



Alexander Sloan
Accountants and Business Advisers

Abronhill Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2019

Registered Housing Association No. HCB275

FCA Reference No. 2443R(S)

Scottish Charity No. SC033116

ABRONHILL HOUSING ASSOCIATION LIMITED

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ABRONHILL HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2019

COMMITTEE OF MANAGEMENT

| | |
|------------------|--|
| Paul Broadwith | Chairperson |
| Raymond Russell | Vice Chairperson |
| Iain Smith | Secretary |
| Linda Black | Treasurer |
| Iain Johnston | |
| Kevin McMail | Full Member From 13 September 2018 |
| Elizabeth Irvine | From 13 September 2018 |
| Craig Burns | Co opted 18 October 2018 |
| Sarah Boyle | Co opted 18 October 2018 |
| Ian Arthur | Resigned 15 November 2018 |
| Hazel Paterson | Resigned 13 December 2018 |
| Raymond Johnston | Resigned 7 June 2018 |
| Charles Scott | From 13 September 2018 to 14 February 2019 |

EXECUTIVE OFFICERS

| | |
|-------------------|---|
| John Mulholland | Providing Senior Management Services (Garrion People's Housing Co-op) to May 2019 |
| Cathy Brien | Providing Senior Management Services (Forgewood Housing Co-op) to May 2019 |
| Stephen Macintyre | Providing Senior Management Services (Hillhead Housing Association) From May 2019 |

REGISTERED OFFICE

Unit 10
Abronhill Shopping Centre
Cumbernauld
G67 3AZ

EXTERNAL AUDITORS

Alexander Sloan
Accountants & Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

INTERNAL AUDITORS

Quinn Internal Audit & Business Support Services
55 Lady Place
West Lothian
EH54 6TB

BANKERS

Royal Bank of Scotland
1 Roadside Village
Cumbernauld
G67 2SS

FINANCE AGENTS

FMD Financial Services Ltd
Unit 29 Ladyloan Place
Drumchapel
G15 8LB

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2019

The Committee of Management presents its report and the Financial Statements for the year ended 31 March 2019.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2443R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC033116.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

Abronhill made a surplus of £87,298 during the year.

Abronhill is in a reasonable financial position. Loan facilities continue to be available to it. Abronhill has built on its reserves and have provided sufficient funds over the next year to attempt to meet our commitments under the Scottish Housing Quality Standard and the EESSH.

Corporate Governance

Abronhill Housing Association has a Committee of Management who are elected by the members of the Association. (See above for details). It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction of the Association. They also monitor the operational activities of the Association. The members of the Committee of Management are unpaid.

The Senior Team of 2 (as listed above) is responsible for achieving the strategy set, and undertaking the operational activities in line with the policies set. The Association will change its service provider to Hillhead Housing Association in May 2019 and this has been a positive handover approved by the Scottish Housing Regulator.

Our governing body is our Committee of Management, which is responsible to the wider membership. Committee of Management members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standard of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

Training and Recruiting Committee Members.

Any vacancies on the Management Committee are filled from members of the community who are interested in the Associations aims and objectives for the area and come from a range of backgrounds. Induction training is provided for all new committee members.

Committee members complete a Training Needs Analysis annually and from this an individual training plan is put in place for them. Committee members are required to attend training events and conferences to build on their experience and develop new skills.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Annual General Meeting.

Corporate Issues

Tenant involvement and participation is a major part of Abronhill Housing Association's Aims and Objectives, and we continue to review how Abronhill Housing Association involves tenants in its activities.

An Option Appraisal was also undertaken on the future of the Association and this confirmed that the existing arrangement would continue with a new Senior Management Service Provider.

Abronhill Housing Association is committed to involving staff in decision making and policy making. In the year just ended staff were fully involved in the Business Plan process and regular staff meetings were held to keep staff informed of our activities.

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2019

Review of Business and Future Developments (Continued)

Performance Management and Service Delivery

Performance management and service delivery are high priorities for the Association.

The staff team have worked hard to achieve the outcomes in the Scottish Social Housing Charter and have assessed performance in all areas of service delivery throughout the year and performance has improved in most of these areas.

Policies and procedures have been reviewed and agreed by the Committee of Management in 2018/19. Performance in arrears management is also closely monitored as the government's proposals for Welfare Reform are rolled out. There has been a slight increase in the rent collected in the year from 99.14% to 99.79%.

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 of repairs to features of the properties, which have come to the end of their economic lives.

