

**ARDENGLLEN HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**Registered Housing Association No. HCB 219**

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

**Charity No. SC032542**

**RSM UK AUDIT LLP**  
**Chartered Accountants**

**Glasgow**

**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**  
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**Registration Particulars:**

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

**Management Committee**

The members of the Management Committee of the Association who served during the year to 31 March 2016 and up to the date of signing of these financial statements were as follows:

Isa Brier	(Chairperson)	Sheena Cadden – resigned 19/08/15
Maureen Cope MBE	(Vice Chairperson)	Carol Mitchell – resigned 01/12/15
Liz McKenzie	(Treasurer)	Bobby Mitchell – resigned 01/12/15
Isobel Pope		Sandi Stone – resigned 01/12/15
Elaine MacPhail		
Ann Marie Docherty		
Sharon Nelson		
Karen McDonagh		
Frank Young		

**Chief Executive Officer and Company Secretary**

Kenny Stocks

**Auditors**

RSM UK Audit LLP  
Chartered Accountants  
3<sup>rd</sup> Floor  
Centenary House  
69 Wellington 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 LTD**

**For the year ended 31 March 2016**

Report of the Management Committee

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The Committee of Management present their report and audited financial statements for the year ended 31 March 2016.

### **Principal Activities**

The principal activity of Ardenglen is the provision and management of affordable housing for rent.

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

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

In 2015/16 and for 2016/17, Ardenglen's level of engagement was set as "low" meaning the Regulator has no current concerns regarding Ardenglen's operations, governance and financial viability.

### **Financial Reporting Standard 102 (FRS 102)**

The financial statements reflect the introduction of Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for Registered Social Landlords 2014 for the first time. Comparative figures have been updated accordingly. See Note 25 to the financial statements for further detail.

### **Our Purpose**

*"Investing in our Community"*

### **Our Mission**

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

### **Our Key Goals**

Everything we do flows from our purpose. Our focus and everybody's efforts are on delivering high quality services and the regeneration of our community.

Our Purpose is delivered by the following Goals:

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



## **Our Values**

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

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

## **Strategy for Achieving Objectives**

We must never forget that we are a business and like every business we are only here because of our customers be they current, future or aspiring.

To be a great business we recognise that we need to get two things right. Firstly we need to keep our finances strong. If we don’t, we can’t achieve our vision and goals. Secondly and directly related to the first, we need to deliver the things our customers want, at the first time of asking and at an acceptable price.

There is no doubt our operating environment will remain difficult and challenging, but we are confident there will also be opportunities for strong organisations with a clear vision and determination to succeed.

Moving forward, our strategic plan is about successfully navigating the future by ensuring we have excellent governance and leadership, clarity of vision, a very strong financial base and a culture committed to exceptional customer service.

## **Business Model**

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

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

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

As a landlord, a developer and a provider of social and economic regeneration, we recognise that our customer expectations are changing and that we have to continuously improve our services.

In recognition of this, we carried out some substantial restructuring of Ardenglen to reflect this changed agenda. We believe this additional focus on regeneration activities is supported by our tenants and other stakeholders and is a positive reaction to the unprecedented economic pressures being applied to our local community.

As part of this strategy we are the lead partner in the development of a Commonwealth Games Legacy Project to create a state of the art activity centre to utilise the potential of the Cathkin Braes Mountain Bike Track to create job, volunteering and health opportunities.

Full details of these can be found on the Association's web site [www.ardenglen.org.uk](http://www.ardenglen.org.uk).

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

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

### **Development and Performance**

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

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

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

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

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

These results are important as they emphasise that the incorporated organisational changes are making a difference to customer outcomes.

## **Future Prospects**

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

### ***Goal 1: Doing what matters most to customers***

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

We are aware that customers put a high value on being kept informed and involved in decisions that affect them and we need to ensure we offer appropriate opportunities for participation. Our customers have been through a tough few years with austerity cuts and we know this will continue over the next three years. We will continue to campaign for the repeal of the Bedroom Tax and try to mitigate the impact of welfare reform through quality advice services and programmes that support our customers to get into employment.

### ***Goal 2: Investing in homes and our community***

We recognise that repairs are often the service most valued by customers and we will keep working with our partners to continuously improve the service we deliver and ensure our homes are well maintained.

We know fuel poverty is a real concern for our customers. We will therefore continue to improve the energy efficiency of our homes, to ensure we meet the Energy Efficiency Standard for Social Housing (EESH) which will become mandatory in 2020.

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

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

### ***Goal 3: Making us stronger for the future***

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

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

Every employee has a crucial role to play in delivering our goals. We aim to continue to develop a culture of challenge and support to help our people succeed and develop and build their careers.

