



BERWICKSHIRE HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2016

Scottish Housing Regulator Registration No. HAL 289
Co-operative and Community Benefit Society FCA No. 619299
Scottish Charity No. SCO42342



BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

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BERWICKSHIRE HOUSING ASSOCIATION LIMITED

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BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

As of the year ended 31st March 2016:

Board of Management

Andrew Watson	Convener (Elected Convener on 29 September 2015)
Maria Peers	Convener (Resigned 31 July 2015)
Scott Holmes	Vice-Convener (Elected Vice Convener on 29 September 2015)
Anne McNeill	Vice Convener (Resigned 28 September 2015)
Johanna Pawley	Vice Convener (Resigned 31 July 2015)
Andrew Brough	
David Melrose	
Fraser Kelly	Appointed 2 February 2016
James Fullarton	
Lorraine Tait	Co-opted 2 February 2016
Robert Bolton	
Stephen Blakey	
Steve Wright	Co-opted 2 February 2016
Tony Homer	Co-opted 2 February 2016
Trevor Jones	
Deborah Stokes	Resigned 8 September 2015
John Elliot	Resigned 10 April 2015

Executive Officers

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

Registered Office

55 Newtown Street
Duns, Berwickshire
TD11 3AU

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Funders

Nationwide Building Society

Caledonia House

Carnegie Avenue

Dunfermline

KY11 8PJ

Royal Bank of Scotland plc

Kirkstane House

5th Floor, 139 St. Vincent Street

Glasgow

G2 5JF

Auditors

Findlay & Company

11 Dudhope Terrace

Dundee

DD3 6TS

Bankers

The Royal Bank of Scotland plc

12 Market Street

Duns

TD11 3DA

Solicitors

Hastings Legal

11 Murray Street

Duns

TD11 3DF

HBJ Gateley

19 Canning Street

Edinburgh

EH3 8EH

BTO Solicitors LLP

48 St. Vincent Street

Glasgow

G2 5HS

TC Young Solicitors

69 George Street

Edinburgh

EH2 2JG

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

GROUP OPERATING REVIEW

The directors present their annual report and audited financial statements for the year ended 31 March 2016.

Principal Activities

The BHA Group comprises Berwickshire Housing Association ("BHA" or "the Association"), BHA Enterprise Limited ("BHA Enterprise") and Seton Care. The principal activities of the Association are the provision and management of affordable rented accommodation. BHA Enterprise holds the majority membership in Berwickshire Community Renewables Limited Liability Partnership (BCR).

BHA Group recorded a loss of £333,568 (2015: loss of £ 275,803) on turnover of £ 8,345,232 (2015: £ 9,132,301). The main difference between the years was that in 2015 the Association bore a charge of £ 246,000 for the re-measurement of the past service pension deficit. Discontinued operations in the subsidiary, Seton Care, also resulted in a materially larger operational loss this year than last year. Continuing operations in the group showed a small surplus of £13,239 (2015: loss of £198,957). Notwithstanding the annual loss, the net cash inflow from operating activities rose to £2,562,178 compared to the previous year's £1,293,717. In what proved to be a very busy and challenging year, three events stood out.

- The Association finished its first new developments for 5 years, with the completion of a 32 unit project at Acredale, Eyemouth and a 30 unit development at Todlaw, Duns. Twelve of the Duns homes are being successfully let on a mid-market rental basis.
- Berwickshire Community Renewables, in which the Group has a 66.6% stake, concluded financing arrangements in December 2015 for the three turbine Hoprigshiels windfarm. Once complete, it is anticipated that Hoprigshiels will contribute additional revenues to the Association, supporting the continuation of our development programme.
- The decision was taken to close Seton Hall, the care home which Seton Care operated in Berwick. Falling occupancy and rising costs combined to make the home unviable for Seton Care and, despite considerable efforts to find another party who would take over the operation of the home, these were unsuccessful and Seton Hall closed in November 2015.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Introduction

BHA's core business is providing quality, affordable housing and creating flourishing communities people are proud to live in. BHA has nearly 1,800 affordable homes to let in Berwickshire and a small number in the Berwick upon Tweed area. Although first and foremost a landlord, BHA seeks to offer a much wider range of services that will contribute to the well-being of its tenants and of the communities in which they live. With just over 50 staff members, we are committed to delivering quality services relevant to our homes and the people who rent them from us, to contribute to thriving communities.

In the year to 31 March the Association recorded a surplus of £13,518, compared with the loss of £290,949 for the previous year. Principal contributors were lower interest charges and a much more favourable impact from the re-measurement of any changes in the assumptions used to measure the past service pension deficit payment liability. The net cash inflow from operating activities rose to £2,362,785 (2015: £1,581,812). Maintaining a strong level of cash generation is essential in ensuring that our programme of new build development can be maintained. Further detail on the Association's financial performance is set out on pages 6-7.

New homes

BHA aims to build as many new homes as it can afford to do, in order to meet local need. We anticipate that distributions made to the members of BCR will assist BHA to achieve this aim. BHA has planned for a number of new developments and we hope to be commencing additional developments in Eyemouth and Duns this year and a redesign project for sheltered housing in Coldstream.

Maintaining the quality of our existing homes.

Our homes are maintained to Government standard. We have a high quality response maintenance service and a planned programme to upgrade homes and meet legislative standards.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Providing advice and support to tenants

With the support of Lottery funding we have been providing money advice to tenants for a couple of years now (on benefits, debt and budgeting training) and, more recently, have increased our efforts to provide advice to tenants on reducing fuel costs and getting the most from money spent on fuel. We are tackling Fuel Poverty through this advice and securing lower cost, more efficient heating systems.

We have a school based programme, preparing young people for independence.

Support for communities and places where our tenants live.

We provide support to tackle anti-social behaviour and neighbour nuisance. We work with tenants to maintain their estates through various initiatives. We have a proactive approach to issues of concern to tenants and provide appropriate support to help tenants to maintain their tenancies. We adopt a focused supportive approach to tenants with more complex needs or facing challenge, to help them problem solve and move forward successfully with the support they need.

Our sheltered housing schemes offer support to live independently in old age. We operate a befriending scheme for older people in Berwickshire.

Our employability scheme supports tenants and other local people into employment.

A day nursery in Duns provides day and after school care for children from 0 to 11 years.

Future activities

BHA continues to monitor carefully the impact of the roll-out of Universal Credit for our tenants. We are also considering our options for what we can do either individually or together with other housing associations, in regard to past service pension deficit payments that we are required to pay.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: SUBSIDIARIES

Seton Care

The past year has been a very difficult one for Seton Care and has again led to a significant reduction in the Company's activities. During the course of this financial year, the trustees made a difficult decision to close the residential care home, Seton Hall, in Berwick upon Tweed following consultation that did not identify any other viable alternatives for Seton Hall. It also withdrew from the contract to provide Care at Home in Northumberland with the TUPE transfer of staff to a new service provider.

Two of the projects that were running in Seton Care, the Befriending Project and the Employability project transferred to BHA on 1 April 2016. BHA is in the process of applying to be registered to deliver nursery and sheltered housing support services. Once BHA is properly registered, it is likely that these services will transfer to BHA and Seton Care will be wound up.

Seton Care made a large loss for the year of £ 358,385 (2015: loss of £ 47,525.) Much of the loss was attributable to costs incurred in shutting Seton Hall in a responsible and sensitive manner, as income fell more quickly than costs. In addition, there were also some one-off costs, most importantly, redundancy payments for staff.

At the moment Seton Care is still operating as a much smaller charity, and BHA is actively looking at ways to minimise the overheads of this charity, including any cross charges made by BHA for services provided to Seton Care.

BHA Enterprise Limited

BHA Enterprise Limited owns a 2/3 share of Berwickshire Community Renewables LLP (BCR). BCR has a long lease on a site at Hoprigshiels in Berwickshire, and has secured planning permission and project finance to develop and operate 3 wind turbines. The project is debt funded by Triodos Bank and the Renewable Energy Investment Fund, a fund that is managed by the Scottish Investment Bank. It is anticipated that the windfarm will be operational before 31 March 2017 and that in time, the BHA Group's share of profits will be able to 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.

Until 31 December 2015, BHA Enterprise continued to receive rental income for the lease of Seton Hall to Seton Care.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

BHA Enterprise rents 12 properties from BHA and offers these for rent as mid-market rent properties. The properties were let in the final quarter of the financial year and interest in these properties was strong. BHA Enterprise made a profit before taxation of £ 11,300 (2015: £62,672).

