

ARDENGLLEN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Registered Housing Association No. HCB 219

Financial Conduct Authority No. 2339R(S)

Charity No. SC032542

**RSM UK AUDIT LLP
Chartered Accountants**

Glasgow

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Contents

	Page
Board of Management, Executives and Advisors	1
Report of Board of Management	2 - 11
Statement of Board of Management's Responsibilities	12
Board of Management's Statement on Internal Financial Controls	13 - 14
External Auditor's Report on Corporate Governance Matters	15
Independent Auditors' Report	16 - 18
Statement of Comprehensive Income	19
Statement of Financial Position	20
Statement of Changes in Reserves	21
Statement of Cashflows	22
Notes to the Financial Statements	23 - 47

Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number 2339R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number HCB219
Charity No.	Charities and Trustee Investment (Scotland) Act 2005 Scottish Charity Number SC032542

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Board of Management, Executives and Advisors

Board of Management

The members of the Board of Management of the Association who served during the year to 31 March 2019 and up to the date of signing of these financial statements were as follows:

Maureen Cope MBE	(Chairperson)
Isa Brier	(Vice Chairperson)
Liz McKenzie	(Treasurer)
Elaine MacPhail	
Ann Marie Docherty	
Sharon Nelson	
Karen McDonagh	
Frank Young	
Mary Claire Eardley	
Mark Ingram	
Alex Warren	Appointed 11/09/2018
Lucy Carr	Appointed 11/09/2018
Isobel Pope	Resigned 11/09/2018

Company Secretary

Audrey Simpson

Senior Management Team

Audrey Simpson	Chief Executive Officer	
Diane Hendry	Director of Operations	
David Byfield	Director of Finance, Digital and Corporate Services	Appointed February 2019

Auditors

RSM UK Audit LLP
Chartered Accountants
3rd Floor
Centenary House
69 Wellington Street
GLASGOW
G2 6HG

Bankers

Bank of Scotland
82 Main Street
Rutherglen
Glasgow
G73 2HZ

Solicitors

TC Young
7 West George Street
Glasgow
G2 1B

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Report of the Board of Management

The Board of Management present their report and audited financial statements for the year ended 31 March 2019.

Overview

Ardenglen Housing Association is a social landlord and registered charity operating in the Castlemilk area of South Glasgow. Our offices and housing stock are positioned at the foot of Cathkin Braes Country Park and Cathkin Braes Mountain Bike Trails, being the highest point in Glasgow. Ardenglen Housing Association was formed in February 1990 with the aim of providing high quality social housing and large scale regeneration. The Association fully owns a subsidiary company Ardenglen Developments Limited.

Ardenglen Housing Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society, the Office of the Scottish Charity Regulator (OSCR) as a Scottish Charity and the Scottish Housing Regulator (SHR) as a Register Social Landlord.

The principal business of Ardenglen Housing Association is the provision and management of affordable housing for rent. As of 31 March 2019 the Association owned 959 properties for social rent and seven shared ownership properties. The Association also owns some commercial units, mainly 6 shop units on Tormusk Road.

Ardenglen's activities are primarily regulated by the Scottish Housing Regulator who publishes a Regulation Plan which sets out the level of engagement they will have for all social landlords on an annual basis.

During 2018/19 the Scottish Housing Regulator (SHR) reviewed their level of engagement with Ardenglen Housing Association from 'medium' to 'low'.

Over the course of 2018/19 there has been significant progress with regards to the Association's new build development consisting of 22 new homes. As such the development remains on course for completion in February 2020.

Our Purpose

"Investing in our Community"

Our Mission

"To invest in your home and our community and deliver what matters most to our customers"

Our Key Goals

Everything we do flows from our strategic. Our focus and everybody's efforts are on delivering high quality services to enhance our community.

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Report of the Board of Management (continued)

Our Purpose is delivered by the following Goals:

- Doing what matters most to customers
- Investing in homes and our community
- Making us stronger for the future

Our Values

We have core values on which all of our work is based:

- **Respect:** *"we treat others the way we would wish to be treated ourselves".*
- **Integrity:** *"we deliver on our promises".*
- **Above & Beyond:** *"Continuous improvement is part of everyone's job and customer satisfaction is everybody's responsibility".*

Strategy for Achieving Objectives

The Board of Management and staff attended a strategic planning event in March 2019. The purpose of this session was to look to the future, considering the risks, opportunities, threats and our strengths. This session helped to set out our delivery plans and facilitated a collaborative approach to the development of a vision, purpose, values and strategic objectives aligned to the future direction of the Association for implementation in April 2019.

To be a great organisation we recognise that we need to get two things right. Firstly we need to keep our finances strong. If we don't, we can't achieve our vision and goals. Secondly and directly related to the first, we need to deliver the things our customers want and expect from their landlord and in a way that achieves value for money.

There is no doubt our operating environment will remain challenging with a number of external changes that are out with our control. However, with strong and effective governance, leadership and financial and treasury management, we can continue to thrive through challenging times. The key areas that are out with our control that impact on our business include changes to legislation, regulation, inflation, pension deficit and political factors such as Brexit. As an organisation we keep ourselves up to date with local, national, political and economic movement as well as future projections.

Moving forward, our strategic plan is about successfully navigating the future by ensuring we have excellent governance and leadership, clarity of vision, a very strong financial base and a culture committed to exceptional customer service. We want to also ensure we are offering new ways for customers to connect with us, including developing a digital strategy introducing new platforms to access services.

Business Model

We have worked hard to develop a Business Model which allows us to be confident that future decisions are based on hard evidence and that previous financial assumptions have been updated and critically modelled. The ability for detailed scenario planning will also allow us to consider innovative funding solutions to support future housing or regeneration activities.

We need to achieve more with the resources we have available. The effective control of all operating costs and overheads is critical and over the last few years we have become leaner and more effective. We need to continue to drive value for money harder so that a more cost conscious culture is embedded.