**Principal Risks and Uncertainties**

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

Risk management for Ardenglen is all about managing our threats and opportunities, and creating an environment of ‘No Surprises.’

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

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

The Risk Strategy outlines how the Management Committee wishes to manage risk. It describes the four important elements – how we will identify, assess, address and review and report on our risks. It also clarifies the various roles and responsibilities.

The Association has recently adopted a comprehensive e-based Risk Management Tool which maps the Likelihood, Impact and Risk Mitigation measures across known and future risks and assesses these as Low, Moderate, High and Extreme.

As at 31<sup>st</sup> March 2016 the “Top Five” Risks have been identified as:

<b>Risk Description</b>	<b>Risk Mitigation Actions</b>
<i>Failure to meet the regulatory outcomes expected by the Scottish Housing Charter</i>	Annual delivery work plan to be agreed. Continuous review of performance with KPI’s in place – Senior Management Team and Management Committee regularly review progress.
<i>Diversification risks associated with the proposed Cathkin Braes Activity Centre. New area of operation requiring different skills, competencies and operating methods. Need to protect core business from being adversely affected.</i>	Assessment of the strategic fit of the opportunity. Evaluation of the resources required to bid and upfront assessment of the chances of success. Individual risk, financial, resource and operational assessment of the new venture. Sound Independent Business Plan.
<i>Failure to obtain regulatory approval for the Cathkin Braes Activity Centre.</i>	Individual risk, financial, resource and operational assessment of the new venture. Management Committee approval prior to SHR Submission. Full independent Business Plan.

**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**  
 Report of the Management Committee (continued)

<b>Risk Description</b>	<b>Risk Mitigation Actions</b>
<i>Increase in Pension Deficit.</i>	5 & 30 Year Financial Plan updated annually. Full sensitivity analysis, scenario planning of pension liabilities. Attendance at all SHAPS briefing sessions. Auto enrolment into Defined Contribution Scheme. Regular updates to the Board. Full pension uptake modelled in financial plans.
<i>Committee Members have insufficient skills to undertake role.</i>	Committee recruitment, assessment and training policy in place. Follow SHR Guidance regarding appraisal and "9 Year" Rules. Revised induction, "buddy" system.

### Key Performance Indicators

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

Table 1: Summary of Performance Outputs Reported in the ARC

<b>Indicators</b>	<b>2015/16</b>	<b>2014/15</b>	<b>Scottish Average 2014/15</b>
Gross Rent Arrears (Indicator 31)	3.51%	3.25%	5.10%
Reactive Repairs "right first time" (Indicator 13)	96.05%	96.48%	90.2%
Satisfaction with Repairs Service (Indicator 16)	95%	95%	89.53%
Average time to complete Emergency Repair (Indicator 11)	2.57 hours	2.64 hours	5.9 hours
Average time to complete non- Emergency Repair (Indicator 12)	3.16 days	3.13 days	7.9 days
Annual Gas Safety Inspections (Indicator 15)	100%	99.79%	98.2%
Anti Social Behaviour cases resolved in target (Indicator 19)	95.89%	92.61%	83.2%
Average Time to re-let a property (Indicator 35)	11.58 days	8.2 days	36.9 days
Void Rent Loss (Indicator 34)	0.30%	0.15%	1.1%
SHQS Compliance	100%	100%	85.4%

The Management Committee are pleased to report that Ardenglen continues to perform extremely well against the relevant Scottish Average Benchmarks.

Further detailed KPI information as well as a useful KPI comparison tool can be found at [www.scottishhousingregulator.gov.uk](http://www.scottishhousingregulator.gov.uk).

### Governance

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



**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**  
Report of the Management Committee (continued)

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

We recently completed a comprehensive review of our governance arrangements to improve the efficiency of decision making and to streamline our reporting structures to focus on customer outcomes, finance and risk.

Individual Committee members are appraised and the effectiveness of the Committee as a whole evaluated on an on-going basis. Appropriate learning and development opportunities are provided for members to update their skills. We have also implemented a robust succession plan to refresh skills and ensure a continuity of leadership for the future.

We recognise that we need a wide range of skills and experience to be able to maintain effective governance and are looking to strengthen the Committee with appropriate skills to support the proposed Cathkin Braes Activity Centre.

### **Going Concern**

The Management Committee 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. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Disclosure of Information to the Auditor**

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

### **Auditor**

A resolution for the reappointment of RSM UK Audit LLP, as auditors of the Association, will be proposed at the Annual General meeting.

