



Bromford.

**Bromford Housing
Association Limited**

**Financial Statements for the
Year Ended 31 March 2014**

Industrial and Provident Society
Registration Number **31418R**

Homes and Communities Agency
Registration Number **4674**

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General Information

Board of Directors and Meetings

The board held 2 meetings during that year and the following were Board Directors during this period:

Director:			Attendances:
Kate Hartigan	Chair	Independent Non-Executive Director	2
Nick Cummins		Executive Director	1
John Downie		Independent Non-Executive Director	2
Julie Jones		Independent Non-Executive Director	2
Philippa Jones		Executive Director	2
Rev. David Lavender		Independent Non-Executive Director	2

Company Secretary

Philippa Jones

Advisors:

**BEEVER *and*
STRUTHERS**

External Auditors:

Beever and Struthers,
St George's House,
215-219 Chester Road,
Manchester,
M15 4JE.

 **BAKER TILLY**

Internal Auditors:

Baker Tilly,
Charterhouse,
Legge Street,
Birmingham,
B4 7EU

 **BARCLAYS**

Bankers:

Barclays Bank plc,
15 Colmore Row,
Birmingham,
B3 2BH.

Registered Office

1 Exchange Court,
Brabourne Avenue,
Wolverhampton Business Park,
Wolverhampton,
WV10 6AU.



scan here for
Georgie's story

“

**Bromford helped
me to gain
independence**”

Georgie - Customer

Report of the Board

The Board of Bromford Housing Association Limited ('BHA') is pleased to present its report and the financial statements for the year ended 31 March 2014.

Principal Activities

BHA is a wholly owned subsidiary of Bromford Housing Group Limited ('BHG'). BHG and its subsidiaries are referred to together as 'Bromford'.

BHA is registered under the Industrial and Provident Societies Act 1965 as a Housing Association. BHA, as part of Bromford, is 'a social enterprise, inspiring people to be their best'.

BHA's principal activities are to develop and manage affordable homes for sale, rent or shared ownership and also to provide a range of support and employment services. We deliver a **social value return** by providing new homes and services that contribute to positive outcomes in employment, education, health and community safety.

BHA is an active developer and is one of the Homes and Communities Agency's (HCA's) development partners. The Bromford Development Partnership comprises BHA and eight other registered providers who work collaboratively to build affordable homes for rent, shared ownership and outright sale. As partners, best practice is shared in key areas such as development, design quality, financial capacity, innovation, modern methods of construction and joint procurement. The Partnership is committed to working with local leaders to deliver the Government's housing agenda. It continues to perform well and to meet HCA expectations.

Statement of Strategy

Bromford's **Statement of Strategy for 2014-2018** was reviewed and re-approved by the BHG Board in March 2014. It sets out Bromford's short-term targets, progress measures, resource requirements and approach to risk management.

Bromford's strategy is underpinned by its '**DNA**' (**Fig. 1**); this describes us, and what we stand for, and represents the behaviours, qualities and values which make up our organisational 'DNA'.

Together, the Statement of Strategy and DNA represent what we're all about - and what it means to **Be Bromford**. A copy of our Statement of Strategy is available on the Bromford website.



We are an ethical business, a force for good; we work with integrity, trust and fairness; we respect people and our world and do our bit to make it better. We add value to UK PLC .



We are adventurous, creative and open-minded; we try new things and we're positive about change; we stand up for what we believe in; we learn from our mistakes as well as our successes.



We want to stand out from the crowd; we love different ideas, views and experiences – they feed our creativity and bring us solutions; we ask our colleagues to 'add a bit of you' in everything they do; we're serious about what we do but we have fun doing it.



Profitability and cash are essential – without them we wouldn't be able to do what we do. We encourage everyone to 'release their inner accountant'.

The Bromford DNA Fig. 1

Compliance with our Governance Code (“Comply or Explain”)

Bromford first adopted the **UK Corporate Governance Code** (the ‘UK Code’) in 2010. We believe the principles and provisions of the UK Code reflect 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. A copy of the UK Code is publicly available on the Financial Reporting Council’s website (<http://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-September-2012.aspx>).

Bromford’s overall compliance statement with the UK Code is contained in the BHG Annual Report & Accounts. The disclosures in compliance with the UK Code have been included in that report.

Board Operating Structure and Composition

BHG is the parent company of BHA. The BHG Board operates as a unitary Board, made up of Independent Non-Executive Directors and Executive Directors. More information about the composition of the BHG Board and how it operates can be found in the BHG Annual Report & Accounts.

Under Bromford’s Governance Framework, BHA delegates matters of governance and financial authority to the BHG Board.

The BHA Board consists of four Independent Non-Executive Directors (‘NEDs’), the Executive Director for Operations and the Executive Director for New Homes and People (who is also the Company Secretary). Attendances at Board meetings during the year are shown in the General Information section.

All Bromford NEDs are appointed initially for three years, with no automatic reappointment. Any term beyond six years is subject to a rigorous annual review which takes into account the need to progressively refresh the Board. More details about the information and support given to NEDs can be found in the BHG Annual Report & Accounts.

BHA operate under Bromford’s Governance Framework, which includes a comprehensive Delegations Framework and the documents, principles and matters set out in **Fig. 2**. A copy of the Governance Framework is published on the Bromford website.



Fig. 2

The decisions reserved for the BHG and BHA Boards are set out in Bromford’s Delegations Framework. The BHG Board currently has four Board Committees which inform BHG Board’s decision-making and discharge functions on behalf of the BHG Board and BHG subsidiaries. More information about the role and purpose of each of the BHG Board Committees, and how their performance is evaluated, can be found in BHG’s Annual Report & Accounts.

Openness and Transparency

Bromford believe that being open and transparent is **important** – not only because it helps deliver **fair, efficient and effective** customer service but because we believe customers, colleagues and stakeholders should be able to freely access the information they need to make informed judgments about how Bromford operates and uses its resources.

An important part of being transparent involves interacting with our customers in ways which are constructive and meaningful. Our customers are able to engage with us in a number of ways – in person, over the phone, by email, via our website or by social media such as Facebook and Twitter.

One of the ways our customers can give us feedback about our services is via ‘**Brombox**’, a website Bromford set up in 2013 to encourage customers to share thoughts, opinions, photos or videos - good or bad - to help us identify what we’re doing well and what we need to improve. The results of this feedback are reported in our **Customer Annual Performance Review** and help shape our plans for continuous improvement.

Our Governance Framework and Probity Policy are also accessible on the Bromford website, alongside other information about some of Bromford's policies and customer processes. Value for Money ('VfM') is particularly important to us and we want to be transparent about the spending decisions we make, why we have made them and what their impact was in terms of efficiency and effectiveness. All Group expenditure over £500 is published each quarter on the Bromford website, alongside statistics and information about what BHG Board members and colleagues are paid. Bromford's VfM Policy and Self-Assessment are also published on the Bromford website.

Internal Controls and Risk Management

One of the Board's key responsibilities is for the system of Internal Control. This includes responsibility for financial reporting and risk management systems and for reviewing their effectiveness.

