

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2016

RSL NO 185

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CHARITY NUMBER SC046239

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31st March 2016

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for the year ended 31st March 2016

Report of the Management Committee

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

Principal Activities

Drumchapel Housing Co-operative Limited ("the Co-operative") aims to provide housing solutions to meet the needs of local communities and to serve the interests of our current and future tenants.

Charitable status

During the year, Drumchapel Housing Co-operative achieved charitable status, following changes to the Rules and having made an application to the Office of the Scottish Charity Regulator (OSCR).

Committee of Management

The Management Committee are as detailed on page 2 of the financial statements.

Operating Financial Review

The Co-operative provides a range of sustainable housing solutions, develops social and economic opportunities and provides an effective and efficient service to its customers.

1 Financial / Treasury Management

- 1.1 In the financial year 2015/16 the Co-operative has made a surplus of £307,664 (2015 surplus £229,411). The Co-operative's revenue reserves now sit at a balance of £2,005,020 (2015 - £1,697,356) being carried forward to 2016/17. The variation in reported performance is principally due to the changes in the accounting framework applied this year, and in particular the impact of changes in the treatment of HAG and resulting increase in depreciation on housing properties.
- 1.2 Finances are managed through the yearly budget process and ongoing development of key performance targets.
- 1.3 The Co-operative continues to invest in the existing stock and the five year financial projections detail how resources are deployed to meet business needs, including key assumptions and trends. All financial plans are subject to scenario planning and sensitivity testing to ensure robustness.
- 1.4 A full risk appraisal is undertaken on all large scale capital projects, which gives a detailed record of all identified risks; this review is presented to the Management Committee for a full discussion before formal approval is given by the Committee of Management.
- 1.5 Treasury Management includes the managing of all short and medium term cash flow requirements, withdrawing funds and managing assets security. In protecting financial resources, it is ensured that investment decisions are properly assessed and that appropriate financial returns are delivered.
- 1.6 Despite the current economic circumstances, the Co-operative is well placed to meet the challenges ahead. Specifically, there is a robust long term financial model in place based on prudent assumptions to maintain viability and to ensure all our financial covenants with lenders are achieved with sufficient head room built in as a contingency.

2 Reactive / Planned Maintenance

- 2.1 A key aim for the Co-operative is to ensure that properties meet or exceed national standards. The 30-year planned maintenance programme and cash projections take account of investment in modernising and repairing houses, and in improving the social and physical nature of the community to protect and enhance the assets which underpin the Co-operative's funding.

- 2.2 There is a robust long term financial model in place based on prudent assumptions to maintain viability and to ensure all reactive and planned maintenance is carried out.

3 Asset Management

- 3.1 The Co-operative continues to meet the guidance which indicates the level of standard that homes should meet under the "Scottish Housing Quality Standard" (SHQS). Currently, a selective planned maintenance programme is being undertaken which includes renewals to roofs, boilers and kitchens.
- 3.2 There is a focus to ensure updated and relevant information is held on our planned maintenance database which is key to providing information as to when property components are due to be replaced.
- 3.3 The asset investment plan, cashflows and 30 year financial models are aligned for consistency in order to ensure that an adequate fundable plan is in place.

4 Future Business Growth

- 4.1 The Co-operative currently has 480 properties within a tight neighbourhood in the Drumchapel area of Glasgow.
- 4.2 The Co-operative is continually looking into ways of increasing its housing stock and is in ongoing discussions with other organisations about new developments.
- 4.3 A full risk appraisal and feasibility study is undertaken on all large scale projects being presented to the Management Committee for discussion and formal approval.

5 Governance Arrangements

- 5.1 The Co-operative has completed its review of Governance arrangements to ensure compliance with best practice, and has recently confirmed as requiring a Medium level of engagement with the Scottish Housing Regulator (SHR). The engagement level reflects ongoing work undertaken by the Co-operative to restructure and bring it onto a more resilient footing.
- 5.2 Currently governance operates through the Management Committee which consists of current tenants of the Co-operative and other interested individuals.

6 Provision of Services

- 6.1 The Co-operative currently employs 10 members of staff on a full and part time basis.
- 6.2 Looking towards the future, the Co-operative will ensure that the services it provides continue to meet the needs of tenants, customers and the community.
- 6.3 Since our formation in 1987, initially as Southdeen Co-operative and now as Drumchapel Housing Co-operative (DHC), we have built a solid tradition of driving positive change in the community through housing led regeneration and good service provision.
- 6.4 By June 2016, we will have 480 homes following the conversion of our former offices back to much needed quality housing. Our stock is comprised of 479 self-contained houses and 1 HMO (house in multiple occupancy) leased as supported accommodation to a voluntary project. As at March 2016, we employed 11 staff and also engaged an Interim Director to lead the service.

