

EKARRO HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

FOR THE

YEAR ENDED 31ST MARCH 2017

Co-operative and Community Benefit Societies No. 22859R

Homes and Communities Agency No. C3098

EKARRO HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

| <u>Contents</u> | <u>Page</u> |
|---|-------------|
| Information | 1 |
| Report of the management committee | 2-5 |
| Auditor's report | 6 |
| Statement of comprehensive income | 7 |
| Statement of financial position | 8 |
| Statement of change in equity | 9 |
| Notes to the financial statements | 10-17 |
| Detailed income and expenditure account | 18-19 |

EKARRO HOUSING CO-OPERATIVE LIMITED

INFORMATION

Management Committee

Officers

| | |
|--------------------|------------|
| <i>Chairperson</i> | M Sullivan |
| <i>Secretary</i> | J Quinton |
| <i>Treasurer</i> | K Knaggs |

M Birch
D Buckley
N Cole
F Diamond
J Gordon
R Hartley
L Hunte
C Horan
B Nyamanzi
N Soloman-Barclay
S Upton
M Wells
S Whitehead

Director of Housing M Thomas

Bankers Unity Trust Plc
Brindley Place
4 Oozells Square
Birmingham B1 2HB

Auditors Appleby & Wood
40 The Lock Building
72 High Street
Stratford
London E15 2QB

| | | |
|------------|--|--|
| Solicitors | Maclay Murray Spens 10 Foster Lane London EC1V 6HR | Glazer Delmar 223-229 Rye Lane London SE15 4TZ |
|------------|--|--|

Registered Office 49a Guildford Road
London
SW8 2DT

Financial Conduct Authority
Co-operative and Community Benefit
Societies Registered No 22859R

Home and Communities Agency
Registered No. C3098

EKARRO HOUSING CO-OPERATIVE LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2017

The management committee present herewith the annual report together with the audited financial statements of the Co-operative for the year ended 31st March 2017

Principal Activity

The principal activity of the Co-operative continued to be the provision of Social Housing for low income households; who manage and fulfil all obligations through a volunteer Management Committee structure; with sub-committees to support specific obligations such as finance, maintenance and allocations of properties. We accept 'referrals' from Lambeth as part of our historical agreement with them, but work independently of them in all aspects of our operations and management.

Governance

The Co-operative is managed by a management committee with members elected at the Annual General Meeting or co-opted between general meetings

Results

The results for the year are set out in the annexed Income and Expenditure Account.

Turnover has increased during the year by £9,275 to £482,103 (2016: £472,828). The revenue reserve now stands at £386,309 (2016: £234,336). The management committee considered the Surplus for the year achieved on ordinary activities before taxation to be satisfactory.

Liquidity - The Co-operative is currently solvent and has two loans

Review of activities

Gas Servicing

A centralised spreadsheet is used to regularly monitor the gas servicing and gas cooker servicing. Ekarro has also employed Corgi consultants as a gas auditing consultant to advise the DOH and Committee on the standard of gas installation. During the course of the year eighteen domestic and two communal boilers were serviced.

Communal Boilers - Mondragon House

In June 2016 the communal boilers at Mondragon House were replaced with 3 new valiant boilers. The original boilers were over 30 years old. The electrical relays were also replaced. The new boilers have lower the heating costs and this will be reflected in reduced heating charges. Over the course of 2016/17 five domestic boilers were renewed in Ekarro properties.

Communal Door

The communal doors in flats 3-6 Barnabas Lodge were renewed in October 2016 along with the intercom and a magnetic locking system which is very secure. The communal doors for flat 1-2 Barnabus Lodge were overhauled and new intercoms were installed .

Gardens

In April 2016 the garden path at Mondragon House was replaced.

Pumps

Due to the water pressure issues two pumps were installed in properties within Ekarro House.

EKARRO HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH 2017

CONTINUED

Health and Safety

Bike Hangers

Following the recommendations of the fire risk assessment new bike hangers were installed in the communal hallway in Ekarro house in April 2016

Surveying

During the year a surveying company was employed to draw up the external feature of: Ekarro, Mondragon and Barnabas house in participation for roof works and window replacements.

