

the **BHA** Group



# *Berwickshire*

## **HOUSING ASSOCIATION**

### **REPORT AND GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2010**

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

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

**berwickshirelimited homehuntltd setoncare**

# **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

## **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

### **Contents**

<b>Board of Management, Executive Officers and Appointees.....</b>	<b>1</b>
<b>Group Report of the Board of Management.....</b>	<b>3</b>
<b>Statement of Responsibilities of the Board of Management .....</b>	<b>9</b>
<b>Statement of Internal Financial Controls of the Board of Management .....</b>	<b>10</b>
<b>Independent Auditors' Report to the Members of Berwickshire Housing Association Limited .....</b>	<b>11</b>
<b>Group Income and Expenditure Account.....</b>	<b>13</b>
<b>Group Statement of Total Recognised Surpluses and Deficits.....</b>	<b>14</b>
<b>Association Income and Expenditure Account.....</b>	<b>15</b>
<b>Association Statement of Total Recognised Surpluses and Deficits .....</b>	<b>16</b>
<b>Group Balance Sheet as at 31 March 2010 .....</b>	<b>17</b>
<b>Association Balance Sheet as at 31 March 2010 .....</b>	<b>18</b>
<b>Group Cash Flow Statement .....</b>	<b>19</b>
<b>Notes to the Group Cash Flow Statement.....</b>	<b>20</b>
<b>Association Cash Flow Statement.....</b>	<b>21</b>
<b>Notes to the Association Cash Flow Statement.....</b>	<b>22</b>
<b>Notes to the Group Financial Statements.....</b>	<b>23</b>

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

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

##### **Board of Management as at 31 March 2010**

Dr John Stanforth	(Acting Convener from 7 March 2010)
Michael Calvert	(Convener until his resignation on 7 March 2010)
David Melrose	(Vice Convener)
Alick Hay	(Resigned 15 September 2009)
Andrew Watson	
John Elliot	
Sheila Whitehead	(Resigned 15 September 2009)
Cllr James Fullerton	
Cllr Trevor Jones	(Appointed 15 September 2009)
Cllr Frances Renton	
Kay Punton	
Maria Peers	
Kate Stephenson	
Irene Bruce	(Resigned 15 September 2009)
Andrew Brough	(Appointed 8 December 2009)
Andrew Lester	(Appointed 9 February 2010)

##### **Executive Officers**

Helen Forsyth	Chief Executive
Colin Howard	Secretary & Finance Director
Jean Gray	Head of Customer Service
John Bain	Head of Human Resources
David Loudon	Head of Corporate Services

##### **Funders**

Dunfermline Building Society  
Caledonia House  
Carnegie Avenue  
Dunfermline  
KY11 8PJ

##### **Bankers**

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

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

#### **Solicitors**

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

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

Tods Murray  
66 Queen Street  
Edinburgh  
EH2 4NE

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

#### **Registered Auditors**

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

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

#### **Group Report of the Board of Management**

The Board of Management present their report and the audited financial statements for the year ended 31 March 2010.

#### **Our Group Mission**

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

#### **Our Vision**

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

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

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

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

#### **Review of the Business**

The Group consolidated its financial position in the 2009/10 year. The net asset value of the Association and Group grew by £2,702,215 and £2,930,251 respectively during the reporting year. The Association recorded a decrease in its net debt position during the year of £880,118 and the Group achieved a similar decrease in its net debt position of £1,248,519.

The Group grew its turnover by 4.8% with the biggest year on year percentage increase coming from Seton Care Limited (15.6%). The Association achieved 1.2% growth in turnover which is broadly linked to the 0.9% inflation factor used for the annual rent increase in the 2009/10 financial year.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

#### **Review of the Business (continued)**

Group operating costs grew by 3.9% and the Association operating costs by 4.6%. However if the increased expenditure on Planned and Cyclical maintenance, including major repairs, that was charged to the Income and Expenditure Account is excluded from the calculation then the Association achieved a year on year reduction in operating costs of 2.9%. Seton Care Ltd's operating costs grew by a smaller percentage increase (12.3%) than its increase in turnover (15.6%).

Berwickshire Housing Association in particular has benefited from the low Base rate and low Libor rates, and has reduced its year on year interest costs by £249,231.

During the year the Association was on-site with the building of 12 new housing units in Duns and a respite home, however there are currently no new sites that have secured Housing Association Grant and the Association is keenly aware of the demand for housing in its area. The Scottish government currently has a Green paper out for discussion as to how best to meet the future challenges of continuing demand for affordable housing against the backdrop of reduced resources for grant funding. Berwickshire Housing Association in common with many other Registered Social Landlords is considering innovative and imaginative ways to contribute to this debate. The Association continues to lose houses through the Right To Buy legislation (7 houses in 2009/10 year) albeit at a slower rate than has been the case in the recent past.

Both Berwickshire Housing Association Limited (BHA) and Seton Care Limited will apply for charitable status and expect to be charities before the end of the 2010/11 financial year. The benefit of this will likely be reduced corporate taxation charges and potentially access to funding that is only available to registered charities. It will also make working in partnership with other Registered Social Landlords easier given that the majority of these are themselves already registered charities.

The Association continues to work on implementing its Improvement Plan agreed with the Scottish Housing Regulator following its Inspection in 2009/10 and is making good progress in this regard. It completed a major review of its business planning and associated financial planning and has as part of this planning looked at a number of economic and operational scenarios and how they might affect the financial position of BHA. It is committed to being as efficient as it can be and to this end new housing management and financial systems are currently being implemented.

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

#### **Subsidiaries**

##### **Seton Care**

Seton Care has increased its turnover and, as its operating costs have risen more slowly than its turnover so it has achieved a bigger net profit. Profit for the 2009/10 financial year after taxation was £ 131,920 (2008/09 £ 43,114) Much of the growth in turnover in absolute terms has been in homecare services with 30% growth in this service offering albeit that the additional gross profit from this service has been more modest. Turnover in the nursery grew by 60%. Overall gross profit has grown by 20.8% while overheads grew only 2.2% partly due to a 24% reduction in management charges coming from the group.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

#### **Review of the Business (continued)**

The directors are aware that more than half the turnover and contribution comes from Seton Hall and are working with the group to ensure that the plans for a new residential care and nursing facility are progressed. All the different activities in Seton care Limited now make a contribution to the central cost centres.

#### **Homehunt**

Homehunt gained a new customer this year and continued to develop a new web based version of its software. Notwithstanding this, the Board of Homehunt Limited has agreed to continue further discussion with a preferred purchaser for its choice based housing allocation software and intends to become a non trading company at 31 March 2011 if the sale of this software is agreed on acceptable terms. The Board believe that this is a very specialist market and that the group does not necessarily have all the necessary skills available to it to operate effectively in this market and that a purchaser with a broader product range will be able to achieve economies of scale not likely to be achievable by Homehunt itself. The Association has discussed with all the other existing customers their combined intention to continue as customers of the new owners of this software. Homehunt has approached the sale of this asset in a way that makes this a realistic prospect for all concerned.

#### **Berwickshire Limited**

Berwickshire Limited had another relatively inactive year, given the trading conditions. Subsequent to the year end it sold a private residential stock item which allowed it to repay an intercompany loan and also swapped a serviced development site with BHA for an experimental low energy housing asset and cash payment.

It has helped BHA to take forward its planning and feasibility study for a small community wind-farm in partnership with Community Energy Scotland.

#### **Capital Structure**

The Association is financed by a combination of retained reserves, long-term loan facilities and Housing Association Grant provided by Communities Scotland to support new development. The Association is mindful of the need to maintain an efficient capital structure and to manage liquidity risks. BHA is in the final stages of agreeing a new £ 490,000 loan facility from Clydesdale Bank plc, to fund the private finance portion of its most recent development at Duns.

#### **Reserves**

Revenue Reserves - The Association and Group have strengthened their Revenue Reserves materially this year by careful management of the group and also by some receipts from RTB sales. Revenue Reserves provide a degree of liquidity free from long-term loans and supplement the revolving credit facility. The Association monitors its Revenue Reserve carefully to measure how the targeted mix of Loans to Revenue Reserve is matched against actual Loans and Revenue Reserves.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

#### **Review of the Business (continued)**

Designated Reserves - The Association does not currently create designated reserves for major repairs as it is already committed to and spends significant amounts in an annual refurbishment / standard improvement programme.

