

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2015**

**Register of Friendly Societies No. 2439R(S)**

**Registered Housing Association No. HAC 271**

**Charity No. SC045344**

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

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2015**

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS**

**Committee of Management**

Alan Thomson	(Chairperson)
Jamie Bell	(Vice Chairperson)
William Muir	(Secretary)
Bernadette Harper	(Treasurer)
John Burton	
Charles Millar	
David Hemmings	
Ann Gardiner	
Ian McFarlane	(resigned September 2014)
Margaret Fraser	
Edyta Juroczyk	(appointed October 2014)

**Executive Officers**

John Mulholland (Director)  
Catherine Brien (Depute Director)

**Registered Office**

79 Kinloch Drive  
Forgewood  
MOTHERWELL

**Auditors**

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

**Bankers**

Bank of Scotland  
32 Brandon Parade South  
Motherwell

Clydesdale Bank plc  
43 Hamilton Road  
Motherwell

Nationwide Building Society  
Caledonia House, Carnegie Avenue  
Dunfermline

**Solicitors**

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

**Financial Consultants**

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

**REPORT OF THE MANAGEMENT COMMITTEE****FOR THE YEAR ENDED 31 MARCH 2015**

The Management Committee presents its report and the audited financial statements for the year ended 31 March 2015.

**Legal Status**

The Co-operative is registered as a non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014, registered number 2439R(S). The Co-operative is constituted under its rule book.

The Co-operative achieved charitable status during the year to 31st March 2015.

**Principal Activities**

The principal activities of the Co-operative are to provide good quality, affordable rented accommodation for those in housing need.

**Results**

The Management Committee is of the opinion that the state of affairs of the Co-operative is satisfactory. The surplus for the year after taxation was £24,057 (2014 – £49,350). A transfer of £88,416 was made from designated reserves (2014 – £nil). Net Assets at 31 March 2015 were £3,251,774 (2014 - £2,668,239).

**Changes in Fixed Assets**

Details of Fixed Assets are set out in note 10.

**Management Committee and Executive Officers**

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

**Statement of Management Committee's Responsibilities**

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

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

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Co-operative and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Scottish Housing Regulator Determination of Accounting Requirements (April 2012) and the Statement of Recommended Practice for Registered Social Landlords (SORP 2010). They are also responsible for safeguarding the assets of the Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Committee confirms that the financial statements comply with the above requirements.

**REPORT OF THE MANAGEMENT COMMITTEE**

**FOR THE YEAR ENDED 31 MARCH 2015 (Continued)**

In so far as the Management Committee is aware:

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

**Related Party Transactions**

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

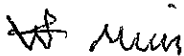
**Charitable Status**

The Co-operative obtained charitable status on 13 January 2015.

**Auditors**

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

By Order of the Management Committee



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William Muir  
SECRETARY

Date: 15/09/2015

**COMMITTEE OF MANAGEMENT'S STATEMENT OF INTERNAL FINANCIAL CONTROL****FOR THE YEAR ENDED 31 MARCH 2015 (Continued)**

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

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

It is the governing body's responsibility to establish and maintain the 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 Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key system and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the governing body to monitor the key business risks, financial objectives and 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, authorized and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorization procedures, through the governing body;
- the Audit Committee/Governing Body received reports from management and from external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The governing body has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31st March 2015. No weaknesses were found in 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.

**AUDITOR'S REPORT ON CORPORATE GOVERNANCE MATTERS**

**FOR THE YEAR ENDED 31 MARCH 2015 (Continued)**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

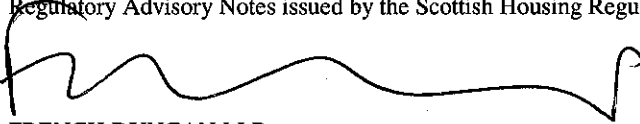
**Basis of Opinion**

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

**Opinion**

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the relevant Regulatory Standards within the Publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



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

Date: 24/09/2015

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS  
FOR THE YEAR ENDED 31ST MARCH 2015**

We have audited the financial statements of Forgewood Housing Co-operative Limited for the year ended 31 March 2015 on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Co-operative's members as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Co-operative's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Co-operative and the Co-operative's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Management Committee and auditors**

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

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

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

**Opinion on financial statements**

In our opinion, the Financial Statements

- give a true and fair view of the state of the Co-operatives's affairs as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Scottish Housing Regulator Determination of Accounting Requirements (April 2012).

