

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

Registered Housing Association No. C3841

Financial Conduct Authority No. 2308 R S

Charity No. SC038737

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

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Registration information

| | |
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| Financial Conduct Authority: | 2308 R S |
| The Scottish Housing Regulator: | C3841 |
| Registered Scottish Charity: | SC038737 |

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31ST MARCH 2019

The Committee of Management present their report and audited financial statements for the year ended 31st March 2019.

Principal activity

The principal activity of the Co-operative is the provision and management of housing accommodation for rent. This is achieved by acquiring properties in order that they can be refurbished and re-let as rented accommodation, funded by Social Housing Grant (SHG) provided for this purpose. The cost of developments not met by SHG is met by a mortgage secured on the properties, which is repaid by the net rental income receivable, derived from those properties.

Legal status

The Co-operative is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No 2308R(S). The Co-operative is constituted under its Rule Book. The Co-operative is a Registered Scottish Charity with the Charity Number SC038737.

Business review

The Co-operative made a deficit of £162,625 during the year (2018 - surplus £654,649).

The Co-operative is in a strong financial position with over £2.0m deposited as cash funds, and could access loan facilities if required. The Co-operative continues to have a major repair investment programme and currently meets Scottish Housing Quality Standards and EEESH Regulations in all its properties. Cash surpluses will continue to be made, subject to our planned major repair programme over the next few years.

The Co-operative has had another successful year both in terms of finance accounting and social accounting. Tenant satisfaction levels are high and engagement with The Scottish Housing Regulator is moderate. The Co-operative is dealing with the many difficulties presented by the introduction of Universal Credit admirably.

Defined benefit accounting - Scottish Housing Associations' Pension Scheme (the Scheme)

The Co-operative participates in the Scheme, a multi-employer scheme which provides benefits to over 150 non-associated employers. The Scheme is a defined benefit scheme in the UK. In previous years it was not possible for the Co-operative to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme and has accounted for it as a defined contribution scheme.

With effect from 1st April 2018 information to use the defined benefit method of accounting has become available from TPT Retirement Solutions and has been applied for the year ended 31st March 2019. Under the new accounting treatment the liability at 1st April 2018 has been increased by £270,000 and the change has been accounted for as a change in accounting estimate. These figures have placed reliance on the actuarial assumptions of qualified actuaries which are considered reasonable and appropriate.

Members of Committee of Management

The members of the Committee of Management of the Co-operative during the year to 31st March 2019 were as follows:

| | | | |
|-------------------|-------------|-------------------|-----------------------------|
| . Anne Anderson | Chairperson | . Walter McLellan | (Elected - 17.09.18) |
| . Susan Anderson | Vice Chair | . William Glover | (Casual vacancy - 25.06.18) |
| . Muriel Alcorn | Treasurer | . Bridget McNicol | (Co-opted 22.10.18) |
| . Andy Duffin | Secretary | . Phil Welsh | (Co-opted 22.10.18) |
| . Cheryl Burnett | | . Douglas Murphy | (Co-opted 28.01.19) |
| . Elizabeth Kerr | | | |
| . Helen Anderson | | | |
| . Muriel M Alcorn | | | |

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

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31ST MARCH 2019

Executive officers

The Executive Officers of the Co-operative during the year to 31st March 2019 was as follows:

| | | |
|--------------|--|--------------------|
| . P Farrell | Director | |
| . S Marshall | Depute Director | |
| . L McVie | Assistant Director (Corporate Services) | (Retired 30.06.19) |
| . R Haughey | Assistant Director (Tenancy Services) | |
| . G. Clayton | Assistant Director (Property Services) | |
| . S McPeake | Community Development Co-ordinator (Part Time) | |
| . R Smith | Concierge Manager | |

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31ST MARCH 2019

Operational review

1 Corporate governance

West Whitlawburn has a Committee of Management who are elected by the members of the Co-operative. It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Co-operative. They also monitor the operational activities of the Co-operative. The members of the Committee of Management are unpaid.

The Executive Team of West Whitlawburn (as listed overleaf) are responsible for achieving the strategy set and undertaking the operational activities in line with the policies set.

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

This report details issues that have arisen during the year relating to the main activities undertaken by the Co-operative.

2 Corporate issues

Tenant involvement and participation is a major part of the Co-operative's Aims and Objectives, and we continue to review how the Co-operative involves tenants in its activities.

The Co-operative is committed to involving staff in decision making and policy making. In the year just ended we have continued to improve the staff development system and internal management plan process.

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have continued with a programme of major investment in our housing stock, which is by far our most costly asset. This includes both carrying out major repairs, and also considering whether any of our older schemes should be remodelled to meet the changing requirements of tenants in the future. We are updating our stock condition information, to ensure that our long-term financial planning reflects our future investment requirements.

Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do.

Our rent arrears management is regularly reviewed, and we will continue to seek improvements in our rent collection methods. We continued to deliver many completed adaptations to existing properties, to meet the specific needs of our tenants.

3 Fixed asset issues

The year just completed has been steady. We have spent £275,310 (2018 - £276,436) during the year on kitchen and bathroom renewals, door replacements and other renewals.

4 Housing issues

The Co-operative continues to work on reducing the period of time taken to re-let or let new properties. This is to ensure that we maximise our effectiveness in housing people in need and reduce our costs. The rent loss due to empty properties was £25,340 (2018 - £19,045). Work is continuing to reduce this level of voids in future years.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31ST MARCH 2019

5 Other areas

Risk management policy

The Committee have a formal risk management process in place to assess business risks and implement risk management strategies. This involves identifying the types of risks the Co-operative faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Co-operative's current internal controls.

Accordingly they have set policies on internal controls which cover the following:

- consideration of the type of risks the Co-operative faces.
- the level of risks which they regard as acceptable.
- the likelihood of the risks concerned materialising.
- the Co-operative's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained.
- clarified the responsibility of management to implement the Committee's policies and to identify and evaluate risks for their consideration.
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives.
- embedded the control system in the Co-operative's operations so that it becomes part of the culture of the Co-operative.
- developed systems to respond quickly to evolving risks arising from factors within the Co-operative to changes in the external environment.
- included procedures for reporting failings immediately to appropriate levels of management and the Committee together with details of corrective action being undertaken.