Housing Management

As noted on Chics in April 2016, the Co-op arrears stood at £47,340 and as at 30th March 2017 they have reduced too £42,496 the total reduction being £4,844 or a fall of 10.2%. During the arrears day on Thursdays the staff are making weekly contact with residents to update them on their rent arrears and to agree repayment plans. NTQ are being served and court applications are now made when required.

Dynamics

The residents co-operative is affected by a number of external factors including:

- The level of rental income in accordance with the management agreement with the London Borough of Lambeth
- The demand for housing repairs on the estate
- The decision of the residents' ballot as to whether the Co-operative should continue.

The Management Committee and their interests

The members of the management committee during the year are detailed on page 1. All members of the Co-operative are entitled both to vote and stand for election to the committee.

The management committee are unpaid and are also members of the co-operative. Each committee member will have one share of £1.00 each in the Co-operative.

EKARRO HOUSING CO-OPERATIVE LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2017

CONTINUED

Risk Management

The committee's objective is to identify and manage those risks which are likely to occur, and if they did, would have a significant impact on the co-operative. The committee will utilise risk management techniques in all aspects of its operation and will integrate risk management as part of its culture. Annually, the residents co-operative will identify, prioritise and assess the risk that it is subject to. Procedures to control and monitor this risk will then be identified.

Code of Governance

The committee is reviewing the code of governance for housing co-operatives issued jointly by the Confederation of Co-operative Housing and the National Housing Federation with a view to proposing it for adoption by the members of the Co-operative.

Going Concern

The management committee has a reasonable expectation that the residents organisation has adequate resources to continue operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Value for money

The management committee has noted its responsibility under the 2015 Accounting Direction to report to stakeholders how it achieves value for money in delivering its propose and objectives. The committee hopes to include such a report in the coming year's report and financial statements.

Disclosure of information to auditors

So far as each committee member at the date of approval of this report is aware:

There is no relevant audit information of which the organisation's auditors are unaware; and the committee has taken all steps that they ought to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

A resolution will be proposed at the Annual General Meeting to re-appoint the auditors.

EKARRO HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH 2017

STATEMENT OF MANAGEMENT COMMITTEE RESPONSIBILITIES

The committee is responsible for preparing the financial statements in accordance with applicable laws and regulations.

Legislation requires the committee to prepare financial statements for each financial year end. Under that law the committee have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). The committee must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the organisation and of the surplus or deficit of the organisation for that period.

In preparing these financial statements we are required to:-

Select suitable accounting policies and then apply them consistently;

Make judgments and estimates that are reasonable and prudent;

State whether applicable accounting standards and statements of recommended practice have been followed and give details of any departures;

Prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the organisation will continue to exist.

The management committee is responsible for keeping proper accounting records which, at any time, disclose with reasonable accuracy the financial position of the residents organisation and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the Co-operative and to prevent and detect fraud and other irregularities.

The management committee is also responsible for the maintenance and integrity of the corporate and financial information included on the co-operative website. Legislation in the united Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. satisfactory system of control over the accounting records and transactions and for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the management committee on 8th December 2017 and signed on its behalf by:

J Quinton
Secretary



Dated: 8th December 2017

EKARRO HOUSING CO-OPERATIVE LIMITED

Independent Auditor's Report to the members of Ekarro Housing Co-operative Limited

We have audited the financial statements of Ekarro Housing Co-operative Limited for the year ended 31st March 2017 on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 83 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Co-operative's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Co-operative and the Co-operative's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the committee and auditors

As explained in the Statement of the Management Committees' Responsibilities on page 5, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Co-operative's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements.

In addition we read all the financial and non financial information contained in the management committee's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Co-operative's affairs as at 31st March 2017 and of its income and expenditure for the period then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2015.
- In our opinion the information given in the committee's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- a satisfactory system of internal 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; or
- we have not received all the information and explanations we need for our audit.

