

Drumchapel Housing Co-operative Limited

Report and Financial Statements

For the year ended 31 March 2020

Registered Social Landlord No. 185

FCA Reference No. 2222R(S)

Scottish Charity No. SC046239

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

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DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

MANAGEMENT BOARD, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2020

MANAGEMENT BOARD

Joan McFarlane	Chair
Helen Eakin	Vice Chair
Paul McBride	Secretary
Margaret Bowie	
David Riddell	
Cllr Elspeth Kerr	
Tanith Diggory	
George Rankin	
Sheila Smyth	(elected, 29/08/19)
Jonathon McAllister	(elected, 29/08/19)
S McCotter	(elected 29/08/19, resigned 16/01/20)
Emma Stowell	(elected 29/08/19, resigned 03/03/20)
Alana Durnin	Co-optee (co-opted 29/01/19, resigned 29/08/19)

EXECUTIVE OFFICERS

Pauline Burke	Acting Director (appointed 13/08/19)
Caroline Shepherd	Director (resigned 31/01/20)
Sharon Flynn	Depute Director (appointed 09/10/19)

REGISTERED OFFICE

4 Kinclaven Avenue
Drumchapel
Glasgow
G15 7SP

EXTERNAL AUDITORS

Findlays Chartered Accountants
11 Dudhope Terrace
Dundee
DD3 8TS

INTERNAL AUDITORS

Quinn Internal Audit Services Ltd
55 Lady Place
Livingston
EH54 6TB

FINANCE AGENTS

Cernach Housing Association Ltd
79 Airgold Drive
Drumchapel
Glasgow
G15 7AJ

BANKERS

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

SOLICITORS

MacRoberts LLP
60 York Street
Glasgow
G2 8JX

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2020

The Management Board presents its report and the Financial Statements for the year ended 31 March 2020.

Legal Status

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

Principal Activities

The Co-operative aims to provide housing solutions to meet the needs of local communities and to serve the interests of our current and future tenants.

Review of Business and Future Developments

In the financial year 2019/20 the Co-operative has made a surplus of £1,074,205 (2019 - £402,136). The Co-operative's revenue reserves now sit at a balance of £5,195,407 (2019 - £4,121,202) being carried forward into 2020/21.

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

The Co-operative continues to invest in the existing stock and the five-year financial projections detail how resources are deployed to meet business needs, including key assumptions and trends. All financial plans are subject to scenario planning, sensitivity and stress testing to ensure robustness.

A full risk appraisal is undertaken on all large scale capital projects, which gives a detailed record of all identified risks; this review is presented to the Management Board for a full discussion before formal approval is given.

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

Despite the current economic circumstances, the Co-operative is well placed to meet the challenges ahead. The Covid-19 situation has been considered and has been monitored in the very short to medium term. Specifically, there is a robust long term financial model in place, based on prudent assumptions, that indicates viability throughout the thirty years covered by the model as well as allowing us to achieve all financial covenants set by lenders with sufficient head room built in as a contingency.

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

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

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

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

The Management Board continues to concentrate the Co-operative's efforts on maintaining current properties and continually developing customer services for tenants and other customers.

The Co-operative currently employs 11 members of staff (as at 31 March 2020) on a full-time basis. This includes an estate caretaker. During the year we bought in director and finance services from neighbouring Cernach Housing Association (CHA); and we sold technical manager services to CHA 1.5 days per week. The director services and technical manager services arrangement between both organisations came to an end during the year.

The impact of Covid-19 has been considered in the very-short to medium term by the Co-operative in relation to arrears, voids, bad debt, Bank of England Base interest rate, reactive and cyclical maintenance, and planned maintenance. The situation is being monitored continually and a mid-year review of budgets may be required. There will be another update of the 30-year projections during the summer for presentation to the Board. It is anticipated there will be more certain information available in the latter half of June and we can certainly capture any material changes which may impact the Co-operative in the medium-term.

