

BRIDGEWATER HOUSING ASSOCIATION LIMITED

REPORT and FINANCIAL STATEMENTS

For the year ended 31 March 2013

BRIDGEWATER HOUSING ASSOCIATION LIMITED

REPORT and FINANCIAL STATEMENTS

For the year ended 31 March 2013

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Registration information

Financial Conduct Authority	Industrial and Provident Societies Act 1965 Registered number: 2525RS
The Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered number: HAL301
Registered Charity	Registered number: SC035819

BRIDGEWATER HOUSING ASSOCIATION LIMITED

MEMBERS, EXECUTIVES AND ADVISERS

For the year ended 31 March 2013

Board

Angela Westrop (Chairperson)
Hugh Cameron (Vice Chairperson)
Jansen Healing (Secretary)
William Robertson
Frank Bradley
David Arthur (Resigned 28 January 2013)
Robert McNally
Aileen Naismith
Vivien MacKay
Heather Stirling
Louisa McIntosh (Resigned 27 March 2013)
Alastair Morris (Co-opted on 29 August 2012)
John Paterson (Co-opted on 26 September 2012)

Executive Officer

Ian McLean, Director

Registered Office

1st Floor
Bridgewater Shopping Centre
Erskine
PA8 7AA

Auditor

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

Bankers/Funders

The Royal Bank of Scotland plc
27 Canal Street
Renfrew
PA4 8QG

Nationwide Building Society Limited
Housing Finance
Commercial Division
Nationwide Building Society
Northampton
NN3 6NW

Solicitors

Harper MacLeod LLP
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

BRIDGEWATER HOUSING ASSOCIATION LIMITED

REPORT of the BOARD

For the year ended 31 March 2013

The Board of Bridgewater Housing Association present their report and the audited financial statements for the year ended 31 March 2013.

Principal Activities

The principal activities of the Association are:

- The provision and management of housing for rent.
- The provision of services to owner-occupiers where the Association either factors property or has a relationship with an owner by virtue of the Association's previous role as Feu Superior.
- The Managing Agent for Renfrewshire and East Renfrewshire Care and Repair Projects.
- The provision of a Supported Housing Service to tenants living in the Association's Sheltered Housing.

Charitable Objects

Bridgewater Housing Association Limited has been formed for the benefit of the community. Its charitable objects centre on the provision of housing and related services for people who are in need of our housing and services.

Permitted Activities

The Association's permitted activities and powers include anything which is necessary and expedient to help us achieve our charitable objects but we will also:

- Have regard for the requirement of public accountability
- Use any money we receive carefully and properly; and
- Consider the welfare of the people who live in the properties we are responsible for.

Review of the Business for the year ended 31 March 2013

Priorities

The Association's mission in 2012/13 was to be "A customer focussed organisation, which delivers the best affordable housing and services to people who need them and makes a positive difference to the neighbourhoods in which we work". Consequently we organised our business and our priorities in order to achieve this mission. In delivering on this mission, our overarching aim has been to ensure that we are:

- Doing what matters most to our customers
- Investing in homes and neighbourhoods
- Making our business stronger for the future.

During 2012/13 and indeed for the lifetime of our current business plan our strategic objectives are:

1. Increasing as well as managing and maintaining high quality, affordable homes.
2. Empowering our tenants and residents to participate in decisions we take that affect them.
3. Delivering high quality, cost efficient services to all of our customers.
4. Being environmentally aware and protecting both the built and natural environment where our customers live.
5. Providing a challenging, supportive and rewarding work environment for staff.

The Association has developed an action plan around these five strategic objectives and monitors its actions and outcomes on a regular basis.

BRIDGEWATER HOUSING ASSOCIATION LIMITED

REPORT of the BOARD

For the year ended 31 March 2013

Review of the Business for the year ended 31 March 2013 (Cont'd)

SHQS

The Association continues to work towards ensuring that all of our properties meet the Scottish Government's Scottish Housing Quality Standard. The Association has developed a plan, the purpose of which is to pave the way for the completion of all the necessary work by 2015. The Association is on track to meet the obligation in time. And during the year a number of properties were added to the list of properties which comply. The Association is now 90% compliant with the standard.

Performance

The Association regularly measures key performance information in relation to our service delivery, our income and our expenditure. The Association sets itself challenging targets for how well it wants to deliver its services. We continue to report good performance in relation to how quickly and efficiently we carry out repairs, how quickly we allocate our properties once they become empty, and how well we deal with people who owe us money, whether that is tenants who find it difficult to pay their rent, or owner occupiers who have trouble paying their Factoring and other charges. We also report good performance in relation to a myriad of other important performance indicators. However during the year, primarily because of the pressure of the unprecedented volume of allocations and new lets, the Association's performance in relation to dealing with rent arrears was not as good as expected. Another factor is likely to be the current economic situation and people not prioritising their rent over other things. The Association carried out an internal audit of its rent arrears processes during the year and will act on its findings during 13/14. The Association will also carry out a detailed analysis of rent arrears to understand better where the increases are coming from and what we can do about it.