Berwickshire Community Renewables LLP

As noted, BHA Enterprise is the major share (2/3) member of this LLP. Berwickshire Community Renewables is consolidated as a subsidiary as a result of the Association's control of Berwickshire Community Renewables through BHA Enterprise.

Construction of the windfarm is advancing well and the windfarm is expected to be operational in the 2017/18 financial year.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

FINANCIAL REVIEW

Income

The Association's turnover for the year ended 31 March 2016 totalled £ 7.7 million (2015: £ 7.4 million). Rental and service charge income (net of void losses) accounted for 90% or £ 6.96 million of this with the remainder including:-

- £ 248,000 accounted for as other activities in relation to cavity wall insulation grants received.
- £ 118,051 received for Supporting People contracts with Scottish Borders Council.
- £ 95,595 received for wider role funding, primarily Lottery funding for financial inclusion services provided across the Scottish Borders area.
- £ 95,531 received for recharges to subsidiaries for support services provided by BHA.
- £ 76,689 for factoring services (including recharged repairs).
- £ 59,541 for commercial rents.
- £ 50,036 for sale of non-Right to Buy land and house sales.

Expenses

Total revenue expenditure in the year was £ 7.1 million (2015: £ 6.7 million), comprising the following main items:-

- Letting Activity Management and Maintenance Administration Costs £ 2.5million (2015: £ 2.6 million)
- Depreciation £ 1.87 million (2015: £ 1.69 million)
- Reactive Maintenance £ 1.1 million (2015: £ 0.9 million)
- Planned & Cyclical maintenance £ 686,000 (2015: £ 799,000)
- Bad debts and provision for doubtful debts £ 161,000 (2015: £ 39,000) As part of its year end work, BHA made extensive provision for doubtful debts on tenant recharges that had been made over a period of time, but the collection of which is generally slow.
- £ 125,000 on Development activities (2015: £ 48,900)

The operating surplus generated by the Association in the year was £ 13,518 against an operating loss of £290,949 for 2015.

The Association had a net asset position at the year-end of £36,094,368 compared with a net asset position of £36,080,844 for 2015.

Cash Flows

The cash flow statement of BHA is shown on page 21. BHA generated £2,362,785 from operating activities, an increase of £ 780,973 from the prior year. However, cash and cash equivalents decreased by £ 1,104,805 (2015: £316,639) because of continued investment in new builds and the repayment of loans.

Liquidity

The Association has a small net current asset position of £ 68,365 as at 31 March 2016, a reduction of £ 2,149,930 in the year due to a reduction in construction debtors as development properties were completed and moved to fixed assets and a reduction in cash. The Association has a 3 year revolving credit facility with RBS of which £ 5.5 million remains undrawn as at 31 March 2016. As the initial RBS facility expires in December 2016, we retendered the loan facility and RBS were successful in providing a new 10 year loan facility to BHA. The loan documentation for the new loan has now been signed. BHA also has a £ 0.5 million revolving credit facility with Nationwide Building Society which is undrawn as at 31 March 2016.

Capital Structure and treasury

The Association's activities are funded on the basis of a Business Plan which is updated annually. The main element of our long term funding is a facility provided by Nationwide Building Society and a smaller part of our loan facilities is provided by RBS. Interest rate risk is managed by the Finance Committee and treasury management arrangements are reviewed regularly.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Investment in tenants' homes

During the year we invested £ 732,000 in improving tenants' homes (2015: £398,000). At the year-end our housing stock was recorded at £62,663,770 (2015: £62,263,086).

New Build

During the financial year we completed 62 new build properties of which 12 were mid-market rent properties that are let by the subsidiary, BHA Enterprise. We spent £ 8.5 million in bringing these properties into our stock and we received Housing Association Grant (HAG) from the Scottish Government and also some grant from the Scottish Borders Council to help keep our rents for new builds affordable.

We plan to spend a further £ 9,069,700 in the next two years on new developments but also to receive HAG totalling £4,280,200 towards these new projects.

Board

In the course of the year a number of colleagues – Maria Peers, Jo Pawley, Anne McNeill and Deborah Stokes - left the Board and I would like to put on record my thanks to them for their considerable contribution over the past few years. I am also pleased to welcome Fraser Kelly, Lorraine Tait, Steve Wright and Tony Homer to the Board. We are always looking for new Board members, particularly from our tenant base, so if anyone is interested please contact John Bain and/or secretary@bhagroup.org.uk for further details.



By order of the Board of Management

Andrew Watson

Convener

55 Newtown Street

Duns, TD11 3AU

23 September 2016

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS

The members of the Board of Management and the Executive Officers are listed on Page 1.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers 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 of Management.

The members of the Board of Management are also Trustees of the Charity. Members of the Board of Management are appointed by the members at the Association's Annual General Meeting.

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Co-operative and Community Benefit Act 2014 require the Board of Management to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Board of Management is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments 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 inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

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 to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Board of Management must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Board of Management are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Board of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

STATEMENT ON INTERNAL FINANCIAL CONTROL

The Board of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment 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;
- the safeguarding of assets against unauthorised use or disposition.

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate.

Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.

- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Board of Management receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Donations

During the year the Association made charitable donations amounting to £3,350 (2015 £4,588).

Auditors

In accordance with BHA policy, following five years with our current auditors, Findlay & Co, we tendered our external audit services. Chiene & Tait was successful in the tender, and as a result a resolution to appoint Chiene & Tait, Chartered Accountants, will be proposed at the Annual General Meeting.



By order of the Board of Management

Andrew Watson

Convener

55 Newtown Street

Duns, TD11 3AU

23 September 2016

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 9 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

AUDIT OPINION

In our opinion the Statement on Internal Financial Control on page 9 has provided the disclosures required by the relevant Regulatory Standards in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board of Management and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Alexander Squires (Senior Statutory Auditor)

For and on behalf of Findlay & Co

Chartered Accountants

Statutory Auditors

Dundee

September 2016

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

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 31st March 2016 which comprise Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group and Association Statement of Cash Flows, the Group and Association Statement of Changes in Reserves and related notes. The financial reporting framework that has been applied in their preparation is the applicable law and accounting standards of the United Kingdom

This report is made solely to the Association's members, as a body, in accordance with Section 87 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Board of Management and Auditors

As explained more fully in the Statement of Board of Management's Responsibilities the Association's Board of Management, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements 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 on 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 Group and the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board of Management's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31st March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2015.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 9 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

AUDIT OPINION

In our opinion the Statement on Internal Financial Control on page 9 has provided the disclosures required by the relevant Regulatory Standards in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Alexander Squires (Senior Statutory Auditor)

For and on behalf of Findlay & Co

Chartered Accountants

Statutory Auditors

Dundee

September 2016

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Consolidated Statement of Comprehensive income for the year ended 31st March 2016

	Notes	Continuing Operations 2016	Discontinued Operations 2016	TOTAL 2016	Continuing Operations 2015	Discontinued Operations 2015	Restated 2015
		£	£	£			£
REVENUE	2	7,831,478	513,754	8,345,232	7,640,081	1,492,220	9,132,301
Operating Costs	2	7,229,117	860,561	8,089,678	6,873,340	1,569,065	8,442,405
OPERATING SUPPLUS / (LOSS)	2	602,361	(346,807)	255,554	766,741	(76,845)	689,896
Minority Member's Share of Loss in LLP		11,655	-	11,655	9,020	-	9,020
Gain / (Loss) on Sale of Housing Stock	7	9,855	-	9,855	(34,884)	-	(34,884)
Interest Receivable and Other Income		75,731	-	75,731	54,287	-	54,287
Interest Payable and Other Charges	8	(699,363)	-	(699,363)	(748,122)	-	(748,122)
Other Finance Income / (Charges)	11	13,000	-	13,000	(246,000)	-	(246,000)
SURPLUS / (LOSS) FOR THE YEAR		13,239	(346,807)	(333,568)	(198,958)	(76,845)	(275,803)
Other Comprehensive Income		-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME		13,239	(346,807)	(333,568)	(198,958)	(76,845)	(275,803)

All activities relate to continuing operations with the exception of part of the Care Services which were discontinued in the year.

