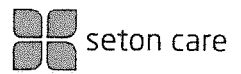
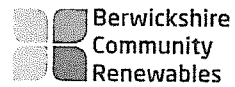




**BERWICKSHIRE HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

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



BERWICKSHIRE HOUSING ASSOCIATION LIMITED
ANNUAL REPORT and GROUP FINANCIAL STATEMENTS
For the year ended 31 March 2017

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BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2017

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

Board of Management

Andrew Watson	Convener (Resigned 1 July 2017)
Scott Holmes	Vice-Convener
Lorraine Tait	Vice Convener
Andrew Brough	
David Melrose	
Fraser Kelly	
James Fullarton	
Robert Bolton	
Stephen Blakey	(Resigned 13 September 2016)
Steve Wright	(Resigned 2 May 2017)
Tony Homer	
Trevor Jones	
Anne Isles	(Co-opted 7 February 2017)
Jim Mc Devitt	(Appointed 13 September 2016)
Vivienne Cockburn	(Co-opted 07 February 2017)

Executive Officers

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

Registered Office

55 Newtown Street
Duns, Berwickshire
TD11 3AU

Funders

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

Auditor

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

Bankers

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

Solicitors

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2017

GROUP OPERATING REVIEW

The directors present their annual report and audited financial statements for the year ended 31 March 2017.

Principal Activities

The BHA Group comprises Berwickshire Housing Association ("BHA" or "the Association") and BHA Enterprise Limited ("BHA Enterprise") and Seton Care. The principal activities of the Association are the provision and management of affordable rented accommodation. BHA Enterprise holds the majority membership in Berwickshire Community Renewables Limited Liability Partnership, (BCR). By the end of the financial year we had moved all the staff within our subsidiary Seton Care into BHA and registered with the Care Inspectorate, all their services within BHA. We did this with the full knowledge and acceptance of our regulator.

- In early March 2017, the construction of the Community Wind Farm at Hoprigshiels Farm was completed and the turbines started producing electricity before the end of the financial year. The income from the Farm now known as the 'Fishermen Three' will be used by BHA to finance the building of more affordable homes for rent in Berwickshire over the next 25 years. We expect the income to ensure the building of up to 500 more homes.
- We started on site with a further 16 homes in Duns at our development at Station Drive and in December secured planning permission for a further 30 homes in Acredale at Eyemouth.
- At the very end of the financial year we transferred all our registered services from Seton Care to BHA. This means Seton Care is drawing to the end of its life. The staff were subject to a TUPE transfer and BHA is now registered to provide a day nursery in Duns and three sheltered housing services in the main settlements of Duns, Coldstream and Eyemouth in Berwickshire.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED

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

In the year to 31 March the Association recorded a surplus of £2,006,811, compared with the surplus of £13,518 for the previous year. Principal contributors were a favourable impact (£1,027,177) from the re-measurement of the past service pension deficit and a large reduction in Reactive Maintenance costs (£259,000), almost a 25% saving on the previous year. There was also much lower bad debt expense (£96,261) and a reduction in depreciation of £135,906. The net cash inflow from operating activities rose to £3,210,076 (2016: £2,437,785). Maintaining a strong level of cash generation is essential in ensuring that our programme of new build development can be maintained. Further detail on the Association's financial performance is set out on pages 6-7.

New homes

BHA aims to build as many new homes as it can afford to do, in order to meet local need. We anticipate that distributions made to the members of BCR will assist BHA to achieve this aim. Those distributions will come to BHA starting in about 2020. BHA has planned for a number of new developments and we hope to be commencing work in Eyemouth (30 homes) and Chirnside (25) in this financial year.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

Maintaining the quality of our core services

Our service to our tenants continues to be of a high standard with low arrears, efficient responsive repairs and low levels of anti-social behaviour. This year we are focusing on issues which our tenants are concerned about particularly the management of dogs in our communities, the lack of parking in some areas and the use of green spaces. Some of these things are out with our control but we seek to work with appropriate partners to come up with innovative solutions to these problems.

Maintaining the quality of our existing homes

Our homes are maintained to Government standards and we have no properties designated as hard to let. We have a planned programme to upgrade homes and to meet all legislative requirements within the expected timescales.

At present 82.57% of our homes meet SHQS with the remaining 17.43% classed as exemptions and abeyances. Exemptions equate to 15.85% whereas the remaining 1.58% of properties are abeyances and these are when the tenant has refused to allow the works to take place. As these properties become void we will bring them up to the expected standard.

EESH (Energy Efficiency Standard in Social Housing) has to be met by 2020 and at the end of the financial year 2016/17 50% of our homes meet EESH. We have planned a programme of works to ensure we achieve completion by 2020.

As we look at value for money and ensure we are getting the most competitive rates for our work we are working very closely with the Scottish Procurement Alliance to consider three year planned maintenance programmes. The use of the Alliance has already reduced our spend on contract costs to date.

The feedback on the 649 homes with solar panels has been excellent with tenants seeing big reductions in electricity cost. We have fitted Sunamp Heat Batteries in 5 homes. We continue to install air source heat pumps in all new homes (off gas) and have now replaced most of our remaining solid fuel systems. BHA is currently piloting Infra-red heating systems in 3 of our properties.

Last year we became members of Our Power, the new utility company supported by Housing Associations in Scotland. We switch all our voids to Our Power to ensure that tenants when moving into a new home get an opportunity to have a very low and competitive price for their fuel.

Providing advice and support to tenants

With the support of Lottery funding we have been providing money advice to tenants for just over two years now (applying for benefits, debt and budgeting training). The numbers struggling to understand the benefits systems have been rising and this is where we have increased the number of staff to engage directly with individuals in our communities. We have a school based programme, which we run every year preparing young people for independence and to be able to live in their own home and we are also contributing to the school's agenda to prepare young people for work.

Support for communities and places where our tenants live

Our biggest and most successful initiative to improve the local communities in which we work are our Skip and Scrap days where we provide a skip throughout the day to people (both tenants and others) in which to dump items that they cannot afford to have uplifted by the local authority. Our staff and handymen are on site to assist and last year we ran 3 days across 6 settlements of Berwickshire. We have also started working closely with both the fire brigade and the police at these events.

Our sheltered housing schemes offer support to older people to live independently in Berwickshire. We currently have 83 units in use within three schemes in Coldstream, Duns and Eyemouth. They offer some support to sustain the tenancy and a large amount of social interaction and engagement. We operate a befriending scheme for older people in Berwickshire which provides social support to 20 isolated people from 17 volunteers.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

Support for communities and places where our tenants live (continued)

Last year our employability scheme supported 35 tenants and other local people into employment through one to one and group sessions to assist individuals to find work or training. Unfortunately, the funding for the scheme has come to an end and we are working in partnership with other local agencies to undertake a lottery funded research project to identify the nature of the need within Berwickshire with a view to providing a service that meets real need in the future.

Our day nursery in Duns provides day and after school care for children from 0 to 11 years. At present we support 60 families with child care.

Last year we joined forces with Abundant Borders to improve the garden at one of our sheltered projects and to use empty land to develop a community garden. We plan to develop further projects on an ongoing basis if a need is identified.