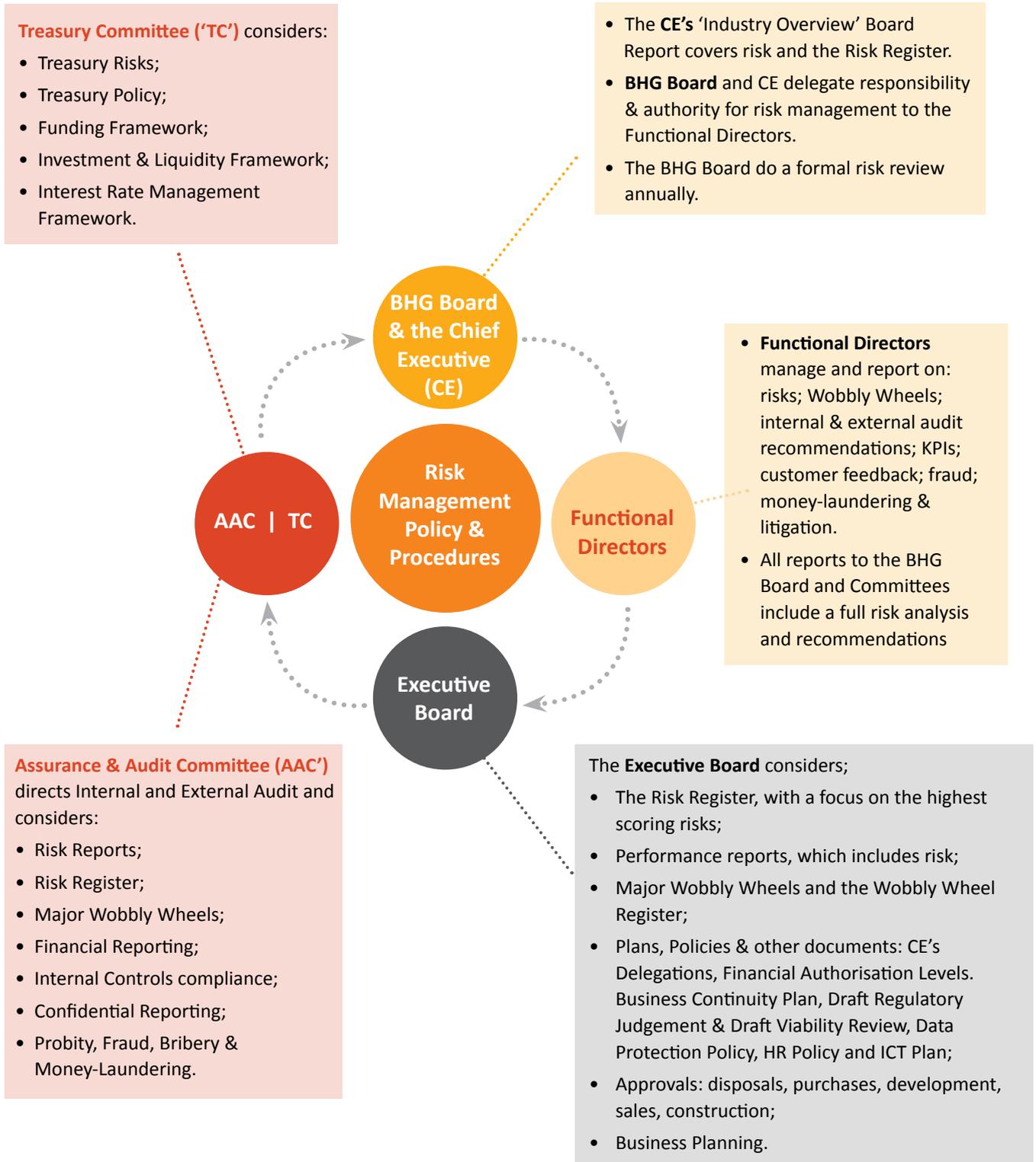
The BHA Board has delegated responsibility for **reviewing the effectiveness** of BHA's internal control and risk management systems to the Assurance and Audit Committee ('AAC'), one of the BHG Board Committees. More information about the role, purpose and activities of the AAC can be found in the 'Report of the Board Committees' set out in the BHG Annual Report & Accounts.

Risk

Bromford promotes an organisational culture that understands that no activity is free from risk. Our approach is to be **risk aware** but not **risk averse**. We proactively identify and manage risks – not avoid them.

Our ability to identify risks early, and respond quickly, contributed significantly to Bromford's planning in response to the challenges posed by Welfare Reform. For example, early identification of the risk of increased rent arrears levels prompted us to take early positive action to significantly reduce our potential exposure.

Bromford's risk management process is set out in **Fig. 3 (overleaf)**.



Risk Management Process Fig. 3

The table below sets out what the BHG Board believes to be the principal risks and uncertainties currently facing Bromford and the steps being taken to manage and mitigate these risks

Principal Risks and Uncertainties			
Risk	Risk Description	Risk Impact	Risk Controls
Welfare Reform	Reduction in income as a result of Welfare Reform.	Potential for customers to fall behind with rent, leading to increased levels of rent arrears and bad debt.	<ul style="list-style-type: none"> • Dedicated 'Welfare Reform Board' meets monthly. • Comprehensive communication programme implemented to make customers aware of the impact of Welfare Reform changes. • A dedicated colleague resource worked closely with customers affected by the 'Bedroom Tax', to raise awareness, discuss options and work with those in arrears. • Through the Bromford Deal we set out our vision for increasing independence and supporting customers into work, skills development and volunteering. Our web portal 'Connect' allows customers to access volunteering and employment opportunities and develop their skills. • Increased bad debt provision in our annual budget. • Participation in the Department for Work & Pensions' (DWP) Direct Payments Pilot in Shropshire. Learning outcomes have been shared and form part of Bromford Deal pilots in Lichfield.
Lending Costs	Increased costs of loans.	Costs of lending may be significantly increased, e.g. as a result of lenders re-pricing loans due to increased costs, or the breach of loan covenants.	<ul style="list-style-type: none"> • The Board and the Executive Board review the position on an on-going basis. • Position monitored by the Treasury Committee, which includes Executive and Non-Executive Directors and professional advisors. • Sensitivity testing carried out to model the exposure to the business if interest rates and costs increase. • Covenants are robustly managed and checked by external auditors. • Facilities and cash in place to cover 2+ years of known requirements. • Excellent relationships with funders and high quality market intelligence allow management of re-price risk.

Principal Risks and Uncertainties			
Risk	Risk Description	Risk Impact	Risk Controls
Property Sales	Reduction in sales due to limited availability of mortgages, the requirement for large deposits and ineffective marketing.	Reduction in sales rates, values and income for Outright Sale and Shared Ownership properties.	<ul style="list-style-type: none"> The BHG Board and the Executive Board review sales exposure on an on-going basis and operate limits on working capital tied up in unsold stock. Close market monitoring. New initiatives explored, e.g. Help to Buy. Working with local and national firms of Independent Financial Advisers. Working with Local Authorities at feasibility stage to remove restrictions. Ensuring all legal documentation will be acceptable to maximum number of lenders. All marketing mediums explored and reviewed against Value for Money. Marketing activity and marketing / incentives budgets closely monitored.

Internal Control

The AAC monitors and reviews the effectiveness of the internal control system, conducts an annual effectiveness review and reports the findings to the BHG Board.

Fig. 4 illustrates the elements which the AAC considers as part of this annual review process.

No significant failings or weaknesses were identified for 2013/2014.

Internal audit is an important element of the internal control framework and Baker Tilly provide our internal audit service. The AAC approves the annual plan for internal audit reviews and receives the reports from Baker Tilly, who attend all AAC meetings. Internal audit recommendations are ranked in order of priority - high, medium or low - with high priorities being actions that need to be immediately addressed and have the highest risk impact. **During 2013/14 there were no 'high priority' recommendations which required immediate action.**

The AAC also considers reports from our **external auditors** on the effectiveness of our internal financial control systems. The 2013/2014 external audit process concluded with an excellent outcome, illustrating that our procedures, systems, controls and processes are highly robust and accountable. Five minor 'housekeeping' recommendations were made, all of which resulted in procedural changes.

Every quarter, each business area/function is required to **formally review** their key financial and non-financial controls and to provide assurance on these. The results of these quarterly reviews are summarised and reported to the AAC. As part of our internal controls, we have **robust operational procedures** to cover areas such as authorisation levels, segregation of duties, treasury management and data and asset protection.



Elements considered in the AAC and Executive Board annual review of Internal Control effectiveness Fig. 4

Bromford maintains **detailed resource plans** for the year ahead, and produces monthly management accounts with explanations of variances and trends. There are regular forecasts of the out-turn for the current financial year and a detailed financial plan for the next five years is produced which includes a Value for Money (VfM) plan. Progress in delivering the VfM plan is monitored by, and reported to, the BHG Board who **review key financial and operational data on a quarterly basis**. If corrective action is required this is identified, implemented and reviewed.

Bromford operates a system of **internal reporting** known as 'Wobbly Wheels'. This applies when a breach of the key internal controls has occurred, or when an issue that could have caused a breach is identified. The purpose of 'Wobbly Wheels' is to ensure continuous learning and improvement with regard to the way we monitor and control exposure to risk across Bromford. If a 'Wobbly Wheel' occurs, it is discussed with the colleagues involved, and the wider team, to identify and share key learning points. It is then included in quarterly Executive performance reporting and 'Major Wobbly Wheels' are reported to the AAC, who may choose to report significant breaches to the BHG Board. Where appropriate, adjustments are then made to our operational procedures and the internal control system.

Bromford expects the internal control system **to be able to prevent and / or detect fraud**, although it recognises that the system can only provide reasonable assurance and not certainty. We have guidelines for colleagues relating to the detection and prevention of fraud and maintain a fraud register. In May 2013, as part of Bromford's audit plan, our external auditor carried out an extensive review of the policies, procedures and processes Bromford has in place to detect and protect against fraudulent activity. This review involved interviews with colleagues and sample checking. The outcome of this review resulted in one high priority recommendation and a number of medium to low risk recommendations being made. Further work is being undertaken as suggested by our internal auditor to refine and improve Bromford's internal procedures.

Internal control systems cannot provide absolute assurance that there will not be material misstatements in the accounts, financial loss or failures in risk management. Instead, the system of internal control is designed to manage key risks and provide reasonable assurance that planned business objectives and outcomes can be achieved.

Board Responsibility for Financial Statements

The Industrial and Provident Societies Acts and registered social housing legislation require BHA's Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of BHA and of the surplus of BHA for that year.

In preparing these financial statements, the BHA Board has:

- Selected suitable accounting policies and applied them consistently;
- Made reasonable and prudent judgments and estimates;
- Followed applicable accounting standards;
- Prepared the financial statements on the going concern basis.

The BHA Board is responsible for ensuring arrangements are made for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of BHA and enables it to ensure that the accounts comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. The BHA Board is also responsible for ensuring that arrangements are made to safeguard the assets of BHA and for taking reasonable steps to prevent and detect fraud and other irregularities.