Maintenance policies

The Co-operative seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Statement of Comprehensive Income.

In addition, the Co-operative has a long-term programme of major repairs to cover for works which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. In line with the SORP 2014, replacements to building components (as identified in Note 1) are capitalised in the financial statements as they occur. All other major repairs are charged to the Statement of Comprehensive Income.

Treasury management

The Co-operative has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way the Co-operative manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst maximising the return on excess cash and liquid resources held.

Internal financial control

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

Quality and integrity of personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Director.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31ST MARCH 2019

Management structure

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

Budgetary process

Each year the Committee of Management approves the annual budget and rolling strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Rental income

The Co-operative's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Co-operative's properties. This policy follows the generally accepted practice/principles of the Housing Movement.

Employee involvement and health & safety

The Co-operative encourages employee involvement in all major initiatives. The Co-operative's Health and Safety Systems are subject to regular external H & S audit and always achieves excellent outcomes at such audits. At its external Health and Safety Audit in 2017 the Co-operative achieved 100% satisfaction across all areas of Health and Safety.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Co-operative may continue. It is the policy of the Co-operative that training, career development and promotion opportunities should be available to all employees.

Credit payment policy

The Co-operative's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

Whitcomm Co-operative Ltd

West Whitlawburn Housing Co-operative (WWHC) established Whitcomm Co-operative Ltd in 2009 as a wholly separate private limited company to further its charitable aims as well as WWHC's organisational objectives for its tenants in WWHC homes. WWHC worked with the local community to develop Whitcomm Co-operative Ltd. WWHC has installed a fibre optic infrastructure as part of the 100 home New Build development previously undertaken. The fibre optic infrastructure makes the neighbourhood the first Fibre to the Home project in Scotland. User take up level was 89% at 31st March 2019.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31ST MARCH 2019

Whitlawburn Community Resource Centre

WWHC continues to support West Whitlawburn Community Resource Centre in delivering social, recreational, education, economic development and health promotion projects.

Energy Supply

WWHC is the Energy Supply provider for heating and hot water for circa 540 properties.

Pension fund

West Whitlawburn Housing Co-operative is participating in, and taking a lead role on the Committee of, the SHAPS Employers Group which is a group set up by Employers in Voluntary Housing. This will keep the Co-operative abreast of all developments in the financial environment and pensions industry which could impact on their pension scheme.

Going concern

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Co-operative has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

Future developments

The Co-operative will continue with its policy of improving the quality of the housing within its area of operation and continue to examine any opportunities which may arise for future development. It is likely there will be an opportunity in the foreseeable future to build a further 50 units for rent in partnership with South Lanarkshire Council.

The Co-operative currently meets all its obligations in relation to SHQS and EEESH requirements.

Statement as to disclosure of information to auditors

So far as the Committee members are aware, there is no relevant audit information of which the Co-operative's auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Co-operative's auditors are aware of that information.

Auditors

A resolution to tender for external auditor services will be put to the members at the annual general meeting.

On behalf of the Committee of Management

Secretary

57 Belmont Road
Whitlawburn
Cambuslang
G72 8PG

Date :

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

STATEMENT OF THE COMMITTEE OF MANAGEMENT'S RESPONSIBILITIES

YEAR ENDED 31ST MARCH 2019

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

The Co-operative and Community Benefit Societies Act 2014 requires the Committee of Management to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Co-operative and of the income and expenditure of the Co-operative for the year ended on that date. In preparing those financial statements the Committee of Management are required to:

- select suitable accounting policies and apply them consistently;
- make judgements 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 Committee of Management 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 requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements 2014. It is also responsible for safeguarding the assets of the Co-operative and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31ST MARCH 2019

The Committee of Management acknowledge their ultimate responsibility for ensuring that the Co-operative has in place a system of controls that is appropriate to the various business environments 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 Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

- . formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restricts the unauthorised use of the Co-operative's assets.
- . experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- . forecasts and budgets are prepared regularly which allow the Committee of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term.
- . regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets 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 relevant sub-committees comprising Committee of Management members and others.
- . the Committee of Management review reports from management, from directors, staff and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Co-operative.
- . formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Committee of Management have reviewed the system of internal financial control in existence in the Co-operative for the year ended 31st March 2019 and until the below date. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the Auditor's Report on the financial statements.

By order of the Committee of Management

Secretary

Date :

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED
REPORT BY THE INDEPENDENT AUDITOR TO THE COMMITTEE
ON CORPORATE GOVERNANCE MATTERS
YEAR ENDED 31ST MARCH 2019

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee's statement on page eight concerning the Co-operative's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page eight 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 Committee members, directors and officers of the Co-operative, and examination of relevant documents, we have satisfied ourselves that the Committee's Statement on Internal Financial Control appropriately reflects the Co-operative's compliance with the information required by the Regulatory Standards contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

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

Date :

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

Opinion

We have audited the financial statements of West Whitlawburn Housing Co-operative Limited for the year ended 31st March 2019 which comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards 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 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.

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 2019 and of its deficit for the year then ended; and
- 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, Schedule 7 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements 2014.

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 Co-operative in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Committee of Management is responsible for the other information. The other information comprises the information in the Report of the Committee of Management, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

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

Matters on which we are required to report by exception

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

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

- 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.

Responsibilities of the Committee of Management

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

In preparing the financial statements, the Committee of Management are responsible for assessing the Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee of Management members either intend to liquidate the Co-operative or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable reassurance 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 it 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 the 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 Co-operative's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management members.
- conclude on the appropriateness of the Committee of Management'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 Co-operative'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 Co-operative to cease to continue as a going concern.

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

Auditor's responsibilities for the audit of the financial statements (continued)

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.