Financial strength and strong treasury management is critical to delivering our vision and goals. Our focus is on making the right decisions for the long term and our plans for the future are built on delivering planned efficiencies and taking measured risks in order to achieve our objectives.

As a landlord, a developer and a provider of social and economic regeneration, we recognise that our customer expectations are changing and that we have to continuously improve our services. We must also recognise and be mindful of the changing demographics, particularly around an aging population. It is important that we know who our customers are, now and in the future, and ensure our services are accessible to all, identifying solutions to eradicate any barriers, or potential barriers.

The external environment has changed dramatically with public austerity measures meaning Ardenglen and our partners need to do more with less, demonstrate the value for money of our services and focus on performance.

This is the challenge our Business Model must face. A strong social ethos has been the backbone of our success; however this must be linked to a commitment to commercial efficiency, without which we would not have the resources to deliver those objectives.

Development and Performance

The Association continued to focus on customer services, where we embraced a more radical long term agenda of rethinking of our housing systems and how we deliver services. This has included the incorporation of "Lean" management with an emphasis on removing waste or work activities which do not create customer value.

We looked at what matters most to our customers and rather than simply looking at "costs" in isolation, instead turned our attention on the cause of costs. It involved taking a fresh look through the eyes of our customer's at our services as a system and we designed policies and procedures to deliver that system in the most efficient way.

This is an ongoing process which we believe will continue to produce efficiencies which will assist in keeping rents affordable.

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Report of the Board of Management (continued)

Ardenglen was pleased therefore that our 2016 Customer Satisfaction Survey reported that *"taking into account the accommodation and services Ardenglen provides"*, 99% of customers thought this represented good Value for Money.

Overall satisfaction with Ardenglen's services increased from 96% in 2013 to 98% in 2016. Satisfaction with the Repairs Service has remained very high at 95% and over 98% of tenants said Ardenglen was good at keeping them informed about services or decisions.

A new Customer Satisfaction Survey is due for completion in Q2 of 2019.

Future Prospects

Ardenglen's future prospects are directly linked to achieving success in the three strategic goals we have set ourselves over the next five years:

Goal 1: Doing What Matters Most to Customers

Our customers need to be at the centre of everything we do and we want to provide reliable and valued services for them. We regularly ask our customers what is important to them and will respond to their priorities in the development of our services. The Scottish Housing Charter sets out the standards and results we should achieve and we will work to continuously improve the outcomes for customers.

We are aware that customers put a high value on being kept informed and involved in decisions that affect them and we need to ensure we offer appropriate opportunities for participation. Our customers have been through a tough few years with austerity cuts and we know this will continue over the coming years. Welfare Reform continues to place a significant risk to our tenants and other residents. We developed and implemented a Welfare Reform Strategy setting out what we will do to mitigate the risk and support our tenants.

Going forward we will be developing a customer engagement strategy, developing our approach to how we engage with our customers, harness business intelligence to drive service improvements, and link this into our delivery plans.

We pride ourselves on being a listening and learning organisation. We value complaints and have a robust system and culture to ensure we learn when things do not go right. This feedback from customers is invaluable, and gives us great insight for shaping services. We pride ourselves on minimising recurring complaints, truly demonstrating our commitment to continuous learning and improving.

We offer a welfare rights services two days a week, in partnership with Money Matters. This service is highly valued by customers and has been extremely successful over the past year. This service has successfully engaged with 266 customers, resulting in financial gains of £622,807.

Goal 2: Investing in Homes and our Community

We recognise that repairs are often the service most valued by customers and we will keep working with our partners to continuously improve the service we deliver and ensure our homes are well maintained. Mears are working with us to deliver our day to day repairs service and overseeing the works required when properties become empty, preparing them for allocating to a new tenant.

We know fuel poverty is a real concern for our customers. We have continued to improve the energy efficiency of our homes resulting in 100% compliance with the Energy Efficiency Standard for Social Housing (EESH) which will become mandatory in 2020. We will continue to offer services to ensure our customers can access advice around fuel and tariffs.

National austerity measures have put our customers under unprecedented economic and social pressure. We are now the "anchor" organisation for our community and our regeneration work is aimed at building partnerships to address vital "non housing" issues such as health, work, learning and engagement.

We have a good reputation for delivering new homes and services and want this to continue. We must ensure however that we do this within prudent financial limits and do not put our existing assets at risk.

Goal 3: Making us Stronger for the Future

We continue to operate in a volatile and uncertain environment. While this creates risk, our response is all about managing our threats and opportunities and creating an environment of 'No Surprises.'

Strong and effective governance is fundamental to our success. We commissioned an independent governance review during the course of 2018/19 to demonstrate compliance against the Regulatory Standards of Governance and Financial Management. Our Board of Management have embedded a Governance Leadership Charter which makes a commitment to continue to develop and improve our governance, making us stronger for the future.

We know that simply doing the old things slightly better is no longer an option and innovative and efficient ways of working; incorporating ideas such as Lean Thinking are the way forward. We need to ensure that our services and processes are fit for the future and offer value for money and that our governance and financial structures support and compliment what we are trying to achieve.

Every employee has a crucial role to play in delivering our goals. We aim to continue to develop a culture of challenge and support to help our people succeed and develop and build their careers. We successfully retained our Investors in People Accreditation, however, we have developed an ambitious action plan to ensure we continue to develop a positive culture, systems, processes and behaviours to maximise our success, drive improvements in performance and explore innovative ways of working.

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
 Report of the Board of Management (continued)

Principal Risks and Uncertainties

There is no escaping the changing economic, political and social environment in which we now operate and the risks and demands which have resulted.

Risk management for Ardenglen is all about managing our threats and opportunities, and creating a culture and environment of 'No Surprises.'

By managing our threats effectively we will be in a stronger position to deliver our business objectives. By managing our opportunities well we will be in a better position to provide improved services and better value for money.

The Association has developed an organisational structure, a range of policies, procedures and comprehensive insurances, which together make up the Risk Management Strategy which aims to be transparent, co-ordinated, publicly credible and effective.