This includes making arrangements to establish and maintain a satisfactory system of control over BHA's accounting records, cash holdings and all its receipts and remittances.

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

In preparing the accounts, the BHA Board has reviewed the BHA's financial plan for 2013/18 and has a reasonable expectation that BHA has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements set out on pages 22 to 49 have been prepared on a going concern basis.

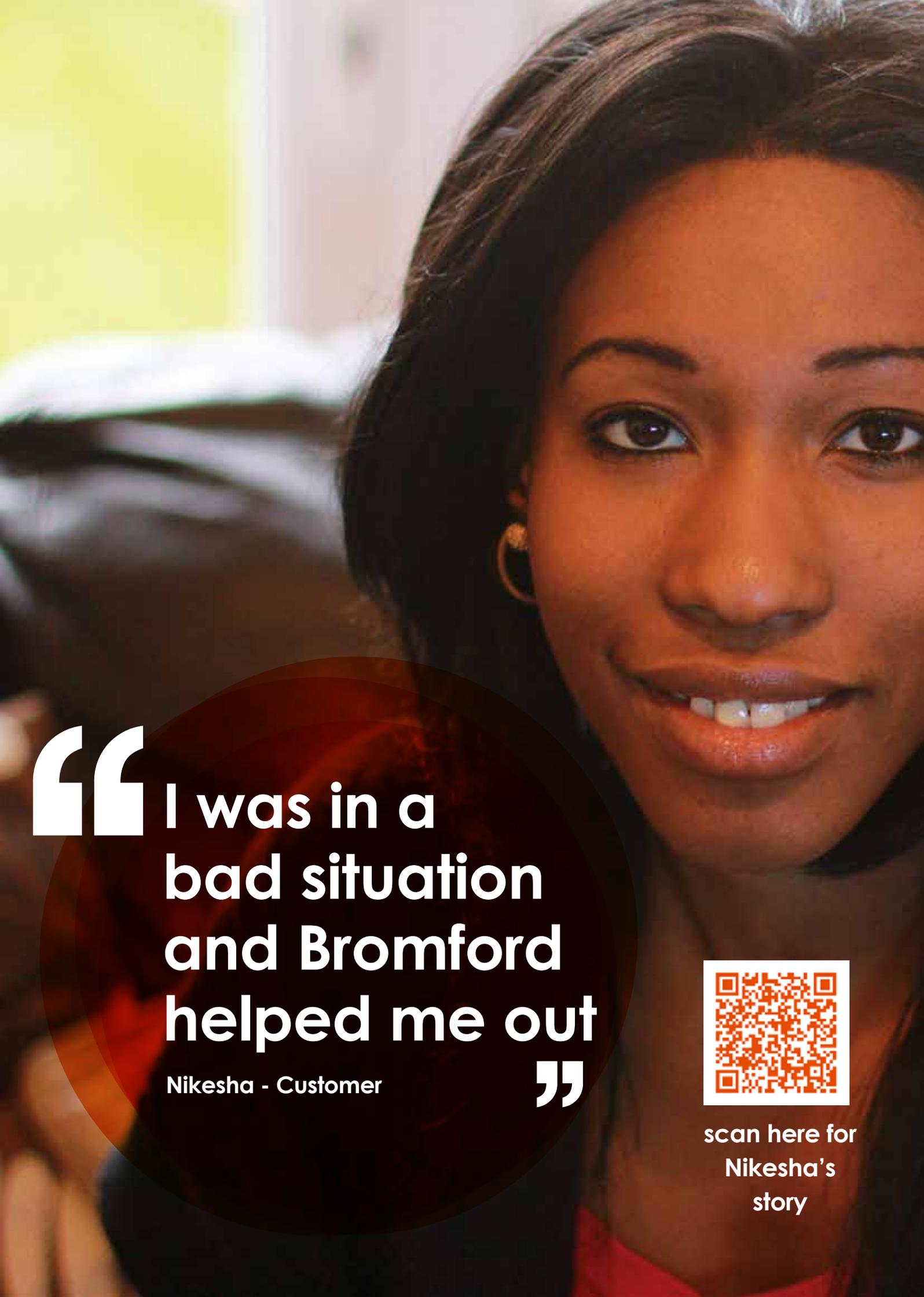
Auditors

Our external audit contract is put out to tender every 3-5 years, in-line with sector best practice. Our current External Auditor, Beever and Struthers, was appointed in September 2011.

The report of the Board was approved on 22 July 2014 and signed on behalf of the Board by:



22 July 2014



**“ I was in a
bad situation
and Bromford
helped me out**

Nikeshha - Customer

”



scan here for
**Nikeshha's
story**

Operating and Financial Review

1. Financial performance

BHA financial results : Five year summary (£'m)

Income & Expenditure	13/14	12/13	11/12	10/11	09/10
Core turnover	115	111	103	94	92
1st tranche & similar sales	13	11	8	4	8
Turnover	128	122	111	98	100
Operating costs	(72)	(71)	(69)	(64)	(61)
Cost of sales	(10)	(9)	(7)	(3)	(8)
Operating surplus	46	42	35	31	31
Net interest charge	(21)	(21)	(21)	(21)	(22)
Surplus pre Gift aid	25	21	14	10	9
Gift aid	7	4	4	3	3
Surplus on disposals	2	1	1	-	1
Restructure & Exceptional items	-	-	-	2	(1)
Retained Surplus before tax	34	26	19	15	12

Balance Sheet	13/14	12/13	11/12	10/11	09/10
Housing property at cost	1,286	1,235	1,201	1,150	966
Depreciation	(137)	(129)	(125)	(118)	(25)
Grant	(474)	(471)	(470)	(460)	(419)
Net Book Value	675	635	606	572	522
Other fixed assets	8	8	8	8	8
Net Current Assets excl cash	16	21	24	19	20
Assets	699	664	638	599	550
Reserves	232	199	175	157	105
Pension	7	7	5	4	8
Other Long term liabilities	6	4	4	4	6
Net debt	454	454	454	434	431
Funding	699	664	638	599	550
Operating cash flow	63	56	42	38	51
Free cash flow (excl gift aid)	40	34	21	16	29

Financial Ratios	13/14	12/13	11/12	10/11	09/10
Core Operating margin	37%	36%	33%	32%	33%
EBITDA Cover	2.82	2.53	2.30	1.71	1.66
Cash conversion ¹	137%	134%	120%	115%	167%
Net Debt / Free cash flow	11.3	13.2	21.5	27.0	15.0
Asset Gearing ²	35%	37%	38%	38%	44%
Gearing ³	64%	68%	70%	74%	79%

¹ Cash conversion compares operating surplus to operating cash flow ² Asset gearing compares net debt to housing properties at cost

³ Gearing compares net debt to reserves plus capital grant ⁴ BHA was formed in 2011 by the amalgamation of Bromford Carinthia Housing Association Ltd and Homezone Housing Ltd. Figures for 09/10 have been prepared on a proforma basis.

Overview

Our key financial objective in a prolonged period of economic uncertainty continues to be the husbandry of our resources in order to maintain our financial strength so that we can continue to meet our objectives as a social enterprise and be in a position to respond to emerging opportunities as they arise.

We have had two main areas of focus – controlling our costs within a value for money framework and ensuring that we remain strongly cash generative.

BHA Financial Performance

BHA's principal financial ratios show that we have made good progress in controlling costs and generating cash.

Our core operating margin, which is one of our overall efficiency measures, has improved by 5% since 2009, while cash conversion has consistently exceeded 100% as our free cash flow has grown. Reflecting this, EBITDA interest cover also improves over the period, and gearing and asset gearing gradually reduce.

Liquidity remains a key focus and, having successfully raised £61m from the capital markets in 2012/13, at March 14 we have

- Cash balances of £28m
- £66m in undrawn loan facilities
- £163m of security ready to use

Income and Expenditure

The surplus of £34m is a record for BHA in the year.

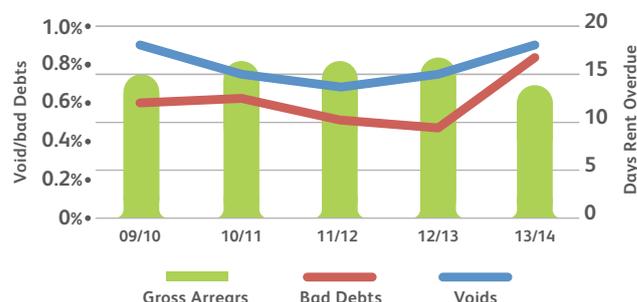
BHA is in no way reliant upon property disposals to deliver a surplus. Asset disposals generated surpluses of £2.3m for the year (2012/13: £0.8m).

Rental Income

Income from rents and service charges consistently makes up ~80% of BHA's total income. We aim to maximise our rental income within the constraints of customer affordability. Performance on bad debts, arrears and voids remains strong despite the difficult economic conditions – net arrears at 2.1% remain low (2012/13 2.6%).

