

BROMFORD HOME OWNERSHIP LIMITED

Financial Statements

for

the year ended 31 March 2015

**Co-operative and Community Benefit Society
Registration Number 29991R**

**Homes and Communities Agency
Registration Number L4450**

Bromford Home Ownership Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2015**

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Bromford Home Ownership Limited

Report of the Board For the year ended 31 March 2015

General information

Board members and co-optees:

Two Board meetings took place during the financial year.

* **Meetings Attended** reflects the number of Board meetings that were attended by each Board member or Co-optee out of the total number of Board meetings they were eligible to attend.

	Position	**Appointment Date	*Meetings Attended
Tony Crawford	Chair	1 August 2014	0 out of 1
John Barker	Independent Non-Executive Director	1 August 2014	1 out of 1
Andrew Battrum	Executive Director	1 August 2014	1 out of 1
Rev. David Lavender	Independent Non-Executive Director		2 out of 2
Jonathan Simpson-Dent	Independent Non-Executive Director	1 August 2014	1 out of 1
Christine Clarke	Co-optee	1 August 2014	1 out of 1
Oke Eleazu	Co-optee	1 August 2014	1 out of 1
Fiona Underwood	Co-optee	1 August 2014	1 out of 1

**This column reflects appointments made during the financial year.

Retirements during the financial year:

	Position	Retirement Date	*Meetings Attended
Nick Cummins	Executive Director	Retired 31 July 2014	1 out of 1
John Downie	Chair	Retired 31 July 2014	1 out of 1
Kate Hartigan	Independent Non-Executive Director	Retired 31 July 2014	0 out of 1
Philippa Jones	Executive Director	Retired 31 July 2014	1 out of 1
Mary Miller	Independent Non-Executive Director	Retired 31 July 2014	1 out of 1
Mick Kent	Executive Director	Appointed 1 August 2014 Retired 1 January 2015	**0 out of 0

**No Board meetings took place during this Board Member's five-month period of office.

Company Secretary:

Philippa Jones – resigned 1 April 2015

Brigid Burbridge – appointed 1 April 2015

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

Bromford Home Ownership Limited

Report of the Board For the year ended 31 March 2015

The Board of Bromford Home Ownership Limited (**BHO**) is pleased to present its annual report and financial statements for the year ended 31 March 2015.

Who are we and what do we do?

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

Bromford is a **social enterprise** whose objective is to help people – customers and colleagues – to be their best. For over 50 years we've provided customers with **new and affordable homes** and provided a range of **services** aimed at **reducing welfare-dependency** and generating **social value** in **employment, education, health and community safety**. Bromford's 28,000 properties are home to over 60,000 people and every year over 10,000 customers benefit from the support services we provide.

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

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

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

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

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



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've made and will make the odd mistakes along the way but bravery has led us to a lot of success and will continue to do so.



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'.

Fig. 1 – Bromford DNA

Bromford Home Ownership Limited

Report of the Board

For the year ended 31 March 2015

Board composition, meetings, decisions and delegations

The BHO Board operates as a unitary board, made up of four Non-Executive Directors (**NEDs**), one Executive Director and three Co-optees.

NEDs are recruited for their skills and experience and are appointed for an initial term of 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 second, three-year term. Any term beyond six years is subject to rigorous annual review which takes into account the need to progressively refresh the Board.

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

The **time commitment** required from NEDs is set out in their letter of appointment and is currently between 10 and 15 days per annum. The **other significant commitments** of the Chair, Tony Crawford, and the other NEDs were disclosed to the BHG Board before appointment and are summarised in the BHG Annual Report and Accounts.

Board meetings and attendance.

The BHO Board meets twice a year. Each meeting has a planned agenda which allows enough time to discuss key areas of importance. Input from professional experts and/or external advisors is also sought by the Board when necessary. We rotate the venue for Board meetings between our key operational sites so Board members can go on site visits and meet local colleagues.

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

Board and committee decision-making

An important part of Bromford's internal control framework is making sure that decisions are made by the right people. The Matters Reserved for the BHG Board and its committees are set out in Bromford's **Group Delegations Framework** and **Fig. 2** shows the flow of delegations around Bromford's board, committee and senior management structure. Certain key decisions and matters have been reserved for approval by the BHG Board, with all other matters delegated to BHG Board Committees or the Chief Executive. The BHO Board reserves some matters for itself, such as approving the annual budget and accounts, and delegates all other matters to Board of BHG.

