



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

Scottish Housing Regulator Registration No. HAL 289
Co-operative and Community Benefit Society FCA No. 619299
Scottish Charity No. SC042342



BERWICKSHIRE HOUSING ASSOCIATION LIMITED
ANNUAL REPORT and GROUP FINANCIAL STATEMENTS
For the year ended 31 March 2019

CONTENTS

Board of Management, Executives and Advisers	1
Group Operating Review	2 - 8
Independent Auditor's Report	9 - 11
Independent Auditors' Report on Corporate Governance Matters	12
Consolidated Statement of Comprehensive Income	13
Association Statement of Comprehensive Income	14
Consolidated Statement of Financial Position	15
Association Statement of Financial Position	16
Consolidated Statement of Cash Flows	17
Association Statement of Cash Flows	18
Consolidated Statement of Changes in Reserves	19
Association Statement of Changes in Reserves	19
Notes to Group Financial Statements	20 - 44

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2019

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

Board of Management

Lorraine Tait	Convener
Scott Holmes	Vice-Convener
Vivienne Cockburn	Vice-Convener
Andrew Brough	
David Melrose	(Resigned May 2018)
James Fullarton	
Tony Homer	(Resigned May 2018)
Anne Isles	
Jim Mc Devitt	
Lynn Gray	
Graeme MacLeod	(Appointed May 2018)
Paul Matthews	(Appointed May 2018)
Alun Peate	(Appointed September 2018 / Resigned March 2019)
Susie McCosh	(Appointed May 2018)
Sean Dickson	(Appointed May 2018)
Clive Feeney	(Appointed May 2018)

Executive Officers

Helen Forsyth	Chief Executive
Angela Taylor	Property Director (Appointed July 2018)
Eleanor Rooke	Finance Director (Appointed October 2018)
Jean Gray	Operations Director (Resigned March 2019)
Daniel Blake	Operations Director (Appointed April 2019)
John Bain	Resources Director & Secretary

Registered Office and Principal Address

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

Bankers

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

External Auditor

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

Internal Auditor

Quinn Internal Audit & Business Support Services
55 Lady Place
Livingston
EH54 6TB

Solicitors

Hastings Legal	BTO Solicitors LLP	TC Young Solicitors
11 Murray Street	One Edinburgh Key	69 George Street
Duns	Edinburgh	Edinburgh
TD11 3DF	EH3 9QG	EH2 2JG

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2019

GROUP OPERATING REVIEW

The directors present their annual report and audited financial statements for the year ended 31 March 2019.

Principal Activities

The BHA Group comprises Berwickshire Housing Association ("BHA" or "the Association"), BHA Enterprise Ltd ("BHA Enterprise") and Berwickshire Community Renewables LLP ("BCR"). The principal activities of the Association are the provision and management of affordable rented accommodation. BHA Enterprise manages 12 mid-market rent properties and holds the majority membership in Berwickshire Community Renewables Limited Liability Partnership ("BCR"). BCR operates a three turbine wind farm, named 'The Three Fishermen', with this being its second full year of operation.

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 1,823 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 70 staff members, BHA is committed to delivering quality services relevant to its homes and the people who rent them and to contribute to thriving communities.

In the year to 31 March the Association recorded a surplus of £143,625, compared with the surplus of £715,345 for the previous year. The net cash inflow from operating activities was to £2,184,745 (2018: £2,226,556). Maintaining a strong level of cash generation is essential in ensuring that BHA's programme of new build development can be maintained and that it continues to meet the proposed programme of planned works within the existing stock. Further detail on the Association's financial performance is set out on pages 5-6.

New homes

BHA aims to build as many new homes as it can afford in order to meet local need. We anticipate that distributions made to the members of BCR will assist BHA to achieve this aim. Those distributions have started to come to BHA now and will be utilised in funding future new build programmes. We completed 30 homes in Eyemouth during 2018/19 with a further 25 completed in Chirnside in early 2019/20. We plan to complete or commence 103 homes in Duns, Ayton and Coldstream in 2019/20.

Maintaining the quality of core services

BHA's service to its tenants continues to be of a high standard with low arrears, efficient responsive repairs and low levels of anti-social behaviour. We believe there are still areas we can improve and are adopting a new performance management framework called BHA Best. We experienced a higher level of voids than in previous years and have not been able to identify any specific trends but this did increase workload for our teams and we added in new staff to manage this. This year there was continued to focus on issues which tenants are concerned about: particularly the management of dogs in BHA's communities and the use of green spaces. We confirmed with Ayton residents that we would secure their allotment as part of our planned new developments. We are working with a group of local agencies on a sensory garden and a community orchard in Duns. BHA has been exploring new initiatives to improve garden maintenance and has now started selling off garage sites where appropriate. We are reviewing the feasibility of using redundant garage sites for new housing.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

Maintaining the quality of existing homes

BHA's homes are maintained to Government standards. All our general needs homes continue to be let but some of our sheltered units at Gowanlea have become hard to let. We are seeking alternative solutions to these in the coming year. There is a planned programme to upgrade homes and to meet all legislative requirements around EESSH (Energy Efficiency Standard in Social Housing) within the expected timescales.

At present 90.23% of BHA's homes meet SHQS with the remaining classed as exemptions and abeyances. EESSH has to be met by 2020. There is a planned programme of works to ensure the Association achieves completion by 2020.

We continue to look at Value for Money and are documenting both internally and in external documentation our effort to reduce costs and or improve quality for tenants both in core services and in the added services we offer. We continue to work with the Scottish Procurement Alliance to get the best possible prices for our all our contracted works.

Last year BHA engaged with an energy and environmental consultant to survey all the hardest to heat homes with a view to tackling the heating issues for those tenants as a priority. BHA's process is more person-centred and will ensure that we are considering fuel poverty alongside energy efficiency. We then tailored our responses to tenants in need to ensure we put in systems that assisted that family with their specific needs and reduced their costs. The responses included: more support and advice on systems already installed, putting in Sunamp systems of heat batteries, photovoltaic cells and air source heat pumps.

Providing advice and support to tenants

With the support of Lottery funding BHA has been providing money advice to tenants for just over five years now and there were 120 referrals this year. 191 of our tenants are now on Universal Credit. The numbers struggling to understand the benefits systems have been rising and this is where BHA has increased the number of staff to engage directly with individuals in its communities. As the Lottery project comes to an end we will retain the staff in order to cope with the demand for our help.

