

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Registered Housing Association Number: HAC271
Charity Registration Number: SC045344
FCA Reference Number: 2439R (S)

FORGEWOOD HOUSING CO-OPERATIVE LIMITED

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**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2018**

MEMBERS OF THE MANAGEMENT COMMITTEE

| | | |
|-------------------|--------------------|----------------------------|
| Alan Thomson | (Chairperson) | |
| Charlie Millar | (Vice Chairperson) | |
| William Muir | (Secretary) | |
| Jamie Bell | (Treasurer) | |
| John Burton | | |
| Bernadette Harper | | (Resigned 30 August 2017) |
| James Barr | | |
| David Hemmings | | |
| Paul Bartchya | | (Resigned 14 June 2017) |
| Callum Boughey | | |
| Anne Millar | | (Resigned 30 August 2017) |
| Marina Johnstone | | (Co-opted 24 January 2018) |
| Alex Tweedie | | (Co-opted 18 April 2018) |

EXECUTIVE OFFICERS

| | | |
|-----------------|--------------------|--------------------------|
| John Mulholland | (Director) | (Resigned 31 March 2018) |
| Cathy Brien | (Interim Director) | (Appointed 1 April 2018) |

REGISTERED OFFICE

49 Dinmont Crescent
Forgewood
Motherwell
ML1 3TT

AUDITORS

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

BANKERS

| | |
|--|--|
| Bank of Scotland 32 Brandon Parade South Motherwell ML1 1LY | Nationwide Building Society Caledonia House, Carnegie Avenue Dunfermline KY11 8PE |
|--|--|

SOLICITORS

Harper Macleod LLP
The Ca' d'oro
45 Gordon Street
Glasgow
G1 3PE

FINANCIAL CONSULTANTS

A.C. Davidson Co.
Dunskaithe Place
Glasgow
G34 0AZ

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2018**

The Management Committee presents their report and the audited Financial Statements for the year ended 31 March 2018.

Legal Status

The Co-Operative is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No. 2439R (S). The Co-Operative is governed under its Rule Book. The Co-Operative is a Registered Scottish Charity with the charity number SC045344.

Principal Activities

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

Review of business and future developments

Current Year

The Committee is satisfied with the Co-operative's performance during the year. The surplus for the year, before the pension re-measurement and tax was £62,815 (2017 - £64,313).

The Co-operative's net current assets at 31 March 2018 were £321,978 (2017- £258,178).

Forgewood Housing Co-operative is in a reasonable financial position. Loan facilities continue to be available to it if required. Forgewood Housing Co-operative has built on its reserves and have provided sufficient funds to meet our commitments under the Scottish Housing Quality Standard and the EESSH.

Notifiable Event

In December 2017 Forgewood Housing Co-operative advised the Scottish Housing Regulator (SHR) that the Director (John Mulholland) was due to leave the organisation by the end of March 2018. The SHR has been engaging with the Co-operative as it has been considering options resulting from this senior management change.

The regulator has asked Forgewood Housing Co-operative to undertake an independent strategic options appraisal and consider the results of this before deciding how to move forward. The Co-operative has been working with an external consultancy firm on the options appraisal and is sharing outcomes with the Regulator.

As a result, the SHR have changed the engagement level from low to medium with the Co-operative as it carries out the options appraisal.

The Future

The Co-operative plans to continue to provide good quality, affordable accommodation and take advantage of opportunities as they present themselves.

Risk Management, Strategy and Objectives

At the Co-operative's Business Planning Day in November 2017 the Management committee and staff considered the current and future issues in our external operating environment and what implications they might have for the organisation. We also looked internally at our strengths and weaknesses and considered how these can, as appropriate, be built upon and/or improved. Finally, we reviewed the risks we face and consider how best to address these in terms of being able to avoid, mitigate or manage each key risk. The aim was to align the organisation to the changing environment to manage threats and take advantage of opportunities that further our Strategic Objectives below:

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2018**

- Objective 1 We will conduct ourselves in an open and accountable manner, displaying high standards of corporate governance and financial control.
- Objective 2 We will perform to the best of our abilities as a landlord to deliver excellent services in consultation with tenants and stakeholders on how our performance can be continually improved.
- Objective 3 We will provide quality homes in an attractive environment.
- Objective 4 We will seek to improve our financial strength and deliver value for money through continuous staff sharing arrangements with Garrion People's Housing Co-operative.
- Objective 5 Develop our leadership and staff.
- Objective 6 Continue our role as a community anchor by providing services and improving our communities to grow and thrive.