We continue to see very low levels for voids and bad debts:

Rent Collection performance Fig. 5



Shared Ownership

The shared ownership and shared equity programme saw sales income of £7.9m in the year (2012/13: £3.2m). Both gross sales values and the first tranche percentage held up well. We are not experiencing any particular issues in selling the homes available.

Costs

We have maintained a tight control over costs and our core operating margin at 37% is very pleasing. Operating cost per home managed has remained broadly constant over the last 3 years, at around £2,600. We continue to maintain a strong focus on costs, but in the context of our overall Value for Money framework which emphasises not just the cost of what we do but its effectiveness and the outcomes achieved.

Interest Costs

We successfully raised £61m in 2013 on the capital markets with our first Private Placement (PP). This led to a slight increase in the average cost of borrowing (4.67% compared to 4.55% in 2012/13). The extra cost is being mitigated mainly by making repayments on revolving credit facilities.

Disposals

Disposal profits in the year were £2.3m (2012/13: £0.8m). Disposals are not a key feature in our financial planning.

Corporation Tax

We continue the policy of gift aiding taxable surpluses from non-charitable Group Members to charitable Group Members. BHA received gift aid payments from other Group members of £7.5m (2012/13: £3.5m).

Balance Sheet

Fixed Assets:

Details of the movements in fixed assets during the year are set out in notes 11-14 to the financial statements. The depreciation charge for the year is £12.1m.

Sales Exposure:

We managed our exposure to unsold shared ownership stock and neither this nor any potential impairment of property values is a material issue for us. The value of unsold homes at year end was £0.3m (2012/13: £0.4m) and these were less than 6 months old.

Investment in our Homes:

We continue to invest both in maintaining our existing homes and in new supply. In 2013/14 we invested £20m in major repair and refurbishment programmes and £45m (before grant and excluding components) in new homes.

Cash and Liquidity

This is a key focus for us in the context of our risk management and we continue to make good progress in this area. Operating cash flow was again strong at £63m, (2012/13: £56m). We continue to control working capital and our operating cash flow represents 137% of operating surplus. Cash balances remain high at £28m (2012/13: £24m). Free cash in the year of £38m would repay debt in ~12 years.

Treasury

With net external expenditure being very low throughout 13/14, BHA finished the year with cash and available facilities little changed and with borrowing levels slightly lower due to scheduled capital repayments on its loan portfolio. Borrowing for BHA was £492.9m, down from £507.4m last year. Usage of the Association's 'revolving credit facility' with Lloyds assisted in cash management throughout the year.

Overall undrawn facility levels were £65.9m, the majority of which was in the form of the revolving credit facility. Cost of borrowing was 4.67% and very much in line with sector averages. With fixed rate hedging at 81.6% the average cost of borrowing has remained stable due to the lack of movement in short term variable borrowing levels.

The Association's cancellable swap portfolio remained unchanged at £80m for periods ranging to 2032. The full MtM value of the cancellable swaps at year end was £17.7m and after taking ISDA thresholds into account £4.7m was placed as collateral in the form of property security. As part of its risk management activity, the association holds ring fenced security within the Security Trust to cover margin calls.

No new hedging was undertaken in the year. Security availability for the Association is high, with over £160m ready for use for existing facility usage and new funding requirements with pipelines of further security being charged to the security trustee.

Operational Performance

Bromford has adopted a single, unified operating structure. Details of the Group's operational performance are set out in the Operating and Financial review in the Group statutory accounts.

Value For Money (VfM)

Details of Bromford's VfM performance are summarised in the Operating and Financial Review in the Group statutory accounts.

Social Value

Details of Bromford's Social Value delivery are summarised in the Operating and Financial Review in the Group Statutory accounts.

Future Outlook

Strategy

Our strategy is regularly reviewed and adjusted in the light of changes to the wider economic, regulatory and political environment.

The main factors informing our strategy are the expectation that:

- Economic growth will remain fragile.
- There will be continued pressure on public finances.
- There is unlikely to be any significant capital grant available to support new development.

In this context, we continue to focus on Value for Money and affordability, and on a wider range of initiatives (together known as 'The Deal') which are intended to inspire our customers 'be the best they can be', to foster independence and ultimately help sustain those customers who are already economically active and help those who are not become so.

During the year, the main change in the Group's approach, in light of continuing economic uncertainty, is that we no longer aspire to expand and grow our small programme of building homes for outright sale. This has a minimal impact on BHA.

External Environment

This is challenging on several fronts:

Economy

- Pressure on the UK economy as it slowly recovers from a lengthy recession.
- A housing market that is not locally reflecting the more buoyant National average.
- Continued constraints on credit availability.
- On-going concerns about the Eurozone and potential knock-on effects in terms of the European banking system and UK export markets.

Public Finances

- Continued pressure on Government and LA finances.
- Very limited / no development grant in the future.
- Pressure on funding for Supporting People contracts.
- Greater focus on Social Value to 'UK plc' from services provided by our sector.
- Welfare reform roll out.
- Further welfare and benefit changes possible.

Regulatory

- Impact of the rent regime (CPI + 1%)
- HCA – future regulatory framework

Our Response

We are well placed to deal with these uncertainties. We benefit from:

- Financial strength and strong cashflows, independently reinforced by Moodys awarding Bromford Group a credit rating of AA3.
- A proven track record of good risk management and a prudent approach – 'walking before we run'.
- A good spread of assets across Central England, diversified enough to avoid over concentration of risk without incurring inefficiencies of management.
- Social Value analysis that demonstrates the value of our services to 'UK plc'.
- The confidence of our Regulator – we have top rankings for both Governance and Viability (G1 and V1 respectively).
- Good relationships with our key stakeholders.
- A proven track record on service delivery and innovation combined with VfM.
- Committed and well motivated colleagues open to change.

In this environment of challenge and change, risk management continues to be a key focus, as set out in the Report of the Board. Within this framework we will continue to

- Innovate on service delivery to our customers, inspiring them be the best they can be, primarily through 'The Deal'.
- Deliver new homes, to a scale and model that sustains our financial strength.

The Operating and Financial Review was approved by the Board on 22 July 2014.



scan here for
Jade's story

“ It's great to
have the
support and
someone to
talk to ”
Jade - Customer



Report of the Independent Auditors

To the Members of Bromford Housing Association Limited

We have audited the financial statements of Bromford Housing Association Limited on pages 22 to 49 for the year ended 31 March 2014. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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.

Respective Responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board's responsibilities set out on pages 11 and 12, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board and the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

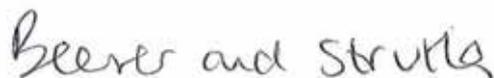
In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion:

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



BEEVER AND STRUTHERS
Chartered Accountants and Statutory Auditor
St George's House
215-219 Chester Road
Manchester M15 4JE

22 July 2014



scan here for
Natasha's story

“ Bromford
helped me
to say
I mattered ”

Natasha - Customer

Income and Expenditure Account

For the Year Ended 31 March 2014

	Notes	2014	2013
		£'000	£'000
Turnover	2	127,550	122,063
Cost of sales	2	(9,826)	(9,463)
Operating costs	2	(71,994)	(70,836)
Operating Surplus	5	45,730	41,764
Surplus on sale of fixed assets	29	2,313	773
Interest receivable and similar income	6	1,151	1,881
Interest payable and similar charges	7	(22,514)	(23,025)
Gift aid received	30	7,452	3,516
Surplus on ordinary activities for the year	5	34,132	24,909
Taxation on surplus on ordinary activities	10	(20)	-
Surplus on ordinary activities after taxation		34,112	24,909

The Association's turnover and expenses all relate to continuing operations and have been calculated on a historical cost basis. The notes on pages 26 to 49 form an integral part of these accounts.

Statement of Total Recognised Surpluses & Deficits

For the Year Ended 31 March 2014

	Notes	2014	2013
		£'000	£'000
Surplus for the financial year		34,112	24,909
Unrealised (deficit) / surplus on revaluation of investments	22	(321)	78
Actuarial deficit relating to pension scheme	22	(525)	(1,393)
Total recognised surpluses for the year		33,266	23,594

The notes on pages 26 to 49 form an integral part of these accounts.

Balance Sheet

Balance Sheet as at 31 March 2014	Notes	2014	2013
		£'000	£'000
Tangible Fixed Assets			
Housing Properties	11	675,292	633,653
Investments	13	4,220	4,220
Other fixed assets	14	3,677	3,658
		683,189	641,531
Current Assets			
Stocks	15	1,899	2,914
Debtors: amounts falling due within one year	16	10,252	12,372
Debtors: amounts falling due after more than one year	16	26,760	27,263
Current asset investments	17	7,999	26,216
Cash at bank and in hand		28,050	24,133
		74,960	92,898
Creditors: Amounts falling due within one year	18	(32,913)	(26,091)
Net current assets		42,047	66,807
Total assets less current liabilities		725,236	708,338
Creditors: Amounts falling due after more than one year	19	486,060	503,074
Pension liability	31	7,190	6,544
		493,250	509,618
Capital and Reserves			
Called up share capital	21	-	-
Revaluation reserve	22	614	935
Income and expenditure account	22	231,372	197,785
		725,236	708,338

The financial statements on pages 22 to 49 were approved by the Board on 22 July 2014 and were signed on its behalf:

 - Member of the Board
 - Member of the Board
 - Secretary

The notes on pages 26 to 49 form an integral part of these accounts.