New Build

During this year, the Association completed the first new build social housing project for mainstream tenants for 30 years in Erskine. 92 houses and flats were completed and allocated to people in housing need. There were also a number of consequential vacancies in our older stock as a result, meaning an increased workload for the Housing Management Team and pressures on void periods and arrears. Nevertheless the Association is extremely proud of this achievement and more particularly that 92 individuals and families who were inappropriately housed now have a safe and secure home which better suits their needs.

Right to Buy

The Association's business is always at risk because of the obligation to sell properties to tenants who either have the "preserved" Right to Buy, or the "modernised" Right to Buy. By September of 2012 the Association would have been obliged to offer the "modernised" RTB to certain tenants. However following a successful submission to the Scottish Government, the Association was granted a ten year extension to the implementation of the "modernised" Right to Buy and consequently has been able to safeguard both a substantial asset and income stream, as well as protect a significant number of properties for future allocation to people in housing need. There were very few RTB applications processed during the year.

BRIDGEWATER HOUSING ASSOCIATION LIMITED

REPORT of the BOARD

For the year ended 31 March 2013

Review of the Business for the year ended 31 March 2013 (Cont'd)

Welfare Reform

The other single biggest risk to the Association is the UK Government's welfare reform agenda. The Government are seeking to reduce the Welfare Benefit bill significantly and this has meant a raft of measures which have affected housing benefit in 2011/12 and more which affected many of our tenants in 2012/13. The Association has been proactive in preparing for the Governments Welfare Reforms and this has meant contacting everyone affected by the so called bedroom tax, speaking to as many people that we can, increasing our Welfare Rights and Money Advice service, seeking support from all MPS in the House of Commons to argue against the cuts to welfare, changing our allocations policy to make it easier for people to downsize and entering into agreements with national home swap organisations to make it easier for people to swap homes. We continue to work with council and other colleagues to find ways to mitigate the worst impacts of welfare reform and the Association's Board have confirmed that eviction is a last resort for the Association and we will not evict any tenant who is actively and positively engaging with us to address an arrears problem, whatever the reason for it.

Care and Repair

The Association won the tender to deliver the Care and Repair Service for Renfrewshire and East Renfrewshire Councils. The Care and Repair team include staff who provide advice and guidance to older and disabled owner occupiers to adapt their homes to suit their needs. The team also includes a Handyperson Service and a Small Repairs Service and includes the Association's first volunteer small repairs officer.

Scottish Social Housing Charter

Following approval by the Scottish Parliament, the Scottish Social Housing Charter was introduced during the year and the Association has been working towards putting in place a monitoring framework which will provide meaningful information to our tenants and other customers about the performance of the Association in relation to services that matter to them.

The Charter is an important document. It sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities. The Charter was approved by resolution of the Scottish Parliament on 14 March 2012. It has effect from 1 April 2012 and continues to apply until the Parliament approves a revised Charter.

The Charter:

- describes the results that tenants and other customers expect social landlords to achieve
- covers social landlords' housing activities only
- can be monitored, assessed and reported upon by the Scottish Housing Regulator.

The Association consulted with customers during 2012/13 on the detail of the Charter and will produce our first report covering 13/14 during 2014.

Factoring

The Association registered as a Property Factor under the Property Factors (Scotland) Act 2011, during the year and issued its first written statement of services to owner occupiers in Erskine. The Association also decided to organise itself better to deal with owner occupier issues and resourced the gathering of appropriate legal and other information in order to support appropriate staff who engage with owner occupiers.

BRIDGEWATER HOUSING ASSOCIATION LIMITED

REPORT of the BOARD

For the year ended 31 March 2013

Review of the Business for the year ended 31 March 2013 (Cont'd)

Change Fund

As part of the Government's strategy for older people, a fund has been established to assist health care and housing support organisations to transition services to more care at home and more support for people at home as well as preventative work. As part of this programme the Association has been awarded some of this "Change Fund" money to support the delivery of a Handyperson service for Renfrewshire linked to our Care and Repair Project and to employ an Older Persons Housing Advice Worker whose responsibility it will be to provide housing options and practical advice to older people in Renfrewshire who are inadequately housed or who wish to move to more suitable accommodation.

Complaints

During the course of the year the Association also became compliant with the Scottish Public Services Ombudsman's Complaints Handling Process and redesigned our complaints handling accordingly. The Association now monitors complaints through a new computer programme and is able to use the information from complaints to influence changes in policy and practice.

Risk Management

The Association has a robust risk management policy and process and has reviewed risks, several times during the year. However in 2012/13 the Association examined a number of risks in detail. These were risks which had been identified by the Scottish Housing Regulator as the main areas of risk facing the sector currently and relate to the financial health of Registered Social Landlords in Scotland.