BHA has a school based programme, which runs every year preparing young people for independence and to be able to live in their own home. BHA is also contributing to the school's agenda to prepare young people for work. BHA worked in both schools and also uses the new game for all students to use in class to help plan and prepare for leaving school.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

Support for communities and places where BHA tenants live

BHA's biggest and most successful initiative to improve the local communities in which BHA works continues to be the Skip and Scrap days where BHA provides a skip throughout the day to people (both tenants and others) in which to dispose of items that they cannot afford to have uplifted by the local authority.

BHA's sheltered housing schemes offer support to older people to live independently in Berwickshire. The Association currently has 83 units in use within three schemes in Coldstream, Duns and Eyemouth. They offer support to tenants to sustain their tenancy and provide a large amount of social interaction and engagement. This year we will review the service and seek to agree a new funding regime with the local authority. BHA operates a befriending scheme for older people in Berwickshire which provides social support to 59 older people through the services of 28 volunteers on a one to one basis plus additional group meetings and events.

BHA works in partnership with a wide range of local agencies including the fire service, domestic abuse services, mental health support and local social enterprises. We employed a community initiatives manager this year to focus on our relationships with others and to ensure our tenants get the services they need. We have offered many tenants more intensive services including financial advice and debt management, managing their home and their heating and access to other services they have not been confident to approach.

Management of other properties.

Since July 2018 we have been managing 54 properties for Link Housing in Berwickshire. We are reviewing that contract at present and will decide on the nature of our long term agreement with Link by the end of 2019.

Business Transformation

Over the course of the last year three new Directors have been appointed. We created a new role: Property Director and our Finance Director and Operations Director moved to new opportunities and we recruited new Directors to replace them. This new leadership team is coming in with new ideas and expertise from elsewhere and are assisting the organisation to undertake a comprehensive transformation of the business. We recognise, as our tenants have become poorer, they need higher levels of support and time. We need to deliver routine services more quickly and efficiently using digital means thereby allowing our staff to spend time with tenants in their own homes. We will recruit a project director to assist us with the transformation and have agreed a set of four sub projects to manage the work. We expect the changes to take place over a number of years. We will seek to find a new office or refurbish our present one in order to assist us with these changes.

Developing staff

Every year BHA undertakes comprehensive training and development for staff and offers mentoring, coaching and shadowing to all. BHA runs technical training, and CIH certificated qualifications and this year staff completed training on managing the work and life balance and behaviours at work. We have also started a long term leadership programme for our managers and Directors. We have undertaken such programmes in the past. On this occasion we recognise with new Directors in post and several staff stepping into promoted positions there is a need to refresh this. BHA is continuing its innovation approach to solving business problems and this year undertook four projects in house with staff to solve issues that BHA or its customers face. We are also keen to ensure our future leaders are being prepared and are running an in house course for aspiring leaders over the coming year.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2019

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: SUBSIDIARIES

BHA Enterprise Ltd

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

BHA Enterprise made a small operating loss of £14,891 (2018: operating loss of £16,413) in the year which was in line with expected trading activities. After accounting for interest receivable and the profit distribution from Berwickshire Community Renewables, the reported profit for the financial year was £83,935 (2018: £16,596). BHA Enterprise was able to gift aid £68,000 (2018: £nil) to BHA at the year end.

FINANCIAL REVIEW

Income

The Association's turnover for the year ended 31 March 2019 totalled £8.31 million (2018: £8.24 million). Rental and service charge income (net of void losses) accounted for 89.6% or £7.45 million of this with the remainder including:

- £93,857 received for Supporting People contracts with Scottish Borders Council.
- £171,887 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.
- £29,000 received for recharges to subsidiaries for support services provided by BHA.
- £100,586 for factoring services (including recharged repairs).
- £29,917 for commercial rents.
- £70,000 from the sale of land.
- £68,000 gift aid from BHA Enterprise Ltd.
- £52,775 renewable income from PV panels and Renewable Heat Incentive.
- £83,876 other income and expenditure.

The consolidated turnover has remained reasonably consistent with the prior year at £10.17 million (2018: £10.18 million) with the second full year of electricity generation by the BCR wind farm.

Expenses

Total revenue expenditure in the year for the Association was £7.46 million (2018: £7.00 million), comprising the following main items:

- Letting activity management and maintenance administration costs £2.88 million (2018: £2.85 million)
- Depreciation of social housing properties £1.77 million (2018: £1.72 million)
- Reactive maintenance to social housing stock £1.03 million (2018: £0.86 million)
- Planned and cyclical maintenance of social housing stock £0.95 million (2018: £0.60 million)
- £0.05 million on Development activities (2018: £0.23 million).

The operating surplus generated by the Association in the year was £0.85 million against an operating surplus of £1.24 million for 2018.

After net interest charges of £612,621 (2018: £699,483) and loss on the sale and disposal of certain housing stock, the surplus for the year was £222,625 (2018: £615,345). A pension scheme re-measurement debit of £79,000 (2018: credit £100,000) takes total comprehensive income for the year to £143,623. The Group as a whole had a net surplus for the year of £209,155 (2018: £769,660).

The Association had a net asset position at the year-end of £38.96 million compared with a net asset position of £38.82 million for 2018. The consolidated net asset position was £39.90 million (2018: £39.67 million).

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2019

FINANCIAL REVIEW (continued)

Pension deficit

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

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

Cash Flows

The cash flow statement of BHA is shown on page 18. BHA generated £2.18 million (2018: £2.23 million) from operating activities. Cash and cash equivalents decreased by £2.95 million (2018: increase of £2.86 million) including the continued investment in new builds with this expenditure covered by a mixture of grants and private finance.

Liquidity

The Association has a net current asset position of £0.05 million as at 31 March 2019, a decrease of £2.92 million in the year due to the advance receipt of £2 million of development funding in the prior year. BHA has a ten year, £8m loan facility with RBS of which £3 million remains undrawn as at 31 March 2019. BHA also has a £0.5 million revolving credit facility with Nationwide Building Society which is undrawn as at 31 March 2019.

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 Audit and Finance Committee and treasury management arrangements are reviewed regularly.

BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS

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

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

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

BOARD OF MANAGEMENT'S RESPONSIBILITIES STATEMENT

The Board of Management is responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered 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 and of its income and expenditure for the year. 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 2014 (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 operation; 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 (February 2019). 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.