The notes on pages 23 to 60 form part of these financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Association Statement of Comprehensive income for the year ended 31st March 2016

	Notes	2016	Restated 2015
		£	£
REVENUE	2	7,724,521	7,380,236
Operating Costs	2	7,098,737	6,660,703
OPERATING SUPPLUS	2	625,784	719,533
Gain / (Loss) on Sale of Housing Stock	7	26,087	(37,784)
Interest Receivable and Other Income		48,010	26,503
Interest Payable and Other Charges	8	(699,363)	(753,201)
Other Finance Income / (Charges)	11	13,000	(246,000)
SUPLUS / (LOSS) FOR THE YEAR		13,518	(290,949)
Other Comprehensive Income		-	-
TOTAL COMPEHENSIVE INCOME		13,518	(290,949)

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

The notes on pages 23 to 60 form part of these financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Consolidated Statement of Financial Position as at 31st March 2016

	Notes	2016	Restated 2015
		£	£
TANGIBLE FIXED ASSETS			
Housing Properties	12	62,663,770	62,263,086
Other Tangible Assets	13	3,371,449	628,811
Investments	14	-	-
		66,035,219	62,891,897
CURRENT ASSETS			
Stock	15	444,484	415,055
Housing development debtors		-	1,064,677
Debtors	16	426,538	499,811
Current assets investment		892,812	1,259,892
Cash at bank and in hand		5,297,669	1,676,301
		7,061,503	4,915,736
Creditors: Amounts falling due within one year	17	(2,284,447)	(2,021,718)
NET CURRENT ASSETS		4,777,056	2,894,018
TOTAL ASSETS LESS CURRENT LIABILITIES		70,812,275	65,785,915
Creditors: Amounts falling due after more than one year	18	(30,490,426)	(25,361,232)
Provision for liabilities	28	(270,997)	-
Deferred Income :			
Social Housing Grants	19	(2,760,364)	(2,782,169)
Other Grants	19	(450,450)	(455,000)
NET ASSETS		36,840,038	37,187,514

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Consolidated Statement of Financial Position as at 31st March 2016			
	Notes	2016	Restated 2015
		£	£
EQUITY			
Share Capital		156	149
Minority Interest		29,013	40,668
Revenue Reserves		13,378,395	13,402,380
Revaluation Reserve		23,432,474	23,744,317
TOTAL RESERVES		36,840,038	37,187,514

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102.

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 23 September 2016.



Andrew Watson
Convener



Scott Holmes
Vice Convener



Colin Howard
Finance Director

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Association Statement of Financial Position as at 31st March 2016			
	Notes	2016	Restated 2015
		£	£
TANGIBLE FIXED ASSETS			
Housing Properties	12	62,663,770	62,263,086
Other Tangible Assets	13	188,746	181,067
Investments	14	1	1
		62,852,517	62,444,154
CURRENT ASSETS			
Stock	15	371,707	352,799
Housing development debtors		-	1,064,677
Debtors	16	431,508	331,352
Current assets investment		717,677	959,912
Cash at bank and in hand		377,553	1,240,123
		1,898,445	3,948,863
CREDITORS Amounts falling due within one year	17	(1,830,080)	(1,730,568)
NET CURRENT ASSETS		68,365	2,218,295
TOTAL ASSETS LESS CURRENT LIABILITIES		62,920,882	64,662,449
CREDITORS: Amounts falling due after more than one year	18	(23,615,700)	(25,344,436)
DEFERRED INCOME :			
Social Housing Grants	19	(2,760,364)	(2,782,169)
Other Grant	19	(450,450)	(455,000)
		(3,210,814)	(3,237,169)
NET ASSETS		36,094,368	36,080,844

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Association Statement of Financial Position as at 31st March 2016			
	Notes	2016	Restated 2015
		£	£
EQUITY			
Share Capital	20	156	149
Revenue Reserves		12,661,738	12,336,378
Revaluation Reserve		23,432,474	23,744,317
		36,094,368	36,080,844

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102.

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 23 September 2016.



Andrew Watson
Convener



Scott Holmes
Vice Convener



Colin Howard
Finance Director

The notes on pages 23 to 60 form part of these financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Consolidated Statement of Cash Flows for the year ended 31st March 2016

	Notes	2016	Restated 2015
		£	£
Net Cash Inflow from Operating Activities	21	2,562,178	1,293,717
Investing Activities			
Acquisition and Construction of Properties		(1,297,155)	(7,400,612)
Purchase of Other Fixed Assets		(2,933,563)	(179,950)
Social Housing Grant Received		-	2,219,884
Other Housing Grants Received		-	455,000
Social Housing Grant Repaid		-	-
Proceeds on Disposal of Properties		149,620	405,710
Net Cash (Outflow) from Investing Activities		(4,081,098)	(4,499,968)
Financing Activities			
Interest Received on Cash and Cash Equivalents		75,731	54,287
Interest Paid on Loans		(699,363)	(748,122)
Loan Principal Repayments (including revolving credit)		(1,519,879)	(484,929)
Loan Drawdown		6,916,701	4,050,000
Share Capital Issued		18	6
Net Cash Inflow from Financing		4,773,208	2,871,242
Increase / (Decrease) in Cash		3,254,288	(335,009)
Opening Cash & Cash Equivalents		2,936,193	3,271,202
Closing Cash & Cash Equivalents		6,190,481	2,936,193

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Association Statement of Cash Flows for the year ended 31st March 2016

	Notes	2016	Restated 2015
		£	£
Net Cash Inflow from Operating Activities	21	2,362,785	1,581,812
Investing Activities			
Acquisition and Construction of Properties		(1,297,155)	(7,400,612)
Purchase of Other Fixed Assets		(125,614)	(179,950)
Social Housing Grant Received		0	2,674,884
Social Housing Grant Repaid		0	0
Proceeds on Disposal of Properties		126,394	405,710
Net Cash Outflow from Investing Activities		(1,296,375)	(4,499,968)
Financing Activities			
Interest Received on Cash and Cash Equivalents		48,010	54,287
Interest Paid on Loans		(699,363)	(748,122)
Loan Principal Repayments		(1,519,880)	(484,929)
Loan Drawdown		0	3,780,275
Share Capital Issued		18	6
Net Cash Outflow from Financing		(2,171,215)	2,601,517
(Decrease) / Increase in Cash		(1,104,805)	(316,639)
Opening Cash & Cash Equivalents		2,200,035	2,516,674
Closing Cash & Cash Equivalents		1,095,230	2,200,035

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Consolidated Statement of Changes in Equity 31st March 2016

	Share Capital	Revenue Reserve	Revaluation reserve	Minority Interests	Total
	£	£		£	£
Balance as at 1st April 2015	149	13,402,380	23,744,317	40,668	37,187,514
Issue of Shares	18	-	-	-	18
Cancellation of Shares	(11)	-	-	-	(11)
Transfer from Revaluation Reserve	-	311,843	(311,843)	-	-
Minority Interests for the year	-	-	-	(11,655)	(11,655)
Surplus for the Year	-	(335,828)			(335,828)
Balance as at 31st March 2016	156	13,378,395	23,432,474	29,013	36,840,038

Association Statement of Changes in Equity 31st March 2016

	Share Capital	Revenue Reserve	Revaluation reserve	Total
	£			
Balance as at 1st April 2015	149	12,336,378	23,744,317	36,080,844
Issue of Shares	18	-	-	18
Cancellation of Shares	(11)	-	-	(11)
Transfer from Revaluation Reserve		311,843	(311,843)	-
Surplus for the Year		13,517	-	13,517
Balance as at 31st March 2016	156	12,661,738	23,432,474	36,094,368

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS FOR BHA GROUP

Legal status

Berwickshire Housing Association Limited ("BHA" or the "Association") is registered under the Co-operative and Community Benefits Societies Act 2014 No. 2482R(S) and is a registered Scottish Charity number SCO42342. BHA is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principal activity of the Association is the provision of social housing. The registered address is 55 Newtown Street, Duns, Berwickshire, TD11 3AU. BHA has two wholly owned subsidiaries, BHA Enterprise Limited and Seton Care. BHA Enterprise is the 2/3 majority member of Berwickshire Community Renewables LLP.

NOTE 1

Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statement.

Basis of accounting

The financial statements of the Association are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included in the Determination of Accounting Requirements 2015, and under the historical cost accounting rules, modified to include the deemed cost of housing properties at the date of transition. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation and in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

This is the first year in which financial statements have been prepared under FRS 102. Please refer to note 27 for an explanation of the transition.

Foreign Currency Translation

(i) Functional and Presentational Currency

Items included in the financial statement of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Sterling (£) is the Association's functional and the Group's presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rate applicable to the cash flow hedge and a cash flow hedge reserve account is created.

Basis of Consolidation

The Group financial statements consolidate the financial statements of Berwickshire Housing Association Limited, and all its subsidiary companies as at 31 March 2016. The subsidiaries are BHA Enterprise Limited, and Seton Care both of whom traded for a full year, although Seton Care has in the course of the year, discontinued certain of its activities. Berwickshire Community Renewables LLP (BCR) is a partly owned subsidiary of BHA Enterprise Limited and is currently developing a windfarm.

