

**BROMFORD HOME OWNERSHIP LIMITED**

**Financial Statements**

**for**

**the year ended 31 March 2016**

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

**Homes and Communities Agency  
Registration Number L4450**

## **Bromford Home Ownership Limited**

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## Bromford Home Ownership Limited

### General information

For the year ended 31<sup>st</sup> March 2016

### Board members as at 31 March 2016:

The Board Members who served from 1 April 2015 up to the date of approval of these financial statements were as follows:

Two Board meetings took place during the financial year.

	Position	Appointment Date	Meetings Attended*
Jonathan Simpson-Dent	Chair	7 April 2015	2 out of 2
Oke Eleazu	Vice Chair and Senior Independent Director	1 April 2015	2 out of 2
Andrew Battrum	Executive Director	1 August 2014	2 out of 2
Nick Cummins	Executive Director	1 April 2015	2 out of 2
Philippa Jones	Executive Director	1 April 2015	2 out of 2
Christine Clarke	Independent Non-Executive Director	1 April 2015	2 out of 2
Stephen Dando	Independent Non-Executive Director	24 November 2015	1 out of 1

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

### Retirements during the financial year:

	Position	Retirement Date	Meetings Attended*
Anthony Crawford	Chair	7 April 2015	0 out of 0
John Barker	Vice Chair / Senior Independent Director	31 March 2016	2 out of 2
Rev. David Lavender	Independent Non-Executive Director	7 April 2015	0 out of 0
Fiona Underwood	Independent Non-Executive Director	31 March 2016	1 out of 2

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

### Appointments post financial year end:

	Appointment Made	Appointment Date
Sally Higham	Independent Non-Executive Director	1 April 2016
Balvinder Heran	Independent Non-Executive Director	1 April 2016

### Company Secretary:

	Date of Appointment or Retirement
Philippa Jones	Retired 31 March 2015
Brigid Burbridge	Appointed 1 April 2015 Retired 31 March 2016
Andrew Battrum	Appointed 1 April 2016 Retired 19 July 2016
John Wade	Appointed 19 July 2016

## Bromford Home Ownership Limited

General information  
For the year ended 31<sup>st</sup> March 2016

### Advisors:



#### External Auditors:

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



#### Business Assurance Provider:

45 Church Street,  
Birmingham,  
B3 2RT.



#### Bankers:

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

### Registered office:

Exchange Court  
Brabourne Avenue  
Wolverhampton Business Park  
Wolverhampton  
WV10 6AU

## Bromford Home Ownership Limited

### Board and Strategic Report For the Year Ended 31 March 2016

The Board of Bromford Home Ownership Limited ('BHO') is pleased to present its annual report and financial statements for the year ended 31 March 2016.

#### Who are we and what do we do?

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

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

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

Bromford's 29,000 properties are home to over 60,000 people and this year an additional 4,400 customers have benefitted from the support services Bromford provides.

**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 Board monitors and tests **performance** in relation to approved plans and budgets and is also responsible for determining risk appetite, to make sure good governance and decision-making is taking place. It promotes and supports our probity and values and makes sure that there are succession plans for Board members and the senior team. Bromford's day-to-day leadership is delegated to the Chief Executive

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



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 – The Bromford DNA*

## **Bromford Home Ownership Limited**

### **Board and Strategic Report For the year ended 31<sup>st</sup> March 2016**

#### **Board composition, meetings, decisions and delegations**

The BHO Board operates as a unitary board, made up of six Non-Executive Directors ('**NEDs**') and three Executive Directors. More information about our Board members can be found in the BHG Annual Report and Accounts.

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

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

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

#### **Board meetings and attendance.**

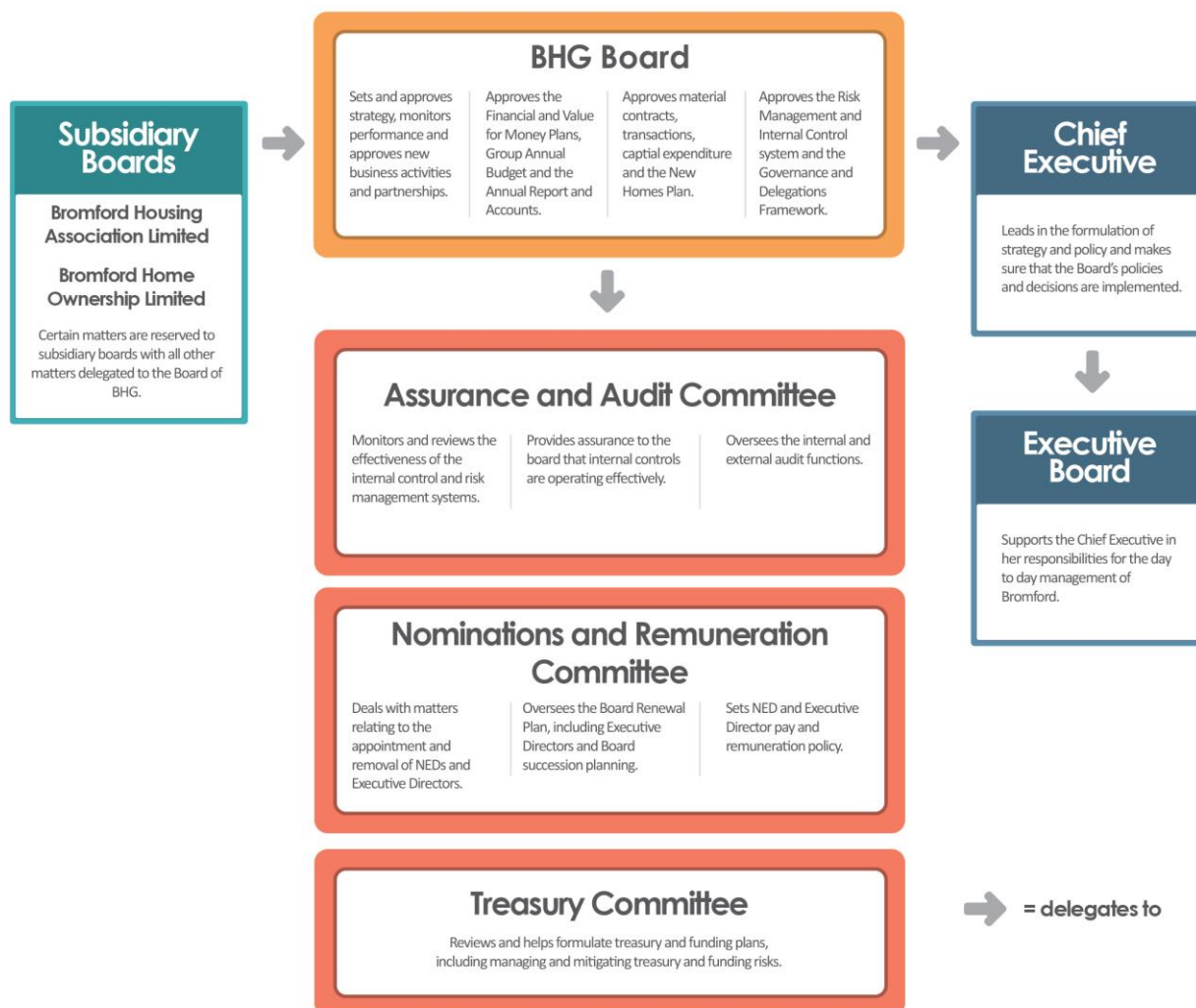
The BHO Board meet twice a year. Each meeting has a planned agenda which allows enough time to discuss key areas of importance. Input from professional experts and/or external advisors is also sought by the Board when necessary. NEDs also participate in 'experience it' days to keep in touch with the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