The Association undertook an analysis of its stock in July 2017 to determine the work required to comply with the Scottish Housing Quality Standards and the EESSH. The results will be incorporated into the Associations Planned maintenance programme to ensure that the required standards are met within the set timescales.

The Scottish Housing Regulator has recently completed its annual regulatory assessment of Registered Social Landlords. The regulatory assessment includes a review of financial health, governance and performance. This year's assessment also takes account of landlords' performance against the Scottish Social Housing Charter for the first time. The SHR informed the Association that they will have a low level of engagement with the Abronhill despite the handover from the existing to the new provider of Senior Officer Services.

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have a rolling programme of stock condition surveys, to ensure that our long-term financial planning reflects our future investment requirements. The Association is about to undertake a full review of their risk policy and strategy. This will involve a comprehensive review of the strengths and weaknesses of the organisation by staff and committee.

Development Issues

Abronhill is not traditionally a developing Association. However a site has been identified in the local strategic housing investment plan for 25 units in 2020/21 for Abronhill with a potential for a further 25 units in the future. There is also the possibility of a partnership with Clyde Valley Housing association for a further new build development.

Housing Issues

A major issue for all RSL's is the Governments changes to Welfare Reform. Abronhill HA have been working continuously throughout the year to engage with tenants whom the benefit changes affect in order to signpost them in the direction of financial advice and support. The Association has worked in partnership for a number of years now with Citizens Advice and five other RSL's in North Lanarkshire to provide all of our tenants and residents with excellent up to date advice and information on a range of issues like Benefit Sanctions, Hardship payments, Budgeting Loans, Scottish Welfare Fund and much more.

Other Areas

Investment Appraisal

Capital expenditure is regulated by budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Committee. Reviews are carried out during the development period, to monitor expenditure and performance.

Internal Financial Control

The Committee of Management is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The Association has procedures in place which the Committee of Management has established with a view to providing effective internal financial controls.

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2019

Review of Business and Future Developments (Continued)

Management Structure

The Committee of Management has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.

General Reserves Policy

The Committee members have reviewed the reserves of Abronhill Housing Association. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. During the year the charity's revenue reserve increased to £2,358,958. The Committee seeks to ensure that the budgeting of the Association's results continues to bring the reserves up to a satisfactory level.

Sales of housing properties

As part of the Housing Scotland Act 2014 from the 1st August 2016 no tenant of social housing in Scotland will have the right to buy their home.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury 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.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all Health and Safety initiatives. The Association monitors its Health and Safety work closely. A Health & Safety audit took place in 2018/2019 and the recommendations from the audit have been put in place.

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 senior staff.

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.

Budgetary Process

Each year the Committee of Management approves the annual budget and rolling five-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 Management 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 Setting Policy is based on the size, type and facilities of the accommodation and the historic costs of the properties. The rent structure is easy to administer and covers the wide variations within the Association's properties. The percentage value is reviewed annually to ensure that the rents cover the required costs. Rents were increased by 3.1% for 2018/19.

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2019

Committee of Management and Executive Officers

The members of the Committee of Management and the Executive Officers are listed on Page 1.

Each member of the Committee of Management holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Committee of Management.

The members of the Committee of Management are also Trustees of the Charity. Members of the Committee of Management are appointed by the members at the Association's Annual General Meeting.

Statement of Committee of Management's Responsibilities

The Co-operative and Community Benefit Act 2014 requires the Committee of Management to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Committee of Management is required to:-

- select suitable accounting policies and then 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 disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Committee of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - 2019. 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Committee of Management must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Committee of Management are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Committee of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2019

Statement on Internal Financial Control

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

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- 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 mis-statement or loss. 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 Association's assets;
- experienced and suitably qualified staff take responsibility for 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 the Committee of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports 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 Committee of Management;
- the Committee of Management receive 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;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

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

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

By order of the Committee of Management

IAIN SMITH

Secretary

22 August 2019

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS OF ABRONHILL HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on page 6 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 6 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes 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.

Through enquiry of certain members of the Committee of Management, and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Committee of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
22 August 2019



Alexander Sloan
Accountants and Business Advisers

ABRONHILL HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABRONHILL HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Abronhill Housing Association Limited (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Society 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Committee of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Committee of Management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Committee of Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Committee of Management.

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:

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position 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.