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

#### **Relationship with Funders and Loans drawn down**

We have maintained good relationships with our principal lender, The Dunfermline Building Society (now part of the Nationwide Building Society). Our relationship has been built on providing them with good quality information on our financial management of BHA and we are confident that this good long term relationship will be maintained.

#### **Treasury Management**

The Association has an active treasury management function, operated in accordance with the Treasury Policy approved by the Board. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2009 the Association had £2,800,000 in undrawn loan facilities which are all available immediately for drawing if required.

#### **Rental Policy**

Rent remains the main source of income to the Group and the rent policy is key to the ongoing viability of the Association. The rent policy identifies the following as key policy aims;

1. to provide a straightforward and fair structure for charging for houses, reflecting the size, type, age and condition of the property;
2. to ensure that rental income is sufficient to meet the expenditure requirements projected in the Association's thirty-year business plan and cashflows and to enable it to comply with the terms of its funding agreements;
3. to ensure that rent levels are affordable to the people who need to rent from the Association and can be seen as fair in comparison with those of other registered social landlords; and
4. to ensure that the transition from the former rental structure to the rental structure set out in this policy is achieved in a manner that is sensitive to tenants' financial positions, that is clear and consistent and that will be complete by the end of the programme of improvements related to the charging structure set out in the policy.

BHA has previously used December year on year RPI figure as the measure of inflation for annual rents increases. This year we will consult on the proposed level of rent increase for 2011/12 during the course of the 2010/11 year.



## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

#### **Review of the Business (continued)**

##### **Stock Investment Policies**

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

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

##### **Going Concern**

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

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

**Statement as to disclosure of information to auditors**

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

**Auditors**

The contract with The JRW Group was extended for a further year for the external audit service at the last Annual General Meeting

By order of the Board



Colin D Howard

Secretary

Date ..... 10 Aug 2010 .....

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

#### **Statement of Responsibilities of the Board of Management**

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

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association and Group will continue in business.

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

By order of the Board



Colin D Howard

Secretary

Date 10 Aug 2010

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

#### **Statement of Internal Financial Controls of the Board of Management**

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

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

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

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

The Board of Management have reviewed the system of internal financial control in the Association during the year ended 31 March 2009. No weaknesses were found in internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of the Board



Colin D Howard

Secretary

Date ..... 10 Aug 2010 .....

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

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

We have audited the financial statements of Berwickshire Housing Association Limited for the year ended 31 March 2010 on pages 13 to 52 which have been prepared under the historical cost convention and the accounting policies set out on pages 23 to 25.

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

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

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

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

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

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

#### **Basis of opinion**

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

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

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

#### **Opinion**

In our opinion, the financial statements:

- give a true and fair view, in accordance of the state of the Association's affairs at 31 March 2010 and of its excess of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, the Friendly and Industrial and Provident Societies Act 1968, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007.

#### **Corporate Governance**

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

#### **Basis of opinion**

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

#### **Opinion**

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

The JRW Group

Chartered Accountants and Registered Auditors

Riverside House

Ladhope Vale

Galashiels

TD1 1BT

*Susan Cove*  
The JRW Group

SUSAN COVE

Date: .....23-3-10.....

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2010****Group Income and Expenditure Account**

	Notes	Year Ended 31 March 2010 £	Year Ended 31 March 2009 £
<b>Turnover</b>	2	8,222,536	7,846,347
<u>Less:</u> operating costs	2	(6,407,588)	(6,168,350)
<b>Operating Surplus</b>	6	<u>1,814,948</u>	<u>1,677,997</u>
 Gain on sale of fixed assets	24	133,470	279,446
Interest receivable	7	4,687	21,802
Interest payable and similar charges	8	(769,250)	(1,001,896)
<b>Surplus on ordinary activities before tax</b>		<u>1,183,855</u>	<u>977,349</u>
Tax on ordinary activities	9	(54,132)	(6,689)
 <b>Surplus for the year</b>	18	<u><u>1,129,723</u></u>	<u><u>970,660</u></u>

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

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2010****Group Statement of Total Recognised Surpluses and Deficits**

	Notes	Year Ended 31 March 2010	Year Ended 31 March 2009
		£	<i>Restated</i> £
Surplus for the year		1,129,723	970,660
Unrealised surplus on revaluation of housing properties	19	1,724,342	1,961,401
Prior Year Adjustment		-	-
<b>Total recognised surplus for the year</b>		<u>2,854,065</u>	<u>2,932,061</u>
<b>Total surplus recognised since last annual report</b>		<u><u>2,854,065</u></u>	<u><u>2,932,061</u></u>

**Note of Historical Cost Surpluses and Deficits of the Group  
for the Year Ended 31 March 2010**

	Year Ended 31 March 2010	Year Ended 31 March 2009
	£	£
Surplus for the year before taxation	1,129,723	977,349
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	(417,844)	(375,667)
Realisation of property revaluation gains of previous years	117,991	108,514
<b>Historical cost surplus on ordinary activities before taxation</b>	<u><u>829,870</u></u>	<u><u>710,196</u></u>



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2010****Association Income and Expenditure Account**

	Notes	Year Ended 31 March 2010	Year Ended 31 March 2009
		£	£
<b>Turnover</b>	1	6,296,433	6,221,791
<u>Less:</u> operating costs	1	(4,696,539)	(4,491,983)
<b>Operating Surplus</b>	1,6	<u>1,599,894</u>	<u>1,729,808</u>
 Gain on sale of fixed assets	24	133,470	279,446
Interest receivable	7	2,753	17,525
Interest payable and similar charges	8	(758,254)	(1,007,485)
<b>Surplus on ordinary activities before tax</b>		<u>977,863</u>	<u>1,019,293</u>
Tax on ordinary activities	9	-	-
<b>Surplus for the year</b>	18	<u>977,863</u>	<u>1,019,293</u>

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

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2010****Association Statement of Total Recognised Surpluses and Deficits**

	Notes	Year Ended 31 March 2010	Year Ended 31 March 2009
		£	£
Surplus for the year		977,863	1,019,293
Unrealised surplus on revaluation of housing properties	19	1,724,342	1,961,401
Prior Year Adjustment			-
<b>Total recognised surplus for the year</b>		<u>2,702,205</u>	<u>2,980,694</u>
<b>Total surplus / (Deficit) recognised since last annual report</b>		<u>2,702,205</u>	<u>2,980,694</u>

**Note of Historical Cost Surpluses and Deficits**

	Year Ended 31 March 2010	Year Ended 31 March 2009
	£	£
Surplus/(Deficit) for the year before taxation	977,863	1,019,293
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	(417,844)	(375,667)
Realisation of property revaluation gains of previous years	117,991	108,514
<b>Historical cost surplus on ordinary activities before taxation</b>	<u>678,010</u>	<u>752,140</u>

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED


## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Group Balance Sheet as at 31 March 2010

	Notes	2010	2009
		£	£
<b>Intangible fixed assets</b>	10	24,500	-
<b>Tangible fixed assets</b>			
Housing Properties: At Revalued amount or Gross Cost	11	45,304,185	42,673,579
<u>Less:</u> HAG & other grants received	11	(1,403,037)	(572,431)
		43,925,648	42,101,148
Other	11	371,124	294,579
Investments	12	2	4,954
		44,296,774	42,400,681
<b>Current assets</b>			
Stock and Work in Progress	13	573,262	772,230
Debtors	14	675,907	387,673
Cash at bank and in hand		1,504,419	755,844
		2,753,588	1,915,747
<b>Creditors: amounts due within one year</b>	15	(1,686,525)	(1,403,270)
<b>Net Current Assets/(liabilities)</b>		1,067,063	512,477
<b>Total assets less current liabilities</b>		45,363,837	42,913,158
<b>Creditors: amounts due after one year</b>	16	(18,273,294)	(18,752,866)
<b>Provisions for liabilities</b>		-	-
<b>Net Assets</b>		27,090,543	24,160,292
<b>Capital and Reserves</b>			
Share Capital	17	150	140
Revenue Reserve	18	4,552,688	3,303,798
Designated Reserve	20	614,882	539,882
Revaluation Reserve	19	21,922,823	20,316,472
		27,090,543	24,160,292

The financial statements on pages 13 to 54 were approved and authorised for issue by the Board of Management and signed on its behalf by:

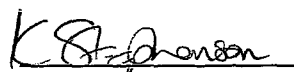
J Stanforth  
Acting Convener



C Howard  
(Secretary)



K. Stephenson  
Board member



Date

10 Aug 2010

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Association Balance Sheet as at 31 March 2010

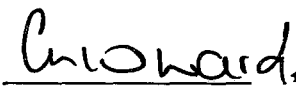
	Notes	2010	2009
		£	£
<b>Intangible fixed assets</b>	10	-	-
<b>Tangible fixed assets</b>			
Housing Properties: At Revalued amount or Gross Cost	11	45,325,705	42,673,579
<u>Less:</u> HAG & other grants received	11	(1,403,037)	(572,431)
		43,922,668	42,101,148
Other	11	291,738	279,530
Investments	12	2	54,954
		44,214,408	42,435,632
<b>Current assets</b>			
Stock	13	78,977	247,932
Debtors	14	721,545	590,294
Cash at bank and in hand		790,876	410,702
		1,591,398	1,248,928
<b>Creditors: amounts due within one year</b>	15	(1,308,159)	(1,336,262)
<b>Net current (liabilities)/assets</b>		283,239	(87,334)
<b>Total assets less current liabilities</b>		44,497,647	42,348,298
<b>Creditors: amounts due after one year</b>	16	(18,200,000)	(18,752,866)
<b>Net Assets</b>		26,297,647	23,595,432
<b>Capital and Reserves</b>			
Share Capital	17	150	140
Revenue Reserve	18	4,374,674	3,278,820
Revaluation Reserve	19	21,922,823	20,316,472
		26,297,647	23,595,432

The financial statements on pages 13 to 54 were approved and authorised for issue by the Board of Management and signed on its behalf by:

J Stanforth  
Acting Convener



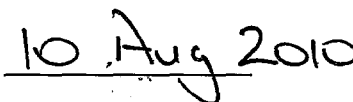
C Howard  
(Secretary)



K Stephenson  
Board member



Date



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2010****Group Cash Flow Statement**

	<b>Year to 31 March 2010</b>	<b>Year to 31 March 2009</b>
	<b>£</b>	<b>£</b>
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>		
Operating Surplus	1,814,948	1,677,997
Depreciation & Amortisation	114,543	107,001
Increase in provision for investment	66,156	-
Share Capital	10	(1)
Shared Equity Investment	-	(3,496)
Decrease/(Increase) in stock and Work in Progress	198,966	261,889
Decrease/(Increase) in debtors	(288,234)	115,875
Increase in creditors	272,795	(1,419,962)
<b>Net cash inflow from operating activities</b>	<b>2,179,184</b>	<b>739,303</b>
<b>CASH FLOW STATEMENT</b>		
Net cash inflow from operating activities	2,179,184	739,303
Returns on investment and servicing finance (note A)	(764,563)	(980,094)
Taxation /(paid)	(52,346)	(52,346)
Capital (Expenditure)/Income (note A)	(101,067)	(266,450)
	<b>1,261,208</b>	<b>(559,586)</b>
<b>Management of liquid resources :</b>		
Cash withdrawal from excess right to buy account		
Financing (note A)	(12,690)	(12,926)
<b>(Decrease)/Increase in cash in the year</b>	<b>1,248,518</b>	<b>(572,512)</b>
<b>Reconciliation of net cash flow to movement in net debt (note B)</b>		
(Decrease)/Increase in cash in the year	1,248,518	(572,512)
Cash (decrease) in liquid resources	-	-
Movement in Net Debt	<b>1,248,518</b>	<b>(572,512)</b>
<b>Net Debt at 1 April 2009</b>	<b>(18,002,672)</b>	<b>(17,430,160)</b>
<b>Net Debt at 31 March 2010</b>	<b>(16,754,154)</b>	<b>(18,002,672)</b>

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Cash Flow Statement

#### A. GROSS CASH FLOWS

	Year to 31 March 2010 £	Year to 31 March 2009 £
<b>Returns on investment and servicing finance</b>		
Interest received	4,687	21,802
Interest paid	(769,250)	(1,001,896)
<b>Net cash outflow</b>	<u>(764,563)</u>	<u>(980,094)</u>
<b>Capital Expenditure</b>		
Payments to acquire and develop housing	(1,340,060)	(1,161,903)
Grants received	1,034,753	348,954
Payments to acquire other fixed assets	(116,040)	(50,724)
Receipts from sales of housing property	320,280	597,223
<b>Net cash (outflow)/ inflow</b>	<u>(101,067)</u>	<u>(266,450)</u>
<b>Financing</b>		
Mortgage and other loans received	-	-
HP Repayment	(12,700)	(12,925)
Share capital issued	18	11
Share capital purchased	(8)	(12)
<b>Net cash inflow/(outflow)</b>	<u>(12,690)</u>	<u>(12,926)</u>

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

	1 April 2009 £	Cash Flows £	31 March 2010 £
Cash at bank	755,844	748,575	1,504,419
Overdraft	(8,516)	(50,056)	(58,572)
	<u>747,328</u>	<u>698,519</u>	<u>1,445,847</u>
Liquid resources:			
Debt > 1 year	(18,750,000)	550,000	(18,200,000)
<b>TOTAL</b>	<u>(18,002,672)</u>	<u>1,248,519</u>	<u>(16,754,153)</u>

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Association Cash Flow Statement

	Year to 31 March 2010	Year to 31 March 2009
	£	£
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>		
Operating Surplus	1,599,896	1,729,808
Depreciation	97,211	92,946
Increase in provision against investment	-	-
Share Capital	10	(1)
Decrease / (Increase ) in Investments	-	(2,426)
Decrease/(Increase) in Work in Progress	168,954	241,097
Decrease/(Increase) in debtors	(131,250)	67,304
Increase/(Decrease) in creditors	(22,59)	(1,362,064)
<b>Net cash inflow from operating activities</b>	<b>1,712,312</b>	<b>766,664</b>
<b>CASH FLOW STATEMENT</b>		
Net cash inflow from operating activities	1,712,312	766,664
Returns on investment and servicing finance (note A)	(755,501)	(989,960)
Taxation refund/(paid)	-	-
Capital Expenditure (note A)	(72,927)	(313,284)
	<b>883,884</b>	<b>(536,580)</b>
Management of liquid resources :	-	-
Cash withdrawal from excess right to buy account		
Financing (note A)	(3,776)	(12,926)
<b>(Decrease)/Increase in cash in the year</b>	<b>880,108</b>	<b>(549,506)</b>
<b>Reconciliation of net cash flow to movement in net debt (note B)</b>		
Increase in cash in the year	880,108	(549,506)
Loans repaid (drawn down)/ in the year	-	-
Cash increase/(decrease) in liquid resources	10	(1)
Movement in Net Debt	<b>880,118</b>	<b>(549,507)</b>
Net Debt at 1 April 2009	(18,347,814)	(17,798,307)
<b>Net Debt at 31 March 2010</b>	<b>(17,467,696)</b>	<b>(18,347,814)</b>

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Association Cash Flow Statement

#### A. GROSS CASH FLOWS

	Year to 31 March 2010 £	Year to 31 March 2009 £
<b>Returns on investment and servicing finance</b>		
Interest received	2,753	17,525
Interest paid	(758,254)	(1,007,485)
Extraordinary Item (Refinancing)	-	-
<b>Net cash outflow</b>	<u>(755,501)</u>	<u>(989,960)</u>
<b>Capital Expenditure</b>		
Payments to acquire and develop housing	(1,318,540)	(1,219,061)
Grants received	1,034,753	348,954
Payments to acquire other fixed assets	(109,420)	(40,400)
Receipts from sales of housing property	320,280	597,223
<b>Net cash (outflow)/ inflow</b>	<u>(72,927)</u>	<u>(313,284)</u>
<b>Financing</b>		
Mortgage and other loans received	(3,786)	-
HP Repayment	-	(12,925)
Share capital issued	18	11
Share capital cancelled	(8)	(12)
<b>Net cash outflow</b>	<u>(3,776)</u>	<u>(12,926)</u>

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

	1 April 2009 £	Cash Flows £	31 March 2010 £
Cash at bank	410,702	380,174	790,876
Overdraft	(8,516)	(50,056)	(58,572)
	<u>402,186</u>	<u>330,118</u>	<u>732,304</u>
Debt > 1 year	(18,750,000)	550,000	(18,200,000)
<b>TOTAL</b>	<u>(18,347,714)</u>	<u>880,118</u>	<u>(17,467,696)</u>



## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

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

##### **Basis of Accounting**

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards, with the exception of Housing Properties held for letting which are shown at their revalued amount. The accounts comply with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007 and with the Statement of Recommended Practice on Accounting by Registered Social Landlords 2008.

