

Drumchapel Housing Co-operative

Report and Financial Statements

For the year ended 31st March 2018

Registered Social Landlord No.185

FCA Reference No. 2222R(S)

Scottish Charity No. SC046239

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

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DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

MANAGEMENT BOARD, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2018

MANAGEMENT BOARD

Joan McFarlane	Chair
Helen Eakin	Vice Chair
Alana Durnin	Secretary (co-opted 25/04/17)
Margaret Bowie	
Paul McBride	
Fiona Russell	Co-optee
Cllr Elspeth Kerr	
Tanith Diggory	(elected 24/08/17)
Jean Barclay	(elected 24/08/17, resigned 28/11/17, re-elected 17/04/18)
Alison Kilgour	(resigned 17/04/18)
John Roche	(resigned 15/12/17)
William Wilson	Co-optee (resigned 27/07/17)
Dionne Fraser	(elected 17/04/18)
Susan Fraser	(elected 17/04/18)

EXECUTIVE OFFICERS

Caroline Shepherd	Director
Pauline Burke	Depute Director

REGISTERED OFFICE

4 Kinclaven Avenue
Drumchapel
Glasgow
G15 7SP

AUDITORS

Findlays Chartered Accountants
11 Dudhope Terrace
Dundee
DD3 6TS

INTERNAL AUDITORS

Wylie & Bisset
168 Bath Street
Glasgow
G2 4TP

BANKERS

Bank of Scotland
Anniesland Branch
836 Crow Road
Glasgow
G1 2RQ

SOLICITORS

MacRoberts LLP
60 York Street
Glasgow
G2 8JX

FINANCE AGENTS

FMD Financial Services
KCEDG Commercial Centre
29 Ladyloan Avenue
Glasgow
G15 8LB

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31ST MARCH 2018

The Management Board presents its report and the Financial Statements for the year ended 31st March 2018.

Legal Status

Drumchapel Housing Co-operative (the Co-operative) is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2222R(S). The Co-operative is governed under its Rule Book. The Co-operative is a registered Scottish Charity with the charity number SC046239.

Principal Activities

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.

Review of Business and Future Developments

1. Financial / Treasury Management

In the financial year 2017/18 the Co-operative has made a surplus of £587,959 (2017 - £1,126,087). The Co-operative's revenue reserves now sit at a balance of £3,719,066 (2017 - £3,131,107) being carried forward into 2018/19.

Finances are managed through the yearly budget process and ongoing development of key targets.

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, sensitivity and stress testing to ensure robustness.

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 Board for a full discussion before formal approval is given.

Treasury Management includes the managing of all short and medium term cash flow requirements, withdrawing funds and managing asset security. In protecting financial resources, it is ensured that investment decisions are properly assessed and that appropriate financial returns are delivered.

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, that indicates viability throughout the thirty years covered by the model as well as allowing us to achieve all financial covenants set by lenders with sufficient head room built in as a contingency.

2. Reactive / Planned Maintenance

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.

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

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31ST MARCH 2018

Review of Business and Future Developments (Contd.)

3. Asset Management

The Co-operative continues to meet the Scottish Housing Quality Standard (SHQS), save for two properties which are exempt and we have 98% compliance with the Energy Efficient Standard for Social Housing (EESH) at 31 March 2018; we envisage no problems in meeting the EESH in full by the due date of 31 March 2020.

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.

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

The Co-operative currently has 480 properties within a distinct neighbourhood in the Drumchapel area of Glasgow.

We have no current plans to acquire additional stock, either via transfer or new build development. Any change to this will be made by the Board following consideration of a full business case.

5. Governance Arrangements

The Co-operative has completed its review of governance arrangements to ensure compliance with best practice. Following a period of "medium engagement" with the Regulator, we moved to "low engagement" on 1 April 2018. The change in the engagement level reflects the Board's success in ensuring that the Co-operative is implementing the tasks outlined in our regulation plan and bring the Co-operative onto a more resilient footing.

Currently, governance operates through the Management Board which consists of current tenants of the Co-operative and non-tenants with specific expertise who are co-opted.

6. Provision of Services

The Co-operative currently employs 11 members of staff (as at 31 March 2018) on a full-time basis. This includes two trainee posts and an estate caretaker. We buy in director and finance services from neighbouring Cernach Housing Association (CHA); and we sell technical manager services to CHA two days per week.

Looking to the future, the Co-operative will ensure that the services it provides continue to meet the needs of tenants, customers and the community. Our frontline services are particularly successful and we won first place in the Customer Service Excellence category of the Scottish Home Awards in the summer of 2017.