- 6.5 Going forward, we aim to ensuring we focus on providing an excellent housing management service, repairing and maintaining our properties to a high standard in line with the targets set by the Scottish Government. We will ensure the long term financial health and viability of the organisation and will drive a greater focus on efficiency and value for money.
- 6.6 Following on from the Scottish Housing Regulator (SHR) moving DHC into medium engagement in 2013, initially due to concerns over letting performance and since 2015 around assurance on future business and financial capacity, we have undertaken a programme of internal review and renewal. We are determined to continue and further develop our improvement plans to build the confidence of the Regulator in DHC and to become an ever learning/ improving organisation, proactive in our approach to driving positive change.
- 6.7 Our planned programme of change and improvement will be implemented effectively to support excellent and sustainable services to our tenants. In our planned new 3-year Business Plan for 2016–19, we will create an updated set of interlinked strategic objectives underpinned by clear delivery plans for the coming year. These will fully reflect the opportunities and threats in the evolving external environment in which we operate and the current internal strengths and weaknesses of the Co-operative to best position us for continued future success.

Management Committee and Director

The Management Committee and Interim Director of the Co-operative are listed on page 2.

Each member of the Management Committee holds one fully paid share of £1 in the Co-operative. The Executive Officer of the Co-operative holds no interest in the Co-operative's share capital and although not having the legal status of director, acts as an executive within the authority delegated by the Board.

Statement of the Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Co-operative and of the income and expenditure of the Co-operative for the year ended on that date. In preparing those financial statements the Management Committee are 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 a going concern basis unless it is inappropriate to presume that the Co-operative will continue in business.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Co-operative and to enable it to ensure that the financial statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2014.

The Management Committee is also responsible for safeguarding the assets of the Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on Internal Financial Controls

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

- (i) The reliability of financial information used within the Co-operative or for publication.
- (ii) The maintenance of proper accounting records, and
- (iii) 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. Key elements include ensuring that:

- (i) Formal policies and procedures are in place including the documentation of key systems and rules relating to the delegation of authorities which allow the monitoring of controls and restrict the unauthorised use of the Co-operative's assets. These policies and regulations are reviewed on a regular basis in accordance with a structured programme.
- (ii) Experienced and suitably qualified staff take responsibility for important business functions. Their development and performance are monitored through an annual appraisal system and regular one to one meetings.
- (iii) Forecasts and budgets are prepared which allow the Management Committee and Management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- (iv) Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- (v) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee of Directors.
- (vi) Together with the Audit Committee, the Management Committee reviews reports from management and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Co-operative.
- (vii) Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.
- (viii) An annual programme of performance and service review and improvement is approved by the Management Committee with progress regularly reviewed.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Co-operative for the year ended 31 March 2016 and also for the period up to the signing of this report. No significant control weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

In so far as the Management Committee are aware:

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

for the year ended 31st March 2016

Statement on corporate governance

The Co-operative has complied throughout the accounting period with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance in 1992.

In accordance with the requirements of the Scottish Housing Regulator, the auditors have confirmed that they consider this statement appropriately reflects the Co-operative's compliance with those paragraphs of the Code of Best Practice required to be reviewed by them. The auditors have also confirmed that, in their opinion, with respect to the Statement on Internal Financial Control, the Management Committee have provided the disclosures required by Paragraph 4.5 of the Code of Best Practice as supplemented by the related guidance for Management Committee and such statement is not inconsistent with the information of which they were aware from their audit work on the financial statements.

Auditors

To ensure that the Co-operative continues to achieve best value, a tender exercise was conducted during the year. Following that exercise the Management Committee is recommending the appointment of Findlay & Company as the new auditors of the Co-operative. Findlay & Co have expressed their willingness to be appointed. A resolution to appoint Findlay & Co will be proposed at the annual general meeting.

By order of the Management Committee


Helen Eakin
Secretary,
DATE 9.8.2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

We have audited the financial statements of Drumchapel Housing Co-operative Limited for the year ended 31st March 2016 which comprise a Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

This report is made solely to the Co-operative's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Co-operative'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 Co-operative, the Co-operative's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Management Committee and Auditor

As explained more fully in the Statement of Management Committee's Responsibilities set out on page 5, the Management Committee is responsible for the preparation of the financial statements which 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Co-operative's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Co-operative's affairs as at 31st March 2016 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 properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2014.

