

# annual report and financial statements

Bridge Homes LLP

For the year the period from 7 February 2014 to  
31 March 2015

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## MEMBERS' ANNUAL REPORT

The Members present their Annual Report and the Financial Statements for the year ended 31 March 2015.

### Reference and Administrative Information

|                                    |   |
|------------------------------------|---|
| <b>Company Name</b>                | Bridge Homes LLP  |
| <b>Company Registration Number</b> | SO304775  |
| <b>Registered Office</b>           | Council HQ<br>Newtown St Boswells<br>Melrose<br>Scottish Borders<br>TD6 0SA |

### Designated Members

The members who held office during the period and to the date of these financial statements were as follows:

Scottish Borders Council

Scottish Future Trust Investments Ltd

### Disclosure of Information to Auditor

The members who held office at the date of approval of this members report confirm that, so far as they are each aware, there is no relevant audit information of which Bridge Homes' auditor is unaware; and each member has taken all the steps they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that Bridge Homes' auditor is aware of that information.

|                |  |
|----------------|--|
| <b>Auditor</b> | KPMG LLP<br>Saltire Court<br>20 Castle Terrace<br>Edinburgh<br>EH1 2EG |
|----------------|--|

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore remain in office.

### Professional Support

The Council provides the Administrative, Legal and Financial support and advice to Bridge Homes.

### Principal Activity

The principal activity of Bridge Homes during the year was investment in mid-market residential property for domestic rental to meet an identified social need within the Scottish Borders.

## **Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members**

1. Cash received by Bridge Homes, excluding property disposal proceeds, will be allocated firstly to pay any operating costs, secondly in payment of any accrued interest charges on loan advances, thirdly to reimburse any amounts paid out under the Scottish Government guarantee (see below) and fourthly to establish and maintain the required Reserve Account balance. Any residual balances after making the above payments will be held to apply in early repayment of loan advances. Such balances will not be distributed without the unanimous approval of members and where any payment under the Facility Agreement (between Bridge Homes and Scottish Borders Council) has not been made in accordance with its terms.
2. Cash received from property disposals will be allocated firstly to reimburse any amounts paid out under the Scottish Government guarantee, secondly to pay any operating costs relating to the property disposed, thirdly in payment of any accrued interest charges on loan advances, fourthly to establish and maintain the Reserve Account balance, fifthly to repay any loan principal, sixth to pay any residual disposal proceeds to Scottish Borders Council and finally, following disposal of the final property, to repay the initial capital.

## **Business Review**

### **Background**

Scottish Borders Council (the Council) in partnership with Scottish Futures Trust Investments Ltd (SFT) have established a Council Led House Building Programme (National Housing Trust (NHT) Local Authority (LA) Variant) in order to deliver more affordable housing in the Scottish Borders in line with the Local Housing Strategy. This NHT LA Variant, Bridge homes LLP aims to deliver up to 200 homes for mid-market rent.

Bridge Homes is 99.999% owned by the Council and is financed under a Facility Agreement with the Council to borrow up to £18.8m along with a £3.3m contribution from the Councils' Affordable Housing Investment Budget.

The Scottish Government provides a guarantee of rent to cover the loan of up to £3,000 per housing unit delivered.

SFT monitors the projects as a result of the Scottish Government guarantee for the loans.

### **Governance**

The Bridge Homes Board has been established with 2 Council Senior Officers and 1 SFT Senior Officer on the Board. The Board meets quarterly and the financial viability of projects require to be signed off by all 3 Directors.

A Project Board, supported through the Council, has been established and meets regularly to oversee the development and delivery of the initiative. A Project Team, consisting of officers from the Council, has also been established to identify properties, secure property management service providers, develop systems and deliver the project.

### **Activity Summary**

In the period to 31 March 2015, Bridge Homes has purchased 10 homes, being 4 at Castle View, Ayton and 6 at Queen Elizabeth Drive, Galashiels. All properties have been rented out and interim property management arrangements put in place. Contracts have been agreed with developers to

provide a further 13 homes in Peebles, 6 in Innerleithen and 8 in Denholm. Offers to purchase have been issued to developers to provide 8 homes in Kelso, 7 in Lilliesleaf and 10 in Cardrona.