Since our formation in 1987, initially as Southdeen Co-operative and now as Drumchapel Housing Co-operative, we have built a solid tradition of driving positive change in the community through housing led regeneration and good service provision.

Our stock comprises 479 self-contained houses and one HMO (house in multiple occupancy) leased as supported accommodation to a charitable project.

Going forward, we aim to ensure we focus on continuing to provide an excellent housing management service, and 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.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31ST MARCH 2018

Management Board and Executive Officers

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

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

The members of the Management Board are also Trustees of the Charity. Members of the Management Board are appointed by the members at the Co-operative's Annual General Meeting.

Statement of Management Board's Responsibilities

The Co-operative and Community Benefit Act 2014 requires the Management Board 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 surplus or deficit of the Co-operative for that period. In preparing those Financial Statements, the Management Board is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments 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 Co-operative will continue in business;
- prepare a statement on Internal Financial Control.

The Management Board 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 them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Scottish Housing Regulator's Determination of Accounting Requirements 2014. The Management Board 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. The Management Board is also responsible for ensuring the Co-operative's suppliers are paid promptly.

The Management Board must in determining how amounts are presented within items in the statement of comprehensive income and statement of financial position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Board is aware:

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

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31ST MARCH 2018

Statement on Internal Financial Control

The Management Board acknowledges its ultimate responsibility for ensuring that the Co-operative 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 Co-operative, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Board's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of the Co-operative's systems include ensuring that:-

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Co-operative'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 Management Board 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 Management Board;
- the Management Board receives reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Co-operative is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Board has reviewed the effectiveness of the systems of internal financial control in existence in the Co-operative for the year ended 31 March 2018. 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

The Auditors, Findlays Chartered Accountants, have expressed their willingness to continue in office. A resolution to re-appoint the Auditors, Findlays Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Management Board



ALANA DURNIN
Secretary
07 August 2018

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS OF DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Co-operative's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" 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 Co-operative'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 5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Board and Officers of the Co-operative, and examination of relevant documents, we have satisfied ourselves that the Management Board'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 Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Joan Williamson, CA (Senior Statutory Auditor)
For and on Behalf of Findlays Chartered Accountants
Chartered Accountants and Statutory Auditor,
11 Dudhope Terrace
Dundee
DD3 6TS

07 August 2018

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 2018 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law, the Scottish Housing Regulator's Determination of Accounting Requirements December 2014 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Co-operative's members, as a body, in accordance with Section 87 of 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 auditors' 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 and 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 Management Board and Auditors

As explained more fully in the Statement of Management Board's Responsibilities, the Co-operative's Management Board is responsible for the preparation of the Financial Statements that 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 Financial Reporting Council's (FRC) Ethical Standards for Auditors.

Scope of the audit on 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 Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Board'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 of our report.

Opinion on the 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 2018 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, the Housing (Scotland) Act 2014 and the Scottish Housing Regulator's Determination of Accounting Requirements 2014.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- the information given in the Management Board's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Co-operative in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Co-operative in accordance with the requirements of the legislation.

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

Matters on which we are required to report by exception (contd.)

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position are not in agreement with the books of the Co-operative.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



Joan Williamson, CA (Senior Statutory Auditor)
For and on Behalf of Findlays Chartered Accountants
Chartered Accountants and Statutory Auditor,
11 Dudhope Terrace
Dundee
DD3 6TS

07 August 2018

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2018

	Notes	2018 £	2017 £
REVENUE	2.	2,512,988	2,492,396
Operating Costs	2.	(1,858,190)	(1,941,964)
OPERATING SURPLUS	9.	654,798	550,432
Gain On Sale Of Housing Stock	7.	-	-
Interest Receivable and Other Income		7,315	2,960
Interest Payable and Similar Charges	8.	(72,286)	(78,810)
Other Finance Charges	11.	(7,000)	(32,000)
		(71,971)	(107,850)
Surplus on ordinary activities before taxation		582,827	442,582
Tax on surplus on ordinary activities	10.	-	(2,010)
SURPLUS FOR YEAR		582,827	440,572
Actuarial Gain in respect of Pension Scheme	24.	5,132	685,515
TOTAL COMPREHENSIVE INCOME		587,959	1,126,087

The notes on pages 13 to 26 form part of these financial statements.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2018