The share of non-controlling interest in BCR in the Group's Consolidated Statement of Financial Position and in Group's Consolidated Statement of Changes in Equity is disclosed as Minority Interests. The share of the profit or loss for the year is presented under the heading "Minority Member's Share of Loss in LLP."

Berwickshire Community Renewables LLP received project funding to construct and operate a windfarm. This project funding is such that distributions from Berwickshire Community Renewables LLP are only allowed if these are in compliance with its loan agreements.

Turnover / Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised when expenditure is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Land

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

Social Housing Grant and Other Grants In Advance / Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates. Grants received for land purchases that are not yet developed and grants for developments under construction are deferred to income and not amortised until the development is complete.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be recognised on the sale of the asset.

Going concern

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the Group and the preparation of long term financial forecasts and plans which include an assessment of the availability of funding, and the certainty of cash flow from the rental of social housing stock.

Discount rates have been used in the fair value of past service pension deficit payments. The rates used are subject to change and are influenced by wider economic factors over time.

Fixed assets – housing properties

In accordance with SORP 2014, the Association operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

Valuation of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. At the date of transition, exercising an option available within the 2014 SORP, BHA chose to value its housing assets at deemed cost.

Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12.

Component	Useful Economic Life	Component	Useful Economic Life	Component	Useful Economic Life
Walls	100 years	Roofs	60 years	Chimney	50 years
Windows	20 years	Doors	20 years	Lifts	20 years
Kitchens	20 years	Heating	20 years	Alarm Systems	25 years
Boilers	10 years	Bathrooms	20 years		
Structure	100 years	Renewables	20 years		

Housing assets are depreciated for a full year in the year in which they are capitalised.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Where there is evidence of impairment, the fixed assets are written down to the recoverable amounts and any write down would be charged to the operating surplus.

- **New Build**
Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when they are ready for letting or sale.
- **Mid-Market Rent**
Mid-market rent properties are let to BHA Enterprise at social housing rents. BHA has 12 mid-market rent properties and they are valued at depreciated cost. They are not considered to be investment property.

Sales of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals of housing property under the Right to Buy scheme are treated as non-current asset disposals and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to professional advice, the Group's asset management strategy and the requirements of the Scottish Housing Quality Standard. We are still evaluating the implications of the new environmental standard, EESSH, on estimated useful lives.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Other Tangible Assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, over their expected useful lives, using the straight line method. The rates applicable are:-

Office Premises	10 years
Other Equipment	5-10 years
Computer Hardware	2-5 years
Motor Vehicles	2-5 years
Improvements to leased properties	2-5 years
Tools	2 years

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with the carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Statement of Comprehensive Income.

If an impairment loss is subsequently reversed the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Deposits and liquid resources

Cash, for the purposes of the cash flow statement, comprise cash in hand net of any overdraft repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

Stock / Work in Progress

Stock is where land is held for resale, and it is stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Work in progress includes all qualifying costs for the project feasibility study.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, excluding bank loans, are measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Finance Costs

Finance costs are charged to the Statement of Financial Position over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board of Management to exercise judgement in applying BHA's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

Financial Instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable are initially measured at the present value of future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables and receivables, are measured initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Foreign exchange risk

Contractual payments due in Euros for the supply of wind turbines have been cash flow hedged by holding sufficient Euros in a bank account to pay for the supply of the wind turbines, as these payments become due in Euros. The hedge will have a temporary effect and eliminate on completion of the wind turbines construction.

The hedging relationship is consistent with the entity's risk management objectives for undertaking hedges.

Until such time as the hedge completes, currency movements are recorded within provisions and will eventually be reversed against the final cost of the fixed asset addition to eliminate any foreign currency risk.

Key Judgements made in the application of Accounting Policies

Exemptions taken in the transition to FRS 102

The Association has considered and taken advantage of the following exemptions in its first time application of FRS 102:

- The Association has not revisited previous accounting estimates
- The Association has not revisited the accounting of previous business combinations
- The Categorisation of Housing Properties

In the judgement of the Board of Management the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

- The Association made use of the deemed cost option in valuing its housing assets at the date of transition for FRS 102.
- Identification of cash generating units

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

- Financial Instruments - Basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 2 --BHA GROUP

		2016				2015		
		Revenue	Operating Costs	Operating Surplus/ (Deficit)	Revenue	Operating Costs	Operating Surplus/ (Deficit)	
	N o t e s	£	£	£	£	£	£	
	Social Lettings	6,961,205	6,308,308	652,899	6,696,233	6,113,212	583,020	
	Other Activities	1,384,027	1,781,372	(397,345)	2,436,068	2,329,193	106,876	
	TOTAL	8,345,232	8,089,678	255,554	9,132,301	8,442,405	689,896	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 3 - BHA GROUP

Consolidated Particulars of Income & Expenditure from Social Lettings							
	Notes	General Needs - Housing	Supported Housing	Shared Ownership	Garages	2016 Total	2015 Total
		£	£	£	£	£	£
REVENUE FROM LETTINGS							
Rent Receivable Net of Identifiable Service Charges		6,244,757	376,007	3,497	283,275	6,907,536	6,609,179
Service Charges Receivable		45,937	130,865	-	-	178,802	178,646
GROSS RENTS RECEIVABLE		6,290,694	506,872	3,497	283,275	7,084,338	6,787,825
Less Rent Losses from voids		(71,557)	(81,714)	-	(57,342)	(180,613)	(166,608)
NET RENTS RECEIVABLE		6,219,137	445,158	3,497	225,933	6,893,725	6,831,217
Amortisation of Social Housing Grants and Other Grants		26,355	-	-	-	26,355	-
Revenue Grants from Scottish Ministers		41,125	-	-	-	41,125	64,478
Revenue Grants from Local Authorities and other Agencies		-	-	-	-	-	540
TOTAL INCOME FROM SOCIAL LETTING		6,286,617	445,158	3,497	225,933	6,981,205	6,896,233
EXPENDITURE ON SOCIAL LETTING ACTIVITIES							
Service costs		121,013	100,287	-	-	221,300	225,143
Management and maintenance administration costs		2,081,786	175,936	-	188,504	2,426,206	2,555,863
Reactive Maintenance		1,001,125	52,691	-	6,216	1,060,032	938,695
Bad Debts – Rents and Service Charges		159,505	307	-	1,208	161,020	38,655
Planned and Cyclical Maintenance, including Major Repairs		645,771	39,940	-	-	685,711	798,798
Depreciation of Social Housing		1,888,688	87,371	-	-	1,754,037	1,556,061
Impairment of Housing		-	-	-	-	-	-
OPERATING COSTS OF SOCIAL LETTING		5,675,848	436,532	-	195,928	6,308,306	6,113,213
OPERATING SURPLUS ON SOCIAL LETTING ACTIVITIES		610,771	8,826	3,497	30,005	652,899	583,020
		616,697	(1,388)	3,397	(35,888)	583,020	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

**Annual Report and Group Financial Statements for the Year Ended 31 March 2016
NOTE 4 – BHA GROUP**

Consolidated Particulars of Revenue, Operating Cost and Operating Surplus or Deficit from other Activities									
	£	£	£	£	£	£	£	£	£
	Grants from Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2016	Operating Surplus / (Deficit) 2015
Wider Role Activities	-	-	-	95,595	95,595	-	104,287	(8,692)	(13,316)
Factoring – Agency services	-	-	-	76,889	76,889	-	78,703	(2,014)	1,149
Construction of Property Activities	-	-	-	-	-	-	125,004	(125,004)	(48,901)
Care Activities	-	-	118,051	-	118,051	-	119,709	(1,658)	51,524
BHA Enterprise – Property Development & Project Management	-	-	-	10,026	10,026	-	20,733	(10,707)	50,018
Seton Care – Residential Home & Care including nursery	-	-	-	716,008	716,008	-	1,080,242	(384,238)	(56,787)
Berwickshire Community Renewables LLP	-	-	-	-	-	-	34,986	(34,966)	(27,091)
Sale of land and houses (non RTB)	-	-	-	50,036	50,036	-	110,786	(60,760)	136,773
Other Income/Expenditure	-	-	-	267,873	267,873	-	48,630	219,243	27,269
Commercial Rental	-	-	-	49,751	49,751	-	58,302	(8,551)	(12,792)
TOTAL FROM OTHER ACTIVITIES	-	-	118,051	1,266,977	1,384,027	-	1,781,372	(397,345)	106,876
2015	-	-	172,553	2,283,515	2,436,068	2,337	2,326,785	106,876	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 2 – ASSOCIATION ONLY

