



**Alexander Sloan**  
Accountants and Business Advisers

# **Gardeen Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31 March 2018**

**Registered Housing Association No. HAC214**

**FCA Reference No. 2326R(S)**

**Scottish Charity No. SCO037681**

# **GARDEEN HOUSING ASSOCIATION LIMITED**

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# GARDEEN HOUSING ASSOCIATION LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2018

### MANAGEMENT COMMITTEE

M Leat	Chairperson
C Cameron	Vice Chairperson
D Lovett	Treasurer
R O'Malley	Secretary
C Brewer	
R Clark	
S Lack	
M Livingston	
H Marowich	
M McGuigan	
J Mullen	Resigned May 2018

### EXECUTIVE OFFICERS

Roslyn Crawford	Director
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### REGISTERED OFFICE

32 Garlieston Road  
Barlanark  
Glasgow  
G33 4UD

### EXTERNAL AUDITORS

Alexander Sloan  
Chartered Accountants  
180 St Vincent Street  
Glasgow  
G2 5SG

### INTERNAL AUDITORS

Alexander Sloan  
Chartered Accountants  
180 St Vincent Street  
Glasgow  
G2 5SG

### FINANCE AGENTS

FMD Financial Services  
Unit 29  
Ladyloan Place  
Drumchapel  
G15 8LB

### BANKERS

Royal Bank of Scotland  
1304 Duke Street  
Glasgow  
G31 5PZ

### SOLICITORS

BTO  
48 St Vincent Street  
Glasgow  
G2 5HS

### SOLICITORS

Kelly & Co  
184 Abercromby Street  
Glasgow  
G40 2RZ

### SOLICITORS

T C Young  
7 West George Street  
Glasgow  
G2 1BA

# **GARDEEN HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018**

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

### **Legal Status**

Gardeen Housing Association Limited is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2326R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO037681.

### **Principal Activities**

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

### **Review of Business and Future Developments**

The Management Committee of Gardeen Housing Association continues to follow a prudent approach to the financial affairs of the organisation. The collection of rental income and management of voids remains a key focus for Gardeen Association and performance in this area compares well when measured against our peers. This continues to be a challenge as a consequence of welfare reform and the introduction of universal credit. The Management Committee is also committed to providing a costed programme of planned maintenance and improvements.

This year was a busy year for the Association as it completed a programme of replacement boilers and kitchens. £326,600 was spent on investments in Gardeen homes.

The Management Committee retains close control over the financial affairs of the Association and has reviewed investments to ensure that the Association receives the best return for its investment in light of the current low interest rates. The Management Committee consistently reviews the medium and long term financial projections to ensure the viability of the Association. Operating costs are closely monitored by staff, committee and the Finance Agent.

The Management Committee also monitor the final salary pension scheme and the impact that increased contributions may have on the business of the Association. The Management Committee receive advice and attend training to maintain their understanding of the SHAPS final salary scheme.

The Management Committee has also complied with all Scottish Housing Regulator, OSCR and FCA requirements.

The members of the Management Committee are of the opinion that the state of the financial affairs of Gardeen Housing Association is satisfactory. The surplus for the year is £22,519. Net assets now stand at £1,999,989.

The Association is committed to delivering a programme of planned maintenance and will continue to replace and renew kitchens bathrooms, heating systems and smoke alarms. This is to ensure that Gardeen Housing Association homes are maintained to a high standard and that the investment in the community is protected.

# **GARDEEN HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018**

### **Management Committee and Executive Officers**

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

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements - 2015. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

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

In so far as the Management Committee are aware:

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

# **GARDEEN HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018**

### **Statement on Internal Financial Control**

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

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

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee 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 Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association 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.


### **Donations**

During the year the Association made charitable donations amounting to £750 (2017 - £710).

### **Auditors**

A resolution to appoint Auditors will be proposed at the Annual General Meeting.

### **By order of the Management Committee**

  
R O MALLI  
Secretary  
2 August 2018

# **GARDEEN HOUSING ASSOCIATION LIMITED**

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## **REPORT BY THE AUDITORS TO THE MEMBERS OF GARDEEN HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 4 concerning the Association'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 Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 4 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 Committee, and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

  
**ALEXANDER SLOAN**

Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
2 August 2018



**Alexander Sloan**  
Accountants and Business Advisers

# **GARDEEN HOUSING ASSOCIATION LIMITED**

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GARDEEN HOUSING ASSOCIATION LIMITED**

### **Opinion**

We have audited the financial statements of Gardeen Housing Association Limited (the 'Association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Society Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 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 prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

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

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

We have nothing to report in this regard.