A further 45 properties in the Borders are currently under discussion with developers. In addition, with the extension to the project to 2019, a further 30 properties across 3 Council owned development sites are being pursued.

This report was signed on behalf of the Members by

**David Robertson CPFA**  
**Designated Member**  
**Scottish Borders Council**  
**29 September 2015**

## STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND FINANCIAL STATEMENTS

The members are responsible for preparing the Members' report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial period. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that year. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

## PROFIT AND LOSS ACCOUNT for the period ended 31 March 2015

|  | 07/02/14<br>to<br>31/03/15<br>£ | <i>Notes</i> |
|--|---------------------------------|--------------|
| <b>Turnover</b>  | 11,581                          | 1            |
| Cost of Sales  | (3,502)                         | 2            |
| <b>Gross Profit</b>  | <b>8,079</b>                    |              |
| Administrative Expenses  | (10,610)                        | 3            |
| <b>Operating Profit/(Loss)</b>   | <b>(2,531)</b>                  |              |
| Interest Payable & Similar Charges   | (9,584)                         | 4            |
| <b>Profit/(Loss) For The Financial Period Available For<br/>Discretionary Division Among Members</b> | <b>(12,115)</b>                 | 5            |

The LLP's turnover and expenses all relate to continuing operations.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the period ended 31 March 2015

|   | 07/02/14 to 31/03/15<br>£ |
|---|---------------------------|
| Profit/(Loss) For The Financial Period                          | (12,115)                  |
| <b>Total Recognised Gains/(Losses) For The Financial Period</b> | <b>(12,115)</b>           |

## BALANCE SHEET as at 31 March 2015

|   | as at 31 March 2015 |                  | <i>Notes</i> |
|---|---------------------|------------------|--------------|
|   | £                   | £                |              |
| <b>Fixed Assets</b>                                     |                     |                  |              |
| Investment Properties                                   | 1,289,780           |                  | 6            |
|   |                     | <b>1,289,780</b> |              |
| <b>Current Assets</b>                                   |                     |                  |              |
| Debtors   | 7,583               |                  | 7            |
| Cash at Bank  | 4,086               |                  |              |
|   |                     | <b>11,669</b>    |              |
| <b>Creditors</b>  |                     |                  |              |
| Amounts falling due within 1 year                       | (23,782)            |                  | 8            |
| <b>Net Current Assets/(Liabilities)</b>                 |                     | <b>(12,113)</b>  |              |
| <b>Net Assets/(Liabilities) attributable to Members</b> |                     | <b>1,277,667</b> |              |
| <b>Represented By:</b>                                  |                     |                  |              |
| Loans and Other Debts due to Members                    |                     | 986,380          | 9            |
| <b>Members' Other Interests</b>                         |                     |                  |              |
| Members' Capital  | 303,402             |                  | 10           |
| Profit and Loss Reserve                                 | (12,115)            |                  |              |
|   |                     | 291,287          |              |
| <b>Total Members' Interests</b>                         |                     | <b>1,277,667</b> |              |

The Accounting Policies on pages 9 and 10 and the Notes on pages 11 to 13 form part of these Financial Statements.

These financial statements were approved by the members and authorised for issue on 26 June 2015 and are signed on their behalf by:

**David Robertson CPFA**  
**Designated Member**  
**Scottish Borders Council**  
**29 September 2015**



## CASH FLOW for the period ended 31 March 2015

|   | 07/02/14 to 31/03/15 |              |
|---|----------------------|--------------|
|   | £                    | £            |
| <b>Reconciliation of Profit/(Loss) to Net Cash Flow from Operating Activities</b> |                      |              |
| Profit/(Loss) for the Financial Period  | (12,115)             |              |
| Initial Members' Capital  | 2                    |              |
| (Increase)/Decrease in Debtors  | (7,583)              |              |
| Increase/(Decrease) in Creditors due within 1 year                                | 23,782               |              |
| <b>Net Cash Inflow/(Outflow) from Operating Activities</b>                        |                      | <b>4,086</b> |

