



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED  
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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 2018**

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**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS**

**Board of Management**

Lorraine Tait	Convener (Appointed September 2017)
Scott Holmes	Vice-Convener
Andrew Watson	Convener (Resigned 1 July 2017)
Vivienne Cockburn	Vice Convener (Appointed September 2017)
Andrew Brough	
David Melrose	(Resigned May 2018)
Fraser Kelly	(Resigned January 2018)
James Fullarton	
Robert Bolton	(Retired 12 September 2017)
Steve Wright	(Resigned 2 May 2017)
Tony Homer	(Resigned May 2018)
Trevor Jones	(Retired 12 September 2017)
Anne Isles	
Jim Mc Devitt	
Lynn Gray	

**Executive Officers**

Helen Forsyth	Chief Executive
Colin Howard	Finance Director (Resigned November 2017)
Jean Gray	Operations Director
John Bain	Resources Director & Secretary

**Registered Office**

55 Newtown Street  
Duns, Berwickshire  
TD11 3AU

**Funders**

Nationwide Building Society	The Royal Bank of Scotland plc
Caledonia House	Kirkstane House
Carnegie Avenue	5 <sup>th</sup> Floor, 139 St. Vincent Street
Dunfermline	Glasgow
KY11 8PJ	G2 5JF

**Bankers**

The Royal Bank of Scotland plc  
12 Market Street  
Duns  
TD11 3DA

**Auditor**

Chiene + Tait LLP  
Chartered Accountants and Statutory Auditor  
61 Dublin Street  
Edinburgh  
EH3 6NL

**Solicitors**

Hastings Legal	BTO Solicitors LLP	BTO Solicitors LLP	TC Young Solicitors
11 Murray Street	19 Canning Street	48 St Vincent Street	69 George Street
Duns	Edinburgh	Glasgow	Edinburgh
TD11 3DF	EH3 8EH	G2 5HS	EH2 2JG

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

#### **GROUP OPERATING REVIEW**

The directors present their annual report and audited financial statements for the year ended 31 March 2018.

##### **Principal Activities**

The BHA Group comprises Berwickshire Housing Association ("BHA" or "the Association") and 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). During this financial year Seton Care has not been trading and steps have been taken to wind up the company. By the end of the year all the legal processes were not complete although the Directors of the company had signed the forms to initiate this.

- This has been the first year of operation for the Fisherman Three which has been very successful. The wind farm completed a first year of operation with no significant problems and brought in higher than budgeted levels of income. It filled the Debt Service Bank Account with £450,000 and the surplus was £414k compared to the forecast of £246.4k
- BHA completed 16 homes in Duns at the development at Station Drive and started on site with a further 30 homes in Eyemouth. In 2018 BHA also started on site in Chirnside with 25 units.

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

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. 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 75 staff members, BHA is committed to delivering quality services relevant to its homes and the people who rent them and to contribute to thriving communities.

In the year to 31 March the Association recorded a surplus of £715k, compared with the surplus of £2m for the previous year after an exceptional pension adjustment. The surplus was higher than forecast due to a range of factors: lower costs in maintenance, lower than expected bad debts and lower void levels. The net cash inflow from operating activities was to £2,226,556 (2017: £3,210,076). Maintaining a strong level of cash generation is essential in ensuring that BHA's programme of new build development can be maintained and that it continues to meet the proposed programme of planned works within the existing stock. Further detail on the Association's financial performance is set out on pages 5-6.

##### **New homes**

BHA aims to build as many new homes as it can afford in order to meet local need. We anticipate that distributions made to the members of BCR will assist BHA to achieve this aim. Those distributions will come to BHA starting in about 2020. BHA has already planned a number of new developments and these are currently within the Strategic Housing Investment Plan (SHIP). BHA will commence work in Duns over two sites (37 units) in late summer 2018 and further units will be progressed towards planning stage for Coldstream, Eyemouth, Cockburnspath and Ayton.



## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)**

##### **Maintaining the quality of core services**

BHA's service to its tenants continues to be of a high standard with low arrears, efficient responsive repairs and low levels of anti-social behaviour. This year there was continued to focus on issues which tenants are concerned about: particularly the management of dogs in BHA's communities and the use of green spaces. BHA has been exploring new initiatives to improve garden maintenance and has now started selling off garage sites where appropriate. BHA continues to work with partners on community gardens (Ayton and Linkim Court, Eyemouth) and intends to develop a community orchard in the next development in Duns.

##### **Maintaining the quality of existing homes**

BHA's homes are maintained to Government standards and there are no properties designated as hard to let. There is a planned programme to upgrade homes and to meet all legislative requirements around EESSH (Energy Efficiency Standard in Social Housing) within the expected timescales.

At present 85.69% of BHA's homes meet SHQS with the remaining 14.31% classed as exemptions and abeyances. Exemptions equate to 13.52% whereas the remaining 0.50% of properties are abeyances and these are when the tenant has refused to allow the necessary works to take place. As these properties become void the Association will bring them up to the expected SHQS standard.

EESSH has to be met by 2020 and at the end of the financial year 2018/19 the Association expects approximately 75% of homes will meet EESSH. There is a planned programme of works to ensure the Association achieves completion by 2020.

As BHA looks at value for money and ensures that the Association is getting the most competitive rates for work, we have secured through the Scottish Procurement Alliance (SPA) 6 three-year planned and cyclical maintenance programmes. The use of the SPA has already reduced spend on contract costs to date by over £300k including consultants costs and fees.

This year the Association has engaged with an energy and environmental consultant to survey all the hardest to heat homes with a view to tackling the heating issues for those tenants as a priority. The Association's process is more person centred and will ensure that the Association is considering fuel poverty alongside energy efficiency. The first of the survey results have been passed to the Association's contractor who was procured by the Scottish Procurement Alliance and they are currently sourcing funding streams to assist with delivering this work. The contractor is also sourcing funding to allow BHA to install photovoltaic panels to 120 homes which were previously identified as suitable for this work. BHA is working again with Sunamp to install heat batteries to around 200 homes with the greatest needs and should commence that work in this financial year.

The Association continues to work with Our Power, the new utility company supported by Housing Associations in Scotland. All voids are switched to Our Power to ensure that tenants when moving into a new home get an opportunity to have a very low and competitive price for their fuel.

##### **Providing advice and support to tenants**

With the support of Lottery funding BHA has been providing money advice to tenants for just over four years now (applying for benefits, debt and budgeting training). There were 139 referrals this year. The numbers struggling to understand the benefits systems have been rising and this is where the Association has increased the number of staff to engage directly with individuals in its communities. BHA has a school based programme, which runs every year preparing young people for independence and to be able to live in their own home. BHA is also contributing to the school's agenda to prepare young people for work. BHA has worked for the first time in Eyemouth High School and also developed a game for all students to use in class to help plan and prepare for leaving school.



## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)**

##### **Support for communities and places where BHA tenants live**

BHA's biggest and most successful initiative to improve the local communities in which BHA works continues to be the Skip and Scrap days where BHA provides a skip throughout the day to people (both tenants and others) in which to dispose of items that they cannot afford to have uplifted by the local authority. BHA staff and handymen are on site to assist and last year BHA ran 3 days across 3 settlements of Berwickshire. BHA has also started working closely with both the fire brigade and the police at these events.

BHA's sheltered housing schemes offer support to older people to live independently in Berwickshire. The Association currently has 83 units in use within three schemes in Coldstream, Duns and Eyemouth. They offer support to tenants to sustain their tenancy and provide a large amount of social interaction and engagement. The Association operates a befriending scheme for older people in Berwickshire which provides social support to 51 isolated people from 26 volunteers on a one to one basis plus additional group meetings and events.

In the last year BHA worked with Berwickshire Association of Voluntary Service and the independent Youth charity Connect to undertake a review of what employability services were on offer in Berwickshire. This review is now complete and will be the basis of a bid to seek a co-ordinator of services offered by a range of local groups.