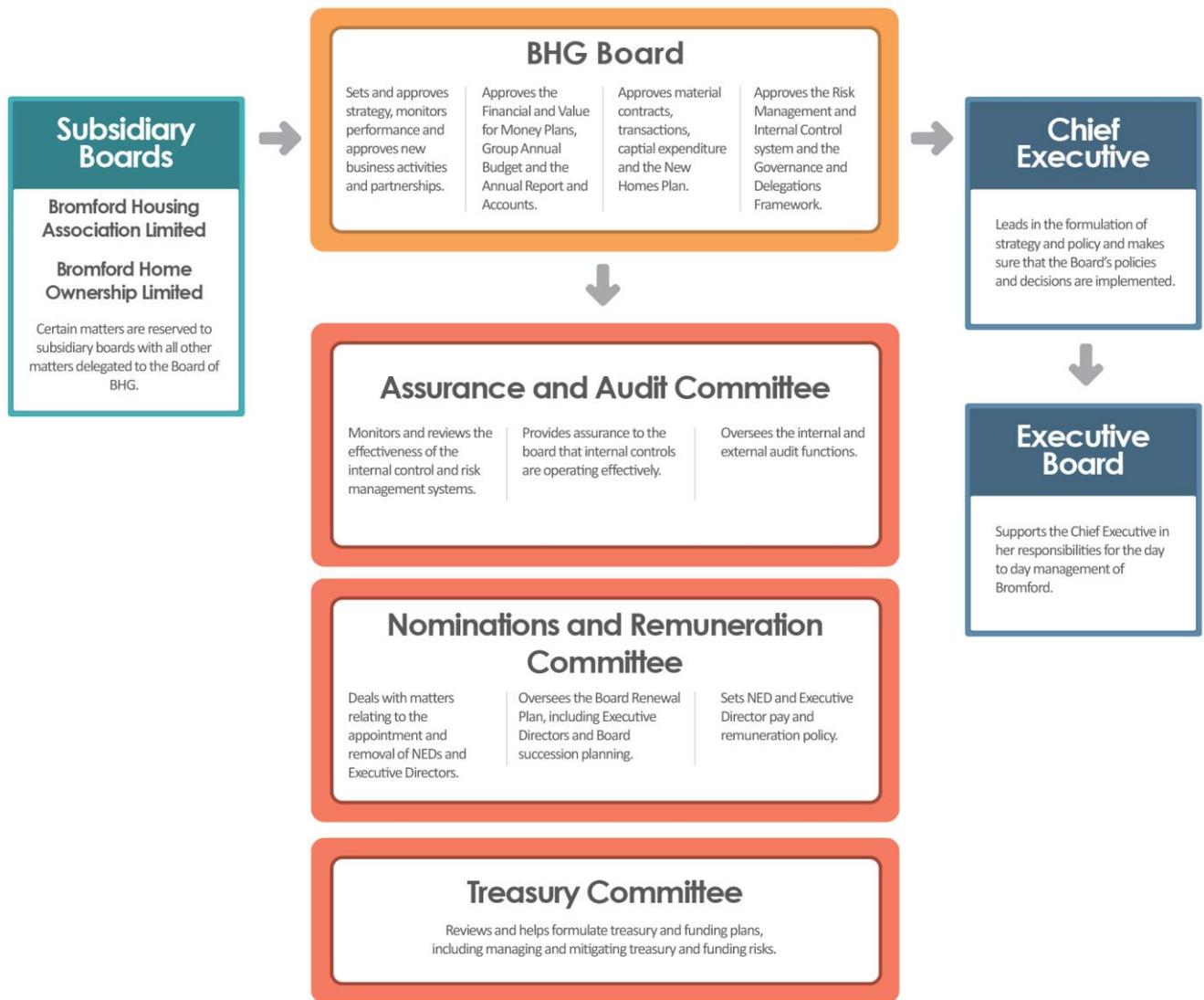


Fig. 2 – The flow of delegations

The BHG Board has three committees: the Assurance and Audit Committee, the Nominations and Remuneration Committee and the Treasury Committee. The Chief Executive has also established an executive management forum, the Executive Board. Bromford also has a Customer and Communities Network, which is not part of its formal governance structure but has strong links to the BHG Board and plays an important role in scrutinising service delivery and performance.

More information about the membership and work of the BHG Board Committees can be found in the 'Report of the Board Committees' in the BHG Financial Statements. Committee Terms of Reference can be found on the Bromford website.

Compliance with our Governance Code (Comply or Explain)

Bromford have adopted the UK Corporate Governance Code (the **Code**). The 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.

Bromford’s overall compliance statement with the UK Code and related disclosures are contained in the BHG Annual Report and Accounts, alongside information about the BHG Board’s annual Governance Effectiveness Reviews.

Openness and transparency

Bromford believe in being open and transparent – not only because it helps deliver fair, efficient, and effective customer service, but because we believe it should be easy for our customers, colleagues and stakeholders to get the information they need to make informed judgements about how we operate and use our resources. Bromford’s approach to Openness and Transparency is set out in **Fig. 3**.

The ‘Open and Transparent’ section of the Bromford website contains copies of our key policies and procedures, alongside copies of our Statement of Strategy, Governance Framework, Delegations Framework, Probity Policy and our Value for Money Policy and Self-Assessment. Value for Money 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. All expenditure over £500 is published each quarter on the Bromford website, alongside statistics and information about what our Board members and colleagues are paid.



Fig. 3 - Our Approach to Openness and Transparency

An important part of being open and transparent is interacting with our customers, partners and stakeholders in ways which are constructive and meaningful. We want customers to be able to contact us easily and conveniently whenever and wherever they need to and we work hard to remove any barriers to doing this.

Alongside traditional contact methods such as phone and email, we also have a strong social media presence with accounts on Facebook and Twitter. Customers are responding well to the flexibility this offers and the ability to proactively manage their relationship with us in different ways.