EKARRO HOUSING CO-OPERATIVE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31ST MARCH 2017

| | Note | 2017 £ | 2016 £ |
|--|------|--------------------|--------------------|
| Turnover | 1 | <u>482,103</u> | <u>472,828</u> |
| Cost of sales | | | |
| Estate costs | | (142,708) | (163,559) |
| Service costs | | (42,975) | (47,236) |
| | | <u>(185,683)</u> | <u>(210,795)</u> |
| Gross surplus | | <u>296,420</u> | <u>262,033</u> |
| Administrative expenditure | | | |
| Employment costs | | (71,285) | (71,447) |
| Administrative costs | | (39,851) | (46,495) |
| | | <u>(111,136)</u> | <u>(117,942)</u> |
| Other operating income | | 4,018 | 1,629 |
| Operating Surplus | | <u>189,302</u> | <u>145,720</u> |
| Interest receivable | | 253 | 1,330 |
| Interest payable | | (37,532) | (34,988) |
| Surplus on ordinary activities for the year before tax | 4 | 152,024 | 112,062 |
| Taxation on surplus on ordinary activities | 7 | (51) | (362) |
| Surplus for the year after tax | | <u>151,973</u> | <u>111,700</u> |
| Total comprehensive income for the year | | <u>151,973</u> | <u>111,700</u> |

NOTE

Details of Turnover, Estate costs, Service cost, Employment costs and Administrative costs are given in the Detailed Revenue Account on page 18 and 19

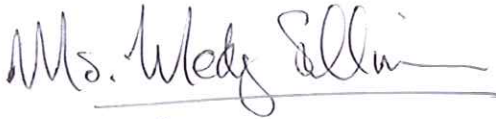

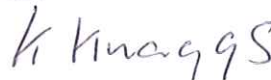
The notes on pages 9 to 17 form part of these financial statements.

EKARRO HOUSING CO-OPERATIVE LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2017

| | Note | 2017 | | 2016 | |
|--|------|------------|---------------|-------------|---------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible fixed assets | 9 | | 3,242,168 | | 3,268,231 |
| Current assets | | | | | |
| Debtors | 10 | 33,886 | | 42,955 | |
| Cash at bank and in hand | | 694,613 | | 577,637 | |
| | | 728,499 | | 620,592 | |
| Current liabilities: amounts falling due within one year | 11 | (89,350) | | (102,902) | |
| Net current assets | | | 639,149 | | 517,690 |
| | | | 3,881,317 | | 3,785,921 |
| Creditors: amounts falling due after more than one year | 12 | | (3,494,916) | | (3,551,493) |
| Total net assets | | | 386,401 | | 234,428 |
| Reserve | | | | | |
| Share capital | 13 | | 92 | | 92 |
| Income and expenditure reserve | 14 | | 386,309 | | 234,336 |
| Total Reserves | | | 386,401 | | 234,428 |

The financial statements were approved and authorised for issue by the Management Committee member on 8th December 2017 and signed on their behalf by:-

| | | |
|------------|-------------|--|
| M Sullivan | Chairperson |  |
| J Quinton | Secretary |  |
| K Knaggs | Treasurer |  |

The notes on pages 9 to 17 form part of these financial statements.

EKARRO HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2017

| | Share capital | Income and expenditure reserve | Total |
|----------------------------|------------------|--------------------------------------|----------------|
| | £ | £ | £ |
| As at 1st April 2016 | 92 | 234,336 | 234,428 |
| Surplus for the year | <u>-</u> | <u>151,973</u> | <u>151,973</u> |
| Total comprehensive income | 92 | 386,309 | 386,401 |
| As at 31st March 2017 | <u>92</u> | <u>386,309</u> | <u>386,401</u> |

EKARRO HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

I. Summary of significant accounting policies

a. General information and basis of preparation

Ekarro Road Housing Co-operative Limited is a registered society and a private registered provider of social housing in the United Kingdom. The address of the registered office is given in the Legal and Administrative information on page 1 of these financial statements.

The Co-operative constitutes a public benefit entity as defined by FRS 102.

