

GARRION PEOPLE'S HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Register of Friendly Societies No. 2337R

Registered Housing Association No. HAC 226

FRENCH DUNCAN LLP  
Chartered Accountants & Statutory Auditors  
133 Finnieston Street  
Glasgow  
G3 8HB

GARRION PEOPLE'S HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014

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MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

**Committee of Management**

David Cooper	(Chairperson)
Patryk Topolski	(Vice Chairperson)
Allister Marshall	(Secretary)
Ellen Langford	(Treasurer)
Elizabeth Cooper	
Lucille Mullen	
James Deas	(resigned April 2014)
Colette Rooney	
Heather Laing	
Agnes Farrell	(resigned May 2014)

**Executive Officer**

John Mulholland (Director)

**Registered Office**

70 Smith Avenue  
Wishaw  
ML2 0LD

**Auditors**

French Duncan LLP  
Chartered Accountants  
Statutory Auditors  
133 Finnieston Street  
Glasgow  
G3 8HB

**Bankers**

Clydesdale Bank plc  
66 Queen Street  
Glasgow

**Solicitors**

Harper MacLeod LLP  
The Ca'd'oro  
45 Gordon St  
Glasgow  
G1 3PE

**Financial Consultants**

A.C. Davidson & Co.  
Dunskaithe Place  
Glasgow  
G34 OAZ

**REPORT OF THE MANAGEMENT COMMITTEE**

**FOR THE YEAR ENDED 31 MARCH 2014**

The Management Committee presents its report and the audited financial statements for the year ended 31 March 2014.

**Legal Status**

The Co-operative is registered as a non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014, registered number 2337R. The Co-operative is constituted under its rule book.

**Principal Activities**

The principal activity of the Co-operative is the management of the Co-operative's principal stock of housing for occupation by members.

**Results**

The Management Committee is of the opinion that the state of affairs of the Co-operative is satisfactory. The surplus for the year after taxation was £44,932 (2013 – surplus of £4,964). A transfer to the designated reserves was made of £nil (2013 – £nil). Net Assets at 31 March 2014 total £1,869,987 (2013 - £1,825,056).

**Changes in Fixed Assets**

Details of Fixed Assets are set out in notes 11 and 12.

**Management Committee and Executive Officer**

The members of the Management Committee and the Executive Officer are listed on page 1.

**Statement of Management Committee's Responsibilities**

The Management Committee is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Statute requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Co-operative and of the surplus or deficit of the Co-operative for that year. In preparing those financial statements, the Management Committee is required to fulfil the following obligations:

- 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 Co-operative will continue in business; and
- 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 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 2010, the Scottish Housing Regulator Determination of Accounting Requirements (April 2012) and the Statement of Recommended Practice for Registered Social Landlords (SORP 2010). They are 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 Committee confirms that the financial statements comply with the above requirements.

## REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

In so far as the Management Committee is aware:

- there is no relevant audit information of which the Co-operative's auditors are unaware; and
- the Management Committee has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the Co-operative's auditors are aware of that information.

**Related Party Transactions**

Several members of the Management Committee are tenants. Their tenancies are on the Co-operative's normal tenancy terms and they cannot use their positions to their advantage.

**Internal Financial Control**

The Management Committee has overall responsibility for the Co-operative's system of internal financial control and recognises that such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

To discharge this responsibility, the Management Committee will continue to establish an organisational structure with clearly defined levels of responsibility and authority and with appropriate reporting procedures. Included within these key procedures will be the following internal financial controls:

- the formulation of policies and approval procedures in the areas such as compliance, investment and treasury operations and capital expenditure;
- a comprehensive system of budgeting, planning and financial reporting;
- formal business risk reviews by management which consider the potential effects of risk and identify potential new risk;
- internal audit reviews of the controls and processes from which formal reports are prepared;
- the Management Committee considers significant control issues and receives regular reports from both the internal and external auditors; and
- external auditors report on any weaknesses in internal financial control identified during the course of their audits. These reports, together with the replies from management and details of measures taken as a consequence are reviewed by the Management Committee.