|  | 07/02/14 to 31/03/15 |                  |
|--|----------------------|------------------|
|  | £                    | £                |
| <b>Cash Flow Statement</b>                                 |                      |                  |
| <b>Net Cash Inflow/(Outflow) from Operating Activities</b> |                      | <b>4,086</b>     |
| <b>Investing Activities</b>                                |                      |                  |
| Purchase of investment property                            | (1,289,780)          |                  |
| Capital received   | 303,400              |                  |
| <b>Net Cash Inflow/(Outflow) from Investing Activities</b> |                      | <b>(986,380)</b> |
| <b>Financing Activities</b>                                |                      |                  |
| Cash received from loans and other borrowing               | 986,380              |                  |
| <b>Net Cash Inflow/(Outflow) from Financing Activities</b> |                      | <b>986,380</b>   |
| <b>Increase / (Decrease) in Cash</b>                       |                      | <b>4,086</b>     |
| <b>Movement in Cash in Period</b>                          |                      | <b>4,086</b>     |

## ACCOUNTING POLICIES

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

### Basis of Preparation

The financial statements have been prepared under historic cost accounting rules modified for the revaluation of certain fixed assets and in accordance with the Financial Reporting Standards for Smaller Entities (effective April 2008) and the Statement of Recommended Practice: Accounting by Limited Liability Partnerships (effective January 2010) issued by the CCAB (Consultative Committee of Accountancy Bodies).

### Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from tenants are accounted for as income at the date the relevant service is provided.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Interest payable on capital advances is accounted for based on the applicable 4<sup>1/2</sup> - 5 year PWLB (Public Works Loan Board) fixed interest rate applicable at the date the borrowing was initially incurred.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the revenue account, unless they properly represent capital receipts or capital expenditure.

### Turnover

Turnover represents invoiced rental income from tenanted investment properties. This rental income is exempt from value added tax.

### Investment Properties

In accordance with SSAP 19, investment properties are not depreciated or amortised but are revalued every year and the aggregate surplus or deficit is transferred to a revaluation reserve. Where there is a permanent impairment in value, the deficit is charged to profit and loss. This treatment, as regards certain of the LLP's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the members consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Where the members consider that any impairment is temporary the revaluation amount is charged against the revaluation reserve.

### **Cash and Liquid Assets**

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year.

### **Support Services**

The costs of support services provided by Scottish Borders Council are charged to Bridge Homes LLP in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP).

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Turnover

|               | 07/02/14<br>to 31/03/15<br>£ |
|---------------|------------------------------|
| Rental Income | 4,121                        |
| Revenue Grant | 7,460                        |
|               | <b>11,581</b>                |

### 2 Cost of Sales

|                    | 07/02/14<br>to 31/03/15<br>£ |
|--------------------|------------------------------|
| Management Charges | 2,565                        |
| Insurance          | 457                          |
| Utilities          | 480                          |
|                    | <b>3,502</b>                 |

### 3 Administrative Expenses

|               | 07/02/14<br>to 31/03/15<br>£ |
|---------------|------------------------------|
| Accountancy   | 2,254                        |
| Audit         | 3,000                        |
| Legal Fees    | 1,792                        |
| Miscellaneous | 3,564                        |
|               | <b>10,610</b>                |

### 4 Interest Payable & Similar Charges

|                                     | 07/02/14<br>to 31/03/15<br>£ |
|-------------------------------------|------------------------------|
| Bank Charges                        | 14                           |
| Interest Payable to Local Authority | 9,570                        |
|                                     | <b>9,584</b>                 |

### 5 Members' Interests

|  | 07/02/14<br>to 31/03/15<br>£ |
|--|------------------------------|
| Scottish Borders Council               | 12,115                       |
| Scottish Futures Trust Investments Ltd | -                            |
|  | <b>12,115</b>                |

## 6 Investment Property

|                      | 2014/15<br>£     |
|----------------------|------------------|
| Additions at Cost    | 1,289,780        |
| NBV at 31 March 2015 | <b>1,289,780</b> |

All investment property has been purchased within the current financial year. The Members therefore consider that the purchase cost is equivalent to open market value as at 31/03/15.