ABRONHILL HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABRONHILL HOUSING ASSOCIATION LIMITED (Continued)

Responsibilities of the Committee of Management

As explained more fully in the Statement of Committee of Management's Responsibilities as set out on Page 5, the Committee of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Committee of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Committee of Management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee of Management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management.
- Conclude on the appropriateness of the Committee of Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
22 August 2019



ABRONHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

| | Notes | 2019 | 2018 |
|---|-------|----------------|----------------|
| | | £ | £ |
| REVENUE | 2 | 983,166 | 948,814 |
| Operating Costs | 2 | (789,049) | (697,089) |
| OPERATING SURPLUS | | 194,117 | 251,725 |
| Gain On Sale Of Housing Stock | 7 | - | 46,893 |
| Interest Receivable and Other Income | | 1,921 | 2,295 |
| Interest Payable and Similar Charges | 8 | (71,740) | (76,632) |
| Other Finance Income / (Charges) | 10 | (3,000) | (888) |
| | | (72,819) | (28,332) |
| SURPLUS FOR THE YEAR | 9 | 121,298 | 223,393 |
| Other comprehensive income | | | |
| Adjustment relating to Opening Pension Liability | | 1,000 | |
| Actuarial Gains/ (Losses) on defined benefit Pension Plan | | (35,000) | - |
| TOTAL COMPREHENSIVE INCOME | | 87,298 | 223,393 |

The notes on pages 14 to 30 form part of these financial statements.

ABRONHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

| | Notes | £ | 2019 £ | £ | 2018 £ |
|--|--------|--------------------|--------------------|--------------------|--------------------|
| NON-CURRENT ASSETS | | | | | |
| Housing Properties - Depreciated Cost | 11 (a) | | 4,096,006 | | 4,122,670 |
| Other Non-current Assets | 11 (b) | | 12,473 | | 19,872 |
| | | | <u>4,108,479</u> | | <u>4,142,542</u> |
| CURRENT ASSETS | | | | | |
| Receivables | 13 | 57,034 | | 33,225 | |
| Investments- short term bank deposits | | - | | 252,750 | |
| Cash at bank and in hand | | 617,101 | | 477,779 | |
| | | <u>674,135</u> | | <u>763,754</u> | |
| CREDITORS: Amounts falling due within one year | 14 | <u>(185,923)</u> | | <u>(274,135)</u> | |
| NET CURRENT ASSETS | | | 488,212 | | 489,619 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 4,596,691 | | 4,632,161 |
| CREDITORS: Amounts falling due after more than one year | 15 | | <u>(1,039,503)</u> | | <u>(1,255,119)</u> |
| PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES | | | | | |
| Scottish Housing Association Pension Scheme | 22 | <u>(147,000)</u> | | - | |
| | | | <u>(147,000)</u> | | - |
| DEFERRED INCOME | | | | | |
| Social Housing Grants | 17 | <u>(1,198,170)</u> | | <u>(1,252,325)</u> | |
| | | | <u>(1,198,170)</u> | | <u>(1,252,325)</u> |
| NET ASSETS | | | <u>2,212,018</u> | | <u>2,124,717</u> |
| EQUITY | | | | | |
| Share Capital | 18 | | 60 | | 57 |
| Revenue Reserves | | | 2,358,958 | | 2,124,660 |
| Pension Reserves | | | <u>(147,000)</u> | | - |
| | | | <u>2,212,018</u> | | <u>2,124,717</u> |

The Financial Statements were approved by the Committee of Management and authorised for issue and signed on their behalf on 22 August 2019.

Chairperson

Vice Chairperson

Secretary

The notes on pages 14 to 30 form part of these financial statements.

ABRONHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

| | Notes | 2019 | 2018 |
|--|-------|----------------|----------------|
| | | £ | £ |
| Net cash inflow from operating activities | 16 | 229,366 | 314,439 |
| Investing Activities | | | |
| Acquisition and Construction of Properties | | (128,495) | (101,927) |
| Purchase of Other Fixed Assets | | - | (250) |
| Social Housing Grant Received | | - | (181) |
| Changes on short term deposits with banks | | 252,750 | (2,750) |
| Proceeds on Disposal of Properties | | - | 71,204 |
| Net cash inflow / (outflow) from investing activities | | 124,255 | (33,904) |
| Financing Activities | | | |
| Interest Received on Cash and Cash Equivalents | | 1,921 | 2,295 |
| Interest Paid on Loans | | (71,740) | (76,632) |
| Loan Principal Repayments | | (144,486) | (188,095) |
| Share Capital Issued | | 6 | - |
| Net cash outflow from financing activities | | (214,299) | (262,432) |
| Increase in cash | | 139,322 | 18,103 |
| Opening Cash & Cash Equivalents | | 477,779 | 459,676 |
| Closing Cash & Cash Equivalents | | 617,101 | 477,779 |
| Cash and Cash equivalents as at 31 March | | | |
| Cash | | 617,101 | 477,779 |
| | | 617,101 | 477,779 |

The notes on pages 14 to 30 form part of these financial statements.

ABRONHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2019

| | Share Capital | Scottish Housing Association Pension reserve | Revenue Reserve | Total |
|------------------------------------|------------------|--|--------------------|------------------|
| | £ | £ | £ | £ |
| Balance as at 31 March 2017 | 63 | - | 1,901,267 | 1,901,330 |
| Issue of Shares | - | - | - | - |
| Cancellation of Shares | (6) | - | - | (6) |
| Surplus for the year | - | - | 223,393 | 223,393 |
| Balance as at 31 March 2018 | 57 | - | 2,124,660 | 2,124,717 |
| Balance as at 1 April 2018 | 57 | - | 2,124,660 | 2,124,717 |
| Issue of Shares | 6 | - | - | 6 |
| Cancellation of Shares | (3) | - | - | (3) |
| Other comprehensive income | - | (35,000) | - | (35,000) |
| Other movements | - | (112,000) | 113,000 | 1,000 |
| Surplus for the year | - | - | 121,298 | 121,298 |
| Balance as at 31 March 2019 | 60 | (147,000) | 2,358,958 | 2,212,018 |

The notes on pages 14 to 30 form part of these financial statements.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2019. A summary of the more important accounting policies is set out below.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of the asset to which it relates.

Retirement Benefits

The Association previously participated in the Scottish Housing Associations Defined Benefit Pension Scheme where 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 organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102. The Association moved to the Scottish Housing Associations Defined Contribution scheme on leaving the defined benefit scheme. Contributions to defined contribution plans are recognised as employee benefit expense when they are due.

Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

| Component | Useful Economic Life |
|------------------|-----------------------------|
| Structure | 50 years |
| Roof | 50 years |
| Bathrooms | 20 years |
| Kitchens | 20 years |
| Windows | 30 years |
| Doors | 40 years |
| Heating Systems | 40 years |
| Boiler | 25 years |
| Rewiring | 35 years |

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Depreciation and Impairment of Other Non-Current Assets

Non-current Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

| Asset Category | Depreciation Rate |
|-------------------------------|--------------------------|
| Office Premises | 15% |
| Furniture and Fittings | 25% |
| Computer and Office Equipment | 25% |

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grant and Other Grants in Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales Of Housing Properties

Disposals of housing property under the Right to Buy scheme are treated as non-current asset disposals and any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Board of Management the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) Identification of cash generating units

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

c) Financial instrument break clauses

The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

d) Pension Liability

The Association participated in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. The Association has a liability due to the past service deficit on this scheme. This year the Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method. The Association has since moved to a defined contribution scheme which is accounted for as a defined contribution scheme under FRS 102.

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the Committee of Management to exercise judgement in applying the Association's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below.

a) Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place and court action.

b) Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

c) Useful life of properties, plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

d) Defined pension liability

Determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

e) Allocation of share of assets and liabilities for multi employer schemes

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by the Pensions Trust.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING AND OTHER ACTIVITIES

| | Notes | 2019 | | | 2018 | | |
|-------------------------------|-------|----------------|-------------------------|--|----------------|-------------------------|--|
| | | Turnover £ | Operating Costs £ | Operating Surplus / (Deficit) £ | Turnover £ | Operating Costs £ | Operating Surplus / (Deficit) £ |
| Affordable letting activities | 3 | 983,166 | 777,596 | 205,570 | 948,814 | 691,577 | 257,237 |
| Other Activities | 4 | - | 11,453 | (11,453) | - | 5,512 | (5,512) |
| Total | | 983,166 | 789,049 | 194,117 | 948,814 | 697,089 | 251,725 |