Cashflow Statement

For the Year Ended 31 March 2014

	Notes	2014		2013	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	23		62,701		55,535
Returns on Investments and Servicing of Finance					
Interest received		1,047		1,867	
Interest paid		(23,455)		(23,090)	
Gift aid received	30	7,452		3,516	
Net cash outflow from returns on investment and servicing of finance			(14,956)		(17,707)
Taxation paid			(20)		-
Capital Expenditure					
Sale of fixed assets		7,262		30,774	
Investment in Igloo Insurance		-		(220)	
Acquisition and construction of housing properties		(59,793)		(69,346)	
Capital grants received		4,632		7,290	
Grant transferred		-		(6,745)	
Purchase of other fixed assets		-		(122)	
Sale of other fixed assets		-		1	
Net cash outflow from investing activities			(47,899)		(38,368)
Net cash outflow before financing			(174)		(540)
Financing					
Housing loans received		-		71,000	
Housing loans repaid		(14,140)		(70,634)	
Loan finance costs		(269)		(430)	
Intercompany loan movement		604		560	
Net cash (outflow) / inflow from financing			(13,805)		496
Decrease in cash and cash equivalents	24		(13,979)		(44)

The notes on pages 26 to 49 form an integral part of these accounts.



scan here for
Michael's story

**“I’m stronger
and ready
for new
challenges”**

Michael - Customer

Notes to the Financial Statements

1. Principal Accounting Policies

The Association is incorporated with charitable rules under the Industrial and Provident Societies Act 1965 with the reference number 31418R and is registered with the Homes and Communities Agency as a Registered Provider (RP) of social housing.

Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and Statements of Recommended Practice of the United Kingdom. The accounts comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2012, and the Statement of Recommended Practice: accounting by Registered Social Housing Providers Update 2010 published by the National Housing Federation. The accounts are prepared on the historical cost basis of accounting, as modified by the revaluation of investments.

Turnover

Turnover represents rental income receivable, revenue grants from local authorities, income from first tranche sale of shared ownership property and amounts invoiced in respect of the provision of services and other income.

VAT

The Association is value added tax (VAT) registered but a large proportion of its income (rents), is exempt for VAT purposes. Under partial exemption rules, this means that the Association can recover only a proportion of the VAT it suffers. Expenditure is therefore shown inclusive of VAT to the extent that it is suffered by the Association and not recoverable. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Support income and costs including Supporting People

Supporting people (SP) contract income received from Administering Authorities is accounted for as SP income in the turnover note 2. The related support costs are matched against this income in the same note.

Support charges included in the rent are included in the income and expenditure from social housing lettings note 3 and matched against the relevant costs.

Properties for Sale

The sales income and related costs associated with properties sold during the year are included in the Income and Expenditure Account. This includes the income and related costs associated with the first tranche sales for shared ownership properties.

Properties developed for sale but unsold as at the balance sheet date, including the unsold first tranche element of any completed shared ownership properties, are shown in the balance sheet as current assets, valued at the lower of cost and net realisable value. Cost comprises materials, direct labour, direct development overheads and interest capitalised. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Property Managed by Agents

Where the Association carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Income and Expenditure Account.

Where the agency carries the majority of the financial risk, the Income and Expenditure Account includes only that income and expenditure which relates solely to the Association.

In both cases, the assets and associated liabilities are included in the Balance Sheet.

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 contribute to the development process and are directly attributable to bringing the property into its intended use.

Loan Finance Costs

Costs directly connected with the raising of finance are netted off the loan balances in the Balance Sheet. The costs are then written off to the Income and Expenditure Account over the life of the related loan.

Leased Assets

Where assets are financed by leasing agreements that give rights approximating to ownership, they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the income and expenditure account using the annuity method. Rentals paid under operating leases are charged to the Income and Expenditure Account as incurred.

Housing Properties

Housing properties are included in the Balance Sheet at cost less related capital grant and depreciation.

Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost and are not depreciated. Housing properties are transferred to completed properties when they are ready for letting or sale.

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant. In the case of section 106 land the valuation takes into account all the conditions of sale imposed by the Local Authority and its value in use to the RP.

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

Depreciation is charged on a straight-line basis after taking into account social housing grant over the assets expected economic useful life as shown below:

Component	Useful Economic Life (years)
Housing properties structure, houses	130
Housing properties, flats	75
Housing properties, rooms	40
Housing properties, bedsits	40
Roofs	65
Bathrooms	30
Heating systems	30
Windows and doors	25
Kitchens	20
Boilers	15

Shared Ownership Properties

Shared ownership properties offer an opportunity for people to part own their home. An initial first tranche is sold to the tenant, who owns that share of the property outright. The balance of the property remains in the Association's ownership and is leased to the tenant.

Where shared ownership properties are developed, the costs relating to the first tranche element are treated as a current asset. Costs related to that part of the property to be retained by the Association are treated as a fixed asset, included in housing properties at cost less depreciation, any related capital grant and any impairment provision.

First tranche sales are included in the Income and Expenditure Account by way of turnover and related cost of sales.

Shared owners are able to subsequently purchase further shares in their homes. This is called 'staircasing'. The surplus or deficit arising on staircasing is included in the Income and Expenditure Account after operating surplus but before interest.

Impairment

All housing properties are reviewed annually for impairment. For this purpose, properties are normally split into groups whose income and expenditure can be separately identified. Impairment is recognised where the carrying value (depreciated historic cost net of grant) exceeds the recoverable amount (the higher of the net realisable value or the value in use).

Where impairment is identified, a provision is made against the asset and is charged to the Income and Expenditure Account.

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.

Homebuy Direct

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.

Social Housing and Other Grants

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received.

Social Housing Grant (SHG) received for items of cost written off in the Income and Expenditure Account is treated as part of turnover and is thereby matched against those costs. The net SHG received and not spent is included in current liabilities, taking into account all properties under construction.

Under certain conditions, SHG can be recycled by the Association and can be used for projects approved by the Homes and Communities Agency (HCA). Such recycled SHG is included as a liability in the Balance Sheet. Recycled SHG may have to be repaid if certain conditions are not met, in which case it becomes a subordinated unsecured repayable debt.

Other Fixed Assets and Depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and capital grants. Freehold land is not depreciated.

Tangible fixed assets are depreciated on a straight line basis over the expected economic useful lives of the assets as follows:

Motor vehicles	3 years
Fixtures, fittings, plant and equipment	5 years
Computer Software	3 years
Computer Hardware	3 years
Office Buildings	50 years

The useful economic lives of all tangible fixed assets are reviewed annually. Fixed assets which are considered to be permanently impaired are written down to their recoverable amounts.

Disposal Proceeds Fund (DPF)

Voluntary Purchase Grant net disposal proceeds are credited to this fund which appears as a creditor until it is either spent or repaid to the Homes and Communities Agency (HCA).

Service Charge Sinking Funds

Service charge sinking funds are treated as creditors due within one year.

Fixed Asset Investments

Fixed Asset Investments are carried at the lower of cost and net realisable value.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

Current Asset Investments

Current Asset Investments are carried at Market Value.

Provisions

The Association only provides for contractual liabilities.

Pension costs

The Association participates in the Social Housing Pension Scheme (SHPS) defined benefit pension scheme and accounts for this in line with the requirements of FRS 17. The Association also makes contributions into a defined benefit pension scheme operated by Staffordshire County Council. The scheme is valued every three years by professionally qualified independent actuaries, the rates of contribution being determined by the actuaries. In the intervening years the actuaries review the continuing appropriateness of the rate of contribution. The cost of providing pensions is charged to the income and expenditure account in accordance with the requirements of FRS17. The Association also makes contributions to a defined benefit scheme operated by the Pensions Trust. As the Pensions Trust is unable to identify the Association's share of the underlying assets and liabilities, the Association accounts for contributions to the Pensions Trust scheme as if it were a defined contribution scheme.

Details of these schemes are set out in Note 31.

Financial Instruments

The Association uses derivative financial instruments to reduce exposure to interest rate movements. The Association does not hold or issue derivative financial instruments for speculative purposes. For an interest rate instrument to be treated as a hedge, the instrument must be related to actual assets or liabilities or to a probable commitment and must change the nature of the interest rate by converting a variable rate to a fixed rate or vice versa. Interest differentials under these instruments are recognised by adjusting net interest payable over the periods of the contracts. If an instrument ceases to be accounted for as a hedge, for example because the underlying hedging position is eliminated, the instrument is marked to market and any resulting profit or loss is recognised at that time.

Taxation

Bromford Housing Association Limited has charitable status and therefore is not subject to corporation tax on surpluses derived from charitable activities.