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

Date :

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2019

| | Notes | 2019 | 2018 |
|--|-------|-------------------|----------------|
| | | £ | £ |
| Turnover | 2 | 4,509,175 | 4,430,357 |
| Operating costs | 2 | (3,935,829) | (3,675,012) |
| Operating surplus | | <u>573,346</u> | <u>755,345</u> |
| Interest receivable and other income | | 4,383 | 4,773 |
| Interest payable and similar charges | | (97,184) | (103,471) |
| Other finance charges | 10 | (27,000) | (1,998) |
| Surplus before tax | | <u>453,545</u> | <u>654,649</u> |
| Other comprehensive income | | | |
| Initial recognition of multi-employer defined benefit scheme | 17 | (349,000) | - |
| Actuarial gain/(loss) recognised in the pension liability | | (270,000) | - |
| Remeasurement - amendments to contribution schedule | | 2,830 | - |
| Total comprehensive income/(deficit) for the year | | <u>(162,625)</u> | <u>654,649</u> |

The results for the year relate wholly to continuing activities.

There are no recognised gains and losses in 2019 and 2018 other than the deficit for the year.

The notes form part of these financial statements.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH 2019

| | Notes | 2019 £ | 2018 £ |
|---|-------|----------------------|----------------------|
| Fixed assets | | | |
| Tangible assets - social housing | 5 | 36,129,671 | 37,011,750 |
| Other tangible assets - property, plant and equipment | 5 | 2,778,547 | 2,891,675 |
| | | <u>38,908,218</u> | <u>39,903,425</u> |
| Current assets | | | |
| Debtors | 6 | 503,503 | 407,456 |
| Cash and cash equivalents | | 2,042,790 | 2,204,659 |
| | | <u>2,546,293</u> | <u>2,612,115</u> |
| Less: Creditors falling due within one year | 7 | (1,020,698) | (1,228,163) |
| Net Current assets | | <u>1,525,595</u> | <u>1,383,952</u> |
| Total assets less current liabilities | | 40,433,813 | 41,287,377 |
| Creditors : amounts falling due after more than one year | 8 | (3,285,629) | (4,105,093) |
| Deferred income | | | |
| Deferred capital grants - social housing grants | 9 | (28,379,674) | (29,344,765) |
| Other fixed asset grants | 9 | (2,701,480) | (2,877,881) |
| | | <u>(31,081,154)</u> | <u>(32,222,646)</u> |
| Pension scheme liability | 17 | (1,270,000) | - |
| Net assets | | <u>4,797,030</u> | <u>4,959,638</u> |
| Equity | | | |
| Share capital | 15 | 705 | 688 |
| Revenue reserves | 16 | 4,796,325 | 4,958,950 |
| | | <u>4,797,030</u> | <u>4,959,638</u> |

The financial statements were approved and authorised for issue by the Committee of Management on _____ and signed on its behalf by:-

Secretary

Member

Member

The notes form part of these financial statements.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2019

| | Share Capital £ | Revenue Reserve £ | Total £ |
|--|--------------------------------|----------------------------------|--------------------|
| Balance as at 1st April 2017 | 692 | 4,304,301 | 4,304,993 |
| Issue of shares | 57 | - | 57 |
| Cancellation of shares | (61) | - | (61) |
| Transfer to designated reserve | - | - | - |
| Transfer from designated reserve | - | - | - |
| Surplus for year | - | 654,649 | 654,649 |
| Balance as at 31st March 2018 | <u>688</u> | <u>4,958,950</u> | <u>4,959,638</u> |
| Balance as at 1st April 2018 | 688 | 4,958,950 | 4,959,638 |
| Issue of shares | 85 | - | 85 |
| Cancellation of shares | (68) | - | (68) |
| Transfer to designated reserve | - | - | - |
| Transfer from designated reserve | - | - | - |
| Deficit for year | - (162,625) | - | (162,625) |
| Balance as at 31st March 2019 | <u>705</u> | <u>4,796,325</u> | <u>4,797,030</u> |

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31ST MARCH 2019

| | Notes | 2019 £ | 2018 £ |
|---|-------|-------------------------|-------------------------|
| Net cash inflow from operating activities | 1 | <u>496,339</u> | <u>563,011</u> |
| Cash flow from investing activities | | | |
| Payments to acquire and develop housing properties | | (275,310) | (276,436) |
| Payments to acquire other fixed assets | | (57,820) | (35,217) |
| Interest received | | 4,383 | 4,773 |
| Net cash outflow from investing activities | | <u>(328,747)</u> | <u>(306,880)</u> |
| Cash flow from financing activities | | | |
| Interest paid | | (97,184) | (103,471) |
| Repayment of borrowings | | (232,362) | (228,079) |
| Issue of share capital | | 85 | 57 |
| Net cash outflow from financing activities | | <u>(329,461)</u> | <u>(331,493)</u> |
| Net change in cash and cash equivalents | | (161,869) | (75,362) |
| Cash and cash equivalents at the beginning of the year | | 2,204,659 | 2,280,021 |
| Cash and cash equivalents at the end of the year | | <u><u>2,042,790</u></u> | <u><u>2,204,659</u></u> |

Notes

| | 2019 £ | 2018 £ |
|--|-----------------------|-----------------------|
| 1 Surplus for the year | 453,545 | 654,649 |
| Adjustments for non cash items | | |
| Depreciation of tangible fixed assets | 1,302,594 | 1,018,958 |
| Decrease/(increase) in trade and other debtors | (96,047) | 58,315 |
| Decrease/(increase) in trade and other creditors | (11,737) | (130,216) |
| Pension | (129,000) | (188,802) |
| Share capital written off | (68) | (61) |
| Carrying value of tangible fixed asset disposals | 25,743 | 125,069 |
| Amortisation of grants | (1,141,492) | (1,073,599) |
| Adjustments for investing or financing activities | | |
| Interest received | (4,383) | (4,773) |
| Interest paid | 97,184 | 103,471 |
| | <u><u>496,339</u></u> | <u><u>563,011</u></u> |

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with FRS 102 as issued by the Financial Reporting Council and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting for social housing providers issued in 2014.