In its analysis the Regulator concluded that the majority of RSL's are continuing to manage to protect their financial health. But there remain significant financial stresses and there are risks that all RSLs should be working diligently to address. There were seven specific risks identified.

1. Welfare Reform

Welfare Reform will result in some of the biggest challenges that the Association has ever had to face and the changes involved are likely to increase the financial stress upon the Association. The scale and scope of the risk is difficult to predict absolutely. However Bridgewater's Board have considered numerous papers in relation to welfare reform including our assessment of the worst case scenario in terms of the Association's financial position. The Board are satisfied that the Association is capable of "dealing" with the worst case scenario.

In addition to our financial planning we have amended our allocations policy, sought financial help from the Scottish Government to provide advice to our tenants, written to MPs to ask them to seek changes to the relevant piece of legislation and are speaking to those people affected by the Spare Room Supplement "or "bedroom tax".

2. Cost of Financing

There was a sharp rise in the overall cost of debt within the Housing Association Sector and a large increase in the proportion of turnover that RSLs use to service their debt. The proportion of Bridgewater's turnover attributed to debt servicing is 13%. Although the Association has been building flats and houses, we have used our own surplus resources to finance the cost of our new build developments and have not taken out any additional loans. Furthermore the Association has also used its own resources to fund the purchase of the Mortgage to Rent Properties. All of these properties and our three new build developments are unencumbered in terms of loan debt and therefore available should the Association require to raise finance on them. Nevertheless the Association's debt servicing cost remains high compared to turnover, simply because the Association was established by debt.

BRIDGEWATER HOUSING ASSOCIATION LIMITED

REPORT of the BOARD

For the year ended 31 March 2013

Review of the Business for the year ended 31 March 2013 (Cont'd)

3. Covenant Compliance

For a number of RSLs covenant breach in 2011/12 resulted in a material re-pricing of debt. Bridgewater continues to have a cordial relationship with its sole lender – Nationwide Building Society. Some years ago the Association agreed to a change in its covenants so that currently our main covenant is a "debt serviceability" test. Essentially this involves establishing whether the Association is able to pay off its debt at the required amounts within the required timescales, given the value of its annual rental income from the stock transfer properties. Board members have considered reports which highlight the need to ensure a certain level of rental income and a certain level of asset value through our improvement programme.

4. Pension Provision

There was a considerable increase in the pension liability that was shown on RSL's balance sheets during 11/12. The pension scheme presently has a large deficit and RSLs within the scheme require to factor the costs of addressing their share of the liability into their future business plans. Bridgewater's liability is included in our financial plans and is included for the duration of our 30 year plan. The results of the Triennial Valuation will affect the Association's decisions in relation to pension provision going forward.

5. Staff Costs

Average staff remuneration during 11/12 fell to just under £30,000 a reduction of more than 2.5%. The average salary paid at Bridgewater is well below £30,000 and the senior officer's salary is well below the national average. During 12/13 the Association approved a policy in relation to the pay and conditions of the senior officer which is based on the guidance issued by the Regulator and which relies heavily on the Association's participation in the Employers in Voluntary Housing Organisation.

6. Cash Generation

In the year ended 31 March the total cash generated by RSLs from their operations was £337m an increase of 31% on the previous year. Bridgewater's cash flow in 11/12 was £1.4m. Our projected cash flows for the foreseeable future see the Association with cash surpluses, though in some years the position is "tight". The Board have considered a paper showing what would happen to the Association's closing cash balances within the context of different rent increase scenarios and this indicates the rent rise required to ensure the viability of the Association over a 30 year period.

7. Business Planning and Governance

In June 2012 the Regulator published an update on their recommended practice on business planning. In general terms they are continuing to see an improvement in business plans. Bridgewater approved its current Business Plan in April 2012 and will be reviewing the plan in 2013. Considerable work was done at that time to determine the future direction of the organisation and to consider whether the Association could afford all of its aspirations.

During 2011/12 the members of the Board reviewed the governance structure for the Association and decided that in 2012/13 the Operations and Audit Committee would be replaced by an Audit and Scrutiny Committee. The Board also agreed to establish a new Committee to deal with all matters related to our Factoring Service and our relationship with owner occupiers in Erskine. These two new committees were established during the year and in addition to the existing Housing Support Services Sub Committee, support the work of the main Board. The Board is acutely aware of the fact that there are 5 vacant places on the Board and is actively pursuing the appropriate filling of these vacancies.

Statement of the Boards responsibilities

The Industrial and Provident Societies Acts and registered social housing legislation requires the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Association and the surplus or deficit of the Association for that period. In preparing those financial statements the Board is required to:

BRIDGEWATER HOUSING ASSOCIATION LIMITED

REPORT of the BOARD

For the year ended 31 March 2013

Statement of the Board's responsibilities (Cont'd)

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board 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 Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010, the Scottish Housing Regulator's Accounting Requirements Determination (2012), the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

The Board is 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.

