86 (accounting policy) and page 124 (financial disclosures).*	**Subjective valuation:** In July 2018 Bromford Housing Group merged with Merlin Housing Society then in January 2019 Bromford Housing Group acquired Severn Vale Housing. The Group were required to make an assessment of the appropriate basis of accounting for each of these business combinations. Due to the significant and unusual nature of these transactions there is a risk that incorrect accounting judgements are applied. Where acquisition accounting is applied assets and liabilities of the acquired entity are recognised at fair value at the point of acquisition. Where required, calculating the fair values are based on a subjective valuation using assumptions as the basis for the valuation. Small changes in these assumptions have a significant impact on the fair value adjustment recognised.	Our procedures included: — **Accounting assessment:** Reviewed management's proposed accounting treatment for each merger and the rationale for the selected treatment and ensured it is in line with the FRS102 accounting standard and Social Housing SORP 2014 ('SORP'); — **Accounting policy alignment:** Reviewed the merged accounting policies for material differences within the new group. — **Benchmarking assumptions and review of valuation methodology:** challenging, with the support of our own valuation specialists, the key assumptions and valuation methodology applied; being the discount rate and inflation rates against externally derived alternatives; — **Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the business combinations and the sensitivity of the fair value adjustment to the assumptions. **Our results** — We found the merged balances and fair value adjustment to be acceptable.
Group only **Bromford Pension Scheme, LGPS and SHPS Valuation** (Value of defined benefit pension obligations: £196.6 million; 2018: £169.9 million) *Refer to page 61 (Audit and Risk Committee Report), page 85 (accounting policy) and pages 115 to 123 (financial disclosures)*	**Subjective valuation:** At 31 March 2019 the Group participated in three defined benefit pension schemes: – Bromford Defined Benefit Pension Scheme; – Local Government Pension Scheme ('LGPS'); and – Social Housing Pension Scheme ('SHPS'). Due to the size of the pension fund liabilities there is a risk that a small error in the judgements would have a material impact on the financial statements. An actuary will calculate the future liabilities of the funds based on a number of judgements. It is important that any assumptions used reflect the profile of the Group's members. It is also important that assumptions are derived on a consistent basis year to year, or updated to reflect the Group's current position.	Our procedures included: — **Assessing valuer's credentials:** obtaining the qualification credentials of the Scheme actuary to assess that they are one of the small number of experienced, skilled advisors, appointed to undertake the Local Government Pension Scheme valuations, as we place reliance on the Actuary for both the asset and obligation of the overall liability; — **Benchmarking assumptions and review of actuarial methodology:** challenging, with the support of our own actuarial specialists, the key assumptions and actuarial methodology applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data. **Our results** — We found the estimate of the Bromford Pension Scheme, LGPS and SHPS defined benefit pension obligations to be acceptable (2018:acceptable).

	The risk	Our response
Group only **Recoverability of inventory** (Value of stock and work in progress: £58.6 million; 2018: £51.9 million) *Refer to page 62 (Audit and Risk Committee Report), page 90 (accounting policy) and page 104 (financial disclosures)*	**Subjective estimate:** Property held in inventory comprises properties which are speculatively developed and are held for sale. In order to assess the net realisable value of property held in inventory, site appraisals are prepared which include forecast revenue and costs and provide an indication of the recoverability of property held in inventory. Site appraisals include a number of judgements that could have a significant effect on the net realisable value of the property held in inventory.	Our procedures included: — **Our sector expertise:** Assessing a risk based sample of development sites, selected using criteria including quantum of work in progress and low profit margin, to obtain an understanding of the status of the site focusing on matters relevant to the site valuation, being the status of the development and whether the appraisal reflects any additional unexpected costs. — **Benchmarking assumptions:** We challenged the forecast revenue included in a sample of site appraisals by reference to market data. — **Test of detail:** Comparing the value carried in the balance sheet with the sales price achieved for a selection of property sales after the balance sheet date. — **Assessing transparency:** Critically assessing the adequacy of the Group's disclosures in relation to judgement and estimation in relation to inventory. **Our results** — We found the estimated recoverability of inventory to be acceptable (2018:acceptable).
Group only **Development assumptions and judgements** (Value of assets under constructions: £149.6 million; 2018: £112.7 million) *Refer to page 62 (Audit and Risk Committee Report), page 84 (accounting policy) and page 101 (financial disclosures).*	**Subjective estimate:** The Group has a significant development programme. This includes mixed tenure schemes as well as a significant portion of open market sales. The Group has now started to schedule land led developments into its programme. The accounting of these schemes contains assumptions and judgements relating to the capitalised costs (including internal staff and interest costs and other costs) and as a result there is a potential risk of error. In addition, the allocation of costs between current asset stock and Housing Assets is based on management's judgement and could therefore by subject to manipulation. It is important that the method used is consistent year on year with an appropriate rationale for the allocation basis. Should costs be incorrectly allocated, this could impact the value of certain tenure types creating impairment issues. Finally impairment is a potential risk on significant developments where the time delays, increases in construction costs, falling land values, and/or budget overruns occur.	Our procedures included: — **Tests of detail:** Assessing a sample of interest capitalised to ensure that it relates to development schemes under construction and assessed the basis of the interest rate used as the weighted average interest rate. — **Tests of detail:** 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. — **Our sector experience**: Reviewed management's impairment assessment and challenged the consideration of impairment triggers on significant developments based on our knowledge of the Group's schemes, comparing these with other source data and results of other inquiries where appropriate. **Our results** — We found the development assumptions and judgements to be acceptable (2018: acceptable).

	The risk	Our response
Group and association **Bond accounting** (Value of bond liability £294.5 million) *Refer to page 62 (Audit and Risk Committee Report), page 87 (accounting policy) and pages 106 to 107 (financial disclosures).*	**Low risk high value:** The Group issued and drew down a £300m bond in May 2018, its first listed debt. The bond debt is recognised using the effective interest rate method under FRS102, a method not previously adopted by Bromford Housing Group on the grounds of materiality. Due to the first time adoption of this methodology there is a higher risk of error. The value of the bond results in the effective interest rate calculation having a material impact on the financial statements. In respect of the Association, the bond proceeds are on-lent to the Group's subsidiaries. The going concern assessment of the Group company is underpinned by going concern of the subsidiaries that supports the recoverability of the debt.	Our procedures included: — **Test of detail:** Reperformed management's effective interest rate calculation in respect of the bond, verifying a risk based sample of associated fees to supporting records. — **Confirmation of value:** Obtained a confirmation letter from the counterparty to assess the gross, net and repayment date of the loan to the Parent. — **Assessment of Recoverability:** Assessing 100% of intercompany long term debtors owed to the Parent (2018: 100%) to identify, with reference to the subsidiary's draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed. **Our results** — We found the bond accounting to be acceptable.

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

Materiality for the group financial statements as a whole was set at £2.47m (2018: £2.6m), determined with reference to a benchmark of Group Turnover (of which it represents 1% (2018: 1.5%)). We consider group turnover to be the most appropriate benchmark than a profit-based benchmark as the Association is a not-for-profit organisation and the focus is on turnover rather than any surpluses, which are reinvested in the Group. We have reduced our percentage of the benchmark for our audit of the Group financial statements from 2018. This reflected the Group's change in risk follow its issue of listed debt since 2018.

Materiality for the parent association financial statements as a whole was set at £2.2m (2018: £0.19m), determined with reference to a benchmark of Gross Assets (2018: Total Turnover), of which it represents 0.08% (2018: 1.5%). Our benchmark for the materiality of the association has changed since 2018 to Gross Assets. This reflects the change in activity of the association to the on-lending of borrowed funds to other entities in the Group, resulting in gross assets being a more appropriate benchmark. As a result of this change in benchmark we have adjusted our percentage.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.12m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

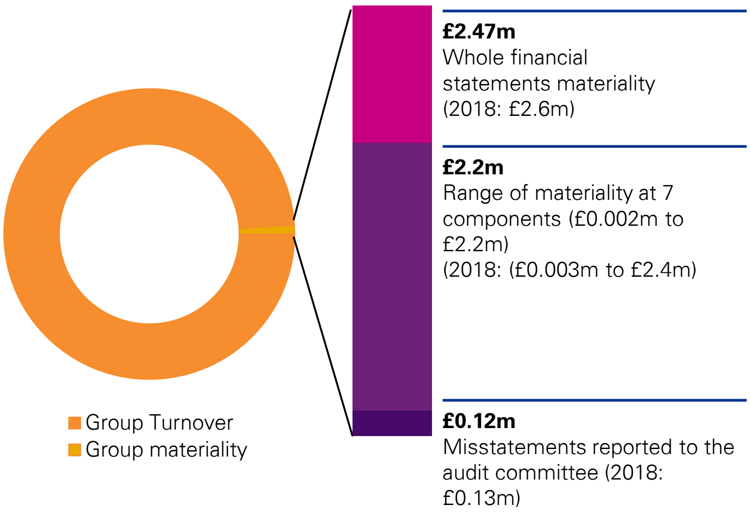
Of the group's 7 (2018: 5) reporting components, we subjected 7 (2018: 5) to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

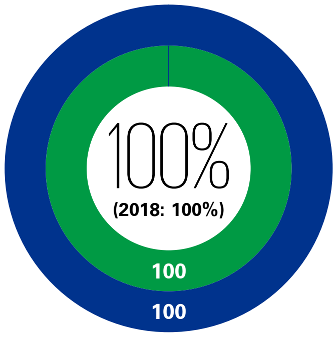
The work on all components (2018: all components), including the audit of the parent Association, was performed by the Group team.

Group Turnover
£257m (2018: £177m)

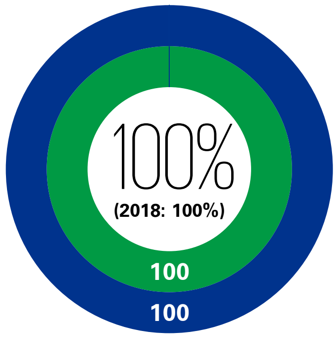
Group Materiality
£2.47m (2018: £2.6m)



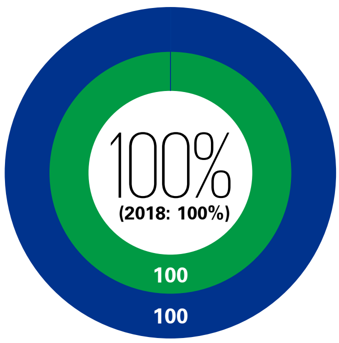
Group turnover



Group surplus before tax



Group total assets



Full scope for group audit purposes 2019

Full scope for group audit purposes 2018

Residual components

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Association or the Group or to cease their operations, and as they have concluded that the Association's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the Association will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Association's business model and analysed how those risks might affect the Group's and Association's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Association's available financial resources over this period were:

— A significant downturn in the economy, including a property market crash; or

— Changes in funding streams, political agenda or ability to develop successful partnerships.

As these were risks that could potentially cast significant doubt on the Group's and the Association's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit on house prices and future funding, which could result in a rapid reduction of available financial resources.

Based on this work, 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 Group and Company'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, and we did not identify going concern as a key audit matter.

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

The directors are 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 directors' confirmation with

— in the Viability Statement (page 77) that they have carried out a robust assessment of the principal risks facing the Group, 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 directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, 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 Group 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.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and association's longer-term viability.

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 Group'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 require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 76 to 78, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Association or to cease operations, or have 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 other irregularities (see below), 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, other irregularities 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.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related legislation for registered providers of social housing), and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's licence to operate. We identified the following areas as those most likely to have such an effect: laws related to the construction and provision of social housing recognising the nature of the Group's activities and the regulated nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

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

Harry Mears

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

20 September 2019

Jan

Localities

There are times when neighbourhood coach Jan has to be the good cop and bad cop with a customer on her patch but she wouldn't have it any other way. Having worked for us for 15 years she's a firm believer in the neighbourhood coaching approach, which allows her to build relationships with customers who might have previously slipped under the radar.

By visiting all of the customers on her patch at least once a year Jan enjoys the fact she's building relationships with everyone, coaching them to improve their lives, even if it means having the conversations about things like anti-social behaviour can sometimes be more difficult. However customers now often approach her while she's out so they can work together to find a solution to any issues they're facing, which is what makes the role so rewarding.

