

**ARDENGLLEN HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2013**

**Registered Housing Association No. HCB 219**

**Financial Conduct 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 2013

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### Registration Particulars:

Financial Conduct Authority	Industrial and Provident Societies Act 1965 Registered Number 2339R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 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 2013

The Committee of Management present their report and audited financial statements for the year ended 31 March 2013.

### **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**

During this Report Period, the Governments Welfare Reform proposals became reality and the subsequent negative impact of the "Bedroom Tax" has been exactly as predicted, with an increase in rent arrears and high demand for smaller houses which simply do not exist.

As discussed last year, the political, financial and business environment for the Housing Association sector in Scotland has once again changed profoundly. Whether we like it or not, Welfare Reform is here and we remain under pressure to do more with less, to be more efficient, to eliminate waste.

The Welfare Reform agenda, along with Pension concerns, continues to represent a clear and significant financial risk. In response, the Association commissioned a further independent review with Arneil Johnston Consultants of the Association's long term Business Planning assumptions and in particular to analyse the risk associated with a more demanding financial and cash flow environment, resulting from the implementation of the "Bedroom Tax" and the removal in 2014 of the direct payment of Housing Benefit.

This work included scenario planning to take account of the Association's wider activities to tackle areas such as fuel poverty and the development of social enterprises. The outcomes of these all look generally positive, provided the Association can keep costs within tight parameters and with work with tenants to maintain income levels.

The Financial Model has been strengthened by the Association taking advantage of a positive procurement climate over the past 3 years to bring forward improvement works associated with meeting the Scottish Housing Quality Standard (SHQS). During this Report Period, the Association committed a further £577,000 to upgrade bathrooms, kitchens and heating systems. The outcome of this additional investment is that all the Association's stock now meets the SHQS, two years ahead of the 2015 Scottish Government deadline.

On the 1<sup>st</sup> April 2012 the Scottish Government introduced the Scottish Social Housing Charter, with the aim of improving the quality and value of services that social landlords provide. The Association welcomed the Charter and believes it supports Ardenglen's focus on customer services, where we embraced a more radical long term agenda of rethinking of our housing systems and how we deliver services.

During the Report period 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.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2013

While slightly outside the Report Timescales, a recently produced independent Tenant Satisfaction Survey has reported overall satisfaction with the Association's services has increased from 90% in 2010 to 96% in 2013. Satisfaction with the Repairs Service has increased from 81% to 95% and over 98% of tenants said the Association was good at keeping them informed about services or decisions.

These outcomes support the work and resources invested in reviewing our customer service processes and procedures

### Future Developments

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

The impact of the "Bedroom Tax" has however created significant demand for smaller housing and with at least one development opportunity within our area we will continue to examine innovative methods of delivering at least some new housing over the coming years.

### Surplus for the year and transfers

The results for the year are shown in the Income and Expenditure Account on page 10.

Transfer to designed reserves:	£	£
Cyclical maintenance reserve	0	
Major repairs reserve	0	
FairSpace reserve	4,294	4,294
Transfer to revenue reserve		803,401
		<u>807,695</u>



# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2013

(Continued)

### Members of Committee of Management

The members of the Committee of Management of the Association during the year to 31 March 2013 were as follows:

Maureen Cope MBE	(Chairperson)	Sharon McElwaine	
Sheena Cadden	(Secretary)	Bobby Mitchell	
Isa Brier	(Vice Chairperson)	Don Cope	
Carol Mitchell	(Treasurer)	Frank Young	
Maureen Coyle		Jacqueline Brown	
Liz McKenzie		Angela McHugh	
Ann Marie Docherty		Isobel Pope	Joined 22/08/12
		Sandy Stone	Resigned 01/05/12

### 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 2013, 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.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2013

(Continued)

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. In line with the SORP 2010, replacements to building components (as identified in Note 1) are capitalised in the accounts as they occur. All other major repairs are charged to the Income and Expenditure account.