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

#### **Board and committee decision-making**

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 reserve 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 forum which includes the Executive Directors and all Functional Directors. 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 Annual Report. The Committee Terms of Reference can be found on the Bromford website.

**Statement of compliance with our regulatory standards**

Our regulator, the Homes and Community Agency (HCA), published a revised **Regulatory Framework** and **Regulatory Standards** on 1 April 2015.

The Regulatory Standards comprise **Economic** Standards (Governance and Financial Viability, Value for Money and Rent) and **Consumer** Standards (Tenant Involvement and Empowerment, Home, Tenancy and Neighbourhood and Community). The **objectives** of these regulatory standards are set out in **Fig. 3**.

One of the core Economic standards is **Governance and Financial Viability**. This requires Registered Providers to:

- Have effective governance arrangements in place that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner; and
- Manage their resources effectively, to make sure their viability is maintained whilst ensuring that social housing assets are not put at undue risk.



**Fig. 3 – The objectives of the Regulatory Standards**

The HCA requires Registered Providers to assess their compliance with the Governance and Financial Viability standard at least once a year. Bromford’s overall certification of compliance with the Governance and Financial Viability Standard and its accompanying Code of Practice for the year ended 31 March 2016 is contained in the BHG Annual Report and Accounts.

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

Bromford has adopted the UK Corporate Governance Code (the ‘UK 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 is contained in the BHG Annual Report and Accounts and disclosures in compliance with the UK Code have been included in that report, alongside information about the BHG Board’s annual Governance Effectiveness Review.

**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 judgments about how we operate



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



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



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



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

**Fig. 4 – Our Approach to Openness and Transparency**



## **Bromford Home Ownership Limited**

### **Board and Strategic Report For the year ended 31<sup>st</sup> March 2016**

and use our resources. Bromford's approach to Openness and Transparency is set out in **Fig. 4**.

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.

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.

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**

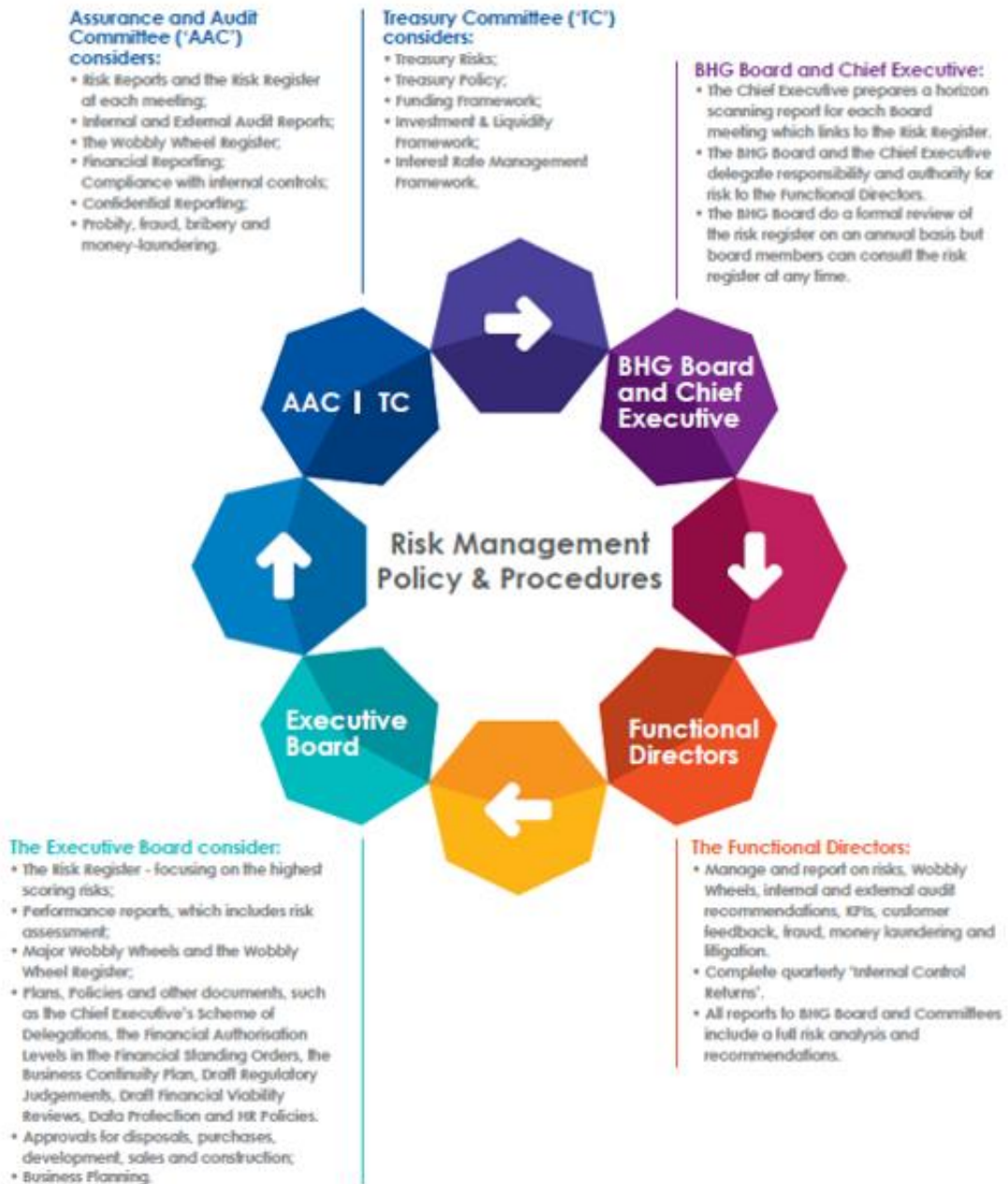
### ***Our approach***

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 2015/16, is set out in **Fig 5**. 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 (the '**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 Annual Report and Accounts.