Governance

Forgewood Housing Co-operative has a Management Committee who are elected by the members of the Co-operative. It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction of the organisation. They also monitor the operational activities of the Co-operative. The members of the committee are unpaid and serve in a voluntary capacity. We take Governance very seriously and continue to build and strengthen our Governance arrangements through Committee training and development on a continuous basis.

Committee of Management and Executive Officers

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

Auditors

A resolution to re-appoint the auditors, French Duncan LLP, Chartered Accountants, will be proposed at the Annual General Meeting.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2018**

Statement of Management Committee's responsibilities

The Co-operative and Community Benefit Societies Act 2014 require 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:-

- Select suitable accounting policies and then apply them consistently;
- Make judgments 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 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 and the Determination of Accounting Requirements - 2014. 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. It is also responsible for ensuring the Co-Operative's suppliers are paid promptly.

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

In so far as the Management Committee are 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 Committee have 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.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2018**

Statement on Internal Financial Control

The Management Committee 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 Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements 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 Committee 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 Committee;
- The Management Committee 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; and
- Formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2018**

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Co-Operative for the year ended 31 March 2018. 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.

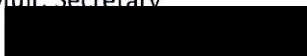
By order of Management Committee

Signature



William Muir, Secretary

Date:



**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF FORGEWOOD HOUSING CO-
OPERATIVE LIMITED ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH
2018**

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

Basis of Opinion

We carried out our review having regard to the requirements 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 4 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" 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 Committee and Officers of the Co-Operative, and examination of relevant documents, we have satisfied ourselves that The Management Committee'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 "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

[REDACTED]
Chartered Accountants
Statutory Auditors

GLASGOW

Date: [REDACTED]

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITORS REPORT TO THE MANAGEMENT COMMITTEE OF FORGEWOOD HOUSING
CO-OPERATIVE FOR THE YEAR ENDED 31 MARCH 2018

OPINION

We have audited the financial statements of Forgewood Housing Co-Operative Limited for the year ended 31 March 2018 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in reserves and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements December 2014.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs UK and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the housing co-operative in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

The other information comprises the information contained in the trustees' report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information.

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

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITORS REPORT TO THE MANAGEMENT COMMITTEE OF FORGEWOOD HOUSING
CO-OPERATIVE FOR THE YEAR ENDED 31 MARCH 2018

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

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

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

RESPONSIBILITIES OF COMMITTEE MEMBERS

As explained more fully in the management committee's responsibilities statement set out on page 3, the committee members are 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 trustees determine 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 committee are responsible for assessing the housing co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the committee members either intend to liquidate the housing co-operative or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Our objectives are to obtain reasonable 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.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITORS REPORT TO THE MANAGEMENT COMMITTEE OF FORGEWOOD HOUSING
CO-OPERATIVE FOR THE YEAR ENDED 31 MARCH 2018


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the housing co-operative 's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee members.
- Conclude on the appropriateness of the trustees' 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 charitable company'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 housing co-operative to cease to continue as a going concern.

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.

USE OF OUR REPORT

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 auditors' 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.


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

Date: 

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018 £ | 2017 £ |
|--|-------|----------------------|-----------------------|
| REVENUE | 2 | 1,011,851 | 1,015,146 |
| Operating costs | 2 | <u>(902,867)</u> | <u>(878,548)</u> |
| OPERATING SURPLUS | 2,9 | 108,984 | 136,598 |
| Loss on sale of fixed assets | 7 | (5,809) | (8,825) |
| Interest receivable and other similar income | | 112 | 249 |
| Interest payable and other similar charges | 8 | (39,472) | (54,709) |
| Other Finance Charges | 11 | <u>(1,000)</u> | <u>(9,000)</u> |
| | | <u>(46,169)</u> | <u>(72,285)</u> |
| SURPLUS FOR THE YEAR | | 62,815 | 64,313 |
| OTHER COMPREHENSIVE INCOME | | | |
| Pension remeasurement | 23 | 1,000 | 216,000 |
| TOTAL COMPREHENSIVE INCOME | | <u><u>63,815</u></u> | <u><u>280,313</u></u> |

The results for the year relate wholly to continuing activities.