Along with ensuring effective management of the Co-operative's finances, the Management Board are committed to ensuring that value for money remains a top priority for the Co-operative. We look to achieve this as an independent RSL and with our local partners. Where it can add value, we work with other local RSLs to procure, purchase and provide. We work closely with the other local RSLs especially in terms of staff and board training, welfare benefits advice services and some maintenance procurement. We also work with other Associations across Glasgow on common projects, such as the Glasgow Housing Register and the Scottish Housing Connections website consortium.

Ensuring the collection of rental income remains a priority for the Co-operative. While working to keep rents affordable we need to ensure that we maximise our collection of rental charges due. This has been a challenge with the introduction of UK Government Welfare Reforms and the latterly end of 2020 the impact of the Covid-19 epidemic but the Co-operative staff continue to work with our tenants to assist and help resolve any debt issues.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Continued)

We reviewed our Business plan and Asset Management plan during 2019/20, and approved/reviewed a range of policies in Governance, Information Security, General Data Protection Regulations and Freedom of Information. We published our Annual Report on the Charter in October 2019.

A comprehensive training programme for our governing body members was delivered in partnership with other Drumchapel RSL's to ensure that our management board will continue to meet the requirements of the Regulatory Standards of Governance. A number of training sessions were delivered by external training consultants, covering a broad range of topics.

The Management Board continued their annual board member reviews to ensure that as a board, and as individual board members, they meet regulatory and good practice requirements.

The Co-operative completed its review of governance arrangements to ensure compliance with best practice. Following a period of "medium engagement" with the Regulator, we moved to "low engagement" in 2018. The change in the engagement level reflects the Board's success in ensuring that the Co-operative is implementing the tasks outlined in our regulation plan and bring the Co-operative onto more resilient footing. The Director services we bought in from neighbouring Cernach Housing Association (CHA) ended 31 January 2020 with financial services continuing to be bought in. An interim Director is in place whilst the Co-operative progresses with an options appraisal during 2020/21.

Currently, governance operates through the Management Board which consists of current tenants of the Co-operative.

We carried out internal audits in Risk Management, Reactive Repairs and Annual Return on the Charter to assess our compliance with legislation, our current policies and best practice. We also submitted our first Annual Assurance Statement to the Scottish Housing Regulator in October 2019 with no areas of material non-compliance reported.

The Co-operative has 99.16% compliance with the Scottish Housing Quality Standard (SHQS) and 99% compliance with the Energy Efficient Standard for Social Housing (EESH) at 31 March 2020, we envisage no problems in meeting the EESH in full by the due date of December 2020.

There is a focus to ensure updated and relevant information is held on our Planned maintenance database which is key to providing information as to when property components are due to be replaced.

The asset investment plan, cashflows and 30-year financial models are aligned for consistency in order to ensure that an adequate fundable plan is in place.

In addition to day to day repair work, the Co-operative continues to undertake planned replacements of components and cyclical maintenance works. During 2019/20 the Co-operative continued its ongoing cyclical maintenance and planned renewal programmes including bathroom, windows and kitchen replacement programmes. Independent stock condition sample surveys carried out allows us to regularly review and keep our asset management information updated and allows the Co-operative to proactively plan for the future. The information from the surveys are used to update our 30-year maintenance projection work to ensure that property standards are maintained in the longer term. This allows the management board to regularly review the short, medium and long term viability of the Co-operative.

Going forward, we aim to ensure we focus on continuing to provide an excellent housing management service, and repairing and maintaining our properties to a high standard in line with the targets set by the Scottish Government. We will ensure the long term financial health and viability of the organisation with a focus on efficiency and value for money.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2020

Management Board and Executive Officers

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

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

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

Statement of Management Board's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Management Board to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Co-operative and of the surplus or deficit of the Co-operative for that period. In preparing those Financial Statements, the Management Board is required to:-

- select suitable accounting policies and then apply them consistently;
- make 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;
- prepare a statement on Internal Financial Control.

The Management Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Co-operative and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements 2019. The Management Board is also responsible for safeguarding the assets of the Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Management Board is also responsible for ensuring the Co-operative's suppliers are paid promptly.

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

In so far as the Management Board is aware:

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

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2020

Statement on Internal Financial Control

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

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

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Co-operative's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Board to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Board;
- the Management Board receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Co-operative is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Board has reviewed the effectiveness of the system of internal financial control in existence in the Co-operative for the year ended 31 March 2020. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Co-operative made charitable donations amounting to £955 (2019 - £600).