Being open and transparent.

Bromford has always been a strong advocate for openness and transparency because we recognise the key role it plays in stakeholders getting the information they need to make informed decisions about how we operate and use our resources.

With that in mind, we have set up a brand new investor relations page on our website with the latest news and stats around our financial performance and have redoubled our commitment to transparency on financial reporting by producing six-monthly updates on this. As in previous years, the get to know us section of the website also contains copies of our key policies and procedures, alongside copies of our Statement of Strategy, Governance Framework and Probity Policy.

We also recognise how important being open and transparent is for delivering fair and effective customer service as well as maintaining the strong culture between colleagues that has long-existed in all three legacy organisations. Over summer 2018 we held over 30 workshops across our new operating area with more than 600 colleagues attending and giving us their views on why Bromford is special for them, what makes us stand out from the crowd, and how we should operate in the future. From this our new values, referred to as our DNA, were born and these are outlined below and now guide how every colleague behaves and acts both with others and each other.

A key aspect of being open and transparent is interacting with our customers, partners and stakeholders in ways which are practical and productive. 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 growing presence online with active social media accounts across Facebook, Instagram, LinkedIn and Twitter. Customers tell us they like the flexibility this offers and the ability to proactively manage their relationship with us in different ways, depending on their situation.

This approach is meaning customers are increasingly feeling able to give us their feedback and views on how things should operate – with 9,566 customers giving us their feedback in 2018/19 – a rise of 20% from the previous year.

Our restructured customer involvement programme, with a new Customer and Communities Influence Network (CCIN) and Locality Influence Networks (LINs) working far closer with the Bromford Board, is devolving more decision-making to the people who live in our homes and increasing transparency for all.

Our DNA

Board Compliance Statements.

Public benefit entity

As a public benefit entity, Bromford Housing Group (BHG) has applied public benefit entity 'PBE' prefixed paragraphs of FRS102.

Statement of Compliance with the 2015 Statement of Recommended Practice (SORP)

The Board confirms that the Strategic report contained within this Board report has been prepared in accordance with the principles set out in Para 4.7 of the 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 group and 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 group and the association and of the income and expenditure of the group and the association for that period.

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the group and 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 the Board to assess the group'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 group's auditors are unaware. We have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Going concern

In preparing the financial statements, the Board members have reviewed the group's financial plan for 2019/23 and has a reasonable expectation that Bromford has adequate resources to continue in operational existence to at least January 2021. Accordingly, the financial statements set out on pages 79 to 126 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 the group taking into account its current position and principal risks.

This incorporates the impact of the partnership with Merlin Housing Society, and the acquisition of Severn Vale Housing Society.

This assessment was made using the following core business processes:

Thirty 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, the group 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 Group ensuring funding is secured in accordance with the group's Treasury Policy. On 3 May 2018, the Group issued their debut public bond. The bond issue amount was £300m.

In undertaking this assessment, a period of three years has been selected. For the initial year of this three year period there is a greater level of certainty because detailed annual budgets are prepared and regularly reforecast. Monthly cashflow forecasts are reviewed by the Board covering a rolling 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 two year timeframe. Whilst development spend and required facilities are planned over a longer term than three years, the period chosen ensures that Bromford is viable beyond its usual development commitment timeframe.

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

Appointment of auditor

In 2017, KPMG LLP were appointed as Bromford's external auditors for a period of up to five years to 2021.

The Board and Strategic Report was approved on 22nd August 2019 and signed on its behalf by:

Jonathan Simpson-Dent
Chair
22 August 2019

Statement of Comprehensive Income - Group and Association
For the Year Ended 31 March 2019

	Notes	Group				Association	
					Combined		Combined
			2019		2018	2019	2018
		Underlying business activities	Effect of business combinations	Total	Total	Total	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	2,3	256,693	-	256,693	220,696	18,796	15,055
Cost of sales	2	(42,295)	-	(42,295)	(18,809)	-	-
Operating costs	2	(135,795)	(1,835)	(137,630)	(127,550)	(18,780)	(14,552)
Gain on disposal of property assets	35	6,590	-	6,590	14,599	-	-
Increase in valuation of investment properties	13	139	-	139	9	-	-
Operating surplus	2,5	85,332	(1,835)	83,497	88,945	16	503
Interest receivable	6	1,685	-	1,685	484	4,282	52
Interest and financing costs	7	(39,683)	-	(39,683)	(30,374)	(4,236)	(55)
Movement in fair value of financial instruments		(267)	-	(267)	5,250	-	-
Movement in fair value of investments		153	-	153	(73)	-	-
Financing cost of new group structure		-	(37,000)	(37,000)	-	-	-
Fair value on business acquisition	38	-	60,669	60,669	-	-	-
Surplus before tax		47,220	21,834	69,054	64,232	62	500
Taxation	10	(7)	-	(7)	109	-	(7)
Surplus for the year after tax		47,213	21,834	69,047	64,341	62	493
Actuarial (loss) / gain relating to pension scheme	37	(5,285)	-	(5,285)	3,720	-	-
Closure of multi employer defined benefit pension scheme (SHPS)		-	-	-	11,513	-	-
Defined benefit pension scheme (TPT)		-	-	-	(24,478)	-	-
Total comprehensive income for the year		41,928	21,834	63,762	55,096	62	493

The notes on pages 83 to 126 form an integral part of these financial statements.

Jonathan Simpson-Dent	Robert Nettleton	Sarah Beal
Chair	Chief Executive	Company Secretary

Statement of Financial Position - Group and Association as at 31 March 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Fixed Assets					
Tangible fixed assets - housing properties	11	**2,221,363**	1,919,256	**-**	-
Investment properties	13	**21,185**	10,955	**-**	-
Tangible fixed assets - other	14	**15,924**	14,171	**-**	-
Intangible Fixed Assets	15	**12,787**	3,833	**-**	-
Homebuy loans receivable	16	**932**	1,093	**-**	-
		2,272,191	1,949,308	**-**	-
Assets: amounts receivable after more than one year					
Debtors: amounts falling due after more than one year	18	**15,300**	23,447	**149,350**	-
Current Assets					
Stocks	17	**59,656**	52,786	**-**	-
Trade and other debtors : receivable within one year	18	**20,097**	13,058	**7,888**	11,898
Investments	19	**36,892**	16,260	**-**	-
Cash and cash equivalents	20	**195,224**	90,259	**143,513**	140
		311,869	172,363	**151,401**	12,038
Creditors: Amounts falling due within one year	21	**(99,916)**	(81,117)	**(6,505)**	(11,986)
Net current assets		**211,952**	91,246	**144,896**	52
Total assets less current liabilities		**2,499,443**	2,064,001	**294,246**	52
Creditors - Amounts falling due after more than one year					
Loans	22	**(1,155,290)**	(751,190)	**(294,132)**	-
Interest rate swaps	22	**(23,076)**	(22,308)	**-**	-
Deferred Capital Grant	22, 23	**(436,621)**	(437,356)	**-**	-
Other Creditors	22	**(10,408)**	(34,456)	**-**	-
	22	**(1,625,395)**	(1,245,310)	**(294,132)**	-
Provisions for liabilities					
Pension liability	37	**(35,622)**	(36,322)	**-**	-
Other provisions	26	**(15,851)**	(23,556)	**-**	-
Total net assets		**822,575**	758,813	**114**	52
Reserves					
Called up share capital	27	**-**	-	**-**	-
Income and expenditure reserve		**738,653**	674,524	**114**	52
Revaluation reserve		**81,946**	82,781	**-**	-
Restricted reserve		**1,976**	1,508	**-**	-
Total reserves		**822,575**	758,813	**114**	52

The notes on pages 83 to 126 form an integral part of these financial statements.

The financial statements on pages 79 to 126 were approved and authorised for issue by the Board on 22 August 2019 and were signed on its behalf by:

Jonathan Simpson-Dent	Robert Nettleton	Sarah Beal
Chair	Chief Executive	Company Secretary

Changes in Reserves - Group and Association as at 31 March 2019

Group

	Revaluation Reserve	Income and Expenditure Reserve	Restricted Reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2017	84,068	619,329	320	703,717
Surplus from Statement of Comprehensive Income	-	55,096	-	55,096
Transfer in respect of depreciation	(1,252)	1,252	-	-
Transfer in respect of disposal	(35)	35	-	-
Transfer to restricted reserve	-	(1,188)	1,188	-
Balance at 31 March 2018	82,781	674,524	1,508	758,813
Surplus from Statement of Comprehensive Income	-	63,762	-	63,762
Transfer in respect of pension provision	-	-	-	-
Transfer in respect of depreciation	(832)	832	-	-
Transfer in respect of disposal	(3)	3	-	-
Transfer to restricted reserve	-	(468)	468	-
Balance at 31 March 2019	81,946	738,653	1,976	822,575

Association

	Revaluation Reserve	Income and Expenditure Reserve	Restricted Reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2017	-	(441)	-	(441)
Surplus from Statement of Comprehensive Income	-	493	-	493
Balance at 31 March 2018	-	52	-	52
Surplus from Statement of Comprehensive Income	-	62	-	62
Balance at 31 March 2019	-	114	-	114

The notes on pages 83 to 126 form an integral part of these financial statements.

Statement of Cash flows - Group
For the year ended 31 March 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Net cash generated from operating activities	**30**		**128,046**		100,550
Cash flow from investing activities					
Cash from business acquisition		**6,280**		-	
Purchase of tangible fixed assets - new housing properties		**(172,172)**		(122,177)	
Purchase of tangible fixed assets - other		**(1,090)**		(2,887)	
Purchase of tangible fixed assets - existing housing properties		**(22,777)**		(24,762)	
Purchase of intangible fixed assets		**(7,622)**		-	
Proceeds from sale of tangible fixed assets		**4**		-	
Realisation of investment		**-**		217	
Direct costs of disposal of tangible fixed assets		**-**		(1,175)	
Grants received		**2,468**		4,316	
Interest received		**959**		476	
Net cash outflow from investing activities			**(193,950)**		(145,992)
Cash flow from financing activities					
Interest paid		**(41,592)**		(33,211)	
New secured loans		**307,263**		92,824	
Revolving loan facility drawn		**123,286**		53,500	
Repayment of borrowings		**(130,451)**		(13,696)	
Revolving loan facility repaid		**(74,714)**		(35,000)	
Debt issue costs incurred		**(1,200)**		(1,445)	
Bond Issue premium receipt		**-**		20,924	
Bond Issue payment to liquidity reserve fund		**(10,000)**		(2,884)	
Transfer (to) / from current asset investment		**(11)**		4,129	
Payments to debt service reserve		**(1,706)**		(53)	
Finance lease payments		**(4)**		(18)	
Tax paid		**(2)**		(109)	
Net cash flow from financing activities			**170,869**		84,961
Net change in cash and cash equivalents			**104,965**		39,519
Cash and cash equivalents at beginning of the year			90,259		50,740
Cash and cash equivalents at end of the year			**195,224**		90,259

The notes on pages 83 to 126 form an integral part of these financial statements.

Notes to the Financial Statements.

Legal Status

Bromford Housing Group Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing (RSH) as a Private Registered Provider of Social Housing. In July 2018, Merlin Housing Society joined the group and in January 2019 Severn Vale Housing was acquired by Merlin.