Association Particulars of Revenue, Cost of Sales, Operating Costs and Operating Surplus							
	Notes	2016			2015		
		Revenue	Operating Costs	Operating Surplus/ (Deficit)	Revenue	Operating Costs	Operating Surplus/ (Deficit)
		£	£	£	£	£	
Social Lettings		6,961,205	6,357,775	603,430	6,696,233	6,129,306	566,927
Other Activities		763,316	740,962	22,354	684,003	531,397	152,606
TOTAL		7,724,521	7,098,737	625,784	7,380,236	6,660,703	719,533

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 3 – ASSOCIATION ONLY

Association Particulars of Income & Expenditure from Social Lettings							
	Notes	General Needs - Housing	Supported Housing	Shared Ownership	Garages	2016 Total	2015 Total Restated
		£	£	£	£	£	£
Revenue from Lettings							
Rent Receivable Net of Identifiable Service Charges		6,244,757	376,007	3,497	283,275	6,907,530	6,609,178
Service Charges Receivable		45,937	130,885	-	-	176,802	178,648
Gross Rents Receivable		6,290,694	606,872	3,497	283,275	7,084,338	6,787,825
Less Rent Losses from voids		(71,557)	(61,714)	-	(57,342)	(190,613)	(156,608)
Net Rents Receivable		6,219,137	445,158	3,497	225,933	6,893,725	6,631,217
Amortisation of Social Housing Grants and Other Grants		26,355	-	-	-	26,355	-
Revenue Grants from Scottish Ministers		41,125	-	-	-	41,125	64,476
Revenue Grants from Local Authorities and other Agencies		-	-	-	-	-	540
Total Income from Social Letting		6,288,617	445,158	3,497	225,933	6,961,205	6,696,233
Expenditure on Social Letting Activities							
Service costs		121,013	100,287	-	-	221,300	225,143
Management and maintenance administration costs		2,111,235	175,936	-	188,504	2,475,675	2,571,956
Reactive Maintenance		1,001,125	52,691	-	6,216	1,060,032	938,695
Bad Debts – Rents and Service Charges		159,505	307	-	1,208	161,020	38,655
Planned and Cyclical Maintenance, including Major Repairs		645,771	39,940	-	-	685,711	798,796
Depreciation of Social Housing		1,688,666	67,371	-	-	1,754,037	1,656,061
Impairment of Housing		-	-	-	-	-	-
Operating Costs of Social Letting		5,725,315	436,532	-	105,928	6,357,776	6,129,306
Operating Surplus on Social Letting Activities		561,302	8,626	3,497	30,005	603,430	566,927

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 4 – ASSOCIATION ONLY

Association Particulars of Revenue, Operating Cost and Operating Surplus or Deficit from other Activities									
	£	£	£	£	£	£	£	£	£
	Grants from Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus/ (Deficit) 2016	Operating Surplus / (Deficit) 2015
Wider Role Activities	-	-	-	95,595	95,595	-	104,287	(8,692)	(13,316)
Factoring - Agency services	-	-	-	76,689	76,689	-	76,703	(2,014)	1,149
Construction of Property Activities	-	-	-	-	-	-	125,004	(125,004)	(48,901)
Care Activities	-	-	118,051	-	118,051	-	119,709	(1,658)	61,524
Sale of land and houses (non RTB)	-	-	-	50,036	50,036	-	110,796	(60,760)	135,772
Other Income / Expenditure	-	-	-	267,873	267,873	-	46,630	219,243	27,269
Commercial Rental	-	-	-	59,541	59,541	-	56,302	1,239	(891)
Business Support Services to Group Companies	-	-	-	95,531	95,531	-	95,531	-	-
TOTAL FROM OTHER ACTIVITIES	-	-	118,051	645,265	763,316	-	740,962	22,364	152,606
2015	-	-	172,554	511,450	684,004	-	531,398	152,606	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 5 – BHA GROUP

Officers Emoluments		
	2016	2015
	£	£
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, managers and employees of the Association.		
Number of Officers of the Association who received emoluments greater than £60,000.	5	5
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	394,495	387,592
Compensation payable to Officers for loss of Office	-	-
Number of Pension contributions made to Officers with emoluments greater than £60,000	5	5
Pension contributions made on behalf on Officers with emoluments greater than £60,000	29,685	27,927
Emoluments payable to Chief Executive (excluding pension contributions)	96,731	96,731
Total Compensation paid to key management personnel	-	-
	Number	Number
The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:		
£60,001 to £70,000	1	1
£70,001 to £80,000	2	3
£80,001 to £90,000	1	-
£ 90,001 to £ 100,000	1	1

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 5 – ASSOCIATION ONLY

Officers Emoluments		
	2016	2015
	£	£
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, managers and employees of the Association.		
Number of Officers of the Association who received emoluments greater than £60,000.	5	5
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	394,495	387,592
Compensation payable to Officers for loss of Office	-	-
Number of Pension contributions made to Officers receiving greater than £60,000	5	5
Pension contributions made on behalf on Officers with emoluments greater than £60,000	29,685	27,927
Emoluments payable to Chief Executive (excluding pension contributions)	96,731	96,731
Total Compensation paid to key management personnel	-	-
The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:	Number	Number
£60,001 to £70,000	1	1
£70,001 to £80,000	2	3
£80,001 to £90,000	1	-
£ 90,001 to £ 100,000	1	1

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 6 – BHA GROUP

Employee Information		
	2016	2015
The average monthly number of full time equivalent persons employed during the year was	90	121
The average total number of Employees employed during the year was	114	160
Staff Costs were:	£	£
Salaries	2,218,082	2,679,448
Social Security Costs	164,159	187,967
Other Pension Costs(including past service pension deficit payments)	384,655	379,813
TOTAL	2,766,896	3,247,228

NOTE 6 – ASSOCIATION ONLY

Employee Information		
	2016	2015
The average monthly number of full time equivalent persons employed during the year was	51	50
The average total number of Employees employed during the year was	57	56
Staff Costs were:	£	£
Salaries	1,517,150	1,460,626
Social Security Costs	153,654	145,530
Other Pension Costs(including past service pension deficit payments)	343,597	331,855
TOTAL	2,014,401	1,938,011

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 7 – BHA GROUP

Gain on Sale of Fixed Assets		
	2016	2015
	£	£
Sales Proceeds	105,308	277,910
Cost of Sales	(95,453)	(312,794)
GAIN ON SALE OF HOUSING STOCK	9,855	(34,884)

NOTE 7 – ASSOCIATION ONLY

Gain on Sale of Fixed Assets		
	2016	2015
	£	£
Sales Proceeds	84,000	127,800
Cost of Sales	(57,913)	(148,259)
GAIN ON SALE OF HOUSING STOCK	26,087	(20,459)

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 8 – BHA GROUP

Interest Payable and Similar Charges		
	2016	2015
	£	£
On Bank Loans & Overdrafts	624,363	636,122
Interest on unwinding of discount factor for past service pension liability	75,000	112,000
	699,363	748,122

NOTE 8 – ASSOCIATION ONLY

Interest Payable and Similar Charges		
	2016	2015
	£	£
On Bank Loans & Overdrafts	624,363	641,201
Interest on unwinding of discount factor for past service pension liability	75,000	112,000
	699,363	753,201

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 9 – BHA GROUP

Surplus for Year		
	2016	Restated 2015
Surplus is stated after charging:-	£	£
Depreciation – Housing Properties	1,754,039	1,556,061
Depreciation – Other Fixed Assets	120,798	154,316
Depreciation – Assets under Finance lease	26,415	10,380
Auditors Remuneration – Audit Services	28,695	35,758
Auditors Remuneration – Other Services	-	-
Operating Lease Rentals – Land & Buildings	-	-
Operating Lease Rentals - Other	20,053	12,910

NOTE 9 – ASSOCIATION ONLY

Surplus for Year		
	2016	Restated 2015
Surplus is stated after charging:-	£	£
Depreciation – Housing Properties	1,754,039	1,556,061
Depreciation – Other Fixed Assets	117,248	132,905
Auditors Remuneration – Audit Services	13,900	21,782
Auditors Remuneration – Other Services	-	-
Operating Lease Rentals – Land & Buildings	-	-
Operating Lease Rentals - Other	20,053	12,910

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 10- BHA GROUP

Tax on Surplus on Ordinary Activities

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

Seton Care is a charity registered in England and Wales and is not liable to United Kingdom Corporation Tax on its charitable activities.

BHA Enterprise Limited is liable to United Kingdom Corporation Tax on its taxable profits.