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

| | General Needs Housing £ | 2019 Total £ | 2018 Total £ |
|---|----------------------------------|--------------------|--------------------|
| Revenue from Lettings | | | |
| Rent receivable net of service charges | 920,770 | 920,770 | 889,833 |
| Service charges receivable | 1,880 | 1,880 | 1,880 |
| Gross income from rent and service charges | 922,650 | 922,650 | 891,713 |
| Less: Rent losses from voids | 7,516 | 7,516 | 4,845 |
| Net Rents Receivable | 915,134 | 915,134 | 886,868 |
| Grants released from deferred income | 54,155 | 54,155 | 48,184 |
| Revenue grants from Scottish Ministers | 13,877 | 13,877 | 13,762 |
| Other revenue grants | - | - | - |
| Total turnover from affordable letting activities | 983,166 | 983,166 | 948,814 |
| Expenditure on affordable letting activities | | | |
| Management and maintenance administration costs | 345,177 | 345,177 | 318,157 |
| Service Costs | 1,880 | 1,880 | 1,880 |
| Planned and cyclical maintenance, including major repairs | 55,124 | 55,124 | 43,124 |
| Reactive maintenance costs | 209,281 | 209,281 | 151,040 |
| Bad Debts - rents and service charges | 10,975 | 10,975 | 6,172 |
| Depreciation of affordable let properties | 155,159 | 155,159 | 171,204 |
| Impairment of affordable letting activities | - | - | - |
| Operating costs of affordable letting activities | 777,596 | 777,596 | 691,577 |
| Operating surplus on affordable letting activities | 205,570 | 205,570 | 257,237 |
| 2018 | | 257,237 | |

Included in planned and cyclical maintenance is £37,893 (2018 - £25,940) of major repair costs.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

| | Grants From Scottish Ministers | Other Revenue Grants | Supporting People Income | Other Income | Total Turnover | Operating Costs Bad Debts | Operating Costs Other | Operating Surplus / (Deficit) 2019 | Operating Surplus / (Deficit) 2018 |
|------------------------------------|---|----------------------------|--------------------------------|-----------------|-------------------|---------------------------------|-----------------------------|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider role activities | - | - | - | - | - | - | 11,453 | (11,453) | (3,264) |
| Support activities | - | - | - | - | - | - | - | - | (1,569) |
| Rechargeable repairs | - | - | - | - | - | - | - | - | (679) |
| Total From Other Activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,453</u> | <u>(11,453)</u> | <u>(5,512)</u> |
| 2018 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>679</u> | <u>4,833</u> | <u>(5,512)</u> | |

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Committee of Management, managers and employees of the Association.

No Officer of the Association received emoluments greater than £60,000.

Consideration paid for services of key management personnel paid to third parties

| 2019 | 2018 |
|--------|--------|
| £ | £ |
| 42,598 | 31,595 |

6. EMPLOYEE INFORMATION

The average monthly number of full time equivalent persons employed during the year was:

The average total number of Employees employed during the year was:

Staff Costs were:

Wages and Salaries
Social Security Costs
Other Pension Costs

| 2019 | 2018 |
|---------|---------|
| No. | No. |
| 4 | 4 |
| 5 | 4 |
| £ | £ |
| 136,280 | 129,745 |
| 9,847 | 9,173 |
| 11,822 | 11,425 |
| 157,949 | 150,343 |

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

| | 2019 | 2018 |
|-------------------------------|------|--------|
| | £ | £ |
| Sales Proceeds | - | 71,204 |
| Cost of Sales | - | 24,311 |
| Gain On Sale Of Housing Stock | - | 46,893 |

8. INTEREST PAYABLE & SIMILAR CHARGES

| | 2019 | 2018 |
|----------------------------|--------|--------|
| | £ | £ |
| On Bank Loans & Overdrafts | 71,740 | 76,632 |

9. SURPLUS FOR THE YEAR

| | 2019 | 2018 |
|--|---------|----------|
| | £ | £ |
| Surplus For The Year is stated after charging/(crediting): | | |
| Depreciation - Tangible Owned Fixed Assets | 162,558 | 167,176 |
| Auditors' Remuneration - Audit Services | 7,980 | 7,800 |
| Operating Lease Rentals - Other | 1,488 | 1,488 |
| Gain on sale of fixed assets | - | (46,893) |

10. OTHER FINANCE INCOME / CHARGES

| | 2019 | 2018 |
|--|-------|------|
| | £ | £ |
| Unwinding of Discounted Pension Liabilities | - | 888 |
| Interest expense on pension scheme liabilities | 3,000 | - |
| | 3,000 | 888 |

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. NON-CURRENT ASSETS

| (a) Housing Properties | Housing Properties Held for Letting £ | Total £ |
|------------------------|---|------------------|
| COST | | |
| As at 1 April 2018 | 6,081,883 | 6,081,883 |
| Additions | 128,495 | 128,495 |
| Disposals | (16,859) | (16,859) |
| Schemes Completed | - | - |
| As at 31 March 2019 | <u>6,193,519</u> | <u>6,193,519</u> |
| DEPRECIATION | | |
| As at 1 April 2018 | 1,959,213 | 1,959,213 |
| Charge for Year | 155,159 | 155,159 |
| Transfers | - | - |
| Disposals | (16,859) | (16,859) |
| As at 31 March 2019 | <u>2,097,513</u> | <u>2,097,513</u> |
| NET BOOK VALUE | | |
| As at 31 March 2019 | <u>4,096,006</u> | <u>4,096,006</u> |
| As at 31 March 2018 | <u>4,122,670</u> | <u>4,122,670</u> |