The group comprises the following entities:

Name	Incorporation	Registered/ Non-registered
Bromford Housing Group Limited (29996R)	Co-operative and Community Benefit Societies Act 2014	Registered (L4449)
Bromford Housing Association Limited (7106)	Co-operative and Community Benefit Societies Act 2014	Registered (4819)
Bromford Home Ownership Limited (29991R)	Co-operative and Community Benefit Societies Act 2014	Registered (L4450)
Merlin Housing Society (30012R)	Co-operative and Community Benefit Societies Act 2014	Registered (L4485)
Bromford Assured Homes Ltd (BAH) (Reg No. 02677730)	Companies Act 2006	Non-registered
Bromford Developments Limited (BDL) (Reg. No. 06507824)	Companies Act 2006	Non-registered
Street Services Limited (SSL) (Reg. No. 3711394)	Companies Act 2006	Non-registered
Igloo Insurance PCC Limited	Incorporated in Guernsey	Non-registered
Project Note Limited (Reg. No. 03716147) (Dissolved 25 June 2019)	Companies Act 2006	Non-registered
Riverside Mews Management Company Limited (Reg. No. 02953846)	Companies Act 2006	Non-registered
Strand Services (Whitchurch) Limited (Reg. No. 02645753)	Companies Act 2006	Non-registered
Bromford Carinthia Homes Limited (Reg. No. 02625632) (Dissolved 25 June 2019)	Companies Act 2006	Non-registered
Oakbrook Homes Ltd.	Companies Act 2006	Non-registered

1. Principal accounting policies

The group's financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

The group is required under the Co-operative and Community Benefit Societies Act 2014 to prepare consolidated group accounts.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investment properties, current assets and investments and are presented in sterling £.

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

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Basis of consolidation

The consolidated financial statements incorporate the results of Bromford Housing Group Limited and its subsidiary undertakings as at 31 March 2019 using the partnership and acquisition methods of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition, being the date upon which the group obtained control. Intercompany transactions and balances between group companies are eliminated in full on consolidation. The list of the subsidiary undertakings appears in the Legal Status section preceding this.

Going concern

The group's business activities, its current financial position and the factors likely to affect its future development are set out within the strategic report. The group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with day to day operations. The group has a long-term business plan which shows that it can service these debt facilities while continuing to comply with lenders' covenants. The group regularly carries out a reassessment of the business plan as well as an assessment of the likelihood of any imminent or future breach of borrowing covenants.

On this basis, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

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 group capitalises development expenditure in accordance with the accounting policy described on page 89. 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 to the Statement of Comprehensive Income.

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

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 group carries its investment properties at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The group 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 commercial investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate. The discounted cashflow of market rent investment properties is most sensitive to, discount rate, annual inflation rate and long term rent increases. The key assumptions used to determine the fair value of investment property are further explained in note 13.

- **Categorisation of debt -** The group's loans have been treated as 'basic' in accordance with paragraphs 11.8 and 11.9 of FRS 102. The group 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). The group believes the recognition of each loan liability at cost provides a more transparent and understandable position of the group's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, therefore, the group 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 group 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 and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 37.

  For the year up to 31 March 2019 the group participated in the multi-employer defined benefit Social Housing Pension Scheme (SHPS) operated by The Pensions Trust and participates in the Growth Plan as an additional Voluntary Contribution (AVC) vehicle for members of the SHPS scheme. A change in the information provided by TPT means that for the first time it is now possible to identify the share of the underlying assets and liabilities belonging to individual participating employer on a consistent and reasonable basis and therefore the group now accounts for the scheme as a defined benefit scheme. Further detail is given in the pension accounting note on page 115 to 123.

- **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 group 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 group 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 group 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.

- **Fair value on Acquisition -** Management is required to determine the fair value of asset and liabilities of any entities acquired and reflect these fair values as part of the process of preparing consolidated financial statements. Where the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, management estimates the fair value by using a valuation technique and engages qualified external valuer where such techniques are beyond management expertise. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange and will include management judgement applied to assumptions provided to the valuer. See Note 38 for further information.
- **Rent arrears and bad debt provisions** - The amount of arrears that will not be collected is estimated on experience of collection of different types of debt. The impact of changes in welfare reform including universal credit and benefit caps have been estimated based on data provided from pilot studies and the group's experience based on a small population.

Turnover and revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and excludes VAT (where applicable). Bromford Housing Group generates the following material income streams:

Rental income receivable

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

Shared ownership first tranche sales

Income from first tranche sales is recognised at the point of legal completion of the sale.

Service charge income

Service charge income and costs are recognised on an accrual basis. The group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge.

Until these are returned or recovered, they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required, a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Supporting people

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

Properties developed for outright sales

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

Grants

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

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

Other Income

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

Loan interest costs

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

Loan finance issuance costs

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

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that where a tax 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 based on tax rates and laws that have been enacted or substantively enacted by the reporting date where the group and its subsidiaries operate and generate 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; and
- Where timing differences relate to interests in subsidiaries, associates and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

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

Value Added Tax

The group 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 group/association and is not recoverable. The balance receivable or payable at the year-end is within the Current Assets or Current Liabilities.

Tangible fixed assets and depreciation

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 group 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:

Component	Years
Boilers	15
Heating systems	30
Kitchens	20
Bathrooms	30

Component	Years
Roofs	50 to 65
Windows and doors	25 to 30
Structure - houses	100 to 130
Structure - flats	75 to 100
Structure - rooms and bedsits	40

The group 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

	Years
Computer hardware	3
Office buildings	50

Transfer of housing stock from local authority

Merlin acquired properties from South Gloucestershire Council for a consideration equivalent to their ‘current market value’ plus the cost of bringing them into a good state of repair. Immediately prior to the transfer, the council contracted with Merlin to carry out these refurbishment works on the basis that the price is fixed and no time limit is imposed, ie the same contract basis as prior to transfer.

The underlying substance of the transactions were reflected on a gross basis; recognising the contractual position of Merlin, which has both a valuable asset for which it has paid (the council’s obligation to have the refurbishment carried out) and a legally binding obligation to complete the works under the refurbishment contract. These assets and liabilities are recognised in the statement of financial position within debtors and provisions respectively.

Low cost home ownership properties

The costs of low-cost home ownership properties are split between current and fixed assets based on 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.

Capitalisation of intangible fixed assets

Project costs are capitalised once a milestone goes live within the programme. Resourcing costs are capitalised on the % time worked directly on the programme which would add value to the asset.

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:

- Architect fees - 3 years
- Computer software - 3 years
- Business transformation costs (Programme One) - 7 years

Property managed by agents

Where the group 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 group are included in the Statement of Comprehensive Income.

In both cases, the assets and associated liabilities are included in the group'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 group 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 group 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).

In the event a property is sold, the group recovers the equivalent loaned percentage value of the property at the time of sale.

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

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

Equity loans purchased from house builders

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

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. 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

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.

Social Housing and other Government grants

Where developments have been financed wholly or partly by Social Housing Grant 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 group 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 England. 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 group has a participating interest.

On the 31 March 2018, the group ceased membership of SHPS and its liability for deferred repayments ceased. The share of assets and labilities for the group defined benefit scheme were transferred to a new Bromford standalone defined benefit scheme administered by The Pensions Trust. From this point the pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method.

For the year up to 31 March 2019 the Group participated in the multi-employer defined benefit Social Housing Pension Scheme (SHPS) operated by The Pensions Trust (TPT). A change in the information provided by TPT means that for the first time it is now possible to identify the share of the underlying assets and liabilities belonging to individual participating employer on a consistent and reasonable basis and therefore the Group now accounts for the scheme as a defined benefit scheme. Further details are given in note 37.

The group participates in the defined benefit Gloucestershire County Council, Avon Pension Fund 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. Remeasurement 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.

Revaluation reserve

The revaluation reserve represents the difference on transition between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

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 group 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.

2. Turnover and operating surplus - Group

2019

	Notes	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Surplus on disposal £'000	Revaluation of investment property £'000	Operating Surplus / (Deficit) £'000
Social Housing Lettings							
Housing accommodation	3	162,421	-	(104,108)	-	-	58,313
Supported housing accommodation	3	22,079	-	(14,861)	-	-	7,218
Shared ownership accommodation	3	11,200	-	(8,618)	-	-	2,582
	3	195,700	-	(127,587)	-	-	68,113
Other Social Housing Activities							
First tranche shared ownership sales		48,148	(37,380)	(183)	-	-	10,585
Supporting people contract income		2,404	-	(3,348)	-	-	(944)
Agency services		1,145	-	(955)	-	-	190
Sales and development		24	-	(4,351)	-	-	(4,327)
Other		1,017	-	(362)	-	-	655
Gain on disposal of property, plant and equipment		-	-	-	6,590	-	6,590
Non-social housing activities							
Market rents		867	-	(230)	-	-	637
Sewerage services		12	-	(132)	-	-	(120)
Commercial rents		1,292	-	(340)	-	-	952
Properties developed for outright sale		5,830	(4,755)	(117)	-	-	958
Property development/equity loan sales		254	(160)	(25)	-	-	69
Increase in valuation of investment properties		-	-	-	-	139	139
		256,693	(42,295)	(137,630)	6,590	139	83,497

2018

	Notes	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Surplus on disposal £'000	Revaluation on investment property £'000	Operating Surplus / (Deficit) £'000
Social Housing Lettings							
Housing accommodation	3	156,556	-	(87,426)	-	-	69,130
Supported housing accommodation	3	21,580	-	(18,395)	-	-	3,185
Shared ownership accommodation	3	9,082	-	(5,652)	-	-	3,430
	3	187,218	-	(111,473)	-	-	75,745
Other Social Housing Activities							
First tranche shared ownership sales		25,794	(18,500)	(1,645)	-	-	5,649
Supporting people contract income		3,007	-	(3,800)	-	-	(793)
Social Value Investment		-	-	(1,146)	-	-	(1,146)
Agency services		1,582	-	(1,594)	-	-	(12)
Sales and development		6	-	(1,683)	-	-	(1,677)
Defined benefit pension charge - re-measurement and impact of changes in assumptions		-	-	469	-	-	469
Other		871	-	(129)	-	-	742
Gain on disposal of property, plant and equipment		-	-	-	14,599	-	14,599
Non-social housing activities							-
Market rents		457	-	(78)	-	-	379
Sewerage services		18	-	(149)	-	-	(131)
Commercial rents		585	-	(205)	-	-	380
Garages		649	-	(340)	-	-	309
Properties developed for outright sale		4	-	(472)	-	-	(468)
Property development/equity loan sales		505	(309)	-	-	-	196
Increase in valuation of investment properties		-	-	-	-	9	9
Oakbrook Homes		-	-	(50)	-	-	(50)
Recognition of LGPS cessation debt		-	-	(5,255)	-	-	(5,255)
		220,696	(18,809)	(127,550)	14,599	9	88,945

No breakdown of turnover and operating costs is provided for the association. These all relate to administrative recharges and central service costs.

3. Turnover and operating surplus - Group

	2019				2018
	Housing Accommodation £'000	Supported Housing for Older People and MyPlace £'000	Leasehold and Shared Ownership £'000	Total £'000	Total £'000
Income					
Rent receivable net of identifiable service charge	153,942	14,917	8,588	177,447	169,927
Service charge income	4,440	5,925	2,225	12,590	11,945
Charges for support services	363	299	92	754	66
Amortised government grants	3,562	938	295	4,795	4,847
Revenue grants from other sources	114	-	-	114	155
Other income	-	-	-	-	278
Turnover from social housing lettings	162,421	22,079	11,200	195,700	187,218
Operating Expenditure					
Management	30,349	4,229	4,173	38,751	32,020
Service charge costs	6,568	4,463	1,097	12,128	14,667
Care and support costs	-	-	-	-	78
Routine maintenance	25,655	1,064	401	27,120	24,992
Planned maintenance	7,639	934	501	9,074	3,952
Major repairs expenditure	8,766	453	97	9,316	8,227
Bad debts	415	43	92	550	149
Depreciation of housing properties	24,716	3,675	2,257	30,648	27,388
Operating expenditure on social housing lettings	104,108	14,861	8,618	127,587	111,473
Operating surplus on social housing lettings	58,313	7,218	2,582	68,113	75,745
Void losses	(1,079)	(528)	(30)	(1,637)	(1,392)

The Association does not have any housing stock for letting.