### **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.

### **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



Name: C Mitchell

Date: 6/8/13

## **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 2010 and the Determination of Accounting Requirements April 2012. 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 2013

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 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 2013**

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 2013 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: C Mitchell

Date: 6/8/13.....

**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 2013 on pages 9 to 31. 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 5, 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 [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012.

**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  
Chartered Accountants  
Breckenridge House  
274 Sauchiehall Street  
GLASGOW  
G2 3EH

Date: 13/8/13.....

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013	2012
		£	£
<b>Turnover</b>	2	3,402,985	3,296,404
Less: Operating Costs	2	<u>(2,414,147)</u>	<u>(2,293,740)</u>
<b>Operating Surplus</b>	2	988,838	1,002,664
Profit on sale of Fixed Asset		18,799	3,774
Interest receivable and other income		17,890	25,661
Interest payable and other charges	4	<u>(217,832)</u>	<u>(235,111)</u>
<b>Surplus on ordinary activities before tax</b>		807,695	796,988
Taxation on surplus on ordinary activities	5	<u>-</u>	<u>-</u>
<b>Surplus for the year</b>	6	<u>807,695</u>	<u>796,988</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 2013

	Notes	£	2013 £	2012 £
<b>Tangible Fixed Assets</b>				
Housing properties				
- gross cost less depreciation	7		49,790,889	49,402,013
Less: Housing Association Grant	7		(39,031,610)	(38,960,021)
			10,759,279	10,441,992
Other Assets	7		651,050	446,417
			11,410,329	10,888,409
Investments	19		1	1
			11,410,330	10,888,410
<b>Current Assets</b>				
Debtors	8	290,522		334,571
Cash at hand and in bank		1,734,064		2,135,897
		2,024,586		2,470,468
<b>Current Liabilities</b>				
Creditors due within one year	9	(848,188)		(1,163,021)
<b>Net current assets</b>			1,176,398	1,307,447
			12,586,738	12,195,857
<b>Creditors due after one year</b>	10		(6,548,597)	(6,965,435)
<b>Net Assets</b>			6,038,131	5,230,422
<b>Capital and Reserves</b>				
Share capital	13		383	369
Designated reserves	6		411,486	3,420,605
Revenue reserve	6		5,626,262	1,809,448
			6,038,131	5,230,422

The financial statements on pages 9 to 31 were approved by the Committee of Management and authorised for issue on 6/5/13 and signed on their behalf by

Secretary: *Sheena Jordan*

Member: *M. G. Jones*

Member: *L. Mitchell*



**ARDENGLLEN HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**YEAR TO 31 MARCH 2013**

	Notes	2013	2013	2012
		£	£	£
<b>Net cash inflow from operating activities</b>	14		1,080,500	48,348
<b>Returns on investments and servicing of finance</b>				
Interest received		17,890		25,661
Interest paid		<u>(217,832)</u>	<u>(199,942)</u>	<u>(235,111)</u>
				(209,450)
<b>Capital expenditure and financial investments</b>				
Cash paid for construction and purchases		(786,463)		(1,154,179)
Housing association grant received		114,993		1,569,039
Proceeds of disposal		36,307		21,381
Purchase of other fixed assets		<u>(260,491)</u>		<u>(31,269)</u>
Net cash (outflow)/ inflow from investing activities			<u>(895,654)</u>	<u>404,972</u>
<b>Net cash (outflow)/inflow before financing</b>			(15,096)	243,870
<b>Financing</b>				
Loan principal repayments		(386,778)		(355,048)
Increase in share capital		<u>41</u>		<u>68</u>
Net cash inflow from financing			<u>(386,737)</u>	<u>(354,980)</u>
<b>Decrease in cash and cash equivalents</b>			<u>(401,833)</u>	<u>(111,110)</u>

Further details are given in note 14.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

### 1. Principal accounting policies

#### a) 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 Determination of Accounting Requirements – April 2012 and The Statement of Recommended Practice (SORP), “Accounting by Registered Social Housing Providers Update 2010” and applicable Accounting Standards.