Statement on Internal Financial Control

The Board is responsible for the Association's system of internal financial control, and has reviewed its effectiveness from information provided by management staff.

The Board 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 RSL, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

Any system can only provide reasonable and not absolute assurance against material mis-statement or loss. The financial control system within the Association is fundamentally simple and appropriate to the size and complexity of the organisation.

Key elements of the RSL's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the RSL'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 governing body to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term.
- authorisation of all expenditure by senior staff and Board.
- the Association has a corporate strategy in place which details the strategic and operational objectives of the business.
- there are controls in place to ensure that the organisation meets its covenants as detailed in its loan agreement with lenders.
- the treasury management policy ensures that borrowing and investment are based on an assessment of risk.

BRIDGEWATER HOUSING ASSOCIATION LIMITED

REPORT of the BOARD

For the year ended 31 March 2013

Statement on Internal Financial Control (Cont'd)

- the organisation has 30 year cashflow projections which are updated annually. The underlying assumptions show a good understanding of the Association's business objectives, key risks and commitments and includes up to date life cycle costing information.
- a risk management plan is in place which takes a structured approach to the identification and analysis of key risks, the likelihood of these materialising and their possible impact.
- adequate insurance for the business has been taken out.

Auditor

A resolution to re-appoint Chiene + Tait, as external auditor, will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

J HEALING
Secretary

Jansen Healing

31 July 2013

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BRIDGEWATER HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Bridgewater Housing Association Limited for the year ended 31 March 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968, and to the charity's trustees as a body (the Board), in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). 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, the Association's members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and the auditor

As more fully explained in the Statement of the Board's responsibilities on pages 6 and 7, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Committee's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010, the Charities and Trustee Investment (Scotland) Act 2005, Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended), and the Scottish Housing Regulator's Accounting Requirements Determination (2012).

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BRIDGEWATER HOUSING ASSOCIATION LIMITED (Cont'd.)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002, or the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the information given in the Report of the Board is inconsistent in any material respect with the financial statements; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Matters

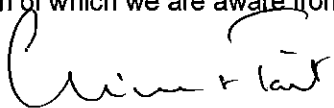
In addition to our audit of the financial statements, we have reviewed the Board's statement concerning internal financial control made under "The Code of Audit Practice" contained within the publication "Raising Standards in Housing" which is the guidance issued by the Scottish Federation of Housing Associations. The object of our review is to draw attention to non-compliance with the guidance.

Basis of Opinion

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

Opinion

With respect to the Board's statements on internal financial control, in our opinion the Board has provided the disclosures required by the guidance and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.



CHIENE + TAIT
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh EH3 6NL

31 July 2013

BRIDGEWATER HOUSING ASSOCIATION LIMITED**INCOME and EXPENDITURE ACCOUNT****For the year ended 31 March 2013**

	Notes	2013 £	2012 £
Turnover	2	4,520,414	4,279,014
Operating costs	2	3,490,475	3,557,912
Operating surplus		<u>1,029,939</u>	<u>721,102</u>
Gain on sale of housing properties		86,950	28,388
Interest receivable and other income		15,993	26,758
Interest payable and similar charges	8	(557,318)	(564,228)
Surplus on ordinary activities before taxation		<u>575,564</u>	<u>212,020</u>
Taxation	9	-	-
Surplus for the year	16	<u><u>575,564</u></u>	<u><u>212,020</u></u>

The results for the year relate wholly to continuing activities.

There are no other recognised gains or losses for the year other than the surplus for the year.

The notes on pages 14 to 26 form part of these financial statements.

BRIDGEWATER HOUSING ASSOCIATION LIMITED


BALANCE SHEET

As at 31 March 2013

	Notes	2013 £	2012 (Restated) £
Tangible fixed assets			
Housing properties - cost less depreciation	10	28,517,018	25,195,126
<u>Less: SHG and other grants</u>	10	(12,034,797)	(11,982,085)
		16,482,221	13,213,041
Other fixed assets	11	51,777	71,737
		16,533,998	13,284,778
Current assets			
Debtors	12	900,179	1,215,290
Cash at bank and in hand		3,261,377	5,906,633
		4,161,556	7,121,923
Creditors: amounts falling due within one year	13	1,758,233	1,453,038
Net current assets		2,403,323	5,668,885
Total assets less current liabilities		18,937,321	18,953,663
Creditors: amounts falling due after more than one year	14	11,102,548	11,694,458
Net assets		7,834,773	7,259,205
		=====	=====
Capital and reserves			
Share capital	15	172	168
Designated reserves	16	232,642	3,624,947
Revenue reserves	16	7,601,959	3,634,090
		7,834,773	7,259,205
		=====	=====

The financial statements on pages 11 to 26 were approved by the Board on 31 July 2013 and were signed on its behalf by:


A Westrop Chairperson


H Cameron Vice-Chairperson


J Healing Secretary

The notes on pages 14 to 26 form part of these financial statements.