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

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

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



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

Date: 24/09/2015



## INCOME AND EXPENDITURE ACCOUNT

## FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £	2014 £
<b>TURNOVER</b>	2	755,798	714,420
Operating costs	2	<u>(690,993)</u>	<u>(623,837)</u>
<b>OPERATING SURPLUS</b>	7	<b>64,805</b>	90,583
Loss on sale of properties		(3,816)	(3,195)
Interest receivable and other income		228	414
Interest payable	8	<u>(37,160)</u>	<u>(38,452)</u>
<b>TOTAL SURPLUS FOR YEAR BEFORE TAXATION</b>		<b>24,057</b>	49,350
Tax on surplus on ordinary activities	9	<u>-</u>	<u>-</u>
<b>SURPLUS FOR YEAR</b>		<b><u>24,057</u></b>	<b><u>49,350</u></b>

The results for the year relate wholly to continuing activities.

## STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

## FOR THE YEAR ENDED 31 MARCH 2015

	2015 £	2014 £
Surplus for the financial year	24,057	49,350
Release from revaluation reserve	24,073	19,676
Unrealised gain on revalued properties	<u>559,479</u>	<u>-</u>
Total recognised surpluses and deficits relating to the year	<b><u>607,609</u></b>	<b><u>69,026</u></b>

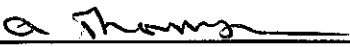
The notes on pages 10 to 25 form part of these financial statements

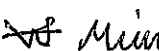
## BALANCE SHEET AS AT 31 MARCH 2015

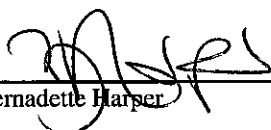
	Notes	2015 £	2014 £
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties	10	13,857,095	13,447,672
Less: Social housing, other grants and depreciation		<u>(9,159,552)</u>	<u>(9,340,949)</u>
Other fixed assets	10	4,697,543	4,106,723
	10	<u>157,829</u>	<u>164,406</u>
		<u>4,855,372</u>	<u>4,271,129</u>
<b>INVESTMENTS</b>			
		<u>1</u>	<u>1</u>
<b>CURRENT ASSETS</b>			
Debtors	11	65,573	109,527
Cash at bank and in hand		<u>622,196</u>	<u>483,780</u>
		687,769	593,307
<b>CURRENT LIABILITIES</b>			
Creditors: Amounts falling due within one year	12	<u>(614,959)</u>	<u>(450,278)</u>
<b>NET CURRENT ASSETS</b>			
		<u>72,810</u>	<u>143,029</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Creditors: Amounts falling due after one year	13	<u>(1,676,409)</u>	<u>(1,745,920)</u>
		<u>3,251,774</u>	<u>2,668,239</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	158	159
Designated reserves	15	-	88,416
Revaluation reserve	16	2,741,406	2,206,000
Revenue reserves	17	<u>510,210</u>	<u>373,664</u>
		<u>3,251,774</u>	<u>2,668,239</u>