	Notes	2018		2017	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	12.(a)		14,661,397		14,713,743
Other Non Current Assets	12.(b)		333,861		323,770
			<u>14,995,258</u>		<u>15,037,513</u>
CURRENT ASSETS					
Stock		192		342	
Receivables	14.	58,181		113,396	
Cash at bank and in hand		1,959,196		1,952,382	
		<u>2,017,569</u>		<u>2,066,120</u>	
CREDITORS: Amounts falling due within one year	15.	(702,863)		(594,981)	
NET CURRENT ASSETS			<u>1,314,706</u>		<u>1,471,139</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>16,309,964</u>		<u>16,508,652</u>
CREDITORS: Amounts falling due after more than one year	16.		(3,142,303)		(3,491,296)
DEFERRED INCOME					
Social Housing Grants	18.	(9,448,122)		(9,885,778)	
			<u>(9,448,122)</u>		<u>(9,885,778)</u>
NET ASSETS			<u><u>3,719,539</u></u>		<u><u>3,131,578</u></u>
EQUITY					
Share Capital	19.		473		471
Revenue Reserves			3,719,066		3,131,107
			<u>3,719,539</u>		<u>3,131,578</u>

The Financial Statements were approved by the Management Board and authorised for issue and signed on their behalf on 07 August 2018.

Chairperson



Joan McFarlane

Vice Chairperson



Helen Eakin

Secretary



Alana Durnin

The notes on pages 13 to 26 form part of these financial statements.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2018

	Notes	2018	2017
		£	£
Net Cash Inflow from Operating Activities	17.	876,690	238,834
Investing Activities			
Acquisition and Construction of Properties	(561,018)	(218,484)	
Purchase of Other Fixed Assets	(24,529)	(5,784)	
Social Housing Grant Received	-	165,784	
Other Grants Received	911	(313)	
Net Cash Outflow from Investing Activities		(584,636)	(58,797)
Financing Activities			
Interest Received on Cash and Cash Equivalents	3,870	8,927	
Interest Paid on Loans	(72,286)	(78,810)	
Loan Principal Repayments	(216,865)	(210,574)	
Share Capital Issued	41	32	
Net Cash Outflow from Financing		(285,240)	(280,426)
Increase / (decrease) in Cash		6,814	(100,389)
Opening Cash & Cash Equivalents		1,952,382	2,052,771
Closing Cash & Cash Equivalents		<u>1,959,196</u>	<u>1,952,382</u>
Cash and Cash equivalents as at 31 March 2018.			
Cash		1,959,196	1,952,382
		<u>1,959,196</u>	<u>1,952,382</u>

The notes on pages 13 to 26 form part of these financial statements.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31st MARCH 2018

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1st April 2016	468	2,005,020	2,005,488
Issue of Shares	32	-	32
Cancellation of Shares	(29)	-	(29)
Tax on surplus on ordinary activities	-	(2,010)	(2,010)
Other comprehensive income - pension scheme	-	685,515	685,515
Surplus for Year	-	442,582	442,582
Balance as at 31 March 2017	471	3,131,107	3,131,578
Balance as at 1st April 2017	471	3,131,107	3,131,578
Issue of Shares	41	-	41
Cancellation of Shares	(39)	-	(39)
Tax on surplus on ordinary activities	-	-	-
Other comprehensive income - pension scheme	-	5,132	5,132
Surplus for Year	-	582,827	582,827
Balance as at 31 March 2018	473	3,719,066	3,719,539

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

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 Co-operative 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 Scottish Housing Regulator's Determination of Accounting Requirements 2014. A summary of the more important accounting policies is set out below.

Revenue

The Co-operative recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised when expenditure 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 of the asset to which it relates.

Retirement Benefits

The Co-operative participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Co-operative are funded by the contributions from all participating employers and employees in the Scheme. The Co-operative has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme.

The Co-operative still has a liability for past service costs contributions to the Scottish Housing Association Defined Benefit Pension Scheme. The Co-operative provides for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond.

Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Co-operative 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 12. 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
Building	50 Years
Roof	50 Years
Doors	25 Years
Windows	25 Years
Radiators	20 Years
Boilers	15 Years
Bathrooms	25 Years
Kitchens	15 Years
Render	30 Years
Wiring	30 Years
Close Doors	15 Years
Common Stairs	15 Years
Control Entry	20 Years

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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:-

Office Premises	-2%
Furniture and Fittings	-15%
Computer & Office Equipment	-33%
Office Equipment	-15%
Motor Vehicles	-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.