The notes on page 15 to 32 form part of these financial statements.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018 £ | 2017 £ |
|--|-------|--------------------|--------------------|
| NON-CURRENT ASSETS | | | |
| Housing properties - depreciated cost | 12(a) | 4,893,884 | 5,004,641 |
| Other tangible fixed assets | 12(b) | 2,155,636 | 2,206,747 |
| Investments | | <u>1</u> | <u>1</u> |
| | | 7,049,521 | 7,211,389 |
| CURRENT ASSETS | | | |
| Debtors | 14 | 109,074 | 93,939 |
| Cash at bank and in hand | | <u>702,597</u> | <u>696,220</u> |
| | | 811,671 | 790,159 |
| CREDITORS: amounts falling due within one year | 15 | <u>(489,693)</u> | <u>(531,981)</u> |
| NET CURRENT ASSETS | | <u>321,978</u> | <u>258,178</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 7,371,499 | 7,469,567 |
| CREDITORS: amounts falling due after more than one year | | | |
| housing property loans | 16 | (1,880,834) | (1,967,919) |
| retirement benefit scheme deficit | 16 | (98,988) | (131,087) |
| DEFERRED INCOME | | | |
| Social Housing Grants | 18 | <u>(2,078,949)</u> | <u>(2,121,635)</u> |
| | | <u>3,312,728</u> | <u>3,248,926</u> |
| EQUITY | | | |
| Share capital | 19 | 58 | 71 |
| Revenue reserve | 19 | <u>3,312,670</u> | <u>3,248,855</u> |
| | | <u>3,312,728</u> | <u>3,248,926</u> |

The financial statements were approved by the Management Committee, authorised for issue, and signed on its behalf on



Alan Thomson
Chairperson


Charlie Millar
Vice Chair


William Muir
Secretary

The notes on page 15 to 32 form part of these financial statements.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018 £ | 2017 £ |
|--|----------|-----------------------|-----------------------|
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 17 | <u>117,218</u> | <u>(63,377)</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of other fixed assets | (7,082) | (957,936) | |
| Social housing grant received | - | 483,501 | |
| Proceeds of disposals of housing properties | 23,023 | 151,047 | |
| Interest received | 112 | 249 | |
| Share capital issued | 3 | 14 | |
| NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES | | <u>16,056</u> | <u>(323,125)</u> |
| NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING | | 133,274 | (386,502) |
| FINANCING ACTIVITIES | | | |
| Interest paid | (39,472) | (54,709) | |
| Movement in borrowings | (87,425) | (89,738) | |
| NET CASH OUTFLOW FROM FINANCING | | <u>(126,897)</u> | <u>(144,447)</u> |
| INCREASE/(DECREASE) IN CASH | | 6,377 | (530,949) |
| OPENING CASH AND CASH EQUIVALENTS | | <u>696,220</u> | <u>1,227,169</u> |
| CLOSING CASH AND CASH EQUIVALENTS | | <u><u>702,597</u></u> | <u><u>696,220</u></u> |

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2018

| | Share Capital £ | Revenue Reserve £ | Total £ |
|-----------------------------|-----------------------|-------------------------|------------------|
| | <u>£</u> | <u>£</u> | <u>£</u> |
| Balance as at 1 April 2017 | 71 | 3,248,855 | 3,248,926 |
| Issue of Shares | 3 | - | 3 |
| Cancelled shares | (16) | - | (16) |
| Surplus for Year | - | 63,815 | 63,815 |
| Balance as at 31 March 2018 | <u>58</u> | <u>3,312,670</u> | <u>3,312,728</u> |

| | Share Capital £ | Revenue Reserve £ | Total £ |
|-----------------------------|-----------------------|-------------------------|------------------|
| | <u>£</u> | <u>£</u> | <u>£</u> |
| Balance as at 1 April 2016 | 158 | 2,968,542 | 2,968,700 |
| Issue of Shares | 14 | - | 14 |
| Cancelled shares | (101) | - | (101) |
| Surplus for Year | - | 64,313 | 64,313 |
| Pension deficit adjustment | - | 216,000 | 216,000 |
| Balance as at 31 March 2017 | <u>71</u> | <u>3,248,855</u> | <u>3,248,926</u> |

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Legal status

The Co-Operative is incorporated under the Co-operative and Community Benefits Societies Act 2014 and is registered by the Financial Conduct Authority. The Co-Operative is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

Basis of Accounting

These financial statements have been 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 for Social Housing Providers 2014 and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Co-operative's accounting policies (see below).