4. Accommodation owned, managed and in development

	Group	
	2019	2018
	Number	Number
Under management at end of year:		
General needs housing - social rent	**30,282**	27,338
General needs housing - affordable rent	**2,917**	2,394
Supported housing	**3,716**	3,440
Low-cost home ownership	**3,449**	3,112
Leasehold	**1,707**	1,486
Units to be remodelled	**197**	144
	42,268	37,914
Under development at end of year:		
General needs housing - social rent	**451**	193
General needs housing - affordable rent	**463**	396
Supported housing	**58**	30
Low-cost home ownership	**679**	422
Outright sale	**76**	94
Total Social Housing Units	**43,995**	39,049
Non - social Housing		
Under management at end of year:		
Staff accommodation	**19**	7
Market rent	**235**	54
Commercial units	**109**	110
Student Accommodation	**108**	107
Offices and Resource Units	**282**	-
Retained freeholds	**653**	606
Total Non - Social Housing Units	**1,406**	884
Total units	**45,401**	39,933
Owned and managed	**42,162**	37,350
Owned and managed by others	**528**	532
Managed for others	**787**	772
Under development	**1,727**	1,135
Units to be remodelled	**197**	144
Total units	**45,401**	39,933
Garages / parking spaces	**4,528**	3,961
Garages not lettable (under review)	**870**	887
	5,398	4,848

The Association does not hold any housing stock.

5. Operating surplus

Operating surplus is stated after charging:

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Operating lease rentals -				
office land & buildings	**685**	831	-	-
vehicles	**2,112**	2,174	-	-
other	-	12	-	-
Depreciation of housing properties	**30,857**	27,339	-	-
Depreciation of tangible other fixed assets	**1,428**	1,650	-	1
Amortisation of intangible fixed assets	**645**	491	-	-
Current Auditor's remuneration				
Audit of financial statements	**19**	7	**19**	7
Audit of subsidiaries	**128**	56	-	-
Service charge certification	**21**	39	-	-
Taxation advisory services	-	5	-	-
Other services	**42**	17	-	10

6. Interest receivable and income from investments

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Interest receivable from cash, deposits and intragroup loans	**1,685**	484	**4,282**	52

7. Interest payable and similar charges

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Interest on loans, overdraft and other financing:				
Repayable wholly within five years	**2,357**	3,236	**-**	-
Repayable wholly or partly in more than five years	**39,725**	28,571	**8,757**	55
	42,082	31,807	**8,757**	55
Payable to subsidiary companies	**-**	-	**231**	-
Defined benefit pension charge	**-**	164	**-**	-
Other finance charges	**5,606**	952	**-**	-
Finance costs / amortised premium	**(5,306)**	(364)	**(4,752)**	-
	42,382	32,559	**4,236**	55
Interest payable capitalised on housing properties under construction 4.03% (2018: 4.10%)	**(3,546)**	(2,733)	**-**	-
	38,836	29,826	**4,236**	55
Interest on pension scheme liabilities	**4,484**	2,736	**-**	-
Expected return on employer assets	**(3,637)**	(2,188)	**-**	-
	39,683	30,374	**4,236**	55

8. Colleague costs

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Wages and salaries	**50,907**	43,231	**8,891**	6,603
Social security costs	**4,790**	4,149	**934**	649
Other pension costs	**4,954**	8,577	**860**	301
	60,651	55,957	**10,685**	7,553

Other pension costs in 2018 include exceptional costs of £5,255k for the cessation costs of Gloucestershire LGPS

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

	2019	2018	**2019**	2018
	No.	No.	**No.**	No.
Asset management	**632**	543	**3**	-
Central services	**170**	263	**184**	177
Innovation and new business	**5**	5	**1**	-
Development, construction and sales	**106**	95	**1**	-
Housing management and support	**598**	635	**1**	-
Total	**1,511**	1,541	**190**	177

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

8. Colleague costs (continued)

Number of full time equivalent employees (including Executive Directors) whose remuneration exceeded £60,000 in the period:

	Group		Association	
	2019	2018	**2019**	2018
	No.	No.	**No.**	No.
£60,001-£70,000	**31**	25	**30**	21
£70,001-£80,000	**16**	19	**15**	13
£80,001-£90,000	**22**	15	**17**	14
£90,001-£100,000	**11**	4	**11**	3
£100,001-£110,000	**2**	2	**3**	1
£110,001-£120,000	**1**	9	**1**	8
£120,001-£130,000	**3**	3	**3**	2
£130,001-£140,000	**3**	-	**3**	-
£140,001-£150,000	**2**	-	**1**	-
£150,001-£160,000	**-**	1	**-**	-
£160,001-£170,000	**1**	2	**1**	2
£170,001-£180,000	**2**	-	**1**	-
£180,001-£190,000	**-**	1	**1**	1
£190,001-£200,000	**1**	-	**1**	-
£200,001-£210,000	**1**	1	**-**	1
£210,001-£220,000	**1**	-	**1**	-
£220,001-£230,000	**1**	-	**1**	-
£340,001-£350,000	**1**	-	**1**	-
£420,001-£430,000	**1**	-	**1**	-
Total	**100**	82	**92**	66

The 2019 emoluments include a total provision of £785k for redundancy and compensation for loss of office. (2018: nil)

9. Directors' Emoluments - Group

Directors (key management personnel) are defined as the members of the Board, the Chief Executive and other Executive Directors.

The highest paid director was Philippa Jones, who was Chief Executive up to 10 November 2018, then employed as an advisor up to 31 March 2019.

Phippa Jones was an ordinary member of the Bromford pension scheme which is a final salary scheme funded by annual contributions from the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements.

Emoluments (excluding pension contributions and compensation for loss of office) payable to the highest paid Director

	2019	2018
	£'000	£'000
Philippa Jones	**223**	199

The total emoluments (excluding pension contributions and compensation for loss of office) of the Directors of Bromford Housing Group comprise:

2019

	Salaries	**Taxable Benefits**	**Pension**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Philippa Jones (Chief Executive up to 10 November 2018)*	**213**	**10**	**21**	**244**
Robert Nettleton (Chief Executive from 10 November 2018)*	**207**	**-**	**19**	**226**
Other Executive Directors	**650**	**20**	**61**	**731**
Non - Executive Board Directors	**114**	**-**	**-**	**114**
Total Executive and Non-Executive Directors	**1,184**	**30**	**101**	**1,315**

*Note these are the total emoluments for the year, not for the period as Chief Executive

The aggregate amount of any consideration payable to Directors for loss of office was £337k (2018: £nil)

2018

	Salaries	**Taxable Benefits**	**Pension**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Philippa Jones	182	17	9	208
Other Executive Directors	781	27	46	854
Non - Executive Board Directors	119	-	-	119
Total Executive and Non-Executive Directors	**1,082**	**44**	**55**	**1,181**

9. Directors' Emoluments - Association

Directors (key management personnel) are defined as the members of the Board, the Chief Executive and other Executive Directors.

The highest paid director was Philippa Jones, who was Chief Executive up to 10 November 2018, then employed as an advisor up to 31 March 2019.

Philippa Jones was an ordinary member of the Bromford pension scheme which is a final salary scheme funded by annual contributions from the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements.

Emoluments (excluding pension contributions and compensation for loss of office) payable to the highest paid Director

	2019	2018
	£'000	£'000
Philippa Jones	**223**	199

The total emoluments (excluding pension contributions and compensation for loss of office) of the Directors of Bromford Housing Group Limited comprise:

2019

	Salaries £'000	**Taxable Benefits £'000**	**Pension £'000**	**Total £'000**
Philippa Jones (Chief Executive up to 10 November 2018)*	**213**	**10**	**21**	**244**
Robert Nettleton (Chief Executive from 10 November 2018)*	**172**	**-**	**17**	**189**
Other Executive Directors	**569**	**20**	**55**	**644**
Non - Executive Board Directors	**103**	**-**	**-**	**103**
Total Executive and Non-Executive Directors	**1,057**	**30**	**93**	**1,180**

*Note these are total emoluments during the year, not for the period as Chief Executive.

The aggregate amount of any consideration payable to Directors for loss of office was £337k (2018: £nil)

2018

	Salaries £'000	**Taxable Benefits £'000**	**Pension £'000**	**Total £'000**
Philippa Jones	182	17	9	208
Other Executive Directors	293	27	7	327
Non - Executive Board Directors	74	-	-	74
Total Executive and Non-Executive Directors	549	44	16	609

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:

	Group		Association	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Current tax:				
UK Corporation Tax charge/(credit) on ordinary activities	**7**	(14)		2
Under/(over) provision in previous years	**-**	(94)	**(1)**	5
Total current tax	**7**	(108)		7
Deferred tax:				
Origination and reversal of timing differences	**-**	(1)		-
Tax on loss/(surplus) on ordinary activities	**7**	(109)	**-**	7
Total tax reconciliation				
Tax on surplus on ordinary activities	**69,054**	64,232	**62**	500
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**13,120**	12,204	**12**	95
Effects of:				
Items not allowable for tax purposes	**39**	63	**22**	7
Fixed asset differences	**(1)**	(475)	**-**	-
Income not taxable for tax purposes	**-**	(17)	**-**	-
Chargeable (losses)/gains	**(70)**	373	**-**	-
Current tax charged directly to equity	**(90)**	(79)	**-**	-
Deferred tax not recognised	**-**	(57)	**-**	-
Deferred Tax	**-**	(1)	**-**	-
Capital allowances less than depreciation	**(6)**	-	**-**	-
Increase in losses	**370**	-	**-**	-
Adjustment in respect of prior years	**-**	(95)	**-**	5
Surplus relating to charitable entities	**(13,459)**	(12,019)	**(34)**	-
Group relief received	**107**	-	**-**	(100)
Revaluation of properties	**(3)**	(6)	**-**	-
	7	(109)	**-**	7

11. Tangible fixed assets - housing properties

	Housing Properties held for letting	Housing Properties under Construction	Completed Shared Ownership Housing Properties	Shared Ownership Properties under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	1,932,635	66,141	152,597	46,604	2,197,977
Housing properties acquired from Severn Vale	159,555	1,017	8,582	-	169,154
Additions	3,836	98,797	1,214	39,619	143,466
Replacement of components	28,798	-	23	-	28,821
Transferred on completion	86,842	(86,842)	15,707	(15,707)	-
Disposals	(2,224)	-	(5,031)	-	(7,255)
Components disposed	(8,905)	-	(14)	-	(8,919)
Transfers to another association	(1,922)	-	-	-	(1,922)
Other recategorisation	(38)	-	-	-	(38)
Transfers from investment property	498	-	-	-	498
At 31 March 2019	2,199,075	79,113	173,078 -	70,516 -	2,521,782
Less: Depreciation and Impairment					
At 1 April 2018	271,142	-	7,578	-	278,720
Charge for the year	28,266	-	1,006	-	29,272
Disposals	(7,300)	-	(273)	-	(7,573)
At 31 March 2019	292,108	-	8,311	-	300,419
Net book value					
As at 31 March 2019	1,906,967	79,113	164,767	70,516	2,221,363
As at 31 March 2018	1,661,492	66,141	145,019	46,604	1,919,256

	2019	2018
	£'000	£'000
Housing property net book value in respect of long leaseholds	95,684	100,844
Housing property net book value in respect of freeholds	2,125,679	1,818,412
	2,221,363	1,919,256

	2019	2018
Total depreciation charge	30,857	27,165
Component depreciation within the total depreciation charge	13,828	13,199
Development administration costs capitalised during the year	3,213	3,132
Aggregate amount of interest and finance costs included in the cost of housing properties	22,341	20,449

Properties held for security
Bromford Housing Group has property pledged as security value (EUV - SH and MV - STT) of £1,624m (2018: £1,534m). The number of units on which security was pledged amounted to 31,446 (2018: 25,084).

12. Expenditure on work to existing properties

	2019 £'000	2018 £'000
Replacement of components	**28,821**	23,951
Amounts charged to income and expenditure account	**9,316**	8,227
	38,137	32,178

13. Investment properties held for letting

	Group	
	2019 £'000	2018 £'000
As at 1 April	**10,955**	11,495
Investment properties acquired from Severn Vale	**11,047**	-
Transfer to tangible fixed assets - housing properties	**(501)**	(559)
Transfer from tangible fixed assets - housing properties	**1**	19
Transfer from current asset investments - properties held for resale	**(360)**	-
Gain/(loss) on transfer of properties	**9**	(108)
Gain from adjustment in value		
Commercial investment properties	**67**	116
Market rent investment properties	**63**	-
Disposals		
Commercial investment properties	**(96)**	(8)
As at 31 March	**21,185**	10,955

Investment properties (commercial and market rent) were valued at 31 March 2019 by professional qualified external valuers.