Taxation (Charities)

The Co-operative is a Registered Scottish Charity and is now not liable to United Kingdom Corporation Tax on its charitable activities.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Board 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:

a) 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.

b) 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.

c) Useful life of properties, plant and equipment

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

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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 Co-operative 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.

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Management Board 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.

b) 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.

c) Financial instrument break clauses

The Co-operative has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Management Board 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

In March 2018 the Co-operative received details from the Pension Trust of the certified valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Co-operative's future past service deficit contributions. The Co-operative has now used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Board feels this is the best available estimate of the past service liability.

Financial Instruments - Basic

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

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

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2018			2017		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	2,467,922	1,812,792	655,130	2,477,130	1,926,127	551,003
Other Activities	4.	45,066	45,398	(332)	15,266	15,837	(571)
Total		2,512,988	1,858,190	654,798	2,492,396	1,941,964	550,432

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General		2018 Total £	2017 Total £
	Needs Housing £	Supported Housing £		
Revenue from Lettings				
Rent Receivable Net of Service Charges	1,941,509	29,438	1,970,947	1,950,585
Service Charges	59,020	1,130	60,150	59,600
Gross income from rent and service charges	2,000,529	30,568	2,031,097	2,010,185
Less: Rent losses from voids	2,908	-	2,908	3,757
Less: Rent losses from voids - Unlettable	-	-	-	-
Net Rents Receivable	1,997,621	30,568	2,028,189	2,006,428
Grants released from deferred income	426,709	10,947	437,656	468,838
Revenue grants from Scottish Ministers	2,077	-	2,077	1,864
Other revenue grants	-	-	-	-
Total turnover from affordable letting activities	2,426,407	41,515	2,467,922	2,477,130
Expenditure on affordable letting activities				
Management and maintenance administration costs	641,987	10,881	652,868	848,163
Service Costs	57,436	973	58,409	49,682
Planned and cyclical maintenance, including major repairs	250,269	4,242	254,511	203,012
Reactive maintenance costs	223,042	4,130	227,172	177,220
Bad Debts - rents and service charges	6,468	-	6,468	(609)
Depreciation of affordable let properties	599,121	14,243	613,364	648,659
Operating costs of affordable letting activities	1,778,323	34,469	1,812,792	1,926,127
Operating surplus on affordable letting activities	648,084	7,046	655,130	551,003
2017	544,818	6,185	551,003	

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

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 Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2018	Operating Surplus / (Deficit) 2017
	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	-	-	2,190	(2,190)
Support Activities	24,634	-	24,634	-	-	22,815	1,819
Agency or management services	-	20,393	20,393	-	-	20,393	-
Forfeited Shares	-	39	39	-	-	-	39
Total From Other Activities	24,634	20,432	45,066	-	45,398	(332)	(571)
2017	14,937	329	15,266	-	15,837	(571)	

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

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 Management Board, managers and employees of the Co-operative.

No Officer of the Co-operative received emoluments greater than £60,000.

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)

Compensation payable to Officers for loss of Office

Pension contributions made on behalf on Officers with emoluments greater than £60,000

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

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

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	-	1
£70,001 to £80,000	-	1
£80,001 to £90,000	-	-

6. EMPLOYEE INFORMATION

	2018	2017
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	11	11
The average total number of Employees employed during the year was	11	11
Staff Costs were:	£	£
Wages and Salaries	324,738	436,334
Social Security Costs	25,836	33,214
Other Pension Costs	24,890	19,952
Temporary, Agency and Seconded Staff	1,432	9,702
	<u>376,896</u>	<u>499,202</u>

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2018	2017
	£	£
Sales Proceeds	-	-
Cost of Sales	-	-
Gain On Sale Of Housing Stock	-	-

8. INTEREST PAYABLE & SIMILAR CHARGES

	2018	2017
	£	£
On Bank Loans & Overdrafts	72,286	78,810
	72,286	78,810

9. SURPLUS FOR YEAR

	2018	2017
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	627,802	661,076
Auditors' Remuneration - Audit Services	6,600	6,120
Auditors' Remuneration - Other Services	-	3,000
Gain on sale of fixed assets	-	-

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2018	2017
	£	£
(i) Analysis of Charge in Year		
Current Tax:		
UK Corporation Tax on surplus on ordinary activities	-	-
Adjustments in respect of previous years	-	2,010
Total Current Tax (Note 10(ii))	-	2,010
Tax on surplus on ordinary activities	-	2,010