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102) as amended in July 2015, the Statement of Recommended Practice for Social Housing Providers 2014 (the SORP), and with the Accounting Direction for private registered providers of social housing England 2015. The financial statements are also prepared under the requirements of the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. The financial statements have been prepared on a going concern basis under the historical cost convention.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated. The Co-operative adopted the 2014 SORP and FRS 102 in the previous year (2016). There were no transitional adjustments as a result of the adoption to FRS 102.

b. Tangible fixed assets

Tangible fixed assets (including social housing properties) are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended such as the cost of acquiring land and buildings, development costs, interest charges on loans during the development period and expenditure on improvements. Expenditure on improvements is only capitalised when it results in incremental future benefits such as increasing rental income, reducing maintenance costs or resulting in a significant extension of the useful economic life of the property.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

| | | |
|---------------------------------------|---|------------------------------|
| Land | - | Indefinite |
| Housing properties - structure | - | 100 years straight line |
| Housing properties - other components | - | 15 to 70 years straight line |
| Non-property plant and machinery | - | 10 years straight line |

Major components of housing properties, such as roofs, windows, boilers, have been accounted for and depreciated separately from the connected housing property, over their expected useful economic lives and are included in housing properties.

The useful economic lives of all tangible fixed assets are reviewed annually.

c. Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other administrative expenses.

d. Investments

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value through the statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably. Other investments are measured at cost less impairment.

EKARRO HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

e. Loans and borrowings

Loans and borrowing are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a financing transaction it is measured at present value.

f. Provisions

Provisions are recognised when the Committee of Management has an obligation at the Balance Sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

Provisions for cyclical maintenance or major works to existing stock are not made unless they represent commitments or obligations at the Balance Sheet date where there is no discretion to avoid or delay the expenditure.

The Co-operative provides against rent arrears for non-recovery on the following basis (subject to evidence to the contrary on individual balances):

| | | |
|---------------------------------------|---|------|
| Arrears (£0 - £399) | = | 0% |
| Arrears (£400 - £799) | = | 30% |
| Arrears (£800 - £1,399) | = | 50% |
| Arrears over £1,400 - £3,000) | = | 75% |
| Arrear over £3,000 and former tenants | = | 100% |

g. Leases

Assets acquired under finance leased are capitalised and depreciated over the shorter of the lease term and the expected useful life of the asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability using the effective interest method. The related obligation, net of future finance charges, are included in creditors.

Rentals payable and receivable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

h. Tax

The Co-operative is approved as fully mutual under Section 644 of the Corporation Taxes Act 2010 and so is not subject to corporation tax on its housing income. Tax is provided on investment income at the appropriate rate.

i. Turnover and other income

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids, revenue grants from the government (local authorities) and the Homes and Communities Agency, and the amortisation of social housing grants.

j. Government grants

Social housing grants can be claimed towards the cost of major works and have been received to finance the development of housing properties. These grants are recognised at the fair value of the asset received or receivable. As the assets are accounted for using the cost model then the government grant is accounted for using the accruals model. The fair value of the asset is recognised as a liability and amortised over the useful economic life of the asset. This amortisation is recognised within turnover.

Government grants received as a contribution to revenue expenditure are recognised in the Statement of Comprehensive Income on a systematic basis over the period in which the landlord recognises the related costs for which the grant is intended to compensate. The related expenditure is included under cost of sales. Grants are recognised in the same period as the related expenditure provided the conditions for receipt have been satisfied and there is reasonable assurance that the grant will be received.

k. Judgements and key sources of estimation uncertainty

No judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies which have a significant effect on amounts recognised in the financial statements.

There are no key sources of estimation uncertainty.