Bromford Home Ownership Limited

Report of the Board

For the year ended 31 March 2015

We encourage our customers to 'Be Brave' and share their thoughts on the services we provide. The Bromford Lab, a project set up in 2013, is one way customers can get involved in developing what we do. The Lab provides customers with information about the latest projects we have in the pipeline and gives them the opportunity to contribute their own ideas and suggestions. All customer feedback that Bromford receive helps shape our plans for continuous improvement and allows us to deliver the best customer service we can. Performance feedback is reported quarterly on the Bromford website.

Risk management and internal control

Our approach

Bromford's approach to risk is to understand it, so we can take advantage of the upside and minimise the downside. We promote an organisational culture that recognises that no activity is free from risk and we encourage colleagues to be risk aware, not risk averse.

How we manage risk

One of the BHG Board's key responsibilities is to make sure that Bromford has a system of internal controls in place that robustly manage the operational and strategic risks that threaten our business model, future performance, solvency and liquidity. Bromford's risk management process, which was in place throughout 2014/15, is set out in **Fig 4**. Risks are identified in all our business planning processes and in our day to day running of the business.

The BHG Board has delegated authority to the Assurance and Audit Committee (**AAC**) to review Bromford's internal control and risk management framework and provide assurance to the BHG Board that it is operating effectively. More information about the role, purpose and activities of the AAC can be found in the 'Report of the Board Committees' in the BHG Financial Statements.

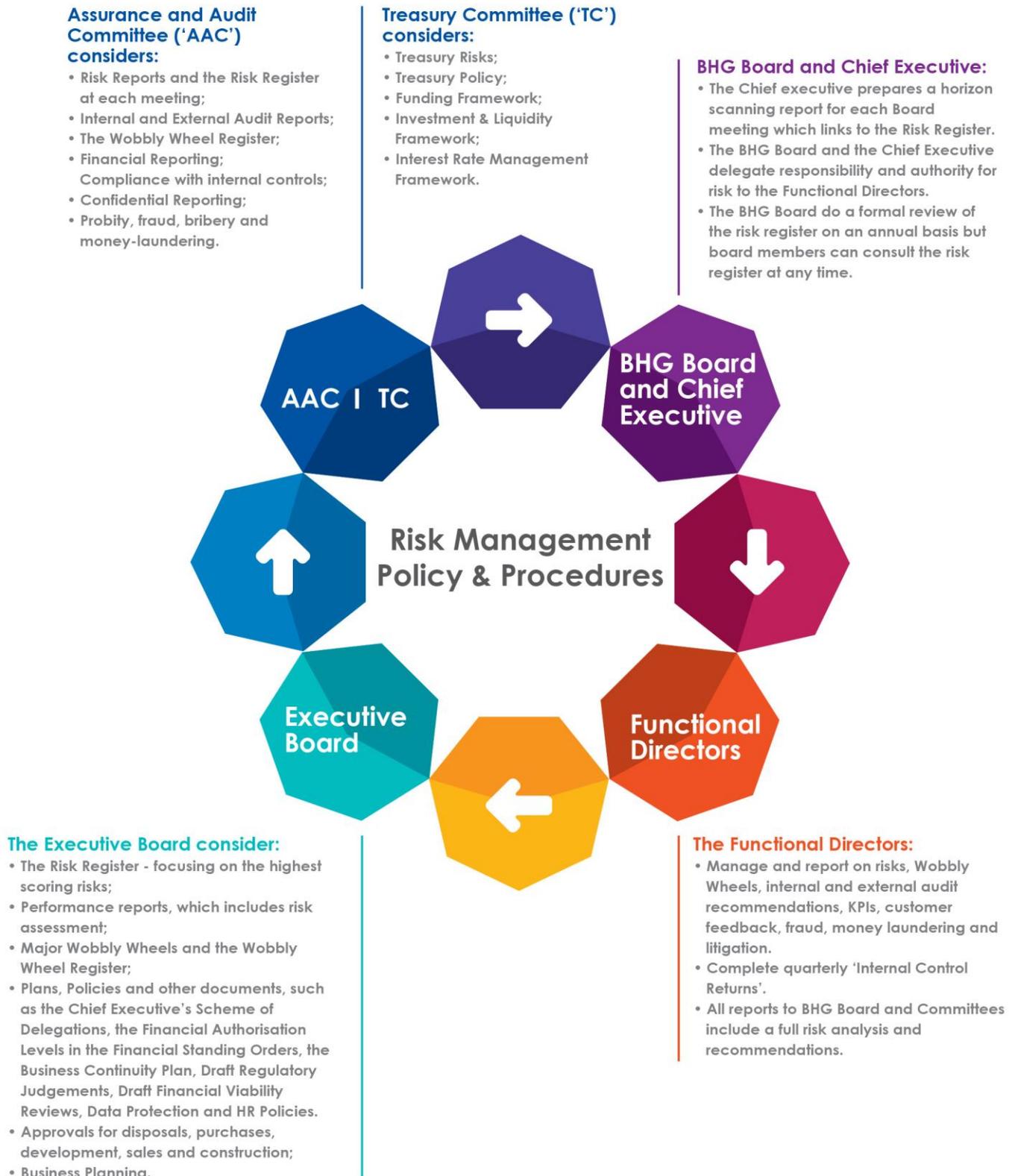


Fig. 4 – Our risk management process

Risks and uncertainties

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:

Risk	Our Response
<p>Treasury - a tightening of the credit markets leading to increased lending costs and/or a reduction in the number of funders accessible to the sector. Pressures on liquidity from counterparty risk, welfare reform and market movements.</p>	<p>We have robust treasury management policies and processes in place, which provide for high levels of liquidity in both cash terms and available property security.</p> <p>Our forecasting processes allow us to plan ahead for a long time horizon.</p> <p>We maintain excellent relationships with funders, valuing their long term commitment to the business.</p> <p>Our covenants are comfortably met and robustly stress-tested.</p> <p>We have access to expert treasury advisors who have the right skills and knowledge to support us as we manage our finances.</p> <p>These factors and our overall strong financial position, combine to support us in managing our treasury risks.</p>
<p>Income reduction - the potential for a reduction in income as a result of the roll-out of the changes to welfare reform, the implementation of Universal Credit and significantly reduced funding available for supporting people.</p>	<p>We've had a multi-faceted response to this which included communicating with customers about the impact of the changes, participating in a Government pilot, running our own service specific pilots, increasing our dedicated colleague resources so colleagues work with customers to deal with the changes, supporting our customers into work, skills development and volunteering, stress-testing the impact of higher arrears, bad debts and income reduction on our financial plan and budgets.</p>
<p>Falling housing market – the potential for unsold stock to have a detrimental impact on our strong financial position.</p>	<p>We have a strong focus on our sales exposure and operate strict limits on working capital tied up in unsold stock. We've upskilled our sales and marketing team and we closely monitor changes in the external economic environment. Stress-testing against a range of scenarios is embedded in our business planning process.</p>

Bromford Home Ownership Limited

Report of the Board

For the year ended 31 March 2015

<p>Right to Buy – the potential for a reduction in stock through increased Right to Buy sales under new legislation proposed by the Conservative Government following the 2015 General Election.</p>	<p>Whilst we support the principle of home ownership for our customers, we will be sharing our views with the Government about the risk and the potential impact of implementing this legislation – both on the sector and on customers.</p> <p>We are also carrying out stress-testing to assess the potential impact on our business – to include securitisation issues, including churn on existing charged stock, impact on covenants and reduction in income.</p>
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As well as the above risks, to ensure that we are prepared for the challenges ahead, 2015/16 will see the BHG Board managing the risks around:

- Maintaining our focus on our governance improvements and embedding the changes we have made at BHG Board level over the last three years;
- Managing the changes and transition with the new BHG Chair and Chief Executive;
- Developing our succession plans for the BHG Board, the executive and the senior leadership teams;
- Embedding the Bromford Deal in our culture and service delivery; and
- Investing in new systems and technology to help us deliver better services.

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. The system of internal control is designed to manage rather than eliminate risk, to prevent and/or detect fraud and to provide reasonable, but not absolute, assurance against material misstatement or loss.

As part of its annual review process, the AAC considers:

- The Executive annual review of effectiveness of the internal control system;
- The Risk Register;
- Internal and external auditor reports;
- Internal monitoring reports and key performance indicators;
- Reports from the Treasury Committee and treasury controls;
- Reviews of statutory and regulatory compliance – including safety compliance;
- Financial accounts, budgets, forecast and financial controls; and
- Customer and colleague feedback.

Some key elements of Bromford's control framework include:

- Our Governance Framework and Group Delegation Framework, including committee terms of reference, approved by the BHG Board;
- Financial Standing Orders;

Bromford Home Ownership Limited

Report of the Board

For the year ended 31 March 2015

- Strong treasury management, supported by external advisors and experts where necessary;
- A clear risk management process (see **Fig. 4**);
- 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 BHG Board on performance and progress on strategic priorities, targets and outcomes;
- Confidential Reporting and Probity policies; and
- Anti-money laundering and fraud policies and registers.

All Bromford's policies and 'How To' guides are simple, easy to understand and written in plain English - the outcome of a major project aimed at making sure key documents are as user-friendly as possible. The latest versions of all policies and 'How To' guides are accessible to all colleagues.

Internal and External Audit is an important way the AAC obtains assurance that internal controls are in place and working. At the start of each financial year, Bromford's internal and external auditors work with us to put a work plan in place to review and test the controls in our biggest risk areas, or in areas of strategic importance.

Following the expiry of the contract with Bromford's existing internal auditors on 31 March 2015, the AAC appointed Mazars to carry out a year-long bespoke business assurance programme. More information can be found in the 'Report of the Board Committees' in the BHG Financial Statements. The new business assurance plan was approved by the AAC, and a reporting cycle agreed with Mazars.

During the year, no significant failings or weaknesses were identified by either Bromford's internal or external auditors.

Operating and financial review

Financial results

The operating surplus of £2.9m (2014: £4.1m) came from a turnover of £4.4m (2014: £13.7m). The reduction in turnover is mainly attributed to there being no outright sale activity in 2015 (2014 £8.2m).

The surplus on the sale of housing assets was £2.9m, an increase of £1.1m on previous year and reflecting a higher level of staircasing of shared ownership properties during the year.

