

**ARDENGLLEN HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2011**

**Registered Housing Association No. HCB 219**

**Financial Services Authority No. 2339R(S)**

**Charity No. SC032542**

**BAKER TILLY UK AUDIT LLP**  
**Chartered Accountants**

**Glasgow**

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

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### Registration Particulars:

Financial Services Authority	Industrial and Provident Societies Act 1965 Registered Number 2339R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered Number HCB219
Charity No.	Charities and Trustee Investment Act (Scotland) 2005 Scottish Charity Number SC032542

### Professional Advisors

#### **Auditors**

Baker Tilly UK Audit LLP  
Breckenridge House  
274 Sauchiehall Street  
GLASGOW  
G2 3EH

#### **Bankers**

Bank of Scotland  
82 Main Street  
Rutherglen  
Glasgow  
G73 2HZ

#### **Solicitors**

TC Young  
7 West George Street  
Glasgow  
G2 1BA

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2011

The Committee of Management present their report and audited financial statements for the year ended 31 March 2011.

### **Principal activity**

The principal activity of the Association is the provision of housing for let at rents affordable to the client groups for whom it intends to provide.

### **Business Review**

The completion in 2011 of 42 new homes at the former Tormusk Primary School site represented a significant achievement for the Association. The project team overcame significant planning and infrastructure challenges to produce a high quality development which caters for a multitude of general and special needs housing.

Significantly the Association was able to complete the development on time, on budget and within a difficult funding environment, choosing to utilise existing free reserves as an alternative to expensive private borrowing.

The Association continued to actively expand our role as a "Community Anchor" organisation through the development of the Maureen Cope Community Hall which is being used to deliver a host of community services and activities. We also continue to be engaged in wider activities to tackle area such as fuel poverty.

The Association continued to carry out improvement works associated with meeting the Scottish Housing Quality Standard (SHQS) and are confident that all our stock will meet the SHQS standard by 2013, two years before the government requirement.

Over the past year the Association has dedicated considerable time and resources to review our Mission and Key Objectives, to better reflect our Purpose of "Investing in our Community".

Every industry is changing and as predicted, the political, financial and business environment for the Housing Association sector in Scotland has changed profoundly.

We must get accustomed to the fact that our previous insulation from economic uncertainty has been largely stripped away and the supportive political climate we have enjoyed over many decades is altering, as policy is dictated largely by an agenda to reduce public sector spending.

Whether we like it or not, we are part of the government's value for money agenda and we will be under pressure to do more with less, to be more efficient, to eliminate waste. We can either choose to do this through the traditional methods of simple cost cutting or making service "tweaks", or alternatively embrace a more radical long term agenda and have a complete rethink of our housing systems and how we deliver services.

The measures taken last year to appoint consultants to completely review our Asset Management and Business Planning models have proved to be invaluable. The results confirmed that the Association is in a sound financial position and that our efficiency agenda can be directed specifically at improving customer service.

Good service will always results in lower costs. Services will therefore require to be re-designed around what matters to customers and management's attention will change away from simply looking at "costs" and

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2011 (Continued)

instead focus on the cause of costs. It involves taking a fresh look through the eyes of our customer's at our services as a system and designing policies and procedures to deliver that system in the most efficient way.

Simply put, we cannot expect to keep doing the same things that were done last year and the year before that, but expect different results!

The task is therefore to merge the opportunities presented, while preserving our unique local status and values which have made the Association so successful over the past 25 years.

This will not be easy!

### Future Developments

The changed grant regime will make it extremely difficult for the Association to consider future developments based on the traditional methods of procuring or funding new housing.

The Association however, still has at least one development opportunity within our area and will continue to examine innovative methods of delivering at least some new housing over the coming years.

Where financially possible, the Association intends to continue with its policy of constructing new properties and improving the quality of housing within its area of operation.

### Surplus for the year and transfers

The results for the year are shown in the Income and Expenditure Account on page 9.