We work in partnership with the Fire Brigade to ensure people live in the home safely and we are involved in local initiatives to support tenants with mental health problems; find meaningful work; undertake volunteering activities and develop local community plans. We are very involved in supporting and engaging with Domestic Abuse services in the Borders to support and protect victims and their children who are our tenants and to enable them to stay within their home.

Strengthening our internal systems

Last year we embarked on a three year IT strategy to provide customers and staff with faster, easier access to information. All of our tenancy and property document processes are now paper light following the implementation of a document management system. We also moved the Board to paper free board packs and this has brought a much more timely delivery of board papers to the Board whilst strengthening our governance with easier and more transparent access to information. We are now planning the implementation of further improvements which includes:

- Collecting detailed information on our stock and how it is performing;
- Allowing tenants access to their own accounts
- Upgrading our lettings systems

We have strengthened our IT security systems and delivered enhanced staff training to help protect ourselves against the rise in cybercrime and will continue to review and upgrade this to protect our systems.

Developing our staff

Every year we undertake comprehensive training and development for our staff and offer mentoring, coaching and shadowing to all. We run action learning sets, technical training, and CIH certificated qualifications and this year we have introduced training on managing our work and life balance and behaviours at work. This year we also introduced an innovation approach to solving business problems and to date have undertaken six projects in house with staff to solve issues that face our customers.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: SUBSIDIARIES

Seton Care

At the end of this year, all services provided by Seton Care were transferred into BHA. BHA became the registered provider of child care at Little Reivers day nursery in Duns and of housing support in its three sheltered schemes in Duns, Coldstream and Eyemouth.

Two of the projects that were running in Seton Care, the Befriending Project and the Employability project transferred to BHA at the start of the last financial year. The employability project has come to the end of its funding and is no longer running.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2017

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: SUBSIDIARIES (continued)

Seton Care (continued)

Seton Care finished the year with a loss of £46,341. Our intention once the accounts are completed is to consider winding up the company and we will accept advice as the best approach to take to achieve this.

BHA Enterprise Limited

BHA Enterprise Limited owns a 2/3rd share of Berwickshire Community Renewables LLP (BCR). BCR has a long lease on a site at Hoprigshiels in Berwickshire, and has constructed 3 wind turbines. The project is debt funded by Triodos Bank and the Renewable Energy Investment Fund, a fund that is managed by the Scottish Investment Bank. The windfarm was operational before 31 March 2017 and in time, the BHA Group's share of profits will be able to be used to invest in affordable housing in Berwickshire. The other member in the partnership is Community Energy Scotland Trading Limited, a wholly owned subsidiary of Community Energy Scotland.

BHA Enterprise rents 12 properties from BHA and offers these for rent as mid-market rent properties. The demand for these properties is high and all remain fully let.

Berwickshire Community Renewables LLP

As noted, BHA Enterprise is the major share (2/3rd) member of this LLP.

BCR is now in its first year of operating the Wind Farm.

FINANCIAL REVIEW

Income

The Association's turnover for the year ended 31 March 2017 totalled £8.1 million (2016: £7.7 million). Rental and service charge income (net of void losses) accounted for 89.2% or £7.236 million of this with the remainder including:

- £79,596 received for Supporting People contracts with Scottish Borders Council.
- £156,012 received for wider role funding, including primarily Lottery funding for financial inclusion services provided across the Scottish Borders area and Befriending services provided in Berwickshire.
- £46,113 received for recharges to subsidiaries for support services provided by BHA.
- £23,582 for factoring services (including recharged repairs).
- £31,386 for commercial rents.
- £391,810 for sale of non-Right to Buy land and house sales.
- £118,154 other grant income.

Expenses

Total revenue expenditure in the year was £6.5 million (2016: £7.1 million), comprising the following main items:

- Letting Activity Management and Maintenance Administration Costs £2.63million (2016: £2.5 million)
- Depreciation £1.62 million (2015: £1.75 million)
- Reactive Maintenance £0.8 million (2016: £1.1 million)
- Planned & Cyclical maintenance £614,279 (2016: £685,711)
- Bad debts and provision for doubtful debts £64,759 (2016: £161,020) In 2016 as part of its year end work, BHA made extensive provision for doubtful debts on tenant recharges that had been made over a period of time, but the collection of which is generally slow.
- £95,190 on Development activities (2016: £125,004).

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2017

FINANCIAL REVIEW (continued)

Expenses (continued)

The operating surplus generated by the Association in the year was £1,626,604 against an operating surplus of £625,784 for 2016.

After net interest charges of £681,959 (2016: £638,353) and gains on the sale of certain housing stock, the surplus for the year was £979,634 (2016: £13,518). A pension Scheme re-measurement credit of £1,027,177 takes total comprehensive income for the year to £2,006,811.

The Association had a net asset position at the year-end of £38,101,173 compared with a net asset position of £36,094,368 for 2016.

Pension deficit

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

Previously the Association accounted for this deficit by discounting future past service pension deficit payments due by it to the Scheme as decided by the Trustees of the Scheme.

The Association has taken a decision to move to the full disclosure method of accounting for its pension deficit with effect from the 2016/17 financial year. The Trustees took advice from an actuarial practice and agreed a set of assumptions used to produce the disclosure. This change has been treated as a change in the accounting estimate of the Pension Liability.

Cash Flows

The cash flow statement of BHA is shown on page 16. BHA generated £3,210,076 from operating activities, an increase of £847,291 from the prior year. Cash and cash equivalents increased by £1,178,881 (2016: decrease of £1,104,805) including the continued investment in new builds although much of the expenditure this year was funded by housing grants.

Liquidity

The Association has a small net current asset position of £448,091 as at 31 March 2017, an increase of £379,725 in the year due to an increase in cash on hand and debtors and a smaller increase in creditors. The Association has a ten year, £8m loan facility with RBS of which £7 million remains undrawn as at 31 March 2017. BHA also has a £ 0.5 million revolving credit facility with Nationwide Building Society which is undrawn as at 31 March 2017.

Capital Structure and treasury

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

Investment in tenants' homes

During the year we invested £527,000 in improving tenants' homes (2016: £732,000). At the year-end our housing stock was recorded at £63,729,143 (2016: £62,663,770).

New Build

We plan to spend a further £10,389,300 in the next two years on new developments in Duns, Eyemouth and Chirnside. We will also receive Scottish Government Grant totalling £5,514,300 towards these projects.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS

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

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Board of Management.

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

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Co-operative and Community Benefit Societies Act 2014 and social housing legislation requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association at the balance sheet date and of its income and expenditure for the year ended on that date. In preparing those Financial Statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards and the Statement of Recommended Practice (SORP) have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business; and
- prepare a statement on Internal Financial Control.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014. The Board of Management are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

In so far as the Board of Management are aware:

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

STATEMENT ON INTERNAL FINANCIAL CONTROL

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

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

STATEMENT ON INTERNAL FINANCIAL CONTROL (continued)

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate.
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Board of Management receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations amounting to £9,660 (2016: £3,350).