Fixed assets

Details of movements in fixed assets during the year are set out in note 11 to the financial statements. The charge for the year for the depreciation of housing properties is £155k (2014: £155k).

Corporation tax

Bromford has a tax strategy which includes non-charitable subsidiaries making gift aid payments to charitable subsidiaries. BHO made a gift aid payment of £5.3m (2014: £5.9m) to Bromford Housing Association Limited during the year. The tax charge for the year is nil (2014: nil).

Bromford Home Ownership Limited

Report of the Board For the year ended 31 March 2015

Treasury management

The £40m facility is fully secured although undrawn at this time. Business plan projections indicate that drawings against the facility will take place throughout 15/16. The availability period for drawing expires in June 2017.

BHO continues to act as guarantor against the Bromford Housing Group head office building loan which stands at £2.1m.

Bromford Home Ownership Limited

Report of the Board

For the year ended 31 March 2015

Board responsibility for the financial statements

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the BHO Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Registered Society and of the surplus for that year.

In preparing these financial statements, the BHO Board has:

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

The BHO 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 BHO and enable it to ensure that the accounts comply with 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 2012. The BHO Board is also responsible for ensuring that arrangements are made to safeguard the assets of BHO 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 BHO's accounting records, cash holdings and all its receipts and remittances.

The Board of 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 BHO's auditors are unaware and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that BHO's auditors are aware of that information.

In preparing the accounts, the BHO Board has reviewed the BHO's financial plan for 2015/20 and has a reasonable expectation that BHO has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements set out on pages 15 to 30 have been prepared on a going concern basis.

Auditors

Following an open and transparent tender process in 2011, Beevers and Struthers, Chartered Accountants were reappointed as Bromford's external auditors for a period of five years to 2016.

The report of the Board was approved on 21 July 2015 and signed on its behalf by:



Jonathan Simpson-Dent
Chair

Bromford Home Ownership Limited

Report of the Independent Auditors To the Members of Bromford Home Ownership Limited

We have audited the financial statements of Bromford Home Ownership Limited on pages 15 to 30 for the year ended 31 March 2015. 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 87 of the Co-operative and Community Benefit Societies Act 2014. 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 the Board's Responsibilities set out on page 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the UK Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance 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 2012.

Bromford Home Ownership Limited

**Report of the Independent Auditors
To the Members of Bromford Home Ownership Limited**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires 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

BEEVER AND STRUTHERS
Chartered Accountants and Statutory Auditor
St George's House
215-219 Chester Road
Manchester M15 4JE
21st July 2015

Bromford Home Ownership Limited

Income and Expenditure Account For the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	4,444	13,732
Cost of sales	2	(9)	(7,601)
Operating costs	2	<u>(1,512)</u>	<u>(1,945)</u>
Operating Surplus	2	2,923	4,186
Surplus on sale of properties not developed for outright sale	25	2,874	1,814
Interest receivable	6	2	4
Interest payable	7	(308)	(665)
Gift aid paid	28	<u>(5,300)</u>	<u>(5,880)</u>
Surplus/(deficit) on ordinary activities before taxation	5	191	(541)
Taxation on surplus on ordinary activities	10	-	-
		<u>191</u>	<u>(541)</u>

The Association's turnover and expenses all relate to continuing operations and have been calculated on an historical cost basis.

There were no recognised gains and losses other than those included in the Income and Expenditure Account above.

The notes on pages 18 to 30 form an integral part of these accounts.

Bromford Home Ownership Limited

Balance Sheet as at 31 March 2015

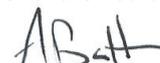
	Notes	2015 £'000	2014 £'000
Tangible Fixed Assets			
Housing properties	11	21,118	22,302
Other fixed assets	12	1	8
		21,119	22,310
Current Assets			
Stocks	13	15	-
Debtors : amounts falling due within one year	14	1,140	588
Debtors : amounts falling due after more than one year	14	891	899
Investments	15	-	-
Cash at bank and in hand		719	240
		2,765	1,727
Creditors: Amounts falling due within one year	16	(1,230)	(1,584)
		1,535	143
Net Current Assets			
		22,654	22,453
Creditors : Amounts Falling Due after more than one year	17	22,550	22,540
Capital and Reserves			
Called up share capital	19	-	-
Income & Expenditure Account	20	104	(87)
		22,654	22,453

The financial statements on pages 15 to 30 were approved by the Board on 21 Jul

f:



- Member of the Board



- Member of the Board



- Secretary

The notes on pages 18 to 30 form an integral part of these accounts.

Bromford Home Ownership Limited

Cash Flow statement For the year ended 31 March 2015

	Notes	2015		2014	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	21		1,870		8,421
Returns on Investments and Servicing of Finance					
Interest received		2		7	
Interest paid		(292)		(637)	
Gift aid		(5,300)		(5,880)	
Net Cash Outflow from Returns on Investment and Servicing of Finance			(5,590)		(6,510)
Taxation Paid					
Corporation tax paid		-		(39)	
Net Cash Inflow / (Outflow) From Taxation			-		(39)
Capital Expenditure and Sale of Housing Properties					
Sale of housing properties		5,233		3,234	
Acquisition and construction of housing properties		(487)		(886)	
Capital grants received		-		22	
Purchase of other fixed assets		-		(3)	
Net Cash Inflow from Investing Activities			4,746		2,367
Net Cash Inflow Before Financing			1,026		4,239
Financing					
Housing loans repaid		(280)		(5,000)	
Loan finance costs		(16)		(28)	
Inter-group loan movements		(250)		(503)	
Net Cash Outflow from Financing			(546)		(5,531)
Increase / (decrease) in cash and cash equivalents	22		480		(1,292)

The notes on pages 18 to 30 form an integral part of these accounts.