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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 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the information given in the Report of the Management Committee is inconsistent in any material respect with the financial statements; or
- the Co-operative has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.



Adam Armstrong, LLB, CA, (Senior Statutory Auditor),
for and on behalf of Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow,
G1 2RQ.

Date: 25th August 2016

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

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REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed your statement on pages 5 & 6 concerning the Co-operative'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 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. The Bulletin does not require us to review the effectiveness of the Co-operative'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 6 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are 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.

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



Adam Armstrong, LLB, CA, (Senior Statutory Auditor),
for and on behalf of Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow,
G1 2RQ.

Date: 25th August 2016

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

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for the year ended 31st March 2016

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2016 £	Restated 2015 £
Turnover	2	2,476,471	2,399,959
Operating expenditure	2	(2,063,884)	(1,926,166)
Operating surplus / (deficit)		<u>412,587</u>	<u>473,793</u>
Finance income	7	10,520	9,307
Finance costs	8	(119,339)	(139,295)
Surplus / (deficit) for the year before taxation		<u>303,768</u>	<u>343,805</u>
Tax on surplus on ordinary activities	10	(2,104)	(6,394)
Actuarial gain / (loss) in respect of pension schemes	16	6,000	(108,000)
Total comprehensive income for the year		<u><u>307,664</u></u>	<u><u>229,411</u></u>

All amounts relate to continuing activities.

The notes on pages 15 to 31 form part of the Financial Statements

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

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STATEMENT OF FINANCIAL POSITION

	Notes	2016 £	Restated 2015 £
Fixed assets			
Tangible fixed assets	11, 12	15,474,320	15,757,517
Current assets			
Stock		358	793
Trade and other debtors	13	122,626	49,643
Investments		1,994,875	1,902,777
Cash and cash equivalents		57,896	48,308
		2,175,755	2,001,521
Current liabilities			
Creditors: amounts falling due within one year	14	(1,326,389)	(1,062,412)
Net current assets / (liabilities)		849,366	939,109
Total assets less current liabilities		16,323,686	16,696,626
Creditors: amounts falling due after more than one year	15	(14,318,198)	(14,998,801)
Total net assets		2,005,488	1,697,825
Capital and reserves			
Share capital	18	468	469
Income and expenditure reserve	19	2,005,020	1,697,356
		2,005,488	1,697,825

The financial statements on pages 11 to 14 were approved by the Committee on 9/8/2016 and were signed on its behalf by:

Margaret Bowie

Chairperson

Bill W

Committee Member

Hebe Eakin

Secretary

The notes on pages 15 to 31 form part of these financial statements.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

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for the year ended 31st March 2016

STATEMENT OF CHANGES IN RESERVES

	Share Capital	Income & Expenditure Reserve	Designated Reserves	Total
	£	£	£	£
At 1 April 2014 as previously stated	468	2,122,147	356,402	2,479,017
Changes on transition to FRS 102 (note 26)	-	(654,202)	(356,402)	(1,010,604)
At 1 April 2014 as restated	468	1,467,945	-	1,468,413
Share capital cancelled	(39)	-	-	(39)
Surplus / (deficit) for the year	-	343,805	-	343,805
Tax on surplus on ordinary activities	-	(6,394)	-	(6,394)
Re-measurement gain/(loss) on defined benefit pension plan	-	(108,000)	-	(108,000)
Share capital issued	40	-	-	40
Total comprehensive income	1	229,411	-	229,412
At 31 March 2015 and 1 April 2015	469	1,697,356	-	1,697,825
Share capital cancelled	(30)	-	-	(30)
Surplus / (deficit) for the year	-	303,768	-	303,768
Tax on surplus on ordinary activities	-	(2,104)	-	(2,104)
Re-measurement gain/(loss) on defined benefit pension plan	-	6,000	-	6,000
Share capital issued	29	-	-	29
At 31 March 2016	468	2,005,020	-	2,005,488

STATEMENT OF CASH FLOWS

	Notes	2016 £	Restated 2015 £
Net cash generated from operating activities	25	474,811	561,581
Cash flow from investing activities			
Payments to acquire and develop housing properties		(128,526)	(90,499)
Payments to acquire other fixed assets		(2,499)	(5,797)
Grants received		67,361	25,931
Interest received		9,087	6,681
		(54,577)	(63,684)
Cash flow from financing activities			
Proceeds from issue of shares		29	40
Repayment of long term loans		(232,238)	(211,218)
Interest paid		(86,339)	(90,295)
Net cash flow from financing activities		(318,548)	(301,473)
Net increase / (decrease) in cash and cash equivalents		101,686	196,424
Cash and cash equivalents at 1 April 2015		1,951,085	1,754,661
Cash and cash equivalents at 31 March 2016		2,052,771	1,951,085
Cash and cash equivalents consists of:			
Cash at bank and in hand		57,341	48,308
Deposit accounts		1,995,430	1,902,777
Cash and cash equivalents at 31 March 2016		2,052,771	1,951,085