To comply with the amendments to FRS 102 regarding multi-employer defined benefit plans, the accounting treatment for the membership of Scottish Housing Associations' Pension Scheme (SHAPS) has been included as a defined benefit scheme with effect from 1st April 2018. To comply with FRS 102 the impact of the transition from defined contribution accounting to defined benefit accounting has been presented as other comprehensive income and has been accounted for as a change in accounting estimate in accordance with the amendments to FRS 102, the Financial Report Standard applicable in the UK and Republic of Ireland, relating to multi-employer defined benefit plans.

West Whitlawburn Housing Co-operative Limited is a public benefit entity (PBE).

Changes to accounting policy

Where any new policy is thought to be more appropriate, this amendment will be made and noted below where it has material and fundamental impact.

Social Housing Grants

Social Housing 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.

Where developments have been financed wholly or partly by Housing Association Grant (HAG) or other capital grant, the cost of these developments is reduced by the amount of grant receivable. The amount of grants receivable is shown separately on the Statement of Financial Position.

Housing Association Grant and Wider Role Grant receivable in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period to which it relates.

Although Housing Association 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.

Where the acquisition of other fixed assets wholly or partly by grants, the cost of acquisition has been reduced by the amount of grant receivable. The amount of grant receivable is shown separately on the Statement of Financial Position.

Capitalisation of Interest

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

Acquisition and Development Allowances

Acquisition and Development Allowances are determined by the Scottish Government and are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing, land and buildings for approved schemes. Development Allowances become available in instalments according to the progress of work on the scheme.

Development Administrative Costs

Development costs incremental to other costs of the Co-operative have been capitalised.

Cyclical and Major Repairs

The Co-operative seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the costs of these repairs would be charged to the Statement of Comprehensive Income.

In addition the Co-operative completes programmes of major repairs to cover works which have become necessary since the original development was completed, including works required by legislative changes. This includes replacement or repairs to features of the properties which have come to the end of their economic lives. The cost of these repairs would be charged to the Statement of Comprehensive Income, unless it was agreed that they could be capitalised within the terms outlined in the SORP.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

1. Principal accounting policies (continued)

Finance

The financial statements have been prepared on the basis that capital expenditure will be grant aided, funded by loans, met out of reserves or from proceeds of sales.

Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for SHG.

Fixed assets - housing land and buildings

Housing land and buildings are stated at cost less accumulated depreciation. The development cost of housing properties funded with SHG includes the following:-

- i. Cost of acquiring land and buildings.
- ii. Development expenditure.
- iii. Interest charged on the loans during the development year of the scheme to the date of completion.

Works to existing properties

Works to existing properties will generally be capitalised under the following circumstances:

- i. Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- ii. Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the Statement of Comprehensive Income.

Housing, land and buildings - depreciation

Housing properties are stated at cost, less accumulated depreciation.

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

| | |
|-----------|-----------------|
| Land | Not depreciated |
| Structure | Over 60 years |
| Doors | Over 30 years |
| Windows | Over 30 years |
| Heating | Over 30 years |
| Bathroom | Over 30 years |
| Kitchen | Over 15 years |
| Lift | Over 30 years |

Other fixed assets

Depreciation is charged by equal annual instalments at rates estimated to write off costs less any residual value over expected useful lives.

| | |
|---------------------------------------|--|
| Office fixtures, fittings & equipment | - 25% |
| Office accommodation | - 4% and various rates between 10 and 30 years |
| Plant & machinery | - various rates between 10 and 30 years |

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

1. Principal accounting policies (continued)

Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the Statement of Comprehensive Income.

Pension costs

As explained above, this is a change in the accounting treatment from the previous year when the defined contribution method of accounting was used. The transitional adjustment has been included in Other Comprehensive Income.

The Scottish Housing Associations' Pension Scheme is accounted for as a defined benefit scheme. In accordance with FRS 102, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

Lease obligations

Rentals paid under operating leases are charged to the Statement of Comprehensive Income as they are incurred.

Turnover

Turnover represents rental income receivable, fees and revenue grants receivable from the Scottish Housing Regulator, local authorities and other agencies; income receivable from the community heating system.

Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the Statement of Comprehensive Income on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealing with in those accounts.

Judgements in applying policies and key sources of estimation uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Committee of Management to exercise judgement in applying West Whitlawburn Housing Co-operative Limited's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Rent arrears - bad debt provision

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

Life cycle of components

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

The categorisation of housing properties

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

Identification of cash generating units

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

Obligations under SHAPS pension scheme

The accounting for the pension scheme and the transition from defined contribution disclosure to defined benefit has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

1. Principal accounting policies (continued)

Financial instruments - basic

The Co-operative recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard.

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

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

2. Particulars of turnover, cost of sales, operating costs and operating surpluses / (deficits)

| Income and expenditure from lettings | Notes | Turnover £ | 2019 Operating costs £ | Operating surplus / (deficit) £ |
|---|--------------|-------------------------|---|--|
| Social lettings | 3a | 4,161,097 | 3,702,558 | 458,539 |
| Other activities | 3b | 348,078 | 233,271 | 114,807 |
| Total | | <u>4,509,175</u> | <u>3,935,829</u> | <u>573,346</u> |
| | | Turnover £ | 2018 Operating costs £ | Operating surplus / (deficit) £ |
| Social lettings | 3a | 4,043,982 | 3,281,714 | 762,268 |
| Other activities | 3b | 386,375 | 393,298 | (6,923) |
| Total | | <u>4,430,357</u> | <u>3,675,012</u> | <u>755,345</u> |