##### **Basis of Consolidation**

The Group financial statements consolidate the accounts of Berwickshire Housing Association Limited, and its subsidiary companies at 31 March 2010 using acquisition accounting. The subsidiaries are Berwickshire Limited, *homehunt* Limited and Seton Care Limited all of whom traded for a full year.

##### **Cash Flow Statement**

Prepared in accordance with FRS 1 (revised).

##### **Turnover**

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

##### **Research & Development, Intellectual Property & Patents**

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

##### **Land**

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

##### **Housing Properties and Depreciation**

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

The results of the review concluded that a small number of properties could be considered in this category, but that their impact on the accounts was immaterial.

The assumptions made in the review to 31 March 2000 were revisited and tested for their continued relevance at 31 March 2010. The Association also operates a choice based allocation system and so it is easy to measure the active interest from potential tenants in properties that become available for relet. Impairment is recognised when the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units. There is no evidence to suggest that there is any impairment in the income generating units at 31 March 2010.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

#### **Deferred Taxation**

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

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

#### **Work In Progress**

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

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

#### **Assets held under finance lease**

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

#### **Capitalisation of development overheads**

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

#### **Sale of Housing Properties**

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

#### **Social Housing Grants and Other Grants**

Housing assets are stated at valuation. Historic cost information is given by way of note. Where grants of a capital nature have been received towards the cost of developments, the cost of these developments has been reduced by the amount of grant receivable. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate. Although the deduction from the cost of a property contravenes the Companies Act 1985, we believe this disclosure gives a true and fair view of the asset value.

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

#### **Other Fixed Assets**

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

Computer hardware	2 years
Other equipment	5 years
Office premises	10 years
Improvements to leased properties	5 years
Hire Purchase assets are depreciated at the same rate as owned assets	

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

#### **Maintenance and Major Repairs**

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

No designated reserve for major repairs has been created since the Association's maintenance plans spread the expenditure over future years on a planned basis. The latest expenditure plans have been validated by FPD Savills, Chartered Surveyors.

#### **Lease Obligations**

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

#### **Interest on borrowings**

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

#### **Supporting People Income and Expenditure**

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

#### **Pension Contributions**

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

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

#### **Value Added Tax**

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

#### **Credit Payment Policy**

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

#### **Designated Reserve**

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

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2010****Notes to the Group Financial Statements****1. Particulars of turnover, operating costs and operating surplus or deficit**

	<i>Turnover</i>	<i>Operating Costs</i>	<i>Operating Surplus or Deficit</i>	<i>Operating Surplus or Deficit for previous</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>period of Account</i>
				<i>£</i>
ocial Lettings	5,553,515	3,735,718	1,817,797	1,552,327
Other Activities	2,669,021	2,671,870	(2,849)	157,370
otal	8,222,536	6,407,588	1,814,948	1,709,697
otal for previous period of account	7,846,346	6,136,649	1,709,697	

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**
**Annual Report and Group Financial Statements for the Year Ended 31 March 2010**
**Group particulars of turnover, operating costs and operating surplus or deficit from social letting activities**

	Housing Accommodation £	Supported Housing Accommodation £	Shared Ownership Housing £	Garages £	2010 Total £	2009 Total £
<b>Income from Lettings</b>						
Rent Receivable net of Identifiable Service Charges	4,969,520	224,402	4,292	188,972	5,387,186	5,283,453
Service Charges Receivable	49,945	161,361	-	-	211,306	195,276
<b>Gross Income from Rents and Service Charges</b>	<b>5,019,465</b>	<b>385,763</b>	<b>4,292</b>	<b>188,972</b>	<b>5,598,492</b>	<b>5,478,729</b>
<b>Less : Rent Losses from Voids</b>	<b>(36,481)</b>	<b>(6,239)</b>	<b>-</b>	<b>(12,560)</b>	<b>(55,280)</b>	<b>(49,236)</b>
<b>Net Income for rents and service charges</b>	<b>4,982,984</b>	<b>379,524</b>	<b>4,292</b>	<b>176,412</b>	<b>5,543,212</b>	<b>5,429,493</b>
<b>Add: Revenue Grants from the Scottish Ministers</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>
<b>Add: Other Revenue Grants</b>	<b>8,303</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,303</b>	<b>2,000</b>
<b>Total Turnover from Social Lettings Activities</b>	<b>4,993,287</b>	<b>379,524</b>	<b>4,292</b>	<b>176,412</b>	<b>5,553,515</b>	<b>5,433,493</b>
<b>Expenditure on Letting Activities</b>						
Management and Maintenance Admin Costs	1,479,090	111,669	2,750	152,844	1,746,353	2,186,124
Service Costs	29,292	108,760	-	-	138,052	164,722
Planned and cyclical Maintenance including Major repairs	1,200,124	-	-	-	1,200,124	864,425
Reactive Maintenance	581,780	11,743	100	11,953	605,576	607,924
Rent Losses from Bad Debts	45,613	-	-	-	45,613	57,969
<b>Total Expenditure on Lettings</b>	<b>3,335,899</b>	<b>232,172</b>	<b>2,850</b>	<b>164,797</b>	<b>3,735,718</b>	<b>3,881,164</b>
<b>Operating Surplus on Letting Activities</b>	<b>1,657,388</b>	<b>147,352</b>	<b>1,442</b>	<b>11,615</b>	<b>1,817,797</b>	<b>1,552,327</b>
<b>Operating Surplus or deficit for social letting for previous period of account</b>	<b>1,455,539</b>	<b>60,612</b>	<b>3,029</b>	<b>33,147</b>	<b>-</b>	<b>1,552,327</b>

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

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

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

	<i>Grants from Scottish Ministers</i>	<i>Other Revenue Grants</i>	<i>Supporting people Income</i>	<i>Other Turnover</i>	<i>Total Turnover</i>	<i>Operating Cost – bad debts</i>	<i>Other operating Costs</i>	<i>Operating Surplus/ (Deficit)</i>	<i>Operating Surplus or deficit for previous period of account</i>
	£	£	£	£	£	£		£	£
<b>Other Income and Expenditure</b>									
Vider Role	49,618	27,900	-	-	77,518	-	88,798	(11,280)	(4,934)
are and Repair of property	-	-	-	-	-	-	-	-	-
actoring – Agency services	-	-	-	3,689	3,689	-	3,500	189	526
development and Construction of Property Activities	-	-	-	-	-	-	85,736	(85,736)	(84,972)
upport Activities	-	-	211,989	-	211,989	-	199,474	12,515	142,051
are Activities	-	-	-	-	-	-	-	-	-
gency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
ther agency/management services	-	-	-	-	-	-	-	-	-
developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
developments and Improvements for sale to non-registered social ndlords	-	-	-	166,750	166,750	-	193,665	(26,915)	(1,131)
ther Activities	-	-	-	-	-	-	-	-	-
ommercial Rental Non-Housing Property	-	-	-	91,383	91,383	-	86,299	5,084	12,564
roup Business Development	-	-	-	-	-	-	66,156	(66,156)	(15,500)
omehunt – Computer Services	-	-	-	86,418	86,418	-	99,604	(13,186)	(26,206)
eton Care – Residential Care & Homecare	-	-	-	2,016,274	2,016,274	-	1,817,081	199,193	167,071
erwickshire Limited – Property Development & Project lanagement	-	-	-	15,000	15,000	-	31,557	(16,557)	(32,098)
	49,618	27,900	211,989	2,379,514	2,669,021	-	2,671,870	(2,849)	157,371
otal from other activities for the previous period	29,132	24,405	185,932	2,173,384	2,412,853	-	2,255,481	157,371	