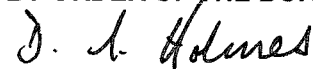
Auditor

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

Board

In the period since the last report, a number of colleagues – Andrew Watson, Stephen Blakey and Steve Wright - left the Board and I would like to put on record my thanks to them for their considerable contribution over the past few years. Andrew Watson has joined the Board of the Scottish Housing Regulator and was thus required to resign from our Board, after nine years of service to BHA including latterly as Convener. I am also pleased to welcome Vivienne Cockburn, Anne Isles and Jim McDevitt to the Board. We are always looking for new Board members, particularly from our tenant base, so if anyone is interested please contact John Bain and/or secretary@bhagroup.org.uk for further details.

BY ORDER OF THE BOARD OF MANAGEMENT



Scott Holmes
Vice Convener
55 Newtown Street
Duns, TD11 3AU

7 September 2017

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



We have audited the consolidated financial statements of Berwickshire Housing Association Limited for the year ended 31 March 2017 which comprise the Group and Association's Statements of Comprehensive Income, the Group and Association's Statements of Financial Position, the Group and Association's Statements of Cash Flows, the Group and Association's Statements of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

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

Respective Responsibilities of Board of Management and Auditor

As explained more fully in the Statement of Board of Management's Responsibilities set out on page 7, the Association's Board of Management is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2017 and of the Group's and the Association's income and expenditure for the year the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014.

Matters on which we are required to report by exception

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

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

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

8 September 2017

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



In addition to our audit of the financial statements, we have reviewed the Board's statement on pages 7 and 8 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on pages 7 and 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

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

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

8 September 2017

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT of COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 £	Continuing Operations 2016 £	Dis- continued Operations 2016 £	Total 2016 £
Revenue	2	8,237,620	7,831,478	513,754	8,345,232
Operating Costs	2	6,736,841	7,229,117	860,561	8,089,678
Operating surplus/(loss)	2	1,500,779	602,361	(346,807)	255,554
Minority Member's Share of Loss in LLP		10,062	11,655	-	11,655
Gain/(Loss) on Sale of Housing Stock	7	36,589	9,855	-	9,855
Interest Receivable and Other Income		37,750	75,731	-	75,731
Interest Payable and Other Charges	8	(687,861)	(686,363)	-	(686,363)
Surplus/(Loss) before tax		897,319	13,239	(346,807)	(333,568)
Taxation		3,031	-	-	-
Surplus/(deficit) for year		900,350	13,239	(346,807)	(333,568)
Other Comprehensive Income					
Re-measurement of pension deficit	11	1,027,177	-	-	-
Total Comprehensive Income		1,927,527	13,239	(346,807)	(333,568)

All items in the current year relate to continuing operations. Part of the Care Services were discontinued in the prior year.

The notes on pages 18 to 42 form part of these financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ASSOCIATION STATEMENT of COMPREHENSIVE INCOME****For the year ended 31 March 2017**

	Notes	2017 £	2016 £
Revenue	2	8,108,907	7,724,521
Operating Costs	2	6,482,303	7,098,737
		-----	-----
Operating Surplus	2	1,626,604	625,784
Gain/(Loss) on Sale of Housing Stock	7	34,989	26,087
Interest Receivable and Other Income		5,902	48,010
Interest Payable and Other Charges	8	(687,861)	(686,363)
		-----	-----
Surplus/(Loss) for the Year		979,634	13,518
Other Comprehensive Income			
Re-measurement of pension deficit	11	1,027,177	-
		-----	-----
Total Comprehensive Income		2,006,811	13,518
		=====	=====

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

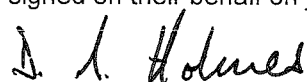
The notes on pages 18 to 42 form part of these financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED
CONSOLIDATED STATEMENT of FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 £	2016 £
Tangible Fixed Assets			
Housing Properties	12	63,729,143	62,663,770
Other Tangible Assets	13	10,877,377	3,371,449
		-----	-----
		74,606,520	66,035,219
		-----	-----
Investments	14	-	-
		-----	-----
Current Assets			
Stock	15	-	444,484
Debtors	16	1,076,083	426,538
Current asset investment		1,322,028	892,812
Cash at bank and in hand		1,966,149	5,297,669
		-----	-----
		4,364,260	7,061,503
Creditors: amounts falling due within one year	17	(2,944,418)	(2,284,447)
		-----	-----
Net Current Assets		1,419,842	4,777,056
		-----	-----
Total Assets Less Current Liabilities		76,026,362	70,812,275
		-----	-----
Creditors: Amounts falling due after more than one year	18	(29,845,425)	(27,195,249)
		-----	-----
Provision for liabilities	27	(41,309)	(270,997)
		-----	-----
Deferred Income	19	(5,341,420)	(3,210,814)
		-----	-----
Pension deficit	26	(2,040,711)	(3,295,177)
		-----	-----
Net Assets		38,757,497	36,840,038
		=====	=====
Capital and reserves			
Share Capital		150	156
Minority Interest		18,951	29,013
Revenue Reserves		15,422,378	13,378,395
Revaluation Reserve		23,316,018	23,432,474
		-----	-----
Total Reserves		38,757,497	36,840,038
		=====	=====

The financial statements were approved by the Board of Management and authorised for issue and signed on their behalf on 7 SEPTEMBER 2017.



Scott Holmes
Vice Convener



Lorraine Tait
Vice Convener



John Bain
Secretary

The notes on pages 18 to 42 form part of these financial statements.

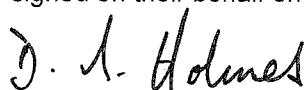
BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT of FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 £	2016 £
Tangible Fixed Assets			
Housing Properties	12	63,729,143	62,663,770
Other Tangible Assets	13	99,766	188,746
		-----	-----
		63,828,909	62,852,516
		-----	-----
 Investments	 14	 1	 1
		-----	-----
Current Assets			
Stock	15	-	371,707
Debtors	16	1,056,251	431,508
Current assets investment		1,171,319	717,677
Cash at bank and in hand		1,102,792	377,553
		-----	-----
		3,330,362	1,898,445
		-----	-----
Creditors: amounts falling due within one year	17	(2,882,271)	(1,830,080)
		-----	-----
Net Current Assets		448,091	68,365
		-----	-----
Total Assets Less Current Liabilities		64,277,001	62,920,882
		-----	-----
Creditors: amounts falling due after more than one year	18	(18,793,697)	(20,320,523)
		-----	-----
Deferred income	19	(5,341,420)	(3,210,814)
		-----	-----
Pension deficit	26	(2,040,711)	(3,295,177)
		-----	-----
Net Assets		38,101,173	36,094,368
		=====	=====
Capital and reserves			
Share Capital	20	150	156
Revenue Reserves		14,785,005	12,661,738
Revaluation Reserve		23,316,018	23,432,474
		-----	-----
		38,101,173	36,094,368
		=====	=====

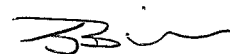
The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on ~~13 SEPTEMBER~~ 2017.