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

15/09/2015

  
Alan Thomson CHAIRPERSON

  
William Muir SECRETARY

  
Bernadette Harper TREASURER

## STATEMENT OF CASH FLOW

FOR THE YEAR TO 31 MARCH 2015

	Notes	2015 £	2014 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	18	<u>363,739</u>	<u>208,896</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		228	414
Interest paid		<u>(37,160)</u>	<u>(38,452)</u>
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>(36,932)</u>	<u>(38,038)</u>
<b>TAXATION</b>			
Tax paid		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
<b>CAPITAL EXPENDITURE</b>			
Cash paid for development, construction and purchase of housing		(132,255)	(54,756)
Cash paid for purchase of other fixed assets		(183,027)	-
Social Housing Grant received		202,107	13,668
Other grants received		-	29,700
Net proceeds on disposal of housing properties		<u>-</u>	<u>-</u>
		<u>(113,175)</u>	<u>(11,388)</u>
<b>NET CASH INFLOW BEFORE FINANCING</b>		<u>213,632</u>	<u>159,470</u>
<b>FINANCING</b>			
Loan finance received		-	-
Loans repaid		(68,114)	(66,743)
Shares issued		<u>-</u>	<u>2</u>
		<u>(68,114)</u>	<u>(66,741)</u>
<b>INCREASE/(DECREASE) IN CASH</b>	19	<u><u>145,518</u></u>	<u><u>92,729</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2015

**1. ACCOUNTING POLICIES**

The Co-operative is registered as a non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014.

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice 2010 and comply with the Scottish Housing Regulator Determination of Accounting Requirements (April 2012).

The principal accounting policies are set out below.

**a) Basis of accounting**

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

**b) Turnover**

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

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

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

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

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

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

**e) Depreciation - Housing Properties**

The Co-operative adopted component accounting during the financial year to 31 March 2012. Properties other than heritable land are depreciated in accordance with FRS15 at rates calculated to reduce the net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Heritable land is not depreciated. The estimated useful lives of the assets and components are shown in the table below:

Boilers	12 years	Kitchens	15 years
Bathrooms	20 years	Heating Systems	24 years
Windows	30 years	Roofs	40 years
Structure	100 years		

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

## 1. ACCOUNTING POLICIES (Continued)

## f) Depreciation - Other Fixed Assets

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

Office premises	-	2% straight line
Office furniture and equipment	-	25% straight line

## g) Capitalisation of Interest

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

## h) Development Administration

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

## i) Cyclical Repairs

The costs of cyclical repairs are charged to the Income and Expenditure Account in the year in which they are incurred.

## j) Designated Reserves

Planned Maintenance

The reserve is based on the Co-operative's liability to maintain the properties in accordance with a planned programme of works, provided it will not be met from revenue in the year in which it is incurred.

## k) Pensions

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

## l) Leases

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

## 2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover £	Operating Costs £	2015 Operating Surplus £	2014 Operating Surplus £
Social lettings	3	<u>723,452</u>	<u>(650,476)</u>	<u>72,976</u>	<u>118,034</u>
Other activities	4	<u>32,346</u>	<u>(40,517)</u>	<u>(8,171)</u>	<u>(27,451)</u>
Total		<u>755,798</u>	<u>(690,993)</u>	<u>64,805</u>	<u>90,583</u>
Total for previous period of account		<u>714,420</u>	<u>(623,837)</u>	<u>90,583</u>	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Housing £	Other £	2015 Total £	2014 Total £
Rent receivable net of service charges	722,905	-	1,277	-	724,182	699,883
Service charges	-	-	-	-	-	-
Gross income from rents and service charges	722,905	-	1,277	-	724,182	699,883
Less voids	(730)	-	-	-	(730)	(466)
Net income from rents and service charges	722,175	-	1,277	-	723,452	699,417
Grants from the Scottish Ministers	-	-	-	-	-	-
Other revenue grants	-	-	-	-	-	-
Total turnover from social letting activities	722,175	-	1,277	-	723,452	699,417
Management and maintenance administration costs	427,904	-	1,277	-	429,181	396,559
Service costs	-	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	47,742	-	-	-	47,742	34,998
Reactive maintenance costs	95,536	-	-	-	95,536	85,648
Bad debts - rents and service charges	-	-	-	-	-	-
Depreciation of social housing	78,017	-	-	-	78,017	64,178
Impairment of social housing	-	-	-	-	-	-
Operating costs for social letting activities	649,199	-	1,277	-	650,476	581,383
Operating surplus for social lettings	72,976	-	-	-	72,976	118,034
Operating surplus for social letting for previous period of account	118,034	-	-	-	118,034	