The day nursery in Duns provides day and after school care for children from 0 to 11 years. This year the numbers of families supported dropped from 60 to 43. In January the Nursery received a very positive inspection on its services. However, following incidents that took place in 2016 two staff members who had been suspended and left employment in August 2016, were struck off from the Scottish Social Services Commission (SSSC) register of carers and are being investigated by the police regarding child protection issues. The nursery is no longer viable financially and this, compounded by the events that came to a head this February when the SSSC reported their findings, led to a decision at the end of March to give three months' notice and close the nursery in June 2018.

BHA works in partnership with the Fire Brigade to ensure people live in their home safely and the Association is involved in local initiatives to support tenants with mental health problems; find meaningful work; undertake volunteering activities and develop local community plans. The Association is very involved in supporting and engaging with Domestic Abuse services in the Borders to support and protect victims and their children who are BHA tenants and to enable them to stay within their home. This year BHA offered 6 individuals intensive support with their tenancies due to high levels of vulnerability.

##### **Strengthening internal systems**

BHA is now in year three of its IT strategy and have agreed to expand the work to develop a digital strategy which covers issues for staff, tenants, technology in BHA homes, cyber security, better access to BHA's services for tenants and more efficient and upgraded systems. The Association is also moving to an upgrade of the allocations systems and will bring this service back in-house in October 2018.

BHA continues to strengthen its IT security systems and deliver enhanced staff training to help protect the Group against the rise in cybercrime and will continue to review and upgrade this to protect systems.

##### **Developing staff**

Every year the Association undertakes comprehensive training and development for staff and offers mentoring, coaching and shadowing to all. The Association runs technical training, and CIH certificated qualifications and this year introduced training on managing the work and life balance and behaviours at work. BHA is continuing its innovation approach to solving business problems and this year has undertaken four projects in house with staff to solve issues that BHA or its customers face.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: SUBSIDIARIES**

##### **Seton Care**

Seton Care ceased trading last year and the legal processes to allow the charitable company to be wound up are expected to complete in the next few months.

##### **BHA Enterprise**

BHA Enterprise continues to support the Limited Liability Partnership Berwickshire Community Renewables in the management of the wind farm. It also manages 12 mid-market rent homes in Duns.

#### **FINANCIAL REVIEW**

##### **Income**

The Association's turnover for the year ended 31 March 2018 totalled £8.24 million (2017: £8.11million). Rental and service charge income (net of void losses) accounted for 88.3% or £7.28 million of this with the remainder including:

- £98,599 received for Supporting People contracts with Scottish Borders Council.
- £176,536 received for wider role funding, including primarily Lottery funding for financial inclusion services provided across the Scottish Borders area and Befriending services provided in Berwickshire.
- £32,358 received for recharges to subsidiaries for support services provided by BHA.
- £130,619 for factoring services (including recharged repairs).
- £28,041 for commercial rents.
- £120,515 Little Reivers nursery fee income and £238,632 of funds transferred from Seton Care in the winding down of that charity.
- £148,754 other income and grants.

The consolidated turnover has grown by £1.9m with the first full year of electricity generation by the BCR wind farm.

##### **Expenses**

Total revenue expenditure in the year was £7.0 million (2017: £6.48 million), comprising the following main items:

- Letting Activity Management and Maintenance Administration Costs £2.85million (2017: £2.63 million)
- Depreciation £1.72 million (2017: £1.62 million)
- Reactive Maintenance £0.86 million (2017: £0.80 million)
- Planned & Cyclical maintenance £600,320 (2017: £614,279)
- Bad debts and provision for doubtful debts credit £7,856 (2017 expense: £64,759) In 2016 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. In 2017/18 the Association has reviewed the basis on which provisioning is made resulting in a reduction in the provision and a credit to expenses.
- £234,063 on Development activities (2017: £95,190).

The operating surplus generated by the Association in the year was £1,242,427 against an operating surplus of £1,626,604 for 2017.

After net interest charges of £669,483 (2017: £681,959) and gains on the sale of certain housing stock, the surplus for the year was £615,345 (2017: £979,634). A pension Scheme re-measurement credit of £100,000 takes total comprehensive income for the year to £715,345. The Group as a whole had a net surplus for the year of £769,660.

The Association had a net asset position at the year-end of £38,816,506 compared with a net asset position of £38,101,173 for 2017. The consolidated net asset position was £39,665,322.



## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

#### **FINANCIAL REVIEW (continued)**

##### **Pension deficit**

Berwickshire Housing Association participates in the Scottish Housing Association Pension Scheme and along with other members of this Scheme has a past service pension deficit relating to the defined benefit service already earned by staff members whilst the scheme was still open to those staff members.

Previously the Association accounted for this deficit by discounting future past service pension deficit payments due by it to the Scheme as decided by the Trustees of the Scheme; however, the Association decided to move to the full disclosure method of accounting for its pension deficit with effect from the 2016/17 financial year. The Trustees took advice from an actuarial practice and agreed a set of assumptions used to produce the disclosure.

##### **Cash Flows**

The cash flow statement of BHA is shown on page 18. BHA generated £2,226,556 (2017: £3,210,076) from operating activities. Cash and cash equivalents increased by £2,858,385 (2017: increase of £1,178,881) including the continued investment in new builds although much of the expenditure this year was funded by housing grants.

##### **Liquidity**

The Association has a net current asset position of £3,077,497 as at 31 March 2018, an increase of £2,629,406 in the year due in the main to the advance receipt of £2m of development funding. The Association has a ten year, £8m loan facility with RBS of which £6 million remains undrawn as at 31 March 2018. BHA also has a £ 0.5 million revolving credit facility with Nationwide Building Society which is undrawn as at 31 March 2018.

##### **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.

#### **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.



## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

#### **STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES**

The Co-operative and Community Benefit Societies Act 2014 and social housing legislation requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association at the balance sheet date and of its income and expenditure for the year ended on that date. 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 and the Statement of Recommended Practice (SORP) 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; and
- 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 it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014. The Board of Management 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.

In so far as the Board of Management are aware:

- There is no relevant audit information (information needed by the Housing Association's auditor in connection with preparing their report) of which the Association's auditor is 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 auditor is aware of that information.

#### **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;

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

**STATEMENT ON INTERNAL FINANCIAL CONTROL (continued)**

- 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 2018. 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.

**Donations**

During the year the Association made charitable donations amounting to £13,156 (2017: £9,660).

**Auditor**

A resolution to re-appoint Chiene +Tait LLP will be proposed at the Annual General Meeting.

**Board**

As noted in the report last year, Andrew Watson and Steve Wright left the Board and I would again like to put on record my thanks to them for their considerable contribution over the past few years. Andrew Watson has joined the Board of the Scottish Housing Regulator and was thus required to resign from our Board, after nine years of service to BHA including latterly as Convener. Also leaving the Board in the period were Bob Bolton and Trevor Jones (both retired) and Fraser Kelly who resigned following his appointment to the role of CEO for Waverly Housing. I am also pleased to confirm Vivienne Cockburn and Anne Isles appointment to the Board at the AGM in September 2017. 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@Berwickshirehousing.org.uk](mailto:secretary@Berwickshirehousing.org.uk) for further details.

**BY ORDER OF THE BOARD OF MANAGEMENT**



Lorraine Tait  
Convener  
55 Newtown Street  
Duns, TD11 3AU

 2018



**INDEPENDENT AUDITOR'S REPORT to the MEMBERS OF  
BERWICKSHIRE HOUSING ASSOCIATION LIMITED**



**Opinion**

We have audited the Group financial statements of Berwickshire Housing Association Limited (the 'Association') for the year ended 31 March 2018 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated and Association Statement of Cash Flows, the Consolidated and Association Statement of Changes in Reserves and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's and the Group's affairs as at 31 March 2018 and of the Association's and the Group's income and expenditure 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 requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements – December 2014.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITOR'S REPORT to the MEMBERS OF  
BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)**



**Other information**

The Board is responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

**Responsibilities of the Board**

As explained more fully in the Statement of the Board's Responsibilities set out on page 7, the Board members (who are also the Trustees of the Association for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.