Scott Holmes
Vice Convener



Lorraine Tait
Vice Convener



John Bain
Secretary

The notes on pages 18 to 42 form part of these financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT of CASH FLOWS

For the year ended 31 March 2017

	Notes	2017	2016
		£	£
Net Cash Inflow from Operating Activities	21	2,555,483	2,562,178
Investing Activities			
Acquisition and Construction of Properties		(1,983,008)	(1,297,155)
Purchase of Other Fixed Assets		(7,604,284)	(2,933,563)
Social Housing Grant Received		1,475,787	-
Other Housing Grants Received		-	-
Social Housing Grant Repaid		-	-
Proceeds on Disposal of Properties		202,880	149,620
Net Cash (Outflow) from Investing Activities		(7,908,625)	(4,081,098)
Financing Activities			
Interest Received on Cash and Cash Equivalents		7,591	75,731
Interest Paid on Loans		(626,861)	(699,363)
Loan Principal Repayments (including revolving credit)		(1,094,921)	(1,519,879)
Loan Drawdown		4,165,027	6,916,701
Share Capital Issued		2	18
Net Cash Inflow from Financing		2,450,838	4,773,208
Increase/(Decrease) in Cash		(2,902,304)	3,254,288
Opening Cash and Cash Equivalents		6,190,481	2,936,193
Closing Cash and Cash Equivalents		3,288,177	6,190,481

The notes on pages 18 to 42 form part of these financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT of CASH FLOWS

For the year ended 31 March 2017

	Notes	2017	2016
		£	£
Net Cash Inflow from Operating Activities	21	3,210,076	2,362,785
Investing Activities			
Acquisition and Construction of Properties		(1,983,008)	(1,297,155)
Purchase of Other Fixed Assets		(9,376)	(125,614)
Social Housing Grant Received		1,475,787	-
Proceeds on Disposal of Properties		201,280	126,394
Net Cash Outflow from Investing Activities		(315,317)	(1,296,375)
Financing Activities			
Interest Received on Cash and Cash Equivalents		5,902	48,010
Interest Paid on Loans		(626,861)	(699,363)
Loan Principal Repayments		(1,094,921)	(1,519,880)
Share Capital Issued		2	18
Net Cash Outflow from Financing		(1,715,878)	(2,171,215)
(Decrease)/Increase in Cash		1,178,881	(1,104,805)
Opening Cash and Cash Equivalents		1,095,230	2,200,035
Closing Cash and Cash Equivalents		2,274,111	1,095,230
		=====	=====

The notes on pages 18 to 42 form part of these financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT of CHANGES in RESERVES

For the year ended 31 March 2017

	Share Capital £	Revenue Reserve £	Re- valuation Reserve £	Minority Interests £	Total £
Balance as at 1 April 2016	156	13,378,395	23,432,474	29,013	36,840,038
Issue of Shares	2	-	-	-	2
Cancellation of Shares	(8)	-	-	-	(8)
Transfer from Revaluation Reserve	-	116,456	(116,456)	-	-
Minority Interests for the year	-	-	-	(10,062)	(10,062)
Surplus for the year	-	1,927,527	-	-	1,927,527
Balance as at 31 March 2017	150	15,422,378	23,316,018	18,951	38,757,497

ASSOCIATION STATEMENT of CHANGES in RESERVES

For the year ended 31 March 2017

	Share Capital £	Revenue Reserve £	Re- valuation Reserve £	Total £
Balance as at 1 April 2016	156	12,661,738	23,432,474	36,094,368
Issue of Shares	2	-	-	2
Cancellation of Shares	(8)	-	-	(8)
Transfer from Revaluation Reserve	-	116,456	(116,456)	-
Surplus for the year	-	2,006,811	-	2,006,811
Balance as at 31 March 2017	150	14,785,005	23,316,018	38,101,173

The notes on pages 18 to 42 form part of these financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2017

LEGAL STATUS

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

1. Accounting Policies

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

Basis of accounting

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

Foreign Currency Translation

(i) Functional and Presentational Currency

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

(ii) Transactions and Balances

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

Basis of Consolidation

The Group financial statements consolidate the financial statements of Berwickshire Housing Association Limited, and all its subsidiary undertakings as at 31 March 2017. The wholly owned subsidiaries are BHA Enterprise Limited and Seton Care both of whom traded for a full year, although Seton Care has ceased to trade with effect from 31 March 2017. BHA Enterprise Limited is the majority member of Berwickshire Community Renewables LLP (BCR) which has developed a windfarm and which is now operational.

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

1. Accounting Policies (continued)

Turnover/Revenue

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

Land

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

Social Housing Grant and Other Grants in Advance / Arrears

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

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

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

Going concern

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

Fixed assets – housing properties

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

Valuation of Housing Properties

Housing Properties are stated at cost less accumulated depreciation.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

1. Accounting Policies (continued)

Depreciation of Housing Properties

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

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

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

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

- **New Build**

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when they are ready for letting or sale.

- **Mid-Market Rent**

Mid-market rent properties are let to BHA Enterprise at social housing rents. BHA has 12 mid-market rent properties and they are valued at depreciated cost. They are not considered to be investment property.

Sales of Housing Properties

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

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

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

Life Cycle of Components

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

1. Accounting Policies (continued)

Leases/Leased Assets

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

Works to Existing Properties

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

Other Tangible Assets

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

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

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

Impairment of assets

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

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

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Deposits and liquid resources

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

Stock/Work in Progress

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

Debtors

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

1. Accounting Policies (continued)

Creditors

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

Finance Costs

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

Estimation Uncertainty

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

Bad and doubtful debts

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

Retirement Benefits

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

Financial Instruments

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

1. Accounting Policies (continued)

Foreign exchange risk

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

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2. (a) Consolidated Particulars of Revenue, Cost of Sales, Operating Costs and Operating Surplus - Group

	2017			2016		
Notes	Revenue £	Operating Costs £	Operating Surplus/ (Deficit) £	Revenue £	Operating Costs £	Operating Surplus/ (Deficit) £
Social Lettings (note 3(a))	7,300,586	5,938,194	1,362,392	6,961,205	6,308,306	652,899
Other Activities (note 4(a))	937,034	798,647	138,387	1,384,027	1,781,372	(397,345)
Total	8,237,620	6,736,841	1,500,779	8,345,232	8,089,678	255,554

2. (b) Association Particulars of Revenue, Cost of Sales, Operating Costs and Operating Surplus - Association

	2017			2016		
Notes	Revenue £	Operating Costs £	Operating Surplus / (Deficit) £	Revenue £	Operating Costs £	Operating Surplus/ (deficit) £
Social lettings (note 3(b))	7,352,944	5,900,362	1,452,582	6,961,205	6,357,775	603,430
Other Activities (note 4(b))	755,963	581,941	174,022	763,316	740,962	22,354
Total	8,108,907	6,482,303	1,626,604	7,724,521	7,098,737	625,784