In so far as the Board of Management are aware:

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

STATEMENT ON INTERNAL FINANCIAL CONTROL

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

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

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

STATEMENT ON INTERNAL FINANCIAL CONTROL (continued)

- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate.
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Board of Management receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2019. 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 £6,389 (2018: £13,156).

Auditor

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

Board

David Melrose left the Board this year after contributing enormously over a period of 18 years. David has gone on to represent Scotland in the world wheelchair curling championships and secured a silver medal. We are very proud to be associated with him. Tony Homer left us having supported us by his contribution to the Seton Care Board and on the main board. His knowledge of the care sector and understanding of the strategic issues added real value to our work. Alun Peate joined us for a brief period and the quality of his contribution and his experience and skills were exceptional. He is much missed and we hope he will put his board skills to use on other boards. Graeme MacLeod, Paul Matthews, Susie McCosh, Sean Dickson and Clive Feeney all joined our Board during the year, further strengthening the breadth of knowledge, experience and skills held by 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@Berwickshirehousing.org.uk for further details.

BY ORDER OF THE BOARD OF MANAGEMENT

[Redacted Signature]

[Redacted Name]

Convener
55 Newtown Street
Duns, TD11 3AU

20 AUGUST 2019



Opinion

We have audited the Group financial statements of Berwickshire Housing Association Limited (the 'Association') for the year ended 31 March 2019 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated and Association Statement of Cash Flows, the Consolidated and Association Statement of Changes in Reserves and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2019 and of the Association's and the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements – February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



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

5/9/ 2019

**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

5/9/ 2019

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT of COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 £	2018 £
Revenue	2	10,167,838	10,178,973
Operating costs	2	8,606,350	8,209,601
Operating Surplus	2	1,561,488	1,969,372
Minority member's share of (gain) in LLP		(58,797)	(138,177)
(Loss)/gain on sale of housing stock	7	(18,399)	42,401
Interest receivable and similar income		17,736	7,030
Interest payable and similar charges	8	(1,213,873)	(1,210,966)
Surplus before tax		288,155	669,660
Taxation	10	-	-
Surplus for year		288,155	669,660
Other comprehensive income			
Re-measurement of pension deficit	11	(79,000)	100,000
Total comprehensive income		209,155	769,660

All items in the current year relate to continuing operations

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT of COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 £	2018 £
Revenue	2	8,312,194	8,243,279
Operating costs	2	7,458,549	7,000,852
Operating Surplus	2	853,645	1,242,427
(Loss)/gain on sale of housing stock	7	(18,399)	42,401
Interest receivable and similar income		13,388	5,576
Interest payable and similar charges	8	(626,009)	(675,059)
Surplus for year		222,625	615,345
Other comprehensive income			
Re-measurement of pension deficit	11	(79,000)	100,000
Total comprehensive income		143,625	715,345

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED
CONSOLIDATED STATEMENT of FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 £	2018 £
Tangible fixed assets			
Housing properties	12	72,886,829	65,892,080
Other tangible fixed assets	13	10,953,283	11,385,994
		<hr/> 83,840,112	<hr/> 77,278,074
Investments	14	-	-
Current assets			
Stock	15	108,300	-
Debtors	16	912,872	824,443
Current asset investment		2,450,202	1,171,319
Cash at bank and in hand		674,969	4,906,784
		<hr/> 4,146,343	<hr/> 6,902,546
Creditors: amounts falling due within one year	17	(3,791,700)	(3,409,936)
Net current assets		<hr/> 354,643	<hr/> 3,492,610
Total assets less current liabilities		84,194,755	80,770,684
Creditors: amounts falling due after more than one year	18	(32,055,397)	(30,462,435)
Provision for liabilities		-	-
Deferred income	19	(10,701,904)	(8,933,715)
Pension deficit	26	(1,538,180)	(1,709,212)
Net assets		<hr/> <hr/> 39,899,274	<hr/> <hr/> 39,665,322
Capital and reserves			
Share capital	20	137	138
Minority interest		181,926	157,128
Revenue reserves		16,420,431	16,211,276
Revaluation reserve		23,069,844	23,069,844
Designated reserve		226,936	226,936
Total reserves		<hr/> <hr/> 39,899,274	<hr/> <hr/> 39,665,322

The financial statements were approved and authorised for issue by the Board of Management on 20 AUGUST 2019 and signed on their behalf.

[Redacted Signature]

Convener

[Redacted Signature]

Vice Convener

[Redacted Signature]

Secretary

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED
ASSOCIATION STATEMENT of FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 £	2018 £
Tangible fixed assets			
Housing properties	12	72,886,829	65,892,080
Other tangible fixed assets	13	111,879	73,225
		<u>72,998,708</u>	<u>65,965,305</u>
 Investments	 14	 1	 1
Current assets			
Stock	15	108,300	-
Debtors	16	627,792	438,306
Current asset investment		674,969	1,171,319
Cash at bank and in hand		1,504,317	3,961,177
		<u>2,915,378</u>	<u>5,570,802</u>
Creditors: amounts falling due within one year	17	(2,867,394)	(2,493,305)
Net current assets		<u>47,984</u>	<u>3,077,497</u>
Total assets less current liabilities		73,046,693	69,042,803
Creditors: amounts falling due after more than one year	18	(21,846,479)	(19,583,370)
Deferred income	19	(10,701,904)	(8,933,715)
Pension deficit	26	(1,538,180)	(1,709,212)
Net assets		<u>38,960,130</u>	<u>38,816,506</u>
 Capital and reserves			
Share capital	20	137	138
Revenue reserves		15,663,213	15,519,588
Revaluation reserve		23,069,844	23,069,844
Designated reserve		226,936	226,936
Total reserves		<u>38,960,130</u>	<u>38,816,506</u>

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 20 AUGUST 2019.