Additions to housing properties include capitalised development administration costs of Nil (2018 - £Nil) and capitalised major repair costs to existing properties of £128,495 (2018 - £101,927).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £392,900 (2018 - £296,091). The amount capitalised is £128,495 (2018 - £101,927) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £128,495 (2018 - £101,927) and improvement of £0 (2018 - £0).

The Association's Lenders have standard securities over Housing Property with a carrying value of £1,471,255 (2018 - £2,541,225).

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. NON CURRENT ASSETS (Continued)

| (b) Other Tangible Assets | Office Premises £ | Furniture & Equipment £ | Total £ |
|-------------------------------|-------------------------|-------------------------------|----------------|
| COST | | | |
| As at 1 April 2018 | 96,004 | 56,313 | 152,317 |
| Additions | - | - | - |
| Eliminated on Disposals | - | - | - |
| As at 31 March 2019 | <u>96,004</u> | <u>56,313</u> | <u>152,317</u> |
| AGGREGATE DEPRECIATION | | | |
| As at 1 April 2018 | 80,352 | 52,093 | 132,445 |
| Charge for year | 4,268 | 3,131 | 7,399 |
| Eliminated on Disposals | - | - | - |
| As at 31 March 2019 | <u>84,620</u> | <u>55,224</u> | <u>139,844</u> |
| NET BOOK VALUE | | | |
| As at 31 March 2019 | <u>11,384</u> | <u>1,089</u> | <u>12,473</u> |
| As at 31 March 2018 | <u>15,652</u> | <u>4,220</u> | <u>19,872</u> |

12. COMMITMENTS UNDER OPERATING LEASES

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-

Other

Not later than one year

Later than one year and not later than five years

Later than five years

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Not later than one year | 1,488 | 1,488 |
| Later than one year and not later than five years | 744 | 2,232 |
| Later than five years | - | - |

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 £ | 2018 £ |
|---|-----------------|-----------------|
| Arrears of Rent & Service Charges | 40,830 | 38,015 |
| Less: Provision for Doubtful Debts | <u>(27,292)</u> | <u>(23,054)</u> |
| | 13,538 | 14,961 |
| Social Housing Grant Receivable | - | 181 |
| Other Receivables | <u>43,496</u> | <u>18,083</u> |
| | <u>57,034</u> | <u>33,225</u> |

14. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| Housing Loans | 94,000 | 132,905 |
| Trade Payables | 46,352 | 46,191 |
| Rent Received in Advance | 23,945 | 20,470 |
| Other Taxation and Social Security | 3,052 | 2,933 |
| Liability for Past Service Contributions | - | 36,965 |
| Accruals and Deferred Income | <u>18,574</u> | <u>34,671</u> |
| | <u>185,923</u> | <u>274,135</u> |

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Liability for Past Service Contributions | - | 110,035 |
| Housing Loans | 1,039,503 | 1,145,084 |
| | <u>1,039,503</u> | <u>1,255,119</u> |
| Housing Loans | | |
| Amounts due within one year | 94,000 | 132,905 |
| Amounts due in one year or more but less than two years | 96,000 | 85,389 |
| Amounts due in two years or more but less than five years | 300,000 | 283,387 |
| Amounts due in more than five years | 643,503 | 776,308 |
| | <u>1,133,503</u> | <u>1,277,989</u> |
| Less: Amount shown in Current Liabilities | 94,000 | 132,905 |
| | <u>1,039,503</u> | <u>1,145,084</u> |
| Liability for Past Service Contributions | | |
| Amounts due within one year | - | 36,965 |
| Amounts due in one year or more but less than two years | - | 68,074 |
| Amounts due in two years or more but less than five years | - | 41,961 |
| Amounts due in more than five years | - | - |
| | <u>-</u> | <u>147,000</u> |
| Less: Amount shown in Current Liabilities | - | 36,965 |
| | <u>-</u> | <u>110,035</u> |