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

3. (a) Particulars of Income & Expenditure from Social Lettings – Group

	Notes	General Needs Housing £	Supported Housing £	Shared Ownership £	Garages £	2017 Total £	2016 Total £
Revenue from Lettings							
Rent receivable net of identifiable service charges		6,603,034	305,946	4,072	248,584	7,161,636	6,907,536
Service charges receivable		45,757	135,621	-	-	181,378	176,802
Gross rents receivable		6,648,791	441,567	4,072	248,584	7,343,014	7,084,338
<u>Less:</u> Rent losses from voids		(48,548)	(43,011)	(652)	(67,271)	(159,482)	(190,613)
Net rents receivable		6,600,243	398,556	3,420	181,313	7,183,532	6,893,725
Amortisation of Social Housing Grants and Other Grants		27,025	-	-	-	27,025	26,355
Revenue grants from Scottish Ministers		89,921	-	-	-	89,921	41,125
Revenue Grants from local authorities and other agencies		108	-	-	-	108	-
Total income from social letting		6,717,297	398,556	3,420	181,313	7,300,586	6,961,205
Expenditure on social letting activities							
Service costs		74,468	101,276	-	-	175,744	221,300
Management and maintenance administration costs		2,277,619	186,649	-	199,981	2,664,249	2,426,206
Reactive maintenance		757,876	39,888	-	3,268	801,032	1,060,032
Bad debts – rents and service charges		64,759	-	-	-	64,759	161,020
Planned and cyclical maintenance including major repairs		574,339	39,940	-	-	614,279	685,711
Depreciation of Social Housing		1,550,760	67,371	-	-	1,618,131	1,754,037
Impairment of housing		-	-	-	-	-	-
Operating costs of social letting		5,299,821	435,124	-	203,249	5,938,194	6,308,306
Operating surplus on activities		1,417,476	(36,568)	3,420	(21,936)	1,362,392	652,899
2016		610,771	8,626	3,497	30,005	652,899	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

3. (b) Particulars of Income & Expenditure from Social Lettings – Association

	Notes	General Needs Housing £	Supported Housing £	Shared Ownership £	Garages £	2017 Total £	2016 Total £
Revenue from Lettings							
Rent receivable net of identifiable service charges		6,655,392	305,946	4,072	248,584	7,213,994	6,907,536
Service charges receivable		45,757	135,621	-	-	181,378	176,802
Gross rents receivable		6,701,149	441,567	4,072	248,584	7,395,372	7,084,338
Less: Rent losses from voids		(48,548)	(43,011)	(652)	(67,271)	(159,482)	(190,613)
Net rents receivable		6,652,601	398,556	3,420	181,313	7,235,890	6,893,725
Amortisation of Social Housing Grants and Other Grants		27,025	-	-	-	27,025	26,355
Revenue grants from Scottish Ministers		89,921	-	-	-	89,921	41,125
Revenue Grants from local authorities and other agencies		108	-	-	-	108	-
Total income from social letting		6,769,655	398,556	3,420	181,313	7,352,944	6,961,205
Expenditure on social letting activities							
Service costs		74,468	101,276	-	-	175,744	221,300
Management and maintenance administration costs		2,239,787	186,649	-	199,981	2,626,417	2,475,675
Reactive maintenance		757,876	39,888	-	3,268	801,032	1,060,032
Bad debts – rents and service charges		64,759	-	-	-	64,759	161,020
Planned and cyclical maintenance including major repairs		574,339	39,940	-	-	614,279	685,711
Depreciation of Social Housing		1,550,760	67,371	-	-	1,618,131	1,754,037
Impairment of housing		-	-	-	-	-	-
Operating costs of social letting		5,261,989	435,124	-	203,249	5,900,362	6,357,775
Operating surplus on activities		1,507,666	(36,568)	3,420	(21,936)	1,452,582	603,430
2016		561,302	8,626	3,497	30,005	603,430	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

4. (a) Consolidated Particulars of Revenue, Operating Cost and Operating Surplus or Deficit from other Activities - Group

	Grants from Scottish Ministers		Other Supporting Revenue		Other Income	Total Turnover	Operating Costs		Operating Surplus/ (deficit) 2017	Operating Surplus/ (deficit) 2016
	£	£	£	£			£	£		
Wider Role Activities	-	-	-	-	156,012	156,012	-	161,902	(5,890)	(8,692)
Factoring – Agency services	-	-	-	-	23,582	23,582	-	19,001	4,581	(2,014)
Construction of Property Activities	-	-	-	-	-	-	-	95,190	(95,190)	(125,004)
Care Activities	-	-	-	79,596	-	79,596	-	79,596	-	(1,658)
BHA Enterprise – Property Development & Project Management	-	-	-	-	59,815	59,815	-	32,702	27,113	(10,707)
Seton Care – Residential Home & Care including nursery	-	-	-	-	175,902	175,902	-	196,245	(20,343)	(364,236)
Berwickshire Community Renewables LLP	-	-	-	-	-	-	-	30,185	(30,185)	(34,966)
Sale of land and houses (non RTB)	-	-	-	-	391,810	391,810	-	159,682	232,128	(60,760)
Other Income/Expenditure	-	-	-	-	27,465	27,465	-	-	27,465	219,243
Commercial Rental	-	-	-	-	22,852	22,852	-	24,144	(1,292)	(8,551)
Total from other activities	-	-	-	79,596	857,438	937,034	-	798,647	138,387	(397,345)
2016	-	-	-	118,051	1,265,976	1,384,027	-	1,781,372	(397,345)	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

4. (b) Particulars of Revenue, Operating Cost and Operating Surplus or Deficit from other Activities - Association

	Grants from Scottish Ministers		Other Supporting Revenue		Other Supporting People Income		Other Income		Total Turnover		Operating Costs		Operating Surplus/ (deficit)	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	-	-	-	156,012	-	156,012	-	-	161,902	(5,890)	(8,692)
Factoring – Agency services	-	-	-	-	-	-	23,582	-	23,582	-	-	19,001	4,581	(2,014)
Construction of Property Activities	-	-	-	-	-	-	-	-	-	-	-	95,190	(95,190)	(125,004)
Care Activities	-	-	-	79,596	-	-	-	-	79,596	-	-	79,596	-	(1,658)
Sale of land and houses (non RTB)	-	-	-	-	-	-	391,810	-	391,810	-	-	159,682	232,128	(60,760)
Other Income/Expenditure	-	-	-	-	-	-	27,465	-	27,465	-	-	-	27,465	219,243
Commercial Rental	-	-	-	-	-	-	31,385	-	31,385	-	-	31,992	(607)	1,239
Business Support Services to Group Companies	-	-	-	-	-	-	46,113	-	46,113	-	-	34,578	11,535	-
Total from other activities	-	-	-	79,596	-	-	676,367	-	755,963	-	-	581,941	174,022	22,354
2016	-	-	-	118,051	-	-	645,265	-	763,316	-	-	740,962	22,354	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

5. Officers Emoluments – Group and Association

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

	2017 £	2016 £
Number of Officers of the Association who received emoluments greater than £60,000.	4	5
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	371,918	394,495
Pension contributions made on behalf on Officers with emoluments greater than £60,000	30,442	29,685
Compensation payable to Officers for loss of Office	-	-
Emoluments payable to Chief Executive (excluding pension contributions)	96,731	96,731
Pension contributions made on behalf of Chief Executive	8,121	7,218
	=====	=====