The Association's Risk Register is a dynamic document under regular review which maps the likelihood, impact and risk mitigation measures across known and future risks and assesses these as Low, Moderate, Significant, High.

As at 31 March 2019 the "Top Five" Risks have been identified as:

Risk Description	Risk Mitigation Actions
<i>Failure to meet the regulatory outcomes expected by the Scottish Housing Charter</i>	Continuous review of performance with KPI's in place – Senior Management Team and Board of Management regularly review progress of annual delivery plans and associated KPIs. Benchmarking performance with our peers and learning from others to improve performance. A robust training and development plan for staff, to ensure we have highly qualified and knowledgeable staff.
<i>Increase in Rent Arrears</i>	It is likely that the Association will be faced with increasing arrears as a result of economic downturn and benefit reforms. The Association aims to monitor performance carefully in this area and have adjusted assumptions to reflect the likely impact of Universal Credit.

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Report of the Board of Management (continued)

Risk Description	Risk Mitigation Actions
<i>Increase in Rent Arrears (continued)</i>	We continue to offer a very successful welfare rights service, supporting residents to access the benefits they are entitled to and maximise income. We have developed a Welfare Reform Strategy and are working closely with tenants and other agencies to mitigate the risk of Universal Credit. We have invested in new software, providing a platform to manage rent arrears more effectively.
<i>Rent Affordability</i>	A number of external factors place financial pressure on us. This includes reduced income as a result of Universal Credit; changes in legislation that require increased capital investment or resources; as well as the potential for inflation to increase having a cost impact for the Association. A number of actions are outlined in the section above, specific to rent arrears, in addition, we are embedding a culture where we have a programme to review not just services but processes to ensure we are working as efficiently as possible. We will also be developing a Value for Money strategy in 2019 to support this. Partnership working has never been more important than it is now. We are continually reviewing our current partnerships to measure effectiveness as well as exploring and identifying new partnerships to help support the delivery of our strategic goals.
<i>Increase in Pension Deficit</i>	5 & 30 Year Financial Plan updated annually. Full sensitivity analysis, scenario planning of pension liabilities. Attendance at all SHAPS briefing sessions. Auto enrolment into DC Scheme. Regular updates to the Board. Full pension uptake modelled in financial plans.
<i>Board of Management Members have insufficient skills to undertake role</i>	Our Board of Management has engaged in a robust appraisal process and a training and development plan is being developed. We are identifying new potential Board members with the relevant skills, knowledge and experience to strengthen the Board and support Ardenglen in achieving our Strategic Goals.

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
 Report of the Board of Management (continued)

Key Performance Indicators

The Association's relevant Key Performance Indicators (KPI's) are based on data submitted in the Annual Return on the Charter (ARC) an annual return made by all Registered Social Landlords to the Scottish Housing Regulator.

Table 1: Summary of Performance Outputs Reported in the ARC

Indicators	2018/19	2017/18	Scottish Average 2017/18
Gross Rent Arrears (Indicator 31)	4.14%	4.2%	5.41%
Reactive Repairs "right first time" (Indicator 13)	92.56%	95.33%	92.23%
Satisfaction with Repairs Service (Indicator 16)	95.31%	95.31%	92.13%
Average time to complete Emergency Repair (Indicator 11)	2.51 hours	2.17 hours	3.96 hours
Average time to complete non- Emergency Repair (Indicator 12)	5.35 days	4.57 days	6.38 days
Annual Gas Safety Inspections (Indicator 15)	100%	100%	99.81%
Anti-Social Behaviour cases resolved in target (Indicator 19)	94.23%	91.89%	87.88%
Average Time to re-let a property (Indicator 35)	10.49 days	14.12 days	30.73 days
Void Rent Loss (Indicator 34)	0.14%	0.37%	0.85%
SHQS Compliance	100%	100%	94.2%

The Board of Management is pleased to report that Arden Glen continues to perform extremely well against the relevant Scottish Average Benchmarks.

Further detailed KPI information as well as a useful KPI comparison tool can be found at www.scottishhousingregulator.gov.uk.

Financial Review

The Association made a surplus for the year of £156,783 (2018: surplus £340,659). During the year, £1.76 million was invested in the housing stock, £476,720 on component renewals and £1.29 million developing new housing units bringing the total spend on our Housing Properties to £27.46 million.

Turnover of £3.99 million (2018: £3.86m) was generated in the year (of which £3.82 million relates to the income from the letting of properties at affordable rents). Rent increases during 2018/19 were 3.0%.

At 31 March 2019 £18.83 million was held in reserves.

The SHAPS pension scheme had previously been treated as a defined contribution scheme in line with FRS 102 with a liability of £470k recognised as at 31 March 2018 based on the Net Present Value of the past service deficit funding agreement. Due to recent developments as at 1 April 2018 the share of assets and liabilities per employer is now available such that the scheme can now be accounted for on a defined benefit basis. Further detail in relation to this change in accounting is included in the accounting policy on page 27 and Note 23 to the financial statements.

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Report of the Board of Management (continued)

The new defined benefit liability as at 1 April 2018 is £922k, resulting in a remeasurement through other comprehensive income of £452k. The new defined benefit liability as at 31 March 2019 is £1,003k. This has therefore resulted in an increase in the liability at 31 March of £81k. This movement in other comprehensive income results in a Total Comprehensive Loss for the year of £434,217.

Governance

The Board of Management has the responsibility for setting and monitoring the strategy, policy and overall direction of the Association. The members of the Board of Management serve on a voluntary basis and are unpaid.

Our Board of Management takes the lead on setting the values and strategic direction of Ardenglen. This is done within a framework of sound governance, continuous improvement and prudent and effective control which enables risks to be properly assessed and managed.