2. Turnover and Operating Surplus

		2014			
	Notes	Turnover	Cost of Sales	Operating Costs	Operating Surplus / (Deficit)
		£'000	£'000	£'000	£'000
Social Housing Lettings					
Housing accommodation	3	82,502	-	(45,465)	37,037
Supported housing accommodation	3	14,307	-	(9,207)	5,100
Shared ownership accommodation	3	3,526	-	(2,121)	1,405
		<u>100,335</u>	<u>-</u>	<u>(56,793)</u>	<u>43,542</u>
Other Social Housing Activities					
Development partnership		169	-	(169)	-
Sales and development		-	-	(483)	(483)
Agency services		2,796	-	(2,689)	107
Supporting people contract income		11,303	-	(10,242)	1,061
Other		161	-	(35)	126
First tranche shared ownership sales		12,628	(9,826)	(1,405)	1,397
		<u>127,550</u>	<u>(9,826)</u>	<u>(71,994)</u>	<u>45,730</u>

		2013			
	Notes	Turnover	Cost of Sales	Operating Costs	Operating Surplus / (Deficit)
		£'000	£'000	£'000	£'000
Social Housing Lettings					
Housing accommodation	3	78,087	-	(44,249)	33,838
Supported housing accommodation	3	14,025	-	(8,869)	5,156
Shared ownership accommodation	3	3,050	-	(2,200)	850
		<u>95,162</u>	<u>-</u>	<u>(55,318)</u>	<u>39,844</u>
Other Social Housing Activities					
Development partnership		328	-	(346)	(18)
Agency services		3,444	-	(3,444)	-
Supporting people contract income		11,511	-	(9,992)	1,519
Other		275	-	(21)	254
First tranche shared ownership sales		10,681	(9,094)	(1,536)	51
Properties developed for outright sale		490	(369)	-	121
		<u>122,063</u>	<u>(9,463)</u>	<u>(70,836)</u>	<u>41,764</u>
Non Social Housing Activities					
Market rents		27	-	-	27
Commercial rents		145	-	(59)	86
Properties and facilities management		-	-	(120)	(120)

3. Income and Expenditure from Social Housing Lettings

	2014			2013	
	Housing Accommodation	Supported Housing & Housing for Elderly	Shared Ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
Income					
Rent receivable net of voids	80,005	9,808	2,726	92,539	87,296
Service charges	2,475	4,251	800	7,526	7,543
Charges for support services	22	248	-	270	323
Total Income from Social Housing Lettings	82,502	14,307	3,526	100,335	95,162
Expenditure on letting activities					
Services	(3,571)	(4,233)	(477)	(8,281)	(8,050)
Care and support costs	(31)	(258)	-	(289)	(318)
Management	(12,808)	(1,926)	(961)	(15,695)	(15,035)
Routine maintenance	(11,995)	(1,135)	(182)	(13,312)	(13,536)
Planned maintenance	(502)	(529)	(66)	(1,097)	(816)
Major Repairs expenditure	(4,600)	(582)	(184)	(5,366)	(5,887)
Rent losses from bad debts	(651)	(151)	(32)	(834)	(498)
Depreciation and impairment	(11,307)	(393)	(219)	(11,919)	(11,178)
Total expenditure on social housing lettings	(45,465)	(9,207)	(2,121)	(56,793)	(55,318)
Operating surplus on social housing letting activities	37,037	5,100	1,405	43,542	39,844
Rent losses from voids	(508)	(372)	(13)	(893)	(719)

4. Accommodation in Management

	2014	2013
	Number	Number
General needs	17,338	17,507
Affordable rent	749	259
Supported housing	1,681	1,656
Registered care homes	-	43
Shared ownership	1,200	1,035
Leasehold	673	716
Total social housing units	21,641	21,216
Staff accommodation	9	9
Market rent	7	4
Commercial units	111	120
Retained freeholds	377	352
Total non social housing unit	504	485
Total units	22,145	21,701
Owned and managed	21,217	20,689
Owned and managed by other	491	544
Managed for other	437	468
Total units	22,145	21,701
Garages / parking spaces	1,531	1,533

5. Surplus on ordinary activities is stated after crediting / (charging):

	2014	2013
	£'000	£'000
Operating lease rentals:		
- office land & buildings	(721)	(614)
- vehicles	(1,021)	(1,118)
Surplus on sale of:		
- fixed assets	2,313	772
- other tangible fixed assets	-	1
Depreciation of housing properties	(11,809)	(10,934)
Depreciation of tangible owned fixed assets	(282)	(186)
Auditor's remuneration (excluding VAT):		
- in their capacity as auditors	(18)	(18)

6. Interest Receivable and Similar Income

	2014	2013
	£'000	£'000
Interest receivable from cash and money market deposits	<u>1,151</u>	<u>1,881</u>

7. Interest Payable and Similar Charges

	2014	2013
	£'000	£'000
Interest on loans, overdraft and other financing:-		
- by instalments	22,534	22,426
- other	<u>712</u>	<u>712</u>
	23,246	23,138
Other finance charges	155	104
Finance costs / amortised premium	71	71
Interest payable capitalised on housing properties under construction (5.2%) (2013: 1%)	<u>(1,144)</u>	<u>(428)</u>
	22,328	22,885
Interest on pension scheme liabilities	896	794
Expected return on employer assets	<u>(710)</u>	<u>(654)</u>
	<u>22,514</u>	<u>23,025</u>

8. Staff Costs

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

9. Directors' Emoluments

Emoluments to directors are paid through Bromford Housing Group Limited and are disclosed in the Group Accounts.

One Non-Executive Director of the Board received emoluments for their services as director of Bromford Housing Association Limited during the year - J. Jones £2k. (2013 £2k)

10. Taxation on Surplus on Ordinary Activities

A charge of £20k arose from the surplus on non-charitable activities relating to the year-ended 31 March 2013.

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 2013	1,130,370	27,650	68,744	7,823	1,234,587
Additions	180	34,650	434	9,907	45,171
Component replacement & additions	14,585	-	-	-	14,585
Transferred on completion	21,776	(21,776)	8,232	(8,232)	-
Disposals	(3,243)	-	(1,466)	-	(4,709)
Components disposed	(3,746)	-	-	-	(3,746)
Transfer to group association	(97)	-	-	-	(97)
Reclassification	296	275	(108)	(127)	336
At 31 March 2014	1,160,121	40,799	75,836	9,371	1,286,127
Less:-					
Depreciation and Impairment					
At 1 April 2013	127,809	-	1,099	539	129,447
Charge for the year	11,464	-	345	-	11,809
Disposals	(3,557)	-	(59)	-	(3,616)
Transfer to another association	2	-	8	-	10
Reversal of impairment	-	-	-	(539)	(539)
At 31 March 2014	135,718	-	1,393	-	137,111
Social Housing Grant					
At 1 April 2013	447,091	3,484	20,742	170	471,487
Received	2,656	1,391	1	606	4,654
Transferred on completion	(583)	583	513	(513)	-
Recycled	(2,256)	-	(140)	-	(2,396)
Reclassification	602	(6)	(747)	130	(21)
At 31 March 2014	447,510	5,452	20,369	393	473,724
Net Book Value 31st March 2014	576,893	35,347	54,074	8,978	675,292
At 1 April 2013	555,470	24,166	46,903	7,114	633,653
				2014	2013
				£'000	£'000
Housing property net book value in respect of long leaseholds				16,948	16,948
Housing property net book value in respect of freeholds				658,344	616,705
				<u>675,292</u>	<u>633,653</u>
Total depreciation charge				11,809	10,934
Component depreciation within the total depreciation charge				8,963	8,245
Development administration costs capitalised during the year				2,338	2,341
Estimated open market value of housing properties				2,424,279	2,158,978
Value of properties on charge for the security of loans				954,826	955,557
Total accumulated SHG receivable at the balance sheet date from capital and revenue sources				<u>518,159</u>	<u>515,922</u>

12. Expenditure on work to existing properties

	2014 £'000	2013 £'000
Replacement of components	8,518	8,403
Amounts charged to Income & Expenditure Account	5,366	5,887
	<u>13,884</u>	<u>14,290</u>

13. Tangible Fixed Assets - Investments

	2014 £'000	2013 £'000
Bromford Assured Homes plc	4,000	4,000
Igloo Insurance PCC Limited (Cell BRO4)	220	220
	<u>4,220</u>	<u>4,220</u>

The investment in Bromford Assured Homes plc represents the fair value of the assets when purchased reviewed for impairment.