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:

	Number	Number
£60,001 to £70,000	-	1
£70,001 to £80,000	2	2
£80,001 to £90,000	1	1
£90,001 to £100,000	1	1
	=====	=====

6. Employee Information – Group and Association

	2017 No.	Group 2016 No.	Association 2017 No.	2016 No.
The average monthly number of full time equivalent persons employed during the year was	61	90	48	51
The average total number of Employees employed during the year was	74	114	55	57
	=====	=====	=====	=====
	£	£	£	£
Staff Costs were				
Salaries	1,699,730	2,218,082	1,490,551	1,517,150
Social Security Costs	156,373	164,159	150,988	153,654
Other Pension Costs	104,555	136,167	100,077	95,109
	=====	=====	=====	=====
Total	1,960,658	2,518,408	1,741,616	1,765,913
	=====	=====	=====	=====

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

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

	2017	Group	2017	Association
	£	2016	£	2016
		£		£
Sales Proceeds	202,880	105,308	201,280	84,000
Cost of Sales	(166,291)	(95,453)	(166,291)	(57,913)
Gain on sale of Housing Stock	36,589	9,855	34,989	26,087
	=====	=====	=====	=====

8. Interest payable and similar charges – Group and Association

	2017	Group	2017	Association
	£	2016	£	2016
		£		£
On bank loans and overdrafts	626,861	624,363	626,861	624,363
Net interest on net defined benefit pension obligations	61,000	62,000	61,000	62,000
	687,861	686,363	687,861	686,363
	=====	=====	=====	=====

9. Surplus for year

	2017	Group	2017	Association
	£	2016	£	2016
		£		£
Depreciation:				
Housing Properties	1,618,131	1,754,039	1,618,131	1,754,039
Other fixed assets	97,793	120,798	97,793	117,248
Assets under finance lease	-	26,415	-	-
Auditors Remuneration:				
Audit services	24,300	28,695	16,800	13,900
Other services	4,080	-	1,800	-
Operating lease rentals:				
Land and buildings	-	-	-	-
Other	31,185	20,053	31,185	20,053
	=====	=====	=====	=====

10. Tax on surplus on ordinary activities

Group

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

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

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

Association

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

11. Pension deficit adjustment	Group	Association		2016
	2017	2016	2017	
	£	£	£	£
Re-measurement of pension deficit (note 26)	1,027,177	-	1,027,177	-
	=====	=====	=====	=====

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

	Housing Properties Held for Letting	Under con- struction	Land	Total
	£	£	£	£
Cost				
As at 1 April 2016*	64,443,707	54,315	1,422,964	65,920,986
Additions	13,500	2,085,954	371,708	2,471,162
Capitalised Improvements	526,691	-	-	526,691
Disposals	(270,022)	-	(200,000)	(470,022)
Transfers	-	357,615	(357,615)	-
Schemes Completed	-	-	-	-
As at 31 March 2017	64,713,876	2,497,884	1,237,057	68,448,817
Depreciation				
As at 1 April 2016*	3,257,216	-	-	3,257,216
Charge for year	1,618,131	-	-	1,618,131
Disposals	(155,673)	-	-	(155,673)
As at 31 March 2017	4,719,674	-	-	4,719,674
Net Book Value				
As at 31 March 2017	59,994,202	2,497,884	1,237,057	63,729,143
As at 31 March 2016	61,186,491	54,315	1,422,964	62,663,770
	=====	=====	=====	=====

Additions to housing properties includes capitalised major repair costs to existing properties of £526,691 (2016: £730,360).

All land and housing properties are freehold.

The Association's lenders have standard securities over housing property with a carrying value of £46,252,934 (2016: £46,252,934).

Impairment charges

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

There is no impairment charge in this financial year.

*Cost and depreciation at 1 April 2016 have been restated for properties held for letting to reverse amounts over-eliminated in respect of disposals in prior year.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

13. Other Tangible fixed assets – Group and Association

Cost	Restated Heritable Office Property £	Restated Leasehold Improve- ments £	Equipment £	Motor Vehicles £	Assoc- iation Subtotal £	Wind Farm £	Group Total £
As at 1 April 2016	661,782	100,421	482,395	36,985	1,281,583	3,182,703	4,464,286
Additions	-	1,784	7,592	-	9,376	7,594,908	7,604,284
Disposals	(1,983)	(563)	-	-	(2,546)	-	(2,546)
As at 31 March 2017	659,799	101,642	489,987	36,985	1,288,413	10,777,611	12,066,024
Depreciation							
As at 1 April 2016	634,385	49,208	396,688	12,556	1,092,837	-	1,092,837
Charge for year	20,220	25,404	39,617	12,552	97,793	-	97,793
Eliminated on disposals	(1,983)	-	-	-	(1,983)	-	(1,983)
As at 31 March 2017	652,622	74,612	436,305	25,108	1,188,647	-	1,188,647
Net Book Value							
As at 31 March 2017	7,177	27,030	53,682	11,877	99,766	10,777,611	10,877,377
As at 31 March 2016 (restated)	27,397	51,213	85,707	24,429	188,746	3,182,703	3,371,449

The restatement of the prior year cost and depreciation figures represent re-categorisation of items only.

Borrowing costs capitalised during the year amount to £468,784 (2016: £193,183) for the Group and £nil (2016: £nil) for the Association.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

14. Investments	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Unlisted – shares in subsidiary companies	-	-	1	1
	=====	=====	=====	=====

The Association has ultimate control over the companies listed below.

The Association is the 100% owner of Seton Care, a company limited by guarantee, which specialised in care service delivery. Seton Care has significantly reduced its activities over the last two financial years and at the year end all activities were transferred to Berwickshire Housing Association. In the Group accounts, it is accounted for as a subsidiary.

BHA Enterprise Limited is a private company wholly owned by the Association, which specialises in the owning of property and the delivery of renewable energy solutions. The Association owns the only issued share in the company with a nominal value of £1. In the Group accounts, it is accounted for as a subsidiary.

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

	2017	2016
	£	£
Aggregate capital and reserves		
Seton Care	238,632	284,973
	=====	=====
(Loss) for the year		
Seton Care	(46,341)	(358,385)
	=====	=====
Aggregate capital and reserves		
BHA Enterprise Limited	460,837	473,658
	=====	=====
(Loss)/profit for the year		
BHA Enterprise Limited	(12,821)	32,351
	=====	=====
Aggregate capital and reserves		
Berwickshire Community Renewables LLP	56,853	87,038
	=====	=====
(Loss) for the year		
Berwickshire Community Renewables LLP	(30,185)	(34,966)
	=====	=====

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

15. Stock and work in progress	2017	Group	2017	Association
	£	2016	£	2016
At Cost				
Stock	-	444,484	-	371,707
	=====	=====	=====	=====

Assets previously treated as stock have been transferred to fixed assets.