NOTE 10- ASSOCIATION

Tax on Surplus on Ordinary Activities

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

NOTE 11- BHA GROUP

Other Finance Income / (Charges)

	2016	2015
	£	£
Unwinding of Discounted Liabilities	13,000	(246,000)

NOTE 11- ASSOCIATION ONLY

Other Finance Income / (Charges)

	2016	2015
	£	£
Unwinding of Discounted Liabilities	13,000	(246,000)

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 12- BHA GROUP

Tangible Fixed Assets- Social Housing properties				
Housing Properties	Housing Properties Held for Letting	Under Construction	Land	Total
Cost	£	£	£	£
As at 1 st April 2015	55,088,993	7,181,433	1,422,964	63,693,390
Additions	235,691	1,393,780	-	1,629,471
Capitalised Improvements	732,360	-	-	732,360
Disposals	(533,362)	-	-	(533,362)
Schemes Completed	8,520,898	(8,520,898)	-	-
AS AT 31ST MARCH 2016	64,044,580	54,315	1,422,964	65,521,859
Depreciation	£	£	£	£
As at 1 st April 2015	1,430,304	-	-	1,430,304
Charge for year	1,754,039	-	-	1,754,039
Disposals	(326,254)	-	-	(326,254)
AS AT 31ST MARCH 2016	2,858,089	-	-	2,858,089
Net Book Value	£		£	£
As at 31 st March 2016	61,186,491	54,315	1,422,964	62,663,770
As at 31 st March 2015	53,658,689	7,181,433	1,422,964	62,263,086

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 12- ASSOCIATION ONLY

Tangible Fixed Assets- Social Housing properties				
Housing Properties	Housing Properties Held for Letting	Under Construction	Land	Total
Cost	£	£	£	£
As at 1 st April 2015	55,088,993	7,181,433	1,422,964	63,693,390
Additions	235,691	1,393,780	-	1,629,471
Capitalised Improvements	732,360	-	-	732,360
Disposals	(533,362)	-	-	(533,362)
Schemes Completed	8,520,898	(8,520,898)	-	-
AS AT 31ST MARCH 2016	64,044,580	54,315	1,422,964	65,521,859
Depreciation	£	£	£	£
As at 1 st April 2015	1,430,304	-	-	1,430,304
Charge for year	1,754,039	-	-	1,754,039
Disposals	(326,254)	-	-	(326,254)
AS AT 31ST MARCH 2016	2,858,089	-	-	2,858,089
Net Book Value	£		£	£
As at 31 st March 2016	61,186,491	54,315	1,422,964	62,663,770
As at 31 st March 2015	53,658,689	7,181,433	1,422,964	62,263,086

Additions to housing properties includes capitalised major repair costs to existing properties of £730,360 (2015 £397,795)

All land and housing properties are freehold.

The Association's Lenders have standard securities over Housing Property with a carrying value of £ 46,252,934 (2015 - £47,522,235).

Impairment Charges

The Association classifies its cash generating units in terms of the property schemes that it uses for asset management purposes.

There was no impairment charged to the accounts in this financial year.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 13- BHA GROUP

Other Tangible Assets	Heritable Office Property	Leasehold Improvements	Equipment	Motor Vehicles	Windfarm Under Construction	Total
Cost	£	£	£	£		£
As at 1 st April 2015	661,782	98,763	566,421	81,539	374,752	1,783,258
Additions	16,931	-	71,697	36,986	2,807,950	2,933,564
Eliminated on Disposals	-	(15,272)	(155,723)	(81,539)		(252,534)
As at 31 st March 2016	678,714	83,491	482,395	36,986	3,182,702	4,464,288
Aggregated Depreciation	£	£	£	£		£
As at 1 st April 2015	614,041	39,320	450,792	50,294	-	1,154,447
Charge for year	20,345	16,696	84,820	25,352	-	147,213
Eliminated on Disposals	-	(15,272)	(130,459)	(63,090)	-	(208,821)
As at 31 st March 2016	634,386	40,744	405,153	12,556	-	1,092,839
Net Book Value			£	£	£	£
As at 31 st March 2016	44,328	42,747	77,242	24,430	3,182,702	3,371,449
As at 31 st March 2015	47,742	59,443	115,629	31,245	374,752	628,811

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 13- ASSOCIATION ONLY

BHA Other Tangible Fixed Assets					
Other Tangible Assets	Heritable Office Property	Leasehold Improvements	Equip-ment	Motor Vehicles	Total
Cost	£	£	£	£	£
As at 1 st April 2015	661,782	83,491	410,698	44,014	1,199,985
Additions	16,931	-	71,697	36,986	125,614
Eliminated on Disposals	-	-	-	(44,014)	(44,014)
As at 31 st March 2016	678,713	83,491	482,395	36,986	1,281,585
Aggregated Depreciation	£	£	£	£	£
As at 1 st April 2015	614,041	24,048	346,748	34,081	1,018,918
Charge for year	20,345	16,696	58,405	19,214	114,660
Eliminated on Disposals	-	-	-	(40,739)	(40,739)
As at 31 st March 2016	634,386	40,744	405,153	12,556	1,092,839
Net Book Value			£	£	£
As at 31 st March 2016	44,327	42,747	77,242	24,430	188,746
As at 31 st March 2015	47,741	59,443	63,950	9,933	181,067

NOTE 14 BHA GROUP

Investments		
At Cost	2016	2015
	£	£
Unlisted – shares in subsidiary companies	-	-

NOTE 14- ASSOCIATION ONLY

Investments		
At Cost	2016	2015
	£	£
Unlisted – shares in subsidiary companies	1	1

The Association has ultimate control over the companies listed below.

The Association is the 100% owner of Seton Care, a company limited by guarantee, which specialises in care service delivery. In the past financial year Seton Care has significantly reduced its activities. Currently it manages the housing support contract on behalf of the Association and operates a nursery in Duns. In the Group accounts, it is accounted for as a subsidiary.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

BHA Enterprise Limited is a private company wholly owned by the Association, which specialises in the owning of property and the delivery of renewable energy solutions. 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.

	2016	2015
	£	£
Aggregate capital and reserves		
Seton Care	284,973	643,358
Profit for the year	<u> </u>	<u> </u>
Seton Care	(358,385)	(47,525)
Aggregate capital and reserves	<u> </u>	<u> </u>
BHA Enterprise Limited	431,685	422,645
Profit for the year	<u> </u>	<u> </u>
BHA Enterprise Limited	9,040	49,243
Aggregate capital and reserves	<u> </u>	<u> </u>
Berwickshire Community Renewables LLP	87,038	122,004
Profit / (Loss) for the year	<u> </u>	<u> </u>
Berwickshire Community Renewables LLP	(34,966)	(27,061)

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 2016

NOTE 15 BHA GROUP

Stock and Work in Progress		
At Cost	2016	2015
	£	£
Stock	444,484	415,055

NOTE 15-- ASSOCIATION ONLY

Stock and Work in Progress		
At Cost	2016	2015
	£	£
Stock	371,707	352,799

Stock is land held for sale.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 16– BHA GROUP

Debtors		
	2016	2015
	£	£
Arrears of Rent & Service Charges	435,603	205,738
Less: Provision for Doubtful Rental Debts	(173,076)	(175,589)
	262,527	30,149
Other Debtors	289,062	329,656
Less: Provision for Doubtful Other Debts	(153,257)	-
	135,805	329,656
Trade Debtors	28,206	140,006
	426,538	499,811

NOTE 16– ASSOCIATION ONLY

Debtors		
	2016	2015
	£	£
Arrears of Rent & Service Charges	435,603	205,738
Less: Provision for Doubtful Rental Debts	(173,076)	(175,589)
	262,527	30,149
Other Debtors	192,185	233,818
Less: Provision for Doubtful Other Debts	(153,257)	-
	38,928	233,818
Trade Debtors	12,494	17,321
Intercompany Debtors	117,559	50,064
	431,508	331,352

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 17– BHA GROUP

Creditors amounts falling due within one year		
	2016	2015
	£	£
Housing Loans	581,250	581,250
Trade Payables	80,540	190,788
Rent in Advance	128,633	71,947
Finance Leases	-	12,804
Other Taxation and Social Security	93,679	118,785
Other Payables	842,664	790,535
Provision for Holiday Pay	9,399	14,650
Accruals and Deferred Income	548,282	240,959
	2,284,447	2,021,718