Bromford Housing Association Limited has seven wholly owned subsidiaries. The companies' details are as follows:

	Registrar of Co's Number	Date of Incorporation	Country of Incorporation	Principal Activity	Class of Shares held	Percentage of Shares held
Bromford Assured Homes plc	2677730	09-Jan-92				
Strand Services (Whitchurch) Limited	2645753	16-Sep-91				
Project Note Limited (dormant)	3716147	19-Feb-99				
Street Services Limited	3711394	11-Feb-99				
Riverside Mews Management Company Limited	2953846	29-Jul-94				
Queen Street Management Company Limited	1764379	25-Oct-83				
Bromford Carinthia Homes Limited (dormant)	2625632	01-Jul-91				
Igloo Insurance PCC Limited (Cell BRO4)	Guernsey	Insurance	Guernsey	Insurance	Ordinary	100%

14. Tangible Fixed Assets - Other

	Freehold Offices	Fixture Fittings & Equipment	Computer Equipment & Software	Leasehold Offices	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2013	4,974	2,108	233	137	132	7,584
Additions	292	-	12	-	-	304
Disposals	-	(3)	-	-	(13)	(16)
At 31 March 2014	5,266	2,105	245	137	119	7,872
Depreciation and Impairment						
At 1 April 2013	1,596	1,931	220	47	132	3,926
Charge for the year	133	128	11	10	-	282
Disposals	-	-	-	-	(13)	(13)
At 31 March 2014	1,729	2,059	231	57	119	4,195
Net Book Value at 31 March 2014	3,537	46	14	80	-	3,677
At 1 April 2013	3,378	177	13	90	-	3,658

15. Stocks and Work in Progress

	2014 £'000	2013 £'000
Consumable stock	253	245
Work-in-progress - 1st tranche	1,646	2,669
	<u>1,899</u>	<u>2,914</u>
Shared ownership properties:		
Completed	257	408
Under construction	1,389	2,261
	<u>1,646</u>	<u>2,669</u>

16. Debtors

	2014	2013
	£'000	£'000
Amounts falling due within one year:-		
Rent arrears	4,136	4,428
Less: provision for bad debts	(1,064)	(1,422)
	<u>3,072</u>	<u>3,006</u>
Trade debtors	308	554
Less: provision for bad debts	-	(15)
Other debtors	753	494
Prepayments and accrued income	1,003	1,431
Amounts due from group companies	<u>5,116</u>	<u>6,902</u>
Amounts falling due within one year	<u>10,252</u>	<u>12,372</u>
Shared equity loans	97	97
Amounts due from group companies	<u>26,663</u>	<u>27,166</u>
Amounts falling due after more than one year	<u>26,760</u>	<u>27,263</u>

17. Current Asset Investments

	2014	2013
	£'000	£'000
Money market deposits	<u>7,999</u>	<u>26,216</u>
Cash and money market deposits includes monies held by lenders in support of bond finance. These monies are placed in accounts charged to the lenders.		
	2014	2013
The analysis of these monies is:	£'000	£'000
Dexia bond	2,718	2,704
Haven bond	4,802	5,032
	<u>7,520</u>	<u>7,736</u>

18. Creditors: Amounts falling due within one year

	2014	2013
	£'000	£'000
Prepaid rental income	2,078	1,928
Housing loans	9,743	5,091
Trade creditors	2,346	2,415
Amounts due to group companies	379	40
Balances with supported housing partners	3,217	2,932
Funds held on trust	2,199	1,939
Recycled capital grant fund	38	69
Stock issue premium	133	133
Accruals and deferred income	11,606	10,471
Payments received on account from subsidiary for property purchase	1,174	1,073
	<u>32,913</u>	<u>26,091</u>

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

	2014	2013
	£'000	£'000
Housing Loans	479,410	498,245
Other loans	581	736
Stock issue premium	2,926	3,059
Other creditors	106	104
Recycled capital grant fund	2,997	890
Disposals proceeds fund	40	40
	<u>486,060</u>	<u>503,074</u>

Loans repayable by instalments and not wholly repayable within five years :-

Repayable within one year	9,743	5,091
Repayable between one and two years	7,509	5,686
Repayable between two and five years	34,526	32,621
After five years	367,139	394,555
Less : loan finance costs	<u>(3,183)</u>	<u>(3,381)</u>
	<u>415,734</u>	<u>434,572</u>

Amounts repayable otherwise than by instalments and not wholly repayable within five years:-

Repayable between two and five years	10,500	-
Repayable after five years	<u>63,500</u>	<u>69,500</u>
	<u>74,000</u>	<u>69,500</u>

Housing loans from banks, building societies, and registered social landlord public issue stock are secured by specific charges on housing properties and are repayable at varying interest rates.

Loans due after more than one year include the Dexia and Haven bonds. As set out in Note 17, the Dexia bond is supported by cash held in a charged bank account. The Haven bond is supported by a debt service reserve, which is cash deposited with the bond trustees and reinvested by them on our behalf.

	2014	2013
	£'000	£'000
Loans as stated above	489,734	504,072
Less : Dexia charged cash deposit	(2,718)	(2,704)
Less : Haven debt service reserve	<u>(4,802)</u>	<u>(5,032)</u>
Loans net of related cash deposits	<u>482,214</u>	<u>496,336</u>

Interest charged to the Income and Expenditure Account on the Dexia bond is net of interest earned on the Dexia charged cash deposit.

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

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

	Period Years	End Date	Rate %	Swap Amount £'000
Barclays	25	20-Jul-31	4.31	12,500
Lloyds TSB	22	20-Mar-29	4.50	15,000
Lloyds TSB	25	12-Jan-32	4.04	10,000
Lloyds TSB	25	21-Jul-31	4.31	12,500
Lloyds TSB	25	27-Oct-31	4.17	10,000
Lloyds TSB	15	13-Sep-22	4.66	20,000
				<u>80,000</u>

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

	2014 £'000	2013 £'000
Floating rate	90,589	104,740
Fixed rate	<u>402,328</u>	<u>402,713</u>
	<u>492,917</u>	<u>507,453</u>

Undrawn committed borrowing facilities at 31 March were as follows:

	2014 £'000	2013 £'000
Expiring within one year	65,900	-
Expiring between one and two years	-	57,900
Expiring after five years	-	-
Total	<u>65,900</u>	<u>57,900</u>

£65,900,000 of the undrawn committed borrowing facilities are currently secured.

20. RCGF and DPF Creditors

	2014 £'000
a) Recycled Capital Grant Fund	
As at 1st April 2013	959
Grants recycled	2,396
Interest accrued	6
Transfers from other group members	(69)
Utilised	<u>(257)</u>
As at 31st March 2014	<u>3,035</u>
b) Disposal Proceeds Fund	
As at 1st April 2013 and 31 March 2014	<u>40</u>

21. Called Up Share Capital

	2014 £
Allotted, issued and fully paid	
At 1 April 2013	5
Cancelled during the year	-
Alotted during the year	-
At 31 March 2014	<u>5</u>

Each independent member of the Board holds one share in the Association. The shares do not confer a right to any dividend or distribution in a winding up, and are not redeemable. Each share has full voting rights.

22. Reserves

	Revaluation Reserve: Investments	Income & Expenditure Account
	£'000	£'000
As at 1 April 2013	935	197,785
Surplus for the financial year	-	34,112
Actuarial loss on pension scheme	-	(525)
Unrealised deficit on revaluation of Investments	(321)	-
At 31 March 2014	<u>614</u>	<u>231,372</u>

23. Reconciliation of Operating Profit To Net Cash Inflow from Operating Activities

	2014 £'000	2013 £'000
Operating surplus for the year	45,730	41,764
Depreciation	12,091	11,120
Decrease in stocks and work in progress	1,015	2,090
Increase / (decrease) in debtors	2,224	(791)
Increase in creditors	1,706	1,454
FRS17 pension operating cost	(65)	(102)
Net cash inflow from operating activities	<u>62,701</u>	<u>55,535</u>

24. Reconciliation of Net Cashflow to Movement in Net Debt

	2014 £'000	2013 £'000
Decrease in cash	(13,979)	(44)
Cash inflow from increase in debt and lease financing	14,409	460
Amortisation of loan costs	62	(71)
Revaluation of investments	(321)	78
Movement in creditors	-	(385)
Change in net debt resulting from cashflows	<u>171</u>	<u>38</u>
Amortisation of premium	-	133
Movement in Net Debt in the year	171	171
Net Debt at 1 April 2013	<u>(456,915)</u>	<u>(457,086)</u>
Net Debt at 31 March 2014	<u>(456,744)</u>	<u>(456,915)</u>

25. Analysis of Changes in Net Debt

	At 1 April 2013 £'000	Cashflows £'000	Amortisation of premium/ loan costs £'000	Revaluation of Investment £'000	Movement In Creditors timing £'000	At 31 March 2014 £'000
Cash at bank and in hand	24,133	3,917	-	-	-	28,050
Short term investments	26,216	(17,896)	-	(321)	-	7,999
	50,349	(13,979)	-	(321)	-	36,049
Other Loans						
Housing loans < 1 year	(5,091)	-	-	-	(4,652)	(9,743)
Housing loans > 1 year	(498,981)	14,409	(71)	-	4,652	(479,991)
	(453,723)	430	(71)	(321)	-	(453,685)
Stock issue premium	(3,192)	-	133	-	-	(3,059)
	<u>(456,915)</u>	<u>430</u>	<u>62</u>	<u>(321)</u>	<u>-</u>	<u>(456,744)</u>