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

| Lender | Number of Properties Secured | Effective Interest Rate | Maturity (Year) | Variable / Fixed |
|--------------|---------------------------------------|-------------------------|-----------------|------------------|
| Co-operative | Standard security over 175 properties | Libor + 0.65% | 2029 | Variable |
| Co-operative | Standard security over 175 properties | 6.09% + 0.70% | 2029 | Fixed |

All of the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. STATEMENT OF CASH FLOWS

| <i>Reconciliation of surplus for the year to net cash inflow from operating activities</i> | 2019 | 2018 |
|--|----------------|----------------|
| | £ | £ |
| Surplus for the year | 121,298 | 223,393 |
| Depreciation | 162,558 | 167,176 |
| Gain on disposal | - | (46,893) |
| Amortisation of Capital Grants | (54,155) | (48,184) |
| Change in debtors | (23,809) | (6,365) |
| Change in creditors | (12,342) | (49,019) |
| Unwinding of Discount on Pension Liability | (34,000) | (888) |
| Transfer of interest to financial activities | 69,819 | 75,225 |
| Share Capital Written Off | (3) | (6) |
| Net cash inflow from operating activities | <u>229,366</u> | <u>314,439</u> |

| <i>Reconciliation of net cash flow to movement in net debt</i> | 2019 | | 2018 | |
|--|-------------|------------------|-------------|------------------|
| | £ | £ | £ | £ |
| Increase in cash | 139,322 | | 18,103 | |
| Cashflow from change in net debt | 1,771 | | 262,432 | |
| Movement in net debt during the year | | 141,093 | | 280,535 |
| Net debt at 1st April 2018 | | (657,495) | | (938,030) |
| Net debt at 31 March 2019 | | <u>(516,402)</u> | | <u>(657,495)</u> |

| <i>Analysis of changes in net debt</i> | At | | Other | At |
|--|----------------------|------------------|----------------|----------------------|
| | 01 April 2018 | Cashflows | Changes | 31 March 2019 |
| Cash at bank and in hand | 477,779 | 139,322 | | 617,101 |
| Liquid resources | 252,750 | (252,750) | | - |
| Debt: Due within one year | (132,905) | 38,905 | | (94,000) |
| Due after more than one year | (1,255,119) | 215,616 | | (1,039,503) |
| Net Debt | <u>(657,495)</u> | <u>141,093</u> | <u>-</u> | <u>(516,402)</u> |

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. DEFERRED INCOME

| | Housing Properties Held for Letting £ | Total £ |
|--|---|------------------|
| Social Housing Grants | | |
| As at 1 April 2018 | 1,824,359 | 1,824,359 |
| Additions in the year | - | - |
| Eliminated on disposal of components and property | (24,160) | (24,160) |
| As at 31 March 2019 | <u>1,800,199</u> | <u>1,800,199</u> |
| Amortisation | | |
| As at 1 April 2018 | 572,034 | 572,034 |
| Eliminated on disposal | 54,155 | 572,034 |
| Amortisation in year | (24,160) | |
| As at 31 March 2019 | <u>602,029</u> | <u>602,029</u> |
| Net book value | | |
| As at 31 March 2019 | <u>1,198,170</u> | <u>1,198,170</u> |
| As at 31 March 2018 | <u>1,252,325</u> | <u>1,252,325</u> |
| Total grants net book value as at 31 March 2019 | <u>1,198,170</u> | <u>1,198,170</u> |
| Total grants net book value as at 31 March 2018 | <u>1,252,325</u> | <u>1,252,325</u> |

This is expected to be released to the Statement of Comprehensive Income in the following years:

| | 2019 £ | 2018 £ |
|---------------------------------|------------------|------------------|
| Amounts due within one year | 54,155 | 42,392 |
| Amounts due in one year or more | 1,144,015 | 1,209,933 |
| | <u>1,198,170</u> | <u>1,252,325</u> |

18. SHARE CAPITAL

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Shares of £1 each Issued and Fully Paid | | |
| As at 1 April 2018 | 57 | 63 |
| Issued in year | 6 | - |
| Cancelled in year | (3) | (6) |
| As at 31 March 2019 | <u>60</u> | <u>57</u> |

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.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-

| | 2019 No. | 2018 No. |
|--|-------------|-------------|
| General Needs - Built by Association | 11 | 11 |
| General Needs - Purchased by Association | 211 | 211 |
| | <u>222</u> | <u>222</u> |

20. RELATED PARTY TRANSACTIONS

Members of the Committee of Management are related parties of the Association as defined by Financial Reporting Standard 102.