INDEPENDENT AUDITOR'S REPORT to the MEMBERS OF  
BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)



**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.



Chiene + Tait LLP  
Chartered Accountants and Statutory Auditor  
61 Dublin Street  
Edinburgh EH3 6NL



2018

**REPORT BY THE AUDITOR TO THE MEMBERS OF  
BERWICKSHIRE HOUSING ASSOCIATION LIMITED ON  
CORPORATE GOVERNANCE MATTERS**



In addition to our audit of the financial statements, we have reviewed the Board's statement on pages 7 and 8 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.

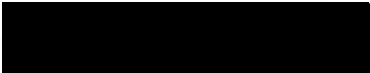
**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. 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.

**Opinion**

In our opinion the Statement on Internal Financial Control on pages 7 and 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued 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 contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

  
Chiene + Tait LLP  
Chartered Accountants and Statutory Auditor  
61 Dublin Street  
Edinburgh EH3 6NL

 2018

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED STATEMENT of COMPREHENSIVE INCOME**

**For the year ended 31 March 2018**

	<b>Notes</b>	<b>2018</b>	<b>2017</b>
		£	£
<b>Revenue</b>	2	10,178,973	8,237,620
Operating costs	2	8,209,601	6,736,841
		-----	-----
<b>Operating surplus</b>	2	1,969,372	1,500,779
Minority member's share of (gain)/loss in LLP		(138,177)	10,062
Gain on sale of housing stock	7	42,401	36,589
Interest receivable and similar income		7,030	37,750
Interest payable and similar charges	8	(1,210,966)	(687,861)
		-----	-----
<b>Surplus before tax</b>		669,660	897,319
<b>Taxation</b>		-	3,031
		-----	-----
<b>Surplus for year</b>		669,660	900,350
<b>Other comprehensive income</b>			
Re-measurement of pension deficit	11	100,000	1,027,177
		-----	-----
<b>Total comprehensive income</b>		769,660	1,927,527
		=====	=====

All items in the current year relate to continuing operations.

The notes on pages 20 to 44 form part of these financial statements.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****ASSOCIATION STATEMENT of COMPREHENSIVE INCOME****For the year ended 31 March 2018**

	<b>Notes</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
<b>Revenue</b>	2	8,243,279	8,108,907
Operating costs	2	7,000,852	6,482,303
		-----	-----
<b>Operating surplus</b>	2	1,242,427	1,626,604
Gain on sale of housing stock	7	42,401	34,989
Interest receivable and similar income		5,576	5,902
Interest payable and similar charges	8	(675,059)	(687,861)
		-----	-----
<b>Surplus for the year</b>		615,345	979,634
<b>Other comprehensive income</b>			
Re-measurement of pension deficit	11	100,000	1,027,177
		-----	-----
<b>Total comprehensive income</b>		715,345	2,006,811
		=====	=====

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

The notes on pages 20 to 44 form part of these financial statements.



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**  
**CONSOLIDATED STATEMENT of FINANCIAL POSITION**

**As at 31 March 2018**

	Notes	2018 £	2017 £
<b>Tangible fixed assets</b>			
Housing properties	12	65,892,080	63,729,143
Other tangible assets	13	11,385,994	10,877,377
		-----	-----
		77,278,074	74,606,520
		-----	-----
<b>Investments</b>			
	14	-	-
		-----	-----
<b>Current assets</b>			
Debtors	15	824,443	1,076,083
Current asset investment		1,171,319	1,322,028
Cash at bank and in hand		4,906,784	1,966,149
		-----	-----
		6,902,546	4,364,260
<b>Creditors: amounts falling due within one year</b>	16	(3,409,936)	(2,944,418)
		-----	-----
<b>Net current assets</b>		3,492,610	1,419,842
		-----	-----
<b>Total assets less current liabilities</b>		80,770,684	76,026,362
		-----	-----
<b>Creditors: amounts falling due after more than one year</b>	17	(30,462,435)	(29,845,425)
		-----	-----
<b>Provision for liabilities</b>	26	-	(41,309)
		-----	-----
<b>Deferred income</b>	18	(8,933,715)	(5,341,420)
		-----	-----
<b>Pension deficit</b>	25	(1,709,212)	(2,040,711)
		-----	-----
<b>Net assets</b>		39,665,322	38,757,497
		=====	=====
<b>Capital and reserves</b>			
Share capital		138	150
Minority interest		157,128	18,951
Revenue reserves		16,211,276	15,422,378
Revaluation reserve		23,069,844	23,316,018
Designated reserve		226,936	-
		-----	-----
<b>Total reserves</b>		39,665,322	38,757,497
		=====	=====

The financial statements were approved by the Board of Management and authorised for issue and signed on their behalf on [REDACTED] 2018.

[REDACTED]

Lorraine Tait  
Convener

[REDACTED]

Scott Holmes  
Vice Convener

[REDACTED]

John Bain  
Secretary

The notes on pages 20 to 44 form part of these financial statements.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**  
**ASSOCIATION STATEMENT of FINANCIAL POSITION**

**As at 31 March 2018**

	<b>Notes</b>	<b>2018</b>	<b>2017</b>
		£	£
<b>Tangible fixed assets</b>			
Housing properties	12	65,892,080	63,729,143
Other tangible assets	13	73,225	99,766
		-----	-----
		65,965,305	63,828,909
		-----	-----
Investments	14	1	1
		-----	-----
<b>Current assets</b>			
Debtors	15	438,306	1,056,251
Current asset investment		1,171,319	1,171,319
Cash at bank and in hand		3,961,177	1,102,792
		-----	-----
		5,570,802	3,330,362
		-----	-----
<b>Creditors: amounts falling due within one year</b>	16	(2,493,305)	(2,882,271)
		-----	-----
<b>Net current assets</b>		3,077,497	448,091
		-----	-----
<b>Total assets less current liabilities</b>		69,042,803	64,277,001
		-----	-----
<b>Creditors: amounts falling due after more than one year</b>	17	(19,583,370)	(18,793,697)
		-----	-----
<b>Deferred income</b>	18	(8,933,715)	(5,341,420)
		-----	-----
<b>Pension deficit</b>	25	(1,709,212)	(2,040,711)
		-----	-----
<b>Net assets</b>		38,816,506	38,101,173
		=====	=====
<b>Capital and reserves</b>			
Share capital	19	138	150
Revenue reserves		15,519,588	14,785,005
Revaluation reserve		23,069,844	23,316,018
Designated reserve		226,936	-
		-----	-----
<b>Total reserves</b>		38,816,506	38,101,173
		=====	=====

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on [REDACTED] 2018.