By Order of the Management Committee

Name:



Date:

2/8/10

## **ARDENGLLEN HOUSING ASSOCIATION LTD**

**For the year ended 31 March 2016**

### **Statement of Management Committee's Responsibilities**

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

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

The Management Committee is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Management Committee must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2014. It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

## ARDENGLLEN HOUSING ASSOCIATION LTD

For the year ended 31 March 2016

### Management Committee's Statement of Internal Financial Control

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

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

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial mis-statement or loss or failure to meet objectives. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for the important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Management Team and Management Committee to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- monthly/quarterly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee;
- the Audit Committee/Management Committee receives reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed, and that a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal and external audit reports.



**ARDENGLLEN HOUSING ASSOCIATION LTD**

**For the year ended 31 March 2016**

**Management Committee's Statement of Internal Financial Control (continued)**

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The effectiveness of the Association's system of internal financial control has been reviewed by the Audit Committee/Management Committee for the year ended 31 March 2016. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By Order of the Management Committee



Name:

2/8/16

Date:

**ARDENGLLEN HOUSING ASSOCIATION LTD**

**For the year ended 31 March 2016**

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

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In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 10 and 11 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on pages 10 and 11 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

*RSM UK Audit LLP*

RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor  
Chartered Accountants  
Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: 10/8/16

## **ARDENGLLEN HOUSING ASSOCIATION LTD**

**For the year ended 31 March 2016**

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

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We have audited the financial statements of Ardenglen Housing Association Limited for the year ended 31 March 2016 on pages 14 to 43. 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 Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Committee and auditor**

As explained more fully in the Committee's Responsibilities Statement set out on page 9, 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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

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

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

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

*RSM UK Audit LLP*

RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor  
Chartered Accountants  
Centenary House  
69 Wellington Street  
GLASGOW G2 6HG

Date: 10/8/16

**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**  
**Statement of Comprehensive Income**

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	<b>Notes</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
<b>TURNOVER</b>	2	3,851,273	3,677,650
Operating Expenditure	2	<u>(3,017,131)</u>	<u>(2,825,069)</u>
<b>OPERATING SURPLUS</b>	2	834,142	852,581
(Loss)/Gain on disposal of property, plant and equipment	9	(32,266)	18,946
Interest receivable	6	18,281	16,800
Interest and financing costs	7	<u>(228,152)</u>	<u>(251,608)</u>
<b>SURPLUS BEFORE TAX</b>		592,005	636,719
Taxation		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	8	<u><u>592,005</u></u>	<u><u>636,719</u></u>

The results for the year relate wholly to continuing activities.

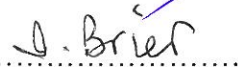
The accompanying notes form part of these financial statements.

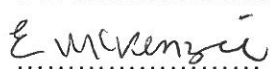
**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**  
**Statement of Financial Position**

	Notes	2016 £	2015 £
<b>FIXED ASSETS</b>			
Housing properties	11.A	22,435,505	22,170,299
Other fixed assets	11.B	615,031	623,568
Investment in subsidiary	12	1	1
		<u>23,050,537</u>	<u>22,793,868</u>
<b>CURRENT ASSETS</b>			
Trade and other debtors	13	223,447	481,542
Cash and cash equivalents		<u>3,066,942</u>	<u>2,691,847</u>
		3,290,389	3,173,389
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	14	<u>(1,169,627)</u>	<u>(946,506)</u>
<b>NET CURRENT ASSETS</b>		<u>2,120,762</u>	<u>2,226,883</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		25,171,299	25,020,751
Creditors: amounts falling due after more than one year	15	(5,623,519)	(5,978,464)
Provisions for liabilities			
Pension provision	19	(1,338,000)	(1,423,000)
Other provisions	19	(15,497)	(16,951)
		<u>(6,977,016)</u>	<u>(7,418,415)</u>
<b>TOTAL NET ASSETS</b>		<u>18,194,283</u>	<u>17,602,336</u>
<b>RESERVES</b>			
Share capital	20	184	242
Income and expenditure reserve		<u>18,194,099</u>	<u>17,602,094</u>
		<u>18,194,283</u>	<u>17,602,336</u>

The financial statements on pages 14 to 43 were approved by the Management Committee and authorised for issue on 2/8/16 and signed on its behalf by:

Secretary: 

Member: 

Member: 

**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**  
**Statement of Changes in Reserves**

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	<b>Income and expenditure reserve</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Balance at 1 April 2014</b>	16,965,375	16,965,375
Surplus / (deficit) for the year	636,719	636,719
<b>Balance as at 31 March 2015</b>	<u>17,602,094</u>	<u>17,602,094</u>
Surplus / (deficit) for the year	592,005	592,005
<b>Balance at 31 March 2016</b>	<u>18,194,099</u>	<u>18,194,099</u>

**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**  
**Statement of Cashflows**

	Notes	2016	2015
		£	£
<b>Net cash generated from operating activities</b>	21	1,871,891	1,538,731
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(1,088,734)	(654,852)
Proceeds from sale of tangible fixed assets		113,959	43,205
Grants received		35,556	188,907
Interest received		18,281	16,800
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>		<u>(920,938)</u>	<u>(405,940)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest paid		(198,152)	(206,608)
Repayments of borrowings		(377,729)	(414,759)
Increase in share capital		23	17
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>		<u>(575,858)</u>	<u>(621,350)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>375,095</u>	<u>511,441</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		2,691,847	2,180,406
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>3,066,942</u>	<u>2,691,847</u>



## **1. ACCOUNTING POLICIES**

### **LEGAL STATUS**

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

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

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

Ardenglen Housing Association Ltd is a Public Benefit Entity.