**Fig. 5 – Our Risk Management process**

**Risks and uncertainties**

The table below sets out what the BHG Board believe 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><b>Treasury and liquidity</b></p> <p>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><b>Affordability and loss of income</b></p> <p>The potential for a reduction in income as a result of the roll-out of the changes to welfare reform and the implementation of Universal Credit.</p>	<p>We've had a multifaceted response to this which included:</p> <ul style="list-style-type: none"> <li>• Communicating with customers about the impact of the changes</li> <li>• Participating in a Government pilot,</li> <li>• Increasing our dedicated colleague resources so colleagues work with customers to deal with the change,</li> <li>• Piloting a new range of services designed to help manage their tenancies and their income</li> <li>• Supporting our customers into work, skills development and volunteering</li> <li>• Stress-testing the impact of higher arrears, bad debts and income reduction on our financial plan and budgets</li> <li>• Reviewing future affordability of our homes and potential changes to how we let them.</li> </ul>
<p><b>Market Value of Investment Properties/Market Rent</b></p> <p>There is potential for reductions in market values of investment properties which would also affect the market rent.</p>	<p>We monitor trends in market values, with annual fair value revaluation of investment properties. The majority of the company's rents are set at sub market values.</p>

## Bromford Home Ownership Limited

### Board and Strategic Report For the year ended 31<sup>st</sup> March 2016

In addition, to ensure that we are prepared for the challenges ahead, 2016/17 will see us managing the risks around:

- Embedding the Bromford Deal coaching approach in our culture and service delivery
- Restructuring our services under the Bromford Deal on a 'localities basis'
- Driving forward our land-led development programme, supported by our in-house construction team.

### 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 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's annual review of the effectiveness of the internal control system;
- The Risk Register
- External auditor reports
- Reports from our Business Assurance provider
- Internal monitoring reports and Key Performance Indicators
- Reports from the Treasury Committee and treasury controls
- Reviews of statutory and regulatory compliance – including health and safety compliance
- Financial accounts, budgets, forecast and financial controls
- Customer and colleague feedback.

Some key elements of our internal control framework include:

- Our Governance Framework and Group Delegation Framework, including committee terms of reference, approved by the Board
- Financial Standing Orders
- Strong treasury management, supported by external advisors and experts where necessary
- A clear risk management process (see **Fig. 7**)
- Robust strategic and business planning processes
- A bespoke business assurance programme
- Up to date and innovative recruitment, training and development programmes for colleagues
- Regular and formal reporting to Board on performance and progress on strategic priorities, targets and outcomes
- Confidential Reporting and Probity policies
- Anti-money laundering and fraud policies and registers.

All policies and 'How To' guides are simple, easy to understand and written in 'plain English'. The latest versions of all policies and 'How To' guides are accessible to all colleagues on our colleague Intranet.

Business Assurance and External Audit is an important way the AAC obtains assurance that internal controls are in place and working. At the start of each financial year, our Business Assurance provider and

## **Bromford Home Ownership Limited**

### **Board and Strategic Report For the year ended 31<sup>st</sup> March 2016**

external auditor work with us to put a work plan in place to review and test the controls in our biggest risk areas, or in areas of strategic importance.

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

### **Financial performance for the year**

#### **Financial results**

The operating surplus of £2.9m (2015: £3.0m) came from a turnover of £4.6m (2015: £4.6m). The surplus on the sale of housing assets was £2.3m (2015: £3.0m).

#### **Fixed assets**

Details of movements in fixed assets during the year are set out in notes 11-14 to the financial statements. The charge for the year for the depreciation of housing properties is £236k (2015: £190k).

#### **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 £5.0m (2015: £5.3m) to Bromford Housing Association Limited during the year. The tax charge for the year is nil (2014: nil).

#### **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 16/17. The availability period for drawing expires in June 2017.

In March 2016, BHG repaid its £2.1m loan from the Co-op and the BHO guarantee supporting this loan was terminated.

#### **Covenants**

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

#### **Operating performance**

Operational performance against targets is monitored at Group level and a summary is included within the Annual Report and Financial Statements of BHG.

#### **Effects of material estimates and judgments within these financial statements**

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

## **Bromford Home Ownership Limited**

### **Board and Strategic Report For the year ended 31<sup>st</sup> March 2016**

- The majority of our **debt financial instruments** are classified as basic. We do however have some stand alone interest rate swaps which have been categorised as non basic and these have been measured at fair value within these financial statements.

Further details of key estimations can be found within our accounting policies on page 20.

#### **Public Benefit Entity**

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

#### **Statement of Compliance**

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

#### **Board's Responsibilities for the Financial Statements**

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulation.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of its income and expenditure for that period.

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

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the Co-operative and to prevent and detect fraud and other irregularities.

#### **Information for Auditors**

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

## **Bromford Home Ownership Limited**

### **Board and Strategic Report For the year ended 31<sup>st</sup> March 2016**

In preparing the financial statements, the Board Members have reviewed BHO's financial plan for 2016/21 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 16 to 41 have been prepared on a going concern basis.

#### **Appointment of Auditors**

Following an open and transparent tender process in 2011, Beever and Struthers, Chartered Accountants were reappointed as Bromford's external auditors for a period of five years to 2016. Retendering of the external audit is currently in process with the process expected to be completed by October 2016.

This report was approved for issue by the Board of Directors on 19 July 2016 and signed on its behalf by:



Jonathan Simpson-Dent

Chair

## **Bromford Home Ownership Limited**

### **Report of the Independent Auditors to the Shareholders of Bromford Home Ownership Limited**

We have audited the Association's financial statements of Bromford Home Ownership Limited for the year ended 31 March 2016 set out on pages 16 to 41. 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) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Board's Responsibilities for the Financial Statements 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 Board and Strategic Report 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 2016 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with United Kingdom 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 2015.