EKARRO HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

2. Social housing turnover and costs

| | 2017 | 2016 |
|--|----------------|----------------|
| | £ | £ |
| Rents receivable net of void losses | 376,422 | 371,314 |
| Service charges receivable | 58,636 | 55,429 |
| Leaseholders' charges | 2,127 | 1,167 |
| | <u>437,185</u> | <u>427,910</u> |
| Capital grants receivable | 44,918 | 44,918 |
| Total turnover | 482,103 | 472,828 |
| Social housing activity expenditure | (296,819) | (328,737) |
| Operating surplus from social housing activities | <u>185,284</u> | <u>144,091</u> |
| Net surplus from social housing activities | <u>185,284</u> | <u>144,091</u> |
| Void losses | <u>3,939</u> | <u>6,821</u> |

3. Social Housing Grant

The total accumulated amount of Social Housing Grant received or receivable at the date of the Statement of Financial Position, based upon properties owned at that date, was as follows:

| | 2017 | 2016 |
|---|------------------|------------------|
| | £ | £ |
| Recognised in the Statement of Comprehensive Income | 1,371,271 | 1,326,353 |
| Held as deferred income in Creditors | 3,120,552 | 3,165,470 |
| | <u>4,491,823</u> | <u>4,491,823</u> |

The Social Housing Grant is repayable under certain circumstances, primarily following a sale of a property, but will normally be restricted to net proceeds of sale.

4. Surplus on ordinary activities

Surplus on ordinary activities is stated after charging:

| | 2017 | 2016 |
|---------------------------------------|---------------|---------------|
| | £ | £ |
| Auditors' remuneration | 9,700 | 12,580 |
| Depreciation of tangible fixed assets | <u>72,407</u> | <u>67,890</u> |

5. Payments to Members, Committee of Management Members, and Officers

There were no fees, remuneration or expenses paid to Members, Committee of Management Members and Officers, except listed below.

| | 2017 | 2016 |
|--|--------------|--------------|
| | £ | £ |
| Expenses paid to Members of the Committee of Management who were not employees of the Co-operative | <u>1,787</u> | <u>1,120</u> |

All Members of the Committee of Management are tenants of the Co-operative. Their tenancies are on normal commercial terms and Committee of Management cannot use this position to their advantage. The Committee of Management considers that there are no key management personnel other than the Committee of Management itself.

EKARRO HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

6. Staff costs

| | 2017 | 2016 |
|-----------------------|---------------|---------------|
| | £ | £ |
| Wages and salaries | 64,983 | 62,515 |
| Pension cost | 1,066 | - |
| Social security costs | 1,729 | 5,651 |
| | <u>67,778</u> | <u>68,166</u> |

The average number of employees, including the Members of the Committee of Management, calculated on a full time equivalent was 3 employees (2016 - 3 employees)

There are no employees who received more than £60,000 as their employee package.

7. Taxation

| | 2017 | 2016 |
|-----------------|-----------|------------|
| | £ | £ |
| Tax on interest | <u>51</u> | <u>362</u> |

Ekarro Housing Co-operative Limited is a fully mutual housing Co-operative, approved under Section 644 of Corporation Taxes Act 2010 and therefore exempt from tax on property income. Tax is only charged on investment income.

8. Service costs and income.

| | 2017 | 2016 |
|---|---------------|---------------|
| | £ | £ |
| Direct service costs | 42,975 | 47,236 |
| Administrative costs at 15% of direct costs | 6,446 | 7,085 |
| | <u>49,421</u> | <u>54,321</u> |
| Service income | <u>58,636</u> | <u>55,429</u> |
| Surplus for the year | 9,215 | 1,108 |
| Less refund and voids | - | (984) |
| Service charge surplus brought forward | 196 | 72 |
| Service charge surplus carried forward | <u>9,411</u> | <u>196</u> |

EKARRO HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

9. Tangible fixed assets

| | Housing properties for letting £ | Plant and machinery £ | Total £ |
|--------------------------|---|-----------------------------|------------------|
| <u>Cost or valuation</u> | | | |
| At 1st April 2016 | 5,572,845 | 23,523 | 5,596,368 |
| Additions | 44,921 | 1,422 | 46,343 |
| Disposals | | (1,680) | (1,680) |
| At 31st March 2017 | <u>5,617,766</u> | <u>23,265</u> | <u>5,642,711</u> |
| <u>Depreciation</u> | | | |
| At 1st April 2016 | 2,308,124 | 20,013 | 2,328,137 |
| Charge for the year | 71,032 | 1,375 | 72,407 |
| Eliminated on disposals | - | (1,680) | (1,680) |
| At 31st March 2017 | <u>2,379,156</u> | <u>19,708</u> | <u>2,400,544</u> |
| <u>Net Book Value</u> | | | |
| At 31st March 2017 | <u>3,238,610</u> | <u>3,557</u> | <u>3,242,168</u> |
| At 1st April 2016 | <u>3,264,721</u> | <u>3,510</u> | <u>3,268,231</u> |