The valuation of market rent properties was undertaken by Jones Lang Lasalle Limited, whilst the commercial properties were valued by Bruton Knowles. Both valuations were carried out in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

In valuing the properties, the following significant assumptions were applied.

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

14. Tangible fixed assets - other*

Group	Freehold Offices	Fixtures Fittings & Equipment	Computer Equipment	Motor Vehicles	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2018	16,995	2,673	9,984	735	30,387
Additions	2,271	94	549	272	3,186
Disposals	(16)	-	(22)	(9)	(47)
At 31 March 2019	**19,250**	**2,767**	**10,511**	**998**	**33,526**
Depreciation					
At 1 April 2018	5,569	2,358	8,132	157	16,216
Charge for the year	354	126	775	173	1,428
Disposals	(16)	-	(17)	(9)	(42)
At 31 March 2019	**5,907**	**2,484**	**8,890**	**321**	**17,602**
Net Book Value at 31 March 2019	**13,343**	**283**	**1,621**	**677**	**15,924**
Net Book Value at 1 April 2018	11,426	315	1,852	578	14,171

*SV acquisition details included at Note 38

15. Intangible Fixed Assets

Group	Software	Architects Fees	Total
Cost	**£'000**	**£'000**	**£'000**
At 1 April 2018	6,959	913	7,872
Additions	10,316	117	10,433
Disposals	(400)	(535)	(935)
At 31 March 2019	**16,875**	**495**	**17,370**
Depreciation			
At 1 April 2018	3,980	59	4,039
Charge for the year	597	48	645
Disposals	(101)	-	(101)
At 31 March 2019	**4,476**	**107**	**4,583**
Net book value at 31 March 2019	**12,399**	**388**	**12,787**
Net book value at 1 April 2018	2,979	854	3,833

16. Homebuy loans

	Group	
	2019	2018
	£'000	£'000
At at 1 April	**1,093**	1,402
Loans redeemed in the year	**(161)**	(309)
As at 31 March	**932**	1,093

The Association does not hold any Homebuy loans.

17. Stocks and work in progress

	Group	
	2019	2018
	£'000	£'000
Consumable stock	**1,039**	855
Properties developed for outright sale	**12,435**	8,781
Properties developed for retirement living	**-**	6,231
Land costs	**12,283**	17,725
Cost of first tranche element of shared ownership properties	**33,899**	19,194
	59,656	52,786
Shared ownership properties:		
Completed	**7,186**	3,030
Under construction	**26,713**	16,164
	33,899	19,194
Properties in development for outright sale		
Completed	**1,038**	-
Under construction	**11,397**	8,781
	12,435	8,781

18. Trade and other Debtors

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Rent arrears	**7,019**	7,406	**-**	-
Less: provision for bad debts	**(2,401)**	(3,062)	**-**	-
	4,618	4,344	**-**	-
Trade debtors	**5,135**	825	**-**	-
Amount due from group companies	**-**	-	**4,384**	11,313
Corporation tax	**153**	152	**36**	35
Other debtors	**3,727**	4,258	**28**	76
Prepayments and accrued income	**6,464**	3,479	**3,440**	474
	20,097	13,058	**7,888**	11,898
Amounts falling due after more than one year:				
Amounts due from group companies	**-**	-	**149,350**	-
Government grant debtor	**148**	203	**-**	-
Major repairs provision debtor	**15,152**	23,244	**-**	-
	15,300	23,447	**149,350**	-

19. Current Asset Investments

	Group				Association	
	2019			2018	2019	2018
	Properties held for resale £'000	Cash equivalents £'000	Total £'000	£'000	Cash equivalents £'000	£'000
Opening fair value at 1 April	-	16,260	16,260	17,510	-	-
Transfer from fixed assets - housing properties	8,000		8,000			
Transfer from investment properties held for letting	360	-	360	-	-	-
Properties held for resale	315		315	-	-	-
Addition to Investment	-	11,987	11,987	4,788	-	-
Withdrawals from investments	-	(285)	(285)	(6,027)	-	-
Interest	-	102	102	62	-	-
Gains/(losses) on remeasurement to fair value	-	153	153	(73)	-	-
Fair Value at 31 March	8,675	28,217	36,892	16,260	-	-

Current asset investments include monies held by lenders in support of bond finance. These monies are placed in accounts charged by the lenders.

	Group		Association	
	2019	2018	2019	2018
The analysis of these monies is:	£'000	£'000	£'000	£'000
Dexia Bond	3,107	3,039	-	-
Haven Bond	5,268	4,964	-	-
Haven Cash Account	428	706	-	-
AHF Bond	1,780	7,449	-	-
Money held in support of bond finance	10,583	16,158	-	-
Other current asset investments	17,634	102	-	-
Total current asset investments	28,217	16,260	-	-

20. Cash and Cash equivalents

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash at bank	71,104	85,746	23,513	140
Cash equivalents	124,120	4,513	120,000	-
	195,224	90,259	143,513	140

Included in the above are balances totalling £3.0m (2018: £2.9m) which are held in trust for shared ownership leaseholders.

21. Creditors: amounts falling due within one year

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Prepaid rental income	**6,232**	5,487	**-**	-
Loans	**26,763**	21,543	**216**	-
Finance lease	**-**	4	**-**	-
Local Authority RTB share of proceeds	**2,882**	2,192	**-**	-
Interest rate swaps	**2,591**	3,093	**-**	-
Trade creditors	**9,296**	6,019	**20**	17
Amounts due to group companies	**-**	-	**6,241**	11,757
Social security and other taxes	**1,296**	1,198	**3**	3
Corporation Tax	**7**	-	**-**	-
Balances with supported housing partners	**1,108**	950	**-**	-
Gloucestershire LGPS Cessation Debt	**-**	7,232	**-**	-
Staffordshire LGPS	**-**	3,526	**-**	-
Funds held on trust	**270**	257	**-**	-
Grant received in advance	**-**	50	**-**	-
Deferred capital grant	**4,961**	4,978	**-**	-
Recycled capital grant fund	**2,636**	3,696	**-**	-
Disposal Fund	**445**	228	**-**	-
Other creditors	**3,065**	1,187	**-**	-
Stock issue premium	**-**	133	**-**	-
Accruals and deferred income	**38,364**	19,344	**25**	209
	99,916	81,117	**6,505**	11,986

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

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Loans	**1,155,290**	751,190	**294,132**	-
Stock issue premium	**-**	24,169	**-**	-
Interest rate swaps	**23,076**	22,308	**-**	-
Leaseholder sinking funds	**4,020**	3,147	**-**	-
Balances with supported housing partners	**2,132**	2,132	**-**	-
Deferred capital grant	**436,621**	437,356	**-**	-
Recycled capital grant fund	**4,128**	4,873	**-**	-
Other creditors	**104**	123	**-**	-
Deferred taxation	**24**	12	**-**	-
	1,625,395	1,245,310	**294,132**	-
Loans repayable by instalments				
Repayable within one year	**26,763**	13,043	**216**	-
Repayable between one and two years	**17,598**	14,888	**197**	-
Repayable between two and five years	**55,409**	51,324	**655**	-
After five years	**853,676**	483,616	**293,440**	-
Less : loan finance costs	**(4,513)**	(4,758)	**(160)**	-
	948,933	558,113	**294,348**	-
Amounts repayable otherwise than by instalments				
Repayable within one year	**-**	8,500	**-**	10,000
Repayable between one and two years	**45,120**	-	**-**	-
Repayable between two and five years	**2,000**	45,120	**-**	-
Repayable after five years	**186,000**	161,000	**-**	-
	233,120	214,620	**-**	10,000
	1,182,053	772,733	**294,348**	10,000

22. Creditors: Amounts falling due after more than one year (continued)

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Loans as stated above	**1,182,053**	772,733	**294,348**	10,000
Less: Dexia charged cash deposit	**(3,107)**	(3,039)		-
EIB sinking fund	**(64)**	-		
EIB bond liquidity reserve	**(562)**	-		
AHF sinking fund	**(47)**	-		
Haven debt service reserve	**(5,268)**	(4,964)	**-**	-
AHF bond liquidity reserve	**(2,955)**	(7,449)		
THFC ISRF	**(2,896)**	-	**-**	-
Loans net of related cash deposits	**1,167,154**	757,281	**294,348**	10,000

The group has entered into interest rate swaps with the following institutions:

	Period Years	End Date	Rate %	Swap Amount £'000
Barclays	25	20 July 2031	4.31	**12,500**
Lloyds TSB	15	13 September 2022	4.66	**20,000**
Lloyds TSB	19	26 October 2026	4.45	**6,000**
Lloyds TSB	22	20 March 2029	4.50	**15,000**
Lloyds TSB	25	21 July 2031	4.43	**12,500**
Lloyds TSB	25	27 October 2031	4.27	**10,000**
Lloyds TSB	25	12 January 2032	4.18	**10,000**
				86,000

Interest rate swap creditor profile:

	Group	
	2019	2018
	£'000	£'000
Due within one year	**2,591**	3,093
Due between one and two years	**2,989**	2,796
Due between two and five years	**7,389**	7,424
Due after five years	**12,698**	12,088
Total	**25,667**	25,401

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

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Floating rate	**65,144**	112,230	**-**	-
Fixed rate	**1,121,422**	665,261	**294,348**	-
	1,186,566	777,491	**294,348**	-
Floating rate	**1.31%**	0.99%	**-**	-
Fixed rate	**4.21%**	4.48%	**3.13%**	-

Undrawn committed borrowing facilities at 31 March were as follows:

	2019	2018
	£'000	£'000
Expiring within one year	**15,000**	46,571
Expiring between one and two years	**37,745**	93,080
Expiring between two and five years	**279,000**	37,745
After 5 years	**122,749**	22,749
	454,494	200,145

23.Deferred Capital Grant

	Group 2019 £'000	Group 2018 £'000
At 1 April	**442,334**	446,901
Grants received in year	**3,353**	4,098
Transferred from other group association - Bromford Home Ownership Limited	**-**	-
Grants recycled from the Recycled Capital Grant Fund and disposal proceeds fund	**3,464**	2,600
Grants recycled to the recycled capital grant fund	**(3,405)**	(2,186)
Transferred to third party association	**-**	(5,427)
Amortised in year	**(4,914)**	(4,969)
Amortised grant on disposal	**750**	1,317
At at 31 March	**441,582**	442,334

	£'000	£'000
Amount due to be released within one year	**4,961**	4,978
Amount due to be released in more than one year	**436,621**	437,356
	441,582	442,334

24. Other capital grant funds

	Group Disposal proceeds fund £'000	Recycled capital grant fund £'000	2019 £'000	2018 £'000
At 1 April	**228**	**8,341**	**8,569**	8,988
Inputs to reserve				
Acquired on acquisition of Severn Vale	**216**	**-**	**216**	
Grants recycled	**-**	**1,841**	**1,841**	2,186
Change of use	**-**	**-**	**-**	-
Interest accrued	**1**	**46**	**47**	44
Utilised				
New build	**-**	**(3,464)**	**(3,464)**	(2,649)
	445	**6,764**	**7,209**	8,569
Amounts due within one year	**445**	**2,636**	**3,081**	3,696
Amounts due after more than one year	**-**	**4,128**	**4,128**	4,873
	445	**6,764**	**7,209**	8,569
Amount three years or older where repayment may be required*	**85**	**371**	**456**	1,780

*Consent has been received from Homes England for these funds to be used during 2019/20

25. Deferred taxation

	Group 2019 £'000	Group 2018 £'000
As at 1 April	**12**	12
Reclassification	**12**	-
As at 31 March	**24**	12

26. Provision for liability and charges

	Group			
	Major Repairs £'000	Other £'000	Defined Pension Benefit £'000	Total £'000
At at 1 April 2018	**23,244**	**312**	**36,322**	**59,878**
Net liabilities acquired on acquisition of Severn Vale	-	-	2,124	2,124
Charged to income and expenditure account				
Additions	-	1064	889	1,953
Re-measurement	-	-	5,862	5,862
Utilised in year	(8,092)	(650)	-	(8,742)
Released in year	-	(27)	-	(27)
Contributions payable	-	-	(11,490)	(11,490)
Contributions paid	-	-	1,915	1,915
As at 31 March 2019	**15,152**	**699**	**35,622**	**51,473**