[REDACTED]

Lorraine Tait  
Convener

[REDACTED]

Scott Holmes  
Vice Convener

[REDACTED]

John Bain  
Secretary

The notes on pages 20 to 44 form part of these financial statements.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED STATEMENT of CASH FLOWS**

**For the year ended 31 March 2018**

	Notes	2018 £	2017 £
<b>Net cash generated by operating activities</b>	20	3,093,940	2,555,483
<b>Investing activities</b>			
Acquisition and construction of properties		(3,566,281)	(1,983,008)
Purchase of other fixed assets		(922,075)	(7,604,284)
Social housing grant received		4,320,786	1,475,787
Proceeds on disposal of properties		119,455	202,880
<b>Net cash (outflow) from investing activities</b>		(48,115)	(7,908,625)
<b>Financing activities</b>			
Interest received on cash and cash equivalents		6,671	7,591
Interest paid on loans		(1,111,802)	(626,861)
Loan principal repayments (including revolving credit)		(1,198,856)	(1,094,921)
Loan drawdown		2,048,082	4,165,027
Share capital issued		6	2
<b>Net cash (outflow)/inflow from financing</b>		(255,899)	2,450,838
<b>Increase/(decrease) in cash and cash equivalents</b>		2,789,926	(2,902,304)
Opening cash and cash equivalents		3,288,177	6,190,481
<b>Closing cash and cash equivalents</b>		6,078,103	3,288,177
<b>Cash and cash equivalents being</b>			
Current asset investment		1,171,319	1,322,028
Cash at bank and in hand		4,906,784	1,966,149
		6,078,103	3,288,177

The notes on pages 20 to 44 form part of these financial statements.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**ASSOCIATION STATEMENT of CASH FLOWS**

**For the year ended 31 March 2018**

	<b>Notes</b>	<b>2018</b>	<b>2017</b>
		£	£
<b>Net cash generated by operating activities</b>	20	2,226,556	3,210,076
<b>Investing activities</b>			
Acquisition and construction of properties		(3,566,281)	(1,983,008)
Purchase of other fixed assets		(16,681)	(9,376)
Social housing grant received		4,320,786	1,475,787
Proceeds on disposal of properties		119,455	201,280
		-----	-----
<b>Net cash inflow/(outflow) from investing activities</b>		857,279	(315,317)
		-----	-----
<b>Financing activities</b>			
Interest received on cash and cash equivalents		5,576	5,902
Interest paid on loans		(613,059)	(626,861)
Loan principal repayments		(617,973)	(1,094,921)
Loan drawdown		1,000,000	-
Share capital issued		6	2
		-----	-----
<b>Net cash (outflow) from financing</b>		(225,450)	(1,715,878)
		-----	-----
<b>Increase in cash</b>		2,858,385	1,178,881
Opening cash and cash equivalents		2,274,111	1,095,230
		-----	-----
<b>Closing cash and cash equivalents</b>		5,132,496	2,274,111
		=====	=====
<b>Cash and cash equivalents being</b>			
Current asset investment		1,171,319	1,171,319
Cash at bank and in hand		3,961,177	1,102,792
		-----	-----
		5,132,496	2,274,111
		=====	=====

The notes on pages 20 to 44 form part of these financial statements.



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED STATEMENT of CHANGES in RESERVES**

**For the year ended 31 March 2018**

	Share Capital £	Revenue Reserve £	Re- valuation Reserve £	Minority Interests £	Designated Reserve £	Total £
<b>Balance as at 1 April 2017</b>	150	15,422,378	23,316,018	18,951	-	38,757,497
Issue of shares	6	-	-	-	-	6
Cancellation of shares	(18)	-	-	-	-	(18)
Transfer from revaluation reserve	-	246,174	(246,174)	-	-	-
Minority interests for the year	-	-	-	138,177	-	138,177
Seton Care reserve transfer	-	(238,632)	-	-	238,632	-
Surplus for the year	-	781,356	-	-	(11,696)	769,660
<b>Balance as at 31 March 2018</b>	<b>138</b>	<b>16,211,276</b>	<b>23,069,844</b>	<b>157,128</b>	<b>226,936</b>	<b>39,665,322</b>

**ASSOCIATION STATEMENT of CHANGES in RESERVES**

**For the year ended 31 March 2018**

	Share Capital £	Revenue Reserve £	Re- valuation Reserve £	Designated Reserve £	Total £
<b>Balance as at 1 April 2017</b>	150	14,785,005	23,316,018	-	38,101,173
Issue of shares	6	-	-	-	6
Cancellation of shares	(18)	-	-	-	(18)
Transfer from revaluation reserve	-	246,174	(246,174)	-	-
Surplus for the year	-	488,409	-	226,936	715,345
<b>Balance as at 31 March 2018</b>	<b>138</b>	<b>15,519,588</b>	<b>23,069,844</b>	<b>226,936</b>	<b>38,816,506</b>

The notes on pages 20 to 44 form part of these financial statements.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **NOTES to the FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

#### **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 (which has not traded during the year). BHA Enterprise is the 2/3<sup>rd</sup> majority member of Berwickshire Community Renewables LLP.

#### **1. Accounting policies**

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

##### **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 2014. 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' (FRS 102).

The financial statements have been prepared and under the historical cost accounting rules, modified to include the deemed cost of housing properties at the date of transition to FRS 102. Transfers are made from the revaluation reserve to the revenue reserve for the difference between depreciation based on historical cost and that charged on deemed cost.

The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

##### **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 its subsidiary undertakings as at 31 March 2018. The wholly owned subsidiaries are BHA Enterprise Limited and Seton Care, although Seton Care ceased to trade with effect from 31 March 2017. BHA Enterprise Limited is the majority member of Berwickshire Community Renewables LLP (BCR) which has developed a windfarm which is now operational. 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.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

#### **1. Accounting policies (continued)**

##### **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. Income from electricity generation is recognised when the amount of revenue can be measured reliably.

##### **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 received in respect of revenue expenditure is credited to income 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.

##### **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.



## BERWICKSHIRE HOUSING ASSOCIATION LIMITED

### NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

#### 1. Accounting policies (continued)

##### Depreciation of housing properties

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.

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.

## BERWICKSHIRE HOUSING ASSOCIATION LIMITED

### NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

#### 1. Accounting policies (continued)

##### 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
Wind Farm Turbines	25 years

##### 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.

##### 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.



## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **NOTES to the FINANCIAL STATEMENTS (continued)**

#### **For the year ended 31 March 2018**

#### **1. Accounting policies (continued)**

##### **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.

##### **Retirement benefits**

The Association participates in the Scottish Housing Associations Pension Scheme (SHAPS). The defined benefit section of SHAPS has been closed to new members and future new service accrual and a defined contribution scheme is now offered to eligible employees. The SHAPS defined benefit scheme is in deficit and the Association accounts for its share of the deficit in accordance with FRS 102 using a specially commissioned actuarial valuation. The Association makes past service pension deficit payments in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

##### **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.



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

**1. Accounting policies (continued)**

**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 had a temporary effect and was eliminated 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 completed, currency movements were recorded within provisions and were reversed against the final cost of the fixed asset addition to eliminate any foreign currency risk.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED  
 NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

2. (a) Consolidated particulars of revenue, operating costs and operating surplus

	Notes	Revenue £	Operating costs £	2018 Operating surplus/ (deficit) £	Revenue £	Operating costs £	2017 Operating surplus/ (deficit) £
Affordable lettings (note 3(a))		7,394,943	6,211,810	1,183,133	7,300,586	5,938,194	1,362,392
Other activities (note 4(a))		2,784,030	1,997,791	786,239	937,034	798,647	138,387
<b>Total</b>		<b>10,178,973</b>	<b>8,209,601</b>	<b>1,969,372</b>	<b>8,237,620</b>	<b>6,736,841</b>	<b>1,500,779</b>

2. (b) Association particulars of revenue, operating costs and operating surplus

	Notes	Revenue £	Operating costs £	2018 Operating surplus / (deficit) £	Revenue £	Operating costs £	2017 Operating surplus/ (deficit) £
Affordable lettings (note 3(b))		7,387,817	6,188,271	1,199,546	7,352,944	5,900,362	1,452,582
Other activities (note 4(b))		855,462	812,581	42,881	755,963	581,941	174,022
<b>Total</b>		<b>8,243,279</b>	<b>7,000,852</b>	<b>1,242,427</b>	<b>8,108,907</b>	<b>6,482,303</b>	<b>1,626,604</b>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