Auditors

A resolution to re-appoint the Auditors, Findlays, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Management Board

PAUL MCBRIDE
Secretary
4 August 2020



DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

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

In addition to our audit of the Financial Statements, we have reviewed your statement on page 5 concerning the Co-operative's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



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

4 August 2020

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

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

Opinion

We have audited the financial statements of Drumchapel Housing Co-operative Limited (the 'Co-operative') for the year ended 31 March 2020 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 31 March 2020 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

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 the financial statements in the UK, including the Financial Reporting Council's (FRC) Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Management Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Board has 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 Management Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

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

Responsibilities of the Management Board

As explained more fully in the Statement of Management Board's Responsibilities as set out on Page 4, the Management Board 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 Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is 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 Management Board either intends to liquidate the Co-operative or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.



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

4 August 2020

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020	2019
		£	£
REVENUE	2	2,597,423	2,571,420
Operating Costs	2	(1,937,446)	(1,805,834)
OPERATING SURPLUS		659,977	765,586
Interest Receivable and Other Income		12,685	10,934
Interest Payable and Similar Charges	8	(70,457)	(75,384)
Other Finance Income / (Charges)	11	(14,000)	(15,000)
		(71,772)	(79,450)
Surplus on ordinary activities before taxation		588,205	686,136
Tax on surplus on ordinary activities	10	-	-
SURPLUS FOR THE YEAR	9	588,205	686,136
Other comprehensive income			
Adjustment relating to Opening Pension Liability	24	-	(102,000)
Actuarial Gains/ (Losses) on defined benefit Pension Plan	24	486,000	(182,000)
TOTAL COMPREHENSIVE INCOME		1,074,205	402,136

The notes on pages 13 to 30 form part of these financial statements.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	£	2020 £	£	2019 £
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	12 (a)		14,273,763		14,623,173
Intangible Assets	12 (b)		-		-
Other Non-current Assets	12 (b)		325,496		326,509
			<u>14,599,259</u>		<u>14,949,682</u>
CURRENT ASSETS					
Receivables	14	85,347		93,228	
Stock of maintenance materials		114		251	
Cash at bank and in hand		1,914,414		1,741,902	
		<u>1,999,875</u>		<u>1,835,381</u>	
CREDITORS: Amounts falling due within one year	15	<u>(407,933)</u>		<u>(418,289)</u>	
NET CURRENT ASSETS			<u>1,591,942</u>		<u>1,417,092</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			16,191,201		16,366,774
CREDITORS: Amounts falling due after more than one year	16		<u>(2,304,731)</u>		<u>(2,526,187)</u>
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish Housing Association Pension Scheme	24	<u>(91,276)</u>		<u>(703,175)</u>	
			<u>(91,276)</u>		<u>(703,175)</u>
DEFERRED INCOME					
Social Housing Grants	18	<u>(8,599,313)</u>		<u>(9,015,735)</u>	
			<u>(8,599,313)</u>		<u>(9,015,735)</u>
NET ASSETS			<u><u>5,195,881</u></u>		<u><u>4,121,677</u></u>
EQUITY					
Share Capital	19		474		475
Revenue Reserves			5,195,407		4,121,202
			<u><u>5,195,881</u></u>		<u><u>4,121,677</u></u>

The Financial Statements were approved by the Management Board and authorised for issue and signed on their behalf on 4 August 2020.

Chairperson

Vice Chairperson

Secretary

Joan McFarlane



Helen Eakin



Paul McBride



The notes on pages 13 to 30 form part of these financial statements.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
Net cash inflow from operating activities	17		722,163		668,080
Investing Activities					
Acquisition and Construction of Properties		(258,538)		(595,375)	
Purchase of Intangible Fixed Assets		-		-	
Purchase of Other Fixed Assets		(17,944)		(11,356)	
Net cash outflow from investing activities			(276,482)		(606,731)
Financing Activities					
Interest Received on Cash and Cash Equivalents		12,685		10,934	
Interest Paid on Loans		(70,457)		(75,384)	
Loan Principal Repayments		(215,427)		(214,226)	
Share Capital Issued		30		33	
Net cash outflow from financing activities			(273,169)		(278,643)
Increase / (decrease) in cash			172,512		(217,294)
Opening Cash & Cash Equivalents			1,741,902		1,959,196
Closing Cash & Cash Equivalents			1,914,414		1,741,902
Cash and Cash equivalents as at 31 March					
Cash			1,914,414		1,741,902
			1,914,414		1,741,902