Transfer to designed reserves:		
Cyclical maintenance reserve	£	£
Major repairs reserve	-	
FairSpace reserve	355,583	
Transfer to revenue reserve	<u>4,294</u>	359,877
		<u>114,233</u>
		<u>474,110</u>

### Members of Committee of Management

The members of the Committee of Management of the Association during the year to 31 March 2011 were as follows:

Maureen Cope MBE	(Chairperson)	Frank Young	(joined 18/08/10)
Sheena Cadden	(Secretary)	Jacqueline Brown	(joined 18/08/10)
Isa Brier	(Vice Chairperson)	Angela McHugh (co-optee)	(joined 18/08/10)
Carol Mitchell	(Treasurer)	Annie Boyd	(deceased 08/06/10)
Maureen Coyle		William McElwaine	(resigned 13/07/10)
Liz McKenzie		Pat Duncan	(resigned 03/08/10)
Ann Marie Docherty		Ethel Dickie	(resigned 03/08/10)
Sharon McElwaine		Jean MacDonald	(resigned 02/11/10)
Bobby Mitchell			
Don Cope			
Sandy Stone			

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2011

(Continued)

### **Credit Payment Policy**

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

### **Treasury Management**

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2011, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

### **Quality and Integrity of Personnel**

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Director.

### **Employee Involvement and Health & Safety**

The Association encourages employee involvement in all major initiatives.

### **Maintenance policies**

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the SORP 2008.

### **Budgetary Process**

Each year the Committee of Management approves the annual budget and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

### **Rental income**

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The points value is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the Housing Movement.

**ARDENGLLEN HOUSING ASSOCIATION LIMITED**

**REPORT OF COMMITTEE OF MANAGEMENT**

**31 MARCH 2011**

**(Continued)**

**Disabled employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

**Information for auditors**

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

**Auditors**

Baker Tilly UK Audit LLP have indicated their willingness to continue acting as auditor to the Association.

**Going Concern**

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

On behalf of the Committee of Management

Date: 5/8/11

Name: Maurice Lopez MBE



# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMMITTEE RESPONSIBILITIES

The Committee is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to Industrial and Provident Societies requires the Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association for that period. In preparing these financial statements the Committee are required to:

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

The Management Committee confirm that the financial statements comply with the requirements.

The Management Committee are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As far as the Management Committee members are aware there is no relevant audit information of which the auditors are unaware and the Management Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

31 MARCH 2011

The Committee of Management acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments 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 Committee 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 misstatement or loss. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions; annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Committee of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Committee of Management members and others.
- the Committee of Management review reports from management, from directors, staff and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.



**ARDENGLLEN HOUSING ASSOCIATION LIMITED**

**COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL**

**31 MARCH 2011**

The Committee of Management have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2011 and until the below date. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Committee of Management

Name: M. Williams C.A.S. M.B.E.

Date: 5/8/11

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

### Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 5 and 6 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

### Basis of Opinion

We carried out our review having regard to Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

### Opinion

In our opinion the Statement on Internal Financial Control on pages 5 and 6 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



Baker Tilly UK Audit LLP  
Registered Auditors  
Chartered Accountants  
Breckenridge House  
274 Sauchiehall Street  
Glasgow  
G2 3EH

Date: 5<sup>th</sup> August 2011

**ARDENGLLEN HOUSING ASSOCIATION LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**ARDENGLLEN HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Ardenglen Housing Association Limited for the year ended 31 March 2011 on pages 9 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Committee and auditor**

As explained more fully in the Committee's Responsibilities Statement set out on page 4, the Committee 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 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.

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP  
Statutory Auditor  
Breckenridge House  
274 Sauchiehall Street  
GLASGOW  
G2 3EH

Date:

*5<sup>th</sup> August 2011*

**ARDENGLLEN HOUSING ASSOCIATION LIMITED**

**INCOME & EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 £	2010 £
<b>Turnover</b>	2	2,948,521	2,850,339
Less: Operating Costs	2	<u>(2,252,677)</u>	<u>(2,066,589)</u>
<b>Operating Surplus</b>	2	695,844	783,750
Gift aid receipt from subsidiary		-	3,000
Interest receivable and other income		39,741	14,360
Interest payable and other charges	4	<u>(261,475)</u>	<u>(308,959)</u>
<b>Surplus on ordinary activities before tax</b>		474,110	492,151
Taxation on surplus on ordinary activities	5	<u>-</u>	<u>-</u>
<b>Surplus for the year</b>	6	<u><u>474,110</u></u>	<u><u>492,151</u></u>

The results for the year relate wholly to continuing activities.

