

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

the **BHA** Group
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REPORT AND GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2011

Registered under the Industrial and Provident
Societies Act 1965: No.2482R(S) Registered with the
Scottish Housing Regulator :No.HAL 289

*Registered Office 55
Newtown Street Duns
Berwickshire TD11 3AU*

Berwickshire
HOUSING ASSOCIATION

berwickshirelimited homehuntltd setoncare

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

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Board of Management, Executive Officers and Appointees

Board of Management as at 31 March 2011

Dr John Stanforth	(Convener)
David Melrose	(Vice Convener)
Andrew Watson	
John Elliot	
Kate Stephenson	
Andrew Brough	
Cllr James Fullerton	
Cllr Frances Renton	
Cllr Trevor Jones	
Maria Peers	(Resigned 04/03/11)
Andrew Lester	(Resigned 09/03/11)
Kay Punton	(Resigned 30/09/10)

Executive Officers

Helen Forsyth	Chief Executive
Colin Howard	Secretary & Finance Director
John Bain	Resources Director
Jean Gray	Customer Services Director

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

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Funders

Dunfermline Building Society
Caledonia House
Carnegie Avenue
Dunfermline
KY11 8PJ

Clydesdale Bank
Business Lending Services
20 Merrion Way
Leeds
LS2 8NZ

Solicitors

Messrs Iain Smith & Partners, WS
11 Murray Street
Duns
TD11 3DF

Tods Murray
66 Queen Street
Edinburgh
EH2 4NE

Registered Auditors

The JRW Group
Chartered Accountants and Registered Auditors
Riverside House, Ladhope Vale
Galashiels
TD1 1BT

Bankers

The Royal Bank of Scotland PLC
Corporate Banking, 4th Floor
100 West George Street
Glasgow
G2 1PP

HBJ Gateley
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

TC Young
Melrose House
69A George Street
Edinburgh
EH2 2JG

Group Report of the Board of Management

The Board of Management present their report and the audited financial statements for the year ended 31 March 2011.

Our Group Mission

To be the provider of choice for affordable housing in Berwickshire, and for housing support services and care services in Berwickshire and north Northumberland. To carry out all our activities in a way that impacts positively on local communities and local economies and to be perceived as a positive contributor to local communities.

Our Vision

Our Vision is "*Creating Better Communities*". To achieve this we aim:

- To be a high performing provider of affordable homes and broader support services to people on low incomes in Berwickshire and North Northumberland.
- To be assessed externally as:
 - Having major strengths
 - Providing agreed services well above the minimum requirements level
 - Highly cost effective
 - Having a record of continuous improvement

We are the main provider of affordable housing for rent in Berwickshire. We want to increase the supply of affordable housing in Berwickshire as demand grows and to maintain our existing properties to a high standard whilst keeping our rents affordable. We aim to make a positive contribution to communities within which our houses are situated.

We contribute to ensuring that communities in which we work and deliver our services are sustainable and we provide the very best customer service we can by empowering, supporting and rewarding our staff to achieve these high service standards. We believe in self assessment and we meet all Statutory and Regulatory requirements and contractual obligations.

Review of the Business

Group turnover grew by 3.5% and the BHA Group has continued to strengthen its balance sheet to a net asset position of £ 31,089,648 as at 31 March 2011. During this year a number of Designated Reserves were created and/or increased to enable us to better deal with probable future expenditure. The net asset value of the Association and Group grew by £3,973,838 and £3,999,105 respectively during the reporting year.

On the 27th May 2011 Berwickshire Housing Association achieved charitable status and during the course of the 2011/12 financial year Seton Care Limited will be applying for charitable status too. On the 30th March 2011, Homehunt Limited's Board passed a special resolution to change its name to BHA Enterprises Limited. This was as part of the sale agreement of the assets within Homehunt Limited to the Housing Partners Limited who will continue to develop the software and provide services to the customers of Homehunt Limited.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Review of the Business (continued)

The Group grew its turnover by 3.5% with the biggest year on year percentage increase coming from Seton Care Limited (5.7%). The Association achieved 0.9% growth in turnover.

Group operating costs (including exceptional items) grew by 19.2 % and the Association operating costs by 17.5 %. As regards Berwickshire Housing Association we spent £ 332,238 more on maintenance (that was expensed) this year than last year and in addition we recognised a pension liability for the past service pension deficit (£ 358,742) that equates to three future years of the charge that is being recovered and paid annually. We have raised our provision for doubtful debts materially and this has increased our rent loss for bad debts by £72,216 year on year.

Although over 75% of the long term debt is on fixed rates, Berwickshire Housing Association in particular has continued to benefit from the low Base rate and low Libor rates on the balance, and has kept its year on year interest costs to almost exactly what they were in the 2009/10 year.

During the year the Association completed the building of 12 new housing units in Duns and a respite home. The Association is keenly aware of the demand for housing in its area. There are, however, currently no new sites that have secured Housing Association Grant. Against the backdrop of reduced resources for grant funding and lower Grant per unit, Berwickshire Housing Association in common with many other Registered Social Landlords is considering innovative and imaginative ways to contribute to its housing stock. The Association continues to lose houses through the Right To Buy legislation (8 houses in 2010/11) albeit at a slower rate than has been the case in the past. The Association continues to dispose of properties in England as they become vacant and sold another house during the course of the year.

The benefit of Berwickshire Housing Association recently achieving charitable status will be reduced corporate taxation charges and potential access to funding that is only available to registered charities. It will also make working in partnership with other Registered Social Landlords easier given that the majority of these are themselves already registered charities.

The Association continues to work on embedding its Improvement Plan agreed with the Scottish Housing Regulator following its Inspection in 2009/10 and is making good progress in this regard. As part of its business planning the Association continues to look at a number of economic and operational scenarios and how they might affect the financial position and/or sustainability of BHA. BHA and all the other companies in the group are committed to being as efficient as they can be and to this end new housing management and financial systems were implemented in the 2010/11 year and these systems are now live.

The Group is working towards a more detailed plan for the rebuilding of Seton Hall at Berwick-Upon-Tweed. This is a key objective for the Seton Care subsidiary.

Subsidiaries

Seton Care

Seton Care has continued to increase its turnover in the 2010/11 financial year although the gross profit is slightly down on last year at £ 894,138 (£ 915,038 2009/2010). Administration expenses have increased to £816,848 (£742,225 2009/2010). Profit on ordinary activities before taxation is £ 35,193 after provision for past service pension contributions of £ 47,252 (£ 178,171 2009/10).

Seton Care Limited is trading in competitive markets and in areas which will be directly affected by cuts in public expenditure. Seton Care is committed to providing quality care services but recognises that against a challenging funding background, it needs to monitor its cost base carefully.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Subsidiaries (continued)

The directors are keenly aware that more than half the turnover and contribution comes from Seton Hall and are working with the group to ensure that the plans for a new residential care and nursing facility are progressed. Significant preparatory work has been done during the course of the 2010/11 year and a project team has been set up to monitor and steer the progress made in this regard. Seton Care Limited continues to have a number of different income generating departments to reflect the broad range of activities in which it engages with the community.

BHA Enterprises Limited / (formerly Homehunt Limited)

The company passed a special resolution on 30th March 2011 changing its name from Homehunt Limited to BHA Enterprises Limited. Homehunt Limited entered into an agreement to sell certain of the assets of Homehunt Limited to Housing Partners Limited which included the company name. Housing Partners Limited signed agreements with the vast majority of Homehunt Limited existing customers at the date of sale, to continue to provide software solutions to these companies at least for the foreseeable future. BHA Enterprises Limited will continue to trade in the 2011/12 year until there is no longer any need to support the legacy software systems.

Berwickshire Limited

Berwickshire Limited continued to receive rental income from Seton Care Limited for the rental of Seton Hall. Berwickshire Limited has incurred substantial costs in the 2010/11 year on this rental property, £ 63,653 (£nil 2009/10) This was due to a bust gas mains pipe that had to be replaced and although a landlord's responsibility we do regard these large scale repairs as infrequently required and exceptional in nature. Over the year Berwickshire Limited worked speculatively on two projects on behalf of the BHA Group i.e. the Seton Hall rebuild and the community windfarm. After the year end, Berwickshire Limited took the major share of a limited liability partnership, Berwickshire Community Renewables LLP. The other partner is Community Energy Scotland Trading Limited. The LLP has applied for planning permission for the windfarm.

Berwickshire Limited sold a property in Berwick-Upon-Tweed in the course of the year and also swapped a development site that it owned for an experimental house previously owned by BHA plus a cash payment to ensure that the value of the swap was equal for both organisations. There is an outstanding insurance claim on the garage for this property which burnt down in a fire in early 2011.

Capital Structure

The Association is financed by a combination of retained reserves, designated reserves, long-term loan facilities and Housing Association Grant provided by Communities Scotland to support new development. The Association is mindful of the need to maintain an efficient capital structure and to manage liquidity risks. During the 2010/11 year we finalised a new £ 490,000 loan facility from Clydesdale Bank plc, to fund the private finance portion of the recent development at Duns.

Reserves

Revenue Reserves - The Association and Group have strengthened their Revenue Reserves this year by careful management of the group and also by some receipts from RTB sales. There has

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Review of the Business (continued)

been a significant transfer out of Revenue Reserves into Designated Reserves for particular purposes. Revenue Reserves provide a degree of liquidity free from long-term loans and supplement the revolving credit facility. The Association monitors its Revenue Reserve carefully to measure how the targeted mix of Loans to Revenue Reserve is matched against actual Loans and Revenue Reserves.

Designated Reserves - The Association created a number of designated reserves. The first is the Scottish Housing Quality Standard and Decent Homes Designated Reserve and is for costs that BHA will incur in the foreseeable future in reaching these standards. The second is the Land Value Fluctuation Reserve which is a designated reserve to cope with future fluctuations in land values that may come about as a result in the land strategy review and any possible changes in the intended use of land and market value thereof. The final reserve is the Past Service Pension Contribution Reserve and this reserve is to cope with any fluctuations that arise as regards the past service pension contributions that will need to be recognised at the next actuarial valuation of the pension scheme.

Two of the Association's subsidiaries, Seton Care Limited and Berwickshire Limited, have both made a decision to designate part of their revenue reserves. This is for anticipated future capital expenditure in connection with the commitment to re-build the Seton Hall care home.

Relationship with Funders and Loans drawn down

We have maintained good relationships with our principal lender, The Dunfermline Building Society (now part of the Nationwide Building Society). Our relationship has been built on providing them with good quality information on our financial management of BHA and we are confident that this good long term relationship will be maintained. In the course of the year under review we concluded a new project loan agreement with Clydesdale Bank plc and we are developing a similarly strong relationship with them.

Treasury Management

The Association has an active treasury management function, operated in accordance with the Treasury Policy approved by the Board. In this way the Association and Group companies manage their borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. The Group invests excess cash in term deposits. At 31 March 2011 the Association had £2,800,000 in undrawn loan facilities which are all available immediately for drawing if required.

Rental Policy

Rent remains the main source of income to the Group and the rent policy is key to the ongoing viability of the Association. The main objectives of this policy include:

- establishing a framework for setting rent and service charges that is equitable, transparent and consistent, and which allows sufficient consultation with tenants / sharing owners when charges are reviewed annually;
- ensuring that the rent and service charges set each year provide sufficient resources for BHA to provide a quality management and maintenance service, as well as cover the costs associated with voids and bad debts, loan repayments, planned programmed renewals and new build; and

Rental Policy (continued)

- setting rent levels and service charges that are affordable to households on modest incomes, taking account of available data on household incomes and charges levied by other comparable social landlords within the local housing market.
- To provide a framework for calculating rents for a full range of new build property types to be used when applying for Housing Association Grant.
- To comply with the law and the Scottish Housing Regulator Performance Standard AS1.6 which states “We set rents that take account of affordability, the costs of managing and maintaining our houses, comparability with other social landlords in the area, and that enable us to service existing loans and fulfil contractual obligations. We have a fair system of apportioning rents between individual properties”
- In setting service charges we will comply with the Scottish Housing Regulator Performance Standard AS1.7 which states “We price the services to our tenants and recover costs in a fair and accountable manner”.

BHA has previously used December year on year RPI figure as the measure of inflation for annual rents increases. This year we will consult on the proposed level of rent increase for 2012/13 during the course of the 2011/12 year.

Stock Investment Policies

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium-term to deal with the gradual and predictable deterioration of buildings. It is expected that the cost of all these repairs would be charged to the Income and Expenditure Account.

In addition the Association has a long-term programme of major repairs to cover works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement of or repairs to features of the properties or components which have come to the end of their economic lives. The cost of these repairs is currently charged to the Income and Expenditure Account, except where it is identified they may be capitalised within the terms outlined in the Statement of Recommended Practice on Accounting by Registered Social Landlords 2008 and where we feel that there is an element of betterment. The Association has submitted its Standard Delivery Plan in connection with the Scottish Housing Quality Standard. The Scottish Housing Regulator will now monitor our delivery against this plan.

Going Concern

After reviewing the Association’s budget for 2011/2012 and based on normal business planning and control procedures, the Board of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association has secured a 30 year £20 million loan facility and a revolving credit facility of £1 million with its Funders and only draws down on that facility as and when necessary to finance commitments. At the 31 March 2011, the Association had drawn down £18,200,000 of this loan facility but has credit approval of the full facility in both cases, subject to meeting the financial covenants required by its Funders. Consequently, the Board continues to adopt the going concern basis in preparing the financial statements. During the course of the 2010/11 year the Association secured a loan facility of £490,000 from Clydesdale Bank Plc to fund a specific new build HAG project. This loan was drawn down in the course of the year.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Statement as to disclosure of information to auditors

The Members of the Board of Management who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the members has confirmed that they have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

The contract for the audit for the next three years is complete and Findlay & Company will be appointed at the Annual General Meeting.

By order of the Board



Colin D Howard

Secretary

Date 9th Sept 2011

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Statement of Responsibilities of the Board of Management

Housing Association legislation, the Industrial and Provident Societies Acts and the Association's Rules require the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and Group and of the surplus or deficit of that period. In preparing those financial statements the Board of Management are required to:

- Select suitable accounting policies and 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;
- Prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association and Group will continue in business.

The Board of Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Association and Group, and to enable it to ensure that the financial statements comply with the Industrial and Provident Acts 1965 to 2002, the Housing (Scotland) Act 2001, and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007. It is also responsible for safeguarding the assets of the Association and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



Colin D Howard

Secretary

Date 9th Sept 2011

Statement of Internal Financial Controls of the Board of Management

The Board of Management acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:-

- The reliability of financial information used within the Association or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets (against unauthorised use or disposition).

It is the responsibility of the Board of Management to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material mis-statement or loss. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions;
- forecasts and budgets are prepared regularly which allow the Board and staff to monitor the key business risks and financial objectives and progress towards the financial plans set for the year and the medium term;
- regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variance from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures;
- the Board review reports from management and from both internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed; and
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board of Management have reviewed the system of internal financial control in the Association during the year ended 31 March 2011. No weaknesses were found in internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of the Board



Colin D Howard

Secretary

Date 9th Sept 2011

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Independent Auditors' Report to the Members of Berwickshire Housing Association Limited

We have audited the financial statements of Berwickshire Housing Association Limited for the year ended 31 March 2011 on pages 13 to 57 which have been prepared under the historical cost convention and the accounting policies set out on pages 23 to 26.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and auditors

The responsibilities of the Board of Management for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities of the Board of Management.

We have been appointed as auditors under section 9 of the Friendly and Industrial and Provident Societies Act 1968 and report in accordance with that legislation. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Auditing Standards (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, the Friendly and Industrial and Provident Societies Act 1968, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007. We also report to you if, in our opinion, a satisfactory system of internal control has not been maintained, if the Association has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Auditing Standards (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming an opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Opinion

In our opinion, the financial statements:

- give a true and fair view, in accordance of the state of the Association's affairs at 31 March 2011 and of its excess of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, the Friendly and Industrial and Provident Societies Act 1968, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007.

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the statement by the Board of Management on page 10 concerning the Association's compliance with the information required by the section on Internal Financial Control within the publication "Raising Standards in Housing" issued by the Scottish Federation of Housing Associations.

Basis of opinion

We carried out our review having regard to guidance issued by the Auditing Practices Board. That guidance does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the statement on internal financial controls by the Board of Management on page 10 has provided the disclosures required by the guidance and the statement is consistent with the information which came to our attention as a result of our audit work on the financial statements.

The JRW Group
Chartered Accountants and Registered Auditors
Riverside House
Ladhope Vale
Galashiels
TD1 1BT

The JRW Group

Date:12 - 9 - 11.....

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**Annual Report and Group Financial Statements for the Year Ended 31 March 2011****Group Income and Expenditure Account**

	Notes	Year Ended 31 March 2011 £	Year Ended 31 March 2010 £
Turnover	2	8,509,435	8,222,536
Less: operating costs	2	(7,231,860)	(6,407,588)
Operating Surplus	6	<u>1,277,575</u>	<u>1,814,948</u>
Provision for past service pension contributions	21	(405,994)	-
Gain on sale of fixed assets	24	109,315	133,470
Interest receivable	7	9,758	4,687
Interest payable and similar charges	8	(758,848)	(769,250)
Surplus on ordinary activities before tax		<u>231,806</u>	<u>1,183,855</u>
Tax on ordinary activities	9	(3,171)	(54,132)
Surplus for the year	18	<u><u>228,635</u></u>	<u><u>1,129,723</u></u>

Continuing operations: all items dealt with in arriving at the operating surplus for the year relate to continuing operations.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**Annual Report and Group Financial Statements for the Year Ended 31 March 2011****Group Statement of Total Recognised Surpluses and Deficits**

	Notes	Year Ended 31 March 2011	Year Ended 31 March 2010
		£	<i>Restated</i> £
Surplus for the year		228,635	1,129,723
Unrealised surplus on revaluation of housing properties	19	3,785,109	1,724,342
Total recognised surplus for the year		<u>4,013,744</u>	<u>2,854,065</u>
Total surplus recognised since last annual report		<u><u>4,013,744</u></u>	<u><u>2,854,065</u></u>

**Note of Historical Cost Surpluses and Deficits of the Group
for the Year Ended 31 March 2011**

	Year Ended 31 March 2011	Year Ended 31 March 2010
	£	£
Surplus for the year before taxation	228,635	1,129,723
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	(428,123)	(417,844)
Realisation of property revaluation gains of previous years	124,084	117,991
Historical cost surplus on ordinary activities before taxation	<u>(75,404)</u>	<u>829,870</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**Annual Report and Group Financial Statements for the Year Ended 31 March 2011****Association Income and Expenditure Account**

	Notes	Year Ended 31 March 2011	Year Ended 31 March 2010
		£	£
Turnover	1	6,353,190	6,296,433
<u>Less:</u> operating costs	1	(5,160,747)	(4,696,539)
Operating Surplus	1,6	<u>1,192,443</u>	<u>1,599,894</u>
Provision for past service pension contributions	21	(358,742)	-
Gain on sale of fixed assets	24	109,315	133,470
Interest receivable	7	4,562	2,753
Interest payable and similar charges	8	(758,848)	(758,254)
Surplus on ordinary activities before tax		<u>188,730</u>	<u>977,863</u>
Tax on ordinary activities	9	-	-
Surplus for the year	18	<u>188,730</u>	<u>977,863</u>

Continuing operations: all items dealt with in arriving at the operating surplus for the year relate to continuing operations.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**Annual Report and Group Financial Statements for the Year Ended 31 March 2011****Association Statement of Total Recognised Surpluses and Deficits**

	Notes	Year Ended 31 March 2011	Year Ended 31 March 2010
		£	£
Surplus for the year		188,730	977,863
Unrealised surplus on revaluation of housing properties	19	3,875,109	1,724,342
Total recognised surplus for the year		<u>4,063,839</u>	<u>2,702,205</u>
Total surplus recognised since last annual report		<u>4,063,839</u>	<u>2,702,205</u>

Note of Historical Cost Surpluses and Deficits

	Year Ended 31 March 2011	Year Ended 31 March 2010
	£	£
Surplus/(Deficit) for the year before taxation	188,730	977,863
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	(428,123)	(417,844)
Realisation of property revaluation gains of previous years	124,084	117,991
Historical cost (deficit) / surplus on ordinary activities before taxation	<u>(115,309)</u>	<u>678,010</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Group Balance Sheet as at 31 March 2011

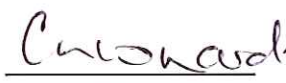
	Notes	2011	2010
		£	£
Intangible fixed assets	10	-	24,500
Tangible fixed assets			
Housing Properties:At Revalued amount or Gross Cost	11	49,153,364	45,304,185
<u>Less:</u> HAG & other grants received	11	(773,297)	(1,403,037)
		48,380,067	43,925,648
Other	11	488,662	371,124
Investments	12	2	2
		48,868,731	44,296,774
Current assets			
Stock and Work in Progress	13	360,332	573,262
Debtors	14	693,774	675,907
Cash at bank and in hand		2,283,205	1,504,419
		3,337,311	2,753,588
Creditors: amounts due within one year	15	(2,092,509)	(1,686,525)
Net Current Assets/(liabilities)		1,244,802	1,067,063
Total assets less current liabilities		50,113,533	45,363,837
Creditors: amounts due after one year	16	(19,023,885)	(18,273,294)
Provisions for liabilities			-
Net Assets		31,089,648	27,090,543
Capital and Reserves			
Share Capital	17	149	150
Revenue Reserve	18	3,830,769	4,552,688
Designated Reserve	20	1,674,882	614,882
Revaluation Reserve	19	25,583,848	21,922,823
		31,089,648	27,090,543

The financial statements on pages 13 to 57 were approved and authorised for issue by the Board of Management and signed on its behalf by:

D. Melrose
Vice Convener



C Howard
(Secretary)



K. Stephenson
Vice Convener



Date

9th Sept 2011

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Association Balance Sheet as at 31 March 2011

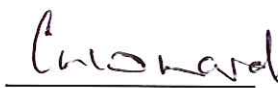
	Notes	2011	2010
		£	£
Intangible fixed assets	10	-	-
Tangible fixed assets			
Housing Properties: At Revalued amount or Gross Cost	11	49,153,364	45,325,705
<u>Less:</u> HAG & other grants received	11	(773,297)	(1,403,037)
		48,380,067	43,922,668
Other	11	401,771	291,738
Investments	12	2	2
		48,781,840	44,214,408
Current assets			
Stock	13	48,798	78,977
Debtors	14	346,981	721,545
Cash at bank and in hand		1,557,910	790,876
		1,953,689	1,591,398
Creditors: amounts due within one year	15	(1,541,429)	(1,308,159)
Net Current Assets / (Liabilities)		412,260	283,239
Total assets less current liabilities		49,194,100	44,497,647
Creditors: amounts due after one year	16	(18,922,615)	(18,200,000)
Net Assets		30,271,485	26,297,647
Capital and Reserves			
Share Capital	17	149	150
Revenue Reserve	18	3,687,488	4,374,674
Designated Reserves	20	1,000,000	-
Revaluation Reserve	19	25,583,848	21,922,823
		30,271,485	26,297,647

The financial statements on pages 13 to 57 were approved and authorised for issue by the Board of Management and signed on its behalf by:

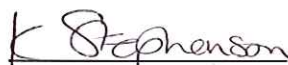
D. Melrose
Vice Convener



C Howard
(Secretary)



K Stephenson
Vice Convener



Date

9th Sept 2011

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Group Cash Flow Statement

	Year to 31 March 2011	Year to 31 March 2010
	£	£
Reconciliation of operating surplus to net cash inflow from operating activities		
Operating Surplus	1,277,575	1,814,948
Depreciation & Amortisation	148,696	114,543
Write off of intercompany charges / Increase in provision for investment	34,258	66,156
Share Capital	(1)	10
Decrease/(Increase) in stock and Work in Progress	212,930	198,966
Decrease/(Increase) in debtors	(17,867)	(288,234)
Increase in creditors	154,628	272,795
Net cash inflow from operating activities	<u>1,810,219</u>	<u>2,179,184</u>
 CASH FLOW STATEMENT		
Net cash inflow from operating activities	1,810,219	2,179,184
Returns on investment and servicing finance (note A)	(749,090)	(764,563)
Taxation /(paid)	(54,132)	(52,346)
Capital (Expenditure)/Income (note A)	(822,312)	(101,067)
	<u>184,685</u>	<u>1,261,208</u>
Management of liquid resources :		
Cash withdrawal from excess right to buy account		
Financing (note A)	486,513	(562,690)
(Decrease)/Increase in cash in the year	<u>671,198</u>	<u>698,518</u>
Reconciliation of net cash flow to movement in net debt (note B)		
(Decrease)/Increase in cash in the year	671,198	698,518
Cash increase / (decrease) in liquid resources	(1)	0
Cash (decrease) in liquid resources	(490,000)	550,000
Movement in Net Debt	<u>181,197</u>	<u>1,248,518</u>
Net Debt at 1 April 2009	(16,754,153)	(18,002,672)
Net Debt at 31 March 2010	<u>(16,572,956)</u>	<u>(16,754,154)</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Cash Flow Statement

A. GROSS CASH FLOWS

	Year to 31 March 2011 £	Year to 31 March 2010 £
Returns on investment and servicing finance		
Interest received	9,758	4,687
Interest paid	(758,848)	(769,250)
Net cash outflow	<u>(749,090)</u>	<u>(764,563)</u>
Capital Expenditure		
Payments to acquire and develop housing	(1,135,360)	(1,340,060)
Grants received	310,490	1,034,753
Payments to acquire other fixed assets	(303,345)	(116,040)
Receipts from sales of housing property	303,903	320,280
Receipts from sale of non- housing assets	2,000	-
Net cash (outflow)/ inflow	<u>(822,312)</u>	<u>(101,067)</u>
Financing		
Mortgage and other loans received / (repaid)	490,000	(550,000)
HP Repayment	(3,486)	(12,700)
Share capital issued	0	18
Share capital purchased	(1)	(8)
Net cash inflow/(outflow)	<u>486,513</u>	<u>(562,690)</u>

**B. ANALYSIS OF
CHANGE IN NET DEBT**

	01 April 2010 £	Cash Flows £	31 March 2011 £
Cash at bank	1,504,419	778,786	2,283,205
Overdraft	(58,572)	(107,589)	(166,161)
	<u>1,445,847</u>	<u>671,197</u>	<u>2,117,044</u>
Liquid resources:			
Debt < 1 year	-	(12,600)	(12,600)
Debt > 1 year	(18,200,000)	(477,400)	(18,677,400)
TOTAL	<u>(16,754,153)</u>	<u>181,197</u>	<u>(16,572,956)</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**Annual Report and Group Financial Statements for the Year Ended 31 March 2011****Association Cash Flow Statement**

	Year to 31 March 2011	Year to 31 March 2010
	£	£
Reconciliation of operating surplus to net cash inflow from operating activities		
Operating Surplus	1,192,443	1,599,896
Depreciation	143,309	97,211
Share Capital	(1)	10
Decrease / (Increase) in Investments	-	-
Decrease/(Increase) in Work in Progress	30,179	168,954
Decrease/(Increase) in debtors	374,564	(131,250)
Increase/(Decrease) in creditors	1,905	(22,509)
Net cash inflow from operating activities	<u>1,742,399</u>	<u>1,712,312</u>
CASH FLOW STATEMENT		
Net cash inflow from operating activities	1,742,399	1,712,312
Returns on investment and servicing finance (note A)	(754,286)	(755,501)
Taxation refund/(paid)	-	-
Capital Expenditure (note A)	(815,315)	(72,927)
	<u>172,798</u>	<u>883,884</u>
Financing (note A)	489,829	(553,776)
(Decrease)/Increase in cash in the year	<u>662,627</u>	<u>330,108</u>
Reconciliation of net cash flow to movement in net debt (note B)		
(Decrease) / Increase in cash in the year	662,627	330,108
Loans repaid / (drawn down) in the year	(490,000)	550,000
Cash increase/(decrease) in liquid resources	(1)	10
Movement in Net Debt	<u>172,626</u>	<u>880,118</u>
Net Debt at 1 April 2009	(17,467,696)	(18,347,814)
Net Debt at 31 March 2010	<u>(17,295,070)</u>	<u>(17,467,696)</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Association Cash Flow Statement

A. GROSS CASH FLOWS

	Year to 31 March 2011 £	Year to 31 March 2010 £
Returns on investment and servicing finance		
Interest received	4,562	2,753
Interest paid	(758,848)	(758,254)
Net cash outflow	<u>(754,286)</u>	<u>(755,501)</u>
Capital Expenditure		
Payments to acquire and develop housing	(1,156,880)	(1,318,540)
Grants received	310,490	1,034,753
Payments to acquire other fixed assets	(272,828)	(109,420)
Receipts from sales of housing property	303,903	320,280
Net cash (outflow)/ inflow	<u>(815,315)</u>	<u>(72,927)</u>
Financing		
Mortgage and other loans received	490,000	(550,000)
HP Repayment	(170)	(3,786)
Share capital issued	-	18
Share capital cancelled	(1)	(8)
Net cash outflow	<u>489,829</u>	<u>(553,776)</u>

**B. ANALYSIS OF
CHANGE IN NET DEBT**

	1 April 2010 £	Cash Flows £	31 March 2011 £
Cash at bank	790,876	767,034	1,557,910
Overdraft	(58,572)	(104,408)	(162,980)
	<u>732,304</u>	<u>662,626</u>	<u>1,394,930</u>
Debt < 1 year	-	(12,600)	(12,600)
Debt > 1 year	(18,200,000)	(477,400)	(18,677,400)
TOTAL	<u>(17,467,696)</u>	<u>172,626</u>	<u>(17,295,070)</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

Basis of Accounting

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards, with the exception of Housing Properties held for letting which are shown at their revalued amount. The accounts comply with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007 and with the Statement of Recommended Practice on Accounting by Registered Social Landlords 2010.

Basis of Consolidation

The Group financial statements consolidate the accounts of Berwickshire Housing Association Limited, and its subsidiary companies at 31 March 2011 using acquisition accounting. The subsidiaries are Berwickshire Limited, BHA Enterprises Limited (formerly *homehunt* Limited) and Seton Care Limited all of whom traded for a full year.

Cash Flow Statement

Prepared in accordance with FRS 1 (revised).

Turnover

Turnover represents rental and service charge income receivable from tenants and income from the sale of computer software.

Research & Development, Intellectual Property & Patents

Research & development, intellectual property and patents are capitalised once the projects to which they relate become technically feasible and commercially viable. Intellectual property rights were valued in the 2003 accounts by the directors.

Land

Land is valued at cost as a non-depreciable asset as the intention is to hold the land for future affordable housing development.

Housing Properties and Depreciation

Housing properties held for letting are stated at their revalued amount. Housing properties under construction are stated at 'Cost' which includes the costs of acquiring land & buildings and the development expenditure. No depreciation is charged on housing properties because the Association's policy and practice is to maintain properties to a high standard by implementing a continuing programme of refurbishment and maintenance and consequently the lives of the properties and the residual values are such that any depreciation charge would be immaterial. In accordance with Financial Reporting Standard 15, an annual impairment review is required because depreciation is treated as immaterial. A full and detailed review was carried out at 31 March 2000 which assessed if any Association properties were shown at a value in excess of their recoverable amount. The results of the review concluded that a small number of properties could be considered in this category, but that their impact on the accounts was immaterial.

The assumptions made in the review to 31 March 2000 were revisited and tested for their continued relevance at 31 March 2011. The Association also operates a choice based allocation system and so it is easy to measure the active interest from potential tenants in properties that become available for relet. Impairment is recognised when the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units. There is no evidence to suggest that there is any impairment in the income generating units at 31 March 2011.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Deferred Taxation

Deferred taxation is the tax attributable to timing differences between profits computed for tax purposes and the results as stated in the financial statements.

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Work In Progress

Work in progress is stated at the lower of cost and net realisable value.

Developments in progress are included in Work In Progress at cost. Turnover is only recognised when a contract for sale has been signed.

Assets held under finance lease

Assets held under a finance lease are capitalised at the cash cost thereof and depreciated at the same rate as owned assets of that category. Finance lease obligations are separately identified. Interest is charged to the income statement using the sum of the digits method.

Capitalisation of development overheads

The Association capitalises development overheads incurred in the major refurbishment work/improvements. These relate only to the standard improvement programme and then again only to what is capitalised of this total expenditure.

Sale of Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of the property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

Social Housing Grants and Other Grants

Housing assets are stated at valuation. Historic cost information is given by way of note. Where grants of a capital nature have been received towards the cost of developments, the cost of these developments has been reduced by the amount of grant receivable. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate. Although the deduction from the cost of a property contravenes the Companies Act 2006, we believe this disclosure gives a true and fair view of the asset value.

Grants are repayable under certain circumstances, primarily following the sale of a property but will normally be restricted to the net proceeds of the sale.

Other Fixed Assets

Depreciation is calculated to write down the cost of other fixed assets on a straight line basis over the expected useful lives at the following rates:

Computer hardware	2 years
Other equipment	5 years
Office premises	10 years
Motor Vehicles	5 years
Tools	2 years
Improvements to leased properties	5 years

Hire Purchase assets are depreciated at the same rate as owned assets

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Maintenance and Major Repairs

Actual costs incurred are charged to operating costs in the Income & Expenditure Account.

A designated reserve for the Scottish Housing Quality Standard / Decent Homes Standard has been created specifically to deal with any unusual expenditure required in the foreseeable future in order to meet these standards in the required timescales. No designated reserve for other major repairs has been created since the Association's maintenance plans spread the expenditure over future years on a planned basis. The latest expenditure plans have been validated by FPD Savills, Chartered Surveyors.

Lease Obligations

Rentals paid under operating leases are charged to the Income & Expenditure Account on the accruals basis.

Interest on borrowings

We do not capitalise any of the interest paid on borrowings which relate to assets under construction.

Supporting People Income and Expenditure

The Association has a contract to provide Supporting People services to Scottish Borders Council: The contract value is passed to Seton Care Limited who delivers Supporting People services on the ground, on behalf of the Association.

Pension Contributions

The Association participates in the multi-employer defined benefits pension scheme of the Scottish Federation of Housing Associations and retirement benefits to which employees are funded by contributions from all participating employers and employees in the scheme. The Scheme is contracted out of the state scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating associations as a whole.

The expected cost to the Association of pensions is charged to the income and expenditure account so as to spread the cost of pensions over the service lives of the employees.

In regard to past service contributions, a provision has been made for this costs that will be paid until the next actuarial valuation of the scheme, which is carried out on a tri-annual basis. The balance of the past service contributions which was last estimated at the actuarial valuation as another nine and a half years is regarded as a contingent liability since these will likely change as a result of the next actuarial valuation.

Value Added Tax

The Association is VAT registered. However a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT. There is a group VAT registration scheme; all subsidiaries therefore have to use the partial exemption calculation.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period in the current year was 20 days.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Designated Reserve

Berwickshire Housing Association has three designated reserves. The first is the Scottish Housing Quality Standard / Decent Home Reserve in the amount of £ 300,000. The second is the Land Value Fluctuation Reserve in the amount of £ 500,000 and the third is the Past Service Pension Cost Reserve in the amount of £ 200,000. In all cases these reserves were set up to help to offset expected future costs.

Two subsidiary companies have a designated reserve, which has been set up to recognise an agreement to re-build a care home in Berwick-Upon-Tweed in the medium term. A designated reserve is being built up to set-off some of the capital expenditure of the new home.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

1. Particulars of turnover, operating costs and operating surplus or deficit

	<i>Turnover</i>	<i>Operating Costs</i>	<i>Operating Surplus or Deficit</i>	<i>Operating Surplus or Deficit for previous period of Account</i>
	£	£	£	£
Social Lettings	5,686,957	4,326,872	1,360,085	1,817,797
Other Activities	2,822,478	2,904,988	(82,510)	(2,849)
Total	8,509,435	7,231,860	1,277,575	1,814,948

Total for previous period of account

1,814,948

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

2. Group particulars of turnover, operating costs and operating surplus or deficit from social letting activities

	Housing Accommodation £	Supported Housing Accommodation £	Shared Ownership Housing £	Garages £	2011 Total £	2010 Total £
Income from Lettings						
Rent Receivable net of Identifiable Service Charges	5,099,245	268,371	4,375	197,362	5,569,353	5,387,186
Service Charges Receivable	27,360	149,999	30	-	177,389	211,306
Gross Income from Rents and Service Charges	5,126,604	418,372	4,405	197,362	5,746,742	5,598,492
Less: Rent Losses from Voids	(34,862)	(15,978)	(835)	(15,482)	(67,157)	(55,280)
Net Income for rents and service charges	5,091,742	402,393	3,570	181,880	5,679,585	5,543,212
Add: Revenue Grants from the Scottish Ministers	7,372	-	-	-	7,372	2,000
Add: Other Revenue Grants	-	-	-	-	-	8,303
Total Turnover from Social Lettings Activities	5,099,114	402,393	3,570	181,880	5,686,957	5,553,515
Expenditure on Letting Activities						
Management and Maintenance Admin Costs	1,648,699	122,524	2,750	152,844	1,926,817	1,746,353
Service Costs	31,382	112,906	-	-	144,288	138,052
Planned and cyclical Maintenance including Major repairs	1,329,661	68,000	-	-	1,397,661	1,200,124
Reactive Maintenance	718,532	11,280	1,359	9,106	740,277	605,576
Rent Losses from Bad Debts	117,829	-	-	-	117,829	45,613
Total Expenditure on Lettings	3,846,103	314,710	4,109	161,950	4,732,866	3,735,718
Operating Surplus on Letting Activities	1,253,011	87,683	(539)	19,930	1,360,085	1,817,797
Operating Surplus or deficit for social letting for previous period of account	1,589,225	147,352	1,442	11,615		

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £NIL (2009: £NIL).

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

3. Group Particulars of Turnover, Operating costs and Surplus/(Deficit) from other activities

	Grants from Scottish Ministers	Other Revenue Grants	Supporting people Income	Other Turnover	Total Turnover	Operating Cost – bad debts	Other operating Costs	Operating Surplus/ (Deficit)	Operating Surplus or deficit for previous period of account
	£	£	£	£	£	£	£	£	£
Other Income and Expenditure									
Wider Role	90,556	33,615	-	-	124,171	-	130,511	(6,340)	(11,280))
Care and Repair of property	-	-	-	40,939	40,939	-	42,184	(1,245)	189
Factoring - Agency services	-	-	-	-	-	-	48,729	(48,729)	(85,736)
Development and Construction of Property Activities	-	-	-	-	-	-	193,923	(1,086)	12,515
Support Activities	-	-	192,837	-	192,837	-	-	-	-
Care Activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and Improvements for sale to non-registered social landlords	-	-	-	61,600	61,600	-	82,757	(21,157)	(26,915)
Other Activities	-	-	-	-	-	-	-	-	-
Commercial Rental Non-Housing Property	-	-	-	110,718	110,718	-	84,421	26,297	5,084
Group Business Development	-	-	-	-	-	-	-	-	(66,156)
Home/hunt – Computer Services	-	-	-	44,387	44,387	-	41,830	2,557	(13,186)
Seton Care – Residential Care & Homecare	-	-	2,112,826	2,112,826	2,112,826	-	2,023,259	89,567	199,193
Berwickshire Limited – Property Development & Project Management	-	-	-	135,000	135,000	-	257,374	(122,374)	(16,557))
	90,556	33,615	192,837	2,505,470	2,822,478	-	2,904,988	(82,510)	(2,849)
Total from other activities for the previous period	49,618	27,900	211,989	2,379,514	2,669,021	-	2,671,870	(2,849)	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Association Financial Statements

1. Particulars of turnover, operating costs and operating surplus or deficit					
	Note	Turnover	Operating Costs	Operating Surplus or Deficit	Operating Surplus or Deficit for previous period of Account
		£	£	£	£
Social Lettings	2	5,686,957	4,439,650	1,247,307	1,749,634
Other Activities	3	666,233	721,097	(54,864)	(149,739)
Total		6,353,190	5,160,747	1,192,443	1,599,895
Total for previous period of account		6,296,433	4,696,539	1,599,895	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

2. Berwickshire Housing Association particulars of turnover, operating costs and operating surplus or deficit from social letting activities

	Housing Accommodation £	Supported Housing Accommodation £	Shared Ownership Housing £	Garages £	2011 Total £	2010 Total £
Income from Lettings						
Rent Receivable net of Identifiable Service Charges	5,099,245	268,371	4,375	197,362	5,569,353	5,387,186
Service Charges Receivable	27,360	149,999	30	-	177,389	211,306
Gross Income from Rents and Service Charges	5,126,604	418,372	4,405	197,362	5,746,742	5,598,492
Less: Rent Losses from Voids	(34,862)	(15,978)	(835)	(15,482)	(67,157)	(55,280)
Net Income for rents and service charges	5,091,742	402,393	3,570	181,880	5,679,585	5,543,212
Add: Revenue Grants from the Scottish Ministers	7,372	-	-	-	7,372	2,000
Add: Other Revenue Grants	-	-	-	-	-	8,303
Total Turnover from Social Lettings Activities	5,099,114	402,393	3,570	181,880	5,686,957	5,553,515
Expenditure on Letting Activities						
Management and Maintenance Admin Costs	1,761,477	122,524	2,750	152,844	2,039,595	1,814,516
Service Costs	31,382	112,906	-	-	144,288	138,052
Planned and cyclical Maintenance including Major repairs	1,329,661	68,000	-	-	1,397,661	1,200,124
Reactive Maintenance	718,532	11,280	1,359	9,106	740,277	605,576
Rent Losses from Bad Debts	117,829	-	-	-	117,829	45,613
Total Expenditure on Lettings	3,958,881	314,710	4,109	161,950	4,439,650	3,803,881
Operating Surplus on Letting Activities	1,140,233	87,683	(539)	19,930	1,247,307	
Operating Surplus or deficit for social letting for previous period of account	1,589,225	147,352	1,442	11,615		1,749,634

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £NIL (2010: £NIL)

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

3. Particulars of Turnover, Operating costs and Surplus/(Deficit) from other activities

	Grants from Scottish Ministers	Other Revenue Grants	Supporting people Income	Other Turnover	Total Turnover	Operating Cost – bad debts	Other operating Costs	Operating Surplus/ (Deficit)	Operating Surplus or deficit for previous period of account
	£	£	£	£	£	£	£	£	£
Other Income and Expenditure									
Wider Role	90,556	33,615	-	-	124,171	-	130,511	(6,340)	(11,279)
Care and Repair of property	-	-	-	-	-	-	-	-	-
Factoring - Agency services	-	-	-	40,939	40,939	-	42,184	(1,245)	189
Development and Construction of Property Activities	-	-	-	-	-	-	48,729	(48,729)	(85,736)
Support Activities	-	-	-	-	-	-	-	-	12,515
Care Activities	-	-	192,837	-	192,837	-	193,923	(1,086)	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and Improvements for sale to non-registered social landlords	-	-	-	61,600	61,600	-	82,757	(21,157)	(26,915)
Other Activities	-	-	-	-	-	-	-	-	-
Commercial Rental Non-Housing Property	-	-	-	110,718	110,718	-	84,421	26,297	11,384
Business Support Services to Group Companies	-	-	-	135,968	135,968	-	138,572	(2,604)	16,259
Group Business Development									
	90,556	33,615	192,837	349,225	666,233	-	721,097	(54,864)	(66,156)
Total from other activities for the previous period	49,618	27,900	211,989	453,411	742,918	-	892,658	(149,740)	(149,740)

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

The Association is controlled by a voluntary Board of Management who received no remuneration during the year to 31 March 2011 (2010 - £ nil).

The Executive Officers of the Association hold no interest in the Association's share capital and, although not having the legal status of directors, they act as executives within the authority delegated by the Board.

	Group Year to 31 March 2011 £	Group Year to 31 March 2010 £	Housing Association Year to 31 March 2011 £	Housing Association Year to 31 March 2010 £
4. Senior Officers' Remuneration				
Aggregate remuneration payable to Senior Officers whose remuneration (including pension contributions, loss of office and benefits in kind) is £ 60,000 or more.				
Salary payments	318,192	212,965	259,326	155,497
Pension Contributions	45,614	30,252	37,436	22,175
The Chief Executive and five (2010 two) other Senior Officers referred to above are ordinary members of the pension scheme described in Note 21. No enhanced or special terms apply to memberships and they have no other pension arrangements to which the Association or any of its subsidiaries contributes.				
Emoluments payable to Highest Paid Senior Officer (excluding pension contributions) but including redundancy payments	363,806	82,093	85,954	82,093
<i>*Compensation includes loss of office payments</i>				
Emoluments paid to Chief Executive	85,954	82,093	85,954	82,093
	£	£	£	£
Total expenses reimbursed to Senior Officers in so far as not chargeable to United Kingdom income tax	9,270	3,030	6,257	967

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

5. Employee Information	BHA Group Year to 31 March 2011 <u>No</u>	BHA Group Year to 31 March 2010 <u>No</u>	Housing Association Year to 31 March 2011 <u>No</u>	Housing Association Year to 31 March 2010 <u>No</u>
The average full time equivalent number of persons employed by the Association during the year was as follows :	98	101	48	49
average number of employees	129	134	53	57
<u>Staff Costs</u> (including directors' emoluments)		£		£
Wages and salaries	2,543,321	2,465,114	1,358,784	1,340,881
Social security costs	174,798	166,910	104,975	100,612
Pension costs	171,722	182,763	139,825	154,700
	<u>2,889,841</u>	<u>2,814,787</u>	<u>1,603,584</u>	<u>1,596,193</u>

	Group Year to 31 March 2011 <u>£</u>	Group Year to 31 March 2010 <u>£</u>	Housing Association Year to 31 March 2011 <u>£</u>	Housing Association Year to 31 March 2010 <u>£</u>
6. Operating Surplus				
Operating surplus is stated after charging:				
Depreciation of owned assets	140,725	183,639	143,309	96,016
Depreciation of assets held under finance lease and hire purchase contracts	7,971	7,449	-	1,195
Hire of office premises under operating leases	13,661	15,086	6,887	7,604
Finance charges payable – finance leases and hire purchase contracts	13,585	12,065	91	236
Repairs to property	2,524,252	1,644,212	2,556,347	1,995,912
Deduct: capitalised as improvements	(386,314)	(187,770)	(386,487)	(190,213)
Auditors' remuneration - Audit service	20,403	23,299	12,633	14,648
- Non-audit service	10,618	7,287	10,618	7,287

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

7. Interest Receivable	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
On Association Funds	4,562	638	4,562	638
Interest on Subsidiary Funds	1,190	4,049	-	-
Interest Charged to subsidiaries	-	-	-	2115
	<u>5,752</u>	<u>4,687</u>	<u>4,562</u>	<u>2,753</u>

8. Interest Payable and Similar Charges	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Interest payable on building society loans repayable in more than five years	736,674	740,247	736,674	740,247
Interest Payable to Subsidiaries	-	-	-	1,350
Other charges	22,083	16,938	22,083	16,481
Hire Purchase	91	12,065	91	236
	<u>758,848</u>	<u>769,250</u>	<u>758,848</u>	<u>758,314</u>

9. Tax on Surplus on Ordinary Activities	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Taxation on surplus for the year	(3,171)	(54,132)	-	-
	<u>(3,171)</u>	<u>(54,132)</u>	<u>-</u>	<u>-</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

10. Intangible Fixed assets	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Balance at 1 April	24,500	-	-	-
Additions in Year	-	24,500	-	-
Disposals in Year	(24,500)	-	-	-
Amortisation	-	-	-	-
Balance at 31 March	<u>-</u>	<u>24,500</u>	<u>-</u>	<u>-</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

11. Tangible Fixed Assets	Housing Properties held for letting	Housing Properties held for letting and Under Construction	Land	Total Housing	Heritable Office Property	Leashold Improvements	Equipment	Motor Vehicles	Total
	£	£	£	£	£	£	£	£	£
Cost or Revaluation									
At 31 March 2010	42,815,000	1,111,040	1,486,054	45,412,094	760,336	91,247	621,024	41,072	46,925,773
Additions in the year	90,331	624,525	581,735	1,296,591	2,226	15,272	256,828	29,019	1,599,936
Capitalised Improvements	386,314	-	-	386,314	-	-	-	-	386,314
Disposals in the year	(574,006)	-	-	(574,006)	-	-	-	(17,625)	(591,631)
Transfer	1,639,990	(1,639,990)	-	-	-	-	-	-	-
(Deficit) / Surplus on revaluation	2,632,371	-	-	2,632,371	-	-	-	-	2,632,371
At 31 March 2011	46,990,000	95,575	2,067,789	49,153,364	762,562	106,519	877,852	52,466	50,952,763
Grants Received									
At 31 March 2010	-	(948,661)	(562,285)	(1,510,946)	-	-	(4,000)	-	(1,514,946)
Received in the year	(60,170)	(230,834)	-	(291,004)	-	-	(26,858)	-	(317,862)
Transferred / Released in the year	(968,483)	1,179,495	(211,011)	-	-	-	7,372	-	7,372
Revaluation Adjustment	1,028,653	-	-	1,028,653	-	-	-	-	1,028,653
At 31 March 2011	-	-	(773,296)	(773,297)	-	-	(23,486)	-	(796,783)
Depreciation									
At 31 March 2010	-	-	-	-	(551,693)	(85,965)	(464,415)	(36,482)	(1,138,555)
Provided during the year	-	-	-	-	(51,791)	(7,971)	(98,865)	(7,694)	(166,321)
Disposals	-	-	-	-	-	-	-	17,625	17,625
At 31 March 2011	-	-	-	-	(603,484)	(93,936)	(563,280)	(26,551)	(1,287,251)
Net Book Value									
At 31 March 2011	46,990,000	95,575	1,294,493	48,380,067	159,078	12,583	291,086	25,915	48,868,729
At 31 March 2010	42,815,000	162,379	923,769	43,901,148	208,643	9,204	148,688	4,590	44,272,272

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

11. Tangible Fixed Assets (Contd)	Housing Properties held for letting	Housing Properties held for letting and Under Construction	Land	Heritable Office Property	Leasehold Improvements	Motor Vehicles	Equipment	Total
	£	£	£	£	£	£	£	£
Cost or valuation at 31 March 2011 is represented by:								
Gross cost	32,933,843	95,573	2,067,787	762,562	106,519	52,466	877,852	36,896,602
Less HAG and other grants and receipts	(11,527,691)	-	(773,296)	-	-	-	-	(12,300,987)
	21,406,152	95,573	1,294,491	762,562	106,519	52,466	877,852	24,595,615
Revaluation reserve	25,583,848	-	-	-	-	-	-	25,583,848
	46,990,000	95,573	1,294,491	762,562	106,519	52,466	877,852	50,179,463

The Association received HAG of £291,004 in the year to 31 March 2011 (2010:£932,911).

The Associations funding package from Dunfermline Building Society funds the whole business of which development is part. Consequently, there is no interest capitalised on development period loans in the year. Administration costs capitalised in the period amounted to £15,788 (2010: £15,961)~None of the Association's land or properties are held under a lease except as mentioned in note 21.

Note:- Housing properties held for letting were professionally valued by Alistair Addison MRICS of Savills (L & P) Limited, Chartered Surveyors in accordance with the definition of Existing Use Value for Social Housing (EUV-SH) as at 31 March 2011.The valuation was prepared in accordance with RICS Valuation Standards, 6th edition and reviewed July 2009, in accordance with the requirements of practice statements PS6 entitled Valuation Report and UKPS3 entitled Valuations for Loan Facilities. In determining this valuation, the valuers made use of discounted cash flow methodology and key assumptions made concerning the level of future rents, the rate of turnover of existing tenants, the level of sales and the discount rate. The assumed discount rate was 5.5% real.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Association Financial Statements

11. Tangible Fixed Assets	Housing Properties held for letting	Housing Properties held for letting and Under Construction	Land	Total Housing	Heritable Office Property	Leasehold Improvements	Equipment	Motor Vehicles	Total
	£	£	£	£	£	£	£	£	£
Cost or Revaluation									
At 31 March 2010	42,815,000	1,132,560	1,486,054	45,433,614	760,336	62,544	517,535	-	46,774,029
Additions in the year	90,331	603,005	581,733	1,275,069	2,226	-	248,833	21,769	1,547,897
Capitalised Improvements	386,314	-	-	386,314	-	-	-	-	386,314
Disposals in the year	(574,006)	-	-	(574,006)	-	-	-	-	(574,006)
Transfer	1,639,990	(1,639,990)	-	-	-	-	-	-	-
(Deficit) / Surplus on revaluation	2,632,371	-	-	2,632,371	-	-	-	-	2,632,371
At 31 March 2011	46,990,000	95,575	2,067,787	49,153,362	762,562	62,544	766,368	21,769	50,776,605
Grants Received									
At 31 March 2010	-	(948,661)	(562,285)	(1,510,946)	-	-	(4,000)	-	(1,514,946)
Received in the year	(60,170)	(230,834)	-	(291,004)	-	-	(26,858)	-	(317,862)
Transferred / Released in the year	(968,483)	1,179,495	(211,011)	-	-	-	7,372	-	7,372
Revaluation Adjustment	1,028,653	-	-	1,028,653	-	-	-	-	1,028,653
At 31 March 2011	-	-	(773,297)	(773,297)	-	-	(23,486)	-	(796,783)
Depreciation									
At 31 March 2010	-	-	-	-	(551,693)	(62,544)	(430,440)	-	(1,044,677)
Provided during the year	-	-	-	-	(51,791)	-	(87,166)	(4,352)	(143,309)
Disposals	-	-	-	-	-	-	-	-	-
At 31 March 2011	-	-	-	-	(603,484)	(62,544)	(517,606)	(4,352)	(1,187,986)
Net Book Value									
At 31 March 2011	46,990,000	95,575	1,294,490	48,380,065	159,078	-	225,276	17,417	48,781,856
At 31 March 2010	42,815,000	183,899	923,769	43,922,668	208,643	-	83,095	-	44,214,406

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Association Financial Statements

11. Tangible Fixed Assets (Continued)	Housing Properties held for letting	Housing Properties held for letting and Under Construction	Land	Shared Ownership	Heritable Office Property	Leasehold Improvements	Equipment	Motor Vehicles	Total
Cost or valuation at 31 March 2011 is represented by:									
Gross cost	32,933,843	95,573	2,067,787	-	762,562	62,544	766,368	21,769	36,710,446
Less HAG and other grants and receipts	(11,527,691)	-	(773,296)	-	-	-	-	-	(12,300,987)
Revaluation reserve	21,406,152	95,573	1,294,491	-	762,562	62,544	766,368	21,769	24,409,459
	25,583,848	-	-	-	-	-	-	-	25,583,848
	46,990,000	95,573	1,294,491	-	762,562	62,544	766,368	21,769	49,993,307

Housing Association

BHA Group

Assets held on Hire Purchase as at 31 March 2011	2011	2010	2011	2010
Cost	£ 114,443	£ 114,443	£ 39,395	£ 39,395
Accumulated Depreciation	£ 54,363	£ 45,649	£ 39,395	£ 39,395
Charge for the year	£ 8,714	£ 7,449	-	£ 1,195

The Association received HAG of £291,004 in the year to 31 March 2011 (2010:£ 932,911).

The Associations funding package from Dunfermline Building Society funds the whole business of which development is part. Consequently, there is no interest capitalised on development period loans in the year. Administration costs capitalised in the period amounted to £15,788 (2010: £15,961)-None of the Association's land or properties are held under a lease except as mentioned in note 22. Project finance was secured in the 2010/11 year for a new development of twelve units in Duns. No interest was capitalised on the development period loan in the year and no administration costs were capitalised

.Note:- Housing properties held for letting were professionally valued by Alistair Addison MRICS of Savills (L & P) Limited. Chartered Surveyors in accordance with the definition of Existing Use Value for Social Housing (EUUV-SH) as at 31 March 2011.The valuation was prepared in accordance with RICS Valuation Standards, 6th edition and reviewed July 2009, in accordance with the requirements of practice statements PS6 entitled Valuation Report and UKPS3 entitled Valuations for Loan Facilities. In determining this valuation, the valuers made use of discounted cash flow methodology and key assumptions made concerning the level of future rents, the rate of turnover of existing tenants, the level of sales and the discount rate. The assumed discount rate was 5.5% real

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

12 Investments	BHA Group		Housing Association	
	2011	2010	2011	2010
At Cost	£	£	£	£
Unlisted – shares in subsidiary companies	207,003	-	207,003	207,003
Provision against investment in <i>homehunt</i> Limited	(207,001)	-	(207,001)	(207,001)
Other Investments	-	-	-	-
Balance	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

The Association has ultimate control over the companies listed below. BHA Enterprises Limited was established to market IT software products and the Association owns 100% of its issued share capital which totals 207,003 ordinary shares of £1 each. In the group accounts, it is accounted for as a subsidiary.

The Association is also the 100% owner of Seton Care Limited a company limited by guarantee which specialises in care service delivery including residential care and care at home and managing the housing support contract on behalf of the Association. In the group accounts, it is accounted for as a subsidiary.

Berwickshire Limited is a private company wholly owned by the Association, which specialises in the owning of property and the delivery of renewable energy solutions. At midnight on 31 March 2004 it took ownership of a residential care home in Berwick-upon-Tweed. The Association owns the only issued share in the company with a nominal value of £1. In the group accounts, it is accounted for as a subsidiary.

	2011	2010
	£	£
Aggregate capital and reserves		
BHA Enterprises Ltd (<i>homehunt</i> Limited)	(17,723)	(36,486)
(Loss) for the year	<u>18,763</u>	<u>(12,928)</u>
BHA Enterprises Ltd (<i>homehunt</i> Limited)	18,763	(12,928)
Aggregate capital and reserves		
Seton Care Limited	470,146	440,377
Profit for the year	<u>29,770</u>	<u>131,920</u>
Seton Care Limited	29,770	131,920
Aggregate capital and reserves		
Berwickshire Limited	365,740	374,368
Profit for the year	<u>(8,628)</u>	<u>54,388</u>
Berwickshire Limited	(8,628)	54,388

Berwickshire Housing Association Limited is considered to be the ultimate parent undertaking of the group.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

13 Stock and Work in Progress	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Stock	360,332	573,262	48,798	78,977
	<u>360,332</u>	<u>573,262</u>	<u>49,798</u>	<u>78,977</u>

14 Debtors	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Amounts falling due within one year:				
Rental debtors	340,424	282,696	340,424	282,696
Less: provision for bad debts	(231,049)	(145,276)	(231,049)	(137,801)
	<u>109,375</u>	<u>137,420</u>	<u>109,375</u>	<u>144,895</u>
Trade debtors	366,891	174,071		-
Inter-company debtors	-	-	29,793	90,983
Inter-company loan	-	-	45,000	179,441
Provision against intercompany loan	-	-	-	(36,158)
Other debtors	217,508	364,416	162,813	342,384
	<u>693,774</u>	<u>675,907</u>	<u>346,981</u>	<u>721,545</u>

Berwickshire Housing Association provides a loan facility available to BHA Enterprises Limited. This facility comprises a revolving credit facility of £ 45,000.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

15 Creditors due within one year	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Bank overdraft	166,161	58,571	162,980	58,571
Bank Loan	12,600	-	12,600	-
Taxation and social security	30,730	98,797		31,938
Intercompany Loans	-	-		-
Intercompany creditors	-	-	6,496	-
Finance leases	12,208	10,459		-
Past Service Pension Contribution	129,420	-	114,357	-
Trade creditors	2,926	25,810		-
Other creditors	1,074,536	1,078,210	1,074,536	1,078,211
Accruals and deferred income	609,915	380,977	116,447	105,738
Rent in advance	54,013	33,701	54,013	33,701
	<u>2,092,509</u>	<u>1,686,522</u>	<u>1,541,429</u>	<u>1,308,159</u>

16 Creditors due outwith one year	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Hire Purchase	69,912	73,294	831	-
Past Service pension Contribution	276,573	-	244,384	-
Housing Loans	18,677,400	18,200,000	18,677,400	18,200,000
	<u>19,023,885</u>	<u>18,273,294</u>	<u>18,922,615</u>	<u>18,200,000</u>

On 23 March 2004 the Association agreed a 30 year facility for £20,000,000 and an additional £1,000,000 on a revolving credit facility all at a margin of 0.35% over LIBOR. From 1 January 2008 the margin changed to 0.30% over LIBOR. At 31 March 2010, interest on the loan (including the margin) was charged as follows: £4,150,000 at 0.84%, £5,000,000 at 4.20%, £4,550,000 at 5.60%, £4,500,000 at 5.24%

The loan is secured by a fixed charge on a large part the Association's housing properties and some of its garages. The loan was repayable in full on a capital and interest basis after a deferred interest only period of 5 years. However, this interest only period was extended by another 5 years to 22nd March 2014. The loan is repayable by 22 March 2039.

On 3rd February 2011 the Association agreed a 25 year facility for £490,000 at a rate of 1.49% above 3 month LIBOR (currently 0.61188%). The loan is secured against the housing units built at Station Drive, Duns.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Loans and Hire Purchase to be repaid in 2 to 5 years	788,406	13,325	788,406	0
Loans to be repaid in more than 5 years	17,910,074	18,273,294	17,889,825	18,200,000
	<u>18,698,480</u>	<u>18,286,619</u>	<u>18,678,231</u>	<u>18,200,000</u>

17 Share Capital	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
<u>Allotted, issued and fully paid</u>				
Shares of £1 each at 1 April	150	140	150	140
Shares of £1 issued in the year	8	18	8	18
Shares of £1 cancelled during the year	(9)	(8)	(9)	(8)
Shares in issue at 31 March	<u>149</u>	<u>150</u>	<u>149</u>	<u>150</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights or dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members meetings.

18 Revenue Reserve	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Opening reserve at 1 April	4,552,688	3,303,798	4,374,674	3,278,820
Inter-company write down	(14,638)	76,176	-	-
Surplus on ordinary activities after tax	228,635	1,129,723	188,730	977,863
Transfer to Designated Reserve (note 20)	(1,060,000)	(75,000)	(1,000,000)	-
Transfer from Revaluation Reserve (note 19)	124,084	117,991	124,084	117,991
Reserve at 31 March	<u>3,830,769</u>	<u>4,552,688</u>	<u>3,687,488</u>	<u>4,374,674</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

19 Revaluation Reserve	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010 Restated	Year to 31 March 2011	Year to 31 March 2010 Restated
	£	£	£	£
Opening reserve at 1 April	21,922,823	20,316,472	21,922,823	20,316,472
Transfer to Revenue Reserve (note 18)	(124,084)	(117,991)	(124,084)	(117,991)
Surplus in year	3,785,109	1,724,342	3,785,109	1,724,342
Reserve at 31 March	<u>25,583,848</u>	<u>21,922,823</u>	<u>25,583,848</u>	<u>21,922,823</u>

20 Designated Reserve	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Opening reserve at 1 April	614,882	539,882	-	-
Transfer from Revenue Reserve (note 18)	1,060,000	75,000	1,000,000	-
Reserve at 31 March	<u>1,674,882</u>	<u>614,882</u>	<u>1,000,000</u>	<u>-</u>

Details of the Designated reserves are as follows

20a Designated Reserve - Scottish Housing Quality Standard / Decent Home Reserve	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Opening reserve at 1 April	-	-	-	-
Transfer from Revenue Reserve (note 18)	300,000	-	300,000	-
Reserve at 31 March	<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>-</u>

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20b Designated Reserve – Land Value Fluctuation Reserve	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Opening reserve at 1 April	-	-	-	-
Transfer from Revenue Reserve (note 18)	500,000	-	500,000	-
Reserve at 31 March	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>

20c Designated Reserve – Past Service Pension Cost Reserve	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Opening reserve at 1 April	-	-	-	-
Transfer from Revenue Reserve (note 18)	200,000	-	200,000	-
Reserve at 31 March	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>

20d Designated Reserve – Rebuilding of Seton Hall Reserve	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Opening reserve at 1 April	614,882	539,882	-	-
Transfer from Revenue Reserve (note 18)	60,000	75,000	-	-
Reserve at 31 March	<u>674,882</u>	<u>614,882</u>	<u>-</u>	<u>-</u>

Berwickshire Housing Association has three designated reserves. The first is the Scottish Housing Quality Standard / Decent Home Reserve in the amount of £ 300,000. The second is the Land Value Fluctuation Reserve in the amount of £ 500,000 and the third is the Past Service Pension Cost Reserve in the amount of £ 200,000. In all cases these reserves were set up to help to offset expected future costs.

Two subsidiary companies have a designated reserve, which has been set up to recognise an agreement to rebuild a care home in Berwick-Upon-Tweed in the medium term. A designated reserve is being built up to set-off some of the capital expenditure of the new home.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

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Notes to the Group Financial Statements

21 Pension Commitments

Berwickshire Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in,

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Berwickshire Housing Association Limited has elected to operate the

- * career average revalued earnings with a 1/60th accrual rate

benefit option for active members as at 01 April 2011 although existing members may themselves continue to make up the contributions and remain members of the final salary with 1/60th accrual rate.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

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21 Pension Commitments Growth Plan (continued)

* career average revalued earnings with a 1/60th accrual rate

benefit option for new entrants from 01 April 2008

During the accounting period Berwickshire Housing Association Limited paid contributions at the rate of 13.3% to 15.4% of pensionable salaries. Member contributions varied between 6.6% and 7.7%.

As at the balance sheet date there were 33 active members of the Scheme employed by Berwickshire Housing Association and 5 employed by Seton Care Limited.

The annual pensionable payroll in respect of these members was £ 896,373 (BHA) and £ 136,887 (Seton Care Limited)

Berwickshire Housing Association continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement - Non-pensioners	4.6
Investment return post retirement – Pensioners	4.8
Rate of salary increases	4.5
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

Mortality Tables	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

Notes to the Group Financial Statements

21 Pension Commitments Growth Plan (continued)

Contribution Rates for Future Service (payable from 1 April 2011)	%
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions *	10.4

(* Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

Employer Debt Regulations

1. The Employer Debt Regulations were introduced in September 2005 following a change in legislation. This legislation was revised in the Occupational Pension Schemes (Employer Debt and Miscellaneous Amendments) Regulations 2008 (SI 2008/731) ('the Regulations') which came into force on 6 April 2008.
2. An employer debt will arise if one of the following events occurs at a time when the Scheme is not fully funded on a buy-out basis:
 - a. The commencement of winding up of the Scheme.
 - b. An employer becomes insolvent.
 - c. An Employer Cessation Event.
3. An Employer Cessation Event occurs when an employer ceases to participate in the Scheme, i.e. it no longer has any active members in the Scheme at a point in time when there is at least one other employer that continues to employ active members in the Scheme.
4. The 2008 Regulations tighten the definition of an Employer Cessation Event. However, it remains the case that an employer will not be deemed to have withdrawn from the Scheme (and hence will not be liable for a debt on withdrawal) provided that it continues to employ at least one person who is an active member of the Scheme.
5. The Scheme Actuary has calculated the employer debt that would have been payable if your organisation had withdrawn from the Scottish Housing Associations' Pension Scheme as at 30 September 2010.

Notes to the Group Financial Statements

21 Pension Commitments (continued)

Employer Debt Regulations continued

6. Under FRS17 an employer should only provide in the balance sheet for the potential debt on withdrawal if it was demonstrably committed as at the balance sheet date to an event that would make the liability crystallise. For example, if an employer had made the decision prior to the balance sheet date to close the Scheme to future accrual at some date in the future, then this would crystallise an employer debt on the date that the Scheme was closed to future accrual (unless the Scheme was fully funded on a buy-out basis as at the date the Scheme closed to future accrual).

Disclosure in Respect of Employer Debt

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Berwickshire Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Berwickshire Housing Association Limited was £ 5,404,476

Berwickshire Housing Association Limited has provided for the employer debt on the past service contribution shortfall for the Scottish Housing Associations' Pension Scheme so far as it is known i.e. payments due until the next actuarial valuation since we feel that this part of the debt is known. As there is uncertainty as regards the amount to be paid in the years beyond this period that portion is treated as a contingent liability.

<i>Provision</i>	<i>£</i>	<i>Note</i>
<i>Provision at start of accounting period</i>	<i>nil</i>	
<i>Provision made (reversed) in the period</i>	<i>358,742</i>	<i>15 & 16</i>
<i>Provision utilised</i>	<i>nil</i>	
<i>Provision at end of accounting period</i>	<i>358,742</i>	

Notes to the Group Financial Statements

21 Pension Commitments (continued)

Pension Commitments Growth Plan

Berwickshire Housing Association Limited participates in the Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

Berwickshire Housing Association Limited paid contributions at the rate of 0% during the accounting period. Members paid contributions at the rate of 8% during the accounting period.

As at the balance sheet date there was one active members of the Plan employed by Berwickshire Housing Association Limited. Berwickshire Housing Association Limited continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. Growth Plan is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from the total scheme assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

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The valuation results at 30 September 2008 have now been completed and will be formalised shortly. The valuation of the Scheme was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% per annum
Investment return pre retirement	7.6
Investment return post retirement	
Actives/Deferreds	5.1
Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post retirement (pensioners).

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the Pensions Regulator in due course.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2011

Notes to the Group Financial Statements

21 Pension Commitments Growth Plan (continued).

October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Berwickshire Housing Association Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2008. As of this date the estimated employer debt for Berwickshire Housing Association Limited was Nil.

22 Operating Leases

The Group has several a non-cancellable operating leases. Annual commitments under this lease are as follows:

	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Amounts due to be paid in the next 12 months on leases expiring in				
1 year	9,214	348	8,217	-
1-2 years	2,604	6,014	1,809	5,017
2-5 years	1,440	14,016	1,440	13,221
More than five years.	8,992	7,191	7,300	7,191
	<u>22,250</u>	<u>27,569</u>	<u>18,766</u>	<u>25,429</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

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Notes to the Group Financial Statements

23 Legislative Provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with The Scottish Housing Regulator.

24 Gain on Sale of Fixed Assets

The Association sold 8 properties under the Right to Buy scheme during the year and in addition we sold one property in England, (7 RTB, and a property in England in 2009/10).

	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Proceeds from sale of Housing Association Stock & other fixed assets	316,150	328,019	316,150	328,019
Less: Cost of Sales	(206,835)	(194,549)	(206,835)	(194,549)
	<u>109,315</u>	<u>133,470</u>	<u>109,315</u>	<u>133,470</u>

In line with generally accepted accounting practice and The Scottish Housing Regulator notes, the gain on sale from these transactions has been shown on the face of the Income and Expenditure account. The gain for the year ended 31 March 2011 is calculated using the revalued amount for housing properties.

25 Housing Stock

BHA Group and Housing Association

	Year to 31 March 2011	Year to 31 March 2010
	<u>No</u>	<u>No</u>
The number of units in management at 31 st March was as follows:		
General needs	1654	1650
Managed on behalf of others:-	24	24
<i>Scottish Veterans Garden City Association</i>	8	8
<i>The Berwick Freemans Trust</i>	16	16
Supported Housing	90	90
Shared Ownership	3	3
	<u>1771</u>	<u>1767</u>

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	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
26 Scottish Secure Tenancy Rents	£	£	£	£
Average Annual Scottish Secured Tenancies Rent for housing accommodation	3,072	2,967	3,072	2,967
Number of secure tenancies	1714	1,721	1714	1,721
Percentage increase in average rent from previous year	3.55	2.74	3.55	2.74

27 Related Parties

The following members of the Board of Management are / were tenants of the Association :- David Melrose, Kay Punton (resigned 30/9/2010), and Andrew Watson (garage). Transactions with the Association are undertaken on standard terms, as applicable to all tenants.

Berwickshire Limited

The following members of the Board of Management of Berwickshire Housing Association are also Directors of Berwickshire Limited: - Maria Peers (Resigned 04/03/11), Andrew Lester (Resigned 09/03/11), John Stanforth and John Elliott.

Berwickshire Housing Association levied fees for the following amounts to Berwickshire Limited during the period 1 April 2010 to 31 March 2011.

£Nil costs for personnel working on projects (2010: £15,730)

£32,353 staff costs for shared services (2010: £67,951)

£1,177 for a share of facilities management costs (2010: £6,522)

£Nil for interest payable for debt outstanding (2010: £ 2,115)

Berwickshire Limited invoiced Berwickshire Housing Association £Nil (2010: £ 21,520) for project management services on housing developments.

The balance outstanding from Berwickshire Limited as at 31 March 2011 was £29,793 (2010: £42,490.) and a long term loan 2011 £nil (2010 £139,441)

BHA Enterprises Limited

The following members of the Board of Management of Berwickshire Housing Association are also Directors of BHA Enterprises Limited:-

John Stanforth, David Melrose, Kay Punton (resigned from Berwickshire Housing Association on 30th September 2010) and John Elliot.

Berwickshire Housing Association levied fees for the following amounts to BHA Enterprises Limited during the period 1 April 2010 to 31 March 2011.

£5,123 staff costs for personnel working on projects (2010: £Nil)

£3,009 for a share of facilities management costs (2010: £2,900)

£21,463 staff costs for shared services (2010: £18,853)

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

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Notes to the Group Financial Statements

27 Related Parties (continued)

BHA Enterprises Limited invoiced Berwickshire Housing Association £9,878 for software development and stationery (2010 £11,661)

£1,640 for personnel working for BHA (2010: £ 11,267)

The balance outstanding from BHA Enterprises Limited as at 31 March 2011 was £34,987 (2010: £20,658) plus a term loan of £60,000 (2010: £40,000).

These balances were written down at the year end to a total of £ 45,000 (2010: £ 24,500)

Seton Care Limited

During the year the following members of the Board of Management of Berwickshire Housing Association have also been Directors of Seton Care Limited: - John Stanforth, David Melrose, Andrew Watson and Kate Stephenson.

Janice Walker, a director of Seton Care Limited is also a tenant of Berwickshire Housing Association Limited. Transactions with the Association are undertaken on standard terms, as applicable to all tenants.

Berwickshire Housing Association levied fees for the following amounts to Seton Care Limited during the period 1 April 2010 to 31 March 2011.

£82,148 staff costs for shared services (2010 £82,755)

£10,759 for a share of facilities management costs (2010: £5,900)

£15,736 for rental of accommodation (2010: 6,300)

Seton Care Limited invoiced Berwickshire Housing Association £192,837 (2010: £192,837) for managing the Supporting People contract on behalf of Berwickshire Housing Association Limited, £275 (2010: £1,297) for catering services and £Nil for interest payable.(2010:£ 1,350)

Staff personnel working on projects £31,733 (2010: £48,718) and ancillary workers costs of £ 16,529 (2010: £ nil)

The balance outstanding to Seton Care Limited as at 31 March 2011 was £6,496 (2010: £27,835 owed by Seton Care).

Berwickshire Community Renewables LLP

Berwickshire Limited has a 2/3 ownership of this entity which is controlled by Berwickshire Housing Association Limited (BHA) as Berwickshire Limited is a wholly owned subsidiary of BHA. There were no transactions in the year.

28 Capital Commitments	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
	£	£	£	£
Expenditure authorised by the Board of Management / Board contracted less certified.	257,298	696,177	393,574	696,177
Expenditure authorised by the Board of Management not contracted	1,221,079	1,009,917	1,221,079	1,008,917

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

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Notes to the Group Financial Statements

29 Deferred Taxation	BHA Group		Housing Association	
	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
Deferred taxation	-	-	-	-

The Association is currently rolling over relief into replacement assets from gains made on sale of assets. No provision for deferred tax is considered necessary in the Association.

30 Contingent Liabilities

As disclosed in note 21 there are contingent liabilities in respect to past service pension contributions that are due on an annual basis. Provision was made for the first three years of this past service contribution on the basis that the liability was known until the next actuarial valuation. Beyond that period the liability there is uncertainty as regards the amount of the liability which will be affected by the next actuarial valuation. An estimate of this liability is £ 1,136,016.

A similar liability exist within Seton Care Limited and an estimate of this liability is £ 149,630.