NOTES TO THE FINANCIAL STATEMENTS

1. **Principal Accounting Policies**

Basis of Accounting

Drumchapel Housing Co-operative Limited meets the definition of a public benefit entity under FRS 102.

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for social housing providers 2014 (SORP 2014) and the Scottish Housing Regulator's Determination of Accounting Requirements 2014.

The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated. The Co-operative adopted the SORP in the current year and an explanation of how transition to the SORP has affected the reported financial position and performance is given in note 26.

Turnover

Turnover represents rental and service charge income, fees, grants receivable and other income.

Tangible Fixed Assets

Tangible fixed assets (including social housing properties) are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended such as the cost of acquiring land and buildings, developments costs, interest charges on loans during the development period and expenditure on improvements. Expenditure on improvements will only be capitalised when it results in incremental future benefits such as increasing rental income, reducing maintenance costs or resulting in a significant extension of the useful economic life of the property.

Major components of housing properties, such as roofs, windows, bathrooms, kitchens and heating, have been accounted for and depreciated separately from the connected housing property, over their expected useful economic lives and are included in property plant and equipment.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost (or valuation), less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Component	Expected Useful Life (years)	Component	Expected Useful Life (years)
Building	50	Kitchens	15
Roof	50	Render	30
Doors	25	Wiring	30
Windows	25	Close Doors	15
Radiators	20	Common Stairs	15
Boilers	15	Control Entry	20
Bathrooms	25		

NOTES TO THE FINANCIAL STATEMENTS (continued)

Other fixed assets:

Assets	Expected Useful Life (years)	Assets	Expected Useful Life (years)
Office premises	50	Furniture and fittings	6 ² / ₃
Computer equipment	3	Office Equipment	6 ² / ₃

Housing properties under construction are not depreciated until they are in use.

The useful economic lives of all tangible fixed assets are reviewed annually.

Works to Existing Properties

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the property, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Works to existing properties which do not result in the enhancement of economic benefits are charged to the statement of comprehensive income.

Capitalisation of Development Overheads

Costs which are directly attributable to bring assets into working condition are included in housing properties cost during development and component replacement. Directly attributable costs include direct labour costs of the Co-operative and incremental costs which would have been avoided only if the development or component replacement was not taking place. All other development costs are written off to the Statement of Comprehensive Income in the period in which it occurs.

Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other administrative expenses.

Housing Association Grants (HAG)

Grant is available only in respect of those housing developments which have been given approval for Social Housing Grant by the Scottish Housing Regulator. 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.

The above change in accounting policy has required a prior year adjustment to be made to financial year ended 31 March 2015 (see note 26).

Loans and borrowings

Mortgage loans are advanced by private lenders under the terms of individual mortgage deeds in respect of each property. Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a financing transaction, it is measured at present value.

Impairment

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. The level at which an impairment is assessed is considered is at the cash generating unit (CGU) level. The Committee of Management believe that housing properties held for letting represent one CGU.

The key indicators of impairment considered are changes in demand, changes in use, economic performance worse than expected, significant decline in market value, plans to regenerate, demolish or replace existing components, higher than expected costs of development, and other changes in technology, market, economy and legislation.

If such indication exists, the recoverable amount is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in expenditure through the statement of comprehensive income.

Pensions

The Co-operative participates in the Scottish Housing Association Pension Scheme (SHAPS). Retirement benefits for employees of the Co-operative are funded by 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 Housing Associations taken as a whole.

The scheme is in deficit and the Co-operative has agreed to a deficit funding arrangement. This liability is recognised as the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit.

The above change in accounting policy has required a prior year adjustment to be made to financial year ended 31 March 2015 (see note 26).

Leases

Assets acquired under finance leases are capitalised and depreciated over the shorter of the lease term and the expected useful life of the asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability using the effective interest method. The related obligations, net of future finance charges, are included in creditors. Rentals payable under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Accruals and Deferred Income

Non- government grants in relation to capital expenditure are written off to the comprehensive statement of income in the year in which they are receivable.