**Auditors**

A resolution to re-appoint French Duncan LLP as auditors to the Co-operative will be put to the members at the Annual

By Order of the Management Committee



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Allister Marshall  
SECRETARY

Date: 10/09/2014

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS  
FOR THE YEAR ENDED 31ST MARCH 2014**

We have audited the Financial Statements of Garrion People's Housing Co-operative Limited for the year ended 31 March 2014 on pages 5 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Co-operative 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 Committee and Auditors**

As explained more fully in the Committee's Responsibilities Statement set out on page 2, the Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion, the Financial Statements

- give a true and fair view of the state of the Co-operatives's affairs as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Scottish Housing Regulator Determination of Accounting Requirements (April 2012).

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

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

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



FRENCH DUNCAN LLP  
Statutory Auditor  
133 Finnieston Street  
Glasgow  
G3 8HB

Date: 10/09/2014

**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2014**

	Notes	2014 £	2013 £
TURNOVER	2	985,305	962,885
Operating costs	2	<u>(793,635)</u>	<u>(804,589)</u>
OPERATING SURPLUS	7	191,670	158,296
Loss on disposal of housing		(8,100)	(7,541)
Interest receivable and other income	8	338	332
Interest payable	9	<u>(126,124)</u>	<u>(146,123)</u>
SURPLUS/(DEFICIT) FOR YEAR BEFORE TAXATION		57,784	4,964
Tax on surplus on ordinary activities	10	<u>(20,674)</u>	<u>-</u>
SURPLUS/(DEFICIT) FOR YEAR		<u><u>37,110</u></u>	<u><u>4,964</u></u>

The results for the year relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS  
FOR THE YEAR ENDED 31 MARCH 2014**

	2014 £	2013 £
Surplus/(deficit) for the financial year	37,110	4,964
Release from revaluation reserve	<u>12,626</u>	<u>12,626</u>
Total recognised surpluses and deficits relating to the year	49,736	17,590
Prior year adjustment	<u>-</u>	<u>-</u>
	<u><u>49,736</u></u>	<u><u>17,590</u></u>

## BALANCE SHEET AS AT 31 MARCH 2014

	Notes	2014 £	2013 £
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties	11	18,566,647	18,530,612
Less: Social housing, other grants and depreciation		<u>(13,845,455)</u>	<u>(13,752,174)</u>
Other	11 12	4,721,192 <u>65,848</u>	4,778,438 <u>68,813</u>
		<u>4,787,040</u>	<u>4,847,251</u>
<b>INVESTMENTS</b>			
		<u>1</u>	<u>1</u>
<b>CURRENT ASSETS</b>			
Debtors	13	90,835	106,633
Investments		25,009	25,000
Cash at bank and in hand		<u>577,215</u>	<u>605,414</u>
		693,059	737,047
<b>CURRENT LIABILITIES</b>			
Creditors: Amounts falling due within one year	14	<u>(437,317)</u>	<u>(487,280)</u>
<b>NET CURRENT ASSETS</b>			
		<u>255,742</u>	<u>249,767</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Creditors: Amounts falling due after one year	15	<u>(3,180,618)</u>	<u>(3,271,963)</u>
		<u>1,862,165</u>	<u>1,825,056</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	156	157
Designated reserves	17	491,037	491,037
Revaluation reserve	18	1,059,830	1,072,456
Revenue reserves	19	<u>311,142</u>	<u>261,406</u>
		<u>1,862,165</u>	<u>1,825,056</u>

The Financial Statements were approved by the Management Committee on  
and signed on its behalf by:-

10/09/2014

David Cooper CHAIRPERSON  
David Cooper

Allister Marshall SECRETARY  
Allister Marshall

Ellen Langford TREASURER  
Ellen Langford



## STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2014

		2014 £	2013 £
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	20	<u>199,128</u>	<u>195,364</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		338	332
Interest paid		<u>(126,124)</u>	<u>(146,123)</u>
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>(125,786)</u>	<u>(145,791)</u>
<b>TAXATION</b>			
Tax paid		-	-
Grant Received		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
<b>CAPITAL EXPENDITURE</b>			
Cash paid for development, construction and purchase of housing		(75,755)	(32,888)
Cash paid for purchase of other fixed assets		-	-
Social Housing Grant received		22,391	16,088
Other capital grants		37,800	-
Net proceeds on disposal of housing properties		-	40,030
Proceeds on disposal of other fixed assets		<u>-</u>	<u>-</u>
		<u>(15,564)</u>	<u>23,230</u>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<u>57,778</u>	<u>72,803</u>
<b>FINANCING</b>			
Loan advances		-	-
Loans repaid		(87,539)	(76,700)
Shares issued		<u>6</u>	<u>14</u>
		<u>(87,533)</u>	<u>(76,686)</u>
<b>DECREASE IN CASH</b>	21	<u>(29,755)</u>	<u>(3,883)</u>

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2014

**1. ACCOUNTING POLICIES**

The Co-operative is incorporated under the Industrial and Provident Societies Acts and is registered by The Registrar of Friendly Societies. The financial statements have been prepared in compliance with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

The principal accounting policies are set out below.