The notes on pages 13 to 30 form part of these financial statements.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1 April 2018	473	3,617,066	3,617,539
Issue of Shares	33	-	33
Cancellation of Shares	(31)	-	(31)
Other comprehensive income	-	(182,000)	(182,000)
Surplus for the year	-	686,136	686,136
Balance as at 31 March 2019	475	4,121,202	4,121,677
Balance as at 1 April 2019	475	4,121,202	4,121,677
Issue of Shares	30	-	30
Cancellation of Shares	(31)	-	(31)
Remeasurement gain / (loss) on defined benefit pension plan	-	486,000	486,000
Other movement	-	-	-
Revaluation in year	-	-	-
Prior year adjustment	-	-	-
Surplus for the year	-	588,205	588,205
Balance as at 31 March 2020	474	5,195,407	5,195,881

The notes on pages 13 to 30 form part of these financial statements.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice : Accounting by registered social housing providers 2014. The Co-operative is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice : Accounting by registered social housing providers 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2019. A summary of the more important accounting policies is set out below.

Revenue

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

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

Retirement Benefits

The Co-operative participates in the Scottish Housing Association Defined Benefit Pension Scheme where 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 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 Co-operative now accounts for this scheme as a defined benefit pension scheme.

Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Co-operative depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
Land	Not Depreciated
Building	50 Years
Roof	50 Years
Doors	25 Years
Windows	25 Years
Radiators	20 Years
Boilers	15 Years
Bathrooms	25 Years
Kitchens	20 Years
Render	30 Years
Wiring	30 Years
Close Doors	15 Years
Common Stairs	15 Years
Control Entry	20 Years

During the year the Co-operative reviewed the useful life of components and extended the useful life of Kitchens from 15 Years to 20 Years. The effective of this is to reduce the depreciation charge in the current and subsequent years. The effect of this in the current year is a reduction in the annual depreciation charge of approximately £28,000.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Depreciation and Impairment of Other Non-Current Assets

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

Asset Category	Depreciation Rate
Office Premises	2%
Furniture and Fittings	15%
Computer & Office Equipment	33%
Office Equipment	15%
Motor Vehicles	25%

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grant and Other Grants in Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

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

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

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

Taxation

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

Works to Existing Properties

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

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Board 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.

b) Identification of cash generating units

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

c) Financial instrument break clauses

The Co-operative has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

d) Pension Liability

The Co-operative participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is multi-employer and is administered by the TPT Retirement Solutions. The TPT Retirement Solutions have developed a method of calculating each member's share of the assets and liabilities of the scheme. Guidance received suggests this method information may be appropriate and provides a reasonable estimate of the pension assets and liabilities of the Co-operative and therefore this valuation method has been incorporated in these financial statements.

Financial Instruments - Basic

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

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

Estimation Uncertainty

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

a) Rent Arrears - Bad Debt Provision

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

b) Life Cycle of Components

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

c) Useful life of properties, plant and equipment

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

d) Defined pension liability

Determining the value of the Co-operative's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

e) Allocation of share of assets and liabilities for multi employer schemes

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by TPT Retirement Solutions.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2020			2019		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3	2,556,790	1,899,995	656,795	2,521,278	1,751,757	769,521
Other Activities	4	40,633	37,451	3,182	50,142	54,077	(3,935)
Total		2,597,423	1,937,446	659,977	2,571,420	1,805,834	765,586