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2015

1. Principal accounting policies

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 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 Co-operative and Community Benefit Societies Act 2014, 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.

Turnover

Turnover represents rental income receivable, revenue grants from local authorities, income from 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.

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 as yet unsold as at 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.

Bromford Home Ownership Limited

Notes to the Financial Statements

For the year ended 31 March 2015

Capitalisation of interest and administration costs (continued)

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. Properties are depreciated over their economic useful lives:

Housing properties, houses	130 years
Housing properties, flats	75 years
Housing properties, rooms	40 years
Housing properties, bedsits	40 years

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 Association.

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.

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

Bromford Home Ownership Limited

Notes to the Financial Statements

For the year ended 31 March 2015

treated as a fixed asset, included in housing properties at cost less depreciation, any related capital grant and any impairment provision.

Shared ownership properties (continued)

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

The Association has purchased equity loans from house builders. The amount owed to the Association is a fixed proportion of the value of the borrowers property and therefore can vary as property inflation varies.

The loans are interest free for five years after which interest is paid on each of the equity loans based on the initial value of the loan, rising annually by the Retail Price Index (RPI) plus 1%. The loans are repayable on the earlier of the sale of the property or after ten years. The Association receives all the receipts.

Homebuy Direct

The Association operates this scheme in conjunction with the HCA whereby both lend a percentage of the cost to home purchasers, the loans are secured on the property. The loans are interest free for five years after which interest is paid on each of the equity loans of 1.75%, rising annually by the Retail Price Index (RPI) plus 1%. The loans are repayable only on the sale of the property when the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of Social Housing Grant (SHG). On repayment:

- (a) The HCA loan is repaid to the HCA ,
- (b) The Association loan is repaid to the Association, which keeps any surplus.

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.

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2015

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:

Computer equipment and software	3 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.

Current asset investments

Current asset investments are carried at market value.

Provisions

The Association only provides for contractual liabilities.

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.

Deferred tax

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision for deferred taxation is made on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS19.

Taxation

Taxation is provided for at the rates prevailing at the balance sheet date, and the charge is based on surpluses arising on certain activities that are liable to tax.

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2015

2. Turnover and Operating Surplus

		2015				
Notes	Turnover	Cost of Sales	Operating Costs	Operating Surplus / (Deficit)		
	£'000	£'000	£'000	£'000		
Social Housing Lettings						
	Housing accommodation	3	12	-	(2)	10
	Shared ownership and leaseholder accommodation	3	4,197	-	(1,390)	2,807
			<u>4,209</u>	<u>-</u>	<u>(1,392)</u>	<u>2,817</u>
Other Social Housing Activities						
	Development and land services		-	-	-	-
	Other		108	-	-	108
	First tranche shared ownership sales		-	-	-	-
	Property developed for other group members		-	-	-	-
Non Social Housing Activities						
	Market rents		107	-	(126)	(19)
	Properties developed for Outright Sale		1	-	6	7
	Property development/equity loan sales		19	(9)	-	10
			<u>4,444</u>	<u>(9)</u>	<u>(1,512)</u>	<u>2,923</u>

		2014				
Notes	Turnover	Cost of Sales	Operating Costs	Operating Surplus / (Deficit)		
	£'000	£'000	£'000	£'000		
Social Housing Lettings						
	Housing accommodation	3	-	-	-	-
	Shared ownership and leaseholder accommodation	3	4,264	-	(1,584)	2,680
			<u>4,264</u>	<u>-</u>	<u>(1,584)</u>	<u>2,680</u>
Other Social Housing Activities						
	Development and land services		-	-	(141)	(141)
	Other		105	-	-	105
	First tranche shared ownership sales		380	(248)	-	132
	Property developed for other group members		744	(581)	-	163
Non Social Housing Activities						
	Market rents		67	-	(14)	53
	Properties developed for Outright Sale		8,172	(6,772)	(206)	1,194
	Property development/equity loan sales					
			<u>13,732</u>	<u>(7,601)</u>	<u>(1,945)</u>	<u>4,186</u>

Bromford Home Ownership Limited

**Notes to the Financial Statements
For the year ended 31 March 2015**

3. Income and Expenditure from Social Housing Lettings

	2015			2014
	Housing Accommodation £'000	Home Ownership £'000	Total £'000	Total £'000
Income				
Rent receivable net of voids	9	3,535	3,544	3,579
Service charges	3	662	665	685
Total Income from Lettings	12	4,197	4,209	4,264
Expenditure on letting activities				
Services	(2)	(346)	(348)	(316)
Care and support costs	-	-	-	-
Management	-	(758)	(758)	(1,029)
Routine Maintenance	-	(79)	(79)	(29)
Planned Maintenance	-	(101)	(101)	(22)
Major Repairs expenditure	-	(57)	(57)	(32)
Rent losses from bad debts	-	4	4	(1)
Depreciation	-	(53)	(53)	(155)
Total Expenditure on Lettings	(2)	(1,390)	(1,392)	(1,584)
Operating surplus on letting activities	10	2,807	2,817	2,680
Rent losses from voids	-	(4)	(4)	(4)