### **BASIS OF ACCOUNTING**

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

The financial statements are prepared in Sterling (£).

### **CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT**

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

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

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

In determining the Association's share of the underlying assets and liabilities of the Scottish Housing Association Pension Scheme (SHAPS), the valuation prepared by the scheme actuary includes estimations in relation to life expectancy, salary growth, inflation and the discount rate on corporate bonds. The rate used to discount the past service deficit defined benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. Our commitment to the SHAPS of £113,742 for the next 12 years has been discounted at a rate of 2.29% amounting to a net present value of £1.3m at 31 March 2016.



## **CHANGE IN ACCOUNTING POLICY**

These financial statements are the first financial statements of Ardenglen Housing Association Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Ardenglen Housing Association Limited for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Consequently, the directors have amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made. Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) reserves at the date of transition to FRS 102; (ii) reserves at the end of the comparative period; and (iii) income or expenditure for the comparative period reported under previous UK GAAP are given in note 25.

## **GOING CONCERN**

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

## **TURNOVER AND REVENUE RECOGNITION**

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

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

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

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

## **GOVERNMENT GRANTS**

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

## **GOVERNMENT GRANTS (continued)**

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

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

## **OTHER GRANTS**

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

## **OTHER INCOME**

### Interest income

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

### Investment income

Investment income is recognised on an accruals basis.

## **TANGIBLE FIXED ASSETS – HOUSING PROPERTIES**

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

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

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

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

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

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

## **DEPRECIATION OF HOUSING PROPERTIES**

Freehold land or assets under construction are not depreciated.

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

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

## **IMPAIRMENT OF FIXED ASSETS**

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

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

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

## **OTHER TANGIBLE FIXED ASSETS**

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

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

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

## **BORROWING COSTS**

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

All other borrowing costs are expensed as incurred.

## **TAXATION**

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

## **VAT**

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

## **EMPLOYEE BENEFITS**

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

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

## **RETIREMENT BENEFITS**

### *Defined benefit plans*

The Association participates in the Scottish Housing Association Pension Scheme (SHAPS). The contributions are recognised in income and expenditure in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the Association will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

### *Defined contribution plans*

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

## **RETIREMENT BENEFITS (continued)**

### *Liability*

The net defined benefit liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

## **FINANCIAL INSTRUMENTS**

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

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### ***Financial assets***

#### *Debtors*

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

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

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

## **FINANCIAL INSTRUMENTS (continued)**

### ***Financial liabilities***

#### *Trade creditors*

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

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

#### ***Borrowings***

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

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

#### ***Derecognition of financial assets and liabilities***

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

## **PROVISIONS**

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

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



**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**  
Notes to the Financial Statements (continued)

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

	Note	Turnover £	Operating Costs £	Operating Surplus £	Operating Surplus 2015 £
<b>Social lettings</b>	3	3,643,850	(2,737,534)	906,316	926,360
<b>Other activities</b>	4	207,423	(279,597)	(72,174)	(73,779)
<b>Total</b>		<u>3,851,273</u>	<u>(3,017,131)</u>	<u>(834,142)</u>	<u>852,581</u>
2015		<u>3,677,650</u>	<u>(2,825,069)</u>	<u>852,581</u>	