NOTE 17– BHA HOMES

Creditors amounts falling due within one year		
	2016	2015
	£	£
Housing Loans	581,250	581,250
Trade Payables	60,134	175,424
Intercompany Creditors	-	4,873
Rent in Advance	128,633	71,947
Other Taxation and Social Security	49,355	83,908
Other Payables	815,204	737,974
Provision for Holiday Pay	9,399	14,650
Accruals and Deferred Income	186,105	60,542
	1,830,080	1,730,568

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 18- BHA GROUP

Creditors amounts falling due after one year		
	2016	Restated 2015
	£	£
Liability for Past Service Contributions	3,295,177	3,504,034
Housing Loans	20,320,523	21,840,402
Project Finance – Bank loans	6,874,726	-
	30,490,426	25,344,436

NOTE 18- ASSOCIATION ONLY

Creditors amounts falling due after one year		
	2016	Restated 2015
	£	£
Liability for Past Service Contributions	3,295,177	3,504,034
Housing Loans	20,320,523	21,840,402
	23,615,700	25,344,436

The Association has a number of long-term housing loans the terms and conditions of which are as follows

Lender	Security	Effective Interest Rate	Maturity	Variable/ Fixed
Nationwide Building Society	Standard security over 1,417 BHA homes in total in regard to its loan facilities to BHA	Libor +0.3%	March 2039	Variable
		4.2%	Dec 2018	Fixed
		1.74%	April 2017	Fixed
		4.4%	Nov 2026	Fixed
RBS	Standard Security over 168 properties	Libor + 1.6%	Dec 2016	Variable
Clydesdale Bank	Standard Security over 12 properties	The loan has been repaid		

In June 2016, the Association took out a forward fix with Nationwide Building Society, so as to continue to pay interest on a fixed rate when the current fixed rate matures in April 2017, at 1.91% with a final maturity date of April 2037. As from 1 July 2017, the Association took out a fix with Nationwide Building Society at 1.79% with a final maturity date of July 2036.

All of the Associations bank borrowings are repayable in a monthly basis with the principal being amortised over the term of the loans.

The liability for past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 2.29% (2015 - 2.22%).

Project Finance is as follows:-

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
Triodos Bank NV	Windfarm is secured to Triodos Bank	3.691%	March 2017	Fixed
Scottish Enterprise (Renewable Energy Investment Fund)	Floating charge behind senior lender	8%	December 2026	Fixed

NOTE 19- BHA GROUP

Deferred Income		
	2016	2015
	£	£
Social Housing Grants		
Balance as at 1 st April 2015	2,782,169	562,285
Additions in year	-	2,219,884
Amortisation in Year	(21,805)	-
Balance as at 31st March 2016	2,760,364	2,782,169
Other Grants		
Balance as at 1 st April 2015	455,000	-
Additions in year	-	455,000
Amortisation in Year	(4,550)	-
BALANCE AS AT 31ST MARCH 2016	450,450	455,000

NOTE 19- ASSOCIATION ONLY

Deferred Income		
	2016	2015
	£	£
Social Housing Grants		
Balance as at 1 st April 2015	2,782,169	562,285
Additions in year	-	2,219,884
Amortisation in Year	(21,805)	-
Balance as at 31st March 2016	2,760,364	2,782,169
Other Grants		
Balance as at 1 st April 2015	455,000	-
Additions in year	-	455,000
Amortisation in Year	(4,550)	-
BALANCE AS AT 31ST MARCH 2016	450,450	455,000

Grant is amortised over the life of the asset, once the development is complete.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 20- BHA GROUP

	Share Capital
	£
Shares of £1 each at 1 st April 2015	149
Shares of £1 issue of Shares	18
Cancellation of Shares	(11)
BALANCE AS AT 31ST MARCH 2016	156

Shares in the Association carry no rights to a dividend or other distributions and are not repayable.

NOTE 20- ASSOCIATION ONLY

	Share Capital
	£
Shares of £1 each at 1 st April 2015	149
Shares of £1 issue of Shares	18
Cancellation of Shares	(11)
BALANCE AS AT 31ST MARCH 2016	156

Shares in the Association carry no rights to a dividend or other distributions and are not repayable.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 21– BHA GROUP

Statement of cash flows		
Reconciliation of operating surplus to balance as at 1st April 2015	2016	Restated 2015
	£	£
Operating Surplus	255,554	689,897
Minority Members share of loss in LLP	11,655	9,020
Depreciation	1,901,252	1,426,286
Amortisation of capital grants	(26,355)	-
Change in debtors	73,273	(979,126)
Pension deficit payments	(270,856)	(262,966)
Change in stock	(29,429)	(25,713)
Non cash expenses for sale of assets in note 4	198,078	9,472
Gain on sale of fixed assets	9,855	(22,871)
Change in creditors	452,162	203,734
Unwinding of the discount on pension liability	(13,000)	246,000
Share Capital cancelled	(11)	(16)
BALANCE AS AT 31ST MARCH 2016	2,562,178	1,293,717

NOTE 21– ASSOCIATION ONLY

Statement of cash flows		
Reconciliation of operating surplus to balance as at 1st April 2015	2016	Restated 2015
	£	£
Operating Surplus	625,784	702,208
Depreciation	1,868,697	1,706,340
Amortisation of Capital Grants	(26,355)	-
Change in debtors	(100,156)	(993,861)
Pension Deficit Payments	(270,856)	(262,966)
Change in Stock	(18,908)	0
Non cash expenses for sale of assets in note 4	198,078	27,608
Change in creditors	99,512	44,499
Non cash adjustment for pension liability movements	(13,000)	358,000
Share Capital cancelled	(11)	(16)
BALANCE AS AT 31ST MARCH 2016	2,362,785	1,581,812

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

Annual Report and Group Financial Statements for the Year Ended 31 March 2016

NOTE 22– BHA GROUP

Housing Stock		
	2016	2015
The number of units of accommodation in management at the year-end was:		
General Needs – New Builds	1,700	1,641
General Needs - Rehabilitation	0	0
Shared Ownership	2	2
Supported Housing	91	91
	1,793	1,734

NOTE 22– ASSOCIATION ONLY

Housing Stock		
	2016	2015
The number of units of accommodation in management at the year-end was:		
General Needs – New Builds	1,700	1,641
General Needs - Rehabilitation	0	0
Shared Ownership	2	2
Supported Housing	91	91
	1,793	1,734

NOTE 23A BHA GROUP

Commitments under Operating Leases		
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-	2016	2015
	£	£
Not later than one year	2,125	69,209
Later than one year and not later than five years	20,053	12,719
Later than five years	205,453	-

NOTE 23A– ASSOCIATION ONLY

Commitments under Operating Leases		
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-	2016	2015
	£	£
Not later than one year	-	207
Later than one year and not later than five years	20,053	12,719
Later than five years	-	-

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NOTE 23B BHA GROUP

Capital Commitments		
At the 31 March 2016 the BHA Group had the following Capital Commitments	2016	2015
	£	£
Expenditure authorised by the Board of Management / Board contracted less certified	7,925,165	49,350

NOTE 23B- ASSOCIATION ONLY

Capital Commitments		
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-	2016	2015
	£	£
Expenditure authorised by the Board of Management / Board contracted less certified	-	49,350

NOTE 24

Related Parties

Members of the Board of Management are related parties of the Association as defined by Financial Reporting Standard 102.

The related party relationships of the members of the Board of Management is summarised as:-

- 1 member is a tenant of the Association and was a member for the full year
- 1 member was a tenant for the first part of the year

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Board of Management Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Board of Management Member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Board of Management members (and their close family) were as follows:

	£
Rent Received from Tenants on the Committee	4,830

At the year-end total rent arrears owed by the tenant members of the Committee were £nil.

The following member of the Board of Management is a councillor of Scottish Borders Council; - Councillor James Fullarton.

BHA Enterprise Limited

During the year the following members of the Board of Management of Berwickshire Housing Association have also been Directors of BHA Enterprise Limited: David Melrose.

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Berwickshire Housing Association levied fees for the following amounts to BHA Enterprise Limited during the period 1 April 2015 to 31 March 2016.

£ 19,004 costs for personnel working on projects (2015: £ 27,015)

£ 2,000 staff costs for shared services (2015: £ 14,563)

£ 2,426 for a share of facilities management costs (2015: £ 2,691)

BHA Enterprise Limited levied fees of £ 43,502 to Seton Care during the year 1 April 2015 to 31 March 2016 for the rent of Seton Hall. (2015: £ 58,003)

The balance outstanding from BHA Enterprise Limited as at 31 March 2016 to Berwickshire Housing Association was £ 21,124.27 (2015: BHA was due £ 4,872 from BHA Enterprise).