Estimation uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying Drumchapel Housing Co-operative Limited'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, is disclosed below:

Rent arrears - bad debt provision

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

Life cycle of components

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

The categorisation of housing properties

In the judgement of the Management Committee the entirety of the Co-operative's housing stock is held for social benefit and is therefore classified as property, plant and equipment in accordance with FRS 102.

Identification of cash generating units

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

2. Particulars of Turnover, Cost of Sales, Operating Costs & Operating Surplus

		2016	Operating	Operating
		Turnover	Costs	Surplus/ (Deficit)
		£	£	£
Social Lettings	Note 3	2,442,381	2,030,348	412,033
Other activities	Note 4	34,090	33,536	554
Total		<u>2,476,471</u> =====	<u>2,063,884</u> =====	<u>412,587</u> =====
		Restated	Operating	Operating
		2015	Costs	Surplus/ (Deficit)
		Turnover	£	£
Social Lettings	Note 3	2,399,920	1,926,166	473,754
Other activities	Note 4	39	-	39
Total		<u>2,399,959</u> =====	<u>1,926,166</u> =====	<u>473,793</u> =====

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31st March 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Particulars of Income & Expenditure from Social Letting Activities

	General Needs Housing £	Supported Housing £	2016 Total £	Restated 2015 Total £
Income from Letting				
Rent Receivable net of Service Charges	1,874,053	39,744	1,913,797	1,877,838
Service Charges	56,603	1,600	58,203	57,127
	-----	-----	-----	-----
Gross Income from Rents and Service Charges	1,930,656	41,344	1,972,000	1,934,965
LESS: Rent Losses from Voids	(3,428)	-	(3,428)	(11,060)
	-----	-----	-----	-----
Net Income from rents and service charges	1,927,228	41,344	1,968,572	1,923,905
Release of deferred revenue grants	461,964	11,845	473,809	476,015
	-----	-----	-----	-----
Total Turnover from Letting Activities	2,389,192	53,189	2,442,381	2,399,920
	-----	-----	-----	-----
Expenditure on Social Letting Activities				
Service costs	33,791	867	34,658	34,500
Management and maintenance administration costs	843,338	21,624	864,962	837,339
Routine Maintenance	211,046	5,932	216,978	197,831
Bad debts – rents and service charges	18,660	-	18,660	8,727
Planned and cyclical maintenance including major repairs	256,535	-	256,535	210,185
Depreciation of social housing	622,592	15,963	638,555	637,584
	-----	-----	-----	-----
Total Operating Costs	1,985,962	44,386	2,030,348	1,926,166
	-----	-----	-----	-----
Operating Surplus/(Deficit) for social lettings 2016	403,230	8,803	412,033	473,754
	=====	=====	=====	=====
Operating Surplus/(Deficit) for social lettings 2015	466,752	7,002	473,754	
	=====	=====	=====	

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

	Scottish Ministers Grants £	Other income £	Other Operating Costs £	2016 Operating Surplus/ (Deficit) £	Restated 2015 Total £
Other income					
Wider role	-	-	(3,353)	(3,353)	-
Supporting people	34,060	-	(30,183)	3,877	-
Forfeited shares	-	30	-	30	39
Total from other activities for 2016	34,060	30	(33,536)	554	39
Total from other activities for 2015	-	39	-	39	

5. Key Management Personnel Emoluments

As per the Scottish Housing Regulator's Determination of Accounting Requirements 2014, disclosure of key management personnel's emoluments exceeding £60,000 per annum is required.

	2016 £	Restated 2015 £
Aggregate emoluments payable to key management personnel with emoluments greater than £60,000:		
Emoluments excluding employers pension	171,058	205,849
Compensation for loss of office	35,000	-
Employers pension contributions	18,777	24,938
Total emoluments payable	224,835	230,787

The emoluments payable to, or received by, the Director amount to:

Emoluments excluding employers pension	50,781	75,424
Compensation for loss of office	35,000	-
Employers pension contributions	4,016	9,638
Total emoluments payable	89,797	85,062

NOTES TO THE FINANCIAL STATEMENTS (continued)

The emoluments of key management personnel (excluding pension contributions) were within the following ranges:

	2016 No.	2015 No.
£60,001 to £70,000	3 =====	3 =====
	2016 £	Restated 2015 £
Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom income tax-	567 =====	202 =====

The key management personnel are ordinary members of the Co-operative's pension scheme described in note 22. No enhanced or special terms apply to membership and they have no other pension arrangements to which the Association contributes. No emoluments were paid to any member of the Committee of Management during the year.