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

	<b>General Needs Housing</b>	<b>Shared Ownership</b>	<b>Supported Housing</b>	<b>2016 Total</b>	<b>2015 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Rent receivable net of identifiable service charges	3,596,798	17,341	-	3,614,139	3,509,780
Service charges	-	-	-	-	-
Gross income from rents and service charges	3,596,798	17,341	-	3,614,139	3,509,780
<b>Less: Rent loss from voids</b>	(10,660)	-	-	(10,660)	(5,175)
<b>Net income from rents and service charges</b>	3,586,138	17,341	-	3,603,479	3,504,605
Grants released from deferred Income	3,741	-	-	3,741	3,148
Grants from Scottish Ministers	36,630	-	-	36,630	37,418
<b>Total turnover from affordable letting activities</b>	<b>3,626,509</b>	<b>17,341</b>	<b>-</b>	<b>3,643,850</b>	<b>3,545,171</b>
Management and maintenance administration costs	979,668	5,220	-	984,888	1,004,539
Service costs	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	491,003	-	-	491,003	472,024
Reactive maintenance costs	603,797	-	-	603,797	519,734
Bad debts – rents and service charges	23,223	-	-	23,223	16,511
Depreciation of affordable let properties	628,202	6,421	-	634,623	606,003
<b>Operating Costs for affordable letting activities</b>	<b>2,725,893</b>	<b>11,641</b>	<b>-</b>	<b>2,737,534</b>	<b>2,618,811</b>
<b>Operating Surplus for affordable letting Activities</b>	<b>900,616</b>	<b>5,700</b>	<b>-</b>	<b>906,316</b>	<b>926,360</b>
<b>2015</b>	<b>919,675</b>	<b>6,685</b>	<b>-</b>	<b>926,360</b>	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £-nil (2015- £nil).



**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**

Notes to the Financial Statements (continued)

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or (deficit)	Operating surplus or (deficit) for previous period of account
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction and management of housing	-	83,095	-	7,836	90,931	-	221,296	(130,365)	(129,777)
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	1,719	1,719	-	3,330	(1,611)	100
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	-	-	-
Contracted out activities undertaken for other organisations	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	24,492	24,492	-	21,593	2,899	5,855
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-	-
Uncapitalised development administration costs	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	90,281	90,281	6,216	27,162	56,903	50,043
<b>Total from other activities</b>	-	83,095	-	124,328	207,423	6,216	273,381	(72,174)	(73,779)
<b>2015</b>	-	22,764	-	109,715	132,479	-	206,258	(73,779)	

Included within other activities is other rental income of £63,361 and the release of housing benefit received of £2,798

<b>5. ACCOMMODATION IN MANAGEMENT</b>	<b>2016</b>	<b>2015</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	254	256
Shared ownership	10	10
Mortgage to rent	10	10
SST	292	293
Total Units in Management	<u>972</u>	<u>976</u>

<b>6. INTEREST RECEIVABLE AND SIMILAR CHARGES</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Interest on bank deposits	<u>18,281</u>	<u>16,800</u>

<b>7. INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Interest arising on:		
Bank loans and overdrafts	198,152	206,608
Defined benefit pension charge	30,000	45,000
	<u>228,152</u>	<u>251,608</u>
Less: Interest capitalised on housing properties under construction	-	-
	<u>228,152</u>	<u>251,608</u>

**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**

Notes to the Financial Statements (continued)

**8. OPERATING SURPLUS OR DEFICIT**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Operating surplus is stated after charging/(crediting):		
Depreciation of housing properties	634,623	606,003
Depreciation of other tangible fixed assets (note 11.B)		
- owned	51,217	44,359
Deficit/(Surplus) on disposal of tangible fixed assets (note 9)	<u>32,266</u>	<u>(18,946)</u>

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Audit services - statutory audit of the Association	12,668	8,154
<i>Other services:-</i>		
Audit-related assurance services	-	-
Taxation compliance services	-	-
Other assurance services	-	-
All other non-audit services	-	-
	<u>12,668</u>	<u>8,154</u>

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

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Disposal proceeds	140,554	58,561
Carrying value of fixed assets	<u>(146,225)</u>	<u>(24,259)</u>
	(5,671)	34,302
Capital grant repaid	<u>(26,595)</u>	<u>(15,356)</u>
(Deficit)/Surplus	<u>(32,266)</u>	<u>18,946</u>

**10. EMPLOYEES**

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:		
Office and management/Administration	19	18
Housing support and care	-	-
Development	-	-
	<u>19</u>	<u>18</u>

**10. EMPLOYEES (continued)**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Staff costs for the above persons:		
Wages and salaries	570,186	552,511
Social security costs	44,351	45,537
Other pension costs and current service cost (note 23)	127,028	102,592
Defined contribution pension cost	10,035	640
Agency Staff	21,000	21,000
	<u>772,600</u>	<u>722,280</u>

Key management personnel are defined as the members of the Board, the Chief Executive and any other person reporting directly to the directors or the Board.

There were no key management personnel who received emoluments in excess of £60,000.

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Aggregate emoluments for the above key management personnel (excluding pension contributions)	<u>151,486</u>	<u>163,829</u>
The emoluments of the Chief Executive (excluding pension contributions)	<u>43,996</u>	<u>58,377</u>
Aggregate pension contributions in relation to the above key management personnel	<u>60,608</u>	<u>41,470</u>

No payment or fees or other remuneration was made to the Board members during the year.

The Association operates a salary sacrifice scheme to all members of the pension scheme.