During the course of 2018/19 an independent governance review was completed in order to ascertain our compliance with the Regulatory Standards of Governance and Financial Management. This piece of work was carried out by highly qualified governance experts and provided us with a complete 'health check' in this area. Our ethos is very much about continuous improvement and our Board aspires to be 'the best Board'. The governance review recommendations resulted in development of a robust action plan which is well underway.

A robust appraisal process was introduced during the year, where individual members are appraised; the effectiveness of the Board as a whole evaluated on an on-going basis and a 360 appraisal of the Chair. A skills audit was carried out as part of this process and training and development plan prepared.

With the ever changing role and complexity of housing associations, we recognise that we need a wide range of skills and experience to be able to maintain effective governance. We will continue to explore opportunities to furnish our Board of Management with appropriate skills to support and lead Ardenglen forward.

Going Concern

The Board of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of Information to the Auditor

The members of the Board of Management at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

ARDENGLEN HOUSING ASSOCIATION LTD

For the year ended 31 March 2019

The Board of Management's Statement of Internal Financial Control (continued)

The effectiveness of the Association's system of internal financial control has been reviewed by the Audit Committee/Board of Management for the year ended 31 March 2019. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By Order of the Board of Management

Name:



Date:

27th Aug 2019

ARDENGLEN HOUSING ASSOCIATION LTD

For the year ended 31 March 2019

The Board of Management's Statement of 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; and
- 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 or failure to meet objectives. 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 the Association's assets;
- experienced and suitably qualified staff take responsibility for the 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 Board of Management to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- monthly/quarterly management accounts 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 Audit Committee/Board of Management receives reports from management and from the external 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; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through external audit reports.

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Report of the Board of Management (continued)

Auditor

A resolution for the reappointment of RSM UK Audit LLP as auditor is to be proposed at the forthcoming Annual General Meeting

By Order of the Board of Management.

Name:

A dark, rectangular redaction box covering the signature of the person on behalf of the Board of Management.

Date: 20/8/19

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Statement of the Board of Management's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board of Management to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Board of Management is required to:

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association and 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 2019. It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

ARDENGLEN HOUSING ASSOCIATION LTD

For the year ended 31 March 2019

Report by the Auditors to the members of Ardenglen Housing Association Ltd on Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 13 and 14 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents. 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 reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 13 and 14 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory 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.



RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date: 2/9/19

ARDENGLEN HOUSING ASSOCIATION LTD

For the year ended 31 March 2019

Independent Auditors' Report to the members of Ardenglen Housing Association Ltd

Opinion

We have audited the financial statements of Ardenglen Housing Association (the 'Association') for the year ended 31 March 2019 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cashflows and 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 FRS 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 Association's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been 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 FRC'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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, 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.

ARDENGLLEN HOUSING ASSOCIATION LTD

For the year ended 31 March 2019

Independent Auditors' Report to the members of Ardenglen Housing Association Ltd

Opinion on other matters under the Co-operative and Community Benefit Societies Act 2014

In our opinion, the following continued to apply throughout the year of account:

- the reason given by the Board in respect of a previous year of account for Ardenglen Housing Association subsidiary to not be dealt with in the financial statements (having been approved by the FCA under section 99, subsection (3)); and
- the grounds given by the Board for that reason.

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 received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 12, the Board is 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 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 have 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

ARDENGLEN HOUSING ASSOCIATION LTD

For the year ended 31 March 2019

**Independent Auditors' Report to the members of Ardenglen Housing Association Ltd
(continued)**

Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 7 of 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.



RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor, Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date 2/9/19

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Statement of Comprehensive Income

	Notes	2019 £	2018 £
TURNOVER	2	3,989,528	3,856,893
Operating expenditure	2	(3,553,632)	(3,257,392)
OPERATING SURPLUS	2	435,896	599,501
(Loss) on disposal of property, plant and equipment	9	(105,816)	(103,630)
Interest receivable	6	11,743	8,942
Interest and financing costs	7	(185,040)	(164,154)
SURPLUS BEFORE TAX		156,783	340,659
Taxation		-	-
SURPLUS FOR THE YEAR		156,783	340,659
Initial recognition of multi-employer defined benefit scheme	23	(452,000)	-
Actuarial loss in respect of pension scheme	23	(139,000)	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	8	(434,217)	340,659

The results for the year relate wholly to continuing activities.

The accompanying notes form part of these financial statements.



ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Statement of Financial Position

	Notes	2019 £	2018 £
FIXED ASSETS			
Housing properties	11.A	22,901,556	22,144,342
Other fixed assets	11.B	505,722	558,172
Investment in subsidiary	12	1	1
		<u>23,407,279</u>	<u>22,702,515</u>
CURRENT ASSETS			
Trade and other debtors	13	270,237	461,966
Cash and cash equivalents		<u>4,889,587</u>	<u>2,623,047</u>
		5,159,824	3,085,013
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	14	<u>(1,217,328)</u>	<u>(892,477)</u>
NET CURRENT ASSETS		<u>3,942,496</u>	<u>2,192,536</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		27,349,775	24,895,051
Creditors: amounts falling due after more than one year	15	(7,508,517)	(5,150,752)
Provisions for liabilities			
Pension provision	19	-	(470,000)
Pension defined benefit liability	23	(1,003,000)	-
Other provisions	19	(12,847)	(14,660)
		<u>(8,524,364)</u>	<u>(5,635,412)</u>
TOTAL NET ASSETS		<u>18,825,411</u>	<u>19,259,639</u>
RESERVES			
Share capital	20	104	115
Income and expenditure reserve		<u>18,825,307</u>	<u>19,259,524</u>
		<u>18,825,411</u>	<u>19,259,639</u>

The financial statements on pages 19 to 47 were approved by the Board of Management and authorised for issue on 20/8/19 and signed on its behalf by:

Secretary: 

Member: 

Member: 

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Statement of Changes in Reserves

	Income and expenditure reserve	Share Capital	Total
	£	£	£
Balance as at 31 March 2017	18,918,865	154	18,919,019
Issue of Shares	-	15	15
Cancellation of Shares	-	(54)	(54)
Other Comprehensive income	-	-	-
Surplus for the year	340,659	-	340,659
Balance at 31 March 2018	19,259,524	115	19,259,639