There are no recognised gains or losses for the period and in the previous period other than the surplus reported above.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2011

	Notes	£	2011 £	2010 £
<b>Tangible Fixed Assets</b>				
Housing properties				
- gross cost less depreciation	7		48,023,076	44,075,315
Less: Housing Association Grant	7		(38,924,880)	(36,401,464)
			9,098,196	7,673,851
 Other Assets	 7		 469,837	 485,018
			9,568,033	8,158,869
 Investments	 19		 1	 1
			9,568,034	8,158,870
<b>Current Assets</b>				
Debtors	8	1,782,176		1,687,210
Cash at hand and in bank		2,247,007		1,914,491
		4,029,183		3,601,701
<b>Current Liabilities</b>				
Creditors due within one year	9	(2,418,974)		(740,859)
<b>Net current assets</b>			1,610,209	2,860,842
			11,178,243	11,019,712
<b>Creditors due after one year</b>	10		(7,321,450)	(7,637,111)
<b>Net Assets</b>			3,856,793	3,382,601
<b>Capital and Reserves</b>				
Share capital	13		328	245
Designated reserves	6		2,822,864	2,462,987
Revenue reserve	6		1,033,601	919,369
			3,856,794	3,382,601

The financial statements on pages 9 to 27 were approved by the Committee of Management and authorised for issue on .....05/8/11..... and signed on their behalf by

Secretary: *Sheena Dadden*

Member: *[Signature]*

Member: *Maura M. G. M.B.E.*

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## CASH FLOW STATEMENT

YEAR TO 31 MARCH 2011

	2011 £	2011 £	2010 £
<b>Net cash inflow from operating activities</b>		3,665,674	(108,573)
<b>Returns on investments and servicing of finance</b>			
Interest received	39,741		14,360
Interest paid	<u>(261,475)</u>		<u>(308,959)</u>
		(221,734)	(294,599)
<b>Capital expenditure and financial investments</b>			
Cash paid for construction and purchases	(4,215,635)		(1,278,291)
Housing association grant received	1,462,851		850,806
Shared ownership disposal proceeds	65,600		-
Refund received on housing properties	(56,863)		1,026,629
Purchase of other fixed assets	<u>(32,659)</u>		<u>(28,206)</u>
Net cash (outflow)/inflow from investing activities		<u>(2,776,706)</u>	<u>570,938</u>
<b>Net cash(outflow)/inflow before financing</b>		667,225	167,766
<b>Financing</b>			
Loans received			-
Loan principal repayments	(334,818)		(310,996)
Increase in share capital	100		54
Net cash inflow from financing		<u>(334,718)</u>	<u>(310,942)</u>
<b>Increase/(Decrease) in cash and cash equivalents</b>		<u>332,507</u>	<u>(143,176)</u>

Further details are given in note 14.



# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

### 1. Principal accounting policies

#### Basis of Accounting

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords 2008" and applicable Accounting Standards.

#### Turnover

Turnover represents rental income receivable from tenants, development administration and other income.

#### Housing Association Grants

Housing Association Grants (HAG) are made by the grant awarding body and are utilised to reduce the amount of mortgage loans in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme.

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

#### Fixed Assets - Housing Land and Buildings

Housing land and buildings are stated at cost. The development cost of housing properties funded with HAG includes the following: -

- i. Cost of acquiring land and buildings
- ii. Development expenditure
- iii. Interest charged on the loans during the development period of the Scheme
- iv. Development costs are capitalised to the extent that they are attributable to specific schemes, where such costs are not felt to be excessive.

#### Depreciation

##### Housing Land and Buildings

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties of 50 years at an annual rate of 2%. No depreciation is charged on land.

##### Other Fixed Assets

Depreciation is charged by equal annual instalments at rates estimated to write off costs less any residual value over their expected useful lives.