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

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

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover - bad debts £	Operating costs £	Other operating costs £	Operating surplus/(deficit) £	Operating surplus/(deficit) for previous period of account £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	8,616	(8,616)	(7,681)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	32,345	32,345	-	31,901	444	(19,773)
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities - Forfeited shares	-	-	-	1	1	-	-	1	3
Total from other activities	-	-	-	32,346	32,346	-	40,517	(8,171)	(27,451)
Total from other activities for the previous period of account	-	-	-	15,003	15,003	-	42,454	(27,451)	



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

## 5. DIRECTORS' EMOLUMENTS

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

	2015 £	2014 £
Total Emoluments (including pension contributions and benefits in kind)	<u>73,366</u>	<u>70,606</u>
Emoluments of highest paid director (excluding pension contributions)	<u>65,929</u>	<u>64,203</u>
	<b>Number</b>	<b>Number</b>
Greater than £60,000	<u>1</u>	<u>1</u>

The highest paid director is an ordinary member of the Co-operative's pension scheme described in note 23. No enhanced or special terms apply to memberships and there are no other pension arrangements to which the Co-operative contribute. The Co-operative's contributions for the director in the year amounted to £7,437 (2014 - £6,403).

	£	£
Total expenses re-imbursed insofar as not chargeable to income tax		
Management Committee	<u>2,773</u>	<u>3,194</u>

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

## 6. EMPLOYEES

	Number	Number
Average full time equivalent weekly numbers of persons employed during the year:	<u>6</u>	<u>6</u>
Staff Costs:		
	£	£
Wages and Salaries	214,139	202,551
Social Security Costs	21,845	20,432
Pension Contributions	<u>54,021</u>	<u>33,355</u>
	<u>290,005</u>	<u>256,338</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

## 7. OPERATING SURPLUS

	2015	2014
	£	£
Operating surplus is stated after charging:-		
Depreciation	84,594	70,755
Loss on disposal of fixed assets	3,816	3,195
Auditors remuneration - Audit Services	5,708	8,302
Operating lease rentals - plant and machinery	<u>3,970</u>	<u>8,989</u>

## 8. INTEREST PAYABLE

On Bank Loans and Overdrafts	<u>37,160</u>	<u>38,452</u>
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## 9. TAXATION

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

## 10. TANGIBLE FIXED ASSETS

	Properties Held for Letting £	Properties Under Construction £	Completed Shared Ownership Properties £	Total £
<b>Cost or Valuation</b>				
At 1 April 2014	13,419,968	-	27,704	13,447,672
Additions	132,255	-	-	132,255
Disposals	(28,047)	-	-	(28,047)
Revaluation	305,215	-	-	305,215
At 31 March 2015	<u>13,829,391</u>	-	<u>27,704</u>	<u>13,857,095</u>
<b>Social Housing Grant</b>				
At 1 April 2014	9,033,343	-	23,642	9,056,985
Additions	19,081	-	-	19,081
Disposals	(22,733)	-	-	(22,733)
At 31 March 2015	<u>9,029,691</u>	-	<u>23,642</u>	<u>9,053,333</u>
<b>Other Grant</b>				
At 1 April 2014	29,700	-	-	29,700
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 March 2015	<u>29,700</u>	-	-	<u>29,700</u>
<b>Depreciation</b>				
At 1 April 2014	254,264	-	-	254,264
Provided during year	78,017	-	-	78,017
Disposals	(1,498)	-	-	(1,498)
On revaluation	(254,264)	-	-	(254,264)
At 31 March 2015	<u>76,519</u>	-	-	<u>76,519</u>
<b>Net Book Value at 31 March 2015</b>	<u>4,693,481</u>	-	<u>4,062</u>	<u>4,697,543</u>
<b>Net Book Value at 31 March 2014</b>	<u>4,102,661</u>	-	<u>4,062</u>	<u>4,106,723</u>

On 31 March 2015 the properties held for letting were revalued by JLL Chartered Surveyors on the Existing Use Value – Social Housing basis.