	Income and expenditure reserve	Share Capital	Total
	£	£	£
Balance as at 31 March 2018	19,259,524	115	19,259,639
Issue of Shares	-	10	10
Cancellation of Shares	-	(21)	(21)
Other Comprehensive income	(591,000)	-	(591,000)
Surplus for the year	156,783	-	156,783
Balance at 31 March 2019	18,825,307	104	18,825,411

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Statement of Cashflows

	Notes	2019	2018
		£	£
Net cash generated from operating activities	21	1,628,786	1,190,572
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(1,768,201)	(864,556)
Proceeds from sale of tangible fixed assets		-	21,395
Grants received		1,263,551	53,360
Interest received		11,743	8,942
NET CASH (USED IN) INVESTING ACTIVITIES		<u>(492,907)</u>	<u>(780,859)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(180,120)	(158,154)
New secured loans		1,700,000	-
Repayments of borrowings		(389,229)	(372,444)
Increase in share capital		10	15
NET CASH FROM/(USED) IN FINANCING ACTIVITIES		<u>1,130,661</u>	<u>(530,583)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>2,266,540</u>	<u>(120,870)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,623,047	2,743,917
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>4,889,587</u>	<u>2,623,047</u>

ARDENGLLEN HOUSING ASSOCIATION LTD

For the year ended 31 March 2019

Notes to the Financial Statements

1. ACCOUNTING POLICIES

LEGAL STATUS

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The address of the Company's registered office and principal place of business is 355 Tormusk Road, Castlemilk, Glasgow, G45 0HF.

The Association's principal activities are as described within the Report of the Board of Management. The nature of the Association's operations are as described within the Report of the Board of Management.

Ardenglen Housing Association Ltd meets the definition of a Public Benefit Entity.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and comply with the Determination of Accounting Requirements 2019, and under the historical cost convention.

The financial statements are prepared in Sterling (£).

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below:

Useful lives of property; Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the asset management projections and reactive repairs expenditure.

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 23). The net defined benefit pension liability at 31 March 2019 was £1,003k.

GOING CONCERN

The Board of Management has reviewed the results for this year and also reviewed the projections for the next five years. On that basis the Board of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

TURNOVER AND REVENUE RECOGNITION

Turnover comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sale of properties built for sale, other services provided at the invoice value (excluding VAT) and revenue grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

GOVERNMENT GRANTS

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant a liability is included in the Statement of Financial Position to recognise this obligation.

OTHER GRANTS

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

OTHER INCOME

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

Investment income

Investment income is recognised on an accruals basis.

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at valuation less accumulated depreciation on the components other than structure.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover.

The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

DEPRECIATION OF HOUSING PROPERTIES

Freehold land or assets under construction are not depreciated.

The Association separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the following years:

Structure	60 years
Land	Nil
Assets under construction	Nil
Windows	50 years
Kitchens	20 years
Bathrooms	30 years
Boilers	15 years

IMPAIRMENT OF FIXED ASSETS

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the RSL estimates the recoverable amount of the asset.

IMPAIRMENT OF FIXED ASSETS (continued)

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the statement of comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

OTHER TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Freehold buildings	over 30 years
Fixtures, fittings and equipment	4 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale.

All other borrowing costs are expensed as incurred.

TAXATION

Ardenglen Housing Association Limited has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

VAT

The Association is VAT registered, however a large proportion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of VAT.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense. Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

EMPLOYEE BENEFITS (continued)

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Association is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

RETIREMENT BENEFITS

Defined benefit plans

In previous years, the Association was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHAPS. For the year ended 31 March 2018, the Association had recognised a past service deficit liability of £470k, within provisions, based on the present value of the Association's deficit funding agreement.

For the year ended 31 March 2019, the Association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability that was previously recognised within provisions of £470k was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £922k was recognised at this date in the statement of financial position. The resulting net difference of £452k on initial recognition of the SHAPS obligation was recognised in other comprehensive income.

As at the year ended 31 March 2019, the net defined benefit pension deficit liability was £1,003k, which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2019, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 23 for more details.

Defined contribution plans

The SHAPS offers a defined contribution option which some employees take advantage of. For defined contribution schemes the amount charged to income and expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

FINANCIAL INSTRUMENTS

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a

FINANCIAL INSTRUMENTS (continued)

legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

Derecognition of financial assets and liabilities (Continued)

liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

PROVISIONS

Provisions are recognised when the Association has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

ARDENGLLEN HOUSING ASSOCIATION LTD

For the year ended 31 March 2019

Notes to the Financial Statements (continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

	Note	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £	Operating Surplus/ (Deficit) 2018 £
Social lettings	3	3,864,561	(3,322,989)	541,572	714,894
Other activities	4	124,967	(230,643)	(105,676)	(115,393)
Total		<u>3,989,528</u>	<u>(3,553,632)</u>	<u>435,896</u>	<u>599,501</u>
2018		<u>3,856,893</u>	<u>(3,257,392)</u>	<u>599,501</u>	

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing	Shared Ownership	2019 Total	2018 Total
	£	£	£	£
Rent receivable net of identifiable service charges	3,809,378	15,403	3,824,781	3,708,756
Service charges	-	-	-	-
Gross income from rents and service charges	3,809,378	15,403	3,824,781	3,708,756
Less: Rent loss from voids	(5,344)	-	(5,344)	(13,743)
Net income from rents and service charges	3,804,034	15,403	3,819,437	3,695,013
Grants released from deferred Income	6,670	-	6,670	5,618
Grants from Scottish Ministers	38,454	-	38,454	27,080
Total turnover from affordable letting activities	3,849,158	15,403	3,864,561	3,727,711
Management and maintenance administration costs	1,539,587	3,993	1,543,580	1,328,295
Service costs	-	-	-	-
Planned and cyclical maintenance including major repairs costs	442,584	-	442,584	432,931
Reactive maintenance costs	394,195	-	394,195	555,392
Bad debts – rents and service charges	42,643	-	42,643	25,678
Depreciation of affordable let properties	895,373	4,614	899,987	670,521
Operating Costs for affordable letting activities	3,314,382	8,607	3,322,989	3,012,817
Operating Surplus for affordable letting Activities	534,776	6,796	541,572	714,894
2018	709,059	5,835	714,894	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £-nil (2018 - £nil).