[Redacted Signature]

Convener

[Redacted Signature]

Vice Convener

[Redacted Signature]

Secretary

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT of CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 £	2018 £
Net cash generated by operating activities	21	3,478,201	3,093,940
Investing activities			
Acquisition and construction of properties		(8,902,314)	(3,566,281)
Purchase of other fixed assets		(89,274)	(922,075)
Social housing grant received		1,948,604	4,320,786
Proceeds on disposal of properties		121,362	119,455
Net cash (outflow) from investing activities		(6,921,622)	(48,115)
Financing activities			
Interest received on cash and cash equivalents		17,736	6,671
Interest paid on loans		(1,170,870)	(1,111,802)
Loan principal repayments (including revolving credit)		(1,384,732)	(1,198,856)
Loan drawdown		3,062,348	2,048,082
Profit distribution to minority interest		(34,000)	-
Share capital issued		7	6
Net cash inflow/(outflow) from financing		490,489	(255,899)
Increase/(decrease) in cash and cash equivalents		(2,952,932)	2,789,926
Opening cash and cash equivalents		6,078,103	3,288,177
Closing cash and cash equivalents		3,125,171	6,078,103
Cash and cash equivalents			
Current asset investment		2,450,202	1,171,319
Cash at bank and in hand		674,969	4,906,784
		3,125,171	6,078,103

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT of CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 £	2018 £
Net cash generated by operating activities	21	2,184,745	2,226,556
Investing activities			
Acquisition and construction of properties		(8,902,314)	(3,566,281)
Purchase of other fixed assets		(89,274)	(16,681)
Social housing grant received		1,948,604	4,320,786
Proceeds on disposal of properties		121,362	119,455
Net cash (outflow)/inflow from investing activities		(6,921,622)	857,279
Financing activities			
Interest received on cash and cash equivalents		13,388	5,576
Interest paid on loans		(583,009)	(613,059)
Loan principal repayments (including revolving credit)		(646,719)	(617,973)
Loan drawdown		3,000,000	1,000,000
Share capital issued		7	6
Net cash inflow/(outflow) from financing		1,783,667	(225,450)
(Decrease)/increase in cash and cash equivalents		(2,953,210)	2,858,385
Opening cash and cash equivalents		5,132,496	2,274,111
Closing cash and cash equivalents		2,179,286	5,132,496
Cash and cash equivalents			
Current asset investment		1,504,317	1,171,319
Cash at bank and in hand		674,969	3,961,177
		2,179,286	5,132,496

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT of CHANGES in RESERVES

For the year ended 31 March 2019

	Share Capital £	Revenue Reserves £	Revaluation Reserve £	Minority Interest £	Designated Reserve £	Total £
Balance as at 1 April 2018	138	16,211,276	23,069,844	157,128	226,936	39,665,322
Issue of shares	7	-	-	-	-	7
Cancellation of shares	(8)	-	-	-	-	(8)
Transfer from revaluation reserve	-	-	-	-	-	-
Minority interest for the year	-	-	-	24,798	-	24,798
Surplus for the year	-	209,155	-	-	-	209,155
Balance as at 31 March 2019	137	16,420,431	23,069,844	181,926	226,936	39,899,274

ASSOCIATION STATEMENT of CHANGES in RESERVES

For the year ended 31 March 2019

	Share Capital £	Revenue Reserves £	Revaluation Reserve £	Designated Reserve £	Total £
Balance as at 1 April 2018	138	15,519,588	23,069,844	226,936	38,816,506
Issue of shares	7	-	-	-	7
Cancellation of shares	(8)	-	-	-	(8)
Transfer from revaluation reserve	-	-	-	-	-
Minority interest for the year	-	-	-	-	-
Surplus for the year	-	143,625	-	-	143,625
Balance as at 31 March 2019	137	15,663,213	23,069,844	226,936	38,960,130

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 SC042342. 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 Ltd and Seton Care (which did not trade during the period until it was dissolved on 18 September 2018). 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 (February 2019). The financial statements have also been prepared in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation and in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

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

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

Foreign currency translation

(i) Functional and Presentational Currency

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

(ii) Transactions and Balances

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

Basis of consolidation

The Group financial statements consolidate the financial statements of Berwickshire Housing Association Limited and its subsidiary undertakings as at 31 March 2019 on a 'line by line' basis. The wholly owned subsidiaries are BHA Enterprise Ltd and Seton Care, although Seton Care was dormant in the period until it was dissolved on 18 September 2018. BHA Enterprise Ltd is the majority member of Berwickshire Community Renewables LLP (BCR) which has developed a windfarm which is now operational. The share of non-controlling interest in BCR in the Group's Consolidated Statement of Financial Position and in Group's Consolidated Statement of Changes in Equity is disclosed as Minority Interests. The share of the profit or loss for the year is presented under the heading "Minority Member's Share of Loss in LLP."

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

1. Accounting policies (continued)

Turnover/Revenue

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

Land

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

Social housing grant and other grants in advance / arrears

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

Social housing grant received in respect of revenue expenditure is credited to income in the same period as the expenditure to which it relates.

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

Going concern

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

Fixed assets – housing properties

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

Valuation of housing properties

Housing properties are stated at cost less accumulated depreciation.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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 2019

1. Accounting policies (continued)

Leases/leased assets

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

Works to existing properties

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

Other tangible assets

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

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

Office premises	10 years
Other equipment	5-10 years
Computer hardware	2-5 years
Motor vehicles	2-5 years
Improvements to leased properties	2-5 years
Tools	2 years
Wind Farm Turbines	25 years

Impairment of assets

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

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

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Deposits and liquid resources

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

Debtors

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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 2019

1. Accounting policies (continued)

Foreign exchange risk

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

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

Until such time as the hedge completed, currency movements were recorded within provisions and were reversed against the final cost of the fixed asset addition to eliminate any foreign currency risk.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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

	Notes	Revenue £	Operating Costs £	2019 Operating Surplus £	Revenue £	Operating Costs £	2018 Operating Surplus £
Affordable lettings activities	3(a)	7,600,282	6,920,543	679,739	7,394,943	6,211,810	1,183,133
Other activities	4(a)	2,567,556	1,685,807	881,749	2,784,030	1,997,791	786,239
Total		10,167,838	8,606,350	1,561,488	10,178,973	8,209,601	1,969,372

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

	Notes	Revenue £	Operating Costs £	2019 Operating Surplus £	Revenue £	Operating Costs £	2018 Operating Surplus £
Affordable lettings activities	3(b)	7,593,085	6,914,453	678,632	7,387,817	6,188,271	1,199,546
Other activities	4(b)	719,109	544,096	175,013	855,462	812,581	42,881
Total		8,312,194	7,458,549	853,645	8,243,279	7,000,852	1,242,427

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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