#### b) Turnover

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

#### c) 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.

#### d) 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.

#### e) Depreciation

##### i) 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 each major component that makes up the housing property as follows;

Land	Not depreciated
Structure	Over 60 years
Bathroom	Over 30 years
Kitchen	Over 20 years
Boiler	Over 15 years
Window	Over 50 years

##### ii) 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.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

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

The following rates have been used: -

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

#### f) 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.

#### g) 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.

##### iii) 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.

#### h) Pensions

The Association participates in the centralised SHAPS 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.

#### i) 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.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

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

#### j) 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.

#### k) Improvements

In previous years, 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.

#### l) 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.

**ARDENGLLEN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2013**

**(Continued)**

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

	Note	Turnover £	Operating Costs £	Operating Surplus £	Operating Surplus 2012 £
Social lettings	3a	3,276,112	2,231,216	1,044,896	994,785
Other activities	3b	126,873	182,931	(56,058)	7,879
<b>Total</b>		<u>3,402,985</u>	<u>2,414,147</u>	<u>988,838</u>	<u>1,002,664</u>
2012		<u>3,296,404</u>	<u>2,293,740</u>	<u>1,002,664</u>	

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

(Continued)

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

	General Housing £	Needs £	Shared Ownership £	Supported Housing £	2013 Total £	2012 Total £
Rent receivable net of identifiable service charges	3,258,275		25,407	-	3,283,682	3,140,326
Service charges		-	-	-	-	-
Gross income from rents and service charges	3,258,275		25,407	-	3,283,682	3,140,326
Less: Rent loss from voids	(7,570)		-	-	(7,570)	(5,051)
<b>Net income from rents and service charges</b>	3,250,705		25,407	-	3,276,112	3,135,275
Grants from Scottish Ministers		-	-	-	-	-
Grants from Glasgow CC		-	-	-	-	-
<b>Total turnover from social letting activities</b>	3,250,705		25,407	-	3,276,112	3,135,275
Management and maintenance administration costs	978,482		6,214	-	984,696	921,400
Service costs		-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	577,934		-	-	577,934	534,155
Reactive maintenance costs	318,818		-	-	318,818	342,964
Bad debts – rents and service charges	13,081		9	-	13,090	21,952
Depreciation of social housing	332,190		4,488	-	336,678	320,019
<b>Total Expenditure on Lettings</b>	2,220,505		10,711	-	2,231,216	2,140,490
<b>Operating Surplus on Letting Activities</b>	1,030,200		14,696	-	1,044,896	994,785
<b>2012</b>	982,903		11,882	-	994,785	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2012- £nil).

ARDENGLLEN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013  
(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	-	11,365	-	20,597	31,962	-	137,326	(105,364)	(75,285)
Tenant participation	-	-	-	-	-	-	-	-	(7,287)
Factoring	-	-	-	1,415	1,415	-	1,074	341	106
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	(500)
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	25,400	25,400	-	20,520	4,880	879
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	68,096	68,096	-	24,011	44,085	89,966
<b>Total from other activities</b>	-	11,365	-	115,508	126,873	-	182,931	(56,058)	7,879
<b>2012</b>	-	-	-	161,129	161,129	-	153,250	7,879	

Included within other activities is other rental income of £60,177 and the release of retentions and housing benefit received of £1,788.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

(Continued)

### 4. Interest payable

	2013	2012
	£	£
Interest paid in period	217,832	240,964
Less: interest capitalised	-	(5,853)
	217,832	235,111

### 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

	At 31 March 2012 £	Transfer (to)/from Revenue Reserve £	At 31 March 2013 £
Cyclical maintenance reserve	350,000	(350,000)	-
Major repairs reserve	3,027,093	(2,663,413)	363,680
Fairspace reserve	43,512	4,294	47,806
	3,420,605	(3,009,119)	411,486

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

#### (b) Revenue reserve

	2013	2012
	£	£
At 1 April 2012	1,809,448	1,610,201
Surplus for year	807,695	796,988
Transfer from designated reserves	3,013,413	(593,447)
Transfer (to) Fairspace reserves	(4,294)	(4,294)
Closing balance at 31 March 2013	5,626,262	1,809,448