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Supported Housing £	2020 Total £	2019 Total £
Revenue from Lettings				
Rent receivable net of service charges	2,047,763	31,050	2,078,813	2,030,080
Service charges receivable	62,294	1,191	63,485	61,981
Gross income from rent and service charges	2,110,057	32,241	2,142,298	2,092,061
Less: Rent losses from voids	1,930	-	1,930	3,170
Net Rents Receivable	2,108,127	32,241	2,140,368	2,088,891
Grants released from deferred income	405,452	10,970	416,422	432,387
Revenue grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from affordable letting activities	2,513,579	43,211	2,556,790	2,521,278
Expenditure on affordable letting activities				
Management and maintenance administration costs	662,682	11,232	673,914	653,873
Service Costs	57,602	976	58,578	59,256
Planned and cyclical maintenance, including major repairs	364,625	2,817	367,442	234,746
Reactive maintenance costs	157,288	7,355	164,643	157,916
Bad Debts - rents and service charges	27,470	-	27,470	12,367
Depreciation of affordable let properties	589,737	18,211	607,948	633,599
Impairment of affordable letting activities	-	-	-	-
Operating costs of affordable letting activities	1,859,404	40,591	1,899,995	1,751,757
Operating surplus on affordable letting activities	654,175	2,620	656,795	769,521
2019	761,571	7,950		

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2020	Operating Surplus / (Deficit) 2019
	£	£	£	£	£	£	£	£	£
Wider role activities	-	-	-	-	-	-	-	-	-
Support activities	31,906	-	-	-	31,906	-	29,005	2,901	(3,964)
Agency or management services	-	-	-	8,446	8,446	-	8,446	-	-
Forfeited Shares	-	-	-	31	31	-	-	31	29
Charitable Donations	250	-	-	-	250	-	-	250	-
Total From Other Activities	32,156	-	-	8,477	40,633	-	37,451	3,182	(3,935)
2019	27,109	-	-	23,033	50,142	-	54,077	(3,935)	

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Board, managers and certain employees of the Co-operative.

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

Compensation payable to Officers for loss of Office

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

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

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

	2020	Restated 2019
	£	£
	57,448	-
	-	-
	4,854	-
	57,448	-
	79,112	106,614
	16,810	49,507

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

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

6. EMPLOYEE INFORMATION

The average monthly number of full time equivalent persons employed during the year was:

The average total number of Employees employed during the year was:

Staff Costs were:

Wages and Salaries

Social Security Costs

Other Pension Costs

Temporary, Agency and Seconded Staff

	2020	2019
	No.	No.
	11	11
	11	11
	£	£
	348,974	326,906
	33,256	29,426
	30,955	28,559
	29,616	27,292
	442,801	412,183

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2020	2019
	£	£
Sales Proceeds	-	-
Cost of Sales	-	-
Gain On Sale Of Housing Stock	-	-

8. INTEREST PAYABLE & SIMILAR CHARGES

	2020	2019
	£	£
On Bank Loans & Overdrafts	70,457	75,384
Less: Interest Capitalised	-	-
	70,457	75,384

9. SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	626,905	652,307
Auditors' Remuneration - Audit Services	6,600	6,780
Auditors' Remuneration - Other Services	-	-
(Loss) on sale of fixed assets	-	-

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

11. OTHER FINANCE INCOME / CHARGES

	2020	2019
	£	£
Net Interest on DB Pension Scheme	14,000	15,000

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
COST			
As at 1 April 2019	27,400,857	13,740	27,414,597
Additions	258,538	-	258,538
Disposals	(111,559)	-	(111,559)
Schemes Completed	-	-	-
As at 31 March 2020	<u>27,547,836</u>	<u>13,740</u>	<u>27,561,576</u>
DEPRECIATION			
As at 1 April 2019	12,791,424	-	12,791,424
Charge for Year	607,948	-	607,948
Disposals	(111,559)	-	(111,559)
As at 31 March 2020	<u>13,287,813</u>	<u>-</u>	<u>13,287,813</u>
NET BOOK VALUE			
As at 31 March 2020	<u>14,260,023</u>	<u>13,740</u>	<u>14,273,763</u>
As at 31 March 2019	<u>14,609,433</u>	<u>13,740</u>	<u>14,623,173</u>