The Co-operative is now a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

11. OTHER FINANCE INCOME / CHARGES

	2018	2017
	£	£
Unwinding of Discounted Liabilities	7,000	32,000

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
COST			
As at 1st April 2017	26,513,402	13,740	26,527,142
Additions	561,018	-	561,018
Disposals	(147,910)	-	(147,910)
Schemes Completed	-	-	-
As at 31st March 2018	<u>26,926,510</u>	<u>13,740</u>	<u>26,940,250</u>
DEPRECIATION			
As at 1st April 2017	11,813,399	-	11,813,399
Charge for Year	613,364	-	613,364
Disposals	(147,910)	-	(147,910)
As at 31st March 2018	<u>12,278,853</u>	<u>-</u>	<u>12,278,853</u>
NET BOOK VALUE			
As at 31st March 2018	<u>14,647,657</u>	<u>13,740</u>	<u>14,661,397</u>
As at 31st March 2017	<u>14,700,003</u>	<u>13,740</u>	<u>14,713,743</u>

Additions to housing properties includes capitalised development administration costs of £nil (2017 - £nil) and capitalised major repair costs to existing properties of £561,018 (2017 - £218,484)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £592,463 (2017 - £222,875). The amount capitalised is £561,018 (2017 - £218,484), with the balance charged to the statement of comprehensive income.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Computer Equipment £	Office Equipment & Motor Vehicle £	Office Premises £	Furniture & Equipment £	Total £
COST					
As at 1st April 2017	92,869	22,945	427,463	12,558	555,835
Additions	1,325	23,204	-	-	24,529
Eliminated on Disposals	-	-	-	-	-
As at 31st March 2018	<u>94,194</u>	<u>46,149</u>	<u>427,463</u>	<u>12,558</u>	<u>580,364</u>
AGGREGATE DEPRECIATION					
As at 1st April 2017	89,521	14,327	116,409	11,808	232,065
Charge for year	1,938	3,785	8,549	166	14,438
Eliminated on disposal	-	-	-	-	-
As at 31st March 2018	<u>91,459</u>	<u>18,112</u>	<u>124,958</u>	<u>11,974</u>	<u>246,503</u>
NET BOOK VALUE					
As at 31st March 2018	<u>2,735</u>	<u>28,037</u>	<u>302,505</u>	<u>584</u>	<u>333,861</u>
As at 31st March 2017	<u>3,348</u>	<u>8,618</u>	<u>311,054</u>	<u>750</u>	<u>323,770</u>

13. CAPITAL COMMITMENTS

	2018 £	2017 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>23,608</u>	<u>-</u>

The above commitments will be financed from the Co-operative's own resources.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Arrears of Rent & Service Charges	59,461	76,700
Adjustment to discount arrears balances with payment plans to NPV	-	-
Less: Provision for Doubtful Debts	(34,600)	(42,800)
	<u>24,861</u>	<u>33,900</u>
Social Housing Grant Receivable	-	-
Other Receivables	33,320	79,496
	<u>58,181</u>	<u>113,396</u>

15. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Housing Loans	211,292	213,121
Trade Payables	57,806	117,776
Rent in Advance	95,923	97,062
Corporation Tax	-	-
Other Taxation and Social Security	7,146	5,743
Other Payables	17,172	442
Liability for Past Service Contributions	135,825	131,868
Accruals and Deferred Income	177,699	28,969
	<u>702,863</u>	<u>594,981</u>

16. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2018	2017
	£	£
Liability for Past Service Contributions	404,175	538,132
Housing Loans	2,738,128	2,953,164
	<u>3,142,303</u>	<u>3,491,296</u>
Housing Loans		
Amounts due within one year	211,292	213,121
Amounts due in one year or more but less than two years	212,327	212,798
Amounts due in two years or more but less than five years	669,409	657,361
Amounts due in more than five years	1,856,392	2,083,005
	<u>2,949,420</u>	<u>3,166,285</u>
Less: Amount shown in Current Liabilities	211,292	213,121
	<u>2,738,128</u>	<u>2,953,164</u>
Liability for Past Service Contributions		
Amounts due within one year	135,825	131,868
Amounts due in one year or more but less than two years	137,818	134,400
Amounts due in two years or more but less than five years	266,357	403,732
Amounts due in more than five years	-	-
	<u>540,000</u>	<u>670,000</u>
Less: Amount shown in Current Liabilities	135,825	131,868
	<u>404,175</u>	<u>538,132</u>

The Co-operative has a number of long-term housing loans secured by specific charges on its properties. The loans are repayable with all in rates varying from 0.84% to 5.49% in instalments. The loans all expire between 2018 and 2042.

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.51% (2017 - 1.06%).