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

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

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

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.



# GARDEEN HOUSING ASSOCIATION LIMITED

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

### Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 3, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

**ALEXANDER SLOAN**

Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
2 August 2018



Alexander Sloan  
Accountants and Business Advisers

# GARDEEN HOUSING ASSOCIATION LIMITED

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

	Notes	2018	2017
		£	£
<b>REVENUE</b>	2	1,262,673	1,274,298
Operating Costs	2	<u>(1,246,744)</u>	<u>(1,087,395)</u>
<b>OPERATING SURPLUS</b>		15,929	186,903
Gain / (Loss) On Sale Of Housing Stock	7	20,000	(23,262)
Interest Receivable and Other Income		1,730	7,457
Interest Payable and Similar Charges	8	(14,467)	(15,629)
Other Finance Income / (Charges)	11	<u>(673)</u>	<u>(15,421)</u>
		6,590	(46,855)
<b>SURPLUS FOR THE YEAR</b>	9	<u><b>22,519</b></u>	<u><b>140,048</b></u>

All amounts relate to continuing operations.

The notes on pages 12 to 25 form part of these financial statements.

# GARDEEN HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing Properties - Depreciated Cost	12 (a)		9,758,715		9,884,835
Other Non-current Assets	12 (b)		140,691		148,799
			<u>9,899,406</u>		<u>10,033,634</u>
<b>CURRENT ASSETS</b>					
Receivables	13	42,815		26,403	
Investments	23	350,000		354,929	
Cash at bank and in hand		332,308		682,250	
		<u>725,123</u>		<u>1,063,582</u>	
<b>CREDITORS: Amounts falling due within one year</b>	14	<u>(291,433)</u>		<u>(323,263)</u>	
<b>NET CURRENT ASSETS</b>			<u>433,690</u>		<u>740,319</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>10,333,096</u>		<u>10,773,953</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15		<u>(1,344,428)</u>		<u>(1,513,976)</u>
<b>DEFERRED INCOME</b>					
Social Housing Grants	17	<u>(6,988,679)</u>		<u>(7,282,517)</u>	
			<u>(6,988,679)</u>		<u>(7,282,517)</u>
<b>NET ASSETS</b>			<u>1,999,989</u>		<u>1,977,460</u>
<b>EQUITY</b>					
Share Capital	18		82		72
Revenue Reserves			1,999,907		1,977,388
			<u>1,999,989</u>		<u>1,977,460</u>

The Financial Statements were approved by the members on 2 August 2018.

for issue and signed on their behalf on 2 August

Chairperson

Treasurer

Sec

The notes on pages 12 to 25 form part of these financial statements.

# GARDEEN HOUSING ASSOCIATION LIMITED

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

	Notes	2018		2017
		£	£	£
<b>Net cash inflow from operating activities</b>	16		81,666	324,822
<b>Investing Activities</b>				
Acquisition and Construction of Properties		(329,277)	(519,218)	
Purchase of Other Fixed Assets		(4,286)	-	
Social Housing Grant Received		8,290	72,560	
Changes on short term deposits with banks		4,929	509,763	
Proceeds on Disposal of Properties		20,000	19,603	
<b>Net cash (outflow) / inflow from investing activities</b>			(300,344)	82,708
<b>Financing Activities</b>				
Interest Received on Cash and Cash Equivalents		1,730	7,457	
Interest Paid on Loans		(14,467)	(15,629)	
Loan Principal Repayments		(118,540)	(117,125)	
Share Capital Issued		13	11	
<b>Net cash outflow from financing activities</b>			(131,264)	(125,286)
<b>(Decrease) / increase in cash</b>			(349,942)	282,244
<b>Opening Cash &amp; Cash Equivalents</b>			682,250	400,006
<b>Closing Cash &amp; Cash Equivalents</b>			<b>332,308</b>	<b>682,250</b>
<b>Cash and Cash equivalents as at 31 March</b>				
Cash			332,308	682,250

The notes on pages 12 to 25 form part of these financial statements.

# GARDEEN HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1 April 2016</b>	88	1,837,340	1,837,428
Issue of Shares	11	-	11
Cancellation of Shares	(27)	-	(27)
Surplus for the year	-	140,048	140,048
<b>Balance as at 31 March 2017</b>	<b>72</b>	<b>1,977,388</b>	<b>1,977,460</b>
<b>Balance as at 1 April 2017</b>	72	1,977,388	1,977,460
Issue of Shares	13	-	13
Cancellation of Shares	(3)	-	(3)
Surplus for the year	-	22,519	22,519
<b>Balance as at 31 March 2018</b>	<b>82</b>	<b>1,999,907</b>	<b>1,999,989</b>

The notes on pages 12 to 25 form part of these financial statements.