3. (a) Particulars of income and expenditure from affordable lettings – Group

	Notes	General Needs Housing £	Supported Housing £	Shared Ownership £	Garages £	2018 Total £	2017 Total £
<b>Revenue from lettings</b>							
Rent receivable net of identifiable service charges		6,745,533	276,674	5,247	229,648	7,257,102	7,161,636
Service charges receivable		43,894	113,695	-	-	157,589	181,378
<b>Gross rents receivable</b>		<b>6,789,427</b>	<b>390,369</b>	<b>5,247</b>	<b>229,648</b>	<b>7,414,691</b>	<b>7,343,014</b>
<u>Less:</u> Rent losses from voids		(58,548)	(10,238)	-	(69,554)	(138,340)	(159,482)
<b>Net rents receivable</b>		<b>6,730,879</b>	<b>380,131</b>	<b>5,247</b>	<b>160,094</b>	<b>7,276,351</b>	<b>7,183,532</b>
Amortisation of social housing grants and other grants		46,647	-	-	-	46,647	27,025
Revenue grants from Scottish Ministers		71,927	-	-	-	71,927	89,921
Revenue grants from local authorities and other agencies		18	-	-	-	18	108
<b>Total income from affordable letting</b>		<b>6,849,471</b>	<b>380,131</b>	<b>5,247</b>	<b>160,094</b>	<b>7,394,943</b>	<b>7,300,586</b>
<b>Expenditure on affordable letting activities</b>							
Service costs		69,632	103,335	-	-	172,967	175,744
Management and maintenance administration costs		2,451,295	202,448	-	216,909	2,870,652	2,664,249
Reactive maintenance		811,414	42,620	-	3,268	857,302	801,032
Bad debts – rents and service charges		(15,734)	-	-	7,878	(7,856)	64,759
Planned and cyclical maintenance including major repairs		520,440	79,880	-	-	600,320	614,279
Depreciation of social housing		1,583,683	134,742	-	-	1,718,425	1,618,131
Impairment of housing		-	-	-	-	-	-
<b>Operating costs of affordable letting</b>		<b>5,420,730</b>	<b>563,025</b>	<b>-</b>	<b>228,055</b>	<b>6,211,810</b>	<b>5,938,194</b>
<b>Operating surplus on activities</b>		<b>1,428,741</b>	<b>(182,894)</b>	<b>5,247</b>	<b>(67,961)</b>	<b>1,183,133</b>	<b>1,362,392</b>
<b>2017</b>		<b>1,417,476</b>	<b>(36,568)</b>	<b>3,420</b>	<b>(21,936)</b>	<b>1,362,392</b>	<b>1,362,392</b>



BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

3. (b) Particulars of income and expenditure from affordable lettings - Association

	Notes	General Needs Housing £	Supported Housing £	Shared Ownership £	Garages £	2018 Total £	2017 Total £
<b>Revenue from lettings</b>							
Rent receivable net of identifiable service charges		6,738,407	276,674	5,247	229,648	7,249,976	7,213,994
Service charges receivable		43,894	113,695	-	-	157,589	181,378
<b>Gross rents receivable</b>		<b>6,782,301</b>	<b>390,369</b>	<b>5,247</b>	<b>229,648</b>	<b>7,407,565</b>	<b>7,395,372</b>
<b>Less: Rent losses from voids</b>		<b>(58,548)</b>	<b>(10,238)</b>	<b>-</b>	<b>(69,554)</b>	<b>(138,340)</b>	<b>(159,482)</b>
<b>Net rents receivable</b>		<b>6,723,753</b>	<b>380,131</b>	<b>5,247</b>	<b>160,094</b>	<b>7,269,225</b>	<b>7,235,890</b>
Amortisation of social housing grants and other grants		46,647	-	-	-	46,647	27,025
Revenue grants from Scottish Ministers		71,927	-	-	-	71,927	89,921
Revenue grants from local authorities and other agencies		18	-	-	-	18	108
<b>Total income from affordable letting</b>		<b>6,842,345</b>	<b>380,131</b>	<b>5,247</b>	<b>160,094</b>	<b>7,387,817</b>	<b>7,352,944</b>
<b>Expenditure on affordable letting activities</b>							
Service costs		69,632	103,335	-	-	172,967	175,744
Management and maintenance administration costs		2,429,378	202,448	-	216,909	2,848,735	2,626,417
Reactive maintenance		809,792	42,620	-	3,268	855,680	801,032
Bad debts – rents and service charges		(15,734)	-	-	7,878	(7,856)	64,759
Planned and cyclical maintenance including major repairs		520,440	79,880	-	-	600,320	614,279
Depreciation of social housing		1,583,683	134,742	-	-	1,718,425	1,618,131
Impairment of housing		-	-	-	-	-	-
<b>Operating costs of affordable letting</b>		<b>5,397,191</b>	<b>563,025</b>	<b>-</b>	<b>228,055</b>	<b>6,188,271</b>	<b>5,900,362</b>
<b>Operating surplus on activities</b>		<b>1,445,154</b>	<b>(182,894)</b>	<b>5,247</b>	<b>(67,961)</b>	<b>1,199,546</b>	<b>1,452,582</b>
2017		<b>1,507,666</b>	<b>(36,568)</b>	<b>3,420</b>	<b>(21,936)</b>	<b>1,452,582</b>	<b>1,452,582</b>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED  
 NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

4. (a) Consolidated particulars of revenue, operating cost and operating surplus or deficit from other activities

	Grants from Scottish Ministers		Other Supporting People Income		Other income		Total turnover		Operating costs			Operating surplus/ (deficit)	
	£	£	£	£	£	£	£	£	Bad debts	Other	£	£	£
Wider Role Activities	-	-	-	-	176,536	176,536	176,536	-	-	176,536	-	-	(5,890)
Factoring – agency services	-	-	-	-	130,616	130,616	130,616	-	-	122,237	-	8,379	4,581
Construction of property activities	-	-	-	-	-	-	-	-	-	234,063	-	(234,063)	(95,190)
Care activities	-	-	-	98,599	-	-	98,599	-	-	88,911	-	9,688	-
Sale of land and houses (non RTB)	-	-	-	-	-	-	-	-	-	-	-	-	232,128
Other activities:													
<i>Electricity generation</i>	-	-	-	-	2,199,561	2,199,561	2,199,561	-	-	1,217,568	-	981,993	(30,185)
<i>Little Reivers nursery</i>	-	-	-	-	120,515	120,515	120,515	-	-	140,970	-	(20,455)	(20,343)
<i>Commercial rental</i>	-	-	-	-	28,041	28,041	28,041	-	-	5,810	-	22,231	(1,292)
<i>Other income/expenditure</i>	-	-	-	-	30,162	30,162	30,162	-	-	-	-	30,162	27,465
<i>Project Management</i>	-	-	-	-	-	-	-	-	-	11,696	-	(11,696)	27,113
<b>Total from other activities</b>	-	-	98,599	2,685,431	2,784,030	2,784,030	2,784,030	-	-	1,997,791	-	786,239	138,387
<b>2017</b>	-	-	79,596	857,438	937,034	937,034	937,034	-	-	798,647	-	138,387	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

4. (b) Particulars of revenue, operating cost and operating surplus or deficit from other activities - Association

	Grants from Scottish Ministers	Other Supporting		Operating Costs		Operating surplus/ (deficit) 2018	Operating surplus/ (deficit) 2017
		revenue grants	People Income	Bad debts	Other		
	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	-	176,536	-	(5,890)
Factoring – agency services	-	-	-	-	130,619	-	4,581
Construction of property activities	-	-	-	-	-	8,382	(95,190)
Care activities	-	-	98,599	-	234,063	(234,063)	-
Sale of land and houses (non RTB)	-	-	-	-	88,911	9,688	-
Other activities:							232,128
<i>Little Reivers nursery</i>	-	-	-	-	140,970	(20,455)	-
<i>Commercial rental</i>	-	-	-	-	5,810	22,231	(607)
<i>Business support services to group companies</i>	-	-	-	-	32,358	-	11,535
<i>Other income/expenditure</i>	-	-	-	-	30,162	30,162	27,465
Transfer from Seton Care	-	-	-	-	11,696	226,936	-
<b>Total from other activities</b>	-	98,599	756,863	855,462	812,581	42,881	174,022
<b>2017</b>	-	79,596	676,367	755,963	581,941	174,022	