**ARDENGLLEN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2013**

**(Continued)**

**7. Tangible Fixed Assets**

<b>Cost</b>	<b>Housing properties held for letting £</b>	<b>Housing properties in course of construction £</b>	<b>Completed Shared ownership properties £</b>	<b>Office premises £</b>	<b>Furniture fittings &amp; Equipment £</b>	<b>Total £</b>
At 1 April 2012	50,657,440	54,829	705,527	657,076	303,918	52,378,790
Additions during year	252,177	23,760	-	247,921	12,570	536,428
Transfers	42,327	-	(42,327)	-	-	-
Major Repairs	510,526	-	-	-	-	510,526
Disposals	(249,969)	-	-	-	(49,813)	(299,782)
<b>At 31 March 2013</b>	<b>51,212,501</b>	<b>78,589</b>	<b>663,200</b>	<b>904,997</b>	<b>266,675</b>	<b>53,125,962</b>
<b>Housing Association Grant</b>						
At 1 April 2012	38,417,856	39,449	502,715	-	50,000	39,010,020
Additions during year	114,993	-	-	-	-	114,993
Repaid and abated during year	(43,404)	-	-	-	-	(43,404)
Transfers	30,454	-	(30,454)	-	-	-
<b>At 31 March 2013</b>	<b>38,519,899</b>	<b>39,449</b>	<b>472,261</b>	<b>-</b>	<b>50,000</b>	<b>39,081,609</b>
<b>Depreciation</b>						
At 1 April 2012	1,976,815	-	38,969	247,688	216,889	2,480,361
Provided during year	332,190	-	4,488	30,196	25,662	392,536
Disposals in year	(189,060)	-	-	-	(49,813)	(238,873)
<b>At 31 March 2013</b>	<b>2,119,945</b>	<b>-</b>	<b>43,457</b>	<b>277,884</b>	<b>192,738</b>	<b>2,634,024</b>
<b>Net book value</b>						
As at 31 March 2013	10,572,657	39,140	147,482	627,113	23,937	11,410,329
As at 31 March 2012	10,262,769	15,380	163,843	409,388	37,029	10,888,409

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013  
(Continued)

**7. Tangible Fixed Assets (contd)**

Development administration costs capitalised amounts to £nil (2012 - £15,398) for which Housing Association grants amounting to £nil (2012 - £1,709) were received in the year. Clerk of Works administration costs capitalised amounts to £nil (2012 - £2,066) for which Housing Association grants amounting to £nil (2012 - £nil) were received in the year. Interest capitalised in the year amounted to £nil (2012 - £5,853). None of the Association's land or property is held under a lease.

<b>8. Debtors</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Gross Rent arrears	175,812	142,989
Less: bad debt provision	(66,870)	(70,508)
	108,942	72,481
Development funding receivable	51,176	50,526
Prepayments and accrued income	67,048	31,139
Balance owed by group company	45,886	56,072
Other debtors	17,470	124,353
	290,522	334,571

The level of technical arrears contained within the gross rent arrears total was £23,715 (2012 - £28,819). Included within amounts owed by group company is £11,146 (2012 - £27,189 ) which is due greater than one year.

<b>9. Creditors due within one year</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts (note 10)	330,629	300,569
Trade creditors	157,107	516,385
Other creditors – development	148,042	129,065
Other creditors	139,120	147,487
Taxation and social security	12,939	12,586
Accruals and deferred income	40,599	38,910
Rents in advance	19,752	18,019
	848,188	1,163,021

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

(Continued)

<b>10.</b>	<b>Creditors due outwith one year</b>	<b>2013</b>	<b>2012</b>
		<b>£</b>	<b>£</b>
	Loans	<u>6,548,597</u>	<u>6,965,435</u>

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest ranging from 0.95% to 7.52% (2012 – 0.45% to 7.52% ) in instalments due as follows:

In one year or less	330,629	300,569
Between one and two years	332,448	302,911
Between two and five years	1,036,679	951,773
In five years or more	<u>5,179,470</u>	<u>5,710,751</u>
	6,879,226	7,266,004
Less: Included in current liabilities	<u>(330,629)</u>	<u>(300,569)</u>
	<u>6,548,597</u>	<u>6,965,435</u>

<b>11.</b>	<b>Employees</b>	<b>2013</b>	<b>2012</b>
		<b>£</b>	<b>£</b>
	Staff costs during year		
	Wages and salaries	582,368	538,999
	Social security costs	46,094	42,367
	Other pension costs	90,455	83,139
	Temporary, agency and seconded staff	<u>18,720</u>	<u>18,720</u>
		<u>737,637</u>	<u>683,225</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>18</u>	<u>18</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 (2012 - £60,000 per year).

	<b>£</b>	<b>£</b>
Aggregate Emoluments payable to Directors (1 Employee) (including pension contributions and benefits in kind)	<u>68,151</u>	<u>65,309</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>62,211</u>	<u>59,624</u>

The Association's pension contributions for the Director in the year amounted to £5,940 (2012 - £5,685).

There was one director (2012 – one) whose emoluments, including pension contributions, were over £60,000 were as follows:

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

(Continued)

11.	<b>Employees (contd)</b>	<b>2013</b>	<b>2012</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	2,352	1,759
	No members of the Committee of Management received any emoluments in respect of their services to the Association.		
12.	<b>Auditors' Remuneration</b>	<b>2013</b>	<b>2012</b>
		£	£
	The remuneration of the auditors (including expenses and excluding VAT for the year)	13,681	10,424
	Remuneration of the auditors in respect of services other than those of auditors of Baker Tilly UK Audit LLP	2,122	1,514
	(including expenses and excluding VAT for the year)	15,803	11,938
13.	<b>Share Capital</b>	<b>2013</b>	<b>2012</b>
		£	£
	Shares of £1 fully paid and issued at 1 April	369	328
	Shares issued during year	41	68
	Shares withdrawn	(27)	(27)
	Shares issued at 31 March	383	369

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 2013**

**(Continued)**

14. Notes to the Cash Flow Statement	2013	2012		
	£	£		
(a) Reconciliation of surplus to net cash inflow from operating activities				
Surplus for year	807,695	796,988		
Net interest payable	<u>199,942</u>	<u>209,450</u>		
Operating surplus for the year excluding interest and tax payable	1,007,637	1,006,438		
Depreciation	392,536	324,708		
Profit on sale of other Fixed Assets	(18,799)	(3,774)		
Shares cancelled	(27)	(27)		
Decrease/(increase) in debtors	44,049	(10,719)		
Decrease in creditors	<u>(344,896)</u>	<u>(1,268,278)</u>		
<b>Net cash inflow from operating activities</b>	<u>1,080,500</u>	<u>48,348</u>		
(b) Reconciliation of net cash flow to movement in net debt				
Decrease in cash for the year	(401,833)	(111,110)		
Loan repayments	<u>386,778</u>	<u>355,048</u>		
Change in net debt	(15,055)	243,938		
Net debt as at 1 April 2012	<u>(5,130,107)</u>	<u>(5,374,045)</u>		
Net debt as at 31 March 2013	<u>(5,145,162)</u>	<u>(5,130,107)</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 2012</b>	<b>Flow</b>	<b>Changes</b>	<b>March</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	2,135,897	(401,833)	--	1,734,064
Debt due within one year	(300,569)	386,778	(416,838)	(330,629)
Debt due after one year	<u>(6,965,435)</u>	--	416,838	<u>(6,548,597)</u>
	<u>(5,130,107)</u>	<u>(15,055)</u>	--	<u>(5,145,162)</u>

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

(Continued)

### 15. Pension Fund General

Ardenglen Housing Association Limited participates in the SHAPS 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 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

(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.

During the accounting period Ardenglen Housing Association Limited paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 16 active members of the Scheme employed by Ardenglen Housing Association Limited. The annual pensionable payroll in respect of these members was £442,920.