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to balance as at 31 March 2017</i>	2018 £	2017 £
Operating Surplus	654,798	550,432
Depreciation	627,802	661,076
Change in Provisions for liabilities and charges	5,132	685,515
Payment of Corporation Tax	-	(4,114)
Amortisation of Capital Grants	(437,656)	(468,839)
Change in stocks	150	16
Change in debtors	57,749	(125,870)
Change in creditors	(24,246)	(1,027,354)
Gain on sale of other fixed assets	-	-
Unwinding of Discount on Pension Liability	(7,000)	(32,000)
Share Capital Written Off	(39)	(29)
Balance as at 31 March 2018	<u>876,690</u>	<u>238,834</u>

18. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
Social Housing Grants			
Balance as at 1st April 2017	19,628,072	13,741	19,641,813
Additions in the year	-	-	-
Transferred	-	-	-
Eliminated on disposal - components and property	(126,746)	-	(126,746)
Balance as at 31st March 2018	<u>19,501,326</u>	<u>13,741</u>	<u>19,515,067</u>
Amortisation			
Balance as at 1st April 2017	9,756,035	-	9,756,035
Amortisation in year	437,656	-	437,656
Eliminated on disposal	(126,746)	-	(126,746)
Balance as at 31st March 2018	<u>10,066,945</u>	<u>-</u>	<u>10,066,945</u>
Net book value			
Balance as at 31st March 2018	<u>9,434,381</u>	<u>13,741</u>	<u>9,448,122</u>
Balance as at 31st March 2017	<u>9,872,037</u>	<u>13,741</u>	<u>9,885,778</u>

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

	2018 £	2017 £
Amounts due within one year	437,656	468,838
Amounts due in one year or more	9,010,466	9,416,940
	<u>9,448,122</u>	<u>9,885,778</u>

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2017	471
Issued in year	41
Cancelled in year	(39)
At 31st March 2018	<u>473</u>

Each shareholder of the Co-operative holds one share of £1 in the Co-operative. 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 Co-operative. Each member has a right to vote at members' meetings.

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2018 No.	2017 No.
General Needs - Built by the Co-operative	206	206
General Needs - Rehabilitated by the Co-operative	265	262
Supported Housing	9	12
	<u>480</u>	<u>480</u>

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

Members of the Management Board are related parties of the Co-operative as defined by Financial Reporting Standard 102.

Those members who are tenants of the Co-operative have tenancies that are on the Co-operative's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Co-operative and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with governing body members (and their close family) were as follows:

	2018	2017
	£	£
Rent received from Tenants on the Board and their close family members	<u>55,682</u>	<u>37,365</u>

At the year end total rent arrears owed by the tenant members of the Board (and their close family) were £1,339 (2017 - £9).

Members of the Board who are tenants	6	7
Members of the Board who are local councillors	1	1

The following transactions took place during the year between the Co-operative and its other related parties:

The Co-operative's current Director, Caroline Shepherd, serves as a key management personnel in Cernach Housing Association (CHA). During the year CHA recharged costs of £88,226 (2017 - £42,079) to the Co-operative for a range of services. The Co-operative also recharged £20,393 (2017 - £Nil) of technical manager services to CHA during the year.

22 DETAILS OF CO-OPERATIVE

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

The Co-operative's principal place of business is 4 Kinclaven Avenue, Drumchapel, Glasgow.

The Co-operative is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Drumchapel.

23. GOVERNING BODY MEMBER EMOLUMENTS

Management Board members received £653 in the year by way of reimbursement of expenses. (2017 - £395). No remuneration is paid to Management Board members in respect of their duties in the Co-operative.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

General

Drumchapel Housing Co-operative Limited participated in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. The Co-operative has since moved to a defined contribution scheme but has a liability for the past service deficit in the defined benefit scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. Subsequently, an updated provisional valuation has been now been performed at 30th September 2017. The market value of the Scheme's assets at the valuation date was £852m. The valuation revealed a shortfall of assets compared with the value of liabilities of £129m (equivalent to a past service funding level of 87%).

The 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-apportioned amongst the remaining employers. Therefore in certain circumstances the Co-operative may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the statement of financial position date the present value of this obligation was £540,000 (2017 - £670,000). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. The discount rate used was 1.51%.

The remeasurement impact due to changes in assumptions was £5,312.

Pension deficit contribution payments of £131,868 (2017: £122,485) were made during the year.

The Co-operative made payments totalling £160,961 (2017: £146,528) to the pension scheme during the year.