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

**5. Officers emoluments – Group and Association** **2018**      **2017**  
£                      £

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, and managers of the Association. These officers also constitute the Association's Key Management Personnel

Number of officers of the Association who received emoluments greater than £60,000.	4	4
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	311,448	371,918
Pension contributions made on behalf on officers with emoluments greater than £60,000	25,158	30,442
Compensation payable to officers for loss of office	30,000	-
Emoluments payable to Chief Executive (excluding pension contributions)	96,731	96,731
Pension contributions made on behalf of Chief Executive	8,121	8,121
	=====	=====

**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	-	-
£70,001 to £80,000	2	2
£80,001 to £90,000	1	1
£90,001 to £100,000	1	1
	=====	=====

**6. Employee information – Group and Association**

	<b>2018</b>	<b>Group</b>	<b>2018</b>	<b>Association</b>
	No.	2017	No.	2017
		No.		No.
The average monthly number of full time equivalent persons employed during the year was	63	61	63	48
The average total number of employees employed during the year was	75	74	75	55
	=====	=====	=====	=====
	£	£	£	£
<b>Staff costs were</b>				
Salaries	1,790,051	1,699,730	1,790,051	1,490,551
Social security costs	163,585	156,373	163,585	150,988
Other pension costs	105,595	104,555	105,595	100,077
	-----	-----	-----	-----
<b>Total</b>	2,059,231	1,960,658	2,059,231	1,741,616
	=====	=====	=====	=====

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

**7. Gain on sale of fixed assets – Group and Association**

	<b>2018</b>	<b>Group</b>	<b>2018</b>	<b>Association</b>
	£	2017	£	2017
		£		£
Sales proceeds	119,455	202,880	119,455	201,280
Cost of sales	(77,054)	(166,291)	(77,054)	(166,291)
<b>Gain on sale of housing stock</b>	<b>42,401</b>	<b>36,589</b>	<b>42,401</b>	<b>34,989</b>
	=====	=====	=====	=====

**8. Interest payable and similar charges – Group and Association**

	<b>2018</b>	<b>Group</b>	<b>2018</b>	<b>Association</b>
	£	2017	£	2017
		£		£
On bank loans and overdrafts	1,148,966	626,861	613,059	626,861
Net interest on net defined benefit pension obligations	62,000	61,000	62,000	61,000
	-----	-----	-----	-----
	<b>1,210,966</b>	<b>687,861</b>	<b>675,059</b>	<b>687,861</b>
	=====	=====	=====	=====

	<b>2018</b>	<b>Group</b>	<b>2018</b>	<b>Association</b>
	£	2017	£	2017
		£		£
<b>9. Surplus for year</b>				
Depreciation:				
Housing properties	1,718,425	1,618,131	1,718,425	1,618,131
Other fixed assets	514,587	97,793	43,222	97,793
Assets under finance lease		-	-	-
Auditors remuneration:				
Audit services	19,460	24,300	14,450	16,800
Other services	3,990	4,080	2,000	1,800
Operating lease rentals:				
Land and buildings	138,928	-	-	-
Other	33,837	31,185	33,837	31,185
	=====	=====	=====	=====

**10. 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.

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

Tax arising on the profits of Berwickshire Community Renewables LLP is borne by its Members.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

11. Pension deficit adjustment	Group	Association		2017
	2018	2017	2018	
	£	£	£	£
Re-measurement of pension deficit (note 26)	100,000	1,027,177	100,000	1,027,177
	=====	=====	=====	=====

**12. Tangible fixed assets – social housing properties – Group and Association**

	Housing Properties Held for Letting	Under con- struction	Land	Total
	£	£	£	£
<b>Cost</b>				
<b>As at 1 April 2017</b>	64,713,876	2,497,884	1,237,057	68,448,817
Additions	-	3,409,274	-	3,409,274
Capitalised improvements	549,142	-	-	549,142
Disposals	(179,871)	-	-	(179,871)
Transfers	2,498,065	(2,498,065)	-	-
Schemes completed	-	-	-	-
<b>As at 31 March 2018</b>	67,581,212	3,409,093	1,237,057	72,227,362
<b>Depreciation</b>				
<b>As at 1 April 2017</b>	4,719,674	-	-	4,719,674
Charge for year	1,718,425	-	-	1,718,425
Disposals	(102,817)	-	-	(102,817)
<b>As at 31 March 2018</b>	6,335,282	-	-	6,335,282
<b>Net Book Value</b>				
As at 31 March 2018	61,245,930	3,409,093	1,237,057	65,892,080
As at 31 March 2017	59,994,202	2,497,884	1,237,057	63,729,143
	=====	=====	=====	=====

Additions to housing properties includes capitalised major repair costs to existing properties of £549,142 (2017: £526,691).

All land and housing properties are freehold.

The Association's lenders have standard securities over housing property with a carrying value of £47.2m (2017: £46.2m).

**Impairment charges**

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

There is no impairment charge in this financial year.



BERWICKSHIRE HOUSING ASSOCIATION LIMITED  
 NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

13. Other tangible fixed assets – Group and Association

	Heritable Office Property	Leasehold Improvements	Equipment	Motor Vehicles	Assoc- iation Subtotal	Wind Farm	Group Total
	£	£	£	£	£	£	£
<b>Cost</b>							
As at 1 April 2017	659,799	101,642	489,987	36,985	1,288,413	10,777,611	12,066,024
Additions	-	-	16,681	-	16,681	1,006,523	1,023,204
Disposals	-	-	-	-	-	-	-
<b>As at 31 March 2018</b>	<b>659,799</b>	<b>101,642</b>	<b>506,668</b>	<b>36,985</b>	<b>1,305,094</b>	<b>11,784,134</b>	<b>13,089,228</b>
<b>Depreciation</b>							
As at 1 April 2017	652,622	74,612	436,305	25,108	1,188,647	-	1,188,647
Charge for year	4,584	17,504	17,166	3,968	43,222	471,365	514,587
Eliminated on disposals	-	-	-	-	-	-	-
<b>As at 31 March 2018</b>	<b>657,206</b>	<b>92,116</b>	<b>453,471</b>	<b>29,076</b>	<b>1,231,869</b>	<b>471,365</b>	<b>1,703,234</b>
<b>Net Book Value</b>							
As at 31 March 2018	2,593	9,526	53,197	7,909	73,225	11,312,769	11,385,994
As at 31 March 2017	7,177	27,030	53,682	11,877	99,766	10,777,611	10,877,377

Borrowing costs capitalised during the year amount to £nil (2017: £468,784) for the Group and £nil (2017: £nil) for the Association.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

<b>14. Investments</b>	<b>2018</b>	<b>Group</b>	<b>Association</b>	
	<b>£</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>	<b>£</b>
Unlisted – shares in subsidiary companies	-	-	1	1
	=====	=====	=====	=====

The Association has ultimate control over the companies listed below.

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 Limited is the majority member, with a 2/3 stake, in Berwickshire Community Renewables LLP, which is set up to develop and operate a wind-farm.

The Association is the 100% owner of Seton Care, a charitable company limited by guarantee, which specialised in care service delivery. All activities have either ceased or been transferred to Berwickshire Housing Association and Seton care is in the process of being wound up.