3a. Particulars of turnover, operating costs and operating surplus from social letting activities

| | 2019 £ | 2018 £ |
|--|-------------------------|-------------------------|
| Income from letting | | |
| Rent receivable net of service charges | 3,044,945 | 2,989,429 |
| Service charges | - | - |
| Gross income from rents and service charges | <u>3,044,945</u> | <u>2,989,429</u> |
| Less: Rent losses from voids | (25,340) | (19,045) |
| Net income from rents and service charges | 3,019,605 | 2,970,384 |
| Release of deferred capital grant | 1,141,492 | 1,073,598 |
| Total turnover from social letting activities | <u>4,161,097</u> | <u>4,043,982</u> |
| Expenditure on lettings | | |
| Service charges | 78,193 | 73,292 |
| Management and maintenance administration costs | 1,684,579 | 1,573,647 |
| Reactive maintenance | 478,040 | 528,113 |
| Planned and cyclical maintenance including major repairs | 234,798 | 90,856 |
| Depreciation of social housing | 1,131,646 | 848,102 |
| Bad debts - rents and service charges | 69,559 | 42,635 |
| Loss (gain) on disposals | 25,743 | 125,069 |
| Total expenditure on lettings | <u>3,702,558</u> | <u>3,281,714</u> |
| Operating surplus for social lettings | <u>458,539</u> | <u>762,268</u> |

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2018 - £Nil).

All of the above relate solely to general needs housing.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

3b. Particulars of turnover, operating costs and operating surpluses or 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 for 2019 £ | Operating Surplus/ Deficit for 2018 £ |
|---|---|---|---|-------------------------------|---------------------------------|---|--|--|--|
| Wider action/wider role | - | - | - | - | - | - | - | - | - |
| Care and repair | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | - | - | - | - | - | - | - |
| Development activities | 52,642 | - | - | - | 52,642 | - | 47,857 | 4,785 | 1,163 |
| Support activities | - | - | - | - | - | - | - | - | - |
| Care activities | - | - | - | - | - | - | - | - | - |
| Agency/management services for registered social landlords | - | - | - | - | - | - | - | - | - |
| Community heating project | 284,342 | - | - | - | 284,342 | - | 185,414 | 98,928 | 74,832 |
| Developments and improvements for sale | - | - | - | - | - | - | - | - | - |
| Contractors settlement | - | - | - | - | - | - | - | - | - |
| Regeneration services | - | - | - | - | - | - | - | - | (102,500) |
| Other activities | 11,094 | - | - | - | 11,094 | - | - | 11,094 | 19,582 |
| Total from Other Activities 2019 | 348,078 | - | - | - | 348,078 | - | 233,271 | 114,807 | |
| Total from Other Activities 2018 | 53,593 | - | - | 332,782 | 386,375 | - | 393,298 | | (6,923) |

Other activities income relates to community heating project compensation and to the rental of roof space to Telefonica and GVA.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

4. Tax on profit on ordinary activities

West Whitlawburn Housing Co-operative Limited was granted charitable status on 30th October 2007 and as a result is not subject to corporation tax on its activities.

5. Tangible fixed assets

| | Housing Properties Held for Letting £ | Plant and Machinery £ | Office Premises/ Community Centre £ | Furniture & Equipment £ | Total £ |
|-----------------------------------|---|--------------------------------|---|----------------------------------|-------------------|
| Cost | | | | | |
| As at 01.04.18 | 55,049,210 | 2,541,076 | 851,613 | 401,728 | 58,843,627 |
| Additions during year | 275,310 | - | 30,495 | 27,325 | 333,130 |
| Disposals | (38,452) | - | - | (19,529) | (57,981) |
| As at 31.03.19 | <u>55,286,068</u> | <u>2,541,076</u> | <u>882,108</u> | <u>409,524</u> | <u>59,118,776</u> |
| Depreciation | | | | | |
| As at 01.04.18 | 18,037,460 | 180,752 | 355,015 | 366,975 | 18,940,202 |
| Provided during year | 1,131,646 | 127,381 | 19,493 | 24,074 | 1,302,594 |
| Eliminated on disposal | (12,709) | - | - | (19,529) | (32,238) |
| As at 31.03.19 | <u>19,156,397</u> | <u>308,133</u> | <u>374,508</u> | <u>371,520</u> | <u>20,210,558</u> |
| Net book value at 31.03.19 | <u>36,129,671</u> | <u>2,232,943</u> | <u>507,600</u> | <u>38,004</u> | <u>38,908,218</u> |
| Net book value at 31.03.18 | <u>37,011,750</u> | <u>2,360,324</u> | <u>496,598</u> | <u>34,753</u> | <u>39,903,425</u> |

Total major repairs costs during the year were £510,108 (2018: £276,436) of which £275,310 (2018: £276,436) was capitalised. Of the amount capitalised £117,698 (2018: £273,436) related to replacement of components and £Nil (2018: £Nil) related to improvements.

None of the Co-operative's land or letting properties is held under a lease.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

6. Trade and other receivables

| | 2019 | 2018 |
|--------------------------------|-----------------------|-----------------------|
| | £ | £ |
| Rent arrears | 268,505 | 260,339 |
| Less: Bad debt provision | (85,000) | (85,000) |
| | <u>183,505</u> | <u>175,339</u> |
| Housing benefit receivable | 29,930 | 114,606 |
| Other debtors and prepayments | 269,060 | 83,169 |
| Amounts due from Whitcomm | 21,008 | 34,342 |
| | <u><u>503,503</u></u> | <u><u>407,456</u></u> |

Included within other debtors is a balance of £21,008 (2018 - £34,342) which is regarded as due after one year.