27. Share Capital

	Association	
	2019 £	2018 £
Issued and fully paid		
At 31 March	9	7

28. Reconciliation of net cashflow to movement in net funds

	Group	
	2019 £'000	2018 £'000
Increase in cash and cash equivalents per cashflow	104,970	37,578
increase in investments	11,800	764
Revaluation of investments	153	(73)
Amortisation of loan costs	(40,251)	364
(Decrease)/Increase in creditor for loan payments	(3,114)	953
Cash outflow from increase in debt and finance leasing	(365,955)	(96,938)
Change in net debt resulting from cashflows	(292,397)	(57,352)
Actuarial deficit on pension provision	1,532	(3,427)
Movement on provisions	7,706	6,431
Loan premium received	-	(20,924)
Amortisation of premium	23,954	719
Movement in net debt for the year	(259,205)	(74,553)
Net funds at 1 April	(750,046)	(675,493)
Net funds at 31 March	(1,009,251)	(750,046)

29. Analysis of changes in net debt

	Group					
	At 1 April 2018 £'000	Cashflows £'000	Amortisation of premium/ loan costs £'000	Revaluation of Investment £'000	Movement In Creditors Due within one year £'000	At 31 March 2019 £'000
Cash at bank and cash equivalents	90,254	104,970	-	-	-	195,224
Short term investments	16,264	11,800		153		28,217
	106,518	116,770	-	153	-	223,441
Other loans						
Housing loans due within one year	(21,543)	-	-	–	(5,220)	(26,763)
Housing loans due after more than one year	(751,190)	(365,955)	(40,251)	–	2,106	(1,155,290)
Change in debt resulting from cashflows	(666,215)	(249,185)	(40,251)	153	(3,114)	(958,612)

30. Cash flow from operating activities

	Group	
	2019	2018
	£'000	£'000
Surplus for the year	**69,047**	64,341
Adjustments for non-cash items		
Depreciation of tangible fixed assets - housing properties	**30,857**	27,339
Depreciaiton of tangible fixed assets - other	**1,428**	1,650
Amortisation of government grant	**(4,153)**	(4,880)
Amortisation of intangible assets	**765**	170
(Increase) in stock	**(6,665)**	(26,955)
Decrease/(Increase) in trade and other debtors	**4,403**	(4,018)
Increase in trade and other creditors	**24,809**	6,401
Taxation	**-**	(109)
Pension costs less contributions payable	**(9,974)**	(2,486)
Decrease in provisions	**(8,012)**	(194)
Carrying amount of tangible fixed assets disposals	**10,593**	19,752
Fair Value on business acquisition	**(60,669)**	-
Grant Creditor	**-**	(5,517)
Loan Fees/Consolidation of Igloo insurance cell	**-**	36
Adjustments for investing or financing activities		
Proceeds from sale of tangible fixed assets - other	**(4)**	(10)
Movement on shared equity loans	**161**	309
Movement in value of swaps	**267**	(5,250)
Movement in value of current asset investments	**(153)**	73
Movement in value of investment property	**362**	9
Interest payable	**39,670**	30,373
Financing new group structure	**37,000**	-
Interest receivable	**(1,686)**	(484)
Net cash generated from operating activities	**128,046**	100,550

31. Capital commitments

	Group	
	2019	2018
	£'000	£'000
Capital expenditure contracted for but not provided in the financial statements	**130,803**	195,935
Capital expenditure authorised but not yet contracted for	**18,277**	48,460

These commitments are to be financed by the receipt of social housing grant and a mixture of loan finance, reserves and proceeds form the sales of housing properties as follows

	2019	2018
Social housing grant	**3,922**	3,468
Proceeds from the sale of properties	**37,315**	54,335
Loans and reserves	**107,843**	186,592
	149,080	244,395

32. Other financial commitments

The minimum lease payments due under operating leases are as follows:

	Land and Buildings		**Vehicles & Office Equipment**		**Total Leases**	
	2019	2018	**2019**	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Operating leases which expire:						
Within 1 year	**1,098**	-	**2,535**	154	**3,633**	154
Within 2 to 5 years	**9**	1,745	**18**	1,754	**27**	3,499
After 5 years	**629**	52	**2,722**	-	**3,351**	52
	1,736	1,797	**5,275**	1,908	**7,011**	3,705

33. Grant and financial assistance

	Group	
	2019	2018
	£'000	£'000
The total accumulated government grant and financial assistance received or receivable at 31 March was as follows		
Held as deferred capital grant	**441,582**	442,334
Recognised as income in Statement of Comprehensive Income	**110,578**	91,000
	552,160	533,334

34. Financial Instruments

Financial instruments may be analysed as follows

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Financial assets				
Financial assets measured at amortised cost				
- Rent debtors	**4,618**	4,344	**-**	-
- Other receivables	**24,315**	5,438	**153,798**	1,815
- Investments in short term deposits	**28,217**	16,260	**-**	-
- Cash and cash equivalents	**195,224**	90,259	**143,513**	140
Financial assets that are debt instruments measured at amortised cost				
Homebuy loans	**932**	1,402	**-**	-
Total financial assets	**253,306**	117,703	**297,311**	1,955
Financial liabilities				
Financial liabilities measured at amortised cost				
- Trade creditors	**9,296**	5,742	**20**	17
- Other creditors	**11,367**	11,077	**6,244**	11,760
- Balances with Supported Housing partners	**3,240**	950	**-**	-
- Funds held on trust	**270**	3,404	**-**	-
Financial liabilities that are debt instuments measured at amortised cost				
- Loans payable (due within one year)	**26,763**	21,543	**216**	-
- Loans payable (due after more than one year)	**1,155,290**	751,190	**294,132**	-
Financial liabilities measured at fair value through the income and expenditure account				
- Derivative financial instruments	**25,667**	25,401	**-**	-
Total financial liabilities	**1,231,893**	819,307	**300,612**	11,777

35. Sale of properties and other fixed assets

	Group			
	Proceeds of Sales	**Cost of Sales**	**Surplus**	**Capital grant recycled**
	£'000	**£'000**	**£'000**	**£'000**
Further tranches of shared ownership	**9,384**	**(5,318)**	**4,066**	**1,068**
Right to buy	**2,154**	**(2,128)**	**26**	**-**
Right to acquire	**726**	**(470)**	**256**	**-**
Other property disposals	**6,001**	**(3,460)**	**2,541**	**2,351**
Other fixed asset disposals	**4**	**(303)**	**(299)**	**-**
Total 2019	**18,269**	**(11,679)**	**6,590**	**3,419**
Total 2018	36,120	(21,521)	14,599	3,142

36. Related party transactions

Transactions with non-regulated members of the Group

Group 2019

	Bromford Developments Limited	Oakbrook Homes Limited	Bromford Assured Homes Limited	Street Services Limited	Strand Services Limited	Riverside Mews Limited	Igloo Insurance PCC Limited (Cell BRO4)
	BDL	OAK	BAH	SSL	STR	RIV	IGL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Management recharges	-	-	-	-	4	2	-
Administration recharges	1,238	93	124	-	-	-	-
Interest receivable	369	-	-	139	-	-	-
Dividends	-	-	-	-	-	-	375
	1,607	93	124	139	4	2	375
Expenditure							
Construction services	14,783	4,782	-	-	-	-	-
Rental charges	-	-	-	189	-	-	-
Insurance fees	-	-	-	-	-	-	807
	14,783	4,782	-	189	-	-	807

The administration recharges are calculated on a number of basis dependant upon the type of expenditure being recharged. Salary costs are recharged to BDL on an contract basis; insurance costs are recharged to BDL/OAK/BAH on a unit number basis; administration fees are recharged to BDL/OAK/BAH on a unit number basis.

All other income and expeniture is charged on an actuals basis.

Group 2018

	Bromford Developments Limited	Oakbrook Homes Limited	Bromford Assured Homes Limited	Street Services Limited	Strand Services Limited	Riverside Mews Limited	Igloo Insurance PCC Limited (Cell BRO4)
	BDL	OAK	BAH	SSL	STR	RIV	IGL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Gift Aid	-	-	481	162	-	-	-
Management recharges	-	-	-	-	4	2	-
Administration recharges	2,278	-	149	-	-	-	-
Interest receivable	369	-	-	134	-	-	-
Property sales	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
	2,647	-	630	296	4	2	-
Expenditure							
Construction services	16,433	8,152	-	-	-	-	-
Rental charges	-	-	-	183	-	-	-
Insurance fees	-	-	-	-	-	-	441
	16,433	8,152	-	183	-	-	441

36. Related party transactions (continued)

	Association			
	Bromford Developments Limited		Bromford Assured Homes Limited	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Income				
Administration recharges	**1,238**	327	**3**	-
Interest receivable	**369**	-	**-**	-
	1,607	327	**3**	-

At the year-end, included in the group intercompany trading and loan balances were the following net balances due from/(to) non regulated entities

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Bromford Developments Limited	**15,437**	458	**14,128**	458
Oakbrook Limited	**(927)**	-	-	-
Bromford Assured Homes Limited	**1,484**	705	**2**	705
Street Services Limited	**1,053**	(47)	**1,102**	(47)
Strand Services Limited	**-**	(2)	**-**	(2)
Riverside Mews Limited	**-**	-	**-**	-
	17,047	1,114	**15,232**	1,114

The subsidiaries of Bromford Housing Group Limited which are all non-regulated and incorporated under the Companies Act 1985

Trading companies	Company registration number	Date of incorporation	Intergroup arrangement	Type of transaction
Bromford Assured Homes Limited (100% owned)	2677730	09-Jan-92	BHA provides administrative services to BAH	Administrative recharges
Street Services Limited (100% owned)	3711394	11-Feb-99	Property management company for BHA	Rental income
Riverside Mews Management Company Limited (58.33% owned)	2953846	29-Jul-94	Management company for leasehold schemes in BHA ownership	Management Income
Strand Services Limtied (75% owned)	2645753	16-Sep-91	Management company for leasehold schemes in BHA ownership	Management Income
Igloo Insurance PCC Limited (Cell BR04)	53462	19-May-11	Insurance company	Insurance services
Oakbrook Homes Limited	09828967	16-Oct-15	Provision of design and build services to group	Service Provision
Bromford Developments Ltd (100% owned)	06507824	18-Feb-08	Provision of construction services to BHO for outright sales and to BHA for affordable schemes	Administrative recharges and construction services

37. Pension obligations

During the year the group participated in four schemes, the Social Housing Pension Scheme (SHPS), the Staffordshire County Council pension scheme (LGPS), the Avon pension fund (LGPS) and the Bromford pension scheme. With the exception of the Bromford pension scheme, all of the schemes are multi-employer defined benefit schemes.

Bromford Housing Group also participates in the Social Housing Pension Scheme's defined contribution scheme and Royal London defined contribution scheme to meet its obligations for auto-enrolment which applied from October 2013.

Further details of pension obligations are given under each scheme below.

Summary of pension schemes balances

	2019 £'000	2018 £'000
Creditors due within one year		
Gloucestershire LGPS cessation debt – see below (Note 21)	-	7,232
Staffordshire LGPS (Note 21)	-	3,526
Royal London Defined contribution scheme	**54**	55
	54	10,813
Provisions for Pensions		
Staffordshire LGPS	**3,114**	2,282
Bromford Pension scheme	**16,960**	24,478
Avon pension fund LGPS	**13,337**	9,562
SHPS	**2,211**	-
	35,622	36,322

Gloucestershire LGPS (closed schemes – cessation liabilities only) (Group, BHA and Merlin)

	2018 £'000
Creditors due in less than one year - cessation debt as at 1 April 2018	7,232
Payment of cessation debt	(7,232)
Gloucestershire LGPS cessation debt from the acquisition of Severn Vale Housing Society by Merlin Housing Society on 2 January 2019 (note 38)	6,216
Payment of cessation debt	(6,216)
Creditors due in less than one year – cessation debts 31 March 2019	-

During the year the cessation debt due to Gloucestershire LGPS at March 2018 was paid and no further liability remains. In March the cessation debt acquired by Merlin on the acquisition of Severn Vale due to Gloucestershire LGPS was paid and the liability settled in full.