Any transactions between the Association and any entity with which a Committee of Management member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Committee of Management members (and their close family) were as follows:

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Rent received from tenants on the Committee of Management and their close family members | 12,647 | 16,593 |
| Members of the Committee of Management who are tenants | 3 | 4 |

21. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is Unit 10, Abronhill Shopping Centre, Cumbernauld.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Abronhill.

22 RETIREMENT BENEFIT OBLIGATIONS

Abronhill Housing Association Limited participated in the Scottish Housing Association Pension Scheme (the scheme). The assets of which are held in a separate trustee administered fund. All employees are currently part of the defined contribution scheme, but the Association was originally in the defined benefit scheme.

The defined benefit scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal then the liability of the withdrawing employer is re-appointed amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

The last valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%). All Scheme members have agreed to make contributions towards the past service deficit.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 RETIREMENT BENEFIT OBLIGATIONS

Change in Accounting Estimate

The pension fund is administered by the Pensions Trust. Previously only the past service deficit was included as a liability in the financial statements as the Association's share of the pension assets and liabilities could not be determined. This year the Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The figures are available at 1 April 2018 and 31 March 2019. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

In January 2019, the FRS issued FRED 71 (Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multiemployer defined benefit plans) which provides proposed changes to FRS 102 on how to treat the transition from defined contribution to defined benefit accounting. This method has been adopted by the Housing Association as the most appropriate treatment. As a result the change has been accounted for as change in accounting estimate.

Due to the change in accounting estimate the past service deficit liability has been removed as the liability is included in the pension liability now calculated by the actuary and shown under Pension and Other Provisions for Liabilities and Charges in the Balance Sheet. The change has been reflected in Other Comprehensive Income as follows:

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

| | |
|----------------------------------|-----------|
| Opening past service per actuary | - 146,000 |
| Opening past service deficit | - 147,000 |
| | 1,000 |

As a result the unwinding of the past service deficit is no longer shown within finance charges. Instead the expenses, interest and other comprehensive income as detailed within this note are incorporated within the financial statements.

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

Principal Actuarial Assumptions

| Assumptions as at | 2019 %p.a. | 2018 %p.a. | 2017 %p.a. |
|-------------------|---------------|---------------|---------------|
| Salary increases | 3.3% | 3.1% | 0.0% |
| Pension increases | 2.3% | 2.1% | 0.0% |
| Discount rate | 2.4% | 2.6% | 0.0% |

The defined benefit obligation is estimated to comprise of the following:

| | 2019 £000 |
|------------------|--------------|
| Employee members | 2 |
| Pensioners | 4 |
| | 6 |

Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males (Years) | Females (Years) |
|--------------------|------------------|--------------------|
| Current Pensioners | 21.7 | 23.4 |
| Future Pensioners | 23.1 | 24.7 |

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

Fair value of scheme assets by category

| | 2019 |
|----------|-------------|
| | £000 |
| Equities | 457 |
| Bonds | 600 |
| Property | 85 |
| Cash | 1 |
| | <hr/> 1,143 |

Net Pension Liability

| | 2019 |
|-------------------------------------|-------------|
| | £000 |
| Fair value of employer's assets | 1,143 |
| Present value of scheme liabilities | (1,290) |
| | <hr/> (147) |

Reconciliation of fair value of employer assets

| | 2019 |
|---------------------------------------|-------------|
| | £000 |
| Opening fair value of employer assets | 1,081 |
| Expected Return on Assets | 59 |
| Contributions by Members | - |
| Contributions by the Employer | 38 |
| Actuarial Gains / (Losses) | - |
| Estimated Benefits Paid | (35) |
| Closing fair value | <hr/> 1,143 |

Reconciliation of defined benefit obligations

| | 2019 |
|---|-------------|
| | £000 |
| Opening defined benefit obligation | 1,227 |
| Current Service Cost | 1 |
| Interest Cost | 31 |
| Contributions by members | - |
| Actuarial Gains | 66 |
| Estimated Benefits Paid | (35) |
| Closing defined benefit obligation | <hr/> 1,290 |

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

Analysis of amount charged to the Income and Expenditure Account

| | 2019 £000 |
|---|--------------|
| Charged to operating costs: Expenses | 1 |
| Charged to Other Finance Costs / (Income) Expected Return on employer assets | (28) |
| Interest on pension scheme liabilities | 31 |
| | 3 |
| Net Charge to the Income and Expenditure Account | 4 |

Actuarial Gain / (Loss) recognised in Other Comprehensive income

| | 2019 £000 |
|--|--------------|
| Actuarial gain/(loss) recognised in year | (35) |
| Cumulative actuarial gains | (35) |