**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**  
Notes to the Financial Statements (continued)

**11.A TANGIBLE FIXED ASSETS – HOUSING PROPERTIES**

	<b>Social Housing Properties Held for Letting £</b>	<b>Housing Properties For Letting Under Construction £</b>	<b>Completed Shared Ownership Housing Properties £</b>	<b>Total Housing Properties £</b>
<b>Cost</b>				
1 April 2015	23,887,011	78,589	203,000	24,168,600
Additions	798,507	6,881	-	805,388
Properties acquired	57,945	-	-	57,945
Works to existing properties	182,721	-	-	182,721
Disposals	(205,672)	-	-	(205,672)
31 March 2016	<u>24,720,512</u>	<u>85,470</u>	<u>203,000</u>	<u>25,008,982</u>
<b>Depreciation and impairment</b>				
1 April 2015	1,991,879	-	6,421	1,998,300
Depreciation charged in year	628,202	-	6,421	634,623
Released on disposal	(59,446)	-	-	(59,446)
31 March 2016	<u>2,560,635</u>	<u>-</u>	<u>12,842</u>	<u>2,573,477</u>
<b>Net book value</b>				
31 March 2016	<u>22,159,877</u>	<u>85,470</u>	<u>190,158</u>	<u>22,435,505</u>
31 March 2015	<u>21,895,132</u>	<u>78,589</u>	<u>196,579</u>	<u>22,170,300</u>

The Association has taken advantage of the deemed cost transitional relief on adoption of FRS102 whereby a prior year valuation has been used as deemed cost. Completed Housing Properties, including Shared Ownership, were valued by professional external valuers, Jones Lang Lasalle, Chartered Surveyors and were valued on an Existing Use Value for Social Housing (EUV-SH) basis.

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

The carrying value of the Completed Housing properties that would have been included in the financial statements had the assets been carried at historical cost less depreciation is as follows:

	<b>2016</b>	<b>2015</b>
Historical Cost	53,524,630	52,761,967
Depreciation	13,273,697	12,366,638
	<u>40,250,933</u>	<u>40,395,329</u>

**EXPENDITURE ON WORKS  
TO EXISTING PROPERTIES**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Improvement work capitalised	819,056	240,088
Replacement component spend capitalised	162,172	114,873
Amounts charged to income and expenditure	118,363	168,210
Total major repairs spend	<u>1,099,591</u>	<u>523,171</u>

**11.B TANGIBLE FIXED ASSETS – OTHER**

	Freehold property £	Computers and Office Equipment £	Furniture, fixtures and fittings £	Total £
<b>Cost</b>				
1 April 2015	948,572	194,122	84,020	1,226,714
Additions	-	40,808	1,872	42,680
31 March 2016	948,572	234,930	85,892	1,269,394
<b>Depreciation and impairment</b>				
1 April 2015	341,151	178,036	83,959	603,146
Depreciation charged in year	31,648	19,039	530	51,217
31 March 2016	372,799	197,075	84,489	654,363
<b>Net book value</b>				
31 March 2016	575,773	37,855	1,403	615,031
31 March 2015	607,421	16,086	61	623,568

**12. SUBSIDIARY UNDERTAKINGS**

The Association's subsidiary undertakings are:

<i>Name of undertaking</i>	<i>Class of shareholding</i>	<i>Proportion of nominal value held directly</i>	<i>Nature of Business</i>
Ardenglen Developments Limited	Ordinary	100% (2015: 100%)	Related to the construction of and renting out of office space adjacent to the Association's own offices.

**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**  
Notes to the Financial Statements (continued)

**13. DEBTORS**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Rent and service charges receivable	102,908	103,816
Less: provision for bad and doubtful debts	(63,362)	(60,857)
	<u>39,546</u>	<u>42,959</u>
HAG receivable	1,974	265,795
Other debtors	69,056	53,920
Prepayments and accrued income	104,659	97,509
Amounts due from Group undertakings	8,212	21,359
	<u>223,447</u>	<u>481,542</u>

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Debt (note 17)	312,060	303,622
Rent and service charges received in advance	23,200	24,070
Deferred capital grants (note 16)	3,741	3,148
Trade creditors	596,080	370,124
Other taxation and social security costs	13,892	-
Other creditors	189,114	221,700
Accruals and deferred income	31,540	23,842
	<u>1,169,627</u>	<u>946,506</u>



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

	2016 £	2015 £
Debt (note 17)	5,409,686	5,795,853
Deferred capital grant (note 16)	213,833	182,611
	<u>5,623,519</u>	<u>5,978,464</u>

	2016 £	2015 £
Included in creditors are:		
Amounts repayable other than by instalments falling due after more than five years	<u>1,506,761</u>	<u>1,462,881</u>
Amounts repayable by instalments falling due after more than five years	<u>4,116,758</u>	<u>4,515,583</u>