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Aggregate capital and reserves</b>		
BHA Enterprise Limited	477,432	460,837
	=====	=====
<b>(Loss)/profit for the year</b>		
BHA Enterprise Limited	16,596	(12,821)
	=====	=====
<b>Aggregate capital and reserves</b>		
Berwickshire Community Renewables LLP	471,384	56,853
	=====	=====
<b>Profit/(loss) for the year</b>		
Berwickshire Community Renewables LLP	414,531	(30,185)
	=====	=====
<b>Aggregate capital and reserves</b>		
Seton Care	-	238,632
	=====	=====
<b>(Loss) for the year</b>		
Seton Care	-	(46,341)
	=====	=====

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

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

<b>15. Debtors</b>	<b>2018</b>	<b>Group 2017</b>	<b>2018</b>	<b>Association 2017</b>
	£	£	£	£
Arrears of rent & service charges	216,193	207,517	216,193	207,517
<u>Less:</u> Provision for doubtful rental debts	(136,648)	(182,775)	(136,648)	(182,775)
	-----	-----	-----	-----
	79,545	24,742	79,545	24,742
	-----	-----	-----	-----
Other debtors	403,323	1,164,147	322,865	1,021,089
<u>Less:</u> Provision for doubtful other debts	(159,412)	(147,257)	(159,412)	(147,257)
	-----	-----	-----	-----
	243,911	1,016,890	163,453	873,832
	-----	-----	-----	-----
Trade debtors	500,987	34,451	15,230	12,806
Intercompany debtors	-	-	180,078	144,871
	-----	-----	-----	-----
	824,443	1,076,083	438,306	1,056,251
	=====	=====	=====	=====

<b>16. Creditors: amounts falling due within one year</b>	<b>2018</b>	<b>Group 2017</b>	<b>2018</b>	<b>Association 2017</b>
	£	£	£	£
Housing loans	605,509	1,013,155	605,509	1,013,155
Other bank loans and overdrafts	677,026	-	-	-
Trade payables	121,899	173,699	68,618	136,185
Rent in advance	100,341	69,722	100,341	69,722
Other taxation and social security	46,195	46,427	46,195	43,926
Other payables	1,686,895	1,484,180	1,500,571	1,478,311
Intercompany creditors	-	-	-	3,291
Provision for holiday pay	11,476	7,975	11,476	7,975
Accruals and deferred income	160,595	149,260	160,595	129,706
	-----	-----	-----	-----
	3,409,936	2,944,418	2,493,305	2,882,271
	=====	=====	=====	=====

<b>17. Creditors: amounts falling due after one year</b>	<b>2018</b>	<b>Group 2017</b>	<b>2018</b>	<b>Association 2017</b>
	£	£	£	£
Housing loans	19,583,370	18,793,697	19,583,370	18,793,697
Project finance – bank and other loans	10,879,065	11,051,728	-	-
	-----	-----	-----	-----
	30,462,435	29,845,425	19,583,370	18,793,697
	=====	=====	=====	=====

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 1,412 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 2024	Fixed
		4.4%	Nov 2026	Fixed
RBS	Standard Security over 168 properties	Libor + 1.5%	Aug 2026	Variable



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

**17. Creditors:** amounts falling due after one year (continued)

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

**Housing loans repayable by instalments:**

	<b>2018</b>	<b>Group</b>	<b>Association</b>	<b>2017</b>
	£	£	£	£
Repayable within one year	605,509	1,013,155	605,509	1,013,155
Repayable within two to five years	2,974,000	2,040,733	2,974,000	2,040,733
Repayable after five years	16,609,370	16,752,964	16,609,370	16,752,964
	-----	-----	-----	-----
	20,188,879	19,806,852	20,188,879	19,806,852
	=====	=====	=====	=====

Project Finance in respect of the BCR wind farm is as follows:

<b>Lender</b>	<b>Security</b>	<b>Effective Interest Rate</b>	<b>Maturity</b>	<b>Variable/ Fixed</b>
Triodos Bank NV (three term loans)	Windfarm is secured to Triodos Bank	4.364% 5.155% 5.55%	November 2019 November 2027 November 2032	Fixed Fixed Fixed
Scottish Enterprise (Renewable Energy Investment Fund)	Floating charge behind senior lender	8%	December 2026	Fixed

At 31 March 2018, one of the Project Finance bank loans was repayable by instalments which commenced December 2017. Repayment by instalments of the remaining bank loans and the third party loan commence in stages and the loan repayment profile is summarised below:

	<b>2018</b>	<b>Group</b>	<b>Association</b>	<b>2017</b>
	£	£	£	£
<b>Project finance loans repayable by instalments</b>				
Repayable within one year	677,026	-	-	-
Repayable within two to five years	3,016,728	-	-	-
Repayable after five years	8,225,337	-	-	-
	-----	-----	-----	-----
	11,919,091	-	-	-
	=====	=====	=====	=====

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

<b>18. Deferred income (Group and Association)</b>	<b>2018</b>	<b>2017</b>
	£	£
<b>Social Housing Grants</b>		
Balance as at 1 April	4,895,520	2,760,364
Additions in year	3,638,942	2,157,631
Amortisation in year	(42,097)	(22,475)
<b>Balance as at 31 March</b>	<b>8,492,365</b>	<b>4,895,520</b>
<b>Other Grants</b>		
Balance as at 1 April	445,900	450,450
Additions in year	-	-
Amortisation in year	(4,550)	(4,550)
Balance as at 31 March	441,350	445,900
<b>Total</b>	<b>8,933,715</b>	<b>5,341,420</b>

Grant is amortised over the life of the asset, once the development is complete. The amount expected to be released to income in 2018/19 is £69,577.

<b>19. Share capital – Association only</b>	<b>2018</b>	<b>2017</b>
	£	£
Shares of £1 each at 1 April	150	156
Shares of £1 issue of Shares	6	2
Cancellation of Shares	(18)	(8)
<b>Balance as at 31 March</b>	<b>138</b>	<b>150</b>

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

<b>20. Statement of cash flows</b>	<b>2018</b>	<b>Group</b>	<b>Association</b>	
	£	2017	2018	2017
		£	£	£
<b>Reconciliation of operating surplus to net cashflow from operating activities</b>				
Operating Surplus	1,969,372	1,500,779	1,242,427	1,626,604
Depreciation	2,233,012	1,715,924	1,761,647	1,715,924
Amortisation of capital grants	(46,647)	(27,025)	(46,647)	(27,025)
Change in debtors	(572,283)	64,210	(63,899)	57,101
Pension deficit payments	(293,499)	(288,289)	(293,499)	(288,289)
Change in stock	-	72,777	-	-
Non cash expenses for sale of assets in note 4	-	149,042	-	149,042
Change in creditors	(195,997)	(641,989)	(373,455)	(23,273)
Share Capital cancelled	(18)	(8)	(18)	(8)
<b>Net cash inflow from operating activities</b>	<b>3,093,940</b>	<b>2,555,483</b>	<b>2,226,556</b>	<b>3,210,076</b>

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

<b>21. Housing Stock</b>	<b>2018</b>	<b>Group</b>	<b>Association</b>	
	<b>No.</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
		<b>No.</b>	<b>No.</b>	<b>No.</b>
The number of units of accommodation in management at the year-end was:				
General Needs – New Builds	1,710	1,693	1,710	1,693
General Needs – Rehabilitation	-	-	-	-
Shared Ownership	2	2	2	2
Supported Housing	83	91	83	91
	-----	-----	-----	-----
	<b>1,795</b>	<b>1,786</b>	<b>1,795</b>	<b>1,786</b>
	=====	=====	=====	=====

**22. (a) Commitments under Operating Leases**

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:

	<b>2018</b>	<b>Group</b>	<b>Association</b>	
	<b>£</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>	<b>£</b>
Not later than one year		115,428	33,837	22,848
Later than one year and not later than five years		385,642	89,960	15,321
Later than five years		2,232,526	-	-
	=====	=====	=====	=====

<b>22. (b) Capital commitments</b>	<b>2018</b>	<b>Group</b>	<b>Association</b>	
	<b>£</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>	<b>£</b>

**At the 31 March 2018**

Expenditure authorised by the Board of Management/Board contracted less certified	10.9m	2.8m	9.6m	0.8m
	=====	=====	=====	=====

Capital commitments will be met from available loan facilities and cash reserves.

**23. 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

Board members who 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 is made at arm's length and is under normal commercial terms.

Transactions with Board of Management members were as follows; £2,012 (2017: £3,944) was received as rent during the course of the year. There were no rent arrears at year end.