## 7 Debtors

|                                 | 2014/15<br>£ |
|---------------------------------|--------------|
| Unpaid Rental Income            | 121          |
| Grant for Central Support Costs | 7,460        |
| Other Debtors                   | 2            |
|                                 | <b>7,583</b> |

## 8 Creditors: Amounts Falling Due Within One Year

|                                     | 2014/15<br>£  |
|-------------------------------------|---------------|
| Management Charges                  | 2,565         |
| Insurance                           | 457           |
| Utilities                           | 480           |
| Audit                               | 3,000         |
| Accountancy                         | 2,254         |
| Legal Fees                          | 1,792         |
| Miscellaneous                       | 3,664         |
| Interest Payable to Local Authority | 9,570         |
|                                     | <b>23,782</b> |

## 9 Loans & Other Debts Due To Members

|                           | 2014/15<br>£ |
|---------------------------|--------------|
| Loan from Local Authority | 986,380      |

## 10 Members' Capital

|  | 2014/15<br>£   |
|--|----------------|
| Initial Capital - Scottish Borders Council               | 1              |
| Initial Capital - Scottish Futures Trust Investments Ltd | 1              |
| Capital Grant - Scottish Borders Council                 | 303,400        |
|  | <b>303,402</b> |

## 11 Reserves

|   | Members<br>Capital<br>(Classified<br>As Equity)<br>£ | Profit &<br>Loss<br>Reserve<br>£ | Loans &<br>Other<br>Debts Due<br>To/From<br>Members<br>£ | Total<br>£       |
|---|--|----------------------------------|--|------------------|
| Balance at 1 April 2014   | 0  | 0                                | 0  | 0                |
| Profit/(Loss) For The Period<br>Available for Discretionary<br>Division Among Members |  | (12,115)                         |  | (12,115)         |
| Loan Funding Provided<br>By Members   |  |                                  | 986,380  | 986,380          |
| Capital Introduced<br>By Members  | 303,402  |                                  |  | 303,402          |
| <b>Balance at 31 March 2015</b>   | <b>303,402</b>                                       | <b>(12,115)</b>                  | <b>986,380</b>   | <b>1,277,667</b> |

## 12 Related Party Transactions

Throughout the period Bridge Homes was controlled by the members. During the period, Bridge Homes entered into the following transactions with Scottish Borders Council:

| Transaction     | £                | Debtor/<br>(Creditor)<br>At 31 March<br>2015<br>£ |
|-----------------|------------------|---|
| Loan            | 986,380          | (986,380)   |
| Capital Funding | 303,400          | -   |
| Revenue Grant   | 7,460            | 7,460   |
| Service Charge  | 7,460            | (7,460)   |
| Loan Interest   | 9,570            | (9,570)   |
|                 | <b>1,314,270</b> | <b>(995,950)</b>                                  |

## 13 Ultimate Controlling Party

The Bridge Homes is controlled by the Designated Members as detailed on page 2.

# INDEPENDENT AUDITOR'S REPORT to the Members of Bridge Homes LLP

We have audited the financial statements of Bridge Homes LLP for the period ended 31 March 2015 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement set out on page 5, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 March 2015 and of its loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**Hugh Harvie (senior statutory auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG  
**30 September 2015**

## CONTACT INFORMATION

For further information on Bridge Homes LLP, please contact

|                           |  |
|---------------------------|--|
| Lynn Mirley               | Telephone: 01835 – 825016  |
| Corporate Finance Manager | E-mail: <a href="mailto:lmirley@scotborders.gov.uk">lmirley@scotborders.gov.uk</a> |
| Scottish Borders Council  | Council Headquarters<br>Newtown St Boswells<br>MELROSE<br>TD6 0SA                  |