7. Creditors - Amounts falling due within one year

| | 2019 | 2018 |
|-------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Loans | 238,792 | 237,997 |
| Rent in advance | 126,106 | 149,732 |
| Pension deficit | - | 196,523 |
| Trade creditors | 224,953 | 200,566 |
| Other tax and social security | 24,551 | 21,424 |
| Other creditors and accruals | 404,455 | 375,457 |
| Amount due to WCRC | 1,841 | 46,464 |
| | <u><u>1,020,698</u></u> | <u><u>1,228,163</u></u> |

8. Creditors - Amounts falling due after more than one year

| | 2019 | 2018 |
|------------------|-------------------------|-------------------------|
| | £ | £ |
| Pension creditor | - | 586,307 |
| Housing loans | <u>3,285,629</u> | <u>3,518,786</u> |
| | <u><u>3,285,629</u></u> | <u><u>4,105,093</u></u> |

a) The Co-operative Bank

Position as at 31st March 2019

| | |
|---------------------------------------|--------------------------------|
| Start Date | 1 st September 2009 |
| Period of loan | 20 years * |
| Rate of interest | Fixed Rate 2.72% |
| Number of properties held as security | 100 |

The term of the Loan is twenty years, however the repayments are structured over a 25 year repayment profile so that there will be a residual balance upon expiry of the Loan term. This residual balance will be due in full upon expiry of the loan although, ahead of expiry, we will be invited to discuss structuring repayment of this residual balance over a further term.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

8. Creditors - Amounts falling due after more than one year (continued)

b) Energy Savings Trust

| | |
|---------------------------------------|-------------|
| Start Date | July 2013 |
| Maturity Date | June 2028 * |
| Rate of interest | 3.5% |
| Number of properties held as security | Nil |

* This loan was originally a 10 year loan but in March 2016 we negotiated an extension of the loan repayment schedule to a 15 year period at the same interest rate.

| | 2019 | 2018 |
|----------------------------|------------------|------------------|
| | £ | £ |
| Between one and two years | 241,507 | 240,618 |
| Between two and five years | 741,797 | 738,538 |
| In five years or more | 2,302,325 | 2,539,630 |
| | <u>3,285,629</u> | <u>3,518,786</u> |

9. Deferred Capital Grants

| | 2019 | 2018 |
|---|-------------------|-------------------|
| | £ | £ |
| Social Housing Grants | | |
| Balance as at 1 st April 2018 | 29,344,765 | 30,241,963 |
| Amortisation in year | (965,091) | (897,198) |
| Balance as at 31 st March 2019 | <u>28,379,674</u> | <u>29,344,765</u> |
| Other Fixed Asset Grants | | |
| Balance as at 1 st April 2018 | 2,877,881 | 3,054,282 |
| Transfer in year | (176,401) | (176,401) |
| Balance as at 31 st March 2019 | <u>2,701,480</u> | <u>2,877,881</u> |
| Total | <u>31,081,154</u> | <u>32,222,646</u> |

This is expected to be released to the Statement of Comprehensive Income in the following year.

| | 2019 | 2018 |
|---|-------------------|-------------------|
| | £ | £ |
| Amounts due within one year | 1,141,492 | 1,073,598 |
| Amounts due in one year or more | 29,939,662 | 31,149,048 |
| Balance as at 31 st March 2019 | <u>31,081,154</u> | <u>32,222,646</u> |

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

10. Other finance income / charges

| | 2019 | 2018 |
|---|---------------|--------------|
| | £ | £ |
| Defined benefit pension scheme net interest | 27,000 | - |
| Unwinding of discounted liabilities and remeasurement | - | 1,998 |
| | <u>27,000</u> | <u>1,998</u> |

11. Directors Emoluments

The Directors are defined as the members of the Committee of Management, the Chief Executive Officer and any other person reporting directly to the Directors or the Committee of Management whose total emoluments exceed £60,000 per annum.

The Co-operative's contributions for the Chief Executive in the year amounted to £7,970 (2018 - £7,764).

No member of the Committee of Management received any emoluments in respect of their services to the Co-operative.

| | Number of officers | 2019 £ | Number of officers | 2018 £ |
|---|-------------------------------|-------------------|-------------------------------|-------------------|
| Total emoluments (including pension contributions and benefits in kind) | | | | |
| £60,000 to £69,999 | <u>2</u> | <u>134,994</u> | <u>2</u> | <u>143,360</u> |
| Total emoluments (excluding pension contributions) to the highest paid Director | | <u>63,255</u> | | <u>61,622</u> |
| Total Remuneration paid to key management personnel | | <u>352,768</u> | | <u>344,401</u> |
| Total emoluments (excluding pension contributions) to the Chairperson amounted to | | <u>Nil</u> | | <u>Nil</u> |
| Pension contribution payable to Officers in excess of £60,000 salary | <u>2</u> | <u>15,106</u> | <u>2</u> | <u>14,658</u> |
| Total expenses reimbursed to the Board in so far as not chargeable to United Kingdom income tax | | <u>Nil</u> | | <u>Nil</u> |

12. Employee information

| | 2019 £ | 2018 £ |
|--|-------------------|-------------------|
| Staff costs during year: | | |
| Wages and salaries | 1,035,482 | 987,569 |
| Social security costs | 98,567 | 93,718 |
| Pension costs | 147,058 | 142,829 |
| | <u>1,281,107</u> | <u>1,224,116</u> |
| The average full time equivalent number of persons employed by the Co-operative during the year were as follows :- | No. | No. |
| Office | 19.9 | 19.9 |
| Concierge | 13.0 | 13.0 |
| | <u>32.9</u> | <u>32.9</u> |

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

13. Surplus/Deficit on Ordinary Activities

| | 2019 | 2018 |
|--|--------------|--------------|
| | £ | £ |
| Surplus/Deficit on ordinary activities is stated after charging:- | | |
| Depreciation of tangible fixed assets - housing properties (including accelerated depreciation of £Nil on component replacement) | 1,131,646 | 848,102 |
| Other fixed assets | 182,046 | 170,856 |
| Amortisation of Housing Association Grants | 965,091 | 897,197 |
| Amortisation of other grants | 176,401 | 176,401 |
| Bad debts written off | 69,559 | 42,635 |
| Auditor remuneration (inclusive of VAT) | <u>8,940</u> | <u>7,933</u> |

14. Reconciliation of funds

| | 2019 | 2018 |
|----------------------------|-------------------|------------------|
| | £ | £ |
| At 01.04.18 | 4,959,638 | 4,304,993 |
| Surplus (deficit) for year | (162,625) | 654,649 |
| New shares issued | 85 | 57 |
| Shares cancelled | (68) | (61) |
| Net change in funds | <u>(162,608)</u> | <u>654,645</u> |
| At 31.03.19 | <u>4,797,030</u> | <u>4,959,638</u> |

15. Share capital

| | 2019 | 2018 |
|--|-------------|-------------|
| | £ | £ |
| Shares of £1 each fully paid and issued | | |
| Allotted, issued and fully paid at 01.04.18 | 688 | 692 |
| Shares issued at par during the year | <u>85</u> | <u>57</u> |
| | 773 | 749 |
| Shares forfeited | (68) | (61) |
| At 31.03.19 | <u>705</u> | <u>688</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 member's meetings.