The following rates have been used: -

Office Equipment	-	25% per annum
Computers	-	25% per annum
Office Premises	-	3.33% per annum

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

### 1. Principal accounting policies (Contd.)

#### **Sale of Housing Properties**

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

First tranche Shared Ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal taken to the income and expenditure account, in accordance with the Statement of Recommended Practice.

#### **Designated Reserves**

##### **i) Cyclical Maintenance Reserve**

This reserve is based on the Association's liability to maintain housing properties in accordance with a planned programme of works. The reserve represents amounts set aside in respect of future costs and will be released to the Income and Expenditure Account as required.

##### **ii) Major Repairs Reserve**

This reserve is based on the Association's liability to maintain housing properties in a state of repair, which at least maintains their residual value in prices prevailing at the time of acquisition and construction. Provision is made for such future repair expenditure and the actual cost of repairs is charged to this reserve.

##### **ii) Fairspace Reserve**

This reserve represents the equivalent of the annual charge to the subsidiary for the interest on the loan to them and capital repaid, and is being set aside for the replacement of the extension at a future date.

#### **Pensions**

The Association participates in the centralised SHPS Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

#### **Value added tax**

The Association is VAT registered. However, a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT.

#### **Consolidation**

The Association and its subsidiary undertaking comprise a group. The FSA has granted exemption from preparing group accounts. The financial statements represent the results of the Association and not of the group.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

### 1 Principal accounting policies (Contd.)

#### Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income, or
- a material reduction in future maintenance costs, or
- a significant extension to the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the Income and Expenditure account.

#### Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the Income and Expenditure account.

**ARDENGLEN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2011**

**(Continued)**

**2. Particulars of turnover, operating costs and operating surplus or deficit**

	Note	Turnover £	Operating Costs £	Operating Surplus £	Operating Surplus 2010 £
<b>Social lettings</b>	3a	2,864,583	(2,148,762)	715,821	767,836
<b>Other activities</b>	3b	83,938	(103,915)	(19,977)	15,914
<b>Total</b>		<u>2,948,521</u>	<u>(2,252,677)</u>	<u>695,844</u>	<u>783,750</u>
2010		<u>2,850,339</u>	<u>(2,066,589)</u>	<u>783,750</u>	

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2011**  
(Continued)

### 3a. Particulars of turnover, operating costs and operating surplus from social letting activities

	General Needs Housing £	Shared Ownership £	Supported Housing £	2011 Total £	2010 Total £
Rent receivable net of identifiable service charges	2,852,679	21,334	-	2,874,013	2,779,464
Service charges	-	-	-	-	-
Gross income from rents and service charges	2,852,679	21,334	-	2,874,013	2,779,464
Less: Rent loss from voids	(9,345)	(85)	-	(9,430)	(10,423)
<b>Net income from rents and service charges</b>	2,843,334	21,249	-	2,864,583	2,769,041
Grants from Scottish Ministers	-	-	-	-	-
Grants from Glasgow CC	-	-	-	-	-
<b>Total turnover from social letting activities</b>	2,843,334	21,249	-	2,864,583	2,769,041
Management and maintenance administration costs	910,108	6,045	-	916,153	851,151
Service costs	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	672,000	-	-	672,000	672,686
Reactive maintenance costs	324,259	-	-	324,254	255,511
Bad debts – rents and service charges	56,821	-	-	56,821	45,021
Depreciation of social housing	175,045	4,484	-	179,529	176,836
<b>Total Expenditure on Lettings</b>	2,138,233	10,529	-	2,148,762	2,001,205
<b>Operating Surplus on Letting Activities</b>	705,101	10,720	-	715,821	767,836
<b>2010</b>	756,194	11,642	-	767,836	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2010- £nil).