The net book value of housing properties comprised:

| | 2017 £ | 2016 £ |
|-------------------------|------------------|------------------|
| Land and buildings | | |
| Freehold | 2,611,840 | 2,637,951 |
| Long leasehold property | <u>626,770</u> | <u>626,770</u> |
| | <u>3,238,610</u> | <u>3,264,721</u> |

The long lease is for a period of 99 years from March 1983 and with a ground rent of £60 per annum.

The Co-operative holds the freehold to three flats leased for a period of 99 years from 17 February 2003 and, at 31 March 2016, 15% of the equity leaseholds. Because the remaining equity will be transferred to the leaseholders over the next 15 years at nil consideration the equity is considered not to have a value. The lease gives the right to collect ground rent at £10 per annual each and the freehold had been included in Land and Buildings at a total nominal value of £100.

Plant and machinery represents office equipment.

The housing units in management throughout the year and the previous year, and currently, are as follows:

| | |
|--|-----------|
| Ekarro House | 25 |
| 64 Vauxhall Grove | 3 |
| 5 Irving Grove | 1 |
| St Barnabas Lodge | 6 |
| 9, 21 Bonnington Square | 5 |
| Mondragon House | 11 |
| 37 Lorn Road | 1 |
| 2b Lorn Road | 3 |
| 10, 12 Groveway (including 3 flats leased) | 4 |
| | <u>59</u> |

EKARRO HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

10. Debtors

| | 2017 | 2016 |
|---|------------|------------|
| | £ | £ |
| Trade debtors (gross social housing rent arrears) | 42,496 | 47,340 |
| Less: provision for doubtful debt | (21,773) | (19,100) |
| Net rent arrears | 20,723 | 28,240 |
| Other debtors | 1,711 | 4,939 |
| Prepayments and accrued income | 11,452 | 9,776 |
| | 33,886 | 42,955 |

11. Creditors: Amounts falling due within one year

| | 2017 | 2016 |
|------------------------------------|--------|---------|
| | £ | £ |
| Bank loans | 11,901 | 11,299 |
| Trade creditors | 10,234 | 16,741 |
| Rents paid in advance | 12,276 | 9,639 |
| Pension | 186 | - |
| Other taxation and social security | - | 1,770 |
| Government grants | 44,918 | 44,918 |
| Accrual and deferred income | 9,784 | 18,269 |
| Corporation tax | 51 | 266 |
| | 89,350 | 102,902 |

Bank loans totalling £412,903(2016 - £422,240) are secured by the housing properties shown in Note 9.

The loans are repayable in equal instalments until various dates between 2017 and 2047 at rates of interest between 9.25% to 10.75%.

12. Creditors: amounts falling due after one year

| | 2017 | 2016 |
|-------------------|-----------|-----------|
| | £ | £ |
| Bank loans | 419,282 | 430,941 |
| Government grants | 3,075,634 | 3,120,552 |
| | 3,494,916 | 3,551,493 |

Bank loans include aggregate amounts £373,708 (2016 - £395,750) which fall due after 5 years and which are payable by instalments. The payment terms and interest rate of each creditor for which an amount falls due after 5 years are given in Note 11.

13. Share capital

| | 2017 | 2016 |
|---|-------|-------|
| | £ | £ |
| Shares of £1 each brought forward at 1st April | 92 | 92 |
| Shares issued during the year | 1 | 2 |
| Share capital cancelled | (1) | (2) |
| Shares of £1 each carried forward at 31st March | 92 | 92 |

All Members of the Co-operative have one share each in the Co-operative with voting rights at general meetings. Shares shall be neither withdrawable, nor transferable and carry no right to dividend, other benefits or a distribution on a winding up.