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

**Notes to the Association Financial Statements**

<b>Particulars of turnover, operating costs and operating surplus or deficit</b>					
	<b>Note</b>	<b>Turnover</b>	<b>Operating Costs</b>	<b>Operating Surplus or Deficit</b>	<b>Operating Surplus or Deficit for</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>previous period of Account</b>
					<b>£</b>
ocial Lettings	2	5,553,515	3,803,881	1,749,634	1,767,944
ther Activities	3	742,919	892,658	(149,739)	(38,136)
<hr/>					
otal		6,296,433	4,696,539	1,599,895	1,729,808
<hr/>					
otal for previous period of account		6,221,791	4,491,983	1,729,808	

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**
**Annual Report and Group Financial Statements for the Year Ended 31 March 2010**
**Berwickshire Housing Association particulars of turnover, operating costs and operating surplus or deficit from social letting activities**

	Housing Accommodation £	Supported Housing Accommodation £	Shared Ownership Housing £	Garages £	2010 Total £	2009 Total £
<b>Income from Lettings</b>						
Rent Receivable net of Identifiable Service Charges	4,969,520	224,402	4,292	188,972	5,387,186	5,283,453
Service Charges Receivable	49,945	161,361	-	-	211,306	195,276
<b>Gross Income from Rents and Service Charges</b>	<b>5,019,465</b>	<b>385,763</b>	<b>4,292</b>	<b>188,972</b>	<b>5,598,492</b>	<b>5,478,729</b>
<b>Less : Rent Losses from Voids</b>	<b>(36,481)</b>	<b>(6,239)</b>	<b>-</b>	<b>(12,560)</b>	<b>(55,280)</b>	<b>(49,236)</b>
<b>Net Income for rents and service charges</b>	<b>4,982,984</b>	<b>379,524</b>	<b>4,292</b>	<b>176,412</b>	<b>5,543,212</b>	<b>5,429,493</b>
<b>Add: Revenue Grants from the Scottish Ministers</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>
<b>Add: Other Revenue Grants</b>	<b>8,303</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,303</b>	<b>2,000</b>
<b>Total Turnover from Social Lettings Activities</b>	<b>4,993,287</b>	<b>379,524</b>	<b>4,292</b>	<b>176,412</b>	<b>5,553,515</b>	<b>5,433,493</b>
<b>Expenditure on Letting Activities</b>						
Management and Maintenance Admin Costs	1,547,253	111,669	2,750	152,844	1,814,516	1,970,507
Service Costs	29,292	108,760	-	-	138,052	164,723
Planned and cyclical Maintenance including Major repairs	1,200,124	-	-	-	1,200,124	864,425
Reactive Maintenance	581,780	11,743	100	11,953	605,576	607,925
Rent Losses from Bad Debts	45,613	-	-	-	45,613	57,969
<b>Total Expenditure on Lettings</b>	<b>3,404,062</b>	<b>232,172</b>	<b>2,850</b>	<b>164,797</b>	<b>3,803,881</b>	<b>3,665,549</b>
<b>Operating Surplus on Letting Activities</b>	<b>1,589,225</b>	<b>147,352</b>	<b>1,442</b>	<b>11,615</b>	<b>1,749,634</b>	<b>1,767,944</b>
<b>Operating Surplus or deficit for social letting for previous period of account</b>	<b>1,671,157</b>	<b>60,612</b>	<b>3,029</b>	<b>33,146</b>	<b>-</b>	<b>1,767,944</b>

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



# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

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

	<i>Grants from Scottish Ministers</i>	<i>Other Revenue Grants</i>	<i>Supporting people Income</i>	<i>Other Turnover</i>	<i>Total Turnover</i>	<i>Operating Cost – bad debts</i>	<i>Other operating Costs</i>	<i>Operating Surplus/ (Deficit)</i>	<i>Operating Surplus or deficit for previous period of account</i>
	£	£	£	£	£	£		£	£
<b>Other Income and Expenditure</b>									
Wider Role	49,618	27,900	-	-	77,518	-	88,797	(11,279)	(4,934)
Repair and Repair of property	-	-	-	-	-	-	-	-	-
Factoring - Agency services	-	-	-	3,689	3,689	-	3,500	189	526
Development and Construction of Property activities	-	-	-	-	-	-	85,737	(85,736)	(84,972)
Support Activities	-	-	211,989	-	211,989	-	199,474	12,515	6,501
Other Activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and Improvements for sale to non-registered social landlords	-	-	-	166,750	166,750	-	193,665	(26,915)	(1,131)
Other Activities	-	-	-	-	-	-	-	-	-
Commercial Rental Non-Housing Property	-	-	-	97,683	97,683	-	86,299	11,384	12,564
Business Support Services to Group Companies	-	-	-	185,289	185,289	-	169,030	16,259	48,810
Group Business Development	-	-	-	-	-	-	66,156	(66,156)	(15,500)
	49,618	27,900	211,989	453,411	742,918	-	892,658	(149,740))	(38,136)
<b>Total from other activities for the previous period</b>	29,132	24,405	185,932	548,828	788,298	-	826,434	(38,136)	-

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Financial Statements

The Association is controlled by a voluntary Board of Management who received no remuneration during the year to 31 March 2010 (2009 - £ nil).

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

	Group Year to 31 March 2010 £	Group Year to 31 March 2009 £	Housing Association Year to 31 March 2010 £	Housing Association Year to 31 March 2009 £
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#### 4. Senior Officers' Remuneration

Aggregate remuneration payable to Senior Officers whose remuneration (including pension contributions, loss of office and benefits in kind) is £ 60,000 or more.

Salary payments	212,965	279,065	155,497	222,065
Loss of Office	-	44,313	-	44,313
Pension Contributions	30,252	39,623	22,175	31,657

The Chief Executive and two (2009 three) other Senior Officers referred to above are ordinary members of the pension scheme described in Note 21. No enhanced or special terms apply to memberships and they have no other pension arrangements to which the Association or any of its subsidiaries contributes.

Emoluments payable to Highest Paid Senior Officer (excluding pension contributions) but including redundancy payments	82,093	110,881*	82,093	110,881*
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*\*Compensation includes loss of office payments*

Emoluments paid to Chief Executive	82,093	82,093	82,093	82,093
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	£	£	£	£
Total expenses reimbursed to Senior Officers in so far as not chargeable to United Kingdom income tax	3,030	5,293	967	2,787

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Financial Statements

5. Employee Information	BHA Group Year to 31 March 2010 No	BHA Group Year to 31 March 2009 No	Housing Association Year to 31 March 2010 No	Housing Association Year to 31 March 2009 No
The average full time equivalent number of persons employed by the Association during the year was as follows :	101	107	49	54
average number of employees	134	135	57	64
<b>Staff Costs (including directors' emoluments)</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Wages and salaries	2,465,114	2,500,512	1,340,881	1,535,935
Social security costs	166,910	173,915	100,612	114,922
Pension costs	182,763	200,753	154,700	177,343
	<u>2,814,787</u>	<u>2,875,180</u>	<u>1,596,193</u>	<u>1,828,200</u>

	Group Year to 31 March 2010 £	Group Year to 31 March 2009 £	Housing Association Year to 31 March 2010 £	Housing Association Year to 31 March 2009 £
<b>6. Operating Surplus</b>				
<b>Operating surplus is stated after charging:</b>				
Depreciation of owned assets	183,639	107,001	96,016	92,946
Depreciation of assets held under finance lease and hire purchase contracts	7,449	7,872	1,195	7,872
Hire of office premises under operating leases	15,086	15,666	7,604	7,086
Finance charges payable – finance leases and hire purchase contracts	12,065	1,237	236	1,237
Repairs to property	1,644,212	1,644,212	1,995,912	1,644,212
Deduct: capitalised as improvements	(187,770)	(187,770)	(190,213)	(187,770)
Auditors' remuneration - Audit service	23,299	20,057	14,648	14,408
- Non-audit service	7,287	11,555	7,287	10,705

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Financial Statements

	BHA Group		Housing Association	
7. Interest Receivable	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
On Association Funds	638	10,933	638	10,933
Interest on Subsidiary Funds	4,049	10,831	-	-
Interest Charged to subsidiaries	-	-	2115	6,592
	<u>4,687</u>	<u>21,764</u>	<u>2,753</u>	<u>17,525</u>

	BHA Group		Housing Association	
8. Interest Payable and Similar Charges	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
Interest payable on building society loans repayable in more than five years	740,247	987,245	740,247	987,245
Interest Payable to Subsidiaries	-	-	1,350	6,013
Interest payable on Association onward lending loans repayable	-	-	-	-
Other charges	16,938	13,376	16,481	12,990
Hire Purchase	12,065	1,237	236	1,237
	<u>769,250</u>	<u>1,001,858</u>	<u>758,314</u>	<u>1,007,485</u>