**16. DEFERRED CAPITAL GRANT**

	2016 £	2015 £
As at 1 April	185,759	-
Grant received in the year	35,556	188,907
Capital grant released	(3,741)	(3,148)
As at 31 March	<u>217,574</u>	<u>185,759</u>
Amounts to be released within one year	3,741	3,148
Amounts to be released in more than one year	<u>213,833</u>	<u>182,611</u>
	<u>217,574</u>	<u>185,759</u>

**17. DEBT ANALYSIS - BORROWINGS**

	2016 £	2015 £
Creditors: amounts falling due within one year:		
Bank loans	<u>312,060</u>	<u>303,622</u>
Creditors: amounts falling due after more than one year:		
Bank loans	5,409,686	5,795,853
<b>Total</b>	<u>5,721,746</u>	<u>6,099,475</u>

**17. DEBT ANALYSIS – BORROWINGS – (continued)**

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

Bank Borrowings are secured by specific charges on the Association's properties and are repayable at rates of interest ranging from 1.45% to 5.62% (2015 – 1.45% to 5.62%). The Association makes monthly and quarterly repayments of the bank borrowings.

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

	2016 £	2015 £
Due within one year	312,060	303,622
Due in one year or more but less than two years	315,769	308,420
Due between two and five years	977,159	971,850
Due more than five years	4,116,758	4,515,583
	<u>5,721,746</u>	<u>6,099,475</u>

**18. FINANCIAL INSTRUMENTS**

	2016 £	2015 £
<i>Financial assets:</i>		
Debt instruments measured at amortised cost	<u>3,290,389</u>	<u>3,173,389</u>
<i>Financial liabilities:</i>		
Measured at amortised cost	<u>8,146,643</u>	<u>8,364,922</u>

**19. PROVISIONS**

	Holiday pay £	SHAPS Pension £	Other £	Total £
1 April 2015	16,951	1,423,000	-	1,439,951
Utilised in the year	-	(110,000)	-	(110,000)
Additional provision in year	15,497	-	-	15,497
Unwinding of discount	-	30,000	-	30,000
Reversed in year	(16,951)	-	-	(16,951)
Increase due to change in discount rate	-	(5,000)	-	(5,000)
31 March 2016	<u>15,497</u>	<u>1,338,000</u>	<u>-</u>	<u>1,353,497</u>

**19. PROVISIONS – (continued)**

*Holiday Pay*

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

*Pension*

The SHAPS provision represents the net present value of the commitment to the multi-employer pension scheme in respect of past deficits.

**20. SHARE CAPITAL & RESERVES**

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

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Number of members		
1 April 2015	242	398
Joined during the year	23	17
Left during year	(81)	(173)
31 March 2016	<u>184</u>	<u>242</u>

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

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Surplus for the year	592,005	636,719
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	682,099	647,214
Impairment losses on tangible fixed assets	-	-
Impairment losses on investments	-	-
Shares cancelled	(81)	(173)
Defined benefit pension schemes	(85,000)	39,000
Fair value (gains)/losses on financial instruments	-	-
Increase/(decrease) in provisions	-	-
(Gain)/loss on disposal of tangible fixed assets	32,266	(18,946)
Interest receivable	(18,281)	(16,800)
Interest payable	198,152	206,608
Taxation	-	-
<b>Operating cash flows before movements in working capital</b>	<u>1,401,160</u>	<u>1,493,622</u>
Decrease/(increase) in stock	-	-
Decrease/(increase) in trade and other debtors	258,095	(160,233)
Increase/(decrease) in trade and other creditors	212,636	205,342
<b>Cash generated from / (used in) operations</b>	<u>1,871,891</u>	<u>1,538,731</u>

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

CASH AND CASH EQUIVALENTS

	2016 £	2015 £'000
Cash and cash equivalents represent:-		
Cash at bank	1,002,242	745,118
Short-term deposits	2,064,700	1,946,728
Overdraft	-	-
	<u>3,066,942</u>	<u>2,691,846</u>

**22. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS**

	2016 £	2015 £
Capital expenditure contracted for but not provided in the financial statements	-	-
Expenditure authorised by the board, but not contracted	-	-

**23. RETIREMENT BENEFITS**

Certain employees of the Association are members of an industry-wide retirement benefit scheme the Scottish Housing Association Pension Scheme ("SHAPS"). There is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

The SHAPS offers a defined contribution option. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable by the Association charged to income and expenditure amounted to £10,035 (2015: £640). Contributions totalling £850 (2015: £213) were payable to the fund at the year end and are included in creditors.

No other post-retirement benefits are provided. The schemes are fully funded schemes.