The following principal accounting policies have been applied:

Going Concern

The Management Committee have assessed the Co-operative's ability to continue as a going concern and have reasonable expectations that the Co-operative has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Revenue

The Co-Operative recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised as expenditure 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 Co-Operative Defined Benefits Pension Scheme 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 in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Co-operatives taken as a whole.

The Co-Operative accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 |
| Structure | 60 years |
| Boilers | 12 years |
| Bathrooms | 20 years |
| Windows | 30 years |
| Kitchens | 15 years |
| Heating systems | 24 years |
| Roofs | 40 years |

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:-

| | |
|------------------|-------------------|
| Community Centre | 2% straight line |
| Office Equipment | 25% straight line |

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

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 year 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.

Sales of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Disposals of housing property under the Right to Buy scheme are treated as a non-current asset disposals and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee 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, is disclosed below:

Rent Arrears - Bad Debt Provision

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

Life Cycle of Components

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

Useful Lives of Other Fixed Assets

The useful lives of other fixed Assets are based on the knowledge of senior management at the Co-Operative with reference to expected asset life cycles.

Pension Liabilities

This has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

Costs of Shared Ownership

The Co-Operative allocates costs to shared ownership properties on a percentage basis split across the number of properties the Co-Operative owns.

Leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

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.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Management Committee 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 scheme in which it manages its housing property for asset management purposes.

c) Pensions Liability

In March 2018 the Co-operative received details from The Pension Trust of the provisional valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions.

The Co-operative has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feel this is the best available estimate to the past service liability.

Financial Instruments – Basic

The Co-operative only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like rents, accounts receivable and payable, loans from banks and related parties.

These are recognised 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.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
 NOTES TO THE FINANCIAL STATEMENTS

2. PARTICULARS OF REVENUE, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

| | Note | 2018 | | 2017 | | Operating surplus/ (deficit) £ |
|-------------------------------|------|------------------|-------------------|------------------|-------------------|--------------------------------|
| | | Revenue £ | Operating Costs £ | Revenue £ | Operating Costs £ | |
| Affordable letting activities | 3 | 828,559 | (718,081) | 814,092 | (698,185) | 115,907 |
| Other activities | 4 | 183,292 | (184,786) | 201,054 | (180,363) | 20,691 |
| Total | | 1,011,851 | (902,867) | 1,015,146 | (878,548) | 136,598 |

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

| | General Needs Housing £ | Shared Ownership £ | 2018 Total £ | 2017 Total £ |
|--|----------------------------------|--------------------------|-----------------------|-----------------------|
| Revenue from lettings | | | | |
| Rent receivable net of identifiable service charges | 772,502 | 1,402 | 773,904 | 754,592 |
| Gross rents receivable | <u>772,502</u> | <u>1,402</u> | <u>773,904</u> | <u>754,592</u> |
| Less rent losses from voids | (281) | - | (281) | (2,181) |
| Net rents receivable | <u>772,221</u> | <u>1,402</u> | <u>773,623</u> | <u>752,411</u> |
| Amortisation of social housing & other grants | 12,250 | - | 12,250 | 18,995 |
| Amortisation of capital grant | 42,086 | - | 42,086 | 42,686 |
| Revenue grants from local authorities and other agencies | 600 | - | 600 | - |
| Total income from social letting | <u><u>827,157</u></u> | <u><u>1,402</u></u> | <u><u>828,559</u></u> | <u><u>814,092</u></u> |
| Expenditure on social letting activities | | | | |
| Management and maintenance administration costs | 461,615 | - | 461,615 | 413,217 |
| Service costs | 11,136 | - | 11,136 | 17,268 |
| Planned and cyclical maintenance including major repairs | 56,051 | - | 56,051 | 73,267 |
| Reactive maintenance | 100,273 | - | 100,273 | 103,277 |
| Bad debts - rents and service charges | - | - | - | 1,907 |
| Depreciation of social housing | 89,006 | - | 89,006 | 89,249 |
| Operating costs of social letting | <u>718,081</u> | <u>-</u> | <u>718,081</u> | <u>698,185</u> |
| Operating surplus on social letting activities | <u><u>109,076</u></u> | <u><u>1,402</u></u> | <u><u>110,478</u></u> | <u><u>115,907</u></u> |
| 2017 | <u><u>115,907</u></u> | <u><u>-</u></u> | <u><u>115,907</u></u> | |