On the historical cost basis, the property at 31 March 2015 would have been included at a cost of £11,556,591 (2014 - £11,452,383) less Social Housing Grant and depreciation of £9,625,763 (2014 - £9,575,471).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

## 10. TANGIBLE FIXED ASSETS

	Community Hub £	Office Premises £	Office Furniture and Equipment £	Total £
<b>Cost</b>				
At 1 April 2014	-	216,204	64,377	280,581
Additions	183,027	-	-	183,027
Revaluation	-	-	-	-
Disposals	-	-	-	-
At 31 March 2015	<u>183,027</u>	<u>216,204</u>	<u>64,377</u>	<u>463,608</u>
<b>Social Housing Grant</b>				
At 1 April 2014	-	-	-	-
Additions	183,026	-	-	183,026
Disposals	-	-	-	-
At 31 March 2015	<u>183,026</u>	<u>-</u>	<u>-</u>	<u>183,026</u>
<b>Depreciation</b>				
At 1 April 2014	-	56,689	59,487	116,176
Charge for the year	-	4,234	2,343	6,577
Disposals	-	-	-	-
At 31 March 2015	<u>-</u>	<u>60,923</u>	<u>61,830</u>	<u>122,753</u>
<b>Net Book Value at 31 March 2015</b>	<u>1</u>	<u>155,281</u>	<u>2,547</u>	<u>157,829</u>
<b>Net Book Value at 31 March 2014</b>	<u>-</u>	<u>159,515</u>	<u>4,891</u>	<u>164,406</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

## 11. DEBTORS

	2015	2014
	£	£
Amounts falling due within one year:		
Rent arrears	21,885	23,914
Prepayments and accrued income	2,039	5,541
Other Debtors	<u>41,649</u>	<u>80,072</u>
	<u>65,573</u>	<u>109,527</u>

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

Bank overdraft	-	7,102
Housing loans	67,323	65,927
Corporation tax	-	-
Other taxes and social security	7,118	6,322
Other creditors	490,354	328,911
Accruals and deferred income	<u>50,164</u>	<u>42,016</u>
	<u>614,959</u>	<u>450,278</u>

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

Housing loans:-		
Due between one and two years	68,827	67,401
Due between two and five years	215,850	211,375
Due after five years	<u>1,391,732</u>	<u>1,467,144</u>
	<u>1,676,409</u>	<u>1,745,920</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

**14. SHARE CAPITAL**

	2015 £	2014 £
Shares of £1 each, fully paid and issued		
Allotted, issued and fully paid at 1 April 2014	159	160
Issued during the year	-	2
Forfeited during the year	<u>(1)</u>	<u>(3)</u>
At 31 March 2015	<u>158</u>	<u>159</u>

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

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

At 31 March 2015, shares issued were split as follows:

	No	No
Active members	<u>158</u>	<u>159</u>

**15. DESIGNATED RESERVES**

<b>Planned Maintenance</b>	2015 £
Balance at 1 April 2014	88,416
Transferred in year	<u>(88,416)</u>
Balance at 31 March 2015	<u>-</u>

**16. REVALUATION RESERVE**

	2015 £
Balance at 1 April 2014	2,206,000
Movement on depreciation	(24,073)
Movement on revaluation	<u>559,479</u>
Balance at 31 March 2015	<u>2,741,406</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

## 17. REVENUE RESERVE

	2015 £
Balance at 1 April 2014	373,664
Surplus for the year	24,057
Release from revaluation reserve	24,073
Transferred in year	<u>88,416</u>
Balance at 31 March 2015	<u><u>510,210</u></u>