## 23. RETIREMENT BENEFITS – (continued)

### SHAPS

The company participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

#### Deficit contributions

From 1 April 2014 to 30

September 2027:

£26,304,000 per annum

(payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

**23. RETIREMENT BENEFITS – (continued)**

PRESENT VALUES OF PROVISION

	31 March 2016 (£000s)	31 March 2015 (£000s)	31 March 2014 (£000s)
Present value of Provision	1,338	1,423	1,384

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2016 (£000s)	Period Ending 31 March 2015 (£000s)
Provision at start of period	1,423	1,384
Unwinding of the discount factor (interest expense)	30	45
Deficit contribution paid	(110)	(107)
Remeasurements - impact of any change in assumptions	(5)	100
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	1,338	1,423

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2016 (£000s)	Period Ending 31 March 2015 (£000s)
Interest expense	30	45
Remeasurements – impact of any change in assumptions	(5)	100
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

\*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.29	2.22	3.42

### **23. RETIREMENT BENEFITS – (continued)**

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The Association has agreed to make additional deficit payments to SHAPS at the rate of £113,742 per year for 12 years using a discount rate based on a AA corporate rate bond for the same period. A liability based upon discounted net present value of £1.3m has been recognised within provisions for the contribution obligations.

### **24. RELATED PARTY TRANSACTIONS**

Various Management Committee members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £25,880 (2015; £38,750) of rent was receivable from these tenant members. At the year-end there were £166 (2015: £2,054) of rent arrears due from these tenant members.

Amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2015: £nil) in respect of bad debts from related parties.

### **25. FIRST TIME ADOPTION OF FRS102**

The financial statements have been prepared in accordance with FRS102 for the year ended 31 March 2016. The transition to FRS102 has impacted on the following accounting policies adopted and as such the comparative figures have been restated accordingly.

#### **A – Housing Properties - Revaluation**

Previously all housing properties were recognised at cost, in line with FRS102 the Association has taken advantage of the transitional relief available to revalue the housing properties at the transition date and use this as deemed cost going forward.

#### **B – Grant Accounting**

Previously all capital grants received were netted off against the cost of housing properties. As the Association has opted to revalue the housing properties capital grants were treated under the performance model and transferred to reserves up to the transition date. From the transition date capital grants are now treated under the accrual model and as such are shown as deferred income and amortised to income over the expected useful life of the housing property structure (excluding land).



**25. FIRST TIME ADOPTION OF FRS102 (continued)**

C – Depreciation of Housing Properties

Previously depreciation on housing properties was calculated on the net cost of properties after capital grant. In line with FRS102, and as noted above in B, grants are no longer netted off against the cost of housing properties and as such depreciation is now calculated on the gross cost of housing properties.

D – SHAPS Pension Scheme

The Association participates in the multi-employer defined benefit Scottish Housing Association Pension Scheme (SHAPS). Under FRS102 a contractual agreement under a multi-employer defined benefit scheme to fund a past deficit should be accrued for as a liability discounted to net present value. As at 31 March 2016 this liability was calculated as amounting to £1.3m.

E – Holiday Pay Accrual

FRS102 requires the Association to recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the entity during the reporting period. Therefore at 31 March 2016 a provision has been made of £15,497 reflecting the value of holiday pay entitlement which had not been taken as at that date by employees.

Under FRS102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.

**ARDENGLLEN HOUSING ASSOCIATION LTD**  
**For the year ended 31 March 2016**  
Notes to the Financial Statements (continued)

**25. FIRST TIME ADOPTION OF FRS102 (continued)**

RECONCILIATION OF RESERVES		1 April 2014	31 March
		£	2015
			£
	Notes		
Reserves as previously reported under UK GAAP		6,950,611	7,848,978
Revaluation	<b>A</b>	(28,752,588)	(28,671,954)
Grant Accounting	<b>B</b>	39,195,378	39,149,986
Depreciation	<b>C</b>	970,782	715,277
SHAPS Pension	<b>D</b>	(1,384,000)	(1,423,000)
Holiday Pay Accrual	<b>E</b>	(14,410)	(16,951)
Reserves reported under FRS 102		<u>16,965,773</u>	<u>17,602,336</u>
RECONCILIATION OF SURPLUS OR DEFICIT			Year ended
			31 March 2015
			£
	Notes		
Surplus or deficit as previously reported under UK GAAP			898,523
Revaluation	<b>A</b>		80,634
Grant Accounting	<b>B</b>		(45,392)
Depreciation	<b>C</b>		(255,505)
SHAPS Pension	<b>D</b>		(39,000)
Holiday Pay Accrual	<b>E</b>		(2,541)
Surplus or deficit reported under FRS 102			<u>636,719</u>