BRIDGEWATER HOUSING ASSOCIATION LIMITED**CASH FLOW STATEMENT****For the year ended 31 March 2013**

	Notes	2013 £	2012 £
Net cash inflow from operating activities	17	1,836,557	1,453,073
Returns on investments and servicing of finance	18	(541,325)	(537,470)
Capital expenditure	18	(3,940,501)	(2,367,516)
		<u>(2,645,269)</u>	<u>(1,451,913)</u>
Financing	18	13	2
Decrease in cash	20	<u>(2,645,256)</u>	<u>(1,451,911)</u>

The notes on pages 14 to 26 form part of these financial statements.

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in paragraphs (b) to (j) below.

These financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and the Statement of Recommended Practice "Accounting by registered social housing providers" (SORP 2010), and comply with the requirements of the Scottish Housing Regulator's Accounting Requirements Determination (2012).

(b) Going concern

The financial statements have been prepared on a going concern basis. The Management Committee have assessed the Association's ability to continue as a going concern and have reasonable expectations that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

(c) Turnover

Turnover represents rental and service charge income, factoring income from owner occupiers, supporting people grant and sundry other items and is recognised when the Association has a right to the income.

(d) Sales of properties

Gains or losses on disposal of housing properties are included in the Income and Expenditure Account.

(e) Fixed assets - housing properties

Housing properties are stated at cost, less social housing grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:

- Cost of acquiring land and buildings;
- Development expenditure including administration costs.

These costs are termed "qualifying costs" by the Scottish Government for approved social housing grant schemes.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue or valuation are prior to the year end.

Where developments have been financed wholly or partly by SHG the cost of these developments has been reduced by the amount of the grant received. The amount of grant received is shown separately on the balance sheet.

SHG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

(e) Works to existing housing properties and component accounting

Where assets comprise components with substantially different useful economic lives, these components are depreciated over those distinct useful lives. In relation to its housing properties, the Association has identified a number of components with useful lives that are shorter than the fabric of the building. Component accounting also requires that expenditure on the periodic replacement of components as part of the Association's planned maintenance programmes is capitalised.

NOTES to the FINANCIAL STATEMENTS (Cont'd.)

For the year ended 31 March 2013

1. Accounting policies (Cont'd.)

(e) Works to existing housing properties and component accounting (Cont'd.)

Works on existing properties that are not the replacement of components nor regarded as enhancing the value of properties are charged to the income and expenditure account and included under maintenance costs in note 3.

(f) Depreciation

Housing properties held for letting at cost less grants received and excluding the net of grant value of land, are depreciated on a straight-line basis over the useful lives of each of the identified components of the properties. Under component accounting the following components have been identified. Where components are replaced before the end of their estimated useful lives, depreciation in the year of replacement is accelerated to reduce the net book value of the components to £nil. Where the Association has received grants in respect of housing properties this is allocated to the land and structure components.

Component	Estimated useful life
Land	- not depreciated
Structure	- 50 years
Kitchens	- 15 years
Bathrooms	- 30 years
Central heating boilers	- 15 years
Central heating radiators and controls	- 30 years
Windows and doors	- 25 years
Electrical rewiring	- 25 years
Roofs	- 40 years
Lifts	- 25 years

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life as follows:

Leasehold improvements	- over remaining life of lease
Office equipment	- 20% straight line
Fixtures and fittings	- 15% straight line
Computer equipment	- 33 1/3% straight line
Motor vehicles	- 25% straight line

A full year's depreciation is charged in the year of purchase. No charge is made in the year of disposal.

(g) Leased Assets

Operating leases and the payments made under them are charged to the income and expenditure account on a straight-line basis over the lease term.

(h) Designated reserves and prior year adjustment

Housing Property Investment

This reserve designated the Association's intended funding of the Rashielee North Development which is now complete and so the designation has been released.

Extra-Care reserve (prior year adjustment)

This reserve reflects monies set aside from the income from the extra-care facilities for future expected expenditure including anticipated spend on maintenance of lifts and other specialised equipment. These funds were previously treated as a creditor balance but designation as a reserve is regarded as the more appropriate treatment. This re-classification has been treated as a prior year adjustment and the balance sheet comparative figures have been restated accordingly (see note 16). There is no restatement of the income and expenditure figures as a consequence of this prior year adjustment.

NOTES to the FINANCIAL STATEMENTS (Cont'd.)