Additions to housing properties include capitalised development administration costs of £Nil (2019 - £Nil) and capitalised major repair costs to existing properties of £258,538 (2019 - £595,375).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £790,623 (2019 - £988,037). The amount capitalised is £258,538 (2019 - £595,375) with the balance charged to the statement of comprehensive income.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS (Continued)

(b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Office Equipment & Motor Vehicle £	Computer Equipment £	Total £
COST					
As at 1 April 2019	432,244	12,970	46,659	99,847	591,720
Additions	-	-	471	17,473	17,944
Eliminated on Disposals	-	-	-	-	-
As at 31 March 2020	<u>432,244</u>	<u>12,970</u>	<u>47,130</u>	<u>117,320</u>	<u>609,664</u>
AGGREGATE DEPRECIATION					
As at 1 April 2019	133,540	12,145	25,381	94,145	265,211
Charge for year	8,645	227	6,461	3,624	18,957
Eliminated on Disposals	-	-	-	-	-
As at 31 March 2020	<u>142,185</u>	<u>12,372</u>	<u>31,842</u>	<u>97,769</u>	<u>284,168</u>
NET BOOK VALUE					
As at 31 March 2020	<u>290,059</u>	<u>598</u>	<u>15,288</u>	<u>19,551</u>	<u>325,496</u>
As at 31 March 2019	<u>298,704</u>	<u>825</u>	<u>21,278</u>	<u>5,702</u>	<u>326,509</u>

13. CAPITAL COMMITMENTS

	2020 £	2019 £
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>-</u>	<u>-</u>

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Arrears of Rent & Service Charges	74,625	68,315
Adjustment to discount arrears balances with payment plans to NPV	-	-
Less: Provision for Doubtful Debts	(59,300)	(44,400)
	<u>15,325</u>	<u>23,915</u>
Social Housing Grant Receivable	-	-
Other Receivables	70,022	69,313
	<u>85,347</u>	<u>93,228</u>

15. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Housing Loans	215,036	209,007
Trade Payables	60,001	63,644
Rent Received in Advance	86,273	94,023
Other Taxation and Social Security	10,094	9,317
Other Payables	1,284	865
Accruals and Deferred Income	35,245	41,433
	<u>407,933</u>	<u>418,289</u>

At the balance sheet date there were pension contributions outstanding of £0 (2019 - £0).

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £	2019 £
Housing Loans	2,304,731	2,526,187
	<u>2,304,731</u>	<u>2,526,187</u>
Housing Loans		
Amounts due within one year	215,036	209,007
Amounts due in one year or more but less than two years	220,742	214,724
Amounts due in two years or more but less than five years	671,187	671,662
Amounts due in more than five years	1,412,802	1,639,801
	<u>2,519,767</u>	<u>2,735,194</u>
Less: Amount shown in Current Liabilities	215,036	209,007
	<u>2,304,731</u>	<u>2,526,187</u>

The Co-operative has a number of long-term housing loans secured by specific charges on its properties. The loans are repayable with all in rates varying from 0.44% to 5.49% in instalments. The loans expire between 2023 and 2042.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. STATEMENT OF CASH FLOWS

Reconciliation of surplus for the year to net cash inflow from operating activities

	2020 £	2019 £
Surplus for the year	588,205	686,136
Depreciation	626,905	652,307
Amortisation of Capital Grants	(416,422)	(432,387)
Change in stock	137	(59)
Change in debtors	7,881	(35,047)
Change in creditors	(16,385)	(146,464)
Net Pension Liability Movement excluding actuarial	(125,899)	(120,825)
Transfer of interest to financial activities	57,772	64,450
Total Share Capital Written Off	(31)	(31)
Net cash inflow from operating activities	<u>722,163</u>	<u>668,080</u>

Reconciliation of net cash flow to movement in net debt

	2020		2019	
	£	£	£	£
Increase / (decrease) in cash	172,512		(217,294)	
Cashflow from change in net debt	<u>215,427</u>		<u>214,226</u>	
Movement in net debt during the year		387,939		(3,068)
Net debt at 1st April 2019		(993,292)		(990,224)
Net debt at 31 March 2020		<u>(605,353)</u>		<u>(993,292)</u>