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2015

4. Housing Stock	2015	2014
	Number	Number
General needs	3	-
Affordable rent	1	-
Shared ownership	1,365	1,447
Leasehold	141	132
Total Social Housing	1,510	1,579
Market rent	21	16
Commercial units	2	1
Retained freeholds	33	27
Total Non Social Housing Units	56	44
Total Units	1,566	1,623
Owned and managed	1,501	1,566
Owned and managed by other	29	29
Managed for other	36	28
Total Units	1,566	1,623
5. Surplus on Ordinary Activities Before Taxation	2015	2014
Is stated after (charging)/crediting:	£'000	£'000
Operating lease rentals:		
vehicles	(10)	(20)
Surplus on sale of:		
housing properties not developed for outright sale	2,874	1,814
Depreciation of housing properties	(155)	(155)
Depreciation of tangible owned fixed assets	(7)	(14)
Auditor's remuneration (inc VAT):		
in their capacity as auditors	(7)	(7)
6. Interest Receivable and Similar Income	2015	2014
	£'000	£'000
Interest receivable from cash and money market deposits	2	4
7. Interest Payable and Similar Charges	2015	2014
	£'000	£'000
Interest on loans, overdraft and other financing:		
- by instalments	-	17
- other	11	4
	11	21
Other finance charges	54	53
On loans from Bromford Housing Association	227	563
Finance costs	16	28
	308	665

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2015

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 costs are available in the Group accounts.

9. Directors Emoluments

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

One non-executive director of the Board received an emolument for their services as a director of Bromford Home Ownership Limited during the year - M. Miller £500 (2014: £2,000). M. Miller retired as a director on 31st July 2014.

10. Taxation on Surplus / (Loss) on Ordinary Activities

(a) Analysis of the charge in the period

The tax charge on the surplus / (deficit) on ordinary activities for the year was as follows:

	2015 £'000	2014 £'000
Current tax:		
UK Corporation Tax Charge / (Credit) for the year	-	-
Under/(over) provision in previous years	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	-	-
Tax on surplus / (deficit) on ordinary activities	<u>-</u>	<u>-</u>

(b) Factors affecting tax charge for the period

Surplus / (deficit) on ordinary activities before tax	<u>191</u>	<u>(541)</u>
Surplus / (deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014:23%)	40	(125)
Effects of:		
Items not allowable for tax purposes (primarily depreciation of housing stock)	102	41
Capital Allowances less than depreciation	1	2
Disposal of properties	(109)	(96)
Decrease in losses	(34)	178
	<u>-</u>	<u>-</u>

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2015

11. Tangible Fixed Assets - Housing Properties

	Shared Ownership Housing Properties £'000	Properties held for Market Renting £'000	Total £'000
Cost			
At 1 April 2014	40,675	1,703	42,378
Additions	24	492	516
Disposals	(2,270)	-	(2,270)
Replacement of components in the year	-	6	6
Transfer to group association	(34)	-	(34)
At 31 March 2015	38,395	2,201	40,596
Less:- Depreciation and Impairment			
At 1 April 2014	1,483	15	1,498
Charge for the year	140	15	155
Disposals	(87)	-	(87)
At 31 March 2015	1,536	30	1,566
Social Housing Grant			
At 1 April 2014	18,579	-	18,579
Received	-	-	-
Recycled	(843)	-	(843)
Other recategorisation	176	-	176
	17,912	-	17,912
Net Book Value at 31 March 2015	18,947	2,171	21,118
Net Book Value at 31 March 2014	20,613	1,688	22,301

The estimated open market value of housing properties is £91,980,000 (2014: £96,360,000).

The total accumulated amount of Social Housing Grant covering received or receivable at the 31 March 2015 amounted to £21,660,000 (2014: £21,465,000)

12. Tangible Fixed Assets - Other

	Computer Equipment & Software £'000
Cost	
At 1 April 2014	40
Additions	-
At 31 March 2015	40
Depreciation and Impairment	
At 1 April 2014	32
Charge for the year	7
At 31 March 2015	39
Net Book Value at 31 March 2015	1
Net Book Value at 31 March 2014	8

13. Stocks and Work in Progress

	2015 £'000	2014 £'000
Properties developed for Outright Sale	15	-
Completed	-	-
Under construction	15	-
	26	-

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2015

14. Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Rent arrears	70	109
Less: provision for bad debts	<u>(21)</u>	<u>(28)</u>
	49	81
Other debtors	148	148
Prepayments and accrued income	405	359
Amounts due from group companies	<u>538</u>	<u>-</u>
Amounts falling due within one year	<u><u>1,140</u></u>	<u><u>588</u></u>
Amounts falling due after more than one year:		
Shared equity loans	<u>891</u>	<u>899</u>