Bromford Pension Scheme

From 1 April 2018 the company operated a defined benefit scheme in the UK. This is a separate trustee administered fund set up on 31 March 2018 following the transfer of obligations from the Social Housing Pension Scheme (SHPS). The scheme holds the pension scheme assets to meet long term pension liabilities. Scheme liabilities have been based on data provided for the SHPS actuarial valuation as at 30 September 2017, draft actuarial valuation as at 30 September 2018 and have been updated to 31 March 2019 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The company has agreed an interim schedule of contributions with the Trustee and a full schedule of contributions will come into force following the completion of the first actuarial valuation which is expected to be with an effective date of 30 September 2018. This first actuarial valuation is currently in draft form and is expected to be finalised by Autumn 2019.

Contributions for the year ended 31 March 2019

	£'000
Employee	218
Employer	2,797
Employer deficit contribution	10,000
Total	13,015
Agreed contribution rates for future years:	%
Employee	
1/80th DB section	14.5%
1/120 DB section	4.7%
Employer	10%

Principal actuarial assumptions

The following information is based upon a draft actuarial valuation of the fund at 30 September 2018 updated to 31 March 2019 by a qualified independent actuary.

Mortality assumptions adopted	**At 31 March**	At 31 March
Life expectancy at age 65 (Years)	**2019**	2018
Male retiring in 2019 (2018)	**21.8**	22.1
Female retiring in 2019 (2018)	**23.5**	23.8
Male retiring in 2039 (2038)	**23.2**	23.5
Female retiring in 2039 (2038)	**24.8**	25.0

Other Assumptions

	% per annum	% per annum
	2019	2018
Discount Rate	**2.45%**	2.6%
Inflation (RPI)	**3.20%**	3.15%
Inflation (CPI)	**2.20%**	2.15%
Salary Growth	**3.20%**	4.15%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.20%**	3.15%
Allowance for pension in payment increases of CPI or 5% p.a. if less	**2.25%**	2.20%
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	**1.70%**	1.70%
Allowance for pension in payment increases of CPI or 3% p.a. if less	**1.90%**	1.90%

A summary of the movement in pension assets and liabilities for the Bromford Pension scheme is shown below:

	31 March 2019	31 March 2018
	£'000	£'000
Fair value of fund assets	**82,004**	64,899
Present value of defined benefit obligation	**(98,964)**	(89,377)
Pension deficit	**(16,960)**	(24,478)

The fair value of the assets

	31 March 2019	31 March 2018
	£'000	£'000
Growth Assets	**43,476**	38,355
Corporate Bonds	**4,531**	2,661
LDI Assets	**33,291**	23,558
Cash	**706**	325
Total Assets	**82,004**	**64,899**

None of the fair values shown above include any direct investments in the company's own financial instruments or any property occupied by, or other assets used by, the group.

Reconciliation of Assets and Liabilities

Reconciliation of assets at 31 March 2019

	£'000
Assets at start of period	64,899
Interest income on assets	1,835
Expenses	(108)
Return on assets excluding interest income	3,833
Employer contributions paid	12,797
Employee contributions	218
Benefits paid	(1,410)
Assets at end of period	82,004

Reconciliation of liabilities at 31 March 2019

	£'000
Liabilities at start of period	(89,377)
Service cost	(2,737)
Interest cost	(2,308)
Employee contributions	(218)
Past service cost – plan amendments	(39)
Re-measurements:	
Actuarial loss on changes in financial and demographic assumptions	(3,246)
Experience loss on liabilities	(2,449)
Benefits paid	1,410
Liabilities at end of period	(98,964)
Total return on plan assets 01/04/18 to 31/03/19	6.14%

Analysis of the amount to operating costs in the Statement of Comprehensive Income at 31 March 2019

	£'000
Employer service cost (net of employee contributions)	(2,737)
Expenses	(168)
Past service cost - plan amendments	(39)
Total operating charge	(2,944)
Analysis of pension finance income / (costs)	
Expected return on pension scheme assets	1,835
Interest on pension liabilities	(2,308)
Amounts charged/credited to financing costs	(473)

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 31 March 2019

	£'000
Return on assets excluding interest income	3,833
Actuarial (losses) on pension scheme liabilities	(2,449)
Loss from changes in assumptions	(3,240)
Actuarial (losses) recognised	**(1,862)**

	£'000
(Deficit) in scheme at 1 April 2018	(24,478)
Employer service cost and expenses	(2,905)
Employer contributions paid	12,797
Past service cost – plan amendments	(39)
Net interest/return on assets	(473)
Re-measurements included in other comprehensive income	(1,862)
(Deficit) in pension fund scheme at 31 March 2019	**(16,960)**

Staffordshire County Council

The scheme is a defined-benefit scheme, with the assets held in separate funds administered by Staffordshire County Council (SCC) and is closed to future accruals.

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 March 2019 by a qualified independent actuary.

	At 31 March 2019	At 31 March 2018
Rate of increase for pensions in payment / inflation	**2.5%**	2.4%
Rate of increase in salaries	**2.5%**	2.4%
Discount rate for scheme liabilities	**2.4%**	2.7%

Life expectancy is based on the fund's VitaCurves with improvements in line with the CMI 2013 model. The model assumes that the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners (years)	**22.1**	24.4
Future Pensioners (years)*	**24.1**	26.4

*Figures assume members aged 45 as at the last formal valuation date.

A summary of the movement in pension assets and liabilities for the group's defined benefit pension funds is shown below:

	31 March 2019 £'000	31 March 2018 £'000
Fair value of fund assets	**25,452**	24,028
Present value of defined benefit obligation	**(28,566)**	(26,310)
Pension deficit	**(3,114)**	(2,282)

Reconciliation of Assets at 31 March	**2019 £'000**	**2018 £'000**
Assets at start of period	24,028	19,644
Return on plan assets	593	516
Re-measurements	1,416	(59)
Employer contributions paid	10	895
Employer contributions payable	-	3,526
Employee contributions	-	87
Benefits paid	(595)	(581)
Assets at end of period	**25,452**	**24,028**

Reconcillation of liabilities at 31 March	**2019 £'000**	**2018 £'000**
Liabilities at start of period	(26,310)	(26,428)
Service cost	-	(526)
Interest cost	(702)	(687)
Employee contributions	-	(87)
Re-measurements	(2,149)	837
Benefits paid	595	581
Liabilities at end of period	(28,566)	(26,310)
Actual return on plan assets - prior year	2.3%	6.1%
Total return on plan assets - current year	9.2%	2.3%

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March

	2019 £'000	**2018 £'000**
Expected return on pension scheme assets	593	516
Interest of pension liabilities	(702)	(687)
Amounts charged/credited to financing costs	(109)	(171)

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 31 March

	2019	2018
	£'000	£'000
Return on assets excluding interest income	1,416	521
Actuarial (losses) on pension scheme liabilities	(2,149)	(61)
Actuarial (losses)/gains recognised	(733)	460

The fair value of the assets at 31 March

	2019	2018
	£'000	£'000
Equities	17,307	17,541
Bonds	5,345	3,364
Property	2,036	1,922
Cash	764	1,201
Total fair value of the assets	**25,452**	**24,028**

Movement in deficit during the year

	2019	2018
	£'000	£'000
(Deficit) in scheme at 1 April	(2,282)	(6,784)
Employer service cost (net of employee contributions)	-	(503)
Employer contributions paid	-	895
Employer contributions payable	-	3,526
Past service cost Including curtailments	10	(23)
Net interest	(109)	(171)
Re measurements Operating Costs	-	318
Other Comprehensive Income	(733)	460
(Deficit) in scheme at 31 March	**(3,114)**	**(2,282)**

In December 2018 the Court of Appeal ruled that 'transitional arrangements' protection in respect of benefit changes to the Judicial and Fire Fighter Pension scheme amounted to unlawful discrimination ('McCloud case'). Due to similar pension reforms to the LGPS in benefits the judgement is expected to be applicable to the LGPS. Whilst the judgement might be appealed by the Government in the Supreme Court it is generally considered unlikely that this will be successful. [There is no impact from this ruling on the non-LGPS schemes as there were no equivalent changes to pensioner benefits.]

The directors have considered the potential impact of the McCloud case on the group and associations defined benefit liability as at 31 March 2019. No additional liability has been recognised given the profile of the scheme members and assuming a very cautious outcome on the LGPS scheme liability (gross obligation: £29m) the directors are satisfied that when fully accounted in the financial statements the impact will not be material to the Group or Association Financial Statements as at 31 March 2019.

Avon Pension Fund
The Avon Pension Fund (APF) is a multi-employer defined benefit scheme administered by Bath and North East Somerset Council under the regulations governing the Local Government Pension Scheme.

The latest triennial actuarial valuation was carried out at 31 March 2016 and this has been updated to 31 March 2019 by a qualified independent actuary.

Contributions for the year ended 31 March

	2019	2018
	£'000	£'000
Employee	271	310
Employer	927	981
Employer deficit	-	-
Total	1,198	1,291
Agreed contribution rates for future years:	%	%
Employee (% dependent on salary)	2.75% to 12.5%	2.75 to 12.5%
Employer	19.5% to 26.4%	19.5% to 26.4%

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 March 2019 by a qualified independent actuary:

	31 March 2019	31 March 2018
Rate of inflation - CPI	2.2%	2.1%
Rate of increase for pensions in payment	2.3%	2.2%
Rate of increase in salaries	3.7%	3.6%
Discount rate for scheme liabilities	2.5%	2.7%

The post retirement mortality assumptions used to value the benefit obligation for the four years are based on the S2PA CMI 2015 cohort series. The assumed life expectations on retirement at age 65 are:

Males	**31 March 2019**	**31 March 2018**
Current Pensioners (years)	23.7	23.6
Future Pensioners retiring in 20 years (years)	26.3	26.2
Females	**31 March 2019**	**31 March 2018**
Current Pensioners (years)	26.2	26.1
Future Pensioners retiring in 20 years (years)	29.0	28.8

The information disclosed below is in respect of the whole of the plans for which Merlin is either the sponsoring employer or has been allocated a share of cost under an agreed policy throughout the periods shown:

	31 March 2019	31 March 2018
	£'000	£'000
Fair value of fund assets	**47,168**	44,619
Present value of defined benefit obligation	**(60,505)**	(54,181)
Pension deficit	**(13,337)**	(9,562)

Reconciliation of assets and liabilities

Reconcillation of assets at 31 March	**2019**	**2018**
	£'000	**£'000**
Assets at start of period	44,619	43,377
Interest credits on plan assets	1,209	1,133
Re-measurements	1,069	(226)
Administration expenses	(20)	(23)
Employer contributions paid	927	981
Employee contributions	271	310
Benefits paid	(907)	(933)
Assets at end of period	**47,168**	**44,619**

Reconcillation of liabilities at 31 March	**2019**	**2018**
	£'000	**£'000**
Liabilities at start of period	(54,181)	(54,478)
Loss on curtailment	-	(5)
Service Cost	(1,274)	(1,570)
Interest Cost	(1,455)	(1,409)
Past service Cost*	(473)	-
Employee contributions	(271)	(310)
Re-measurements	(3,759)	2,658
Benefits Paid	(907)	933
Liabilities at end of period	**(62,320)**	**(54,181)**
Actual return on plan assets - prior year	2.0%	3.8%
Total return on plan assets - current year	5.6%	2.0%

*Includes allowance for the effects of the McCloud judgement (see notes below)

The fair value of the assets at 31 March

	2019	2018
	£'000	£'000
Equities	12,688	12,224
Government Bonds	3,821	3,213
Other Bonds	19,386	15,349
Property	3,066	2,633
Cash	519	1,071
Other	7,688	10,129
Total fair value of assets	**47,168**	**44,619**

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March

	2019	2018
	£'000	£'000
Employer service cost (net of employee contributions)	(1,274)	(1,570)
Past service costs	-	-
Total operating charge	**(1,274)**	**(1,570)**
Analysis of pension finance income/(costs)	(20)	(23)
Expected return on pension scheme assets	1,209	1,133
Interest on pension liabilities	(1,455)	(1,409)
Amounts charged/credited to financing costs	**(266)**	**(299)**

Includes allowance for the effects of the McCloud judgement (see notes below)

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 31 March

	2019	2018
	£'000	£'000
Return on assets excluding interest income	1,069	(226)
Actuarial (losses)/gains on pension scheme liabilities	(3,759)	2,658
Actuarial (losses)/gains recognised	**(2,690)**	**2,432**

Movement in deficit during the year

	2019	2018
	£'000	£'000
(Deficit) in scheme at 1 April	(9,562)	(11,101)
Employer service cost (net of employee contributions)	(1,274)	(1,570)
Employer contributions paid	927	981
Past service costs	(473)	-
Pension administration expenses	(20)	(23)
Net interest/return on assets	(246)	(581)
Re-measurements Other Comprehensive Income	(2,690)	2,432
(Deficit) in pension fund scheme at 31 March	**(13,338)**	**(9,862)**

Includes allowance for the effects of the McCloud judgement (see notes below)

The notes below are taken from a report prepared by Mercer Limited, the actuaries for the Avon LGPS fund.