Analysis of changes in net debt

	At 01 April 2019	Cashflows	Other Changes	At 31 March 2020
Cash at bank and in hand	1,741,902	172,512		1,914,414
Bank overdrafts	-			-
	<u>1,741,902</u>	<u>172,512</u>	-	<u>1,914,414</u>
Liquid resources	-	-		-
Debt: Due within one year	(209,007)	(6,029)		(215,036)
Due after more than one year	(2,526,187)	221,456		(2,304,731)
Net Debt	<u>(993,292)</u>	<u>387,939</u>	-	<u>(605,353)</u>

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
Social Housing Grants			
As at 1 April 2019	19,396,248	13,741	19,409,989
Additions in the year	-	-	-
Eliminated on disposal of components and property Transferred	(85,969)	-	(85,969)
	-	-	-
As at 31 March 2020	<u>19,310,279</u>	<u>13,741</u>	<u>19,324,020</u>
Amortisation			
As at 1 April 2019	10,394,254	-	10,394,254
Eliminated on disposal	(85,969)	-	(85,969)
Amortisation in year	416,422	-	416,422
As at 31 March 2020	<u>10,724,707</u>	<u>-</u>	<u>10,724,707</u>
Net book value			
As at 31 March 2020	<u>8,585,572</u>	<u>13,741</u>	<u>8,599,313</u>
As at 31 March 2019	<u>9,001,994</u>	<u>13,741</u>	<u>9,015,735</u>

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

	2020 £	2019 £
Amounts due within one year	416,422	432,387
Amounts due in one year or more	8,182,891	8,583,348
	<u>8,599,313</u>	<u>9,015,735</u>

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	2020 £	2019 £
As at 1 April 2019	475	473
Issued in year	30	33
Cancelled in year from transfers	-	(2)
Cancelled in year	(31)	(29)
As at 31 March 2020	<u>474</u>	<u>475</u>

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

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. HOUSING STOCK

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

	2020	2019
	No.	No.
General Needs - Built by Co-operative	206	206
General Needs - Rehabilitated by the Co-operative	266	266
Supported Housing	8	8
	<u>480</u>	<u>480</u>

21. RELATED PARTY TRANSACTIONS

Key Management Personnel - which includes Board members - and their close families are related parties of the Co-operative as defined by Financial Reporting Standard 102.

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

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

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

	2020	2019
	£	£
Rent received from tenants on the Management Board and their close family members	<u>79,316</u>	<u>79,990</u>

At the year end total rent arrears owed by the tenant members on the Management Board (and their close family) were £4,284 (2019 - £3,456).

Members of the Management Board who are tenants	10	8
Members of the Management Board who are local councillors	1	1

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

The Co-operative's previous CEO/Director - Caroline Jardine - also served as a key management personnel in Cernach Housing Association (CHA). During the year CHA recharged costs of £44,940 (2019 - £81,593) to the Co-operative for a range of services. The Co-operative also recharged £8,446 (2019 - £23,004) of technical manager services to CHA during the year.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. DETAILS OF CO-OPERATIVE

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

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

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

23. MANAGEMENT BOARD MEMBER EMOLUMENTS

Management Board members received £541 (2019 - £645) in the year by way of reimbursement of expenses. No remuneration is paid to Management Board members in respect of their duties to the Co-operative.

24. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

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

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

The last valuation of the Scheme was performed as at 30th September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m (equivalent to a past service funding level of 88%).

The Scheme Actuary prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2019. 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 £1,064m and indicated a slight increase of assets compared to liabilities to approximately £1,194, equivalent to a past service funding level of 89%. The next full actuarial valuation will be for September 2021.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Co-operative may become liable for the obligations of a third party.

All employers in the Scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. Pension deficit contribution payments of £139,899 (2019 - £135,825) were made during the year.

Overall, the Co-operative made payments totalling £175,047 (2019- £168,586) to the pension scheme during the year.

No assets included in the fair value of plan assets are the Co-operative's own financial instrument or are properties occupied or used by the Co-operative.

TPT Retirement Solutions - the administering authority has responsibility for the management of the Scheme. As most of the Scheme's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the Scheme's assets. In order to mitigate this risk, the Scheme holds a diverse investment portfolio with a range of investment managers.