	General needs housing £	Supported housing £	Shared ownership £	Garages £	2019 Total £	2018 Total £
Revenue from lettings						
Rent receivable net of service charges	6,906,298	354,705	5,347	242,872	7,509,222	7,257,102
Service charges	46,403	117,358	-	-	163,761	157,589
Gross income from rents and service charges	6,952,701	472,063	5,347	242,872	7,672,983	7,414,691
Less: voids	(108,939)	(28,410)	-	(81,237)	(218,586)	(138,340)
Net income from rents and service charges	6,843,762	443,653	5,347	161,635	7,454,397	7,276,351
Grants released from deferred income	69,577	-	-	-	69,577	46,647
Revenue grants from Scottish Ministers	76,308	-	-	-	76,308	71,927
Other revenue grants from local authorities and other agencies	-	-	-	-	-	18
Total revenue from affordable letting activities	6,989,647	443,653	5,347	161,635	7,600,282	7,394,943
Expenditure on affordable letting activities						
Service costs	64,306	104,724	-	-	169,030	172,967
Management and maintenance administration costs	2,472,247	201,712	-	215,679	2,889,638	2,870,652
Reactive maintenance	964,053	60,627	-	4,382	1,029,062	857,302
Bad debts – rents and service charges	112,402	(56)	-	530	112,876	(7,856)
Planned and cyclical maintenance inc. major repairs	911,416	40,719	-	-	952,135	600,320
Depreciation of social housing	1,667,302	100,500	-	-	1,767,802	1,718,425
Impairment of housing	-	-	-	-	-	-
Operating costs for affordable letting activities	6,191,726	508,226	-	220,591	6,920,543	6,211,810
Operating surplus for affordable letting activities	797,921	(64,573)	5,347	(58,956)	679,739	1,183,133
2018	1,428,741	(182,894)	5,247	(67,961)	1,183,133	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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

	General needs housing £	Supported housing £	Shared ownership £	Garages £	2019 Total £	2018 Total £
Revenue from lettings						
Rent receivable net of service charges	6,896,886	354,705	5,347	242,872	7,499,810	7,249,976
Service charges	46,403	117,358	-	-	163,761	157,589
Gross income from rents and service charges	6,943,289	472,063	5,347	242,872	7,663,571	7,407,565
Less: voids	(106,724)	(28,410)	-	(81,237)	(216,371)	(138,340)
Net income from rents and service charges	6,836,565	443,653	5,347	161,635	7,447,200	7,269,225
Grants released from deferred income	69,577	-	-	-	69,577	46,647
Revenue grants from Scottish Ministers	76,308	-	-	-	76,308	71,927
Other revenue grants from local authorities and other agencies	-	-	-	-	-	18
Total revenue from affordable letting activities	6,982,450	443,653	5,347	161,635	7,593,085	7,387,817
Expenditure on affordable letting activities						
Service costs	64,306	104,724	-	-	169,030	172,967
Management and maintenance administration costs	2,467,295	201,711	-	215,679	2,884,685	2,848,735
Reactive maintenance	962,916	60,627	-	4,382	1,027,925	855,680
Bad debts – rents and service charges	112,402	(56)	-	530	112,876	(7,856)
Planned and cyclical maintenance inc. major repairs	911,416	40,719	-	-	952,135	600,320
Depreciation of social housing	1,667,302	100,500	-	-	1,767,802	1,718,425
Impairment of housing	-	-	-	-	-	-
Operating costs for affordable letting activities	6,185,637	508,225	-	220,591	6,914,453	6,188,271
Operating surplus for affordable letting activities	796,813	(64,572)	5,347	(58,956)	678,632	1,199,546
2018	1,445,154	(182,894)	5,247	(67,961)	1,199,546	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Bad debts £	Other £	Operating surplus/ (deficit) 2019 £	Operating surplus/ (deficit) 2018 £
Wider role activities	-	171,887	-	-	171,887	-	171,887	-	-
Factoring – agency services	-	-	-	100,586	100,586	-	66,695	33,891	8,379
Construction of property activities	-	-	-	-	-	-	45,324	(45,324)	(234,063)
Care activities	-	-	74,011	19,846	93,857	-	93,565	292	9,688
Sale of land and houses (non-RTB)	-	-	-	70,000	70,000	-	2,495	67,505	-
Other activities	-	-	-	1,944,447	1,944,447	-	1,141,711	802,736	981,993
Electricity generation	-	-	-	19,211	19,211	-	43,080	(23,869)	(20,455)
Little Reivers nursery	-	-	-	29,917	29,917	-	27,513	2,404	22,231
Commercial rental	-	-	-	52,775	52,775	-	-	52,775	-
Renewable income	-	-	-	84,876	84,876	-	71,537	13,339	30,162
Other income/expenditure	-	-	-	-	-	-	22,000	(22,000)	(11,696)
Project management	-	-	-	-	-	-	-	-	-
Total from other activities	-	171,887	74,011	2,321,658	2,567,556	-	1,685,807	881,749	786,239
2018	-	-	98,599	2,685,431	2,784,030	-	1,997,791	786,239	-

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Bad debts £	Other £	Operating surplus/(deficit) 2019 £	Operating surplus/(deficit) 2018 £
Wider role activities	-	171,887	-	-	171,887	-	171,887	-	-
Factoring – agency services	-	-	-	100,586	100,586	-	66,695	33,891	8,382
Construction of property activities	-	-	-	-	-	-	45,324	(45,324)	(234,063)
Care activities	-	-	74,011	19,846	93,857	-	93,565	292	9,688
Sale of land and houses (non-RTB)	-	-	-	70,000	70,000	-	2,495	67,505	-
Other activities	-	-	-	-	-	-	-	-	-
<i>Little Reivers nursery</i>	-	-	-	19,211	19,211	-	43,080	(23,869)	(20,455)
<i>Commercial rental</i>	-	-	-	29,917	29,917	-	27,513	2,404	22,231
<i>Business support to sub. companies</i>	-	-	-	29,000	29,000	-	22,000	7,000	-
<i>Gift aid from subsidiary company</i>	-	-	-	68,000	68,000	-	-	68,000	-
<i>Renewable income</i>	-	-	-	52,775	52,775	-	-	52,775	-
<i>Other income/expenditure</i>	-	-	-	83,876	83,876	-	71,537	12,339	30,162
Transfer from Seton hall	-	-	-	-	-	-	-	-	226,936
Total from other activities	-	171,887	74,011	473,211	719,109	-	544,096	175,013	42,881
2018	-	-	98,599	756,863	855,462	-	812,581	42,881	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

5. Officers emoluments – Group and Association

	2019	2018
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, and managers of the Association. These officers also constitute the Association's Key Management Personnel		
Number of officers of the Association who received emoluments greater than £60,000	3	4
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	£259,260	£311,448
Pension contributions made on behalf of officers with emoluments greater than £60,000	£21,098	£25,158
Compensation payable to officers for loss of office	-	£30,000
Emoluments payable to Chief Executive (excluding pension contributions)	£99,260	£96,731
Pension contributions made on behalf of Chief Executive	£8,348	£8,121
Total emoluments payable to Chief Executive	<u>£107,608</u>	<u>£104,852</u>

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

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

The Property Director and Finance Director joined the Group during the year in July and October respectively, therefore did not receive emoluments greater than £60,000 during the year to 31 March 2019. The Property Director was a newly created post in the year and the Finance Director vacancy was covered by two interim Finance Directors until the appointment of the permanent Finance Director in October.

6. Employee information – Group and Association

	2019 No.	2018 No.
The average monthly number of full time equivalent persons employed during the year was	61	63
The average total number of employees employed during the year was	<u>71</u>	<u>75</u>
	£	£
Staff costs were		
Salaries	1,885,554	1,790,051
Social security costs	176,516	163,585
Other pension costs	112,612	105,595
Total	<u>2,174,682</u>	<u>2,059,231</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

7. (Loss)/gain on sale of fixed assets – Group and Association

	2019	2018
	£	£
Sales proceeds	124,800	119,455
Cost of sales	(143,199)	(77,054)
(Loss)/gain on sale of housing stock	(18,399)	42,401

8. Interest payable and similar charges

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
On bank loans and overdrafts	1,170,873	1,148,966	583,009	613,059
Net interest on net defined benefit pension obligations	43,000	62,000	43,000	62,000
	1,213,873	1,210,966	626,009	675,059

9. Surplus for year

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
Depreciation:				
Housing properties	1,767,802	1,718,425	1,767,802	1,718,425
Other fixed assets	521,985	514,587	50,620	43,222
Auditors' remuneration:				
Audit services – current year	19,400	19,460	14,950	14,420
Other services – current year	1,990	3,990	-	2,000
Audit services – prior year	12,068	-	8,238	-
Operating lease rentals:				
Land and buildings	97,590	138,928	-	-
Other	13,148	33,837	13,148	33,837

10. Tax on surplus on ordinary activities

The Association is a registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its income and gains to the extent that the surplus is applied to the charitable objects.

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

11. Pension deficit adjustment – Group and Association

	2019	2018
	£	£
Re-measurement of pension deficit (note 26)	<u>(79,000)</u>	<u>100,000</u>

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

	Housing properties held for letting	Assets under con- struction	Land for develop- ment	Land for sale	Total
	£	£	£	£	£
Cost					
As at 1 April 2018	67,581,212	3,409,093	865,348	371,709	72,227,362
Additions	-	7,194,438	410,000	111,344	7,715,782
Capitalised improvements	1,186,531	-	-	-	1,186,531
Disposals	(221,131)	-	-	-	(221,131)
Transfers	4,811,632	(4,811,632)	-	-	-
As at 31 March 2019	<u>73,358,244</u>	<u>5,791,899</u>	<u>1,275,348</u>	<u>483,053</u>	<u>80,908,544</u>
Depreciation					
As at 1 April 2018	6,335,282	-	-	-	6,335,282
Charge for the year	1,767,802	-	-	-	1,767,802
Disposals	(81,369)	-	-	-	(81,369)
As at 31 March 2019	<u>8,021,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,021,715</u>
Net book value					
As at 31 March 2019	<u>65,336,529</u>	<u>5,791,899</u>	<u>1,275,348</u>	<u>483,053</u>	<u>72,886,829</u>
As at 31 March 2018	<u>61,245,930</u>	<u>3,409,093</u>	<u>865,348</u>	<u>371,709</u>	<u>65,892,080</u>

Additions to housing properties include capitalised major repair costs to existing properties of £1,186,531 (2018: £549,142). Over the year, £1,981,196 (Group) and £1,980,059 (Association) was charged to responsive and planned and cyclical maintenance in the Statement of Comprehensive Income (2018: £1,457,622 – Group; £1,456,000 – Association).

All land and housing properties are heritable.

The Association's lenders have standard securities over housing property with a carrying value of £46.7m (2018: £47.2m).

Impairment charges

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

There is no impairment charge in this financial year.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

13. Other tangible fixed assets – Group and Association

	Heritable office property £	Leasehold improvements £	Equipment £	Motor vehicles	Association Subtotal	Wind Farm	Group Total £
Cost							
As at 1 April 2018	659,799	101,642	506,668	36,985	1,305,094	11,784,134	13,089,228
Additions	-	1,596	87,678	-	89,274	-	89,274
Disposals	-	-	-	-	-	-	-
As at 31 March 2019	659,799	103,238	594,346	36,985	1,394,368	11,784,134	13,178,502
Depreciation							
As at 1 April 2018	657,206	92,116	453,471	29,076	1,231,869	471,365	1,703,234
Charge for the year	2,394	10,380	33,886	3,960	50,620	471,365	521,985
Disposals	-	-	-	-	-	-	-
As at 31 March 2019	659,600	102,496	487,357	33,036	1,282,489	942,730	2,225,219
Net book value							
As at 31 March 2019	199	742	106,989	3,949	111,879	10,841,404	10,953,283
As at 31 March 2018	2,593	9,526	53,197	7,909	73,225	11,312,769	11,385,994

Borrowing costs capitalised during the year amount to £nil (2018: £nil) for the Group and £nil (2018: £nil) for the Association.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

14. Investments

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
Unlisted – shares in subsidiary companies	-	-	1	1

The Association has ultimate control over the legal entities listed below.

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

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

	2019	2018
	£	£
BHA Enterprise Ltd (100%)		
Aggregate capital and reserves	493,368	477,432
Profit for the year	15,935	16,596
Berwickshire Community Renewables LLP (2/3rd)		
Aggregate capital and reserves	545,776	471,384
Profit for the year	176,392	414,531

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

15. Stock – Group and Association

	2019	2018
	£	£
Consumables	108,300	-

Consumables relate to Sunamp batteries purchased in bulk, which will be fitted into properties over the course of the 2019/20 financial year.

16. Debtors

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
Arrears of rent and service charge	273,629	216,193	269,743	216,193
Less: provision for doubtful rental debts	(189,535)	(136,648)	(189,535)	(136,648)
Net rent arrears	84,094	79,545	80,208	79,545
Other debtors	968,649	403,323	415,075	322,865
Less: Provision for doubtful other debts	(148,433)	(159,412)	(148,433)	(159,412)
	820,216	243,911	266,642	163,453
Trade debtors	8,562	500,987	8,562	15,230
Inter-entity debtors	-	-	272,380	180,078
	912,872	824,443	627,792	438,306

Inter-entity debtors are unsecured, interest free and repayable on demand.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

17. Creditors: amounts falling due within one year

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
Housing Loans	695,681	605,509	695,681	605,509
Other bank loans and overdrafts	671,509	677,026	-	-
Trade payables	240,794	121,899	236,013	68,618
Rent in advance	137,158	100,341	137,158	100,341
Other taxation and social security	133,499	46,195	58,317	46,195
Other payables	(1,374)	186,426	(1,374)	102
Provision for holiday pay	11,436	11,476	11,436	11,476
Accruals and deferred income (Note 19)	1,902,997	1,661,064	1,730,163	1,661,064
	<u>3,791,700</u>	<u>3,409,936</u>	<u>2,867,394</u>	<u>2,493,305</u>

18. Creditors: amounts falling due after one year

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
Housing Loans	21,846,479	19,583,370	21,846,479	19,583,370
Project finance – bank and other loans	<u>10,208,918</u>	<u>10,879,065</u>	<u>-</u>	<u>-</u>
	<u>32,055,397</u>	<u>30,462,435</u>	<u>21,846,479</u>	<u>19,583,370</u>

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
		4.40%	Nov 2026	Fixed
		1.94%	Dec 2033	Fixed
		1.79%	July 2036	Fixed
		1.91%	April 2037	Fixed
RBS	Standard Security over 168 properties	Libor + 1.5%	Aug 2026	Variable

All of the Association's Nationwide borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans. The RBS borrowing is interest only, payable quarterly, with a capital bullet repayment at the end of the loan term.

Housing loans repayable by instalments - Group and Association:

	2019	2018
	£	£
Repayable within one year	695,681	605,509
Repayable within two to five years	2,917,273	2,974,000
Repayable after five years	<u>18,929,206</u>	<u>16,609,370</u>
	<u>22,542,160</u>	<u>20,188,879</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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

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

Lender	Security	Effective Interest Rate	Maturity	Variable/ Fixed
Triodos Bank NV (three term loans)	Windfarm is secured to Triodos Bank	3.842% 4.650% 5.013%	November 2019 November 2027 November 2032	Fixed Fixed Fixed
Scottish Enterprise (Renewable Energy Investment Fund)	Floating charge behind senior lender	8%	March 2028	Fixed

At 31 March 2019; one of the Triodos bank loans was repayable by monthly instalments which commenced December 2017 and the Scottish Enterprise loan was repayable by six monthly instalments which commenced April 2018. Repayment by instalments of the remaining Triodos bank loans commence in stages and the total loan repayment profile is summarised below:

Project finance loans repayable by instalments – Group:

	2019	2018
	£	£
Repayable within one year	671,509	677,026
Repayable within two to five years	3,090,053	3,016,728
Repayable after five years	7,118,865	7,862,337
	<u>10,880,427</u>	<u>11,556,091</u>

19. Deferred income - Group and Association

	2019	2018
	£	£
Social Housing Grants		
Balance as at 1 April	8,492,365	4,895,520
Additions in year	1,948,604	3,638,942
Amortisation in year	(65,027)	(42,097)
Balance as at 31 March	<u>10,375,942</u>	<u>8,492,365</u>
Other Grants		
Balance as at 1 April	601,945	575,606
Additions in year	221,846	227,957
Released in the year	(215,151)	(197,068)
Amortisation in year	(4,550)	(4,550)
Balance as at 31 March	<u>604,090</u>	<u>601,945</u>
Total	<u>10,980,032</u>	<u>9,094,310</u>
Deferred income – analysed by age		
Released in less than one year (note 17)	278,128	160,595
Released in more than one year	10,701,904	8,933,715
Balance as at 31 March	<u>10,980,032</u>	<u>9,094,310</u>

Grant is amortised over the life of the asset, once the development is complete. The amount expected to be released to income in 2019/20 is £110,838.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

20. Share capital – Association only

	2019	2018
	£	£
Shares of £1 each at 1 April	138	150
Shares of £1 issued during the year	7	6
Cancellation of shares	(8)	(18)
Balance as at 31 March	137	138

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

21. Statement of cash flows

	Group		Association	
Reconciliation of operating surplus to net cash flow from operating activities	2019	2018	2019	2018
	£	£	£	£
Operating surplus	1,561,488	1,969,372	853,645	1,242,427
Depreciation	2,289,787	2,233,012	1,818,422	1,761,647
Amortisation of capital grants	(69,577)	(46,647)	(69,577)	(46,647)
(Increase) in stock	(108,300)	-	(108,300)	-
(increase) in debtors	(88,429)	(572,283)	(189,486)	(63,899)
Increase/(decrease) in creditors	186,272	(195,997)	173,081	(373,455)
Pension deficit payments net of non-cash items	(293,032)	(293,499)	(293,032)	(293,499)
Share capital cancelled	(8)	(18)	(8)	(18)
	3,478,201	3,093,940	2,184,745	2,226,556

22. Housing Stock – Group and Association

	2019	2018
	No.	No.
The number of units of accommodation in management at the year-end was:		
General needs – owned by BHA	1,726	1,698
General needs – not owned by BHA	53	-
Shared ownership	2	2
Supported Housing	83	83
Balance as at 31 March	1,864	1,783

The number of units of accommodation managed by others at the year-end was:

General needs – mid-market rent	12	12
Balance as at 31 March	12	12

The mid-market rent units are managed by BHA Enterprise Ltd on behalf of BHA.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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	
	2019	2018	2019	2018
	£	£	£	£
Not later than one year	110,033	129,488	11,286	33,837
Later than one year and not later than five years	399,396	472,563	4,409	89,960
Later than five years	2,097,430	2,166,002	-	-

23. (b) Capital commitments

	Group		Association	
As at 31 March 2019	2019	2018	2019	2018
	£	£	£	£
Expenditure authorised by the Board and contracted, less certified	8.1m	10.9m	6.9m	9.6m

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 are that during the year two members were tenants of the Association. One was a member for the full year while one resigned during the 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; £8,108 (2018: £2,012) was received as rent during the course of the year. There were no rent arrears at year end.

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

24. Related Parties (continued)

BHA Enterprise Ltd

During the year the following members of the Board of Management of Berwickshire Housing Association have also been Directors of BHA Enterprise Ltd: Paul Matthews and James Fullarton.

Berwickshire Housing Association levied fees for the following amounts to BHA Enterprise Ltd during the period 1 April 2018 to 31 March 2019.

£14,500 costs for personnel working on projects (2018: £14,500)

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

£1,000 for a share of facilities management costs (2018: £3,040)

£53,403 for the rental of residential properties let by BHA Enterprise as mid-market rental properties (2018: £54,472)

BHA Enterprise Ltd also made a gift aid donation of £68,000 (£2018: £Nil) to Berwickshire Housing Association during the year.

The balance outstanding due from BHA Enterprise Ltd as at 31 March 2019 to Berwickshire Housing Association Limited was £119,051 (2018: £18,393).

BHA Enterprise Ltd has in prior years made loan advances of £250,000 to BCR and interest at 10% per annum was capitalised within the outstanding balance up until 31 March 2018. The loan entered repayment as of 1 April 2018 triggering an interest rate of 8.5%. The loan capital and interest repayments are linked to partner profit distributions from BCR, where 1/4 of any amounts distributed are utilised to repay interest and capital. Interest charged and paid in the year was £30,756 (2018, charged and capitalised: £33,000) and at the year end the balance was £359,757 (2018: £363,000). The total amount due to BHA Enterprise by BCR as at 31 March 2019 (including the loan) was £378,150 (2018: £381,393).

Berwickshire Community Renewables LLP

BHA Enterprise Ltd has a 2/3 ownership of Berwickshire Community Renewables LLP, which is therefore controlled by Berwickshire Housing Association Limited as BHA Enterprise Ltd is a wholly owned subsidiary of Berwickshire Housing Association Limited.

Berwickshire Housing Association Limited charged Berwickshire Community Renewables LLP £12,000 (2018: £14,318) for staff time provided on the operation of the windfarm. The balance outstanding from Berwickshire Community Renewables LLP to Berwickshire Housing Association as at 31 March 2019 was £153,330 (2018: £142,530).

The balance outstanding from Berwickshire Community Renewables LLP to BHA Enterprise Ltd as at 31 March 2019 was £378,150 (2018: £381,393) including a loan of £359,757 (2018: £363,000) on commercial terms.

BHA Enterprise Ltd has contributed £100,000 as its membership contribution of this limited liability partnership. BHA Enterprise's share (and there the Group's share) of Berwickshire Community Renewables LLP revenue reserves to date is £263,851 (2018: £214,256).

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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 ('SHAPS', 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.

In prior years, it was not possible 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. As such an exemption was available under FRS 102 to account for the Scheme as a defined contribution scheme. For financial years ending 31 March 2019, sufficient information will now be available for an employer in the Scheme to account for its obligations on a defined benefit basis. The Association did not take the available exemption but instead adopted the full defined benefit accounting method for the pension liability from the year ended March 2017, commissioning actuaries to provide a reasonable valuation of the Association's share of the scheme deficit. Therefore the newly available defined benefit information does not impact the disclosure in the Association's financial statements; however the Association has commissioned independent actuaries to review the assumptions utilised by the Scheme's actuaries to ensure the valuation of the Association's share of the scheme deficit is on a consistent basis.

The disclosures below explain how the net pension liability for 2019 is arrived at and the impact on the results for the year.

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

Berwickshire Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for Berwickshire Housing Association Limited was £8,706,697 (30 Sept 2016: £11,519,329).

Disclosures in relation to estimated share of scheme deficit

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

The Scheme is a funded defined benefit arrangement.

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

26. Retirement benefit obligations (continued)

Principal Actuarial Assumptions

	2019	2018
	%	%
Discount rate	2.55	2.70
Salary increases	3.35	3.20
Inflation (RPI)	3.35	3.20
Inflation (CPI)	2.35	2.20
Male mortality	90% S1PMA; CMI 2011 F1.5% Birth Year	90% S1PMA; CMI 2011 F1.5% Birth Year
Female mortality	90% S1PFA; CMI 2011 F1.25% Birth Year	90% S1PFA; CMI 2011 F1.25% Birth Year

Amounts recognised in Statement of Financial Position

	2019	2018
	£	£
Fair Value of Scheme Assets	9,327,820	8,889,788
Present value of benefit obligations	(10,866,000)	(10,599,000)
Net pension liability	(1,538,180)	(1,709,212)

Changes in defined benefit obligation

	2019	2018
	£	£
Opening defined benefit obligation	10,599,000	10,672,000
Employer service cost	-	-
Interest expense	284,000	295,000
Employee contributions	-	-
Actuarial losses/(gains)	172,000	(77,000)
Benefits paid	(189,000)	(291,000)
Closing defined benefit obligation	10,866,000	10,599,000

Changes in fair value of scheme assets

	2019	2018
	£	£
Opening fair value of scheme assets	8,889,788	8,631,289
Actual return on scheme assets less interest income	93,000	23,000
Interest income	241,000	242,000
Employer contributions – past service contributions	302,032	293,499
Employee contributions	-	-
Benefits paid	(189,000)	(291,000)
Administration costs	(9,000)	(9,000)
Closing fair value of scheme assets	9,327,820	8,889,788

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

26. Retirement benefit obligations (continued)

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

Amounts recognised in in Statement of Comprehensive Income	2019 £	2018 £
Current service cost	-	-
Administration costs	9,000	9,000
Net interest on net defined benefit obligation	43,000	53,000
Total pension cost recognised in Statement of Comprehensive Income	52,000	62,000
Amounts recognised in Other Comprehensive Income	2019 £	2018 £
Actual return on plan assets less interest income on plan assets	93,000	23,000
Change in assets not recognised due to change in surplus limitation	-	-
Actuarial gains/(losses)	(172,000)	77,000
Re-measurement gains and losses recognised in other comprehensive income	(79,000)	100,000
The major categories of scheme assets as a percentage of total plan assets are as follows:	2019 %	2018 %
Equities	23	18
Property	2	4
Bonds	45	45
Alternatives	28	32
Cash and other	2	1
Total	100	100

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2019****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.

	2019	2018
	£	£
Foreign currency hedge at 1 April	-	41,309
Movement in the year	-	(41,309)
Foreign currency hedge at 31 March	-	-

28. Contingent liabilities

	2019	2018
	£	£
Social Housing Grant	100,027	100,027

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.