**a) Basis of accounting**

The financial statements are prepared on the historical cost basis modified to include the revaluation of properties.

**b) Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from Scottish Homes, Local Authorities and other agencies.

**c) Social Housing Grant (SHG)**

Where Social Housing Grant (SHG) or other capital grant has been received towards the cost of developments, the cost of these developments has been reduced by the amount of grant receivable. This amount is shown separately on the balance sheet. Where SHG has been received in respect of revenue expenditure, it is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although SHG or other revenue 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 the sale.

**d) Tangible Fixed Assets - Housing Properties**

Housing properties are stated at cost less Social Housing Grant and other grants and adjusted for property revaluations at the stated dates.

**e) Depreciation - Housing Properties**

Properties other than heritable land are depreciated in accordance with FRS15 at rates calculated to reduce the net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Heritable land is not depreciated. The estimated useful lives of the assets and components are shown in the table below:

Boilers	12 years	Kitchens	15 years
Bathrooms	20 years	Heating Systems	24 years
Windows	30 years	Roofs	60 years
Structure	100 years		

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 1. ACCOUNTING POLICIES (Continued)

## f) Depreciation - Other Fixed Assets

Depreciation on office refurbishment, fixtures, fittings and equipment has been charged at rates estimated to write off the cost less residual value over their estimated useful lives as follows:

Office Equipment	-	20% straight line
Furniture & Fittings	-	10% straight line
Computer Equipment	-	33% straight line
Motor Vehicles	-	25% straight line
Community Hub	-	2% straight line

## g) Capitalisation of Interest

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

## h) Development Administration

Development administration costs relating to development activities are capitalised based on the time spent by staff on this activity.

## i) Cyclical Repairs

The costs of cyclical repairs are charged to the income and expenditure account in the year in which they are incurred.

## j) Designated Reserves

## Planned Maintenance

The Co-operative maintains its housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. Provision is made for such future repair expenditure on the basis of a costed programme.

## k) Pensions

The Co-operative participates in the centralised Scottish Housing Associations' Pension Scheme (SHAPS) and retirement benefits to employees of the Co-operative are funded by the contributions from all participating employers and employees in the scheme. Payments are made to the independently administered Pensions Trust in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. The expected cost to the Co-operative 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. Any deficiencies arising will be spread over this period.

## l) Leases

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover £	Operating Costs £	2014 Operating Surplus/ £	2013 Operating Surplus £
Social lettings	3	<u>869,503</u>	<u>(703,241)</u>	<u>166,262</u>	<u>168,589</u>
Other activities	4	<u>115,802</u>	<u>(90,394)</u>	<u>25,408</u>	<u>(10,293)</u>
Total		<u>985,305</u>	<u>(793,635)</u>	<u>191,670</u>	<u>158,296</u>
Total for previous period of account		<u>962,885</u>	<u>(804,589)</u>	<u>158,296</u>	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Housing £	Other £	2014 Total £	2013 Total £
Rent receivable net of service charges	769,458	100,534	-	-	869,992	833,876
Service charges	-	-	-	-	-	-
Gross income from rents and service charges	769,458	100,534	-	-	869,992	833,876
Less voids	(489)	-	-	-	(489)	(1,935)
Net income from rents and service charges	768,969	100,534	-	-	869,503	831,941
Grants from the Scottish Ministers	-	-	-	-	-	-
Other revenue grants	-	-	-	-	-	-
Total turnover from social letting activities	768,969	100,534	-	-	869,503	831,941
Management and maintenance administration costs	363,091	100,534	-	-	463,625	473,610
Service costs	-	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	81,659	-	-	-	81,659	38,134
Reactive maintenance costs	93,247	-	-	-	93,247	87,869
Bad debts - rents and service charges	-	-	-	-	-	-
Depreciation of social housing	64,710	-	-	-	64,710	63,739
Impairment of social housing	-	-	-	-	-	-
Operating costs for social letting activities	602,707	100,534	-	-	703,241	663,352
Operating surplus for social lettings	166,262	-	-	-	166,262	168,589
Operating surplus for social letting for previous period of account	168,589	-	-	-	168,589	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) FROM OTHER ACTIVITIES