**Bromford Home Ownership Limited**

**Report of the Independent Auditors to the Shareholders 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 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 require 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**

**19 July 2016**

## Bromford Home Ownership Limited

### Statement of Comprehensive Income as at 31 March 2016

	Notes	2016		
		£'000 UK GAAP	£'000 FRS 102 Adjustments	£'000 FRS 102
<b>Turnover</b>	<b>2</b>	<b>4,484</b>	<b>150</b>	<b>4,634</b>
Cost of sales	2	(78)	-	(78)
Operating costs	2	(1,522)	(105)	(1,627)
<b>Operating surplus</b>	<b>2</b>	<b>2,884</b>	<b>45</b>	<b>2,929</b>
Gain/(loss) on disposal of property, plant and equipment (fixed assets)	24	2,246	31	2,277
Interest receivable	6	3	-	3
Interest payable	7	(316)	-	(316)
(Decrease)/ increase in valuation of investment properties	12	-	(170)	(170)
Gift aid paid	27	(5,000)	-	(5,000)
<b>(Deficit)/ surplus before tax</b>	<b>5</b>	<b>(183)</b>	<b>(94)</b>	<b>(277)</b>
Taxation on surplus on ordinary activities	10	-	-	-
<b>Total comprehensive income for the year</b>		<b>(183)</b>	<b>(94)</b>	<b>(277)</b>

	Notes	2015		
		£'000 UK GAAP	£'000 FRS 102 Adjustments	£'000 As restated under FRS 102
<b>Turnover</b>	<b>2</b>	<b>4,445</b>	<b>157</b>	<b>4,602</b>
Cost of sales	2	-	-	-
Operating costs	2	(9)	-	(9)
		(1,567)	(35)	(1,602)
<b>Operating surplus</b>	<b>2</b>	<b>2,869</b>	<b>122</b>	<b>2,991</b>
Gain/(loss) on disposal of property, plant and equipment (fixed assets)	24	2,928	-	2,928
Interest receivable	6	2	-	2
Interest payable	7	(308)	-	(308)
Increase/(decrease) in valuation of investment properties		-	430	430
Gift aid paid	27	(5,300)	-	(5,300)
<b>Surplus/(deficit) before tax</b>	<b>5</b>	<b>191</b>	<b>552</b>	<b>743</b>
Taxation on surplus on ordinary activities	10	-	-	-
<b>Total comprehensive income for the year</b>		<b>191</b>	<b>552</b>	<b>743</b>

The association's results relate wholly to continuing activities and the notes on pages 16 to 41 form an integral part of these financial statements.

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

The financial statements on pages 16 to 41 were approved and authorised for issue by the Board on 19 July 2016 and were signed on its behalf by:



**Jonathan Simpson-Dent**  
Chair



**Philippa Jones**  
Chief Executive



**John Wade**  
Company Secretary

**Bromford Home Ownership Limited**

**Statement of Financial Position  
as at 31 March 2016**

	Notes	2016 £'000	Restated 2015 £'000
<b>Tangible Fixed Assets</b>			
Tangible fixed assets - housing properties	11	34,818	35,492
Investment properties	12	2,828	2,608
Other fixed assets	13	-	1
Homebuy Loans	14	812	891
		<b>38,458</b>	<b>38,992</b>
<b>Current Assets</b>			
Stocks	15	3,018	15
Trade and other debtors : receivable within one year	16	614	1,140
Cash and cash equivalents		582	719
		<b>4,214</b>	<b>1,874</b>
<b>Creditors: Amounts falling due within one year</b>	<b>17</b>	<b>(2,105)</b>	<b>(1,381)</b>
<b>Net Current Assets</b>		<b>2,109</b>	<b>493</b>
<b>Total Assets less Current Liabilities</b>		<b>40,567</b>	<b>39,485</b>
<b>Creditors : Amounts Falling Due after more than one year</b>	<b>18</b>	<b>(39,740)</b>	<b>(38,381)</b>
<b>Total net assets</b>		<b>827</b>	<b>1,104</b>
<b>Reserves</b>			
Called up share capital	21	-	-
Income & Expenditure Account		827	1,104
<b>Total reserves</b>		<b>827</b>	<b>1,104</b>

These financial statements on page 16 to 41 were approved by the Board and authorised for issue on 19 July 2016, and were signed on behalf of the Board by:

	<b>Jonathan Simpson-Dent</b> Chair
	<b>Philippa Jones</b> Chief Executive
	<b>John Wade</b> Company Secretary

The notes on pages 20 to 41 form an integral part of these accounts.

**Bromford Home Ownership Limited**

**Statement of Changes in Reserves  
as at 31 March 2016**

	Association	
	Income & Expenditure Account £'000	Total £'000
Note		
<b>Balance at 1 April 2014 as previously stated</b>	(87)	(87)
Changes on transition to FRS 102	30      448	448
<b>Balance at 1 April 2014</b>	<u>361</u>	<u>361</u>
Surplus/(deficit) from Statement of Comprehensive Income	743	743
<b>Balance at 31 March 2015</b>	<u>1,104</u>	<u>1,104</u>
Surplus/(deficit) from Statement of Comprehensive Income	(277)	(277)
<b>Balance at 31 March 2016</b>	<u><u>827</u></u>	<u><u>827</u></u>

The notes on pages 20 to 41 form an integral part of these accounts.

## Bromford Home Ownership Limited

### Statement of Cash Flows For the year ended 31 March 2016

	2016		Restated 2015	
	£'000	£'000	£'000	£'000
<b>Net cash generated from operating activities</b>		<b>2,956</b>		1,266
<b>Cashflow from investing activities</b>				
Purchase of tangible fixed assets - housing properties	(1,441)		(485)	
Purchase of tangible fixed assets - other	11		-	
Proceeds from sale of tangible fixed assets - housing properties	4,238		5,210	
Proceeds from sale of tangible fixed assets - other	-		-	
Direct costs of disposal of tangible fixed assets	(79)		(99)	
Interest received	3		2	
<b>Net Cash flow from Investing activities</b>		<b>2,732</b>		4,628
<b>Cashflow from financing activities</b>				
Gift aid	(5,000)		(5,300)	
Interest paid	(284)		(285)	
New secured loans	-		-	
Repayment of borrowings	-		-	
Inter-group loan repayment	(500)		251	
Debt issue costs incurred	(41)		(81)	
<b>Net Cash flow from financing activities</b>		<b>(5,825)</b>		(5,415)
<b>Net change in cash and cash equivalents</b>		<b>(137)</b>		479
<b>Cash and cash equivalents at beginning of the year</b>		<b>719</b>		240
<b>Cash and cash equivalents at end of the year</b>		<b>582</b>		719
	<b>2016</b>		<b>2015</b>	
<b>Cash flow from operating activities</b>	<b>£'000</b>		<b>£'000</b>	
Surplus/(deficit)for the year	(277)		743	
<b>Adjustments for non-cash items:</b>				
Depreciation of tangible fixed assets	228		197	
Amortisation of Government grant	(150)		(158)	
Decrease/(increase) in stock	(3,003)		(15)	
Decrease/(increase) in trade and other debtors	12		51	
Increase/(decrease) in trade and other creditors	(13)		(23)	
Increase/(decrease) in intergroup balances	2,876		(1,786)	
Increase/(decrease) in provisions	-		-	
Carrying amount of tangible fixed asset disposals	1,961		2,282	
Other non cash	-		-	
<b>Adjustments for investing or financing activities:</b>				
Proceeds from sale of tangible fixed assets - housing properties	(4,238)		(5,210)	
Proceeds from sale of tangible fixed assets - other	-		-	
Movement on Shared Equity Loans	78		9	
Movement in value of investment property	170		(430)	
Interest payable	315		308	
Interest receivable	(3)		(2)	
Gift Aid	5,000		5,300	
<b>Net cash generated from operating activities</b>		<b>2,956</b>		1,266

The notes on pages 20 to 41 form an integral part of these accounts.

## **Bromford Home Ownership Limited**

### **Notes to the Financial Statements For the year ended 31 March 2016**

#### **1. Principle Accounting Policies**

##### **Legal Status**

Bromford Home Ownership Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 (Registered Society number 29991R) and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing (registration number L4674). The registered office is Exchange Court, Brabourne Avenue, Wolverhampton, WV10 6AU.

##### **Basis of accounting**

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

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investments properties and financial instruments and are presented in sterling £.

The Association's financial statements have been prepared in compliance with FRS102 as it applies for the first time to the financial statements of the Group for the year ended 31 March 2016.

The Association transitioned from previous UK GAAP to FRS102 as at 1 April 2014. An explanation of how the transition to FRS102 has affected the reported financial position and performance, as well as the exemptions taken on transition, is given in note 30.

##### **Going concern**

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

##### **Judgements and key sources of estimation uncertainty**

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

- **Development expenditure** - The Association capitalises development expenditure in accordance with the accounting policy described on page 24. Initial capitalisation of costs is based on management's

## Bromford Home Ownership Limited

### Notes to the Financial Statements

#### For the year ended 31 March 2016

judgement that the development scheme is likely to proceed. Costs capitalised in this way are regularly reviewed and any costs identified as abortive are charged in the Statement of Comprehensive Income

- **Categorisation of housing properties** - The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that market rented property and commercial properties are investment properties.
- **Impairment** - The Association has identified a cash generating unit for impairment assessment purposes during development and construction at a programme level, with subsequent impairment assessment once in management at a property scheme level.

#### Other key sources of estimation and assumptions:

- **Tangible fixed assets** - Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Revaluation of investment properties** - The Association carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Association engaged independent valuation specialists to determine the fair value of these properties at the transition date, 31 March 2015 and 31 March 2016. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 12.
- **Categorisation of debt** - The Association's loans have been treated as 'basic' in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Association has fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). On 2 June 2016, The Financial Reporting Council (FRC) issued a statement in respect of such loans and gave no prescriptive direction as to whether they should be classified as 'basic' or 'non basic'. The association believes the recognition of each loan liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, therefore, the Association has retained its 'basic' treatment of its fixed rate loans following the FRC announcement.
- **Impairment of non-financial assets** - Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

## **Bromford Home Ownership Limited**

### **Notes to the Financial Statements**

#### **For the year ended 31 March 2016**

During the year the Government announced a change in rent policy which resulted in a material impact on the net income expected to be collected in the future for housing properties and the Association have assessed that this represents a trigger for impairment review.

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

The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Association as the existing property. The cash flows are derived from the business plan for the next 30 years and do not include any restructuring activities that the Association is not yet committed to nor any significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Following the assessment of impairment no potential impairment losses were identified in the reporting period.

#### **Turnover and revenue recognition**

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

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

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

#### **Service charges**

Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

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

#### **Loan interest costs**

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



## **Bromford Home Ownership Limited**

### **Notes to the Financial Statements For the year ended 31 March 2016**

#### **Loan finance issuance costs**

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

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

#### **Taxation**

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

#### **Value Added Tax**

The Association charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Association and is not recoverable.

#### **Tangible fixed assets and depreciation**

##### **Housing properties**

Tangible fixed assets are stated at cost, less accumulated depreciation. Donated land/assets or assets acquired at below market value from a Government source, i.e. local authority, are included as a liability in the Statement of Financial Position at the fair value less consideration paid.

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

Freehold land is not depreciated.

## Bromford Home Ownership Limited

### Notes to the Financial Statements For the year ended 31 March 2016

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

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

UELs for identified components are as follows:

	Years
• Roofs	65
• Windows and doors	25
• Structure – houses	130
• Structure – flats	75
• Structure – rooms and bedsits	40

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

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

	Years
• Computer software	3
• Computer hardware	3

#### Low cost home ownership properties

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

#### Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

## **Bromford Home Ownership Limited**

### **Notes to the Financial Statements For the year ended 31 March 2016**

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

#### **Property managed by agents**

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

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

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

#### **Leasing and hire purchase**

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

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

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

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

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

#### **Investment property**

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

#### **HomeBuy**

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

On redemption:

## **Bromford Home Ownership Limited**

### **Notes to the Financial Statements For the year ended 31 March 2016**

- The SHG is recycled
- The SHG is written off, if a loss occurs, , otherwise it is transferred to the Recycled Grant Fund
- The Association keeps any surplus.

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

#### **Equity loans purchased from house builders**

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

#### **Current asset investments**

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

#### **Stock and properties held for sale**

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

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

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

#### **Short-term debtors and creditors**

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

#### **Non-government grants**

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

#### **Social Housing and other Government grants**

Where developments have been financed wholly or partly by social housing grant (SHG) and other grants, the amount of the grant received has been included in the Statement of Financial Position as deferred income. This income is recognised in turnover (using the accruals model) over the estimated useful life of

## **Bromford Home Ownership Limited**

### **Notes to the Financial Statements For the year ended 31 March 2016**

the assets excluding land) which it funds. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

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

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

#### **Recycling of capital grant**

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

#### **Disposal Proceeds Fund (DPF)**

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing

#### **Holiday pay accrual**

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

#### **Retirement benefits**

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

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

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Association's financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor of 2.82% at 31 March 2014, 1.74% at 31 March 2015 and 2.07% at 31 March 2016. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

#### **Financial Instruments**

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

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

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In

## **Bromford Home Ownership Limited**

### **Notes to the Financial Statements For the year ended 31 March 2016**

this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

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

Investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are measured at:

- Fair value with changes in fair value recognised in profit or loss if the shares are publicly traded or their value can otherwise be measured reliably.=
- At cost less impairment for all other such investments.

Financial instruments held by the Association are classified as follows:

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

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

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

#### **Impairment of financial assets**

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

The following financial instruments are assessed individually for impairment:

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

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

## **Bromford Home Ownership Limited**

### **Notes to the Financial Statements For the year ended 31 March 2016**

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

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

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

**Bromford Home Ownership Limited**

**Notes to the Financial Statements  
For the year ended 31 March 2016**

**2. Turnover and operating surplus**

	Notes	2016			
		Turnover	Cost of Sales	Operating Costs	Operating Surplus / (Deficit)
		£'000	£'000	£'000	£'000
<b>Social Housing Lettings</b>					
Housing accommodation	3	12	-	(3)	9
Shared ownership and leaseholder accommodation	3	4,240	-	(1,574)	2,666
		<u>4,252</u>	<u>-</u>	<u>(1,577)</u>	<u>2,675</u>
<b>Other Social Housing Activities</b>					
Other		110	-	-	110
<b>Non Social Housing Activities</b>					
Market rents		149	-	(26)	123
Properties developed for outright sale		-	-	(24)	(24)
Property development/equity loan sales		123	(78)	-	45
		<u>4,634</u>	<u>(78)</u>	<u>(1,627)</u>	<u>2,929</u>

**2. Turnover and operating surplus**

	Notes	Restated 2015			
		Turnover	Cost of Sales	Operating Costs	Operating Surplus / (Deficit)
		£'000	£'000	£'000	£'000
<b>Social Housing Lettings</b>					
Housing accommodation	3	12	0	(2)	10
Shared ownership and leaseholder accommodation	3	4,355	-	(1,495)	2,860
		<u>4,367</u>	<u>-</u>	<u>(1,497)</u>	<u>2,870</u>
<b>Other Social Housing Activities</b>					
Other		108	-	-	108
<b>Non Social Housing Activities</b>					
Market rents		107	-	(111)	(4)
Properties developed for outright sale		1	-	6	7
Property development/equity loan sales		19	(9)	-	10
		<u>4,602</u>	<u>(9)</u>	<u>(1,602)</u>	<u>2,991</u>



**Bromford Home Ownership Limited**

**Notes to the Financial Statements  
For the year ended 31 March 2016**

**3. Income and expenditure from social housing lettings**

	2016			Restated 2015
	Housing Accommodation £'000	Home Ownership £'000	Total £'000	Total £'000
<b>Income</b>				
Rent receivable net of voids	10	3,435	3,445	3,544
Service charges	2	656	658	665
Amortised government grants	-	149	149	158
<b>Total Income from Lettings</b>	<b>12</b>	<b>4,240</b>	<b>4,252</b>	<b>4,367</b>
<b>Expenditure on letting activities</b>				
Services	(2)	(419)	(421)	(348)
Management	-	(839)	(839)	(726)
Routine Maintenance	-	(20)	(20)	(79)
Planned Maintenance	-	(27)	(27)	(101)
Major repairs expenditure	-	(27)	(27)	(57)
Rent losses from bad debts	-	(7)	(7)	4
Depreciation of housing properties	(1)	(235)	(236)	(190)
<b>Total Expenditure on lettings</b>	<b>(3)</b>	<b>(1,574)</b>	<b>(1,577)</b>	<b>(1,497)</b>
<b>Operating surplus on letting activities</b>	<b>9</b>	<b>2,666</b>	<b>2,675</b>	<b>2,870</b>
<b>Void losses</b>	<b>-</b>	<b>(2)</b>	<b>(2)</b>	<b>(4)</b>

## Bromford Home Ownership Limited

### Notes to the Financial Statements For the year ended 31 March 2016

4. Accommodation owned, managed and in development	2016	Restated 2015
	£'000	£'000
Under management at end of year:		
General needs housing social rent	4	3
General needs housing affordable rent	-	1
Low-cost home ownership	1,299	1,365
Leasehold	<u>161</u>	<u>141</u>
	<u>1,464</u>	<u>1,510</u>
Under development at end of year:		
Low-cost home ownership	56	49
<b>Total Social Housing</b>	<u><u>1,520</u></u>	<u><u>1,559</u></u>
Under management at end of year:		
Market rent	24	21
Office & Resources	2	2
Retained freeholds	<u>37</u>	<u>33</u>
<b>Total Non Social Housing Units</b>	<u>63</u>	<u>56</u>
<b>Total units</b>	<u><u>1,583</u></u>	<u><u>1,615</u></u>
Owned and managed	1,458	1,501
Owned and managed by other	29	29
Managed for other	40	36
Under Development	56	49
<b>Total units</b>	<u><u>1,583</u></u>	<u><u>1,615</u></u>
<b>5. Surplus on ordinary activities before taxation Is stated after (charging)/crediting:</b>	<b>2016</b>	<b>Restated 2015</b>
	£'000	£'000
Operating lease rentals:		
vehicles	(1)	(10)
Surplus on sale of:		
housing properties not developed for outright sale	2,277	2,928
Depreciation of housing properties	(236)	(190)
Depreciation of tangible owned fixed assets	-	(14)
Auditor's remuneration (excl VAT):		
in their capacity as auditors	(6)	(7)
Service Charge certification	(2)	(1)
Taxation advisory	<u>(1)</u>	<u>(1)</u>
	<u><u>3</u></u>	<u><u>2</u></u>
<b>6. Interest receivable and similar income</b>	<b>2016</b>	<b>2015</b>
	£'000	£'000
Interest receivable from cash and money market deposits	<u>3</u>	<u>2</u>
<b>7. Interest payable and similar charges</b>	<b>2016</b>	<b>2015</b>
	£'000	£'000
Interest on loans, overdraft and other financing:		
On loans repayable within five years	8	11
Repayable wholly or partly in more than five years	-	-
	<u>8</u>	<u>11</u>
Other finance charges	67	54
On loans from Bromford Housing Association	223	227
Finance costs	<u>18</u>	<u>16</u>
	<u><u>316</u></u>	<u><u>308</u></u>

## Bromford Home Ownership Limited

### Notes to the Financial Statements For the year ended 31 March 2016

#### 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.

#### 10. Taxation on (defecit)/ surplus on Ordinary Activities

##### (a) Analysis of the charge in the period

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

	2016 £'000	Restated 2015 £'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 (deficit) / surplus on ordinary activities	<u>-</u>	<u>-</u>

##### (b) Factors affecting tax charge for the period

(Deficit) / Surplus on ordinary activities before tax	<u>(277)</u>	<u>743</u>
(Deficit) / Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015:21%)	(55)	156
Effects of:		
Items not allowable for tax purposes (primarily depreciation of housing stock)	47	76
Capital Allowances (in excess of) / less than depreciation	(1)	-
Disposal of properties	(72)	(109)
Revaluation of properties	34	(89)
Increase/(decrease) in losses/utilisation of charges on income	47	(34)
	<u>-</u>	<u>-</u>

## Bromford Home Ownership Limited

### Notes to the Financial Statements For the year ended 31 March 2016

#### 11. Tangible fixed assets - housing properties

	Housing Properties held for	Housing Properties under	Shared Ownership Housing	Shared Ownership Properties under	Total
	Letting £'000	Construction £'000	Properties £'000	Construction £'000	£'000
<b>Cost</b>					
At 1 April 2015 (Restated)	-	25	38,375	-	38,400
Additions	-	879	-	583	1,462
Replacement of components in the year	-	-	21	-	21
Disposals	-	-	(1,922)	-	(1,922)
Transfers to/from investment property	-	-	(156)	-	(156)
<b>At 31 March 2016</b>	<b>-</b>	<b>904</b>	<b>36,318</b>	<b>583</b>	<b>37,805</b>
<b>Less:- Depreciation and impairment</b>					
At 1 April 2015 (Restated)	-	-	2,908	-	2,908
Charge for the year	-	-	236	-	236
Disposals	-	-	(149)	-	(149)
Transfers to/from investment property	-	-	(8)	-	(8)
<b>At 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>2,987</b>	<b>-</b>	<b>2,987</b>
<b>Net Book Value at 31 March 2016</b>	<b>-</b>	<b>904</b>	<b>33,331</b>	<b>583</b>	<b>34,818</b>
Net Book Value at 31 March 2015 (Restated)	-	25	35,467	-	35,492

The estimated open market value of housing properties is £87,000,000 (2015: £91,980,000).

#### Properties held for security

Bromford Home Ownership – Registered social housing provider had property pledged as security with a value of £49.4m (1,160 units) at 31 March 2016 (£49.9m (1,211 units) - 2015).

#### 12. Investment properties held for letting

	2016 £'000	Restated 2015 £'000
At start of year	2,608	1,688
Additions	242	490
Transfer to/from tangible fixed assets	148	-
Gain/(Loss) from adjustment in value	(170)	430
<b>At end of year</b>	<b>2,828</b>	<b>2,608</b>

Investment properties were valued at 31 March 2016 by Jones Lang LaSalle Ltd. professional qualified external valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards. In valuing the properties the following significant assumptions were used:

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

**Bromford Home Ownership Limited**

**Notes to the Financial Statements  
For the year ended 31 March 2016**

<b>13. Tangible fixed assets - other</b>	<b>Computer Equipment &amp; Software £'000</b>
<b>Cost</b>	
At 1 April 2015	40
Assets written off to I & E	(40)
<b>At 31 March 2016</b>	<u>-</u>
<b>Depreciation and Impairment</b>	
At 1 April 2015	39
Assets written off to I & E	(39)
<b>At 31 March 2016</b>	<u>-</u>
<b>Net Book Value at 31 March 2016</b>	<u>-</u>
Net Book Value at 31 March 2015	<u>1</u>

<b>14. Homebuy loans</b>	<b>2016 £'000</b>	<b>Restated 2015 £'000</b>
At start of year	891	899
Loans redeemed in the year	(79)	(8)
At end of year	<u>812</u>	<u>891</u>

<b>15. Stocks and work in progress</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Properties developed for outright sale		
Completed	-	-
Work in progress	1,750	15
Cost of first tranche element of shared ownership properties		
Completed	-	-
Work in progress	1,268	-
	<u>3,018</u>	<u>15</u>

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

## Bromford Home Ownership Limited

### Notes to the Financial Statements For the year ended 31 March 2016

#### 16. Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Rent arrears	69	70
Less: provision for bad debts	<u>(27)</u>	<u>(21)</u>
	42	49
Other debtors	156	148
Prepayments and accrued income	416	405
Amounts due from group companies	<u>-</u>	<u>538</u>
Amounts falling due within one year	<u><u>614</u></u>	<u><u>1,140</u></u>

#### 17. Creditors: amount falling due within one year

	2016 £'000	Restated 2015 £'000
Prepaid rental income	109	110
Trade creditors	1	3
Corporation Tax	-	-
Amounts due to group companies	1,547	549
Deferred Capital Grant	147	150
Recycled Grant Fund	-	547
Accruals and deferred income	<u>301</u>	<u>22</u>
	<u><u>2,105</u></u>	<u><u>1,381</u></u>

#### 18. Creditors: amounts falling due after more than one year

	2016 £'000	Restated 2015 £'000
Housing loans	-	-
Amounts due to group companies	20,650	21,151
Deferred Capital Grant	17,185	15,830
Recycled capital grant fund	<u>1,905</u>	<u>1,400</u>
	<u><u>39,740</u></u>	<u><u>38,381</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	3,000	2,500
After five years	17,150	18,151
Less : loan finance costs	<u>(368)</u>	<u>(345)</u>
	<u><u>20,782</u></u>	<u><u>21,306</u></u>

## Bromford Home Ownership Limited

### Notes to the Financial Statements For the year ended 31 March 2016

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

Undrawn committed borrowing facilities at 31 March were as follows:

	2016 £'000	2015 £'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.