Local government pension schemes

The Group has reviewed the impact of GMP Equalisation in respect of its one Local Government Pension Scheme and identified that a range of approaches has been adopted by the scheme actuaries for that scheme. These approaches range from a detailed assessment of the impact of the requirements in 2019 through to limited recognition of the impact as the scheme actuaries wait for guidance from the Government on the methodology to be applied in calculating the full liability. No further adjustments have been made to the present value of obligations as the effect is not considered material.

McCloud

The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to for the LGPS as "McCloud") have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. At this stage it is uncertain whether or not there will be an issue for the LGPS and its employers, nor is it clear what the exact extent would be of any required changes, but this note sets out some approximate effects of the costs if the transitional protections need to be extended to younger members.

We have carried out some costings of the potential effect of McCloud as at 31 March 2019, based on the individual member data for this employer as supplied to us for the 31 March 2016 actuarial valuation, and the results of those calculations based

on the IAS19/FRS102 assumptions used for this employer are set out below. The approach to the calculations is as instructed by the administering authority after consideration of the categories of members potentially affected, but in very broad terms calculates the cost of applying a 'final salary underpin' (on a member by member basis) to those active members who joined the Fund before 1 April 2012 and would not otherwise have benefited from the underpin.
For Merlin, the IAS19/FRS102 liabilities which we have used in our calculations is: £60,033,000
Applying the above calculations to the employer's estimated active member liabilities and service cost at 31 March 2019 gives the following figures:

Additional past service liabilities as at 31 March 2019: £473,000

Additional projected service cost for the year commencing 1 April 2019: £96,000
(equivalent to about 2.3% of the current active membership pensionable payroll)
The additional costs are very sensitive to the assumptions made. For example, the above figures are based on an assumed future real pay growth of 1.5% p.a. above CPI. Were the assumed future real pay growth instead to be set at zero then the potential additional costs in relation to McCloud would not be significant and could be taken as zero. Figures for other levels of real pay growth could be obtained approximately by interpolation from the above. For example, assuming future real pay growth of 0.75% p.a. above CPI would result in (approximate) additional past service of liabilities as at 31 March 2019 of £237,000 and an additional projected service cost for the year commencing 1 April 2019 of £48,000.

Social Housing Pension Scheme (SHPS)
The SHPS is a multi-employer defined benefit scheme administered by The Pensions Trust.

The latest triennial actuarial valuation was carried out at 31 March 2017 and this has been updated to 31 March 2019 by a qualified independent actuary.

The SHPS pension scheme liability as at 2 January 2019 was transferred from Severn Vale Housing Society to Merlin Housing Society as part of the acquisition of Severn Vale, see note 38. The movements below represent those since acquisition and have been estimated from the full year's movements provided by the actuaries for the SHPS scheme.
Contributions are included for period 2 January 2019 to 31 March 2019. The scheme was closed to future accrual from January 2019 and members transferred to a defined contribution scheme.

Principal actuarial assumptions
The following information is based upon a full actuarial valuation of the fund at 31 March 2017 updated to 31 March 2019 by a qualified independent actuary:

	31 March 2019	31 March 2018
Rate of inflation - (RPI)	3.25%	3.14%
Rate of inflation - (CPI)	2.25%	2.14%
Rate of increase in salaries	3.25%	3.14%
Discount rate for scheme liabilities	2.35%	2.60%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies

	Males	**Females**
Current Pensioners (years)	21.8	23.5
Future Pensioners retiring in 20 years (years)	23.2	24.7

The information disclosed below is for the period 2 January 2019 to 31 March 2019 only.

	£'000
Fair Value of fund assets	6,326
Present value of defined benefits obligations	(8,537)
Pension deficit	**(2,211)**

Reconciliation of assets and liabilities

Reconcillation of assets at 31 March 2019

	£'000
Assets acquired on the acquisition of Severn Vale – note 38	6,326
Assets at end of period	**6,326**

Reconcillation of liabilities at 31 March 2019

	£'000
Liabilities acquired on the acquisition of Severn Vale – note 38	(8,537)
Liabilities at end of period	**(8,537)**

There is no movement shown in the various elements of the SHPS pension scheme as the value that was recognised on acquisition (note 38) was the value at 31 March 2019.

The fair value of the assets

	31 March 2019 £'000
Global Equity	1,065
Absolute Return	547
Distressed Opportunities	115
Credit Relative Value	116
Alternative Risk Premia	365
Fund of Hedge Funds	28
Emerging Markets Debt	218
Risk Sharing	191
Insurance-Linked Securities	181
Property	142
Infrastructure	332
Private Debt	85
Corporate Bond Fund	295
Long Lease Property	93
Secured Income	227
Over 15 Year Gilts	-
Liability Driven Investment	2,314
Net Current Assets	12
Total fair value of assets	**6,326**

None of the fair value of the assets shown above include and direct investments in the employers own financial instruments or any property occupied by, or other assets used by the employer.

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March 2019

	£'000
Employer service cost	-
Past service costs	-
Total operating charge	**-**
Analysis of pension finance income/(costs)	
Expected return on pension scheme assets	-
Interest on pension liabilities	-
Amounts charged/credited to financing costs	**-**

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 31 March 2019.

	£'000
Acturial gains/(losses) recognised	-

Movement in deficit during the year

	£'000
(Deficit) in scheme at 2 January 2019 – on acquisition of Severn Vale – see note 39	(2,211)
(Deficit) in pension fund scheme at 31 March 2019	**(2,211)**

38. Acquisition of business

On 2 January 2019 Bromford Housing Group Limited entered into a business combination recognising the value of Severn Vale Housing Society in the statement of comprehensive income as a gift to the group as per FRS102 (PBE3477). All post acquisition results of Severn Vale Housing Society have been consolidated in the group statement of comprehensive income.

The acquisition had the following effect on the group's assets and liabilities:

	Book values	Fair value adjustments	**Recognised value on acquisition**
	£'000	£'000	**£'000**
Tangible fixed assets - housing properties	82,599	86,555	**169,154**
Investment properties	13,939	(2,892)	**11,047**
Tangible fixed assets - other	1,381	740	**2,121**
Stocks	199	6	**205**
Trade and other debtors : receivable within one year	572	-	**572**
Investments	11,740	(3,740)	**8,000**
Cash and cash equivalents	6,280	-	**6,280**
Creditors: Amounts falling due within one year	(1,921)	-	**(1,921)**
Loans	(114,365)	(10,317)	**(124,682)**
Deferred Capital Grant	(16,117)	15,429	**(688)**
Other creditors: Amounts falling due after more than one year	(451)	-	**(451)**
Pension liability	(3,895)	(4,532)	**(8,427)**
Other provisions	(657)	116	**(541)**
Net funds at 31 March 2019	(20,696)	81,365	**60,669**

39. Bromford Housing Group Limited - New Merged Entity

On 2 July 2018 Bromford Housing Group Limited amalgamated with Merlin Housing Society into a new group that retained the name Bromford Housing Group Limited. The group financial statements presented here incorporate the results of both organisations prior to merger and the new entity from merger date to 31 March 2019.
The share of Total Comprehensive Income for the prior year, the share of Total Comprehensive Income in the current year to the merger date with the effect of any accounting policy adjustments and the contribution post merger date, and the share of net assets at merger are disclosed in accordance with FRS 102 PBE34.86.

Total Comprehensive Income 31 March 2018

	Bromford Housing Group	Merlin Housing Group	Total
	£'000	£'000	£’000
Turnover	174,248	46,448	220,696
Cost of sales	(16,756)	(2,053)	(18,809)
Operating costs	(99,399)	(28,151)	(127,550)
Surplus on disposal of fixed assets	11,386	3,213	14,599
Increase in valuation of investment properties	9	-	9
Operating Surplus	69,488	19,457	88,945
Interest receivable	384	100	484
Interest and financing costs	(25,870)	(4,504)	(30,374)
Movement in fair value of financial instruments	5,250	-	5,250
Movement in fair value of investments	(73)	-	(73)
Surplus before tax	49,179	15,053	64,232
Taxation	109	-	109
Surplus for the year after tax	**49,288**	**15,053**	**64,341**
Actuarial gain relating to pension scheme	1,288	2,432	3,720
Closure of Multi employer defined benefit pension scheme (SHPS)	11,513	-	11,513
Defined benefit pension scheme (TPT)	(24,478)	-	(24,478)
Total comprehensive income for the year	**37,611**	**17,485**	**55,096**

Total Comprehensive Income in year of merger

	Prior to merger date		At merger date	Post merger	Year to 31 March 2019
	Bromford Housing Group	Merlin Housing Group		Bromford Merlin and 3 months of Severn Vale	
	£'000	£'000	£'000	£'000	£'000
Turnover	49,095	11,052	60,147	196,546	256,693
Cost of sales	(8,788)	(262)	(9,050)	(33,245)	(42,295)
Operating costs (including recognition of LGPS cessation debt)	(23,373)	(6,819)	(30,192)	(107,438)	(137,630)
Gain on disposal of property assets	376	482	858	5,732	6,590
Increase in valuation of investment properties	-	-	-	139	139
Operating Surplus	17,310	4,453	21,763	61,734	83,497
Interest receivable	216	44	260	1,425	1,685
Interest and financing costs	(7,834)	(1,059)	(8,893)	(30,790)	(39,683)
Movement in fair value of financial instruments	-	-	-	(267)	(267)
Movement in fair value of investments	-	-	-	153	153
Financing cost of new group structure	-	-	-	(37,000)	(37,000)
Fair value on business acquisition	-	-	-	60,669	60,669
Surplus before Tax	9,692	3,438	13,130	55,924	69,054
Taxation	-	-	-	(7)	(7)
Surplus for the year after tax	9,692	3,438	13,130	55,917	69,047
Actuarial (loss)/gain relating to pension scheme		-	-	(5,285)	(5,285)
Closure of multi-employer defined benefit pension scheme (SHPS)	-	-	-	-	-
Defined benefit pension scheme (TPT)	-	-	-	-	-
Total comprehensive income for the year	9,692	3,438	13,130	50,632	63,762

Accounting policy adjustments

Merlin previously held Investment properties at cost as they were deemed not material enough to require a valuation. They have now been valued as investment properties in line with group policies.

Changes in value in Statement of Financial Position.

	£'000
Tangible Fixed Assets – Investment Properties	2,293
Tangible fixed assets – other	(169)
Income and Expenditure Reserve	2,124

40. Contingent Labilities

During the year social housing grant held in Severn Vale (£15,429k) was fair valued to nil on acquisition. This movement in recorded in note 33 Grant and financial assistance.

Registration Information

Co-operative and Community Benefit Society
Registration Number 29996R

Regulator of Social Housing
Registration Number L4449

Advisors:

External Auditors:

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Business Assurance Providers:

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Bankers:

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Taxation Advisor:

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South Midlands office

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