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

4. PARTICULARS OF INCOME AND EXPENDITURE FROM OTHER ACTIVITIES

| | Grants from Scottish Ministers £ | Other income £ | Total Turnover £ | Operating costs other £ | Operating surplus/ (deficit) 2018 £ | Operating surplus/ (deficit) 2017 £ |
|---|--|----------------------|------------------------|----------------------------------|---|---|
| Wider Role Activities | 38,000 | 11,400 | 49,400 | (50,894) | (1,494) | 20,691 |
| Contracted out services undertaken for RSL's | - | 37,361 | 37,361 | (37,361) | - | - |
| Other activities | - | 96,531 | 96,531 | (96,531) | - | - |
| TOTAL FROM OTHER ACTIVITIES | <u>38,000</u> | <u>145,292</u> | <u>183,292</u> | <u>(184,786)</u> | <u>(1,494)</u> | <u>20,691</u> |
| TOTAL FROM OTHER ACTIVITIES FOR 2017 | <u>68,687</u> | <u>132,367</u> | <u>201,054</u> | <u>(180,363)</u> | <u>20,691</u> | |

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

5. BOARD MEMBERS AND OFFICERS EMOLUMENTS

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

No emoluments have been paid to any member of the management committee.

| | 2018 | 2017 |
|---|---------------|---------------|
| | £ | £ |
| Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions) | 67,335 | 67,082 |
| Emoluments payable to the directors (excluding pension contributions) | 67,335 | 67,082 |
| Pension contributions paid on behalf of the director | <u>6,903</u> | <u>5,036</u> |
| Total emoluments paid to key management personnel | <u>74,238</u> | <u>72,118</u> |
| | Number | Number |
| Total number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges: | | |
| £60,001 - £70,000 | <u>1</u> | <u>1</u> |

During the year, £782 (2017 - £1,832) was paid to committee members in respect of reimbursement of expenses.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE INFORMATION

| | 2018 | 2017 |
|------------------------------|----------------|----------------|
| | £ | £ |
| Staff costs during the year: | | |
| Wages and salaries | 221,865 | 205,169 |
| Social security costs | 28,742 | 26,814 |
| Other pension costs | <u>23,737</u> | <u>22,831</u> |
| | <u>274,344</u> | <u>254,814</u> |

| | Number | Number |
|---|---------------|---------------|
| The average number of full time equivalent persons employed during the year was | <u>7</u> | <u>7</u> |

7. LOSS ON SALE OF HOUSING STOCK

| | 2018 | 2017 |
|----------------|-----------------|----------------|
| | £ | £ |
| Sales proceeds | 23,023 | - |
| Cost of sales | <u>(28,832)</u> | <u>(8,825)</u> |
| (Loss) on sale | <u>(5,809)</u> | <u>(8,825)</u> |

8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2018 | 2017 |
|---------------------------|---------------|---------------|
| | £ | £ |
| Bank loans and overdrafts | <u>39,472</u> | <u>54,709</u> |

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

9. OPERATING SURPLUS FOR THE YEAR

| | 2018 | 2017 |
|---|---------------|---------------|
| | £ | £ |
| Surplus is stated after charging: | | |
| Depreciation of tangible owned fixed assets | 140,117 | 140,360 |
| Auditors' remuneration - audit services | 8,101 | 7,500 |
| Operating lease rentals | 6,547 | 4,910 |
| Amortisation of capital grants | <u>42,686</u> | <u>42,686</u> |

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Co-operative is a Registered Scottish Charity and is exempt from Corporation Tax on its charitable activities.