6. **Employee Information**

	2016 No.	2015 No.
The average monthly number of full time equivalent persons employed during the year was:	10 =====	13 =====
	2016 £	Restated 2015 £
Staff costs		
Wages and salaries	441,947	459,568
Social security cost	35,613	38,641
Pension costs (Note 22)	73,962	55,000
	551,522 =====	553,209 =====

7. **Interest and other finance income**

	2016 £	2015 £
Interest receivable and other income		
Bank Interest receivable	10,520 =====	9,307 =====

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Finance costs

	2016 £	Restated 2015 £
On bank and building society loans repayable by instalments Wholly or partly in more than five years	86,339	90,295
Interest on defined benefit pension liability	33,000	49,000
	----- 119,339 =====	----- 139,295 =====

9. Surplus / (deficit) on ordinary activities

	2016 £	Restated 2015 £
Surplus / (deficit) on ordinary activities is stated after charging:		
Depreciation of tangible fixed assets		
- housing properties		
(includes accelerated depreciation of £1,350 on component replacements)	639,905	637,584
- other fixed assets	28,345	37,401
Amortisation of Housing Association Grants	(473,809)	(476,015)
Bad debts written off	18,660	8,727
Auditors remuneration (including VAT)	6,000	5,880
	=====	=====

10. Taxation

The Co-operative was recognised by the HM Revenue and Customs as a charity for taxation purposes during the year. Provided its income is derived from and applied to charitable purposes, no taxation liability arises.

However, tax arises during the period to 3rd December 2015 where the Co-operative was not recognised as a charity for taxation purposes. Accordingly, Corporation Tax has been provided on the Case III untaxed interested received and other non-rental income at the rate of 20% (2015 – 20%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. **Tangible Fixed Assets - Housing Properties**

	Housing Properties for Letting	Housing Properties Under Construction	Total
Cost			
At 1 April 2015 (restated)	26,278,364	-	26,278,364
Additions	254,528	131,834	386,362
Disposals	(216,018)	-	(216,018)
At 31 March 2016	<u>26,316,874</u>	<u>131,834</u>	<u>26,448,708</u>
Depreciation			
At 1 April 2015 (restated)	10,877,097	-	10,877,097
Charge for the year	638,555	-	638,555
Disposals	(210,861)	-	(210,861)
At 31 March 2016	<u>11,304,791</u>	<u>-</u>	<u>11,304,791</u>
Net book value			
At 31 March 2016	<u>15,012,083</u>	<u>131,834</u>	<u>15,143,917</u>
At 31 March 2015	<u>15,401,267</u>	<u>-</u>	<u>15,401,267</u>

Development administration costs capitalised amounted to £0 (2015 - £2,357) for which Housing Association Grants amounting to £0 (2015 - £2,357) were received in the year.

The Committee of Management feel that the value at 31 March 2016 of properties if valued at Existing Use Value – Social Housing would not be materially different from the figure stated above.

All properties are held freehold.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

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for the year ended 31st March 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 **Tangible fixed assets - other**

Cost	Office Premises	Furniture and Fittings	Office Equipment	Computer Equipment	Total
At 1 April 2015	427,463	12,558	18,391	89,140	547,552
Additions	-	-	1,500	999	2,499
At 31 March 2016	427,463	12,558	19,891	90,139	550,051
Depreciation					
At 1 April 2015	99,310	11,280	9,750	70,963	191,303
Charge for the year	8,549	335	2,283	17,178	28,345
At 31 March 2016	107,859	11,615	12,033	88,141	219,648
Net book value					
At 31 March 2016	319,604	943	7,858	1,998	330,403
At 31 March 2015	328,153	1,278	8,641	18,177	356,249

13. **Trade and other debtors**

	2016 £	2015 £
Rental arrears	39,902	27,343
Other debtors and prepayments	82,724	22,300
	122,626	49,643

Debtors are stated net of the provision for bad debts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Creditors: amounts falling due within one year

	2016 £	Restated 2015 £
Amounts falling due within one year:		
Bank loans	216,263	213,891
Deferred income – Housing Association Grants	474,809	476,015
Trade creditors	272,774	41,142
Social security and other taxes	8,502	10,457
Accruals	118,856	86,381
Rent in advance	84,256	86,572
Pension past service deficit	131,868	119,000
Other creditors	16,957	23,970
Taxation	2,104	4,984
	----- 1,326,389 =====	----- 1,062,412 =====