16. Debtors	2017	Group	2017	Association
	£	2016	£	2016
Arrears of rent & Service charges	207,517	435,603	207,517	435,603
<u>Less: Provision for doubtful rental debts</u>	(182,775)	(173,076)	(182,775)	(173,076)
	-----	-----	-----	-----
	24,742	262,527	24,742	262,527
	-----	-----	-----	-----
Other debtors	1,164,147	289,062	1,021,089	192,185
<u>Less: Provision for doubtful other debts</u>	(147,257)	(153,257)	(147,257)	(153,257)
	-----	-----	-----	-----
	1,016,890	135,805	873,832	38,928
	-----	-----	-----	-----
Trade debtors	34,451	28,206	12,806	12,494
Intercompany debtors	-	-	144,871	117,559
	-----	-----	-----	-----
	1,076,083	426,538	1,056,251	431,508
	=====	=====	=====	=====

17. Creditors: amounts falling due within one year	2017	Group	2017	Homes
	£	2016	£	2016
Housing Loans	1,013,155	581,250	1,013,155	581,250
Trade Payables	173,699	80,540	136,185	60,134
Rent in Advance	69,722	128,633	69,722	128,633
Other Taxation and Social Security	46,427	93,679	43,926	49,355
Other Payables	1,484,180	842,664	1,478,311	815,204
Intercompany creditors	-	-	3,291	-
Provision for Holiday Pay	7,975	9,399	7,975	9,399
Accruals and Deferred Income	149,260	548,282	129,706	186,105
	-----	-----	-----	-----
	2,944,418	2,284,447	2,882,271	1,830,080
	=====	=====	=====	=====

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

18. Creditors: amounts falling due after one year	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Housing Loans	18,793,697	20,320,523	18,793,697	20,320,523
Project Finance – Bank loans	11,051,728	6,874,726	-	-
	29,845,425	27,195,249	18,793,697	20,320,523

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

Lender	Security	Effective Interest Rate	Maturity	Variable/ Fixed
Nationwide Building Society	Standard security over 1,412 BHA homes in total in regard to its loan facilities to BHA	Libor +0.3%	March 2039	Variable
		4.2%	Dec 2018	Fixed
		1.74%	April 2017	Fixed
		4.4%	Nov 2026	Fixed
		1.79%	July 2036	Fixed
RBS	Standard Security over 168 properties	Libor + 1.5%	Aug 2026	Variable

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

Project Finance is as follows:

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

Housing loans repayable by instalments:

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Repayable within one year	1,013,155	581,250	1,013,155	581,250
Repayable within two to five years	2,040,733	1,968,882	2,040,733	1,968,882
Repayable after five years	16,752,964	18,351,641	16,752,964	18,351,641
	19,806,852	20,901,773	19,806,852	20,901,773

Project Finance loans were not repayable by instalments at the year end and the aggregate amount is repayable in whole or in part after more than five years. Repayment by instalments is effective 30 November 2017.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

19. Deferred Income (Group and Association)	2017	2016
	£	£
Social Housing Grants		
Balance as at 1 April	2,760,364	2,782,169
Additions in year	2,157,631	-
Amortisation in year	(22,475)	(21,805)
Balance as at 31 March	4,895,520	2,760,364
Other Grants		
Balance as at 1 April	450,450	455,000
Additions in year	-	-
Amortisation in year	(4,550)	(4,550)
Balance as at 31 March	445,900	450,450
Total	5,341,420	3,210,814

Grant is amortised over the life of the asset, once the development is complete. The amount expected to be released to income in 2017/18 is £40,365.

20. Share capital – Association only	2017	2016
	£	£
Shares of £1 each at 1 April	156	149
Shares of £1 issue of Shares	2	18
Cancellation of Shares	(8)	(11)
Balance as at 31 March	150	156

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

21. Statement of cash flows	2017	Group	Association	2016
	£	2016	2017	2016
	£	£	£	£
Reconciliation of operating surplus to balance				
Operating Surplus	1,500,779	255,554	1,626,604	625,784
Minority Members share of loss in LLP	10,062	11,655	-	-
Depreciation	1,715,924	1,901,252	1,715,924	1,868,697
Amortisation of capital grants	(27,025)	(26,355)	(27,025)	(26,355)
Change in debtors	64,210	73,273	57,101	(100,156)
Pension deficit payments	(288,289)	(270,856)	(288,289)	(270,856)
Change in stock	72,777	(29,429)	-	(18,908)
Non cash expenses for sale of assets in note 4	149,042	198,078	149,042	198,078
Gain on sale of fixed assets	-	9,855	-	-
Change in creditors	(641,989)	452,162	(23,273)	99,512
Non cash adjustment for pension liability movements	-	(13,000)	-	(13,000)
Share Capital cancelled	(8)	(11)	(8)	(11)
Balance as at 31 March 2017	2,555,483	2,562,178	3,210,076	2,362,785

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

22. Housing Stock	Group		Association	
	2017	2016	2017	2016
	No.	No.	No.	No.
The number of units of accommodation in management at the year-end was:				
General Needs – New Builds	1,693	1,700	1,693	1,700
General Needs - Rehabilitation	-	-	-	-
Shared Ownership	2	2	2	2
Supported Housing	91	91	91	91
	-----	-----	-----	-----
	1,786	1,793	1,786	1,793
	=====	=====	=====	=====

23. (a) Commitments under Operating Leases

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

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Not later than one year	115,428	94,705	22,848	-
Later than one year and not later than five years	385,642	390,374	15,321	20,053
Later than five years	2,232,526	2,325,106	-	-
	=====	=====	=====	=====

23. (b) Capital commitments	Group		Association	
	2017	2016	2017	2016
	£	£	£	£

At the 31 March 2017

Expenditure authorised by the Board of Management/Board contracted less certified	2,775,905	7,925,165	847,307	-
	=====	=====	=====	=====

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

24. Related Parties

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

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

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

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

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

Transactions with Board of Management members were as follows; £3,944 was received as rent during the course of the year and there is no rent arrear at year end.

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

24. Related Parties (continued)

BHA Enterprise Limited

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

Berwickshire Housing Association levied fees for the following amounts to BHA Enterprise Limited during the period 1 April 2016 to 31 March 2017.

£16,996 costs for personnel working on projects (2016: £19,004)

£500 staff costs for shared services (2016: £2,000)

£3,300 for a share of facilities management costs (2016: £2,426)

£52,358 for the rental of residential properties let by BHA Enterprise as mid-market rental properties (2016: £8,453)

BHA Enterprise Limited levied fees of £Nil to Seton Care during the year 1 April 2016 to 31 March 2017 for the rent of Seton Hall. (2016: £43,502)

The balance outstanding from BHA Enterprise Limited as at 31 March 2017 to Berwickshire Housing Association was £19,521 (2016: BHA was due £21,124 from BHA Enterprise).

The balance outstanding to Seton Care at year end was £Nil (2016: £3,105 was due to Seton Care).

BHA Enterprise made an initial loan of £250,000 to Berwickshire Community Renewables LLP. Interest has been rolled up to 31 March 2017 and the loan is now £330,000. The loan is repayable in equal instalments over 5 years from the point that the construction loans for the windfarm convert to repayment loans. The balance outstanding to BHA Enterprise from Berwickshire Community Renewables LLP as at 31 March 2017 (including the loan) was £348,393 (2016: £318,393). BHA Enterprise owed £62,098 to Berwickshire Community Renewables LLP (2016: £41,973) as its share of the members' losses in that entity.