ARDENGLLEN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011  
(Continued)

3b. 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
	£	£	£	£	£	£	£	£	£
Seedcorn	-	-	-	-	-	-	-	-	-
Wider action/wider role	-	-	-	-	-	-	(27,958)	(27,958)	(10,297)
Tenant participation	-	-	-	1,244	1,244	-	(27,655)	(26,411)	(6,779)
Factoring	-	-	-	1,354	1,354	-	(1,128)	226	43
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	20,909	20,909	-	(16,464)	4,445	2,200
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	60,431	60,431	-	(30,710)	29,721	30,747
<b>Total from other activities</b>	-	-	-	<b>83,938</b>	<b>83,938</b>	-	<b>(103,915)</b>	<b>(19,977)</b>	<b>15,914</b>
<b>2010</b>	-	-	-	<b>81,298</b>	<b>81,298</b>	-	<b>(65,384)</b>	<b>15,914</b>	



**ARDENGLLEN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2011**  
(Continued)

**4. Interest payable**

	<b>2011</b>	<b>2010</b>
	£	£
Interest paid in period	291,043	308,959
Less: interest capitalised	(29,568)	-
	261,475	308,959

**5. Taxation**

The Association was granted charitable status with effect from 30 November 2001, and no tax arises on its charitable activities.

**6. Reserves**

**(a) Designated reserves**

	<b>At</b>	<b>Transfer</b>	<b>At</b>
	<b>31 March</b>	<b>(to)/from</b>	<b>31 March</b>
	<b>2011</b>	<b>Revenue</b>	<b>2010</b>
	£	<b>Reserve</b>	£
		£	
Cyclical maintenance reserve	350,000	-	350,000
Major repairs reserve	2,433,646	355,583	2,078,063
Fairspace reserve	39,218	4,294	34,924
	2,822,864	359,877	2,462,987

No restrictions are placed upon these reserves, but the Committee have designated their use for specific purposes.

**(b) Revenue reserve**

	<b>2011</b>	<b>2010</b>
	£	£
Opening balance at 31 March	919,369	800,625
Surplus for year	474,110	492,151
Transfer (to) designated reserves	(355,583)	(369,113)
Transfer (to) Fairspace reserves	(4,294)	(4,294)
Closing balance at 31 March	1,033,602	919,369

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011  
(Continued)

### 7. Tangible Fixed Assets

Cost	Housing properties held for letting £	Housing properties in course of construction £	Completed Shared ownership properties £	Office premises £	Furniture fittings & Equipment £	Total £
At 1 April 2010	42,852,910	1,691,979	662,900	635,937	285,593	46,129,319
Additions during year	153,443	4,009,192	30,255	5,118	27,541	4,225,549
Transfers	5,660,552	(5,660,552)	-	-	-	-
Disposals	(65,600)	-	-	-	(24,464)	(90,064)
At 31 March 2011	48,601,305	40,619	693,155	641,055	288,670	50,264,804
<b>Housing Association Grant</b>						
At 1 April 2010	34,338,268	1,560,481	502,715	-	-	36,401,464
Additions during year	59,217	2,521,062	-	-	-	2,580,279
Repaid and abated during year	(56,863)	-	-	-	-	(56,863)
Transfers	4,042,094	(4,042,094)	-	-	-	-
At 31 March 2011	38,382,716	39,449	502,715	-	-	38,924,880
<b>Depreciation</b>						
At 1 April 2010	1,102,848	-	29,626	204,339	232,173	1,568,986
Provided during year	175,045	-	4,484	21,408	26,432	227,369
Disposals in year	-	-	-	-	(24,464)	(24,464)
At 31 March 2011	1,277,893	-	34,110	225,747	234,141	1,771,891
<b>Net book value</b>						
As at 31 March 2011	8,940,696	1,170	156,330	415,308	54,529	9,568,033
As at 31 March 2010	7,411,794	131,498	130,559	431,598	53,420	8,158,869

Development administration costs capitalised amounts to £24,983 (2010 - £33,578) for which Housing Association grants amounting to £1,855 (2010 - £18,250) were received in the year. Clerk of Works administration costs capitalised amounts to £22,239 (2010 - £750) for which Housing Association grants amounting to £nil (2010 - £nil) were received in the year. Interest capitalised in the year amounted to £29,568 (2010 - £nil). None of the Association's land or property is held under a lease.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2011**  
(Continued)

8. Debtors	2011 £	2010 £
Amounts falling due within one year:		
Gross Rent arrears	163,187	142,656
Less: bad debt provision	(83,266)	(45,616)
	79,921	97,040
Development funding receivable	1,508,850	391,422
Prepayments and accrued income	53,943	41,877
Balance owed by group company	56,416	69,718
Other debtors	83,046	1,087,153
	1,782,176	1,687,210

The level of technical arrears contained within the gross rent arrears total was £25,732 (2010 - £39,269). Included within amounts owed by group company is £42,259 (2010 - £56,416) which is due greater than one year.