15. Creditors: amounts falling due after more than one year

	2016 £	Restated 2015 £
Property loans	3,160,596	3,395,206
Liability for past service contributions (Note 16)	1,314,132	1,419,000
Deferred income – Housing Association Grants (Note 17)	9,843,470	10,184,595
	----- 14,318,198 =====	----- 14,998,801 =====

Housing Loans are secured by specific charges on the Co-operative's properties and are repayable at rates varying from 0.855% to 5.49% in instalments, which will mature over a period of four to twenty-seven years, due as follows:

Loan Repayment	2016 £	2015 £
Within one year	216,263	213,891
Between one and two years	221,028	218,506
Between two and five years	672,179	672,161
In five years or more	2,267,389	2,504,539
	----- 3,376,859 =====	----- 3,609,097 =====
Total loans		

The amounts secured are £3,160,596, (2015 - £3,392,206).

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

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for the year ended 31st March 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

16	Liability for past service contributions	2016	Restated
		£	2015
			£
	Provision at 1 April 2015	1,538,000	1,496,000
	Unwinding of discount factor (interest expense)	33,000	49,000
	Deficit contribution paid	(119,000)	(115,000)
	Re-measurements – impact of any change in assumptions	(6,000)	108,000
	Re-measurements – amendments to the contribution schedule	-	-
		-----	-----
	Provision at 31 March 2016	1,446,000	1,538,000
		=====	=====
	Due within one year	131,868	119,000
	Due after more than one year	1,314,132	1,419,000
		-----	-----
		1,446,000	1,538,000
		=====	=====
17.	Reconciliation of deferred income	2016	Restated
		£	2015
			£
	At 1 April 2015	10,660,610	11,115,020
	Added	103,784	25,931
	Disposals	(1,306)	(4,327)
	Amortisation in year	(473,809)	(476,014)
		-----	-----
	At 31 March 2016	10,318,279	10,660,610
		=====	=====
	Due within one year	474,809	476,015
	Due after more than one year	9,843,470	10,184,595
		-----	-----
		10,318,279	10,660,610
		=====	=====
18.	Share capital	2016	2015
		No.	No.
	At 1 April 2015	469	468
	Issued during the year	29	40
	Cancelled during the year	(30)	(39)
		-----	-----
	At 31 March 2016	468	469
		=====	=====

Each shareholder of the Co-operative holds only one share. Each shareholder is entitled to vote at general meetings of the Co-operative.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. **Share capital (continued)**

Shares carry no right to dividend or distribution 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 Co-operative. Each member has a right to vote at member meetings.

19. **Reserves****Income and expenditure reserve**

The income and expenditure reserve represents cumulative surplus and deficits net of other adjustments.

20. **Capital Commitments**

	2016 £	2015 £
Expenditure authorised and contracted	236,036	61,683
	=====	=====

The amount will be financed from currently available resources.

21. **Related party transactions**

Some key management personnel and their close family are tenants of the Association. The tenancies are on the Association's normal tenancy terms rent charges are also at normal arms-length contractual terms. The rent charge in the year in respect of these tenancies accounts were £33,303 including Housing Benefit (2015 - £39,345) with rent arrears at the year-end of £156 (2015 - £6) and rent prepayments of £1,103 (2015 - £2,407). All arrears relate to timing differences in the payment of Housing Benefit.

22. **Retirement Benefits**

The Co-operative participates in the Scottish Housing Associations' Pension Scheme (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 Co-operative 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 Co-operative 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:

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. **Retirement Benefits (continued)****Deficit contributions**

From 1 April 2017: £131,868 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 Co-operative has agreed to a deficit funding arrangement the Co-operative 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.

Reconciliation of the Co-operative's opening and closing provisions is provided at note 16.

Present values of the Association's provision

	2016 £	2015 £
Present value of provision	1,446,000 =====	1,538,000 =====

Assumptions

Rate of discount - % per annum	2.29%	2.22%
--------------------------------	-------	-------

The discount rates 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.