For the year ended 31 March 2013**1. Accounting policies (Cont'd.)****(i) Apportionment of management expenses**

Direct employee, administration and operating costs have been apportioned to the relevant sections of the income and expenditure account on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

(j) Pensions (note 21)

The Association participates in the Scottish Housing Associations' defined benefits pension scheme. The Scheme is a multi-employer scheme where scheme assets are co-mingled for investment purposes, benefits are paid from total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

2. Particulars of turnover, operating costs and operating surplus

	Turnover	Operating Costs	Operating surplus or deficit 2013	Operating surplus or deficit 2012
	£	£	£	£
Social lettings (note 3)	3,567,994	2,539,821	1,028,173	782,526
Other activities (note 4)	952,420	950,654	1,766	(61,424)
	-----	-----	-----	-----
Total	4,520,414	3,490,475	1,029,939	721,102
	=====	=====	=====	=====
2012	4,279,014	3,557,912	721,102	
	=====	=====	=====	

BRIDGEWATER HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (Cont'd.)

For the year ended 31 March 2013

3. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities

	Housing Accommodation £	Supported Housing £	2013 Total £	2012 Total £
*Rent receivable net of service charges	2,858,304	512,474	3,370,778	3,078,157
Service charges	2,200	230,920	233,120	199,745
Gross income from rents and service charges	2,860,504	743,394	3,603,898	3,277,902
<u>Less: Voids</u>	28,833	7,071	35,904	25,152
Total turnover from social letting activities	2,831,671	736,323	3,567,994	3,252,750
Management and maintenance administration costs	754,950	182,062	937,012	818,580
Service costs	2,958	176,193	179,151	196,585
Planned and cyclical maintenance including major repair costs	267,939	40,923	308,862	586,239
Reactive maintenance costs	283,335	73,627	356,962	311,552
Bad debts (rents and service charges)	6,157	1,485	7,642	4,910
Depreciation of social housing	604,429	145,763	750,192	552,358
Operating costs for social letting activities	1,919,768	620,053	2,539,821	2,470,224
Operating surplus for social lettings	911,903	116,270	1,028,173	782,526
Operating surplus for social lettings for 2012	717,128	65,398	782,526	

There is no impairment of social housing to report.

*Rental income from housing accommodation includes garage rent of £162,119 (2012: £152,926).

BRIDGEWATER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 31 March 2013

4. Particulars of turnover, operating costs and operating surplus or (deficit) from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Other operating costs – bad debts £	Other operating costs £	Operating surplus or (deficit) 2013 £	Operating surplus or (deficit) 2012 £
Wider role activities, undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	9,954	(9,954)	(13,102)
Care & Repair	-	354,449	-	-	354,449	-	354,449	-	(30,495)
Factoring	-	-	-	407,289	407,289	(358)	407,647	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	(24,018)
Support activities	-	-	52,442	112,822	165,264	-	165,264	-	(3,759)
Other agency/management services	-	-	-	21,337	21,337	-	13,698	7,639	2,051
Other activities	-	-	-	4,081	4,081	-	-	4,081	7,899
Total from other activities	=====	354,449	52,442	545,529	952,420	(358)	951,012	1,766	(61,424)
Total from other activities for 2012	2,037	346,604	52,442	625,181	1,026,264	1,581	1,086,107	(61,424)	=====

There are no activities to report other than those reported above.

NOTES to the FINANCIAL STATEMENTS (Cont'd.)

For the year ended 31 March 2013**5. Officers' emoluments**

Officers are defined as the members of the Management Committee, the Director and any other manager whose total emoluments (excluding pension contributions) exceed £60,000 per annum. No emoluments were paid to any member of the Management Committee during the year.

Details of emoluments paid to the Director/Chief Executive follow (no other Director received emoluments in excess of £60,000 per annum).

	2013 £	2012 £
Emoluments payable to Chief Executive (highest paid officer)	61,100 =====	59,610 =====
Total expenses reimbursed to Officers in so far as not chargeable to United Kingdom income tax	2,106 =====	2,107 =====

6. Employee information

2013 **2012**

The average weekly full time equivalent number of persons employed during the year was:

Office staff	21	20
Wardens, caretakers and cleaners	3	3
Care and repair staff	8	9
	----- 32 =====	----- 32 =====

	£	£
Staff costs (including directors' emoluments):		
Wages and salaries	888,918	847,179
Social security costs	74,536	72,204
Pension costs (note 21)	141,233	134,469
	----- 1,104,687 =====	----- 1,053,852 =====

7. Auditor's remuneration

2013 **2012**
£ £

- in their capacity as auditor	9,600	9,500
- under provision for previous year	2,076	250
- for other services	750	-
	=====	=====

8. Interest payable and similar charges

2013 **2012**
£ £

Interest payable on private loans	557,318	564,228
	----- 557,318 =====	----- 564,228 =====

BRIDGEWATER HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (Cont'd.)

For the year ended 31 March 2013

9. Taxation

The Association was registered as a Scottish Charity on 19 July 2004 and there is no liability for Corporation Tax in respect of the year ended 31 March 2013.