Seton Care

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

Berwickshire Housing Association levied fees for the following amounts to Seton Care during the period 1 April 2016 to 31 March 2017.

£18,000 staff costs for shared services (2016: £56,600).

£7,320 for a share of facilities management costs (2016: £11,791).

£3,250 to provide training for staff (2016: £5,000)

£8,534 for rental of accommodation (2016: £8,500).

Seton Care invoiced Berwickshire Housing Association £79,596 (2016: £118,051) for managing the Supporting People contract on behalf of Berwickshire Housing Association Limited. Seton Care also invoiced BHA for staff ancillary workers' costs of £19,627 (2016: £19,270) for cleaning services delivered.

Seton Care received £7,848 (2016: £7,679) from Berwickshire Housing Association towards the ongoing costs at Linkim Court.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

24. Related Parties (continued)

Seton Care (continued)

Seton Care paid BHA Enterprise Limited £Nil (2016: £43,502) for the rent of Seton Hall and £8,534 to Berwickshire Housing Association for the rent of 53 Newton Street in Duns for Little Reivers Nursery (2016: £8,500) during the year 1 April 2016 to 31 March 2017. The balance outstanding from Seton Care as at 31 March 2016 to Berwickshire Housing Association was £3,291 (2016: £20,129).

The balance outstanding to Seton Care from BHA Enterprise as at 31 March 2017 was £Nil (2016 £3,105).

Berwickshire Community Renewables LLP

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

Berwickshire Housing Association charged Berwickshire Community Renewables LLP £40,858 (2016: £52,530) for the project manager's time provided on the windfarm project. The balance outstanding from Berwickshire Community Renewables LLP to Berwickshire Housing Association as at 31 March 2017 was £ 125,349 (2016: £ 76,306).

The balance outstanding from Berwickshire Community Renewables LLP to BHA Enterprise Limited as at 31 March 2017 was £348,393 (2016: £318,393) including a loan of £330,000 on commercial terms.

BHA Enterprise Limited contributed £100,000 as its membership contribution of this limited liability partnership. BHA Enterprise's share of Berwickshire Community renewables LLP losses to date is £ 62,098 (2016: £ 41,973).

25. Details of Association

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland. The Association's principal place of business is 55 Newtown Street, Duns, Berwickshire.

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

26. Retirement benefit obligations

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

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

26. Retirement benefit obligations (continued)

In our 2016 financial statements we calculated the pension liability using a different basis. As the scheme is in deficit and the Association has agreed to a deficit funding arrangement and the amount recognised in the 2016 financial statements was the net present value of the deficit reduction contributions payable under the agreement. The present value is calculated using a discount rate and the unwinding of the discount rate was recognised as a finance cost. The pension liability was shown as £3,295,177.

In the current year we have adopted the full accounting method for the pension liability, commissioning actuaries to provide a reasonable valuation of the Association's share of the scheme deficit and this is now included in the balance sheet at 31 March 2017. Berwickshire Housing Association Limited believes that the full accounting method will provide a more consistent and accurate estimate of the pension liability.

The disclosures below explain how the net pension liability for 2017 is arrived at and the impact on the results for the year of the change in accounting estimate of the pension liability.

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

Berwickshire Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2016. As of this date the estimated employer debt for Berwickshire Housing Association Limited was £11,519,329 (30 Sept 2015: £9,361,212).

Disclosures in relation to estimated share of scheme deficit

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

The Scheme is a funded defined benefit arrangement.

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

Principal Actuarial Assumptions

	2017	2016
	%	%
Discount rate	2.80	3.80
Salary increases	3.30	3.10
Inflation (RPI)	2.30	2.10
Inflation (CPI)	2.30	2.10
Male mortality	90% S1PMA; CMI 2011 F1.5% Birth Year	90% S1PMA; CMI 2011 F1.5% Birth Year
Female mortality	90% S1PFA; CMI 2011 F1.25% Birth Year	90% S1PMA; CMI 2011 F1.25% Birth Year

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

26. Retirement benefit obligations (continued)

Amounts recognised in Statement of Financial Position	2017	2016
	£	£
Fair Value of Scheme Assets	8,631,289	6,617,000
Present value of benefit obligations	(10,672,000)	(8,146,000)
Net pension liability	(2,040,711)	(1,529,000)
	=====	
Net pension liability under previous estimation basis		(3,295,177)

Adjustment resulting from change in estimation basis – recognised in 2016/17 (see below)		1,766,177
		=====
 Changes in defined benefit obligation	 2017	 2016
	£	£
Opening defined benefit obligation	8,146,000	8,451,000
Employer service cost	-	-
Interest expense	304,000	283,000
Employee contributions	-	-
Actuarial (gains)/losses	2,489,000	(354,000)
Benefits paid	(267,000)	(234,000)
Closing defined benefit obligation	10,672,000	8,146,000
	=====	=====
 Changes in fair value of scheme assets	 2017	 2016
	£	£
Opening fair value of scheme assets	6,617,000	6,330,000
Actual return on scheme assets less interest income	1,750,000	34,000
Interest income	252,000	216,000
Employer contributions – past service contributions	288,289	280,000
Employee contributions	-	-
Benefits paid	(267,000)	(234,000)
Administration costs	(9,000)	(9,000)
Closing fair value of scheme assets	8,631,289	6,617,000
	=====	=====

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

Amounts recognised in in Statement of Comprehensive Income	2017	2016
	£	£
Current service cost	-	-
Administration costs	9,000	9,000
Net interest on net defined benefit obligation	52,000	68,000
	-----	-----
Total pension cost recognised in Statement of Comprehensive Income	61,000	77,000
	=====	=====

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

26. Retirement benefit obligations (continued)

Amounts recognised in Other Comprehensive Income	2017	2016
	£	£
Actual return on plan assets less interest income on plan assets	1,750,000	34,000
Change in assets not recognised due to change in surplus limitation	-	-
Actuarial gains/(losses)	(2,489,000)	354,000
	-----	-----
Remeasurement gains and losses recognised in other comprehensive income	(739,000)	388,000
		=====
Change in estimate from past service contribution liability to share of scheme deficit (see above)	1,766,177	

Total pension adjustment	1,027,177	
	=====	

The major categories of scheme assets as a percentage of total plan assets are as follows:

	2017	2016
	%	%
Equities	35	37
Property	4	5
Bonds	35	32
Alternatives	24	24
Cash and other	2	2
	-----	-----
Total	100	100
	=====	=====

27. Foreign exchange liabilities – Group

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

	2017	2016
	£	£
Foreign currency hedge at 1 April	270,997	-
Movement in the year	(229,688)	270,997
	-----	-----
Foreign currency hedge at 31 March	41,309	270,997
	=====	=====

28. Contingent liabilities

	2017	2016
	£	£
Social Housing Grant	53,380	26,355
	=====	=====

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

Contractual Dispute

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