16. Revenue reserve

| | 2019 | 2018 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| At 01.04.18 | 4,958,950 | 4,304,301 |
| Transfer of designated reserve | - | - |
| Surplus (deficit) for the year | (162,625) | 654,649 |
| At 31.03.19 | <u>4,796,325</u> | <u>4,958,950</u> |

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

17. Pension fund

Scottish Housing Associations' Pension Scheme

West Whitlawburn Housing Co-operative Limited participates in the Scottish Housing Associations' Pension Scheme which is a statutory multi-employer defined benefit scheme providing benefits to over 150 non-associated employers. At 31st March 2019 there were 25 (2018 - 25) active members of the scheme employed by the Co-operative.

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

| | 2019 | 2018 |
|--|----------------|----------------|
| | (£000s) | (£000s) |
| Fair value of plan assets | 6,423 | 6,103 |
| Present value of defined benefit obligation | 7,693 | 7,232 |
| Surplus (deficit) in plan | (1,270) | (1,129) |
| Unrecognised surplus | - | - |
| Defined benefit asset (liability) to be recognised | (1,270) | (1,129) |
| Deferred tax | - | - |
| Net defined benefit asset (liability) to be recognised | (1,270) | (1,129) |

Reconciliation of the impact of the asset ceiling

| | 2019 |
|---|----------------|
| | (£000s) |
| Impact of asset ceiling at start of period | - |
| Effect of the asset ceiling included in net interest cost | - |
| Actuarial losses (gains) on asset ceiling | - |
| Impact of asset ceiling at end of period | - |

Reconciliation of opening and closing balances of the defined benefit obligation

| | 2019 |
|--|----------------|
| | (£000s) |
| Defined benefit obligation at start of period | 7,232 |
| Current service cost | 162 |
| Expenses | 6 |
| Interest expense | 186 |
| Contributions by plan participants | 1 |
| Actuarial losses (gains) due to scheme experience | (211) |
| Actuarial losses (gains) due to changes in demographic assumptions | 20 |
| Actuarial losses (gains) due to changes in financial assumptions | 508 |
| Benefits paid and expenses | (211) |
| Liabilities acquired in a business combination | - |
| Liabilities extinguished on settlements | - |
| Losses (gains) on curtailments | - |
| Losses (gains) due to benefit changes | - |
| Exchange rate changes | - |
| Defined benefit obligation at end of period | 7,693 |

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

17. Pension fund (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

| | 2019 (£000s) |
|---|-------------------------------|
| Fair value of plan assets at start of period | 6,103 |
| Interest income | 159 |
| Experience on plan assets (excluding amounts included in interest income) - gain (loss) | 47 |
| Contributions by the employer | 324 |
| Contributions by plan participants | 1 |
| Benefits paid and expenses | (211) |
| Assets acquired in a business combination | - |
| Assets distributed on settlements | - |
| Exchange rate changes | - |
| Fair value of plan assets at end of period | 6,423 |

The actual return on the plan assets (including any changes in share of assets) over the period ended 31st March 2019 was £206,000.

Defined benefit costs recognised in Statement of Comprehensive Income (SOCl)

| | 2019 (£000s) |
|--|-------------------------------|
| Current service cost | 162 |
| Expenses | 6 |
| Net interest expense | 27 |
| Losses (gains) on business combinations | - |
| Losses (gains) on settlements | - |
| Losses (gains) on curtailments | - |
| Losses (gains) due to benefit charges | - |
| Defined benefit costs recognised in Statement of Comprehensive Income (SoCl) | 195 |

Defined benefit costs recognised in Other Comprehensive Income

| | 2019 (£000s) |
|---|-------------------------------|
| Experience on plan assets (excluding amounts included in net interest cost) - gain (loss) | 47 |
| Experience gains and losses arising on the plan liabilities - gain (loss) | 211 |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss) | (20) |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss) | (508) |
| Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss) | (270) |
| Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss) | - |
| Total amount recognised in other comprehensive income - gain (loss) | (270) |

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

17. Pension fund (continued)

Assets

| | 2019 | 2018 |
|------------------------------|----------------|----------------|
| | (£000s) | (£000s) |
| Absolute Return | 544 | 724 |
| Alternative Risk Premia | 359 | 231 |
| Corporate Bond Fund | 450 | 426 |
| Credit Relative Value | 111 | - |
| Distressed Opportunities | 110 | 28 |
| Emerging Markets Debt | 206 | 209 |
| Fund of Hedge Funds | 18 | 175 |
| Global Equity | 1,033 | 1,098 |
| Index Linked All Stock Gilts | - | - |
| Infrastructure | 269 | 111 |
| Insurance-Linked Securities | 167 | 167 |
| Liability Driven Investment | 2,285 | 2,148 |
| Long Lease Property | 78 | - |
| Net Current Assets | 7 | 11 |
| Over 15 Year Gilts | 165 | 197 |
| Private Debt | 83 | 57 |
| Property | 128 | 241 |
| Risk Sharing | 186 | 56 |
| Secured Income | 224 | 224 |
| Total assets | <u>6,423</u> | <u>6,103</u> |

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key assumptions

| | 2019 | 2018 |
|---|--------------------------|--------------------------|
| | % per annum | % per annum |
| Discount Rate | 2.31 | 2.58 |
| Inflation (RPI) | 3.29 | 3.18 |
| Inflation (CPI) | 2.29 | 2.18 |
| Salary Growth | 3.29 | 3.18 |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance | 75% of maximum allowance |

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

| | Life expectancy at age 65 |
|-------------------------|----------------------------------|
| | (Years) |
| Male retiring in 2019 | 21.7 |
| Female retiring in 2019 | 23.4 |
| Male retiring in 2039 | 23.1 |
| Female retiring in 2039 | 24.7 |

In previous years the scheme was accounted for on a defined contribution basis. The liability included at 1st April 2018 has increased from £1,129,000 to £1,270,000.