18. RECONCILIATION OF OPERATING SURPLUS  
TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 £	2014 £
OPERATING SURPLUS FOR THE YEAR	64,805	90,583
Depreciation	84,594	70,755
Forfeited shares	(1)	(3)
Decrease/(Increase) in debtors	43,954	22,184
Increase/(Decrease) in creditors	<u>170,387</u>	<u>25,377</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u><u>363,739</u></u>	<u><u>208,896</u></u>

19. RECONCILIATION OF NET CASHFLOW  
TO MOVEMENT IN NET DEBT

Increase/(Decrease) in cash in year	145,518	92,729
Loan repayments	68,115	66,743
Loans received	-	-
Change in net debt	<u>213,633</u>	<u>159,472</u>
Net debt at 1 April 2014	<u>(1,335,169)</u>	<u>(1,494,641)</u>
Net debt at 31 March 2015	<u><u>(1,121,536)</u></u>	<u><u>(1,335,169)</u></u>

## 20. ANALYSIS OF CHANGES IN NET DEBT

	As at 1 April 2014 £	Cash Flow £	Other Changes £	As at 31 March 2015 £
Cash at bank and in hand	483,780	138,416	-	622,196
Bank overdraft	(7,102)	7,102	-	-
	<u>476,678</u>	<u>145,518</u>	<u>-</u>	<u>622,196</u>
Debt due within 1 year	(65,927)	-	(1,396)	(67,323)
Debt due after 1 year	<u>(1,745,920)</u>	<u>68,115</u>	<u>1,396</u>	<u>(1,676,409)</u>
	<u><u>(1,335,169)</u></u>	<u><u>213,633</u></u>	<u><u>-</u></u>	<u><u>(1,121,536)</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

## 21 CAPITAL COMMITMENTS

	2015 £	2014 £
Expenditure contracted less paid and certified	<u>1,983,214</u>	<u>-</u>

## 22. HOUSING STOCK

	2015 No	2014 No
The number of units of accommodation in management at the year end was:		
General needs		
- new build	73	73
- rehabilitation	141	141
Supported housing	2	2
Shared ownership	<u>1</u>	<u>1</u>
	<u>217</u>	<u>217</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

**23. PENSION OBLIGATIONS**

Forgewood Housing Co-operative Limited (the "Co-operative") participates in the Scottish Housing Associations' 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.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

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

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

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

The Co-operative has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for Forgewood Housing Co-operative Limited was £1,165,806.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

## 23. PENSION OBLIGATIONS (Continued)

The Scheme offers five benefit structures to employers, namely:

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

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

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

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

As at the balance sheet date there were 5 active members of the Scheme employed by the Co-operative. The annual pensionable payroll in respect of these members was £173,166.

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

## 23. PENSION OBLIGATIONS (Continued)

Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

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

The pension cost charge of £54,021 (2014: £33,355) represents amounts paid by the Co-operative to this scheme during the year.

The Co-operative's Director is an ordinary member of the pension scheme and no enhanced or special terms apply. The Director does not have an individual pension arrangement. The Co-operative paid £7,437 (2014: £6,403) of contributions towards the Director's pension in the year.

## 24. RELATED PARTY TRANSACTIONS

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

During the year the Co-operative charged Bridges Housing Association Ltd, a company in which the Co-operative owns 50% of the share capital, £20,000 for agency services. The Co-operative also paid expenses on behalf of Bridges Housing Association Ltd of £9,274. During the year Bridges Housing Association Ltd paid £54,172 to the Co-operative. The balance owed by Bridges Housing Association Ltd to the Co-operative at 31 March 2015 was £Nil (2014 - £24,899).

## 25. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2015, the Co-operative had annual commitments under non-cancellable operating leases as set out

	2015		2014	
	Land & <u>Building</u>	Other <u>Assets</u>	Land & <u>Building</u>	Other <u>Assets</u>
	£	£	£	£
Operating leases which expire:-				
Within 2 - 5 years	-	<u>4,227</u>	-	<u>4,227</u>