The Association did not provide supported housing during the year.

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or (deficit)	Operating surplus or (deficit) for previous period of account
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction and management of housing	-	55,461	-	3,955	59,416	-	200,277	(140,861)	(160,804)
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	1,494	1,494	-	1,613	(119)	(418)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	-	-	-
Contracted out activities undertaken for other organisations	-	-	-	-	-	-	-	-	54
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-	-
Uncapitalised development administration costs	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	64,057	64,057	-	28,753	35,304	45,775
Total from other activities	-	55,461	-	69,506	124,967	-	230,643	(105,676)	(115,393)

2018

Included within other activities are other rental income of £63,361 (2018 - £63,361) and the release of housing benefit received of £96 (2018 - £3,281). Included within other revenue grants is Big Lottery Funding of £41,921 (£53,983 received in year less deferred income of £12,063) (2018: £42,528 (£47,935 received in year less deferred income of £5,407)).

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

5. ACCOMMODATION IN MANAGEMENT	2019	2018
The number of units in Management at 31 March was as follows:		
	No	No
New build	406	405
Rehabilitation – leased	1	1
Rehabilitation	254	254
Shared ownership	7	8
Mortgage to rent	13	13
SST	291	291
Total Units in Management	<u>972</u>	<u>972</u>
6. INTEREST RECEIVABLE AND SIMILAR CHARGES	2019	2018
	£	£
Interest on bank deposits	<u>11,743</u>	<u>8,942</u>
7. INTEREST PAYABLE AND SIMILAR CHARGES		
	2019	2018
	£	£
Interest arising on:		
Bank loans and overdrafts	180,120	158,154
Defined benefit pension charge	23,000	6,000
	<u>203,120</u>	<u>164,154</u>
Less: Interest capitalised	<u>(18,080)</u>	<u>-</u>
	<u>185,040</u>	<u>164,154</u>
8. OPERATING SURPLUS OR DEFICIT		
	2019	2018
	£	£
Operating surplus is stated after charging/(crediting):		
Depreciation of housing properties	899,987	670,521
Depreciation of other tangible fixed assets (note 11.B)		
- owned	57,634	57,784
Deficit on disposal of tangible fixed assets (note 9)	<u>105,816</u>	<u>103,630</u>
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
	2019	2018
	£	£
Audit services - statutory audit of the Association	<u>11,419</u>	<u>10,982</u>

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

9. SURPLUS OR DEFICIT ON SALE OF FIXED ASSETS – HOUSING PROPERTIES

	2019 £	2018 £
Disposal proceeds	-	21,395
Carrying value of fixed assets	<u>(105,816)</u>	<u>(125,025)</u>
	(105,816)	(103,630)
Capital grant repaid	-	-
Deficit	<u>(105,816)</u>	<u>(103,630)</u>

10. EMPLOYEES

	2019 No.	2018 No.
The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:		
Office and management/Administration	17	18
Housing support and care	-	-
Development	-	-
	<u>17</u>	<u>18</u>

	2019 £	2018 £
Staff costs for the above persons:		
Wages and salaries	725,623	593,775
Social security costs	60,616	54,776
Other pension costs and current service cost (note 23)	84,812	100,771
Defined contribution pension cost	43,923	36,312
Agency Staff	21,000	21,000
	<u>935,974</u>	<u>806,634</u>

Key management personnel are composed of the Board of Management and the Senior Management Team.

Severance payments of £93,779 were paid during the year following a staff re-structuring.

There were the following key management personnel who received emoluments (excluding pension contributions) in excess of £60,000 within the following ranges:

	2019 No.	2018 No.
£60,000 - £69,999	1	1
£70,000 - £79,999	<u>-</u>	<u>-</u>

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to Financial Statements (continued)

10. EMPLOYEES (continued)

	2019 £	2018 £
Aggregate gross emoluments for key management personnel	<u>231,307</u>	<u>232,568</u>
Aggregate emoluments for key management personnel (excluding pension contributions)	<u>191,130</u>	<u>207,430</u>
The emoluments of the Chief Executive (excluding pension contributions)	<u>69,262</u>	<u>58,718</u>
Aggregate pension contributions in relation to key management personnel	<u>40,177</u>	<u>25,138</u>

No payment or fees or other remuneration was made to the Board members during the year. The Association operates a salary sacrifice scheme to all members of the pension scheme.

11.A TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Cost	Social Housing Properties Held for Letting £	Housing Properties For Letting Under Construction £	Completed Shared Ownership Housing Properties £	Total Housing Properties £
1 April 2018	25,428,503	309,782	174,405	25,912,690
Additions	15,459	1,222,174	-	1,237,633
Properties acquired	48,664	-	-	48,664
Works to existing properties	476,720	-	-	476,720
Disposals	(212,732)	-	-	(212,732)
Transfer	104,277	(83,557)	(20,720)	-
31 March 2019	<u>25,860,891</u>	<u>1,448,399</u>	<u>153,685</u>	<u>27,462,975</u>
Depreciation and impairment				
1 April 2018	3,747,197	-	21,151	3,768,348
Depreciation charged in year	895,373	-	4,614	899,987
Released on disposal	(106,916)	-	-	(106,916)
Transfer	2,200	-	(2,200)	-
31 March 2019	<u>4,537,854</u>	<u>-</u>	<u>23,565</u>	<u>4,561,419</u>
Net book value				
31 March 2019	<u>21,323,037</u>	<u>1,448,399</u>	<u>130,120</u>	<u>22,901,556</u>
31 March 2018	<u>21,681,306</u>	<u>309,782</u>	<u>153,254</u>	<u>22,144,342</u>

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

11.A TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

	2019 £	2018 £
Value of land included in cost	<u>2,309,753</u>	<u>2,291,019</u>

The amount of capitalised interest during the year was £18,080 (2018 £nil).