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover £	Operating costs - bad debts £	Other operating costs £	Operating surplus/(deficit) £	Operating surplus/(deficit) for previous period of account £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	8,386	(8,386)	(14,521)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	46,578	-	46,578	-	46,578	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	15,000	15,000	-	-	15,000	15,966
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities - Centrepoint	-	20,000	-	34,217	54,217	-	35,430	18,787	(11,748)
Other activities - Forfeited shares	-	-	-	7	7	-	-	7	10
Total from other activities	-	20,000	46,578	49,224	115,802	-	90,394	25,408	(10,293)
Total from other activities for the previous period of account	-	20,000	46,578	64,366	130,944	-	141,237	(10,293)	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 5. DIRECTORS' EMOLUMENTS

The Management Committee members are all classed as Directors of the Co-operative. All perform their duties on a voluntary basis and have no emoluments from the Co-operative. In addition the director and any other person who reports directly to the Director or the Management Committee whose total emoluments exceed £60,000 per year is also similarly classed.

	2014 £	2013 £
Total Emoluments (including pension contributions and benefits in kind)	<u>92,054</u>	<u>98,432</u>
Emoluments of highest paid director (excluding pension contributions)	<u>85,044</u>	<u>91,593</u>
	Number	Number
Greater than £60,000	<u>1</u>	<u>1</u>
Total expenses re-imbursed insofar as not chargeable to income tax	£	£
Management Committee	<u>1,164</u>	<u>1,165</u>

Re-imburement is only made for expenses directly incurred in connection with performing the Co-operative's business.

## 6. EMPLOYEES

	Number	Number
Average weekly numbers of persons employed during the year:	<u>7</u>	<u>7</u>
Staff Costs:	£	£
Wages and Salaries	239,626	269,738
Social Security Costs	22,974	24,530
Pension Contributions	<u>40,223</u>	<u>44,051</u>
	<u>302,823</u>	<u>338,319</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 7. OPERATING SURPLUS

	2014 £	2013 £
Operating surplus is stated after charging:-		
Depreciation	67,675	66,704
Auditors Remuneration - Audit Services	<u>8,036</u>	<u>7,864</u>

## 8. INTEREST RECEIVABLE AND SIMILAR INCOME

Interest Receivable	<u>338</u>	<u>332</u>
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## 9. INTEREST PAYABLE

On Bank Loans and Overdrafts	<u>126,124</u>	<u>146,123</u>
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## 10. TAXATION

Corporation Tax @ 20%	20,674	-
Over provision in respect of prior years	-	-
	<u>20,674</u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 11. TANGIBLE FIXED ASSETS

	Properties Held for Letting £	Properties Under Construction £	Completed Shared Ownership Properties £	Total £
<b>Cost or Valuation</b>				
At 1 April 2013	16,239,703	2,290,909	-	18,530,612
Additions	75,755	-	-	75,755
Disposals	(39,720)	-	-	(39,720)
Revaluation	-	-	-	-
At 31 March 2014	<b>16,275,738</b>	<b>2,290,909</b>	-	<b>18,566,647</b>
<b>Social Housing Grant</b>				
At 1 April 2013	11,020,711	2,290,909	-	13,311,620
Received in year	22,391	-	-	22,391
On Disposals	(29,702)	-	-	(29,702)
At 31 March 2014	<b>11,013,400</b>	<b>2,290,909</b>	-	<b>13,304,309</b>
<b>Other Grants</b>				
At 1 April 2013	250,000	-	-	250,000
Transfer of properties under construction	-	-	-	-
Received in year	37,800	-	-	37,800
On Disposals	-	-	-	-
At 31 March 2014	<b>287,800</b>	-	-	<b>287,800</b>
<b>Depreciation</b>				
At 1 April 2013	190,554	-	-	190,554
Provided during year	64,710	-	-	64,710
On Disposals	(1,918)	-	-	(1,918)
On revaluation	-	-	-	-
At 31 March 2014	<b>253,346</b>	-	-	<b>253,346</b>
<b>Net Book Value at 31 March 2014</b>	<b>4,721,192</b>	-	-	<b>4,721,192</b>
<b>Net Book Value at 31 March 2013</b>	<b>4,778,438</b>	-	-	<b>4,778,438</b>

On 31 March 2010 the properties held for letting were revalued by DTZ Debenham Tie Leung on the Existing Use Value – Social Housing basis. An Interim valuation was carried out as at 31 March 2013 by A.C. Davidson & Co, Financial Consultants, using the same basis and no change was made to the property values at the year end.