Statement of comprehensive income impact

	2016 £	2015 £
Interest expense	33,000	49,000
Re-measurements – impact of any changes in assumptions	(6,000)	108,000
Re-measurements – amendments to the contribution schedule	-	-
Contributions in respect of future service	-	-
Costs recognised in statement of comprehensive income	27,000 =====	157,000 =====

23. **Legislative Provisions**

The Co-operative is incorporated under the Co-operative and Community Benefit Societies Act 2014.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

24. **Housing Stock**

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

	2016	2015
	Nr	Nr
General needs – New Build	206	206
General needs – Rehabilitation	262	260
Supported Housing	12	14
	-----	-----
	480	480
	=====	=====

	2016	Restated
	2016	2015
	£	£
25. Cash flow from operating activities		
Surplus / (deficit) for the year	303,768	343,805
<i>Adjustments for non-cash items</i>		
Depreciation and impairment of tangible fixed assets	666,900	672,792
Amortisation of Housing Association Grant	(473,809)	(476,015)
(Increase) / decrease in stock	435	142
(Increase) / decrease in trade and other debtors	(7,126)	(606)
Increase / (decrease) in trade and other creditors	(120,512)	(106,393)
Unwinding of the pension discount	33,000	49,000
Forfeited shares	(30)	(39)
Carrying amount of fixed asset disposals	1,350	2,192
<i>Adjustments for investing or financing activities</i>		
Interest payable	86,339	90,295
Interest receivable	(10,520)	(9,307)
<i>Adjustment for taxation</i>		
Tax paid	(4,984)	(4,285)
	-----	-----
Net cash flow from operating activities	474,811	561,581
	=====	=====

26. **Prior year adjustment**

The prior year adjustment in the financial year ended 31 March 2015 reflects the adoption of the SORP 2014 and FRS 102. The date of transition was 1 April 2014. There were a number of adjustments required under the new accounting requirements as noted below.

Holiday Pay Accrual

Any holiday pay that has been earned by employees under their contract of employment but not taken by 31 March is now recognised as a cost in the year it relates to and a liability within the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. **Prior Year Adjustment (continued)****Pension Provision**

The pension deficit payments made by the Co-operative are no longer accounted for annually as an expense. Instead the full liability is reflected within the financial statements with the annual payments offset against it until the deficit is fully paid off.

Although the deficit payments are no longer reflected through the statement of comprehensive income, any increases or decreases in the deficit are reflected in the year that they occur along with the unwinding of the discounted liability.

Grant Income

Non-government grants previously offset against the cost of the related asset and amortised are now required to be written off to the statement of comprehensive income in the year in which the conditions of the grant are met. For example, for non-government grants are received for the development of properties, the full amount of the grant is released on completion of the development.

Reconciliation of reserves

	£
Reserves at 1 April 2014 under SORP 2010	2,479,017
Holiday pay accrual	(19,459)
Pension provision	(1,497,000)
Government grants amortisation	8,621,593
Depreciation of housing properties	(8,115,738)

Reserves at 1 April 2014 under SORP 2014	1,468,413
	=====

Reconciliation of comparative period comprehensive income

	£
Comprehensive income for the period ended 31 March 2015 under SORP 2010	247,847
Holiday pay accrual	(4,540)
Pension provision – removal of deficit contributions paid	115,000
Pension provision – unwind discount	(49,000)
Depreciation of housing properties	(447,911)
Government grant amortisation	476,015
Actuarial loss in respect of pension schemes	(108,000)

Comprehensive income for the period ended 31 March 2015 under SORP 2014	229,411
	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. **Prior Year Adjustment (continued)**

The effect of the adoption of SORP 2014 and FRS 102 on the results is stated below:

	Reported in accounts to 31 March 2015 £	Prior year adjustment for 2014/15 £	Restated accounts to 31 March 2015 £
Statement of Comprehensive Income			
Turnover	1,923,944	476,015	2,399,959
Operating expenditure	(1,588,715)	(337,451)	(1,926,166)
Interest Receivable	9,307	-	9,307
Interest and financing costs	(90,295)	(49,000)	(139,295)
Tax on surplus on ordinary activities	(6,394)	-	(6,394)
Actuarial loss in respect of pension schemes	-	(108,000)	(108,000)
Net decrease in comprehensive income	-	(18,436)	-
Total comprehensive income	247,847	(18,436)	229,411
	=====	=====	=====
	Reserves at 31 March 2014 £	Cumulative prior year adjustment to 31 March 2014 £	Restated reserves at 31 March 2014 £
Reserves			
Share Capital	468	-	468
Designated Reserves	356,402	(356,402)	-
Income and expenditure Reserve	2,122,147	(654,202)	1,467,945
Total reserves	2,479,017	(1,010,604)	1,468,413
	=====	=====	=====
	Reserves at 31 March 2015 £	Cumulative prior year adjustment to 31 March 2015 £	Restated reserves at 31 March 2015 £
Reserves			
Share Capital	469	-	469
Designated Reserves	378,818	(378,818)	-
Income and expenditure Reserve	2,347,578	(650,222)	1,697,356
Total reserves	2,726,865	(1,029,040)	1,697,825
	=====	=====	=====