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2019 £	2018 £
Improvement work capitalised	15,459	4,385
Replacement component spend capitalised	476,720	598,986
Amounts charged to income and expenditure	212,455	129,887
Total major repairs spend	<u>704,634</u>	<u>733,258</u>

11.B TANGIBLE FIXED ASSETS OTHER

	Freehold property £	Computers and Office Equipment £	Furniture, fixtures and fittings £	Total £
Cost				
1 April 2018	948,572	277,242	99,478	1,325,292
Additions	-	804	4,380	5,184
31 March 2019	<u>948,572</u>	<u>278,046</u>	<u>103,858</u>	<u>1,330,476</u>
Depreciation and impairment				
1 April 2018	436,095	239,583	91,442	767,120
Depreciation charged in year	31,648	21,300	4,686	57,634
31 March 2019	<u>467,743</u>	<u>260,883</u>	<u>96,128</u>	<u>824,754</u>
Net book value				
31 March 2019	<u>480,829</u>	<u>17,163</u>	<u>7,730</u>	<u>505,722</u>
31 March 2018	<u>512,477</u>	<u>37,659</u>	<u>8,036</u>	<u>558,172</u>

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to Financial Statements (continued)

12. SUBSIDIARY UNDERTAKINGS

The Association's subsidiary undertakings are:

<i>Name of undertaking</i>	<i>Class of shareholding</i>	<i>Proportion of nominal value held directly</i>	<i>Nature of Business</i>
Ardenglen Developments Limited	Ordinary	100% (2018: 100%)	Renting out of office space adjacent to the Association's own offices.

13. DEBTORS

	2019	2018
	£	£
Amounts falling due within one year:		
Rent and service charges receivable	138,450	133,319
Less: provision for bad and doubtful debts	<u>(85,980)</u>	<u>(60,720)</u>
	52,470	72,599
HAG receivable	22,372	212,730
Other debtors	23,459	11,013
Prepayments and accrued income	<u>171,936</u>	<u>165,624</u>
	<u>270,237</u>	<u>461,966</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Debt (note 17)	384,659	353,825
Rent and service charges received in advance	62,514	54,888
Deferred capital grants (note 16)	6,670	5,618
Trade creditors	471,304	158,829
Other creditors	232,560	224,268
Accruals and deferred income	59,621	82,114
Amounts due to Group undertakings	-	12,935
	<u>1,217,328</u>	<u>892,477</u>

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £	2018 £
Debt (note 17)	5,893,020	4,630,083
Other Creditors	29,357	-
Deferred capital grant (note 16)	<u>1,586,140</u>	<u>520,669</u>
	<u>7,508,517</u>	<u>5,150,752</u>
	2019 £	2018 £
Included in creditors are:		
Amounts repayable other than by instalments falling due after more than five years	<u>3,146,115</u>	<u>1,878,318</u>
Amounts repayable by instalments falling due after more than five years	<u>4,362,402</u>	<u>3,272,434</u>

16. DEFERRED CAPITAL GRANT

	2019 £	2018 £
As at 1 April	526,287	378,711
Grant received in the year	1,073,193	153,194
Capital grant released	<u>(6,670)</u>	<u>(5,618)</u>
As at 31 March	<u>1,592,810</u>	<u>526,287</u>
Amounts to be released within one year	6,670	5,618
Amounts to be released in more than one year	<u>1,586,140</u>	<u>520,669</u>
	<u>1,592,810</u>	<u>526,287</u>

17. DEBT ANALYSIS – BORROWINGS

	2019 £	2018 £
Creditors: amounts falling due within one year:		
Bank loans	<u>384,659</u>	<u>353,825</u>
Creditors: amounts falling due after more than one year:		
Bank loans	<u>5,893,020</u>	<u>4,630,083</u>
Total	<u>6,277,679</u>	<u>4,983,908</u>

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Bank Borrowings are secured by specific charges on the Association's properties and are repayable at rates of interest ranging from 1.14% to 5.62% (2018 – 1.45% to 5.62%). The Association makes monthly and quarterly repayments of the bank borrowings.

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

17. DEBT ANALYSIS – BORROWINGS – (continued)

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2019	2018
	£	£
Due within one year	384,659	353,825
Due in one year or more but less than two years	388,985	329,619
Due between two and five years	1,158,633	1,028,030
Due more than five years	4,345,402	3,272,434
	<u>6,277,679</u>	<u>4,983,908</u>

18. FINANCIAL INSTRUMENTS

	2019	2018
	£	£
<i>Financial assets:</i>		
Debt instruments measured at amortised cost	<u>5,159,824</u>	<u>3,085,013</u>
<i>Financial liabilities:</i>		
Measured at amortised cost	<u>9,758,276</u>	<u>6,527,889</u>

19. OTHER PROVISIONS

	Pension Deficit Funding £	Holiday pay £
1 April 2018	407,000	14,660
Utilised in the year	-	(14,660)
Additional provision in year	-	12,847
Released re change in accounting	<u>(407,000)</u>	
31 March 2019	<u>-</u>	<u>12,847</u>

Holiday Pay

This represents holiday accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the statutory cost payable for the period of absence.

Pension Deficit Funding

This provision has been eliminated following a change to accounting treatment and has been replaced by the provision for pension defined benefit liability in note 23.

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019

Notes to the Financial Statements (continued)

20. SHARE CAPITAL & RESERVES

The Association is limited by guarantee and consequently has no share capital. Each of the Association's members agrees to contribute £1 in the event of the Association winding up.