EKARRO HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

14. Income and expenditure reserve

| | Balance at 1st April 2016 | Surplus/ (deficit) for the year | Transfer between funds | Balance at 31st March 2017 |
|------------------|------------------------------|---------------------------------------|------------------------------|-------------------------------|
| | £ | £ | £ | £ |
| Major works | 95,000 | - | - | 95,000 |
| Property reserve | (342,989) | - | - | (342,989) |
| Cyclical repairs | 30,582 | - | - | 30,582 |
| Staffing reserve | 7,500 | - | - | 7,500 |
| General fund | 444,243 | 151,973 | - | 596,216 |
| | <u>234,336</u> | <u>151,973</u> | <u>-</u> | <u>386,309</u> |

The General fund is the balance of the income and expenditure reserve after deducting the designated funds. As explained below, the opening balance of the property reserve has been re-stated - the other opening balances are equivalent to the closing balances shown in the 2016 accounts.

Major works

This reserve has been established to meet the costs of major works within the properties, such as bathroom renewals, boiler replacements and other anticipated work.

Property reserve

The fund carried forward is equal to the net book value of the Co-operative's properties less the related mortgage and amortised social housing grants. This ensures that the Co-operative's general fund will be represented by easily realisable assets and not the cost of developments. Note that this results in a negative reserve because social housing grants are amortised over the 100-year estimated life of the properties' structures whereas a significant proportion of the components have a significantly shorter expected useful life. As a result social housing grant is being amortised less quickly than housing properties are being depreciated.

Under the previous SORP social housing grants were not amortised but instead deducted from the costs of housing properties and as a result the Property reserve, calculated as the net book value less mortgage loans was positive (£429,333 at 31.03.15). The opening balance has been restated using the new formula as above to be consistent with the 31.03.16 balance.

Cyclical repairs & planned maintenance

This reserve has been created to meet anticipated future costs.

Staffing reserve

This reserve was established to help meet anticipated costs of redundancy, recruitment and sickness costs as well as the introduction of pension auto-enrolment from November 2016. The reserve is reviewed by the Committee from time to time.

15. Financial instruments

At the Balance Sheet date the Co-operative held the following:

| | 2017 £ | 2016 £ |
|--|---------------|---------------|
| <u>Financial assets</u> | | |
| Debt instruments measured at amortised cost: | | |
| Trade debtors | 20,723 | 28,240 |
| Other debtors | 1,711 | 4,939 |
| Accrued income | 11,452 | 9,776 |
| | <u>33,886</u> | <u>42,955</u> |
| <u>Financial liabilities</u> | | |
| Measured at amortised costs: | | |
| Trade creditors | 10,234 | 16,741 |
| Other creditors | 12,276 | 9,639 |
| Accruals | 9,784 | 18,269 |
| Other taxation and social security, pension | 186 | 1,770 |
| | <u>32,480</u> | <u>46,419</u> |

EKARRO HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

16. Statement of total recognised gains and losses

The retained surplus for the year was the only recognised gain or loss in the year.

17. Historical cost profit and loss

All assets are stated in the financial statements at historical cost. Therefore, no adjustments are required to the reported deficit which is stated on an unmodified historical cost basis.

18. Related party transaction

There were no fees, remuneration or expenses paid to members. The co-operative spent £ 1,787 (2016: £1,120) on its committee training & conference expenses.

19. Ultimate controlling party

Whilst the residents organisation is controlled by its members, it is wholly dependant on income from the London Borough of Lambeth.

20. Pension

The Co-operative's made contributions in the year to the employee's pension scheme on a fixed contribution basis. The assets of the scheme are held separately from the Co-operative in an independently administered fund, operated by NEST. The pension costs represents the 1% contribution payable for the year by the Co-operative to the scheme which is open to all employees.