# GARDEEN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 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 Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

#### Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

#### Revenue

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

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

#### Retirement Benefits

The Association participated in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The Association accounts 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.

The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

The Association has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme.

#### Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 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
Roofs	50 years
Structure	50 years
Electrics	40 years
Doors	30 - 35 years
Windows	30 years
Radiators	26 years
Bathrooms	25 years
Kitchens	15 years
Boilers	13 years

# GARDEEN HOUSING ASSOCIATION LIMITED

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

### 1. PRINCIPAL ACCOUNTING POLICIES

#### Depreciation and Impairment of Other Non-Current Assets

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

Asset Category	Depreciation Rate
Office Premises	over 30 years
Office Equipment	20% straight line

The carrying values 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 they relate.

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

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

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

#### Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

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

#### Taxation

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

#### 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 the Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

##### a) Rent Arrears - Bad Debt Provision

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

##### b) Life Cycle of Components

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

##### c) Useful life of properties, plant and equipment

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

# GARDEEN HOUSING ASSOCIATION LIMITED

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

### 1. PRINCIPAL ACCOUNTING POLICIES

#### **Works to Existing Properties**

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

#### **Capitalisation Of Development Overheads**

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

#### **Development Interest**

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

#### **Key Judgements made in the application of Accounting Policies**

##### ***a) The Categorisation of Housing Properties***

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

##### ***b) Identification of cash generating units***

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

##### ***c) Financial instrument break clauses***

The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Management Committee, 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 Association received details from the Pension Trust of the valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feels this is the best available estimate of the past service liability.

#### **Financial Instruments - Basic**

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

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



# GARDEEN HOUSING ASSOCIATION LIMITED

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

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

	Notes	2018			2017		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3	1,261,846	1,212,394	49,452	1,273,524	1,062,040	211,484
Other Activities	4	827	34,350	(33,523)	774	25,355	(24,581)
<b>Total</b>		<b>1,262,673</b>	<b>1,246,744</b>	<b>15,929</b>	<b>1,274,298</b>	<b>1,087,395</b>	<b>186,903</b>

## 3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	2018 Total £	2017 Total £
<b>Revenue from Lettings</b>			
Rent receivable net of service charges	910,414	910,414	888,065
<b>Gross income from rent and service charges</b>	910,414	910,414	888,065
Less: Rent losses from voids	843	843	926
<b>Net Rents Receivable</b>	909,571	909,571	887,139
Grants released from deferred income	302,128	302,128	328,122
Other revenue grants	50,147	50,147	58,263
<b>Total turnover from affordable letting activities</b>	<b>1,261,846</b>	<b>1,261,846</b>	<b>1,273,524</b>
<b>Expenditure on affordable letting activities</b>			
Management and maintenance administration costs	368,023	368,023	373,477
Service Costs	86,340	86,340	51,112
Planned and cyclical maintenance, including major repairs	184,887	184,887	110,115
Reactive maintenance costs	116,715	116,715	95,490
Bad Debts - rents and service charges	1,032	1,032	44
Depreciation of affordable let properties	455,397	455,397	431,802
<b>Operating costs of affordable letting activities</b>	<b>1,212,394</b>	<b>1,212,394</b>	<b>1,062,040</b>
<b>Operating surplus on affordable letting activities</b>	<b>49,452</b>	<b>49,452</b>	<b>211,484</b>
<b>2017</b>	<b>211,484</b>		

# GARDEEN HOUSING ASSOCIATION LIMITED

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

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

	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus /(Deficit) 2018	Operating Surplus /(Deficit) 2017
	£	£	£	£	£	£
Wider role activities	-	-	-	2,820	(2,820)	(2,500)
Support activities	-	-	-	18,108	(18,108)	(17,665)
Factoring	827	827	-	827	-	-
Rechargeable repairs	-	-	12,595	-	(12,595)	(4,416)
<b>Total From Other Activities</b>	<b>827</b>	<b>827</b>	<b>12,595</b>	<b>21,755</b>	<b>(33,523)</b>	<b>(24,581)</b>
<b>2017</b>	<b>774</b>	<b>774</b>	<b>4,416</b>	<b>20,939</b>	<b>(24,581)</b>	

# GARDEEN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 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 Committee, managers and employees of the Association.