	BHA Group		Housing Association	
9. Tax on Surplus on Ordinary Activities	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
Taxation on surplus for the year	(54,132)	(15,892)	-	-
	<u>(54,132)</u>	<u>(15,892)</u>	<u>-</u>	<u>-</u>

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2010****Notes to the Group Financial Statements**

	<b>BHA Group</b>		<b>Housing Association</b>	
<b>10. Intangible Fixed assets</b>	<b>Year to 31 March 2010</b>	<b>Year to 31 March 2009</b>	<b>Year to 31 March 2010</b>	<b>Year to 31 March 2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 1 April 2009	-	-	-	-
Additions in Year	24,500	-	-	-
Disposals in Year	-	-	-	-
Amortisation	-	-	-	-
Balance at 31 March 2010	<u>24,500</u>	<u>-</u>	<u>-</u>	<u>-</u>

Intellectual Assets are amortised over five years.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**
**Annual Report and Group Financial Statements for the Year Ended 31 March 2010**
**Notes to the Group Financial Statements**

<b>11. Tangible Fixed Assets Restated</b>	<i>Housing Properties held for letting</i>	<i>Housing Properties held for letting and Under Construction</i>	<i>Land</i>	<i>Total Housing</i>	<i>Heritable Office Property</i>	<i>Leasehold Improvements</i>	<i>Motor Vehicles</i>	<i>Equipment</i>	<i>Total</i>
<b>Cost or Revaluation</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2009	40,983,000	216,671	1,473,908	42,673,579	738,828	112,068	34,952	436,744	43,996,171
Additions in the year	200,294	894,369	12,144	1,106,807	21,509	500	6120	162,961	1,297,897
Capitalised Improvements	190,213	-	-	190,213	-	-	-	-	190,213
Disposals in the year	(68,621)	-	-	(68,621)	-	-	-	-	(68,621)
Transfer	-	-	-	-	-	-	-	-	-
(Deficit) / Surplus on revaluation	1,510,114	-	-	1,510,114	-	-	-	-	1,510,114
<b>At 31 March 2010</b>	<b>42,815,000</b>	<b>1,111,040</b>	<b>1,486,052</b>	<b>45,412,092</b>	<b>760,337</b>	<b>112,568</b>	<b>41,072</b>	<b>599,704</b>	<b>46,925,773</b>
<b>Grants Received</b>									
At 1 April 2009	-	(10,146)	(562,285)	(572,431)	-	-	-	(6,000)	(578,431)
Received in the year	(96,238)	(938,515)	-	(1,034,753)	-	-	-	2,000	(1,034,753)
Transferred / Released in the year	-	-	-	-	-	-	-	-	2,000
Revaluation Adjustment	96,238	-	-	96,238	-	-	-	-	96,238
<b>At 31 March 2010</b>	<b>-</b>	<b>(948,661)</b>	<b>(562,285)</b>	<b>(1,510,946)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,000)</b>	<b>(1,514,946)</b>
<b>Depreciation</b>									
At 1 April 2009	-	-	-	-	(500,121)	(99,210)	(34,952)	(387,730)	(1,022,013)
Provided during the year	-	-	-	-	(51,572)	(4,154)	(1,530)	(59,286)	(116,542)
Disposals	-	-	-	-	-	-	-	-	-
<b>At 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(551,693)</b>	<b>(103,364)</b>	<b>(36,482)</b>	<b>(447,016)</b>	<b>(1,138,555)</b>
<b>Net Book Value</b>									
<b>At 31 March 2010</b>	<b>42,815,000</b>	<b>162,379</b>	<b>923,767</b>	<b>43,901,146</b>	<b>208,644</b>	<b>9,204</b>	<b>4,590</b>	<b>148,688</b>	<b>44,272,272</b>
<b>At 1 April 2009</b>	<b>40,983,000</b>	<b>206,525</b>	<b>911,623</b>	<b>42,101,148</b>	<b>238,707</b>	<b>12,858</b>	<b>-</b>	<b>43,014</b>	<b>42,395,727</b>

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Financial Statements

11. Tangible Fixed Assets Restated (Contd)	<i>Housing Properties held for letting</i>	<i>Housing Properties held for letting and Under Construction</i>	<i>Land</i>	<i>Heritable Office Property</i>	<i>Leasehold Improvements</i>	<i>Motor Vehicles</i>	<i>Equipment</i>	<i>Total</i>
Cost or valuation at 31 March 2009 is represented by:	£	£	£		£	£	£	£
Gross cost	31,391,213	1,132,559	1,486,052	760,337	112,568	41,072	599,704	35,523,505
Less HAG and other grants and receipts	(10,499,038)	(948,662)	(562,285)	-	-	-	-	(12,009,984)
	20,892,176	183,897	923,767	760,337	112,568	41,072	599,704	23,513,521
Revaluation reserve	21,922,824	-	-	-	-	-	-	21,922,824
	42,815,000	183,897	923,767	760,337	112,568	41,072	599,704	45,436,435

The Association received HAG of £932,911 in the year to 31 March 2010 (2009:£367,438).

The Associations funding package from Dunfermline Building Society funds the whole business of which development is part. Consequently, there is no interest capitalised on development period loans in the year. Administration costs capitalised in the period amounted to £15,961 (2009: £15,907)~None of the Association's land or properties are held under a lease except as mentioned in note 21.

**Note:-** Housing properties held for letting were professionally valued by Alistair Addison MRICS of Savills ( L & P ) Limited, Chartered Surveyors in accordance with the definition of Existing Use Value for Social Housing (EUV-SH) as at 31 March 2010.The valuation was prepared in accordance with RICS Valuation Standards, 6<sup>th</sup> edition and reviewed July 2009, in accordance with the requirements of practice statements PS6 entitled Valuation Report and UKPS3 entitled Valuations for Loan Facilities. In determining this valuation, the valuers made use of discounted cash flow methodology and key assumptions made concerning the level of future rents, the rate of turnover of existing tenants, the level of sales and the discount rate. The assumed discount rate was 5.5% real

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Association Financial Statements

<b>11. Tangible Fixed Assets - Restated</b>	<i>Housing Properties held for letting</i>	<i>Housing Properties held for letting and Under Construction</i>	<i>Land</i>	<i>Total Housing</i>	<i>Heritable Office Property</i>	<i>Leasehold Improvements</i>	<i>Equipment</i>	<i>Total</i>
<b>Cost or Revaluation</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2009	40,983,000	216,671	1,473,908	42,673,579	738,828	62,544	429,624	43,904,575
Additions in the year	200,294	915,889	12,146	1,128,329	21,508	-	87,911	1,237,748
Capitalised Improvements	190,213	-	-	190,213	-	-	-	190,213
Disposals in the year	(68,621)	-	-	(68,621)	-	-	-	(68,621)
Transfer	-	-	-	-	-	-	-	-
(Deficit) / Surplus on revaluation	1,510,114	-	-	1,510,114	-	-	-	1,510,114
<b>At 31 March 2010</b>	<b>42,815,000</b>	<b>1,132,560</b>	<b>1,486,054</b>	<b>45,433,614</b>	<b>760,336</b>	<b>62,544</b>	<b>517,535</b>	<b>46,774,029</b>
<b>Grants Received</b>								
At 1 April 2008	0	(10,146)	(562,285)	(572,431)	-	-	(6,000)	(578,431)
Received in the year	(96,238)	(938,515)	-	(1,034,753)	-	-	-	(1,034,753)
Transferred / Released in the year	-	-	-	-	-	-	2,000	2,000
Revaluation Adjustment	96,238	-	-	96,238	-	-	-	96,238
<b>At 31 March 2010</b>	<b>-</b>	<b>(948,661)</b>	<b>(562,285)</b>	<b>(1,510,946)</b>	<b>-</b>	<b>-</b>	<b>(4,000)</b>	<b>(1,514,946)</b>
<b>Depreciation</b>								
At 1 April 2009	-	-	-	-	(500,121)	(62,544)	(382,801)	(945,466)
Provided during the year	-	-	-	-	(51,572)	-	(47,639)	(99,211)
Disposals	-	-	-	-	-	-	-	-
<b>At 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(551,693)</b>	<b>(62,544)</b>	<b>(430,440)</b>	<b>(1,044,677)</b>
<b>Net Book Value</b>								
<b>At 31 March 2010</b>	<b>42,815,000</b>	<b>183,899</b>	<b>923,769</b>	<b>43,922,668</b>	<b>208,643</b>	<b>0</b>	<b>83,095</b>	<b>44,214,406</b>
<b>At 1 April 2009</b>	<b>40,983,000</b>	<b>206,525</b>	<b>911,623</b>	<b>42,101,148</b>	<b>238,707</b>	<b>-</b>	<b>40,823</b>	<b>42,380,678</b>



# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Association Financial Statements

11. Tangible Fixed Assets Restated (Contd)	<i>Housing Properties held for letting</i>	<i>Housing Properties held for letting and Under Construction</i>	<i>Land</i>	<i>Shared Ownership</i>	<i>Heritable Office Property</i>	<i>Leasehold Improvements</i>	<i>Equipment</i>	<i>Total</i>
	£	£	£		£	£	£	£
Cost or valuation at 31 March 2010 is represented by:								
Gross cost	31,391,213	1,132,559	1,486,054	-	760,336	62,544	517,535	35,350,241
Less HAG and other grants and receipts	(10,499,038)	(948,662)	(562,285)	-				(12,009,985)
	20,892,175	183,897	923,769	-	760,336	62,544	517,535	23,340,256
Revaluation reserve	21,922,825							21,922,825
	42,815,000	183,897	923,769	-	760,336	62,544	517,535	45,263,081

	BHA Group		Housing Association	
Assets held on Hire Purchase as at 31 March 2010	2010	2009	2010	2009
Cost	£114,443	£39,395	£39,395	£39,395
Accumulated Depreciation	£45,649	£38,200	£39,395	£38,200
Charge for the year	£7,449	£7,872	£1,195	£7,872

The Association received HAG of £932,911 in the year to 31 March 2010 (2009:£367,438).

The Associations funding package from Dunfermline Building Society funds the whole business of which development is part. Consequently, there is no interest capitalised on development period loans in the year. Administration costs capitalised in the period amounted to £15,961 (2009: £15,907)~None of the Association's land or properties are held under a lease except as mentioned in note 21.

**Note:-** Housing properties held for letting were professionally valued by Alistair Addison MRICS of Savills ( L & P) Limited, Chartered Surveyors in accordance with the definition of Existing Use Value for Social Housing (EUV-SH) as at 31 March 2010.The valuation was prepared in accordance with RICS Valuation Standards, 6<sup>th</sup> edition and reviewed July 2009, in accordance with the requirements of practice statements PS6 entitled Valuation Report and UKPS3 entitled Valuations for Loan Facilities. In determining this valuation, the valuers made use of discounted cash flow methodology and key assumptions made concerning the level of future rents, the rate of turnover of existing tenants, the level of sales and the discount rate. The assumed discount rate was 5.5% real

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Financial Statements

12 Investments	BHA Group		Housing Association	
	2010	2009	2010	2009
	£	£	£	£
At Cost				
Unlisted – shares in subsidiary companies	-	-	207,003	207,003
Provision against investment in <i>homehunt</i> Limited	-	-	(207,001)	(157,003)
Other Investments	-	4,954	-	4,954
<b>Balance</b>	<b>2</b>	<b>4,954</b>	<b>2</b>	<b>54,954</b>

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

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

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

	2010	2009
	£	£
<b>Aggregate capital and reserves</b>		
<i>homehunt</i> Limited	(36,486)	(23,558)
<b>(Loss) for the year</b>		
<i>homehunt</i> Limited	(12,928)	(14,835)
<b>Aggregate capital and reserves</b>		
Seton Care Limited	440,377	380,456
<b>Profit for the year</b>		
Seton Care Limited	131,920	43,113
<b>Aggregate capital and reserves</b>		
Berwickshire Limited	374,368	319,979
<b>Profit for the year</b>		
Berwickshire Limited	54,388	(66,895)

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

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Financial Statements

	BHA Group		Housing Association	
13 Stock and Work in Progress	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
Work in Progress	-	409,700	-	-
Stock	573,262	394,230	78,977	247,932
Goods for resale	-	-	-	-
	<u>573,262</u>	<u>803,930</u>	<u>78,977</u>	<u>247,932</u>

	BHA Group		Housing Association	
14 Debtors	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
Amounts falling due within one year:				
Rental debtors	282,696	237,497	282,696	237,497
Less: provision for bad debts	(145,276)	(116,286)	(137,801)	(116,286)
	<u>137,420</u>	<u>121,211</u>	<u>144,895</u>	<u>121,211</u>
Trade debtors	174,071	58,197	-	-
Inter-company debtors	-	-	90,983	131,190
Inter-company loan	-	-	179,441	169,441
Provision against intercompany loan	-	-	(36,158)	(20,000)
Other debtors	364,416	202,972	342,384	188,452
	<u>675,907</u>	<u>382,380</u>	<u>721,545</u>	<u>590,294</u>

Berwickshire Housing Association provides a loan facility available to *homehunt* Limited. This facility comprises a revolving credit facility of £40,000. Berwickshire Limited has a loan facility of £139,441. Interest is calculated monthly on the outstanding balances on this loan at an interest rate of 0.6% above the LIBOR cost of borrowing to the Association for that month.

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Financial Statements

15 Creditors due within one year	BHA Group		Housing Association	
	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
Bank overdraft	58,571	8,516	58,571	8,516
Taxation and social security	98,797	83,115	31,938	39,059
Intercompany Loans	-	-	-	225,000
Intercompany creditors	-	-	-	1,916
Finance leases	10,459	-	-	-
Trade creditors	25,810	37,719	-	-
Other creditors	1,078,210	914,641	1,078,211	914,641
Accruals and deferred income	380,977	325,336	105,738	109,277
Rent in advance	33,701	37,853	33,701	37,853
	<u>1,686,522</u>	<u>1,407,180</u>	<u>1,308,159</u>	<u>1,336,262</u>

16 Creditors due outwith one year	BHA Group		Housing Association	
	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
Hire Purchase	73,294	2,866	0	2,866
Housing Loans	18,200,000	18,750,000	18,200,000	18,750,000
	<u>18,273,294</u>	<u>18,752,866</u>	<u>18,200,000</u>	<u>18,752,866</u>

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

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

	BHA Group		Housing Association	
	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
Loans and Hire Purchase to be repaid in 2 to 5 years	13,325	2,866	0	2,866
Loans to be repaid in more than 5 years	18,273,294	18,750,000	18,200,000	18,750,000
	<u>18,286,619</u>	<u>18,752,866</u>	<u>18,200,000</u>	<u>18,752,866</u>

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Financial Statements

	BHA Group		Housing Association	
17 Share Capital	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
<u>Allotted, issued and fully paid</u>				
Shares of £1 each at 1 April	140	141	140	141
Shares of £1 issued in the year	18	11	18	11
Shares of £1 cancelled during the year	(8)	(12)	(8)	(12)
Shares in issue at 31 March	150	140	150	140

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

	BHA Group		Housing Association	
18 Revenue Reserve	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
Opening reserve at 1 April	3,303,798	2,195,546	3,278,820	2,151,013
Inter-company provision at 1 April	76,176	67,879	-	-
Surplus on ordinary activities after tax	1,129,723	970,660	977,863	1,019,293
Transfer to Designated Reserve (note 20)	(75,000)	(38,801)	-	-
Transfer from Revaluation Reserve (note 19)	117,991	108,514	117,991	108,514
Reserve at 31 March	4,552,688	3,303,798	4,374,674	3,278,820

	BHA Group		Housing Association	
19 Revaluation Reserve	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	Restated £	£	Restated £
Opening reserve at 1 April	20,316,472	18,463,585	20,316,472	18,463,585
Transfer to Revenue Reserve (note 18)	(117,991)	(108,514)	(117,991)	(108,514)
Surplus in year	1,724,342	1,961,401	1,724,342	1,961,401
Prior Year adjustment	-	-	-	-
Reserve at 31 March	21,922,823	20,316,472	21,922,823	20,316,472

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Financial Statements

20 Designated Reserve	BHA Group		Housing Association	
	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
Opening reserve at 1 April	539,882	501,081	-	-
Transfer from Revenue Reserve (note 18)	75,000	38,801	-	-
Reserve at 31 March	<u>614,882</u>	<u>539,882</u>	<u>-</u>	<u>-</u>

### 21 Pension Commitments

Berwickshire Housing Association participates in the SFHA Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

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

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

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in Autumn 2010.