EKARRO HOUSING CO-OPERATIVE LIMITED

Detailed Income and expenditure account

FOR THE YEAR ENDED 31ST MARCH 2017

| | 2017 | | 2016 | |
|------------------------------------|-------------------|----------------|-------------------|----------------|
| | £ | £ | £ | £ |
| Turnover | | | | |
| Rental income | | | | |
| Gross Rent receivable | 380,361 | | 378,135 | |
| Service charges receivable | 58,636 | | 55,429 | |
| Less: Void losses | (3,939) | | (6,821) | |
| Leaseholder charges | 2,127 | | 1,167 | |
| | <u> </u> | 437,185 | <u> </u> | 427,910 |
| Other income | | | | |
| Capital grants | 44,918 | | 44,918 | |
| | <u> </u> | 44,918 | <u> </u> | 44,918 |
| | | <u>482,103</u> | | <u>472,828</u> |
| Expenditure | | | | |
| Estate Costs | | | | |
| Routine maintenance | 36,565 | | 61,690 | |
| Legal & professional fees | 6,834 | | 4,113 | |
| Ground rent & rates | 1,145 | | 60 | |
| Voids maintenance | 12,978 | | 14,187 | |
| Major repairs | - | | 9,554 | |
| Bad debts provision | 2,673 | | (5,035) | |
| Bad debts write off | 219 | | - | |
| Leaseholders expenses | 1,044 | | 1,010 | |
| Insurance | 10,217 | | 10,090 | |
| Depreciation - Housing properties | 71,032 | | 67,890 | |
| | <u> </u> | 142,708 | <u> </u> | 163,559 |
| Service Costs | | | | |
| Depreciation - Plant and machinery | 1,375 | | 1,107 | |
| Laundry | 337 | | 2,072 | |
| Light & heat | 25,369 | | 26,879 | |
| Window and bin cleaning | 5,531 | | 4,038 | |
| Pest control | 2,346 | | 5,437 | |
| CCTV | 295 | | 294 | |
| Fire system maintenance | 2,483 | | 2,681 | |
| Gardening | 4,158 | | 4,069 | |
| Other costs | 1,080 | | 659 | |
| | <u> </u> | 42,975 | <u> </u> | 47,236 |
| Employment costs | | | | |
| Employee costs | 67,778 | | 68,166 | |
| H R Consultancy | 2,673 | | - | |
| Recruitment | 834 | | 3,281 | |
| | <u> </u> | 71,285 | <u> </u> | 71,447 |
| Administrative costs | | | | |
| Postage, printing and stationery | 4,338 | | 3835 | |
| Subscriptions | 3,888 | | 3073 | |
| Training | 820 | | 6417 | |
| Computer supplies and repairs | 6,008 | | 0 | |
| Other office expenditure | 3,254 | | 4885 | |
| Audit fees | 9,700 | | 12580 | |
| Office equipment | 1,911 | | 2060 | |
| Bank charges | 663 | | 1479 | |
| Telephone | 1,347 | | 1989 | |
| Consultancy fees | 6,739 | | 8616 | |
| Other expenses | 1,182 | | 1561 | |
| | <u> </u> | 39,851 | <u> </u> | 46,495 |
| Total operation costs | | <u>296,819</u> | | <u>328,737</u> |

EKARRO HOUSING CO-OPERATIVE LIMITED
Detailed Income and expenditure account
FOR THE YEAR ENDED 31ST MARCH 2017

| | 2017 | | 2016 | |
|--|-------|------------|-------|------------|
| | £ | £ | £ | £ |
| Other operating income | | | | |
| Other income | 4,018 | 4,018 | 1,629 | 1,629 |
| Operating surplus | | 189,302 | | 145,720 |
| Interest receivable and similar income | | 253 | | 1,330 |
| Interest payable and similar charges | | (37,532) | | (34,988) |
| Surplus on ordinary activities for the year before tax | | 152,024 | | 112,062 |
| Tax on surplus of ordinary activities | | (51) | | (362) |
| Surplus for the year after tax | | 151,973 | | 111,700 |