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

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

	2018	2017
	£	£
	55,574	53,995
	<u>55,574</u>	<u>53,995</u>

### 6. EMPLOYEE INFORMATION

Average monthly number of full time equivalent persons employed during the year:

Average total number of employees employed during the year:

Staff Costs:

Wages and Salaries  
Social Security Costs  
Other Pension Costs

	2018	2017
	No.	No.
	6	6
	<u>6</u>	<u>6</u>
	£	£
	182,200	176,989
	12,105	11,777
	20,372	21,738
	<u>214,677</u>	<u>210,504</u>

# GARDEEN HOUSING ASSOCIATION LIMITED

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

### 7. GAIN / (LOSS) ON SALE OF HOUSING STOCK

	2018	2017
	£	£
Sales Proceeds	20,000	19,603
Cost of Sales	-	42,865
Gain / (Loss) On Sale Of Housing Stock	<u>20,000</u>	<u>(23,262)</u>

### 8. INTEREST PAYABLE & SIMILAR CHARGES

	2018	2017
	£	£
On Bank Loans & Overdrafts	<u>14,467</u>	<u>15,629</u>

### 9. SURPLUS FOR THE YEAR

	2018	2017
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	440,465	431,957
Auditors' Remuneration - Audit Services	7,200	7,000
Auditors' Remuneration - Other Services	2,916	2,520
(Gain)/loss on sale of fixed assets	<u>(20,000)</u>	<u>23,262</u>

### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is 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	<u>673</u>	<u>15,421</u>

# GARDEEN HOUSING ASSOCIATION LIMITED

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

## 12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Total £
<b>COST</b>		
As at 1 April 2017	16,792,869	16,792,869
Additions	329,277	329,277
Disposals	(252,042)	(252,042)
Schemes Completed	-	-
As at 31 March 2018	16,870,104	16,870,104
<b>DEPRECIATION</b>		
As at 1 April 2017	6,908,034	6,908,034
Charge for Year	428,071	428,071
Disposals	(224,716)	(224,716)
As at 31 March 2018	7,111,389	7,111,389
<b>NET BOOK VALUE</b>		
As at 31 March 2018	9,758,715	9,758,715
As at 31 March 2017	9,884,835	9,884,835

Additions to housing properties include capitalised development administration costs of £nil (2017 - £nil) and capitalised major repair costs to existing properties of £326,600 (2017 - £445,320).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £630,879 (2017 - £545,689). The amount capitalised is £329,277 (2017 - £445,320) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £326,600 (2017 - £445,320) and improvement of £2,677 (2017 - £nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £3,864,962 (2017 - £3,668,047).

# GARDEEN HOUSING ASSOCIATION LIMITED

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

### 12. NON CURRENT ASSETS

(b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>			
As at 1 April 2017	213,825	124,995	338,820
Additions	-	4,286	4,286
Eliminated on Disposals	-	-	-
As at 31 March 2018	<u>213,825</u>	<u>129,281</u>	<u>343,106</u>
<b>AGGREGATE DEPRECIATION</b>			
As at 1 April 2017	72,623	117,398	190,021
Charge for year	7,128	5,266	12,394
Eliminated on Disposals	-	-	-
As at 31 March 2018	<u>79,751</u>	<u>122,664</u>	<u>202,415</u>
<b>NET BOOK VALUE</b>			
As at 31 March 2018	<u>134,074</u>	<u>6,617</u>	<u>140,691</u>
As at 31 March 2017	<u>141,202</u>	<u>7,597</u>	<u>148,799</u>

### 13. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Arrears of Rent & Service Charges	7,939	10,564
<b>Less:</b> Provision for Doubtful Debts	(1,732)	(1,732)
Other Receivables	6,207	8,832
	<u>36,608</u>	<u>17,571</u>
	<u>42,815</u>	<u>26,403</u>

### 14. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Housing Loans	108,855	107,308
Trade Payables	62,207	102,199
Rent Received in Advance	44,552	42,603
Other Taxation and Social Security	4,019	4,018
Other Payables	21,372	14,857
Liability for Past Service Contributions	50,133	48,673
Accruals and Deferred Income	295	3,605
	<u>291,433</u>	<u>323,263</u>

At the balance sheet date there were pension contributions outstanding of £7,152 (2017 - £7,036).