#### Disclosure in Respect of Employer Debt

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

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

##### **21 Pension Commitments (continued)**

factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Berwickshire Housing Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Berwickshire Housing Association was £3,327,113

Berwickshire Housing Association participates in the SFHA Pension Scheme.

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

The Scheme offers three benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.

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

Berwickshire Housing Association has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2008 and the benefit structure for new entrants from 1 April 2008.

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

As at the balance sheet date there were 42 active members of the Scheme employed by Berwickshire Housing Association. 6 employed by Seton Care Limited.

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

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

<b>2006 Valuation Assumptions</b>	<b>% p.a.</b>
Investment return pre retirement	7.2
Investment return post retirement	4.9
Rate of salary increases	4.6
<b>Rate of pension increases</b>	
- Pension accrued pre 6 April 2005	2.6
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	2.6

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2010****Notes to the Group Financial Statements****21 Pension Commitments (continued)**

<b>Mortality Tables</b>	
Non-pensioners	PA92C2025 short
Pensioners	PA92C2013 short

<b>Contribution Rates for Future Service</b>	<b>%</b>
Final salary 1/60ths	17.8
Career average revalued earnings 1/60ths	14.6
Career average revalued earnings 1/70ths	12.6
Additional rate for deficit contributions	5.3

**Pension Commitments Growth Plan**

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

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

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

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

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



# **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

## **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

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

#### **21 Pension Commitments Growth Plan (continued)**

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

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

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

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

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

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

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

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

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

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **Annual Report and Group Financial Statements for the Year Ended 31 March 2010**

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

##### **21 Pension Commitments Growth Plan (continued).**

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

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

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

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

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

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

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

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

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Financial Statements

#### 22 Operating Leases

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

	BHA Group		Housing Association	
	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
Amounts due to be paid in the next 12 months on leases expiring in				
1 year	348	-	-	-
1-2 years	6,014	-	5,017	-
2-5 years	14,016	10,007	13,221	8,256
More than five years.	7,191	16,783	7,191	7,125
	<u>27,569</u>	<u>26,790</u>	<u>25,429</u>	<u>15,381</u>

#### 23 Legislative Provisions

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

#### 24 Gain on Sale of Fixed Assets

The Association sold 7 properties under the Right to Buy scheme during the year and in addition we sold one property in England, (9 RTB, an office, a shared ownership tranche and an experimental house in 2009).

	BHA Group		Housing Association	
	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
Proceeds from sale of Housing Association Stock & other fixed assets	328,019	609,600	328,019	609,600
Less: Cost of Sales	(194,549)	(330,154)	(194,549)	(330,154)
	<u>133,470</u>	<u>279,446</u>	<u>133,470</u>	<u>279,446</u>

In line with recommended accounting practice and Scottish Housing regulator notes, the gain on sale from these transactions has been shown on the face of the Income and Expenditure account. The gain for the year ended 31 March 2009 is calculated using the revalued amount for housing properties.

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Financial Statements

	Housing Association			
<b>25 Housing Stock</b>	<b>31 March 2010</b>	<b>01 April 2009</b>	<b>31 March 2009</b>	<b>01 April 2009</b>
The number of units in management at 31 <sup>st</sup> March was as follows:	<u>No</u>	<u>No</u>	<u>No</u>	<u>No</u>
General needs	1651	1659	1659	1652
Managed on behalf of others:-	24	24	24	24
<i>Scottish Veterans Garden City Association</i>	8	8	8	8
<i>The Berwick Freemans Trust</i>	16	16	16	16
Supported Housing	90	90	90	90
Shared Ownership	3	3	3	3
	<u>1768</u>	<u>1776</u>	<u>1776</u>	<u>1769</u>

	BHA Group		Housing Association	
	<b>Year to 31 March 2010</b>	<b>Year to 31 March 2009</b>	<b>Year to 31 March 2010</b>	<b>Year to 31 March 2009</b>
<b>26 Scottish Secure Tenancy Rents</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Average Annual Scottish Secured Tenancies Rent for housing accommodation	<u>2,967</u>	<u>2,888</u>	<u>2,967</u>	<u>2,888</u>
Number of secure tenancies	<u>1,721</u>	<u>1,729</u>	<u>1,721</u>	<u>1,729</u>
Percentage increase in average rent from previous year	<u>2.74</u>	<u>5.44%</u>	<u>2.74</u>	<u>5.44%</u>

### 27 Related Parties

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

#### **Berwickshire Limited**

The following members of the Board of Management of Berwickshire Housing Association are also Directors of Berwickshire Limited: - Maria Peers, John Elliot, and John Stanforth.

Berwickshire Housing Association levied fees for the following amounts to Berwickshire Limited during the period 1 April 2009 to 31 March 2010.

£15,730 costs for personnel working on projects (2009: £87,418)

£67,951 staff costs for shared services (2009: £58,559)

£6,522 for a share of facilities management costs (2009: £8,013)

£2,115 for interest payable for debt outstanding (2009: £ 6,592)

# BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## Annual Report and Group Financial Statements for the Year Ended 31 March 2010

### Notes to the Group Financial Statements

#### 27 Related Parties (continued)

Berwickshire Limited invoiced Berwickshire Housing Association £21,520 (2009: £ nil) for project management services on housing developments and £ nil (2009 £38) for interest payable for debt outstanding.

The balance outstanding from Berwickshire Limited as at 31 March 2010 was £42,490 (2009: £124,702.) and a long term loan 2010 £139,441 (2009 £139,441)

#### *homehunt* Limited

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

Alick Hay (resigned from Berwickshire Housing Association on 15<sup>th</sup> September 2009), Kay Punton and John Elliot

Berwickshire Housing Association levied fees for the following amounts to *homehunt* Limited during the period 1 April 2009 to 31 March 2010.

£0 staff costs for personnel working on projects (2009: £1,154)

£2,900 for a share of facilities management costs (2009: £2,882)

£18,853 staff costs for shared services (2009: £6,813)

*homehunt* Limited invoiced Berwickshire Housing Association £11,661 for software development and stationery (2009 £17,593)

£11,267 for personnel working for BHA (2009: £ nil)

The balance outstanding from *homehunt* Limited as at 31 March 2010 was £20,658 (2009: £6,487) plus a term loan of £40,000 (2009: £30,000).

These balances were written down in the year to a total of £24,500.

#### Seton Care Limited

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

Janice Walker, and Pauline Seaward, two directors of Seton Care Limited are also tenants of Berwickshire Housing Association Limited. Transactions with the Association are undertaken on standard terms, as applicable to all tenants.

Berwickshire Housing Association levied fees for the following amounts to Seton Care Limited during the period 1 April 2009 to 31 March 2010.

£82,755 staff costs for shared services (2009 £108,858)

£5,900 for a share of facilities management costs (2009: £3,600)

£6,300 for rental of accommodation (2009: Nil)

Seton Care Limited invoiced Berwickshire Housing Association £192,837 (2009: £133,354) for managing the Supporting People contract on behalf of Berwickshire Housing Association Limited, £1,297 (2009: £2,196) for catering services and £1,350 for interest payable.(2009:£4,752)

Staff personnel working on projects £48,718 (2009: £29,975)

The balance outstanding from Seton Care Limited as at 31 March 2010 was £27,835 (2009: £6,013 owed to Seton Care).

28 Capital Commitments	BHA Group		Housing Association	
	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2009
	£	£	£	£
Expenditure authorised by the Board of Management / Board contracted less certified.	696,177	-	696,177	-
Expenditure authorised by the Board of Management not contracted	1,009,917	-	1,008,917	1,625,917

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Annual Report and Group Financial Statements for the Year Ended 31 March 2010****Notes to the Group Financial Statements**

<b>29 Deferred Taxation</b>	<b>BHA Group</b>		<b>Housing Association</b>	
	<b>Year to 31 March 2010</b>	<b>Year to 31 March 2009</b>	<b>Year to 31 March 2010</b>	<b>Year to 31 March 2009</b>
Deferred taxation	-	-	-	-

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