11. OTHER FINANCE CHARGES

| | 2018 | 2017 |
|-------------------------------------|--------------|--------------|
| | £ | £ |
| Unwinding of discounted liabilities | <u>1,000</u> | <u>9,000</u> |

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

12. NON-CURRENT ASSETS

a) Housing Properties

| | Housing Properties Held for Letting | Completed Shared Ownership Properties | Total |
|------------------------|--|--|------------------|
| | £ | £ | £ |
| COST | | | |
| At start of year | 5,231,102 | 16,000 | 5,247,102 |
| Additions | 7,082 | - | 7,082 |
| Disposals | (30,626) | - | (30,626) |
| At end of year | <u>5,207,558</u> | <u>16,000</u> | <u>5,223,558</u> |
| DEPRECIATION | | | |
| At start of year | 242,461 | - | 242,461 |
| Charged during year | 89,006 | - | 89,006 |
| Eliminated on disposal | (1,793) | - | (1,793) |
| At end of year | <u>329,674</u> | <u>-</u> | <u>329,674</u> |
| NET BOOK VALUE | | | |
| At end of year | <u>4,877,884</u> | <u>16,000</u> | <u>4,893,884</u> |
| At start of year | <u>4,988,641</u> | <u>16,000</u> | <u>5,004,641</u> |

1. There were no impairment charges in the year.

2. There were no capitalised development administration charges in the year.

3. New components capitalised during the year amounted to £7,082.

4. The Co-operative's lenders have standard securities over housing property with a carrying value of £4,877,884 (2017 - £4,988,641).

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

12. NON-CURRENT ASSETS (CONTINUED)

b) Other tangible assets

| | Community Centre £ | Office Equipment £ | Total £ |
|-----------------------|-----------------------------------|-----------------------------------|--------------------|
| COST | | | |
| At start of year | 2,239,291 | 82,740 | 2,322,031 |
| Additions | - | - | - |
| Disposals | - | - | - |
| At end of year | <u>2,239,291</u> | <u>82,740</u> | <u>2,322,031</u> |
| DEPRECIATION | | | |
| At start of year | 44,786 | 70,498 | 115,284 |
| Charged during year | 44,786 | 6,325 | 51,111 |
| Disposals | - | - | - |
| At end of year | <u>89,572</u> | <u>76,823</u> | <u>166,395</u> |
| NET BOOK VALUE | | | |
| At end of year | <u>2,149,719</u> | <u>5,917</u> | <u>2,155,636</u> |
| At start of year | <u>2,194,505</u> | <u>12,242</u> | <u>2,206,747</u> |

13. COMMITMENTS UNDER OPERATING LEASES

| | 2018 £ | 2017 £ |
|---|-------------------|-------------------|
| At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:- | | |
| Not later than one year | 6,547 | 6,547 |
| Later than one year and not later than five years | 3,365 | 9,912 |
| Later than five years | <u>-</u> | <u>-</u> |

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

14. DEBTORS

| | 2018 | 2017 |
|------------------------------------|----------------|---------------|
| | £ | £ |
| Arrears of Rent & Service Charges | 29,500 | 27,880 |
| Less: Provision for Doubtful Debts | <u>(961)</u> | <u>(961)</u> |
| | 28,539 | 26,919 |
| Other Receivables | <u>80,535</u> | <u>67,020</u> |
| | <u>109,074</u> | <u>93,939</u> |

15. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2018 | 2017 |
|--|----------------|----------------|
| | £ | £ |
| Housing loans | 88,139 | 88,481 |
| Trade payables | 16,669 | - |
| Rent in advance | 42,067 | 41,739 |
| Other taxation and social security | 7,678 | 7,716 |
| Other payables | 295,128 | 343,236 |
| Accruals and deferred income | 8,000 | 18,896 |
| Liability for past service contribution arrangements | <u>32,012</u> | <u>31,913</u> |
| | <u>489,693</u> | <u>531,981</u> |

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

| | 2018 | 2017 |
|--|------------------|------------------|
| | £ | £ |
| Liability for past service contribution arrangements | 98,988 | 131,087 |
| Housing loans | <u>1,880,834</u> | <u>1,967,919</u> |
| | <u>1,979,822</u> | <u>2,099,006</u> |

The Co-operative has a number of long term housing loans, the terms and conditions of which are as follows:

All of the Co-operative's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR (CONTINUED)

Loans are secured by specific charges on the Co-operative's properties. The co-operative has one fixed loan at 2% with all other loans operating on a variable rate of interest. The variable loans are linked to either Base Rate or 3 month LIBOR and the margin is 0.45%.

| The Bank loans are repayable as follows: | 2018 | 2017 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Between one and two years | 89,955 | 90,106 |
| Between two and five years | 281,163 | 280,362 |
| In five years or more | <u>1,509,716</u> | <u>1,597,451</u> |
| | <u><u>1,880,834</u></u> | <u><u>1,967,919</u></u> |

17. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to balance as at 31 March 2018

| | 2018 | 2017 |
|--------------------------------|-----------------------|------------------------|
| | £ | £ |
| Operating Surplus | 108,984 | 136,598 |
| Depreciation | 140,117 | 140,360 |
| Amortisation of Capital Grants | (42,686) | (42,686) |
| Change in debtors | (15,135) | 2,376 |
| Change in creditors | (42,046) | (265,923) |
| Deficit contributions | (32,000) | (34,001) |
| Share capital written off | <u>(16)</u> | <u>(101)</u> |
| Balance as at 31 March 2018 | <u><u>117,218</u></u> | <u><u>(63,377)</u></u> |

18. DEFERRED INCOME

| | 2018 | 2017 |
|-----------------------------|-------------------------|-------------------------|
| | £ | £ |
| Capital Grant | | |
| Balance as at 1 April 2017 | 2,121,635 | 1,680,820 |
| Additions in year | - | 483,501 |
| Amortisation in Year | <u>(42,686)</u> | <u>(42,686)</u> |
| Balance as at 31 March 2018 | <u><u>2,078,949</u></u> | <u><u>2,121,635</u></u> |

This is expected to be released to the Statement of Comprehensive Income as follows:

| | 2018 | 2017 |
|---------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Amounts due within one year | 42,686 | 42,686 |
| Amounts due in one year or more | <u>2,036,263</u> | <u>2,078,949</u> |
| | <u><u>2,078,949</u></u> | <u><u>2,121,635</u></u> |

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
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19. RESERVES

| Share Capital | 2018 | 2017 |
|--|-----------|-----------|
| | £ | £ |
| Shares of £1 each Issued and Fully Paid | | |
| At 1 April 2017 | 71 | 158 |
| Issued in year | 3 | 14 |
| Cancelled in year | (16) | (101) |
| At 31 March 2018 | <u>58</u> | <u>71</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. 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.

| Reserves | 2018 | 2017 |
|------------------|------------------|------------------|
| | £ | £ |
| At 1 April 2017 | 3,248,855 | 2,968,542 |
| Surplus for year | 63,815 | 280,313 |
| At 31 March 2018 | <u>3,312,670</u> | <u>3,248,855</u> |

20. HOUSING STOCK

| The number of units of accommodation in management at the year end was:- | 2018 | 2017 |
|--|------------|------------|
| | No. | No. |
| General Needs | 216 | 218 |
| Shared Ownership | 1 | 1 |
| | <u>217</u> | <u>219</u> |

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

21. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Co-operative as defined by Financial Reporting Standard 102. The related party relationships of the members of the Management Committee are summarised as:

- 6 members are tenants of the Co-operative
- No members are factored owners
- Management Committee members cannot use their position to their advantage. Any transactions between the Co-operative and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members were as follows:

- Rent Received from Tenants on the Committee – £23,887.
- There were no amounts due in respect of rent from tenant members of the Committee at 31 March 2018.

The Co-operative owns 50% of the total share capital of Bridges Housing Association Limited. Management charges of £20,000 (2017 - £15,000) were received from Bridges Housing Association Limited in the year to 31 March 2018. At this date, Bridges Housing Association Limited owed the Co-operative £10,000 (2017 - £10,000).

22. DETAILS OF CO-OPERATIVE

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

The Co-operative's principal place of business is 49 Dinmont Crescent, Forgewood, Motherwell, ML1 3TT

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

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

23. RETIREMENT BENEFIT OBLIGATIONS

SCHEME: TPT Retirement Solutions – Scottish Housing Associations’ Pension Scheme

The company participates in the scheme, a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

| | |
|--|--|
| From 1 April 2017 to 28 February 2022: | £25,735,092 per annum (payable monthly, increasing by 3% each 1st April) |
| From 1 April 2017 to 30 June 2025: | £727,217 per annum (payable monthly, increasing by 3% each 1st April) |
| From 1 April 2017 to 31 October 2026: | £1,239,033 per annum (payable monthly, increasing by 3% each 1st April) |

Unless a concession has been agreed with the Trustee the term to 28 February 2022 applies.

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

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS

23. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £131,000 (2017 - £163,000). This is calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 1.51% (2017 – 1.06%).

| | