

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**



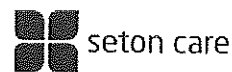
# **REPORT AND GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2015**

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**Registered under the Co-operative and Community  
Benefit Societies Act 2014 No.2482R(S) Registered  
with the Scottish Housing Regulator :No.HAL 289**

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

**Scottish Charity number SC042342**



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

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**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**  
**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Board of Management, Executive Officers and Appointees**

**Board of Management as at 31 March 2015**

Maria Peers (Convener)	Resigned 31 July 2015
Johanna Pawley (Vice Convener)	Resigned 31 July 2015
Anne McNeill (Vice Convener)	
David Melrose (Vice Convener)	
Andrew Brough	
Andrew Watson	
Deborah Stokes	
Ian Jarvie	Resigned 09 December 2014
James Fullarton	
John Elliot	Deceased 10 April 2015
Robert Bolton	
Stephen Blakey	
Scott Holmes	
Trevor Jones	

**Executive Officers**

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

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Funders**

Dunfermline Building Society  
Caledonia House  
Carnegie Avenue  
Dunfermline  
KY11 8PJ

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

**Solicitors**

Smiths Grant  
11 Murray Street  
Duns  
TD11 3DF

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

**Registered Auditors**

Findlay & Company  
11 Dudhope Terrace  
Dundee  
DD3 6TS

**Bankers**

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

HBJ Gateley (Scotland) LLP  
19 Canning Street  
Edinburgh  
EH3 8EH

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

#### **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 2015.

#### **Our Group Mission**

To be the provider of choice for affordable housing in Berwickshire, and for housing support services in Berwickshire. 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 of thriving neighbourhoods full of choice and opportunity for all ages where future generations will choose to stay and prosper. We will continue to be an excellent housing provider because we believe good quality housing is a fundamental human right. We believe that we should take a person centred approach with our customers that allow us to see them as individuals and to understand the services and support they seek from us.

#### **Our Values**

- Proud to put customers first
- Open, honest and caring
- Embrace and drive change
- Go the extra mile
- Adaptable, adventurous and creative
- Enjoy our work and get more done

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 Business**

##### **Berwickshire Housing Association**

For the first time in 5 years, the Association was delighted to commence a new build programme, which will provide an additional 32 units at Acredale in Eyemouth and 30 units at Todlaw Road in Duns. It is anticipated that the units will be available for occupation by Q4 2015, somewhat later than originally planned, due largely to infrastructure related issues.

The new build programme is part funded by Housing Grant from the Scottish Government, a contribution from Scottish Borders Council with the remainder being funded by the Association through increased borrowings. In order to assist with the project economics, 12 of the Todlaw

**Review of Business (continued)**

houses will be targeted at the mid-market rental

bracket, the first time the Association has built houses on this basis. The Association will continue to use debt funding, within the bounds of prudence, to support a continuing new-build programme although our ability to do so will also be dependent upon the availability of grant funding. We hope to commence design work on the next phase of Todlaw in this financial year.

The Association lost three houses to Right to Buy this year (2014/15) compared to two in 2013/14. A vacant property in England was also sold as part of our strategy to dispose of properties in England when they are vacant.

The social housing sector in general will have a number of issues to respond to in the coming year. Universal credit has been rolled out in the Borders area with effect from 1 April 2015 but the full extent of any impact has yet to become apparent. A number of measures affecting the social housing sector were also announced in the post-election budget which, if fully implemented in Scotland, could have a significant impact upon BHA. The Association is developing services to complement the housing we provide and is mindful that Welfare Reform will continue to create new challenges for tenants and the Association. We have been successful in improving access for our tenants to financial inclusion services and understand the increasing importance of this to our tenants as changes to the Welfare system are made.

BHA made a profit before taxation of £ 268,651 (2014: £ 70,558) on turnover of £ 7,380,236 (2014: £ 7,252,749).

**Seton Care**

The past year has been a difficult one for Seton Care and has led to a significant reduction in the Company's activities. With the continuing pressure on local authority budgets, it became more difficult to plan for the delivery of care services to an acceptable standard. As a consequence, the company reluctantly decided to withdraw from providing Care at Home services in Scotland in November 2014 and has, in the current financial year, also given notice of its withdrawal from homecare services in Northumberland.

Towards the end of the year it also became apparent that occupancy levels at Seton Hall, the company's popular residential home, were falling from historic levels, a trend which has continued into the current year. Repairs to the fabric of the aging building greatly exceeded budget in 2014/15 and a combination of these two factors has, subsequent to the period covered by these accounts, led the Board to launch a consultation process on the possibility of closing Seton Hall. Following the consultation process after no viable alternatives emerged, the Trustees reluctantly decided to close Seton Hall once suitable alternative accommodation was found for all residents.

A decision will be made in the near future about where in the group the remaining services provided by Seton Care will be based.

Seton Care made a loss before taxation of £ 47,525 (2014: profit £ 38,784) on turnover of £ 1,994,225 (2014: £ 2,377,643).

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

### **BHA Enterprise Limited**

BHA Enterprise Limited owns a 2/3 members contribution in a Limited Liability Partnership, Berwickshire Community Renewables LLP ("BCR"), BCR has a long lease on a site at Hoprigshiels in Berwickshire with planning permission for three wind turbines. The project is currently in the due diligence phase with the preferred funder. Once operational it is anticipated that the BHA Group's share of profits can be used to invest in affordable housing in Berwickshire. The other member in the partnership is Community Energy Scotland Trading Limited, a wholly owned subsidiary of Community Energy Scotland.

BHA Enterprise Limited continued to receive rental income from Seton Care for the lease of Seton Hall, income which will cease this year with the closure of Seton Hall. A profit was made on the disposal of a housing property owned by BHA Enterprise.

BHA Enterprise Limited made a profit before taxation of £ 62,672 (2014: £ 3,219), with the profit on sale of property contributing £ 47,472 towards this total profit.

### **Associates and Joint Ventures**

**Berwickshire Community Renewables LLP** – As noted, BHA Enterprise Limited is the major share (2/3) member of this LLP.

### **Financial Review**

The Group recorded a surplus for the year to 31 March 2015 of £ 283,798 (before taxation) (2014: £ 114,179). There was a net decrease of cash in the year of £ 335,009 (2014 increase in cash in the year of £ 245,819) with this change attributable to the new housing developments mentioned earlier.

The net assets position of the Group increased by £ 1,316,869 to £ 42,177,859 (2014: £ 40,860,990) which is almost entirely due to the increase in the surplus on revaluation in the Association. The Group balance sheet is dominated by the housing property assets and creditors due after one year, which are the drawn-down loan facilities.

The further increase in the Revaluation Reserve relates to the housing assets valued on an existing use – social housing basis continuing to rise. We capitalised £ 397,795 (2014: £340,776) of component replacements in the 2015 financial year.

We received grants totalling £ 2.7million and paid out £ 7.4 million to acquire and develop housing in the course of the year. In order to have sufficient resources we drew down £4.3 million (in total) on our loan facilities with Nationwide Building Society and RBS.

The Group has over £ 2.9 million (2014: £ 3.27 million) in cash and term deposits at year end.

Group turnover fell by £ 209,539 or 2.2% (2014: increase of £ 336,274 or 3.7%), to £ 9.1 million. This fall is attributable to falling turnover in Seton Care. Interest payable costs represent 7.0% (2014: 7.7%) of turnover, a historically low figure, as a result of continued low interest rates and the fact that the new draw downs of loan facilities only occurred in the last weeks of the financial year.

The Association increased its net debt position by £ 4,096,914 (2014: reduction of £ 660,018) to £ 20,221,617 whilst the Group increased its net debt position by £ 4,150,080 (2014: reduced its net debt by £ 261,864) to £ 19,250,254

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

#### **Financial Review (continued)**

The Association's expenditure on lettings activities rose by only 2.5 % (2014: 3.4%) over the past year, however management and maintenance costs rose more sharply, mainly as a result of a large past service pension deficit contribution payment being made in the 2014/15 financial year. These payments will continue for a number of years.

#### **Capital Structure**

The Association is financed by a combination of retained reserves, long-term loan facilities and Housing Association Grant provided by the Scottish Government to support new development. The Association is mindful of the need to maintain an efficient capital structure and to manage liquidity risks. The most recent addition to the capital structure was during the 2013/14 year when a new £ 7 million loan facility from Royal Bank of Scotland plc was put in place to fund the private finance portion of the two new developments at Duns and Eyemouth, some planned future housing development as well as provide for the possibility of a limited investment in the wind-farm development of Berwickshire Community Renewables LLP.

#### **Reserves**

**Revenue Reserves** - The Association and Group have strengthened their Revenue Reserves during the course of this year through careful management, receipts from Right-to-Buy sales, the sale of a property in Berwick and land sales.

Revenue Reserves provide resources 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** - There are two Designated Reserves, the first of which is the Land Value Fluctuations Reserve which is a Designated Reserve to cope with future fluctuations in land values that may come about as a result of the land strategy review and any possible changes in the intended use of land and market value thereof. The second reserve is the Past Service Pension Contribution Reserve which recognises the existing liability that arises from the need to pay past service pension deficit contributions for a number of years.

Two of the Association's subsidiaries, Seton Care and BHA Enterprise 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 and /or similar capital projects. The reserve in Seton Care has not yet been undesignated in its accounts as decision to proceed with the closure of Seton Hall was taken after the year end date.



## **Financial Review (continued)**

### **Relationship with Funders**

We have maintained good relationships with our principal lender, the Nationwide Building Society. Our relationship has been built on providing them with good quality information on the financial management of BHA and we are confident that this good long term relationship will be maintained. We also continue to enjoy a good business relationship with Royal Bank of Scotland plc and with Clydesdale Bank plc, both of whom provide us with funding.

### **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 manages its 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. At 31 March 2015 the Association had £ 5,500,000 in undrawn loan facilities available for drawing immediately if required.

### **Rental Policy**

The Rent and Service Charge Policy aims to provide a strategic framework for setting charges that are affordable, equitable, transparent and consistent, while ensuring that at all times BHA is a financially viable and sustainable organisation.

The main objectives of this policy are to:

- establish 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;
- ensure 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 covering the costs associated with voids and bad debts, loan repayments, planned programmed renewals and new build;
- set 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;
- provide a framework for calculating rents for a full range of new build property types;
- 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”;

### **Financial Review (continued)**

- set service charges that 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 the December year on year RPI figure as the measure of inflation for annual rents increases. We will consult on the proposed level of rent increase for 2016/17 during the course of the 2015/16 year.

### **Stock Investment Policies**

The Association seeks to maintain its properties to a high standard. To this end, programmes of cyclical repairs are carried out to deal with the gradual and predictable deterioration of building attributes. It is expected that the cost of all these repairs will 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 replacing components is capitalised but other repairs are 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 met the Scottish Housing Quality Standard apart from the exemptions and abeyances which we will continue to review through void and planned maintenance. The Association is currently planning for the Energy Efficiency Standard for Social Housing to be completed by 2020.

### **Going Concern**

After reviewing the Association’s budget for 2015/16 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 started to repay, over 24 years, its £20 million loan facility. It also has a revolving credit facility of £1 million with its main funder, of which 500,000 remains undrawn, as was the case at the end of the financial year. It also has a £ 7 million revolving credit facility with a second funder with £ 5 million of this facility being undrawn as at 31 March 2015. The Association only draws down on these facilities as and when necessary to finance commitments. The Association continues to meet the financial covenants required by its funders. Consequently, the Board of Management continues to adopt the going concern basis in preparing the financial statements.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

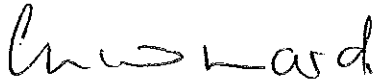
**Statement as to Disclosure of Information to Auditors**

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 auditor is 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.

**Auditor**

Findlay and Company was appointed as Group auditor on a three year contract to the year ending 31 March 2014 with the option to extend by a further two years. Confirmation of continuing appointment as auditor for 2015/16 year will be sought at the AGM.

By order of the Board of Management



Colin D Howard

Finance Director

Date ..10 September 2015


**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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, and the Scottish Housing Regulator's Determination of Accounting Requirements 2012. 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

Finance Director

Date 10 September 2015

**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 of Management 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 of Management 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 Group during the year ended 31 March 2015. 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 of Management



Colin D Howard

Finance Director

Date 10 September 2015

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

Annual Report and Group Financial Statements for the Year Ended 31 March 2015

### **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 2015 which comprise Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for opinions we have formed.

#### **Respective responsibilities of the Board of Management and auditors**

As explained more fully in the statement of Board's Responsibilities set out on page 10, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

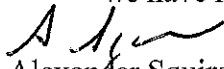
In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements 2012.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

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

  
Alexander Squires (Senior Statutory Auditor)

For and on behalf of: Findlay & Company Chartered Accountants and Statutory Auditors  
Dundee, DD3 6TS

Date:

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Report of the Auditors to Berwickshire Housing Association Limited**

**On Corporate Governance Matters**

In addition to our audit of the financial statements, we have reviewed the Board's statement on internal controls set out on page 11. The object of our review is to draw attention to any non-compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's systems of internal financial control or its corporate governance procedures.

With respect to the Board's statement on internal control on page 11, in our opinion the Board have provided the disclosures required by the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Board members and officers of the Association, and examination of relevant documents, in our opinion the Board's statement on page 11 appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".



Alexander Squires (Senior Statutory Auditor)

For and on behalf of:

Findlay & Company

Chartered Accountants and

Statutory Auditors

11 Dudhope Terrace

Dundee

DD3 6TS

Date:

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2015****Group Income and Expenditure Account**

	Notes	Year Ended 31 March 2015 £	Year Ended 31 March 2014 £
Turnover	1	9,132,301	9,341,840
<u>Less:</u> operating costs	1	8,301,048	8,585,477
<b>Operating Surplus</b>	6	<u>831,253</u>	<u>756,363</u>
Gain on sale of fixed assets	24	34,380	45,644
Interest receivable	7	54,287	29,048
Interest payable and similar charges	8	(636,122)	(716,876)
<b>Surplus on ordinary activities before tax</b>		<u>283,798</u>	<u>114,179</u>
Tax on ordinary activities	9	(13,429)	(1,341)
<b>Surplus for the year</b>	18	<u>270,369</u>	<u>112,838</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 2015****Group Statement of Total Recognised Surpluses and Deficits**

	Notes	Year Ended 31 March 2015	Year Ended 31 March 2014
		£	£
Surplus for the year		270,369	112,838
Unrealised surplus on revaluation of housing properties	19	1,055,526	2,905,214
Prior Year Adjustment		-	377,188
<b>Total recognised surplus for the year</b>		<b>1,325,895</b>	<b>3,395,240</b>
<b>Total surplus recognised since last annual report</b>		<b>1,325,895</b>	<b>3,395,240</b>

**Note of Historical Cost Surpluses and Deficits of the Group  
for the Year Ended 31 March 2015**

	Year Ended 31 March 2015	Year Ended 31 March 2014
	£	£
Surplus for the year before taxation	283,798	114,179
	-	-
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount		-
Realisation of property revaluation gains of previous years	33,782	43,903
<b>Historical cost surplus on ordinary activities before taxation</b>	<b>317,580</b>	<b>158,082</b>

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2015****Association Income and Expenditure Account**

	Notes	Year Ended 31 March 2015 £	Year Ended 31 March 2014 £
<b>Turnover</b>	1	7,380,236	7,252,749
<u>Less:</u> operating costs	1	6,528,367	6,529,214
<b>Operating Surplus</b>	1,6	<u>851,869</u>	<u>723,535</u>
Gain on sale of fixed assets	24	31,480	45,644
Interest receivable	7	26,503	18,255
Interest payable and similar charges	8	(641,201)	(716,876)
<b>Surplus on ordinary activities before tax</b>		<u>268,651</u>	<u>70,558</u>
Tax on ordinary activities	9	0	(1,341)
<b>Surplus for the year</b>	18	<u>268,651</u>	<u>69,217</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 2015****Association Statement of Total Recognised Surpluses and Deficits**

	Notes	Year Ended 31 March 2015	Year Ended 31 March 2014
		£	£
Surplus for the year		268,651	69,217
Unrealised surplus on revaluation of housing properties	19	1,055,526	2,905,214
Prior Year Adjustment		-	377,188
<b>Total recognised surplus for the year</b>		<u>1,324,177</u>	<u>3,351,619</u>
<b>Total surplus / (Deficit) recognised since last annual report</b>		<u>1,324,177</u>	<u>3,351,619</u>

**Note of Historical Cost Surpluses and Deficits**

	Year Ended 31 March 2015	Year Ended 31 March 2014
	£	£
Surplus/(Deficit) for the year before taxation	268,651	70,558
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	-	-
Realisation of property revaluation gains of previous years	33,782	43,903
<b>Historical cost surplus on ordinary activities before taxation</b>	<u>302,433</u>	<u>114,461</u>

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Group Balance Sheet as at 31 March 2015**

	Notes	2015 £	2014 £
<b>Intangible fixed assets</b>	10		
<b>Tangible fixed assets</b>			
Housing Properties:At Cost / Valuation less Depreciation	11	73,572,920	66,415,417
<u>Less:</u> HAG & other grants received	11	(13,060,692)	(10,385,808)
		60,512,228	56,029,609
Other	11	628,811	613,557
Investments	12	0	229,525
		61,141,039	56,872,691
<b>Current assets</b>			
Stock and Work in Progress	13	415,055	389,342
Housing Development debtors	31	1,064,677	
Debtors	14	499,811	585,362
Current Asset Investments		1,259,892	1,538,170
Cash at bank and in hand		1,676,301	1,733,032
		4,915,736	4,245,906
<b>Creditors: amounts due within one year</b>	15	(2,021,718)	(2,113,452)
<b>Net Current Assets / (Liabilities)</b>		2,894,018	2,132,454
Total assets less current liabilities		64,035,057	59,005,145
Creditors: amounts due after one year	16	(21,857,198)	(18,144,155)
<b>Net Assets</b>		42,177,859	40,860,990
<b>Capital and Reserves</b>			
Share Capital	17	149	159
Minority Interests		40,669	49,689
Revenue Reserve	18	2,438,459	2,161,798
Designated Reserve	20	4,797,155	4,769,661
Revaluation Reserve	19	34,901,427	33,879,683
		42,177,859	40,860,990

The financial statements on pages 14 to 57 were approved and authorised for issue by the Board of Management and signed on its behalf by:

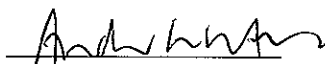
David Melrose  
Vice Convener



C Howard  
(Finance Director)



Andrew Watson  
Board Member



Date

10 September 2015

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

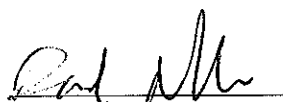
**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Association Balance Sheet as at 31 March 2015**

	Notes	2015	2014
		£	£
<b>Intangible fixed assets</b>	10		-
<b>Tangible fixed assets</b>			
Housing Properties: At Cost / Valuation less depreciation	11	73,572,918	66,415,417
<b>Less:</b> HAG & other grants received	11	(13,060,692)	(10,385,808)
Housing Properties		60,512,226	56,029,609
Other	11	181,067	280,965
Investments	12	1	1
		60,693,295	56,310,575
<b>Current assets</b>			
Stock	13	352,799	352,799
Debtors	14	331,352	402,167
Housing Development Debtors	31	1,064,677	-
Current Asset Investments		959,912	1,363,190
Cash at bank and in hand		1,240,123	1,153,484
		3,948,863	3,271,640
<b>Creditors: amounts due within one year</b>	15	(1,730,568)	(1,720,640)
<b>Net Current Assets / (Liabilities)</b>		2,218,295	1,551,000
<b>Total assets less current liabilities</b>		62,911,590	57,861,575
<b>Creditors: amounts due after one year</b>	16	(21,840,402)	(18,114,555)
<b>Net Assets</b>		41,071,188	39,747,020
<b>Capital and Reserves</b>			
Share Capital	17	149	159
Revenue Reserve	18	2,075,694	1,773,261
Designated Reserves	20	4,093,918	4,093,917
Revaluation Reserve	19	34,901,427	33,879,683
		41,071,188	39,747,020

The financial statements on pages 14 to 57 were approved and authorised for issue by the Board of Management and signed on its behalf by:

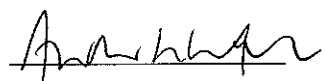
David Melrose  
Vice Convener



C Howard  
(Finance Director)



Andrew Watson  
Board Member



Date

10 September 2015

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Group Cash Flow Statement**

	Year to 31 March 2015	Year to 31 March 2014
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>	<b>£</b>	<b>£</b>
Operating Surplus	831,253	756,363
Depreciation & Amortisation	1,199,697	1,334,428
Past Service Pension Contribution	0	(126,205)
Gain / Loss on land / property sales	9472	(24,633)
Increase in provision for liabilities and charges	0	(17,373)
Decrease / (Increase) in investments	0	2
Share Capital	(10)	0
Decrease/(Increase) in stock and Work in Progress	(25,713)	(19,778)
Decrease/(Increase) in Debtors	(979,126)	11,022
Increase / (Decrease) in Creditors	146,161	(225,714)
<b>Net cash inflow from operating activities</b>	<b><u>1,181,734</u></b>	<b><u>1,688,112</u></b>
 <b>CASH FLOW STATEMENT</b>		
Net cash inflow from operating activities	1,181,734	1,688,112
Returns on investment and servicing finance (note A)	(581,835)	(687,828)
Taxation /(paid)	0	(1,341)
Capital (Expenditure)/Income (note A)	(4,499,968)	(737,086)
	<u>(3,900,069)</u>	<u>261,857</u>
 <b>Management of liquid resources :</b>		
<b>Cash withdrawal from excess right to buy account</b>		
Financing (note A)	3,565,061	(16,038)
<b>(Decrease)/Increase in cash in the year</b>	<b><u>(335,009)</u></b>	<b><u>245,819</u></b>
 <b>Reconciliation of net cash flow to movement in net debt (note B)</b>		
(Decrease)/Increase in cash in the year	(335,009)	245,819
Loans (repaid) / drawn down in the year	3,815,071	0
Cash increase / (decrease) in liquid resources	0	16,045
Movement in Net Debt	<u>(4,150,078)</u>	<u>261,864</u>
Net Debt at 1 April 2013	(15,370,176)	(15,632,040)
<b>Net Debt at 31 March 2014</b>	<b><u>(19,520,256)</u></b>	<b><u>(15,370,176)</u></b>

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Notes to the Group Cash Flow Statement**

**A. GROSS CASH FLOWS**

	Year to 31 March 2015 £	Year to 31 March 2014 £
<b>Returns on investment and servicing finance</b>		
Interest received	54,287	29,048
Interest paid	(636,122)	(716,876)
<b>Net cash outflow</b>	<u>(581,835)</u>	<u>(687,828)</u>
<b>Capital Expenditure</b>		
Payments to acquire and develop housing	(7,400,612)	(850,963)
Grants received	2,674,884	-
Payments to acquire other fixed assets	(179,950)	(204,748)
Receipt from sale of non-housing property	280,453	36,800
Receipts from sales of housing property	125,257	281,825
<b>Net cash (outflow)/ inflow</b>	<u>(4,499,968)</u>	<u>(737,086)</u>
<b>Financing</b>		
Mortgage and other loans received / (repaid)	4,050,000	-
Capital Repayment	(484,929)	(16,045)
Share capital issued	6	12
Share capital purchased	(16)	(5)
<b>Net cash inflow/(outflow)</b>	<u>3,565,061</u>	<u>(16,038)</u>

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

	01 April 2014 £	Cash Flows £	31 March 2015 £
Cash at bank	1,733,032	(56,731)	1,676,301
Current Account Investments	1,538,170	(278,278)	1,259,892
Overdraft	-	-	-
	<u>3,271,202</u>	<u>(335,009)</u>	<u>2,936,193</u>
Debt < 1 year	(526,823)	(54,427)	(581,250)
Debt > 1 year	(18,114,555)	(3,760,644)	(21,875,199)
<b>TOTAL</b>	<u>(15,370,176)</u>	<u>(4,150,080)</u>	<u>(19,250,254)</u>

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2015****Association Cash Flow Statement**

	Year to 31 March 2015	Year to 31 March 2014
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>	<b>£</b>	<b>£</b>
Operating Surplus	851,869	723,535
Depreciation	1,293,712	1,300,295
Past Service Pension Contribution	0	(126,205)
Gain/ Loss on land/property sales	9,472	(24,633)
Share Capital	10	0
Decrease / (Increase ) in Investments	0	1
Decrease/(Increase) in debtors	(993,862)	163,031
Increase/(Decrease) in creditors	(9,928)	(71,126)
<b>Net cash inflow from operating activities</b>	<b>1,151,273</b>	<b>1,964,898</b>
<b>CASH FLOW STATEMENT</b>		
Net cash inflow from operating activities	1,151,273	1,964,898
Returns on investment and servicing finance (note A)	(614,698)	(698,621)
Taxation refund/(paid)	0	(1,341)
Capital Expenditure (note A)	(4,633,478)	(604,925)
	(4,096,903)	660,011
Financing (note A)	3,780,265	(16,038)
<b>(Decrease)/Increase in cash in the year</b>	<b>(316,639)</b>	<b>643,973</b>
<b>Reconciliation of net cash flow to movement in net debt (note B)</b>		
(Decrease) / Increase in cash in the year	(316,639)	643,973
Loans Repaid / (Drawn down) in the year	3,780,275	16,045
Cash increase/(decrease) in liquid resources	0	0
Movement in Net Debt	(4,096,903)	660,018
<b>Net Debt at 1 April 2014</b>	<b>(16,124,704)</b>	<b>(16,784,722)</b>
<b>Net Debt at 31 March 2015</b>	<b>(20,221,617)</b>	<b>(16,124,704)</b>



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Notes to the Association Cash Flow Statement**

A. GROSS CASH FLOWS	Year to 31 March 2015 £	Year to 31 March 2014 £
<b>Returns on investment and servicing finance</b>		
Interest received	26,503	18,255
Interest paid	(641,201)	(716,876)
<b>Net cash outflow</b>	<b>(614,698)</b>	<b>(698,621)</b>
<b>Capital Expenditure</b>		
Payments to acquire and develop housing	(7,400,612)	(850,963)
Grants received	2,674,884	-
Payments to acquire other fixed assets	(33,007)	(72,587)
Receipts from sales of housing property – net of selling costs	125,257	281,825
Receipts from sales of other assets	0	36,800
<b>Net cash (outflow)/ inflow</b>	<b>(4,633,478)</b>	<b>(604,925)</b>
<b>Financing</b>		
Mortgage and other loans received	3,780,275	(16,045)
HP Repayment	0	0
Share capital issued	6	12
Share capital cancelled	(10)	(5)
<b>Net cash outflow</b>	<b>3,780,265</b>	<b>(16,038)</b>

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

	1 April 2014 £	Cash Flows £	31 March 2015 £
Cash at bank	1,153,484	86,639	1,240,123
Current Asset Investments	1,363,190	(403,278)	959,912
Overdraft	-	-	-
	2,516,674	(316,639)	2,200,035
Debt < 1 year	(526,823)	(54,427)	(581,250)
Debt > 1 year	(18,114,555)	(3,725,848)	(21,840,402)
<b>TOTAL</b>	<b>(16,124,704)</b>	<b>(4,096,914)</b>	<b>(20,221,617)</b>

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

#### **Accounting Policies**

##### **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 Determination of Accounting Requirements 2012 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 2014 using acquisition accounting. The subsidiaries are BHA Enterprise Limited (*formerly Berwickshire Limited*), and Seton Care both of whom traded for a full year. A former subsidiary BHA Software Limited (*formerly BHA Enterprises Limited*) was dissolved in the 2013/14 year. Berwickshire Community Renewables LLP is a partly owned subsidiary of BHA Enterprise Limited.

##### **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 provision of care services.

##### **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. Depreciation is charged on a component accounting basis. In accordance with Financial Reporting Standard 15, an annual impairment review is required. 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 2014. 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 2014.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

#### **Component Accounting**

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

Walls	100 years
Windows	20 years
Kitchens	20 years
Boilers	10 years
Structure	100 years
Roofs	60 years
Doors	20 years
Heating	20 years
Bathrooms	20 years
Renewables	20 years
Chimney	50 years
Lifts	20 years
HAG Structure	100 years

Land and Land HAG are not depreciated.

#### **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.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

### **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	2-5 years
Other equipment	5-10 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

### **Maintenance and Major Repairs**

Component costs are capitalised. Other actual costs incurred are charged to operating costs in the Income & Expenditure Account.

No designated reserve for major repairs has been created since the Association's maintenance plans spread the expenditure over future years on a planned basis.

### **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 which 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 Housing Associations' Pension Scheme and retirement benefits to which employees are entitled 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

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

#### **Pension Contributions continued**

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 designated reserve has been set aside for the costs that will be paid for past service pension deficit payments as per the most recent recovery plan and at least until the next actuarial valuation of the scheme, which is carried out on a tri-annual basis. The amount due for the past service contributions which was last estimated at the actuarial valuation is payable over thirteen and a half years and 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.

#### **Designated Reserve**

Berwickshire Housing Association has two (two in 2012/13) Designated Reserves. The first is the Land Value Fluctuation Reserve in the amount of £ 500,000 (£ 500,000 in 2012/13) and the second is the Past Service Pension Deficit Cost Reserve in the amount of £ 3,593,917 (£ 500,000 in 2012/13). 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.

#### **Prior Year adjustment**

Further work on component accounting has resulted in restating the prior year figure which had the effect of an increase in the Revenue Reserve and a decrease in the Accumulated Depreciation of £ 377,188. The comparative figure for housing assets has been amended to increase by £ 336,007 and Other Fixed Assets have increased by £ 41,181. These prior year adjustments are also reflected in the statement of total recognised surpluses and deficits and the historical cost surpluses and deficits. There is no difference on the depreciation charge between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount as depreciation is now charged on the historical cost basis for both. The prior year adjustment for 2013 comparative relates to component accounting.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

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	6,696,233	5,980,876	715,356	711,898
Other Activities	2,436,069	2,320,172	115,897	44,465
Total	9,132,301	8,301,048	831,253	756,363
Total for previous period of account	9,341,840	8,585,477	756,363	

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**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 £	2015 Total £	2014 Total £
<b>Income from Lettings</b>						
Rent Receivable net of Identifiable Service Charges	6,007,839	359,353	3,397	238,590	6,609,179	6,431,854
Service Charges Receivable	43,342	135,305	0	0	178,647	177,463
<b>Gross Income from Rents and Service Charges</b>	<b>6,051,181</b>	<b>494,658</b>	<b>3,397</b>	<b>238,590</b>	<b>6,787,825</b>	<b>6,609,317</b>
Less : Rent Losses from Voids	(75,241)	(30,370)	0	(50,997)	(156,608)	(115,324)
<b>Net Income for rents and service charges</b>	<b>5,975,939</b>	<b>464,287</b>	<b>3,397</b>	<b>187,593</b>	<b>6,631,217</b>	<b>6,493,993</b>
Add: Revenue Grants from the Scottish Ministers	64,476	0	0	0	64,476	54,005
Add: Other Revenue Grants	540	0	0	0	540	16,279
<b>Total Turnover from Social Lettings Activities</b>	<b>6,040,955</b>	<b>464,287</b>	<b>3,397</b>	<b>187,593</b>	<b>6,696,233</b>	<b>6,564,277</b>
<b>Expenditure on Letting Activities</b>						
Management and Maintenance Admin Costs	2,401,506	201,467	0	215,857	2,818,830	2,395,529
Depreciation on Components	1,093,387	67,371	0	0	1,160,758	1,214,479
Service Costs	115,178	109,965	0	0	225,143	202,218
Planned and cyclical Maintenance including Major repairs	758,856	39,940	0	0	798,796	1,154,622
Reactive Maintenance	885,855	46,624	0	6,216	938,695	838,201
Rent Losses from Bad Debts	37,140	307	0	1,208	38,655	47,330
<b>Total Expenditure on Lettings</b>	<b>5,291,922</b>	<b>465,673</b>	<b>0</b>	<b>223,282</b>	<b>5,980,876</b>	<b>5,852,379</b>
<b>Operating Surplus on Letting Activities</b>	<b>749,033</b>	<b>(1,386)</b>	<b>3,397</b>	<b>(35,688)</b>	<b>715,356</b>	<b>711,898</b>
<b>Operating Surplus or deficit for social letting for previous period of account</b>	<b>684,444</b>	<b>34,903</b>	<b>3,146</b>	<b>(10,595)</b>	<b>711,898</b>	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £ NIL ( 2014: £ NIL)

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**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
	£	£	£	£	£	£	£	£	£
<b>Other Income and Expenditure</b>									
Wider Role	0	0	0	64,148	64,148	0	77,464	(13,316)	(14,796)
Care and Repair of property	0	0	0	0	0	0	0	0	0
Factoring - Agency services	0	0	0	12,541	12,541	0	11,392	1,149	6,740
Development and Construction of Property Activities	0	0	0	0	0	0	48,901	(48,901)	(59,645)
Support Activities	0	0	0	0	0	0	0	0	0
Care Activities	0	0	172,533	0	172,533	0	121,029	51,524	(2,913)
Agency/management services for registered social landlords	0	0	0	0	0	0	0	0	0
Other agency/management services	0	0	0	0	0	0	0	0	0
Developments for sale to registered social landlords	0	0	0	0	0	0	0	0	0
Developments and Improvements for sale to non-registered social landlords	0	0	0	0	0	0	0	0	0
Sale of land and houses ( non Right to Buy)	0	0	0	184,759	184,759	0	48,987	135,772	0
Other Activities	0	0	0	27,269	27,269	0	0	27,269	45,624
Commercial Rental Non-Housing Property	0	0	0	81,847	81,847	0	94,639	(12,792)	1,594
Group Business Development	0	0	0	0	0	0	0	0	0
Berwickshire Community Renewables LLP	0	0	0	0	0	0	18,040	(18,040)	3,241
Seton Care – Residential Care & Homecare	0	0	0	1,830,341	1,830,341	2,398	1,884,730	(56,787)	51,432
BHA Enterprise Limited – Property Development & Project Management	0	0	0	62,611	62,611	0	12,593	50,018	(8,370)
<b>Total from other activities for the previous period</b>	<b>0</b>	<b>0</b>	<b>172,533</b>	<b>2,263,515</b>	<b>2,436,069</b>	<b>2,398</b>	<b>2,317,774</b>	<b>115,897</b>	<b>44,465</b>
<b>Total from other activities for the previous period</b>	<b>0</b>	<b>0</b>	<b>118,051</b>	<b>2,659,512</b>	<b>2,777,563</b>	<b>0</b>	<b>2,733,098</b>	<b>44,465</b>	



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**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	6,696,233	5,996,969	699,263	713,473
Other Activities	3	684,004	531,398	152,606	10,062
<b>Total</b>		<b>7,380,236</b>	<b>6,528,367</b>	<b>851,869</b>	<b>723,535</b>
<b>Total for previous period of account</b>		<b>7,252,749</b>	<b>6,529,214</b>	<b>723,535</b>	

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**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 £	2015 Total £	2014 Total £
<b>Income from Lettings</b>						
Rent Receivable net of Identifiable Service Charges	6,007,839	359,353	3,397	238,590	6,609,179	6,431,854
Service Charges Receivable	43,342	135,305	0	0	178,647	177,463
<b>Gross Income from Rents and Service Charges</b>	6,051,181	494,658	3,397	238,590	6,787,825	6,609,317
Less : Rent Losses from Voids	(75,241)	(30,370)	0	(50,997)	(156,608)	(115,324)
<b>Net Income for rents and service charges</b>	5,975,939	464,287	3,397	187,593	6,631,217	6,493,993
Add: Revenue Grants from the Scottish Ministers	64,476	0	0	0	64,476	54,005
Add: Other Revenue Grants	540	0	0	0	540	16,279
<b>Total Turnover from Social Lettings Activities</b>	6,040,955	464,287	3,397	187,593	6,696,233	6,564,277
<b>Expenditure on Letting Activities</b>						
Management and Maintenance Admin Costs	2,417,599	201,467	0	215,857	2,834,923	2,393,954
Depreciation on components	1,093,387	67,371	0	0	1,160,758	1,214,479
Service Costs	115,178	109,965	0	0	225,143	202,218
Planned and cyclical Maintenance including Major repairs	758,856	39,940	0	0	798,796	1,154,622
Reactive Maintenance	885,855	46,624	0	6,216	938,695	838,201
Rent Losses from Bad Debts	37,140	307	0	1,208	38,655	47,330
<b>Total Expenditure on Lettings</b>	5,308,015	465,673	0	223,282	5,996,969	5,850,804
<b>Operating Surplus on Letting Activities</b>	732,940	(1,386)	3,397	(35,688)	699,263	713,473
<b>Operating Surplus or deficit for social letting for previous period of account</b>	686,019	34,903	3,146	(10,595)	713,473	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £NIL (2014: £NIL)

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

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
	<b>Other Income and Expenditure</b>									
	Wider Role	0	0	0	64,148	64,148	0	77,464	(13,316)	(14,796)
	Care and Repair of property	0	0	0	0	0	0	0	0	0
	Factoring - Agency services	0	0	0	12,541	12,541	0	11,392	1,149	6,740
	Development and Construction of Property Activities	0	0	0	0	0	0	48,901	(48,901)	(59,645)
	Support Activities	0	0	0	0	0	0	0	0	0
	Care Activities	0	0	172,533	0	172,533	0	121,029	51,524	(2,913)
	Agency/management services for registered social landlords	0	0	0	0	0	0	0	0	0
	Other agency/management services	0	0	0	0	0	0	0	0	0
	Developments for sale to registered social landlords	0	0	0	0	0	0	0	0	0
	Developments and Improvements for sale to non-registered social landlords	0	0	0	0	0	0	0	0	0
	Sale of land and houses (non RTB)	0	0	0	184,759	184,759	0	48,987	135,772	21,558
	Other Activities	0	0	0	27,269	27,269	0	0	27,269	45,624
	Commercial Rental Non-Housing Property	0	0	0	93,747	93,747	0	94,639	(892)	13,494
	Business Support Services to Group Companies	0	0	0	128,987	128,987	0	128,987	0	0
	<b>Total from other activities for the previous period</b>	<b>0</b>	<b>0</b>	<b>172,553</b>	<b>511,450</b>	<b>684,004</b>	<b>0</b>	<b>531,398</b>	<b>152,606</b>	<b>10,062</b>
	<b>Total from other activities for the previous period</b>	<b>0</b>	<b>0</b>	<b>118,051</b>	<b>570,421</b>	<b>688,472</b>	<b>0</b>	<b>678,410</b>	<b>10,062</b>	

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Notes to the Group Financial Statements**

The Association is controlled by a voluntary Board of Management members of which received no remuneration during the year to 31 March 2015 (2014 - £ 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 2015 £	Group Year to 31 March 2014 £	Housing Association Year to 31 March 2015 £	Housing Association Year to 31 March 2014 £
<b>4. Senior Officers' Remuneration</b>				
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	387,592	429,907	387,592	376,304
Pension Contributions	27,927	34,573	27,927	30,291
The Chief Executive and four (2013 four) 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)	96,731	93,371	96,731	93,371
Emoluments paid to Chief Executive	96,371	93,371	96,731	93,371
The emoluments of the officers (excluding pension contributions) were within the following ranges:				
60,001 to 70,000	3	4	3	3
70,001 to 80,000	1	1	1	1
80,001 to 90,000	1	1	1	1
	£	£	£	£
Total expenses reimbursed to Senior Officers in so far as not chargeable to United Kingdom income tax	7,386	12,487	7,386	9,902

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Notes to the Group Financial Statements**

	BHA Group Year to 31 March 2015 No	BHA Group Year to 31 March 2014 No	Housing Association Year to 31 March 2015 No	Housing Association Year to 31 March 2014 No
<b>5. Employee Information</b>				
The average full time equivalent number of persons employed by the Association during the year was as follows :	121	128	50	48
average number of employees	160	166	56	52
<b>Staff Costs (including executive officers' emoluments)</b>	£	£	£	£
Wages and salaries	2,679,448	2,829,465	1,460,626	1,402,246
Social security costs	187,967	181,521	145,530	118,392
Pension costs	379,813	132,921	331,855	96,959
	<u>3,247,228</u>	<u>3,143,907</u>	<u>1,938,011</u>	<u>1,617,597</u>

	Group Year to 31 March 2015 £	Group Year to 31 March 2014 £	Housing Association Year to 31 March 2015 £	Housing Association Year to 31 March 2014 £
<b>6. Operating Surplus</b>				
<b>Operating surplus is stated after charging:</b>				
Depreciation of owned assets	154,316	119,450	132,905	85,816
Depreciation on components	1,035,001	1,214,479	1,035,001	1,214,479
Depreciation of assets held under finance lease and hire purchase contracts	10,380	10,380	0	0
Hire of office premises under operating leases	0	0	0	0
Finance charges payable – finance leases and hire purchase contracts	0	0	0	0
Repairs to property	2,135,286	2,333,600	2,135,286	2,333,600
Deduct: capitalised as improvements	(397,795)	(340,776)	(397,795)	(340,776)
Auditors' remuneration – External Audit service	35,758	31,080	21,782	18,900
- Non-audit service	0	-	0	0
Internal Audit services	21,034	11,481	21,034	10,046

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Notes to the Group Financial Statements**

7. Interest Receivable	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
On Association Funds	26,503	29,048	26,503	18,255
Interest on Subsidiary Funds	27,784	-	-	-
Interest Charged to subsidiaries	-	-	-	-
	<u>54,287</u>	<u>29,048</u>	<u>26,503</u>	<u>18,255</u>

8. Interest Payable and Similar Charges	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
Interest payable on building society and bank loans repayable in more than five years	641,201	716,876	641,201	716,876
Interest Payable to Subsidiaries	-	-	-	-
Interest payable on Association onward lending loans repayable	-	-	-	-
Other charges	(5,079)	-	-	-
Hire Purchase	-	-	-	-
	<u>636,122</u>	<u>716,876</u>	<u>641,201</u>	<u>716,876</u>

9. Tax on Surplus on Ordinary Activities	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
Interest on taxation	-	(1,341)	-	(1,341)
Taxation on surplus for the year	(13,429)	-	-	-
	<u>(13,429)</u>	<u>(1,341)</u>	<u>-</u>	<u>(1,341)</u>

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2015****Notes to the Group Financial Statements**

10. Intangible Fixed assets	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
Balance at 1 April	-	-	-	-
Additions in Year	-	-	-	-
Disposals in Year	-	-	-	-
Amortisation	-	-	-	-
Balance at 31 March 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Intellectual Assets are amortised over five years.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Notes to the Group Financial Statement**

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	Wind Farm Under Construction	Total
	£	£	£	£	£	£	£	£	£	£
At 31 March 2014	76,777,797	283,930	1,422,964	78,484,691	661,782	85,017	544,977	85,795	254,543	80,116,805
Additions in the year	10,266	6,992,551	0	7,002,816	0	13,747	21,444	24,550	120,209	7,182,767
Capitalised Improvements	397,795	0	0	397,795	0	0	0	0	0	397,795
Disposals in the year	(229,852)	0	0	(229,852)	0	0	0	(28,806)	0	(258,658)
Transfer	95,049	(95,049)	0	0	0	0	0	0	0	0
(Deficit) / Surplus on revaluation	1,021,744	0	0	1,021,744	0	0	0	0	0	1,021,744
<b>At 31 March 2015</b>	<b>78,072,799</b>	<b>7,181,431</b>	<b>1,422,964</b>	<b>86,677,194</b>	<b>661,782</b>	<b>98,764</b>	<b>566,421</b>	<b>81,539</b>	<b>374,752</b>	<b>88,460,453</b>
<b>Grants Received</b>										
At 31 March 2014	9,823,523	0	562,285	10,385,808	0	0	0	0	0	10,385,808
Received in the year	0	2,494,884	180,000	2,674,884	0	0	0	0	0	2,674,884
Transferred / Released in the year	0	140,660	(140,660)	0	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>9,823,523</b>	<b>2,635,544</b>	<b>601,625</b>	<b>13,060,692</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,060,692</b>
<b>Depreciation</b>										
At 31 March 2014	12,069,274	0	0	12,069,274	590,959	22,624	340,142	64,832	0	13,087,831
Charged for the year	1,035,001	0	0	1,035,001	23,082	16,696	110,649	14,269	0	1,199,697
Eliminated on Disposals	0	0	0	0	0	0	0	(28,806)	0	(28,806)
<b>At 31 March 2015</b>	<b>13,104,275</b>	<b>0</b>	<b>0</b>	<b>13,104,275</b>	<b>614,041</b>	<b>39,320</b>	<b>450,791</b>	<b>50,295</b>	<b>0</b>	<b>14,258,722</b>
<b>Net Book Value</b>										
At 31 March 2015	55,145,000	4,545,889	821,339	60,512,228	47,741	59,444	115,630	31,244	374,752	61,141,039
At 31 March 2014	54,885,000	283,930	860,679	56,029,609	70,823	62,393	204,835	20,963	254,543	56,643,166



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Notes to the Group Financial Statements**

11. Tangible Fixed Assets Restated (Continued)	Housing Properties held for letting	Housing Properties held for letting and Under Construction	Land	Heritable Office Property	Leasehold Improvements	Equipment	Motor Vehicles	Wind Farm under Construction	Total
	£	£	£	£	£	£	£	£	£
Cost or valuation at 31 March 2015 is represented by:									
Gross cost	43,171,371	7,181,433	1,422,964	661,782	98,764	566,421	81,539	374,752	53,559,026
Less Depreciation on components	13,104,275	0	0	614,041	39,320	450,791	50,295	0	14,258,722
Less HAG and other grants and receipts	9,823,523	2,635,544	601,625	0	0	0	0	0	13,060,692
	20,243,573	4,545,888	821,339	47,741	59,444	115,630	31,244	374,752	26,239,612
Revaluation reserve	34,901,427	0	0	0	0	0	0	0	34,901,427
	55,145,000	4,545,888	821,339	47,741	59,444	115,630	31,244	374,752	61,141,039

The Association received £ 2,079,181 HAG in the year to 31 March 2015 (2014: £ 4,739) and £ 415,703 grant from the Scottish Borders Council. The Association's 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 £ nil (2014: £ nil). None of the Association's land or properties is held under a lease except as mentioned in note 22. No interest was capitalised on the development period loan in the year and no administration costs were capitalised. **Note:** -Savills (UK) Limited, part of the Savills Group, is a general practice firm providing surveying and valuation services around the country. The valuer is "external" and our valuation is as at 31 March 2015. The valuation is in accordance with the definition of Existing Use Value for Social Housing (EUJ-SH) and has been made in accordance with the current RICS Red Book and takes into account in respect of social rented stock the Performance Standards issued originally by Communities Scotland, now the Scottish Housing Regulator. It should be noted that future growth in both capital and rental values may not occur and values can fall as well as rise. 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 5.50% real

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Notes to the Association Financial Statements**

	<i>Re-stated Housing Properties held for letting</i>	<i>Housing Properties held for letting and Under Construction</i>	<i>Land</i>	<i>Total Housing</i>	<i>Re-stated Heritable Office Property</i>	<i>Leasehold Improvements</i>	<i>Re-stated Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
	£	£	£	£	£	£	£	£	£
<b>11. Tangible Fixed Assets - Restated</b>									
Cost or Revaluation									
At 31 March 2014	76,777,797	283,930	1,422,964	78,484,691	661,782	69,744	391,438	55,098	79,662,753
Additions in the year	10,266	6,992,551	0	7,002,816	0	13,747	19,260	0	7,035,824
Capitalised Improvements	397,795	0	0	397,795	0	0	0	0	397,795
Disposals in the year	(229,852)	0	0	(229,852)	0	0	0	(11,084)	(240,936)
Transfer	95,048	(95,048)	0	0	0	0	0	0	0
(Deficit) / Surplus on revaluation	1,021,744	0	0	1,021,744	0	0	0	0	1,021,744
At 31 March 2015	78,072,798	7,181,433	1,422,964	86,677,195	661,782	83,491	410,698	44,014	87,877,180
<b>Grants Received</b>									
At 31 March 2014	9,823,523	0	562,285	10,385,808	-	-	-	-	10,385,808
Received in the year	0	2,494,884	180,000	2,674,884	-	-	-	-	2,674,884
Transferred / Released in the year	0	140,660	(140,660)	0	-	-	-	-	-
At 31 March 2015	9,823,523	2,635,544	601,625	13,060,692	0	0	0	0	13,060,692
<b>Depreciation</b>									
At 31 March 2014	12,069,274	0	0	12,069,274	590,959	7,352	264,650	34,136	12,966,371
Charged for the year	1,035,001	0	0	1,035,001	23,082	16,696	82,098	11,029	1,167,906
Eliminated on Disposals								(11,084)	(11,084)
At 31 March 2015	13,104,275	0	0	13,104,275	614,041	24,048	346,748	34,081	14,123,193
<b>Net Book Value</b>									
At 31 March 2015	55,145,000	4,545,889	821,339	60,521,228	47,741	59,443	63,950	9,933	60,693,295
At 31 March 2014	54,885,000	283,930	860,679	56,029,609	70,823	62,392	126,788	20,962	56,310,574

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Notes to the Association Financial Statements**

**11. Tangible Fixed Assets - Restated (Continued)**

Cost or valuation at 31 March 2014 is represented by:	Housing Properties held for letting	Housing Properties held for letting and Under Construction	Land	Heritable Office Property	Leasehold Improvements	Equipment	Motor Vehicles	Total
	£	£	£	£	£	£	£	£
Gross cost	43,171,371	7,181,433	1,422,964	661,782	83,491	410,698	44,014	52,975,753
Less Depreciation	13,104,275	0	0	614,041	24,048	346,748	34,081	14,123,193
Less HAG and other grants and receipts	9,823,523	2,635,544	601,625	0	0	0	0	13,060,692
	20,243,573	4,545,888	821,339	47,741	59,443	63,950	9,933	25,791,868
Revaluation reserve	34,901,427	0	0	0	0	0	0	34,901,427
	55,145,000	4,545,888	821,339	47,741	59,443	63,950	9,933	60,693,295

**Assets held on Hire Purchase as at 31 March 2015**

	BHA Group		Housing Association	
	2015	2014	2015	2014
Cost	-	-	-	-
Accumulated Depreciation	-	-	-	-
Charge for the year	-	-	-	-

The Association received £ 2,079,181 HAG in the year to 31 March 2015 (2014: £ 4,739) and £ 415,703 grant from the Scottish Borders Council. The Association's funding package from Dumfermline 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 £ nil (2014: £ nil). None of the Association's land or properties is held under a lease except as mentioned in note 22. No interest was capitalised on the development period loan in the year and no administration costs were capitalised. Note: -Savills (UK) Limited, part of the Savills Group, is a general practice firm providing surveying and valuation services around the country. The valuer is "external" and our valuation is as at 31 March 2015. The valuation is in accordance with the definition of Existing Use Value for Social Housing (EUVS-H) and has been made in accordance with the current RICS Red Book and takes into account respect of social rented stock the Performance Standards issued originally by Communities Scotland, now the Scottish Housing Regulator. It should be noted that future growth in both capital and rental values may not occur and values can fall as well as rise. 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 5.50% real

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2015

### Notes to the Group Financial Statements

12 Investments	BHA Group		Housing Association	
	2015	2014	2015	2014
At Cost	£	£	£	£
Unlisted – shares in subsidiary companies	-	-	1	1
Provision against investment in <i>BHA Software Support Limited</i>	-	-	-	-
Investment Property	-	229,525	-	-
<b>Balance</b>	<b>-</b>	<b>229,525</b>	<b>1</b>	<b>1</b>

The Association has ultimate control over the companies listed below.

The Association held 100% of the issued share capital of BHA Software Support Limited (formerly BHA Enterprises Limited) but this company was dissolved on 14 June 2013. This company was non-trading during the financial year and hence is not included in the Group accounts.

The Association is also the 100% owner of Seton Care 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.

BHA Enterprise Limited (formerly 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. BHA Enterprise Ltd is the majority member, with a 2/3 stake, in Berwickshire Community Renewables LLP, which is a joint venture set up to develop and own a wind-farm.

	2015	2014
	£	£
<b>Aggregate capital and reserves</b>		
BHA Software Support Ltd ( <i>formerly BHA Enterprises Limited</i> )	Nil	Nil
<b>Profit / (Loss) for the year</b>		
BHA Software Support Ltd ( <i>formerly BHA Enterprises Limited</i> )	Nil	Nil
<b>Aggregate capital and reserves</b>		
Seton Care	643,358	690,883
<b>Profit for the year</b>		
Seton Care	(47,525)	38,784
<b>Aggregate capital and reserves</b>		
BHA Enterprise Limited ( <i>formerly Berwickshire Limited</i> )	422,645	373,402
<b>Profit for the year</b>		
BHA Enterprise Limited ( <i>formerly Berwickshire Limited</i> )	49,243	3,219
<b>Aggregate capital and reserves</b>		
Berwickshire Community Renewables LLP	122,005	149,064
<b>Profit / (Loss) for the year</b>		
Berwickshire Community Renewables LLP	(27,061)	4,861

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 2015**

**Notes to the Group Financial Statements**

13 Stock and Work in Progress	BHA Group		Housing Association	
	Year to 31 March 2014	Year to 31 March 2013	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
Stock	415,055	389,342	352,799	352,799
	<u>415,055</u>	<u>389,342</u>	<u>352,799</u>	<u>352,799</u>

14 Debtors	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
Amounts falling due within one year:				
Rental debtors	205,738	316,027	205,738	316,027
Less: provision for bad debts	(175,589)	(142,397)	(175,589)	(142,397)
	<u>30,149</u>	<u>173,630</u>	<u>30,149</u>	<u>173,630</u>
Trade debtors	140,006	141,110	17,321	34,779
Inter-company debtors	-	-	50,064	-
Inter-company loan	-	-	-	-
Provision against intercompany loan	-	-	-	-
Other debtors	329,656	270,622	233,818	193,758
	<u>499,811</u>	<u>585,362</u>	<u>331,352</u>	<u>402,167</u>

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Notes to the Group Financial Statements**

15 Creditors due within one year	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
Bank overdraft	-	-	-	-
Bank Loan	581,250	526,823	581,250	526,823
Taxation and social security	118,785	99,346	83,908	67,452
Intercompany creditors	-	-	4,873	33,092
Finance leases	12,804	12,804	-	-
Trade creditors	190,788	95,823	175,424	80,845
Other creditors	790,535	865,971	737,974	836,156
Accruals and deferred income	255,609	453,689	75,192	117,276
Rent in advance	71,947	58,996	71,947	58,996
	<u>2,021,718</u>	<u>2,113,452</u>	<u>1,730,568</u>	<u>1,720,640</u>

16 Creditors due out with one year	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
Hire Purchase	16,796	-	-	-
Past Service pension Contribution	-	-	-	-
Other Creditors	-	-	-	-
Housing Loans	21,840,402	18,114,555	21,840,402	18,114,555
	<u>21,857,198</u>	<u>18,114,555</u>	<u>21,840,402</u>	<u>18,114,555</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 2015, interest on the loan (including the margin) was charged as follows: £ 6,348,330 at 0.806 %, £ 4,882,802 at 4.20%, £ 4,366,749 at 1.74%, £ 4,397,285 at 4.4%

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 22<sup>nd</sup> March 2014. The loan is repayable by 22 March 2039.

On 3<sup>rd</sup> February 2011 the Association agreed a 25 year facility for £ 490,000 at a rate of 1.49% above 1 month LIBOR (currently 0.506%). The loan is secured against the housing units built at Station Drive, Duns.

In December 2013, the Association signed a three year revolving credit facility with RBS for £ 7 million. This facility is secured by a fixed charge on Association housing properties. There is a non-utilisation fee payable at a rate of 0.80% per annum.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

	<b>BHA Group</b>		<b>Housing Association</b>	
	<b>Year to 31 March 2015</b>	<b>Year to 31 March 2014</b>	<b>Year to 31 March 2015</b>	<b>Year to 31 March 2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Loans and Hire Purchase to be repaid in 2 to 5 years	2,881,996	2,044,339	2,865,200	2,044,339
Loans to be repaid in more than 5 years	18,975,202	16,069,816	18,975,202	16,070,216
	<u>21,857,198</u>	<u>18,114,155</u>	<u>21,840,402</u>	<u>18,114,555</u>

<b>17 Share Capital</b>	<b>BHA Group</b>		<b>Housing Association</b>	
	<b>Year to 31 March 2015</b>	<b>Year to 31 March 2014</b>	<b>Year to 31 March 2015</b>	<b>Year to 31 March 2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<u>Allotted, issued and fully paid</u>				
Shares of £1 each at 1 April	159	152	159	152
Shares of £1 issued in the year	6	12	6	12
Shares of £1 cancelled during the year	(16)	(5)	(16)	(5)
Shares in issue at 31 March	<u>149</u>	<u>159</u>	<u>149</u>	<u>159</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.

<b>18 Revenue Reserve</b>	<b>BHA Group</b>		<b>Housing Association</b>	
	<b>Year to 31 March 2015</b>	<b>Year to 31 March 2014</b>	<b>Year to 31 March 2015</b>	<b>Year to 31 March 2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Opening reserve at 1 April	2,161,798	5,101,456	1,773,261	4,754,058
Minority Interest	-	(1,620)	-	-
Surplus on ordinary activities after tax	270,369	112,838	268,651	69,217
Transfer to Designated Reserve (note 20)	(27,492)	(3,094,779)	-	(3,093,917)
Transfer from Revaluation Reserve (note 19)	33,782	43,903	33,782	43,903
Reserve at 31 March	<u>2,438,459</u>	<u>2,161,798</u>	<u>2,075,694</u>	<u>1,773,261</u>

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**Notes to the Group Financial Statements**

19 Revaluation Reserve	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
Opening reserve at 1 April	33,879,683	31,018,372	33,879,683	31,018,372
Transfer to Revenue Reserve (note 18)	(33,782)	(43,903)	(33,782)	(43,903)
Surplus in year	1,055,526	2,905,214	1,055,526	2,905,214
Reserve at 31 March	<u>34,901,427</u>	<u>33,879,683</u>	<u>34,901,427</u>	<u>33,879,683</u>

20 Designated Reserve	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
Opening reserve at 1 April	4,769,661	1,674,882	4,093,917	1,000,000
Transfer from Revenue Reserve (note 18)	27,492	3,094,779	-	3,093,917
Reserve at 31 March	<u>4,797,153</u>	<u>4,769,661</u>	<u>4,093,917</u>	<u>4,093,917</u>

**21 Pension Commitments**

Berwickshire Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the 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 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.



**Notes to the Group Financial Statements**

**21 Pension Commitments (continued)**

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. 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 £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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.

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.

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.

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.

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 2014.

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.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

#### **Disclosure in Respect of Employer 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 Scheme based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for Berwickshire Housing Association Limited was £ 8,344,158. A small number of what were previously Berwickshire Housing Association staff members are now employed by Seton Care and Seton Care has noted an employer debt of £971,165 in its pension note to their accounts, which is also included in the Berwickshire Housing Association figure above.

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.

The Scheme offers six 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.
- Defined Contribution (DC) option.

An employer can elect to operate different defined benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Berwickshire Housing Association Limited has elected to operate the DC option benefit option for active members as at 01/04/2014 and the DC option benefit option for new entrants from 01/04/2014.

During the accounting period Berwickshire Housing Association Limited paid contributions at the rate of 2% to 8% of pensionable salaries. Member contributions varied between 2% and 24.3 %

As at the balance sheet date there were 52 active members of the Scheme employed by Berwickshire Housing Association. The annual pensionable payroll in respect of these members was £ 1,444,255.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

Berwickshire Housing Association has closed the Scheme to future accrual from 01/04/2014.

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

<b>2012 Valuation Assumptions</b>	<b>% p.a.</b>
Investment return pre retirement	5.3
Investment return post retirement - Non-pensioners	3.4
Investment return post retirement - Pensioners	3.4
Rate of salary increases	4.1
<b>Rate of pension increases</b>	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

<b>Mortality Tables</b>	
Non-pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females

<b>Contribution Rates for Future Service (payable from 1 April 2014)</b>	<b>%</b>
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

Additional deficit contributions are payable from 1 April 2014 and will increasing by 3% per annum each 1 April thereafter. A Designated Reserve has been created in respect of these payments. Technical Provisions

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

#### **Growth Plan**

1. 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 Plan is a multi-employer pension plan.
2. Contributions paid into the 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 Plan or by the purchase of an annuity.
3. The rules of the 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.
4. The Trustee commissions an actuarial valuation of the Plan every three 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.
5. 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.
6. 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.
7. 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.
8. Berwickshire Housing Association Limited paid contributions at the rate of nil % during the accounting period. Members paid nil contributions during the accounting period.
9. As at the balance sheet date there were 1 active members of the Plan employed by Berwickshire Housing Association Limited. Berwickshire Housing Association Limited has closed the Plan to new entrants.
10. 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. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.
11. The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore, revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.
12. The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement:	
Active/Deferred	4.2
Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

13. 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.
14. The Scheme Actuary has prepared a funding position update as at 30 September 2013. The market value of the Plan's assets at that date was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.
15. 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.
16. The Pensions 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 Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.
17. 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 and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.
18. The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (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 Plan. If the liabilities exceed assets there is a buy-out debt.
19. The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's 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. Therefore, the amounts of debt can be volatile over time.

## BERWICKSHIRE HOUSING ASSOCIATION LIMITED

### Annual Report and Group Financial Statements for the Year Ended 31 March 2015

20. When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.
21. The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan. As at 30 September 2013 the total deficit calculated on the buy-out basis was £219.9m.
22. 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 2013. As of this date the estimated employer debt for Berwickshire Housing Association Limited was £ 8,201. No provision has been made for this liability

## 22 Operating Leases

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

	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
Amounts due to be paid in the next 12 months on leases expiring in				
1 year	207	2,794	207	2,794
1-2 years	12,719	1,569	12,719	1,569
2-5 years	-	16,241	-	11,241
More than five years.	-	-	-	-
	<u>12,926</u>	<u>20,604</u>	<u>12,926</u>	<u>15,604</u>

## 23 Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with The Scottish Housing Regulator.

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2015

### 24 Gain on Sale of Fixed Assets

The Association sold 3 properties under the Right to Buy scheme during the year (2 Right to Buy properties 2013/14).

	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
Proceeds from sale of Housing Association Stock	127,800	108,341	127,800	108,341
Less: Cost of Sales	(96,320)	(62,697)	(96,320)	(62,697)
	<u>31,480</u>	<u>45,644</u>	<u>31,480</u>	<u>45,644</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 2015 is calculated using the revalued amount for housing properties.

### BHA Group and Housing Association

#### 25

	Year to 31 March 2015	Year to 31 March 2014
	<u>No</u>	<u>No</u>
The number of units in management at 31 <sup>st</sup> March was as follows:		
General needs	1641	1646
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	91	90
Shared Ownership	2	2
	<u>1758</u>	<u>1762</u>

## BERWICKSHIRE HOUSING ASSOCIATION LIMITED

### Annual Report and Group Financial Statements for the Year Ended 31 March 2015

	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014 Re-stated	Year to 31 March 2015	Year to 31 March 2014 Re-stated
	£	£	£	£
<b>26 Scottish Secure Tenancy Rents</b>				
Average Annual Scottish Secured Tenancies Rent for housing accommodation	3,539	3,436	3,539	3,436
Number of secure tenancies	1730	1734	1730	1734
Percentage increase in average rent from previous year	2.99%	2.53%	2.99%	2.53%

#### 27 Related Parties

The following members of the Board of Management are tenants of the Association: - David Melrose (moved to his own house on 15 June 2015), John Elliot (deceased 10/4/2015) and Robert Bolton. Transactions with the Association are undertaken on standard terms, as applicable to all tenants.

The following members of the Board of Trustees are councillors of Scottish Borders Council; - Councillor James Fullerton

#### BHA Enterprise Limited (formerly Berwickshire Limited)

During the year the following members of the Board of Trustees of Berwickshire Housing Association have also been Directors of BHA Enterprise Limited: John Elliot, David Melrose and Maria Peers.

Berwickshire Housing Association levied fees for the following amounts to BHA Enterprise Limited during the period 1 April 2014 to 31 March 2015.

£ 27,015 costs for personnel working on projects (2014: £ 28,875)

£ 14,563 staff costs for shared services (2014: £ 14,194)

£ 2,691 for a share of facilities management costs (2014: £ 2,620)

BHA Enterprise Limited levied fees of £ 58,003 to Seton Care during the year 1 April 2014 to 31 March 2015 for the rent of Seton Hall. (2014 : £ 58,003)

The balance outstanding to BHA Enterprise Limited as at 31 March 2015 from Berwickshire Housing Association was £ 4,872 (2014: £ 25,285).

BHA Enterprise repaid the loan of £ 300,000 from Seton Care in March 2015. The balance outstanding to Seton Care at year end (including the loan) was £ nil (2014 £ 305,079)

BHA Enterprise made a loan of £ 250,000 to Berwickshire Community Renewables LLP, the loan period was twenty four months (although BHA Enterprise is currently in the process of offering extended terms for this loan, it is not expected that Berwickshire Community Renewables will require these) and interest is payable at 10% per annum and is paid when the loan is repaid at the end of the term. The balance outstanding to BHA Enterprise from Berwickshire Community Renewables LLP as at 31 March 2015 (including the loan) was £ 270,580 (2014: £ 276,079).



## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

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

##### **27 Related Parties (continued)**

###### **Seton Care (formerly Seton Care Limited)**

During the year the following members of the Board of Trustees of Berwickshire Housing Association have also been Directors of Seton Care: - Andrew Watson, and Trevor Jones.

Janice Walker (resigned 11/9/2014) was a director of Seton Care and 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 during the period 1 April 2014 to 31 March 2015.

£ 70,000 staff costs for shared services (2014 £ 80,769)

£ 14,718 for a share of facilities management costs (2014: £ 14,332)

£ 3,500 for rental of accommodation (2014: £ 3,500)

Seton Care invoiced Berwickshire Housing Association £ 118,051 (2014: £ 118,051) for managing the Supporting People contract on behalf of Berwickshire Housing Association Limited and £ 300 (2014: £ 679) for catering services. Staff ancillary workers costs of £18,946 (2014: £ 18,865).

Seton Care received £ 7,783 (2014: £ 7,110) from Berwickshire Housing Association towards the ongoing costs at Linkim Court.

Seton Care paid BHA Enterprise Limited £ 58,003 (2014: £ 58,003) for the rent of Seton Hall and £ 8,400 to Berwickshire Housing Association for the rent of 53 Newton Street in Duns for Little Reivers Nursery (2014: £ 8,400) during the year 1 April 2014 to 31 March 2015. The balance outstanding from Seton Care as at 31 March 2015 to Berwickshire Housing Association was £ 50,064 (2014: Seton Care was due £ 7,807 from Berwickshire Housing Association.)

Seton Care made a loan of £ 300,000 to BHA Enterprise for a twenty four month period. The loan was repaid early, in March 2015. Interest was payable at 3% per annum before the loan was repaid. The balance outstanding to Seton Care from BHA Enterprise as at 31 March 2015 was £ nil (2014 £ 305,079 including the loan of £ 300,000)

###### **Berwickshire Community Renewables LLP**

BHA Enterprise Limited has a 2/3 ownership of this entity which is controlled by Berwickshire Housing Association Limited (BHA) as BHA Enterprise Limited is a wholly owned subsidiary of BHA. There were transactions during the year although the entity did not trade in the year.

The balance outstanding from Berwickshire Community Renewables LLP to Berwickshire Housing Association as at 31 March 2015 was £ nil (2014: £ nil).

The balance outstanding from Berwickshire Community Renewables LLP to BHA Enterprise Limited as at 31 March 2015 was £ 289,241 (2014: £ 276,079) including a loan of £ 250,000 on commercial terms.

BHA Enterprise Limited contributed £ 100,000 as its membership contribution of this limited liability partnership.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

27 Capital Commitments	BHA Group		Housing Association	
	Year to 31 March 2014	Year to 31 March 2013	Year to 31 March 2015	Year to 31 March 2014
	£	£	£	£
Expenditure authorised by the Board of Management / Board contracted less certified.		8,195,415	49,350	8,195,415
Expenditure authorised by the Board of Management not contracted		-		-

28 Deferred Taxation	BHA Group		Housing Association	
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
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.

**29 Contingent Liabilities**

As disclosed in note 21 there are contingent liabilities in respect of past service pension contributions that are due on an annual basis. A designated reserve has been set aside by transfer from the revenue reserve to cover this. The net present value of the payments due from 1 April 2015 is £ 3,504,000 using a discount rate of 2.22% (2014: £ 3,593,917 using a discount rate of 2.9%)

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 2014. As of this date the estimated employer debt for Berwickshire Housing Association Limited was £ 8,344,158 (30 Sept 2013: £ 6,580,384) A small number of what were previously Berwickshire Housing Association staff members, are now employed by Seton Care and Seton Care has noted an employer debt of £ 971,165 (30 Sept 2013 : £ 765,967) in its pension note to their accounts, which is also included in the Berwickshire Housing Association figure above.

As regards the growth plan, series 3, the cost of withdrawal if Series 3 liabilities are included in the calculation for past service deficits funding of the growth plan is £ 8,201. The cost of withdrawal if we exclude Series 3 liabilities from the calculation is £ 0.

**30 Post Balance Sheet Event**

At a meeting on 20 July 2015, the Trustees of Seton Care decided that following consultation with staff about the possibility of closing Seton Hall, and given that no alternatives were proposed to closure following the consultation, that Seton Hall would be shut down once safe alternative

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2015**

**30. Post Balance Sheet Event (continued)**

arrangements could be made for all the residents of Seton Hall. Seton Care is now working to implement this decision and has also since the financial year end decided to withdraw from providing Care at Home services in Northumberland. Seton Care staff from this service were transferred to a new service provider under a Transfer of Undertakings (Protection of Employment) Regulation 2006 transfer effective August 2015.

The Association is planning for what changes it needs to make to itself and/or other group companies in response to these changes in activities within Seton Care.

**31. Housing Development Debtors**

The Association has two residential developments currently in progress and these debtors relate to these developments.