The balance outstanding to Seton Care at year end was £3,105 (£ nil 2015)

BHA Enterprise made a loan of £ 250,000 to Berwickshire Community Renewables LLP, the loan period has been extended by up to 60 months 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 2016 (including the loan) was £ 276,420 (2015: £ 272,656).

Seton Care (formerly Seton Care Limited)

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

Berwickshire Housing Association levied fees for the following amounts to Seton Care during the period 1 April 2015 to 31 March 2016.

£ 56,600 staff costs for shared services (2015 £ 70,000).

£ 11,791 for a share of facilities management costs (2015: £ 14,718).

£ 5,000 to provide training for staff.

£ nil for rental of accommodation (2015: £ 3,500).

Seton Care invoiced Berwickshire Housing Association £ 118,051 (2015: £ 118,051) for managing the Supporting People contract on behalf of Berwickshire Housing Association Limited and £ nil (2015: £ 300) for catering services. Seton Care also invoiced BHA for staff ancillary workers costs of £19,270 (2015: £ 18,946) for cleaning services delivered.

Seton Care received £ 7,679 (2015: £ 7,783) from Berwickshire Housing Association towards the ongoing costs at Linkim Court.

Seton Care paid BHA Enterprise Limited £ 43,502 (2015: £ 58,003) for the rent of Seton Hall and £ 8,500 to Berwickshire Housing Association for the rent of 53 Newton Street in Duns for Little Reivers Nursery (2015: £ 8,400) during the year 1 April 2015 to 31 March 2016. The balance outstanding from Seton Care as at 31 March 2016 to Berwickshire Housing Association was £ 20,129 (2015: £ 54,730).

The balance outstanding to Seton Care from BHA Enterprise as at 31 March 2016 was £ 3,105 (2015 £ nil).

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.

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The balance outstanding from Berwickshire Community Renewables LLP to Berwickshire Housing Association as at 31 March 2016 was £ 76,306 (2015: £ nil).

The balance outstanding from Berwickshire Community Renewables LLP to BHA Enterprise Limited as at 31 March 2016 was £ 276,420 (2015: £ 272,656) including a loan of £ 250,000 on commercial terms.

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

NOTE 25

Details of Association

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 55 Newtown Street, Duns, Berwickshire.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Berwickshire and a small number of properties in Berwick – upon – Tweed.

NOTE 26

Retirement benefit obligations

Berwickshire Housing Association Limited participated in the Scottish Housing Association Pension Scheme (the Scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers 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 FRS102 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30th 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 £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

The Scheme Actuary has prepared a preliminary triennial valuation that provides the preliminary update on the funding position of the Scheme as at 30th September 2015. This valuation has not yet been signed off as is required. The preliminary funding update revealed an increase in the assets of the Scheme to £616 million and indicated an decrease in the shortfall of assets compared to liabilities to approximately £106 million, equivalent to a past service funding level of 76%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is re-apportioned amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £3,295,000 (2015 - £3,504,000). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.29%. (2015: 2.22%)

The Association made payments totalling £280,163 (2015: £272,274) to the pension scheme during the year.

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 2015. As of this date

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the estimated employer debt for Berwickshire Housing Association Limited was £ 9,361,212 (30 Sept 2014 : £8,344,158).

NOTE 27

Transition to the Financial Reporting Standard 102

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1 April 2015. As a result of this the comparative figures for the period ending 31 March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in a number of changes in accounting policies compared with those used previously.

The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ending 31 March 2016.

BHA GROUP

Reconciliation of Capital Reserves							
	Note	At 31 st March 2015			At 31 st March 2014		
		As Previously stated	Effect of Transition	As Restated	As previously stated	Effect of Transition	As Restated
	£	£	£	£	£	£	£
Non-current Assets	(i)	61,141,039	1,750,858	62,891,897	56,872,691	562,285	57,434,976
Current Assets		4,915,736	-	4,915,736	4,245,906	-	4,245,906
Current Liabilities		(2,021,718)	-	(2,021,718)	(2,113,452)	-	(2,113,452)
Non-current Liabilities	(ii)	(21,857,198)	(3,504,034)	(25,361,232)	(18,144,155)	(3,409,000)	(21,553,155)
Deferred Income	(i)	-	(3,237,169)	(3,237,169)	--	(562,285)	(562,285)
CAPITAL RESERVES		42,177,859	(4,990,345)	37,187,514	40,860,990	(3,409,000)	37,451,990

Notes to the Reconciliation

- (i) The Association adopted the deemed cost valuation method for housing stock at the date of transition. Housing Association Grants (HAG) received before the date of transition were recognised as income at the date of transition, apart from grants received that related to land that had not yet been developed. The HAG on undeveloped land and all HAG received after the date of transition is no longer deducted from the cost of the capital asset, but is instead treated as deferred income which is recognised in income over the useful life of the related asset.
- (ii) As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS 102. This liability was not previously recognised and payments made under this agreement were written off as operating costs.

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BHA GROUP

Reconciliation of Retained Surpluses for the year				
		At 31st March 2015		
	Note	As Previously stated	Effect of Transition	As Restated
	£	£	£	£
Revenue		9,132,301	-	9,132,301
Operating Costs	(i), (iii) and (v)	(8,301,048)	(141,357)	(8,442,405)
Other Income	(iv)	34,380	(69,264)	(34,884)
Minority Members share of Loss in LLP	(v)	-	9,020	9,020
Interest Receivable		54,287	-	54,287
Interest Payable	(ii) and (iii)	(636,122)	(112,000)	(748,122)
Change in Fair Value of Financial Instrument	(ii) and (iii)	-	(246,000)	(246,000)
SURPLUS		283,798	(559,601)	(275,803)

ASSOCIATION ONLY

Reconciliation of Capital Reserves							
		At 31st March 2015			At 31st March 2014		
	Note	As Previously stated	Effect of Transition	As Restated	As previously stated	Effect of Transition	As Restated
	£	£	£	£	£	£	£
Non-current Assets	(i)	60,693,295	1,750,859	62,444,154	56,310,575	562,285	56,872,860
Current Assets		3,948,863	-	3,948,863	3,271,640	-	3,271,640
Current Liabilities		(1,730,568)	-	(1,730,568)	(1,720,640)	-	(1,720,640)
Non-current Liabilities	(ii)	(21,840,402)	(3,504,034)	(25,344,436)	(18,114,555)	(3,409,000)	(21,523,555)
Deferred Income	(i)	-	(3,237,169)	(3,237,169)	-	(562,285)	(562,285)
CAPITAL RESERVES		41,071,188	(4,990,344)	36,080,844	39,747,020	(3,409,000)	36,338,020

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Reconciliation of Retained Surpluses for the year				
		At 31st March 2015		
	Note	As Previously stated	Effect of Transition	As Restated
	£	£	£	£
Revenue		7,380,236	-	7,380,236
Operating Costs	(i), (iii) and (v)	(6,528,367)	(132,336)	(6,660,703)
Other Income	(iv)	31,480	(69,264)	(37,784)
Interest Receivable		26,503	-	26,503
Interest Payable	(ii) and (iii)	(641,201)	(112,000)	(753,201)
Change in Fair Value of Financial Instrument	(ii) and (iii)	-	(246,000)	(246,000)
SURPLUS		268,651	(559,600)	(290,949)

Notes to the Reconciliations continued

(iii)– The Association adopted deemed cost valuation method for housing stock at transition. This resulted in an additional depreciation charge of £ 395,303 for 2015 as under this method of valuation housing association grant (HAG) received before the transition date is recognised as revenue and is not as previously, amortised against depreciation.

Expenditure relating to past service pension deficit payments of £ 262,967 is not now charged to income, as under FRS 102 the full past service deficit is recognised as a liability on the balance sheet and the liability is unwound over the period of these payments. The amount recognised is the present value of the deficit reduction contributions payable and the present value is calculated using the discount rate which is a market rate and therefore liable to change each year. This and any other changes in assumptions are recognized in the Statement of Comprehensive Income for the year as Changes in Fair Value of Financial Instruments. The difference between the reduction of the liability and the actual amount paid in past service pension deficit payments is the unwinding of the discount factor which is charged to the Statement of Comprehensive Income as Interest Payable expense.

(iv) The cost of Right to Buy sales are higher under FRS 102 because of the change in treatment to HAG noted in (i) above.

(v) The Minority member's share of the loss in LLP has been separately disclosed.

NOTE 28 BHA GROUP

Foreign exchange liabilities

Berwickshire Community Renewables LLP has applied hedge accounting to cash held in Euros to pay for elements of the wind turbines, which were capital commitments at the year-end.

	2016	2015
	£	£
Foreign currency hedge	270,997	-
At 31 March 2016	270,997	-