# GARDEEN HOUSING ASSOCIATION LIMITED

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

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

	2018 £	2017 £
Liability for Past Service Contributions	148,867	198,327
Housing Loans	1,195,561	1,315,649
	<u>1,344,428</u>	<u>1,513,976</u>
<b>Housing Loans</b>		
Amounts due within one year	108,855	107,308
Amounts due in one year or more but less than two years	110,275	108,707
Amounts due in two years or more but less than five years	339,536	334,703
Amounts due in more than five years	745,750	872,239
	<u>1,304,416</u>	<u>1,422,957</u>
Less: Amount shown in Current Liabilities	108,855	107,308
	<u>1,195,561</u>	<u>1,315,649</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	50,133	48,673
Amounts due in one year or more but less than two years	50,869	49,607
Amounts due in two years or more but less than five years	97,998	148,720
	<u>199,000</u>	<u>247,000</u>
Less: Amount shown in Current Liabilities	50,133	48,673
	<u>148,867</u>	<u>198,327</u>

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

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
Nationwide	Standard security over 55 properties	Libor + 0.45%	2024	Variable
Bank of Scotland	Standard security over 64 properties	Base + 0.9%	2026	Variable
Nationwide	No security over properties	Libor + 0.45%	2027	Variable
Nationwide	No security over properties	Libor + 0.45%	2028	Variable
Royal Bank of Scotland	Standard security over 38 properties	Base + 0.55%	2033	Variable

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

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%).

# GARDEEN HOUSING ASSOCIATION LIMITED

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

## 16. STATEMENT OF CASH FLOWS

### Reconciliation of operating surplus to net cash inflow from operating activities

	2018 £	2017 £
Operating Surplus	15,929	186,903
Depreciation	467,790	445,363
Amortisation of Capital Grants	(302,128)	(328,122)
Change in debtors	(16,412)	4,710
Change in creditors	(82,837)	31,416
Unwinding of Discount on Pension Liability	(673)	(15,421)
Share Capital Written Off	(3)	(27)
Net cash inflow from operating activities	<u>81,666</u>	<u>324,822</u>

## 17. DEFERRED INCOME

	Housing Properties Held for Letting £	Total £
<b>Social Housing Grants</b>		
As at 1 April 2017	13,326,243	13,326,243
Additions in the year	8,290	8,290
Eliminated on disposal of components and property	(124,532)	(124,532)
As at 31 March 2018	<u>13,210,001</u>	<u>13,210,001</u>
<b>Amortisation</b>		
As at 1 April 2017	6,043,726	6,043,726
Amortisation in year	284,774	284,774
Eliminated on disposal	(107,178)	(107,178)
As at 31 March 2018	<u>6,221,322</u>	<u>6,221,322</u>
<b>Net book value</b>		
As at 31 March 2018	<u>6,988,679</u>	<u>6,988,679</u>
As at 31 March 2017	<u>7,282,517</u>	<u>7,282,517</u>

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

	2018 £	2017 £
Amounts due within one year	284,774	294,118
Amounts due in one year or more	6,703,905	6,988,399
	<u>6,988,679</u>	<u>7,282,517</u>



# GARDEEN HOUSING ASSOCIATION LIMITED

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

### 18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	2018	2017
	£	£
As at 1 April 2017	72	88
Issued in year	13	11
Cancelled in year	(3)	(27)
At 31 March 2018	<u>82</u>	<u>72</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

### 19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2018	2017
	No.	No.
General Needs - New Build	129	129
General Needs - Rehabilitation	124	124
	<u>253</u>	<u>253</u>

### 20. RELATED PARTY TRANSACTIONS

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

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

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

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

	2018	2017
	£	£
Rent received from tenants on the Management Committee and their close family members	41,242	34,640
Factoring charges received from factored owners on the Management Committee	<u>483</u>	<u>299</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £427 (2017 - £209).

	No.	No.
Members of the Management Committee who are tenants	<u>7</u>	<u>6</u>
Members of the Management Committee who are owner occupiers	<u>3</u>	<u>3</u>

# GARDEEN HOUSING ASSOCIATION LIMITED

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

### 21. DETAILS OF ASSOCIATION

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

The Association's principal place of business is 32 Garlieston Road, Barlanark, Glasgow.

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

### 22. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £867 (2017 - £889) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

### 23. INVESTMENTS

#### Short term deposits

	2018	2017
	£	£
Short term deposits	350,000	354,929

# GARDEEN HOUSING ASSOCIATION LIMITED

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

### 24. RETIREMENT BENEFIT OBLIGATIONS

#### General

Gardeen Housing Association Limited participated in the Scottish Housing Association Pension Scheme (the scheme). The Association has since moved to the defined contribution scheme.

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state 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 commingled 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 30 September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

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 employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

Based on the final valuation, the scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals the Association will make payments of £199,000 from 1 April 2018 (2017 - £247,000). Payments are expected to increase by 3% per annum and continue until February 2022.

All employer's 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 £199,000 (2017 - £247,000). 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. This discount rate used was 1.51% (2017 - 1.06%).

The Association made payments totalling £48,673 (2017- £43,354) to the pension scheme during the year.