26. Statement of Social Housing Grant Movements

	2014 £'000	2013 £'000
Balance at 1 April 2013	471,487	470,118
SHG received	4,769	7,405
SHG transferred to other associations	-	(6,745)
SHG taken to Income and Expenditure Account	(136)	(186)
Recycled SHG	(2,396)	(569)
Movement in creditors	-	1,464
Balance at 31 March 2014	<u>473,724</u>	<u>471,487</u>

27. Capital Commitments

	2014 £'000	2013 £'000
Capital expenditure contracted for but not provided in the financial statements	<u>69,526</u>	<u>52,932</u>
Capital expenditure authorised but not yet contracted for in the financial statements	<u>10,536</u>	<u>34,435</u>

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

Social housing grant	2,594	6,080
Loans and reserves	<u>77,468</u>	<u>81,287</u>
	<u>80,062</u>	<u>87,367</u>

28. Other Financial Commitments

The annual commitments under operating leases are as follows:

	Land and Buildings		Vehicles		Total Leases	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Operating Leases which expire:-						
Within 1 year	86	-	61	37	147	37
Within 2 to 5 years	270	211	965	872	1,235	1,083
After 5 years	<u>149</u>	<u>149</u>	<u>-</u>	<u>-</u>	<u>149</u>	<u>149</u>
	<u>505</u>	<u>360</u>	<u>1,026</u>	<u>909</u>	<u>1,531</u>	<u>1,269</u>

29. Sale of Properties not Developed for Outright Sale and Other Fixed Assets

	Sale Proceeds £'000	Cost of Sales £'000	Surplus £'000
Further tranches	1,870	(1,347)	523
Right to buy	1,096	(802)	294
Right to acquire	87	(57)	30
Other property disposals	<u>4,914</u>	<u>(3,448)</u>	<u>1,466</u>
Total 2014	<u>7,967</u>	<u>(5,654)</u>	<u>2,313</u>
Total 2013	<u>3,212</u>	<u>(2,439)</u>	<u>773</u>

30. Related Party Transactions

There were gift aid receipts in the year as follows:

	2014	2013
	Gift Aid Received	Gift Aid Received
	£'000	£'000
Bromford Assured Homes PLC	512	380
Bromford Housing Group	908	-
Bromford Home Ownership Limited	5,880	3,000
Street Services Limited	152	136
	<u>7,452</u>	<u>3,516</u>

The Association's ultimate parent undertaking and controlling party is Bromford Housing Group Limited.

The Company is a wholly owned subsidiary and advantage has been taken of the exemption provided by FRS8 not to disclose related party transactions with other group companies.

The wholly owned subsidiaries of Bromford Housing Association Limited which are incorporated under the Companies Act 1985 are:

- Riverside Mews Management Company Limited (75% of 'A' shares and 50% of the 'B' shares).
- Strand Services (Whitchurch) Limited (100% owned by Bromford Housing Association Limited).
- Project Note Limited (100% owned by Bromford Housing Association Limited).
- Bromford Carinthia Homes Limited (100% owned by Bromford Housing Association Limited).
- Bromford Assured Homes PLC (100% owned by Bromford Housing Association Limited).
- Street Services Limited (100% owned by Bromford Housing Association Limited).
- Queen Street Management Company (Lichfield) Limited (100% owned by Bromford Housing Association Limited).

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

31. Pension Obligations

Social Housing Pension Scheme (SHPS)

Bromford Housing Association participates in the SHPS Pension Scheme. The Scheme is funded and is contracted out of the State Pension scheme. It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due. The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%. The estimated employer debt that would have arisen had BHA withdrawn entirely from the SHPS scheme at 30th September 2013 was £52,665,262.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%.

Growth Plan - BHA

Bromford Housing Association participates in The Pensions Trust Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan. It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%. To fund this deficit, employer contributions will increase by £15,420 from 1 April 2014.

Bromford Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2011. As of this date the estimated employer debt for Bromford Housing Association was £235,346.

Bromford Housing Association also participates in the Staffordshire County Council pension scheme.

31. Pension Obligations (Continued)

Scheme	Social Housing Pension Scheme (SHPS)	Staffordshire
Participating Employer	BHA	BHA
Active members 1/3/14	877	62
Scheme type	Defined benefit	Defined multi-employer benefit scheme administered under the Regulations governing the Local Government Pension Scheme
Status	SHPS – Final salary –closed to new entrants SHPS – CARE –open SHPS – Growth plan – open SHPS – Defined contribution - open	Closed to new entrants
Actuarial gain / (loss) shown in STRGL £'000	-	(525)
Pension Liability £'000	SHPS defined benefit scheme is a multi-employer scheme and it is not possible to allocate the net pension liability between employers. Accordingly, the scheme is accounted for as if it were a defined contribution scheme	7,190
Contributions £'000 Year to 31/3/14 Year to 31/3/13	2,194 (Note1) 1,588	503 454
Basis of charge to profit		So as to spread the cost of pensions over employees' working lives with the Company.
Employer Contribution	14% of payroll	Fixed at 18.8% of pensionable pay until 31st March 2014

31. Pension Obligations (Continued)

Note 1

The SHPS pension contribution breaks down as:

Scheme	Employer Contribution Rate	Employer Contribution £'000
Past service deficit Future service	Lump Sum	1,327
Final salary* and Care	6.1%	660
Defined contribution	3.0%	207
Total		2,194

* total employer contribution equates to 14%

Local Government Pension Schemes

Valuation and Liabilities

Scheme	Staffordshire		
Last full actuarial valuation: Valuation frequency:	31st March 2014 Every 3 years		
Valuation Assumptions	2014	2013	2012
Salary increase rate %	4.6	5.1	4.8
Pension increase rate %	2.8	2.8	2.8
Discount rate for scheme liabilities %	4.3	4.5	4.8
Expected return on assets	6.1	5.3	5.7

Scheme Market Value £'000	Staffordshire		
	2014	2013	2012
Equities	9,990	10,512	8,871
Bonds	1,732	1,597	1,365
Properties	1,066	1,065	1,024
Cash	533	133	114
Total	13,321	13,307	11,374

Return			
Equities	6.7%	5.7%	6.2%
Bonds	4.1%	3.6%	3.3%
Properties	4.8%	3.9%	4.4%
Cash	3.7%	3.0%	3.5%
Total	6.1%	5.3%	5.7%

31. Pension Obligations (Continued)

Local Government Pension Schemes (Continued)

Scheme	Staffordshire		
	2014	2013	2012
Net Pension Liability £'000			
Market value of assets	13,321	13,307	11,374
Present value of liabilities	(20,342)	(19,693)	(16,337)
	(7,021)	(6,386)	(4,963)
PV of unfunded liabilities	(169)	(158)	(150)
Total	(7,190)	(6,544)	(5,113)

Recognition in Income and Expenditure

Scheme	Staffordshire			
	2014		2013	
	£'000	% Pay	£'000	% Pay
Current service cost	447	26.3	361	20.6
Charge to operating surplus	447	26.3	361	20.6

Scheme	Staffordshire			
	2014		2013	
	£'000	% Pay	£'000	% Pay
Interest on scheme liabilities	896	52.7	794	45.4
Expected return on assets	(710)	(41.8)	(654)	(37.4)
Charge to other finance costs	186	10.9	140	8.0

Total charge	633	37.2	501	28.6
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Actual return on employer assets	1,061	1,721
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31. Pension Obligations (Continued)

Local Government Pension Schemes (Continued)

Scheme	Staffordshire	
	2014	2013
Actuarial Losses £'000		
Experience gains/(losses) on assets	(907)	1,065
Changes in financial assumptions underlying present value of scheme liabilities	382	(2,458)
Losses recognised in STRGL	(525)	(1,393)

Scheme	Staffordshire	
	2014	2013
Movement in Deficit £'000		
Pensions Liability b/fwd	(6,544)	(5,113)
Employer contributions	503	454
Contributions for unfunded benefits	9	9
Current service cost	(447)	(361)
Net return on assets	(186)	(140)
Actuarial losses in STRGL	(525)	(1,393)
Pension Liability c/fwd	(7,190)	(6,544)

Scheme	Staffordshire				
	2014	2013	2012	2011	2010
History of Experience Gains and Losses					
Experience gains / (losses) on assets	(907)	1,065	(264)	(730)	2,651
Fair Value of Assets	13,321	13,307	11,374	10,790	10,620
% of assets	(6.8)%	8.0%	(2.3)%	(6.7)%	24.9%
Experience gains / (losses) on liabilities	1,357	23	(210)	1,695	(1)
Present value of liabilities	20,511	19,851	16,487	14,797	18,925
% of liabilities	6.6%	0.1%	(1.3)%	11.4%	-
Actuarial gain / (losses) in STRGL	(525)	(1,393)	(1,092)	2,560	(4,798)
Present value of liabilities	20,511	19,851	16,487	14,797	18,925
% of liabilities	(2.6)%	(7.0)%	(6.6)%	17.3%	(25.3)%