15. Current Asset Investments

	2015 £'000	2014 £'000
Money market deposits	<u>-</u>	<u>-</u>

16. Creditors: Amount Falling Due Within One Year

	2015 £'000	2014 £'000
Prepaid rental income	110	144
Trade creditors	3	3
Corporation Tax	-	-
Amounts due to group companies	549	1,335
Recycled Grant Fund (note 18)	547	94
Accruals and deferred income	<u>21</u>	<u>8</u>
	<u><u>1,230</u></u>	<u><u>1,584</u></u>

17. Creditors: Amounts Falling Due After More Than One Year

	2015 £'000	2014 £'000
Housing loans	-	-
Amounts due to group companies	21,150	21,400
Recycled capital grant fund	<u>1,400</u>	<u>1,140</u>
	<u><u>22,550</u></u>	<u><u>22,540</u></u>

Loans not wholly repayable within five years :-

Repayable within one year	500	500
Repayable between one and two years	500	500
Repayable between two and five years	2,500	1,500
After five years	18,150	19,400
Less : loan finance costs	<u>(345)</u>	<u>(280)</u>
	<u><u>21,305</u></u>	<u><u>21,620</u></u>

Bromford Home Ownership Limited has guaranteed the Co-operative Bank PLC loan of £2.1m for Bromford Housing Group.

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2015

17. Creditors: Amounts Falling Due After More Than One Year (continued)

Undrawn committed borrowing facilities at 31 March were as follows:

	2015 £'000	2014 £'000
Expiring within one year	-	-
Expiring between one and two years	-	40,000
Expiring between two and five years	40,000	-
	<u>40,000</u>	<u>40,000</u>

£40m of the undrawn committed borrowing facilities are currently secured.

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

	2015 £'000	2014 £'000
Floating rate	-	-
Fixed rate	-	-
	<u>-</u>	<u>-</u>

18. RCGF and DPF Creditors

a) Recycled Capital Grant Fund

	2015 £'000	2014 £'000
As at 1st April 2014	1,234	980
Inputs to reserve:		
Grants recycled	843	539
Interest accrued	10	3
Transfer to group member	(164)	(288)
Transfer from group member	24	-
As at 31st March 2015	<u>1,947</u>	<u>1,234</u>

19. Called Up Share Capital

Allotted, issued and fully paid

	2015 £	2014 £
As at 1st April	5	5
Cancelled during the year	(3)	-
Allotted during the year	3	-
At 31st March	<u>5</u>	<u>5</u>

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

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2015

20. Reserves

	Income & Expenditure Account £'000
As at 1 April 2014	(87)
Surplus for the financial year	191
At 31 March 2015	104

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

	2015 £'000	2014 £'000
Operating surplus for the year	2,923	4,186
Depreciation	162	169
(Increase)/decrease in stocks and work in progress	(15)	5,165
(Increase) in debtors	(264)	(140)
Decrease in creditors	(937)	(959)
Net cash inflow from operating activities	1,870	8,421

22. Reconciliation of Net Cashflow to Movement Net Debt

	2015 £'000	2014 £'000
Increase/(Decrease) in cash	479	(1,292)
Cash inflow from increase in debt and lease financing	250	5,199
Change in net debt resulting from cashflows	729	3,907
Net funds at 1 April 2014	(21,660)	(25,567)
Net funds at 31st March 2015	(20,931)	(21,660)

23. Analysis of Changes in Net Debt

	At 1 April 2014 £'000	Cashflows £'000	At 31 March 2015 £'000
Cash at bank and in hand	240	479	719
Short term investments	-	-	-
	240	479	719
Other loans			
Housing loans < 1 year	(500)	-	(500)
Housing loans > 1 year	(21,400)	250	(21,150)
	(21,660)	729	(20,931)

24. Statement of Grant Movements

	2015 £'000	2014 £'000
Balance at 1 April 2014	18,579	19,096
SHG reclassified	176	22
Recycled SHG	(843)	(539)
Balance at 31 March 2015	17,912	18,579

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2015

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

	Proceeds of Sales £'000	Cost of Sales £'000	Surplus £'000
Further Tranches	<u>5,243</u>	<u>(2,369)</u>	<u>2,874</u>
Total 2015	<u>5,243</u>	<u>(2,369)</u>	<u>2,874</u>
Total 2014	<u>3,190</u>	<u>(1,376)</u>	<u>1,814</u>

26. Capital Commitments

	2015 £'000	2014 £'000
Capital expenditure contracted for but not provided in the financial statements	<u>8,442</u>	<u>-</u>
Capital expenditure authorised but not yet contracted for in the financial statements	<u>12,843</u>	<u>-</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	1,425	-
Loans and reserves	<u>19,860</u>	<u>-</u>
	<u>21,285</u>	<u>-</u>

27. Other Financial Commitments

	Vehicles	
	2015 £'000	2014 £'000
The annual commitments under operating leases are as follows:		
Operating Leases which expire:-		
Within 1 year	1	-
Within 2 to 5 years	<u>-</u>	<u>20</u>

28. Related Party Transactions

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.

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.

Bromford Home Ownership Limited made a gift aid payment to Bromford Housing Association Limited of £5.3m in the year (2014: £5.9m).