On the historical cost basis, the revalued property at 31 March 2014 would have been included at a cost of £15,013,075 (2013 - £14,977,040) less Social Housing Grant, Other Grants and depreciation of £11,948,065 (2013 - £11,874,701).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 12. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS

	Community Hub £	Equipment, Fixtures and Fittings £	Total £
<b>Cost</b>			
At 1 April 2013	2,546,343	67,736	2,614,079
Additions	-	-	-
Revaluation	-	-	-
Disposals	-	-	-
	<u>2,546,343</u>	<u>67,736</u>	<u>2,614,079</u>
At 31 March 2014	<u>2,546,343</u>	<u>67,736</u>	<u>2,614,079</u>
<b>Grants Received</b>			
At 1 April 2013	2,476,343	-	2,476,343
Received in year	-	-	-
On Disposals	-	-	-
	<u>2,476,343</u>	<u>-</u>	<u>2,476,343</u>
At 31 March 2014	<u>2,476,343</u>	<u>-</u>	<u>2,476,343</u>
<b>Depreciation</b>			
At 1 April 2013	2,800	66,123	68,923
Charge for the year	1,400	1,565	2,965
On Disposals	-	-	-
	<u>4,200</u>	<u>67,688</u>	<u>71,888</u>
At 31 March 2014	<u>4,200</u>	<u>67,688</u>	<u>71,888</u>
<b>Net Book Value at 31 March 2014</b>	<u>65,800</u>	<u>48</u>	<u>65,848</u>
<b>Net Book Value at 31 March 2013</b>	<u>67,200</u>	<u>1,613</u>	<u>68,813</u>

The grants figure above of £2,476,343 relates to the Community Hub and includes £196,578 of grants received from the Big Lottery Fund.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 13. DEBTORS

	2014	2013
	£	£
Amounts falling due within one year:		
Arrears of rental service charges	41,456	37,606
Other Debtors	44,655	64,472
Prepayments and accrued income	4,724	4,555
	<u>90,835</u>	<u>106,633</u>

## 14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank overdraft	9,439	7,883
Social security and other taxes	8,061	7,349
Housing loans	83,793	79,987
Accruals and deferred income	36,396	21,606
Rent in advance	32,853	33,687
Due to Scottish Government	161,654	161,654
Other creditors	84,447	175,114
Taxation	20,674	-
	<u>437,317</u>	<u>487,280</u>

## 15. CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

Housing loans:-		
Due between one and two years	87,960	83,948
Due between two and five years	291,351	277,953
Due after five years	2,801,307	2,910,062
	<u>3,180,618</u>	<u>3,271,963</u>

The loans are secured by a standard security held over the housing properties of the Co-operative and are repayable at varying rates of interest in instalments.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

**16. SHARE CAPITAL**

	2014 £	2013 £
Shares of £1 each, fully paid and issued		
Allotted, issued and fully paid at 1 April 2013	157	153
Issued during the year	6	14
Forfeited during the year	<u>(7)</u>	<u>(10)</u>
At 31 March 2014	<u><u>156</u></u>	<u><u>157</u></u>

Each member of the Co-operative holds one share of £1 in the Co-operative. These shares carry no rights to dividends or distributions on a winding up. Each member has a right to vote at members' meetings.

Under the Co-operative's Rules, share capital is non refundable if a person ceases to be a member.