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Change in Accounting Estimate

Historically, only the past service deficit was included as a liability in the financial statements because each employer's share of the pension assets and liabilities could not be determined. However, last year the TPT Retirement Solutions developed a valuation method to address this. The SORP housing working party, the SHAPS Employer's Committee, and national housing bodies all reviewed the methodology and have not found this to be inappropriate. The Co-operative decided to adopt this valuation method as providing a reasonable estimate of its pension assets and liabilities.

In May 2019, the FRC issued an amendment to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multi-employer defined benefit plans. The amendment addresses how to treat the transition from defined contribution to defined benefit accounting and allows for early adoption. This method was adopted by the Co-operative as the most appropriate treatment. As a result the change was effectively accounted for as a change in accounting estimate.

Due to the change in accounting estimate the past service deficit liability was removed as it is included in the pension liability now calculated by the actuary and shown under Pension and Other Provisions for Liabilities and Charges in the Statement of Financial Position. The change was reflected in Other Comprehensive Income as follows:

	2019
	£
Opening pension liability per actuary	642,000
Opening past service deficit	540,000
	<hr/>
Movement to Other Comprehensive Income	102,000
	<hr/>

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

Principal Actuarial Assumptions

Assumptions as at	2020	2019
	%p.a.	%p.a.
Salary increases	2.6%	3.3%
Pension increases	2.6%	3.3%
Discount rate	2.4%	2.3%

The defined benefit obligation is estimated to comprise of the following:

	2020	2019
	£000	£000
Employee members	5	5
Deferred pensioners	11	11
Pensioners	9	10
	<hr/>	<hr/>
	25	26
	<hr/>	<hr/>

Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
	(Years)	(Years)
Current Pensioners	21.5	23.2
Future Pensioners	22.8	24.5

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Fair value of scheme assets by category

	2020	2019
	£000	£000
Equities	937	1,026
Bonds	2,686	2,842
Property	415	309
Cash	31	4
	<u>4,069</u>	<u>4,181</u>

Net Pension Liability

	2020	2019
	£000	£000
Fair value of employer's assets	4,069	4,181
Present value of scheme liabilities	(4,160)	(4,884)
	<u>(91)</u>	<u>(703)</u>

Reconciliation of fair value of employer assets

	2020	2019
	£000	£000
Opening fair value of employer assets	4,181	3,926
Expected Return on Assets	95	213
Contributions by Members	-	-
Contributions by the Employer	144	140
Actuarial Gains / (Losses)	(68)	-
Estimated Benefits Paid	(283)	(98)
Closing fair value	<u>4,069</u>	<u>4,181</u>

Reconciliation of defined benefit obligations

	2020	2019
	£000	£000
Opening defined benefit obligation	4,884	4,568
Current Service Cost	-	-
Expenses	4	4
Interest Cost	109	116
Contributions by members	-	-
Actuarial (Gains) / Losses	(554)	294
Estimated Benefits Paid	(283)	(98)
Closing defined benefit obligation	<u>4,160</u>	<u>4,884</u>

DRUMCHAPEL HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Analysis of amount charged to the Income and Expenditure Account

	2020 £000	2019 £000
Charged to operating costs:		
Service cost	-	-
Charged to Other Finance Costs / (Income)		
Expected Return on employer assets	(95,000)	(101,000)
Interest on pension scheme liabilities	109,000	116,000
	14,000	15,000
	109,000	116,000
Net Charge to the Income and Expenditure Account	14,000	15,000

Actuarial Gain / (Loss) recognised in the Statement of Recognised Gains and Losses

	2020 £000	2019 £000
Actuarial gain/(loss) recognised in year	486,000	(182,000)

25. EVENTS AFTER THE REPORTING DATE

Covid-19

The United Kingdom is currently being impacted by the Coronavirus pandemic (Covid-19). Most businesses and organisations throughout the economy have been affected and the Co-operative's operations are likely to be affected in the upcoming financial year. Although the Co-operative's strong financial position indicates that it is well placed to manage the impact on operations it continues to monitor the position and update its plans accordingly.