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



## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **NOTES to the FINANCIAL STATEMENTS (continued)**

#### **For the year ended 31 March 2018**

#### **23. Related Parties (continued)**

##### **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 and James Fullarton.

Berwickshire Housing Association levied fees for the following amounts to BHA Enterprise Limited during the period 1 April 2017 to 31 March 2018.

£14,500 costs for personnel working on projects (2017: £16,996)

£500 staff costs for shared services (2018: £500)

£3,040 for a share of facilities management costs (2017: £3,300)

£54,472 for the rental of residential properties let by BHA Enterprise as mid-market rental properties (2017: £52,358)

The balance outstanding due from BHA Enterprise Limited as at 31 March 2018 to Berwickshire Housing Association was £18,393 (2017: BHA was due £19,521 from BHA Enterprise).

BHA Enterprise made an initial loan of £250,000 to Berwickshire Community Renewables LLP. Interest has been rolled up to 31 March 2018 and the loan is now £363,000. The loan is repayable with the agreement of Triodos. The balance outstanding to BHA Enterprise from Berwickshire Community Renewables LLP as at 31 March 2018 (including the loan) was £381,393 (2017: £348,393).

##### **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.

Berwickshire Housing Association charged Berwickshire Community Renewables LLP £14,318 (2017: £40,858) for the project manager's time provided on the windfarm project. The balance outstanding from Berwickshire Community Renewables LLP to Berwickshire Housing Association as at 31 March 2018 was £142,530 (2017: £125,349).

The balance outstanding from Berwickshire Community Renewables LLP to BHA Enterprise Limited as at 31 March 2018 was £381,393 (2017: £348,393) including a loan of £363,000 (2017: £330,000) on commercial terms.

BHA Enterprise Limited has contributed £100,000 as its membership contribution of this limited liability partnership. BHA Enterprise's share (and there the Groups share) of Berwickshire Community Renewables LLP revenue reserves to date is £214,256 (2017: losses £62,098).

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **NOTES to the FINANCIAL STATEMENTS (continued)**

#### **For the year ended 31 March 2018**

#### **24. 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.

#### **25. Retirement benefit obligations**

Berwickshire Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the Scheme) which offers defined benefit and defined contribution options.

The defined benefit scheme is a multi-employer 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. However, the Association has not taken the exemption, available under FRS 102, to account for the Scheme as a defined contribution scheme but has adopted the full accounting method for the pension liability, commissioning actuaries to provide a reasonable valuation of the Association's share of the scheme deficit and this is included in the balance sheet. Berwickshire Housing Association Limited believes that the full accounting method will provide a more consistent and accurate estimate of the pension liability.

The disclosures below explain how the net pension liability for 2018 is arrived at and the impact on the results for the year.

The last formal valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £616m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 56.4%).

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 2017. As of this date the estimated employer debt for Berwickshire Housing Association Limited was £8,706,697 (30 Sept 2016: £11,519,329).

#### **Disclosures in relation to estimated share of scheme deficit**

Under UK pensions legislation, the Association is responsible for funding the Scheme's benefits and for paying contributions to make up any shortfall between the assets and the liabilities of the Schemes. The Scheme's liabilities are assessed at least every three years by the Scheme's actuary. It is the Association's funding policy to annually contribute an amount agreed between the Association and the Trustees of the scheme in accordance with UK legislative requirements if a funding deficit exists. The amount of contributions required depends on the assumptions used by the actuary and can therefore be volatile between actuarial valuations. This volatility of contribution amounts can be to the detriment of the Association's cashflows and impacts on the income statement. The volatility of the Scheme's liabilities against the assets held impacts on the Company's balance sheet.

The Scheme is a funded defined benefit arrangement.

No assets included in the fair value of plan assets are the entity's own financial instruments or are properties occupied or used by the entity.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

**25. Retirement benefit obligations (continued)**

**Principal Actuarial Assumptions**

	<b>2018</b>	<b>2017</b>
	%	%
Discount rate	2.70	2.80
Salary increases	3.20	3.30
Inflation (RPI)	3.20	2.30
Inflation (CPI)	2.20	2.30
Male mortality	90% S1PMA; CMI 2011 F1.5% Birth Year	90% S1PMA; CMI 2011 F1.5% Birth Year
Female mortality	90% S1PFA; CMI 2011 F1.25% Birth Year	90% S1PFA; CMI 2011 F1.25% Birth Year

**Amounts recognised in Statement of Financial Position**

	<b>2018</b>	<b>2017</b>
	£	£
Fair Value of Scheme Assets	8,889,788	8,631,289
Present value of benefit obligations	(10,599,000)	(10,672,000)
<b>Net pension liability</b>	<b>(1,709,212)</b>	<b>(2,040,711)</b>
	=====	=====

**Changes in defined benefit obligation**

	<b>2018</b>	<b>2017</b>
	£	£
Opening defined benefit obligation	10,672,000	8,146,000
Employer service cost	-	-
Interest expense	295,000	304,000
Employee contributions	-	-
Actuarial (gains)/losses	(77,000)	2,489,000
Benefits paid	(291,000)	(267,000)
<b>Closing defined benefit obligation</b>	<b>10,599,000</b>	<b>10,672,000</b>
	=====	=====

**Changes in fair value of scheme assets**

	<b>2018</b>	<b>2017</b>
	£	£
Opening fair value of scheme assets	8,631,289	6,617,000
Actual return on scheme assets less interest income	23,000	1,750,000
Interest income	242,000	252,000
Employer contributions – past service contributions	293,499	288,289
Employee contributions	-	-
Benefits paid	(291,000)	(267,000)
Administration costs	(9,000)	(9,000)
<b>Closing fair value of scheme assets</b>	<b>8,889,788</b>	<b>8,631,289</b>
	=====	=====



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

**25. Retirement benefit obligations (continued)**

The following disclosures in respect of comparative figures are for information only as these amounts were not recognised in the prior year financial statements as this information was not available at that time.

<b>Amounts recognised in in Statement of Comprehensive Income</b>	<b>2018</b>	<b>2017</b>
	£	£
Current service cost	-	-
Administration costs	9,000	9,000
Net interest on net defined benefit obligation	53,000	52,000
	-----	-----
<b>Total pension cost recognised in Statement of Comprehensive Income</b>	<b>62,000</b>	<b>61,000</b>
	=====	=====
<b>Amounts recognised in Other Comprehensive Income</b>	<b>2018</b>	<b>2017</b>
	£	£
Actual return on plan assets less interest income on plan assets	23,000	1,750,000
Change in assets not recognised due to change in surplus limitation	-	-
Actuarial gains/(losses)	77,000	(2,489,000)
	-----	-----
<b>Remeasurement gains and losses recognised in other comprehensive income</b>	<b>100,000</b>	<b>(739,000)</b>
Change in estimate from past service contribution liability to share of scheme deficit (see above)	-	1,766,177
	-----	-----
<b>Total pension adjustment</b>	<b>100,000</b>	<b>1,027,177</b>
	=====	=====
The major categories of scheme assets as a percentage of total plan assets are as follows:		
	<b>2018</b>	<b>2017</b>
	%	%
Equities	18	35
Property	4	4
Bonds	45	35
Alternatives	32	24
Cash and other	1	2
	-----	-----
<b>Total</b>	<b>100</b>	<b>100</b>
	=====	=====

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

**26. Foreign exchange liabilities – Group**

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.

	2018	2017
	£	£
Foreign currency hedge at 1 April	41,309	270,997
Movement in the year	(41,309)	(229,688)
	-----	-----
Foreign currency hedge at 31 March	-	41,309
	=====	=====

**27. Contingent liabilities**

	2018	2017
	£	£
Social Housing Grant	100,027	53,380
	=====	=====

Social Housing grant is repayable in certain circumstances primarily following the sale of the related asset. The above amounts have been eliminated from the balance sheet but remain potentially repayable.

**Contractual Dispute**

The Association notes an ongoing contractual dispute but does not consider that an obligation exists at the end of the reporting period.