The Association also makes contributions to the personal pension scheme of two employees which are defined contribution schemes operated by third party entities.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

17. Pension fund (continued)

The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30th December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30th September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

| | |
|---------------------------------------|---|
| From 1 April 2019 to 31 January 2025: | £11,243,000 per annum (payable monthly and increasing by 3% each on 1 st April) |
|---------------------------------------|---|

Unless a concession has been agreed with the Trustee the term to 31st January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30th September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

| | |
|---|---|
| From 1 April 2016 to 30 September 2025: | £12,945,440 per annum (payable monthly and increasing by 3% each on 1 st April) |
|---|---|

| | |
|---|---|
| From 1 April 2016 to 30 September 2028: | £54,560 per annum (payable monthly and increasing by 3% each on 1 st April) |
|---|---|

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

17. Pension fund (continued)

| Present values of provision | 31 March 2019 | 31 March 2018 | 31 March 2017 |
|------------------------------------|----------------------|----------------------|----------------------|
| | £ | £ | £ |
| Present value of provision | <u>-</u> | <u>3,226</u> | <u>3,632</u> |

Reconciliation of opening and closing provisions

| | Period Ending 31 March 2019 | Period Ending 31 March 2018 |
|--|--|--|
| | £ | £ |
| Provision at start period | 3,226 | 3,632 |
| Unwinding of the discount factor (interest expense) | 52 | 45 |
| Deficit contribution paid | (416) | (404) |
| Remeasurements - impact of any change in assumptions | - | (47) |
| Remeasurements - amendments to the contribution schedule | (2,862) | - |
| Provision at end of period | <u>-</u> | <u>3,226</u> |

Income and expenditure impact

| | Period Ending 31 March 2019 | Period Ending 31 March 2018 |
|--|--|--|
| | £ | £ |
| Interest expense | 52 | 45 |
| Remeasurements - impact of any change in assumptions | - | (47) |
| Remeasurements - amendments to the contribution schedule | (2,862) | - |
| Contribution paid in respect of future service* | (416) | (404) |
| Costs recognised in income and expenditure account | 52 | 45 |

* includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

Assumptions

| | 31 March 2019 | 31 March 2018 | 31 March 2017 |
|------------------|----------------------|----------------------|----------------------|
| | % per annum | % per annum | % per annum |
| Rate of discount | 1.39 | 1.71 | 1.32 |

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

18. Capital commitments

The Co-operative had capital commitments of £465,759 at 31st March 2019 (2018 - £Nil).

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

19. Housing stock

The number of units in management at 31st March was as follows:-

| | 2019 | 2018 |
|------------------|-------------|-------------|
| General needs | 644 | 644 |
| Supported | - | - |
| Shared ownership | - | - |
| | <u>644</u> | <u>644</u> |

20. Related parties

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

All members of the Committee of Management are tenants of the Co-operative. The transactions with the Co-operative are all done on standard terms, as applicable to all tenants. Transactions with governing members (and their close family) were as follows:-

Gross rents charged to governing members and close family were £71,884 (2018 - £61,559).

At the year end, total rent advances by tenant members of the Committee were £1,290 (2018 - £1,609) and the total arrears were £1,293 (2018 - £2,286).

Repairs were £9,084 (2018 - £4,813).

Internet line rental costs were £618 (2018 - £852).

West Whitlawburn Housing Co-operative Limited (WWHC) works in partnership with Whitlawburn Community Resource Centre (WCRC) and co-operates in the pursuit of its charitable objectives. During the year WWHC donated £ (2018: £94,000) to support WCRC in the provision of Whitlawburn Community Regeneration. At 31st March 2019 the amount owed to WCRC was £1,841 (2018: (£46,464)).

There is also a related company called Whitcomm Co-operative Limited, a company limited by guarantee, that has been set up to provide low cost telecommunications to encourage social inclusion. At 31st March 2019 the amount owed to WWHC was £21,008 (2018: £34,342).

21. Leasing commitments

At 31st March the Co-operative had the following annual operating lease commitments for the year ending 31st March 2019 and beyond.

| | 2019 | 2018 |
|--------------------------------|------------------|------------------|
| | Equipment | Equipment |
| | £ | £ |
| Operating leases which expire: | | |
| Within one year | 1,968 | 10,076 |
| Within two to five years | 1,749 | 26,220 |
| After more than five years | 143,652 | 142,327 |
| | <u>147,369</u> | <u>178,623</u> |

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2019

22. Contingent liability

- (a) In the year to 31st March 2005 the Co-operative was informed by Communities Scotland that development allowances in the prior year of £200,000 had been overpaid.

The Co-operative does not accept the validity of the claim and will contest any action for repayment.

Housing Association Grant allocated to components (as detailed in Note 1) that have subsequently been replaced by the Co-operative are recognised in the Statement of Comprehensive Income, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Statement of Comprehensive Income at 31st March 2019 was £Nil (2018: £Nil).

- (b) The Co-operative is the pursuer in a court action. This action was not concluded at the year end. If the Co-operative is unsuccessful in this action, there is a potential liability in terms of the other parties' costs.

23. Grants received - Scottish Government - People in Communities Funding

The Co-operative gratefully acknowledges the award and receipt of grant from the People in Communities fund totalling £22,475. This amount was expended in terms of the offer of the grant.