9. Creditors due within one year	2011 £	2010 £
Bank loans and overdrafts (note 10)	1,829,538	318,759
Trade creditors	94,240	101,816
Other creditors – development	117,706	140,450
Other creditors	251,308	113,706
Taxation and social security	-	11,877
Accruals and deferred income	100,396	36,341
Rents in advance	25,786	17,910
	2,418,974	740,859

10. Creditors due outwith one year	2011 £	2010 £
Loans	7,321,450	7,637,111

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest ranging from 0.95% to 7.5% (2010 – 0.7% to 7.5%) in instalments due as follows:

In one year or less	299,602	318,759
Between one and two years	297,869	299,602
Between two and five years	931,016	1,013,357
In five years or more	6,092,565	6,324,152
	7,621,052	7,955,870
Less: Included in current liabilities	(299,602)	(318,759)
	7,321,450	7,637,111

**ARDENGLLEN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2011**

**(Continued)**

11.	<b>Employees</b>	<b>2011</b>	<b>2010</b>
		£	£
	Staff costs during year		
	Wages and salaries	511,710	496,662
	Social security costs	41,369	33,612
	Other pension costs	58,712	56,926
	Temporary, agency and seconded staff	19,350	-
		<u>631,141</u>	<u>587,200</u>

The average full time equivalent number of persons employed by the Association during the year were as follows:

	<b>No</b>	<b>No</b>
Administration and maintenance	<u>17</u>	<u>15</u>

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments including pension contributions exceed £60,000 per year (2010 - £60,000 per year).

	£	£
Aggregate Emoluments payable to Directors (1 Employee) (including pension contributions and benefits in kind)	<u>66,695</u>	<u>64,360</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>57,836</u>	<u>55,868</u>

The Association's pension contributions for the Director in the year amounted to £8,859 (2010 - £8,492).

There were no directors (2010 – Nil) whose emoluments, including pension contributions, were over £60,000 were as follows:

	<b>2011</b>	<b>2010</b>
	No	No
£60,000 to £65,000	-	1
£65,001 to £70,000	1	-
£70,001 to £75,000	-	-

	£	£
Total expenses reimbursed insofar as not chargeable to UK Income Tax		
Committee of Management	<u>1,684</u>	<u>1,464</u>

No members of the Committee of Management received any emoluments in respect of their services to the Association.

# ARDENGLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

12. <b>Auditors' Remuneration</b>	<b>2011</b> £	<b>2010</b> £
The remuneration of the auditors (including expenses and excluding VAT for the year)	8,893	7,714
Remuneration of the auditors in respect of services other than those of auditors of Baker Tilly UK Audit LLP	-	281
(including expenses and excluding VAT for the year)	8,893	7,714
13. <b>Share Capital</b>	<b>2011</b> £	<b>2010</b> £
Shares of £1 fully paid and issued at 1 April	245	193
Shares issued during year	100	54
Shares withdrawn	(17)	(2)
Shares issued at 31 March	328	245