10. Tangible fixed assets - housing properties	Housing Properties Held for Letting	Housing Properties Under Development	Total
	£	£	£
Cost			
At start of year	21,956,249	7,945,349	29,901,598
Additions during year	113,690	3,268,048	3,381,738
Expenditure on components	727,606	-	727,606
Transferred to hold for let	11,213,397	(11,213,397)	-
Disposals - RTB	(54,014)	-	(54,014)
- replaced components	(133,900)	-	(133,900)
At end of year	33,823,028	-	33,823,028
Depreciation			
At start of year	4,706,472	-	4,706,472
Charge for year	750,192	-	750,192
Disposals - RTB	(16,754)	-	(16,754)
- replaced components	(133,900)	-	(133,900)
At end of year	5,306,010	-	5,306,010
SHG and other grants			
At start of year	5,779,697	6,202,388	11,982,085
Received during year	52,712	-	52,712
Transferred	6,202,388	(6,202,388)	-
At end of year	12,034,797	-	12,034,797
Net book value			
At end of year	16,482,221	-	16,482,221
At start of year	11,470,080	1,742,961	13,213,041

Development administration costs capitalised during the year amounted to £111,921 (2012:£106,176) for which no Social Housing Grants (2012: £43,620) were received.

BRIDGEWATER HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (Cont'd.)

For the year ended 31 March 2013

11. Tangible fixed assets - other fixed assets

	Leasehold improvements £	Furniture fittings & equipment £	Motor vehicles £	Total £
Cost				
At start of year	98,255	268,085	26,137	392,477
Additions during year	-	8,079	-	8,079
Disposals	-	(38,810)	-	(38,810)
At end of year	98,255	237,354	26,137	361,746
Depreciation				
At start of year	70,612	223,991	26,137	320,740
Charge for year	7,251	20,788	-	28,039
On disposal	-	(38,810)	-	(38,810)
At end of year	77,863	205,969	26,137	309,969
Net book value				
At end of year	20,392	31,385	-	51,777
At start of year	27,643	44,094	-	71,737

12. Debtors

	2013 £	2012 £
Rental arrears	75,721	57,945
<u>Less:</u> Provision for bad debts	(6,000)	(6,000)
	69,721	51,945
Other debtors	160,320	252,838
Prepayments and accrued income	670,138	910,507
	900,179	1,215,290

13. Creditors: amounts falling due within one year

	2013 £	2012 (Restated) £
Housing loans (note 14)	591,910	-
Trade creditors	221,043	237,848
Other creditors	246,401	187,555
Other taxation and social security	41,113	30,713
Accruals and deferred income	657,766	996,922
	1,758,233	1,453,038

BRIDGEWATER HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (Cont'd.)

For the year ended 31 March 2013

14. Creditors: amounts falling due after more than one year	2013	2012
	£	£
Housing loan (see below)	11,102,548	11,694,458
	=====	=====

Loans are secured by specific charges on the Association's properties and are repayable in instalments commencing in 2013. Interest is payable at varying rates.

	2013	2012
	£	£
Housing loans repayable by instalments:		
Within one year	591,910	-
Between one and two years	591,910	760,112
Between two and five years	1,775,730	2,280,336
Due in five years or more	8,734,908	8,654,010
	-----	-----
	11,694,458	11,694,458
	=====	=====

15. Share capital	2013	2012
	£	£
At beginning of year	168	178
Shares of £1 each fully paid and issued during the year	13	2
Shares forfeited in year	(9)	(12)
	-----	-----
At end of year	172	168
	=====	=====

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

16. Reserves	Opening Balances	Prior year adjustment	Restated opening Balances	Transfers between Funds	Surplus for year	Closing Balances
	£	£	£	£	£	£
<u>Designated reserves</u>						
Housing property investment	3,445,595	-	3,445,595	(3,445,595)	-	-
Extra-Care reserve	-	179,352	179,352	53,290	-	232,642
	-----	-----	-----	-----	-----	-----
	3,445,595	179,352	3,624,947	(3,392,305)	-	232,642
<u>Revenue reserve</u>	3,634,090	-	3,634,090	3,392,305	575,564	7,601,959
	-----	-----	-----	-----	-----	-----
	7,079,685	179,352	7,259,037	-	575,564	7,834,601
	=====	=====	=====	=====	=====	=====

The prior year adjustment relates to the re-classification of the funds held in respect of the Extra-Care facilities previously treated as a creditor balance (see note 1(h)).

The Housing Property Investment reserve for the Rashielee North development represents the funding of the net of grant costs of the development from the Association's own reserves. As these costs have now been incurred the reserve has been released.