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:

<b>2009 Valuation Assumptions</b>	<b>% p.a.</b>
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



# ARDENGLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

(Continued)

### Pension Fund General (continued)

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

Contribution Rates for Future Service (payable from 1 April 2011)	% p.a.
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).

Ardenglen Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHAPS Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for Ardenglen Housing Association Limited was £3,226,316.

Ardenglen Housing Association Limited has been notified by the Pensions Trust of the Scottish Housing Association Pension Scheme that past service deficit contributions payable for the year to 31 March 2014 is £43,573. The deficit contribution will increase to £110,539 as from 1 April 2014 and will increase by 3% a year for the next 13.5 years. The calculated net present value of this contribution at 31 March 2013 using a 4% discount rate is £1,159,127.

### Pension Fund – Pensions Trust Growth Plan

Ardenglen Housing Association Limited participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.



# ARDENGLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

(Continued)

### **Pension Fund**

#### **Pensions Trust Growth Plan (continued)**

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

Ardenglen Housing Association Limited paid no contributions to the Growth Plan during the accounting period. One employee (2012 – One) paid contributions into the scheme during the year and were still active members of the plan at the year end. Ardenglen Housing Association continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme where the Plan assets are co-mingled for investment purposes, and benefits are paid from the total Plan assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

(Continued)

### Pension Fund

#### Pensions Trust Growth Plan (continued)

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	%pa
- Investment return pre retirement	4.9
- Investment return post retirement	
Actives/deferreds	4.2
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Inflation – Retail Prices Index (RPI)	2.9
- Inflation – Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%. If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

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 Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

# ARDENGLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

(Continued)

### **Pension Fund**

#### **Pensions Trust Growth Plan (continued)**

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (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 Plan. 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 Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating 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 Plan liabilities, Plan 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.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

Owing to this situation, we have included 2 figures/calculations, namely:

- The cost of withdrawal if we include Series 3 liabilities in the calculation
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.

Ardenglen Housing Association Limited has also been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Plan as at 30 September 2012. As of this date the estimated employer debt for Ardenglen Housing Association Limited including Series 3 liabilities was £5,899. The estimated employer debt excluding Series 3 liabilities was £nil. The Scheme actuary has estimated that the debt at 31 March 2013 would be 3% higher than the debts at 30 September 2012. There are currently no pension deficit contributions being paid by Ardenglen Housing Association Limited in relation the Growth Plan.

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2013**  
(Continued)

<b>16.</b>	<b>Capital Commitments</b>	<b>2013</b>	<b>2012</b>
		<b>£</b>	<b>£</b>
	Expenditure authorised by the Committee of Management contracted less certified	-	15,648
<b>17.</b>	<b>Housing Stock</b>	<b>2013</b>	<b>2012</b>
	The number of units in Management at 31 March was as follows:		
		<b>No</b>	<b>No</b>
	New build	405	406
	Rehabilitation – leased	1	1
	Rehabilitation	256	256
	Shared ownership	13	13
	Mortgage to rent	9	6
	SST	291	291
		975	973

**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 2013 related to the construction of and renting out of office space adjacent to the Association's own offices.

During the year ending 31 March 2013, a rent charge of £19,596 (2012: £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 (2012: £600) to Ardenglen Developments Limited in the year for the provision of administration services.

As at 31 March 2013, Ardenglen Housing Association had a loan due from its subsidiary company which totaled £27,189 (2012: £42,259). Repayments totaling £14,157 were made in the year. The loan accrues interest at 6.75% for which £2,726 (2012: £3,639) was charged in the year.

Amounts due to Ardenglen Housing Association Limited at the year-end totaled 18,697 (2012: £13,813) and amounts from Ardenglen Housing Association Limited to Ardenglen Developments Limited totaled £1,200 (2012: £1,200).

# ARDENGLLEN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

(Continued)

### 20. Housing Association Grant

Housing Association Grant allocated to components (as detailed in Note 1 (e) (i)) that have subsequently been replaced by the Association are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31 March 2013 was £96,955 (2012: £53,551).