#### 19. Deferred capital grant

	2016 £'000	Restated 2015 £'000
At start 1st April	15,980	16,805
Grant received in the year	-	-
Grants recycled from the Recycled capital grant fund	2,403	-
Grants recycled to the Recycled capital grant fund	(1,013)	(862)
Released to income in the year	-	-
Amortised in the year	(38)	(158)
Deferred SHG	-	195
Other	-	-
As at 31st March	<u>17,332</u>	<u>15,980</u>
	£'000	£'000
Amount due to be released < 1 year	147	150
Amount due to be released > 1 year	<u>17,185</u>	<u>15,830</u>
	<u>17,332</u>	<u>15,980</u>

#### 20. RCGF and DPF Creditors

	2016 £'000	2015 £'000
<b>a) Recycled Capital Grant Fund</b>		
As at 1st April	1,947	1,234
Inputs to reserve:		
Grants recycled	1,013	843
Interest accrued	9	10
Grant Utilised in year	(2,403)	-
Transfer from/(to) group member	1,339	(140)
As at 31st March	<u>1,905</u>	<u>1,947</u>

Withdrawals from the recycled capital grant fund were used for the development of new schemes for retirement living.

#### 21. Called up share capital

	2016 £	2015 £
<b>Allotted, issued and fully paid</b>		
As at 1st April	5	5
Cancelled during the year	(3)	(3)
Allotted during the year	3	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 2016

#### 22. Reconciliation of net cash flow to movement net debt

	2016 £'000	2015 £'000
(Decrease)/Increase in cash	(137)	479
Cash inflow from increase in debt and lease financing	501	250
Change in net debt resulting from cashflows	<u>363</u>	<u>729</u>
<b>Net funds at 1 April 2015</b>	<u>(20,931)</u>	<u>(21,660)</u>
<b>Net funds at 31st March 2016</b>	<u><u>(20,568)</u></u>	<u><u>(20,931)</u></u>

#### 23. Analysis of changes in net debt

	At 1 April 2015 £'000	Cashflows £'000	At 31 March 2016 £'000
Cash at bank and in hand	719	(137)	582
Short term investments	-	-	-
	<u>719</u>	<u>(137)</u>	<u>582</u>
Other loans			
Housing loans < 1 year	(500)	-	(500)
Housing loans > 1 year	(21,151)	501	(20,650)
	<u>(20,932)</u>	<u>364</u>	<u>(20,568)</u>

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

	Proceeds of Sales £'000	Cost of Sales £'000	Surplus £'000	Capital grant recycled (note 20) £'000
Further Tranches	4,238	(1,960)	2,278	1,013
Other fixed asset disposals	-	(1)	(1)	-
<b>Total 2016</b>	<u>4,238</u>	<u>(1,961)</u>	<u>2,277</u>	<u>1,013</u>
Total 2015	<u>5,210</u>	<u>(2,282)</u>	<u>2,928</u>	<u>862</u>

#### 25. Capital commitments

	2016 £'000	2015 £'000
Capital expenditure contracted for but not provided in the financial statements	<u>18,371</u>	<u>8,442</u>
Capital expenditure authorised but not yet contracted for in the financial statements	<u>-</u>	<u>12,843</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	1,950	1,425
Proceeds from the sale of properties	15,587	4,204
Loans and reserves	834	15,656
	<u>18,371</u>	<u>21,285</u>

#### 26. Other financial commitments

	Vehicles	
	2016 £'000	2015 £'000
At the end of the year the association had commitments of future minimum operating lease payments as follows:		
Within 1 year	<u>-</u>	<u>1</u>



## Bromford Home Ownership Limited

### Notes to the Financial Statements For the year ended 31 March 2016

#### 27. Related party transactions

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

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

Bromford Home Ownership Limited made a gift aid payment to Bromford Housing Association Limited of £5m in the year (2015: £5.3m).

#### Transactions with non regulated members of the Group

	2016 £'000	2015 £'000
Non-regulated entities:		
Bromford Developments Limited	<u>1,270</u>	<u>-</u>

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

Bromford Home Ownership Limited owed £67,866 as at 31 March 2016 to Bromford Developments Limited (2015: £52).

#### 28. Grant and financial assistance

	2016 £'000	Restated 2015 £'000
The total accumulated Government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant	17,332	15,980
Recognised as income in statement of Comprehensive Income	<u>2,081</u>	<u>1,932</u>
	<u>19,413</u>	<u>17,912</u>

## Bromford Home Ownership Limited

### Notes to the Financial Statements For the year ended 31 March 2016

#### 29. Financial Instruments

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

	<b>2016</b>	Restated
	<b>£'000</b>	£'000
<b>Financial assets</b>		
<b>Financial assets measured at amortised cost</b>		
- Rent debtors	<b>42</b>	49
- Other receivables	<b>156</b>	148
- Cash and cash equivalents	<b>582</b>	719
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Homebuy loans	<b>812</b>	891
<b>Total financial assets</b>	<b><u>1,592</u></b>	<u>1,807</u>
<b>Financial liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
- Trade creditors	<b>1</b>	3
- Other creditors	<b>24,102</b>	23,647
<b>Total financial liabilities</b>	<b><u>24,103</u></b>	<u>23,650</u>

## Bromford Home Ownership Limited

### Notes to the Financial Statements For the year ended 31 March 2016

#### 30. First time adoption of FRS 102

On adoption of FRS 102 the Association has restated the comparatives, the impact on reserves is as follows:

Association	Note	Reserves as at transition date 01 April 2014 £'000	Surplus / (deficit) Year ended 31 March 2015 £'000	Reserves as at 31 March 2015 £'000
<b>As previously stated under former UK GAAP</b>		(87)	191	104
<b>Transitional adjustments</b>				
Revaluation to fair value of investment properties	a	0	445	445
Increase in amortisation of grant relating to housing properties	b	1,774	157	1,931
Increase in depreciation of housing properties	c	(1,326)	(50)	(1,376)
<b>As stated in accordance with FRS 102</b>		<u>361</u>	<u>743</u>	<u>1,104</u>

a. FRS102 requires that changes in the fair value of investment properties are recognised in the Statement of Comprehensive Income for the period. The effect is that the value of the market rented properties has been recognised at transition £1,688k and the movement in the year to 31 March 2015 £445k, which included £15k depreciation adjustment.

b. FRS102 requires that government capital grant previously deducted from the carrying cost of housing properties is treated as a deferred capital grant creditor and released to the statement of comprehensive income over the useful life of the associated assets. The effect compared to current UK GAAP is an increase in income recognised on transition of £1,774, and £157k increase in surplus for the year ended 31 March 2015.

c. FRS102 requires that capital grant previously deducted from the cost of fixed assets, is treated as creditors where the fixed assets are carried at cost. The effect compared to current UK GAAP is an increase to the carrying cost of housing properties resulting in an increase in the depreciation at transition of £1,326k and a decrease in the surplus for the year ended 31 March 2015 of £50k.

#### Exemptions taken on transition to FRS 102:

The association has not applied any of the available exemptions on transition to FRS 102.