BRIDGEWATER HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS (Cont'd.)
For the year ended 31 March 2013
17. Reconciliation of operating surplus to net cash inflow from operating activities

	2013	2012
	£	£
Operating surplus	1,029,939	721,102
Depreciation	28,039	33,716
Depreciation on property	750,192	552,358
Decrease/(increase) in debtors	315,111	(384,066)
(Decrease)/increase in creditors	(286,715)	529,975
Shares forfeited	(9)	(12)
	<u>1,836,557</u>	<u>1,453,073</u>
	=====	=====

18. Gross cash flows

	2013	2012
	£	£
Returns on investments and servicing of finance		
Interest received	15,993	26,758
Interest paid	(557,318)	(564,228)
	<u>(541,325)</u>	<u>(537,470)</u>
	=====	=====
Capital expenditure		
Sale of properties	124,210	35,896
Payments to acquire properties and works to existing properties	(4,109,344)	(6,310,467)
HAG received	52,712	3,924,244
Payments to acquire other tangible fixed assets	(8,079)	(17,189)
	<u>(3,940,501)</u>	<u>(2,367,516)</u>
	=====	=====
Financing		
Issue of ordinary share capital	13	2
Loan finance issued	-	-
	<u>13</u>	<u>2</u>
	=====	=====

	At 31 March 2012	Cash Flow	Other Changes	At 31 March 2013
	£	£	£	£
19. Analysis of changes in net debt				
Cash in hand and at bank	5,906,633	(2,645,256)	-	3,261,377
Debt due within 1 year	-	-	(591,910)	(591,910)
Debt due after 1 year	(11,694,458)	-	591,910	(11,102,548)
	<u>(5,787,825)</u>	<u>(2,645,256)</u>	<u>-</u>	<u>(8,433,081)</u>
	=====	=====	=====	=====

20. Reconciliation of net cash flow to movement in net debt (note 19)	2013	2012
	£	£
Decrease in cash for the year	(2,645,256)	(1,451,911)
Net debt at 1 April 2012	(5,787,825)	(4,335,914)
Net debt at 31 March 2013	<u>(8,433,081)</u>	<u>(5,787,825)</u>
	=====	=====

21. Pensions

Bridgewater Housing Association Ltd participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

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

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due. The last formal valuation of the Scheme for which results are available was performed as at 30 September 2009. The final results of the 2012 valuation are not yet available but preliminary statements from the Scheme trustees indicate an increase in the deficit in the Scheme and a revised recovery plan requiring deficit contributions to be paid over the period of 13 years and six months from 1 April 2014 to 30 September 2027. The Association has received confirmation that its deficit contribution from 1 April 2014 will be £140,962 (currently £76,585). The deficit contributions are to increase at 3% per annum under the plan. The following disclosures relate to the 2009 actuarial valuation and 2011 update.

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted-in.

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

BRIDGEWATER HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (Cont'd.)****For the year ended 31 March 2013****21. Pensions (cont'd)**

The Association continues to offer membership of the Scheme to its employees and has elected to operate the final salary with a 1/60th accrual rate benefit option for active members as at 1 April 2012 and the Career average revalued earnings with 1/80th accrual rate benefit option for new entrants from 1 April 2012.

During the accounting period Bridgewater Housing Association Ltd paid contributions at the rate of 9.6% of pensionable salaries together with additional deficit contributions (see below). Member contributions were 9.6%.

As at the balance sheet date there were 21 active members of the Scheme employed by Bridgewater Housing Association Ltd. The annual pensionable payroll in respect of these members was £673,423.

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

	% p.a.
Investment return pre retirement	7.4
Investment return post retirement - Non-pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

Mortality Tables	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)		%
Final salary 1/60ths		19.2
Career average revalued earnings 1/60ths		17.1
Career average revalued earnings 1/70ths		14.9
Career average revalued earnings 1/80ths		13.2
Career average revalued earnings 1/120ths		9.4
Additional rate for deficit contributions *		10.4

(* Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

Bridgewater Housing Association Ltd has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for Bridgewater Housing Association was £3,846,330.

BRIDGEWATER HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (Cont'd.)****For the year ended 31 March 2013****22. Housing stock**

The number of units of accommodation in management was as follows:

	Units in Management	
	2013	2012
General needs	713	623
Supported	150	150
Properties managed on behalf of other organisations	7	7
	-----	-----
	870	780
	=====	=====

23. Commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements

2013	2012
£nil	£3.4m
=====	=====

Capital expenditure will be met from the Association's available cash reserves.

In addition maintenance contracts extending for a further two years from the balance sheet date have been entered into.

	2013		2012	
	Office Equipment	Property	Office Equipment	Property
	£	£	£	£
24. Operating lease commitment				
Operating leases which expire:				
Within one year	3,303	-	-	-
Within two to five years	-	41,150	3,303	41,150
	=====	=====	=====	=====

25. Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965.

26. Related parties

During the year ended 31 March 2013 Jansen Healing, William Robertson, Aileen Naismith, Hugh Cameron, Heather Stirling, Alastair Morris and John Paterson were members of the Management Committee and tenants of Bridgewater Housing Association. They have standard tenancy agreements and were awarded their tenancies in line with best practice allocations policy.