	2019	2018
	Number	Number
Number of members		
1 April 2018	115	154
Joined during the year	10	15
Left during year	(21)	(54)
31 March 2019	<u>104</u>	<u>115</u>

21. RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM /(USED IN) OPERATIONS

	2019	2018
	£	£
Surplus for the year	156,783	340,659
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	957,621	728,305
Amortisation of deferred grant	(6,670)	(5,618)
Shares cancelled	(21)	(54)
Defined benefit pension schemes	(74,999)	(113,000)
Fair value (gains)/losses on financial instruments	-	-
Increase/(decrease) in other provisions	(1,814)	1,400
loss on disposal of tangible fixed assets	105,816	103,630
Interest receivable	(11,743)	(8,942)
Interest payable	180,120	158,154
Taxation	-	-
Operating cash flows before movements in working capital	<u>1,305,093</u>	<u>1,204,534</u>
Decrease in trade and other debtors	1,371	(16,920)
Increase in trade and other creditors	322,322	2,958
Cash generated from / (used in) operations	<u>1,628,786</u>	<u>1,190,572</u>

CASH AND CASH EQUIVALENTS

	2019	2018
	£	£
Cash and cash equivalents represent:-		
Cash at bank	3,060,149	1,791,890
Short-term deposits	1,829,438	831,157
Overdraft	-	-
	<u>4,889,587</u>	<u>2,623,047</u>

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019

Notes to the Financial Statements (continued)

22. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2019	2018
	£	£
Capital expenditure contracted for but not provided in the financial statements	2,230,756	3,576,005
Expenditure authorised by the board, but not contracted	<u>-</u>	<u>-</u>

23. RETIREMENT BENEFITS

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers.

The Scheme is a defined benefit scheme in the UK. The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005.

This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK. The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m.

A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements. The Scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme.

Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme. For financial years ending on or before 28 February 2019, it had not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme. For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018.

The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

For the year ended 31 March 2018, the SHAPS obligation was being accounted for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the association to the SHAPS under the terms of its funding agreement for past deficits was recognised as a liability within provisions for liabilities in the Association's financial statements. The net present value for this contractual obligation was £470k.

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

23. RETIREMENT BENEFITS – CONTINUED

Under the defined benefit pension accounting approach, the SHAPS net deficit as at 1 April 2018 is £922k and is £1,003k as at 31 March 2019. The change on transition has resulted in a re-measurement difference of £452k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

Present Values of Defined Benefit Obligation, Fair Value of Assets And Defined Benefit Asset (Liability)

	31 March 2019 (£000s)	31 March 2018 (£000s)
Fair value of plan assets	4,299	4,241
Present value of defined benefit obligation	5,302	5,163
Surplus (deficit) in plan	(1,003)	(922)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(1,003)	(922)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(1,003)	(922)

Reconciliation of the Impact of the Asset Ceiling

	Period ended 31 March 2019 (£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

23. RETIREMENT BENEFITS – (continued)

Reconciliation of opening and closing balances of the Defined benefit obligation

	Period ended 31 March 2019 (£000s)
Defined benefit obligation at start of period	5,163
Current service cost	120
Expenses	4
Interest expense	130
Contributions by plan participants	-
Actuarial losses (gains) due to scheme experience	(71)
Actuarial losses (gains) due to changes in demographic assumptions	13
Actuarial losses (gains) due to changes in financial assumptions	373
Benefits paid and expenses	(430)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	5,302

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

23. RETIREMENT BENEFITS – (continued)

Reconciliation of opening and closing balances of the Fair value of plan assets

	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	4,241
Interest income	107
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	176
Contributions by the employer	205
Contributions by plan participants	-
Benefits paid and expenses	(430)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	4,299

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £283,000

ARDENGLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

23. RETIREMENT BENEFITS – (continued)

Defined benefit costs recognised in statement of Comprehensive income (soci)

	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	120
Expenses	4
Net interest expense	23
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	147

Defined benefit costs recognised in other Comprehensive income

	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	176
Experience gains and losses arising on the plan liabilities - gain (loss)	71
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(13)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(373)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(139)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(139)

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

23. RETIREMENT BENEFITS – (continued)

ASSETS

	31 March 2019 (£000s)	31 March 2018 (£000s)
Global Equity	692	763
Absolute Return	364	503
Distressed Opportunities	73	19
Credit Relative Value	75	-
Alternative Risk Premia	240	161
Fund of Hedge Funds	12	122
Emerging Markets Debt	138	145
Risk Sharing	125	39
Insurance-Linked Securities	112	116
Property	85	168
Infrastructure	180	77
Private Debt	55	39
Corporate Bond Fund	302	296
Long Lease Property	52	-
Secured Income	150	155
Over 15 Year Gilts	110	137
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,530	1,493
Net Current Assets	4	8
Total assets	4,299	4,241

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

ARDENGLLEN HOUSING ASSOCIATION LTD
For the year ended 31 March 2019
Notes to the Financial Statements (continued)

23. RETIREMENT BENEFITS – (continued)

KEY ASSUMPTIONS

	31 March 2019 % per annum	31 March 2018 % per annum
Discount Rate	2.35	2.60
Inflation (RPI)	3.25	3.15
Inflation (CPI)	2.25	2.15
Salary Growth	3.25	3.15
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance
The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:		
	Life expectancy at age 65 (Years)	
Male retiring in 2019	21.7	
Female retiring in 2019	23.4	
Male retiring in 2039	23.1	
Female retiring in 2039	24.7	

24. RELATED PARTY TRANSACTIONS

Various Board of Management members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £29,824 (2018: £28,200) of rent was receivable from these tenant members. At the year-end there were £975 (2018: £498) of rent arrears due from these tenant members.

During the year £19,596 (2018: £19,596) of rent was paid to the Association's subsidiary Ardenglen Developments Ltd. During the year £600 (2018: £600) management fee was receivable from the Association's subsidiary Ardenglen Developments Ltd.

Amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2018: £nil) in respect of bad debts from related parties.