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

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

14.	<b>Notes to the Cash Flow Statement</b>	<b>2011</b>	<b>2010</b>		
		£	£		
	(a) Reconciliation of surplus to net cash inflow from operating activities				
	Surplus for year	474,110	492,151		
	Net interest payable	<u>221,734</u>	<u>294,599</u>		
	Operating surplus for the year excluding interest and tax payable	695,844	786,750		
	Depreciation	227,369	221,011		
	Profit on sale of other Fixed Assets	-	-		
	Shares cancelled	(17)	(2)		
	Decrease/(Increase) in debtors	1,022,462	(1,037,758)		
	Increase/(Decrease) in creditors	<u>1,720,016</u>	<u>(78,574)</u>		
	<b>Net cash inflow from operating activities</b>	<u><b>3,665,674</b></u>	<u><b>(108,573)</b></u>		
	(b) Reconciliation of net cash flow to movement in net debt				
	Increase/ (Decrease) in cash for the year	332,516	(143,176)		
	Loans received	-	-		
	Loan repayments	<u>334,818</u>	<u>310,996</u>		
	Change in net debt	667,334	167,820		
	Net debt as at 1 April 2010	<u>(6,041,379)</u>	<u>(6,209,199)</u>		
	Net debt as at 31 March 2011	<u><b>(5,374,045)</b></u>	<u><b>(6,041,379)</b></u>		
	(c) Analysis of changes in net debt				
		<b>As at 1</b>	<b>Cash</b>	<b>Other</b>	<b>As at 31</b>
		<b>April 2010</b>	<b>Flow</b>	<b>Changes</b>	<b>March</b>
					<b>2011</b>
		£	£	£	£
	Cash at bank and in hand	1,914,491	332,516	-	2,247,007
	Debt due within one year	(318,759)	334,818	(315,661)	(299,602)
	Debt due after one year	<u>(7,637,111)</u>	-	315,661	<u>(7,321,450)</u>
		<u>(6,041,379)</u>	<u>667,334</u>	-	<u>(5,374,045)</u>



# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

### 15. Pension Fund General

Ardenglen Housing Association Limited participates in the SHPS Pension Scheme (the "Scheme"). The Scheme is funded and is contracted out of the State Pension scheme.

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

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Ardenglen Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHPS Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Ardenglen Housing Association Limited was £2,505,260.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

### 15. Pension Fund General (continued)

The Scheme offers five benefit structures to employers, namely:

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

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

Ardenglen Housing Association Limited has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate

Benefit option for active members as at 1 April 2010 and the same benefits

During the accounting period Ardenglen Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7%.

As at the balance sheet date there were 14 active members of the Scheme employed by Ardenglen Housing Association Limited. The annual pensionable payroll in respect of these members was £416,254.

Ardenglen Housing Association Limited continues to offer membership of the Scheme to its employees

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

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement – Non pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
<b>Rate of pension increases</b>	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

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

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

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

16.	<b>Capital Commitments</b>	<b>2011</b>	<b>2010</b>
		£	£
	Expenditure authorised by the Committee of Management contracted less certified	117,706	140,450

Capital commitments will be fully funded by private finance.

17.	<b>Housing Stock</b>	<b>2011</b>	<b>2010</b>
	The number of units in Management at 31 March was as follows:		
		No	No
	New build	407	365
	Rehabilitation – leased	1	1
	Rehabilitation	256	255
	Shared ownership	13	14
	Mortgage to rent	4	3
	SST	291	291
		972	929

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

### 18. Related Parties

Various members of the Management Committee are tenants of the Association. The transactions with the Association are all done on standard terms, as applicable to all tenants.

### 19. Subsidiary Company

The Association has a subsidiary company Ardenglen Developments Limited. This company is intended to handle the activities that the Association cannot undertake due to its charitable status. The company is a company limited by shares with one hundred ordinary shares of which one £1 share has been issued to Ardenglen Housing Association, and is registered in Scotland. The company's activity in the year to 31 March 2011 related to the construction of and renting out of office space adjacent to the Association's own offices.

During the year ending 31 March 2011, a rent charge of £19,596 (2010: 19,596) was paid by Ardenglen Housing Association Limited to Ardenglen Developments Limited, the company's subsidiary company for the rental of office space.

Ardenglen Housing Association Limited charged a management fee of £600 (2010: 600) to Ardenglen Developments Limited in the year for the provision of administration services.

As at 31 March 2011, Ardenglen Housing Association had a loan due from its subsidiary company which totalled £56,414 (2010: 69,717). Repayments totalling £13,302 were made in the year. The loan accrues interest at 6.75% for which £4,494 (2010: £5,302) was charged in the year.

Amounts due to Ardenglen Housing Association Limited at the year-end totalled £nil (2010: £nil) and amounts from Ardenglen Housing Association Limited to Ardenglen Developments Limited totalled £1,200 (2010: £1,200).

### 20. Contingent Liabilities

#### Pensions

Ardenglen Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Ardenglen Housing Association was £2,505,260. The Association has no current plans to withdraw from the scheme.

At 31 March 2011 the Association had no other contingent liabilities (2010 -£Nil).