At 31 March 2014, shares issued were split as follows:

Active members	156	157
Ceased members	<u>-</u>	<u>-</u>
	<u><u>156</u></u>	<u><u>157</u></u>

**17. DESIGNATED RESERVES**

<b>Planned Maintenance</b>	2013 £
Balance at 1 April 2013	491,037
Transferred in year	<u>-</u>
Balance at 31 March 2014	<u><u>491,037</u></u>

**18. REVALUATION RESERVE**

	2014 £
Balance at 1 April 2013	1,072,456
Release to revenue reserve	<u>(12,626)</u>
Balance at 31 March 2014	<u><u>1,059,830</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 19. REVENUE RESERVE

	2014 £
Balance at 1 April 2013	261,406
Surplus for the year	37,110
Transfer from revaluation reserve	12,626
Transfer to designated reserves	-
At 31 March 2014	<u>311,142</u>

20. RECONCILIATION OF OPERATING SURPLUS  
TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2014 £	2013 £
OPERATING SURPLUS FOR THE YEAR	191,670	158,296
Depreciation	67,675	66,704
Forfeited shares	(7)	(10)
Decrease in debtors	15,798	1,948
Increase in investments	(9)	(25,000)
Decrease in creditors	<u>(75,999)</u>	<u>(6,574)</u>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<u>199,128</u>	<u>195,364</u>

21. RECONCILIATION OF NET CASHFLOW  
TO MOVEMENT IN NET DEBT

Decrease in cash in year	(29,755)	(3,883)
Loan advances	-	-
Loan repayments	<u>87,539</u>	<u>76,700</u>
Change in net debt	<u>57,784</u>	<u>72,817</u>
Net debt at 1 April 2013	<u>(2,754,419)</u>	<u>(2,827,236)</u>
Net debt at 31 March 2014	<u>(2,696,635)</u>	<u>(2,754,419)</u>

## 22. ANALYSIS OF CHANGES IN NET DEBT

	As at 1 April 2013 £	Cash Flow £	Other Changes £	As at 31 March 2014 £
Cash at bank and in hand	605,414	(28,199)	-	577,215
Bank overdraft	<u>(7,883)</u>	<u>(1,556)</u>	-	<u>(9,439)</u>
	597,531	(29,755)	-	567,776
Debt due within 1 year	<u>(79,987)</u>	79,987	(83,793)	<u>(83,793)</u>
Debt due after 1 year	<u>(3,271,963)</u>	7,552	83,793	<u>(3,180,618)</u>
	<u>(2,754,419)</u>	57,784	-	<u>(2,696,635)</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 23 CAPITAL COMMITMENTS

	2014 £	2013 £
Expenditure contracted less paid and certified	<u>-</u>	<u>-</u>

## 24. HOUSING STOCK

	2014 No	2013 No
The number of units of accommodation in management at the year end was:		
General needs	228	228
Supported housing	28	28
Shared ownership	<u>-</u>	<u>-</u>
	<u>256</u>	<u>256</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

**25. PENSION OBLIGATIONS**

Garrion People's Housing Co-operative Limited (the "Co-operative") participates in the Scottish Housing Association's Pension Scheme (the "Scheme"). The scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer 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 FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and indicated an decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e., the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities relating to employment with all the employers. The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Co-operative has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for the Co-operative was £941,073.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 25. PENSION OBLIGATIONS (Continued)

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in.
- Defined Contribution (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

The Co-operative has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members and the DC option for new entrants.

During the year, the Co-operative paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 6 active members of the Scheme employed by the Co-operative. The annual pensionable payroll in respect of these members was £196,607.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

<b>2012 Valuation Assumptions</b>	<b>% p.a.</b>
Investment return pre retirement	5.3
Investment return post retirement - Non-pensioners	3.4
Investment return post retirement - Pensioners	3.4
Rate of salary increases	4.1
<b>Rate of pension increases</b>	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

<b>Mortality Tables</b>	
Non-pensioners	44% of S1PMA (Males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.
Pensioners	90% of S1PMA (Males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

## 25. PENSION OBLIGATIONS (Continued)

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

Additional deficit contributions are payable from 1 April 2014 and will be increasing by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

The pension cost charge of £40,223 (2013: £44,051) represents amounts paid by the Co-operative to this scheme during the year.

The Co-operative's Director is an ordinary member of the pension scheme and no enhanced or special terms apply. The Director does not have an individual pension arrangement. The Co-operative paid £7,010 (2013: £6,839) of contributions towards the Director's pension in the year.

## 26. RELATED PARTY TRANSACTIONS

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

During the year the Co-operative charged Bridges Housing Association Ltd, a company in which the Co-operative owns 50% of the share capital, £15,000 for Agency services. The balance owed by Bridges Housing Association Ltd to the Co-operative at 31 March 2014 was £Nil (2013 - £10,000).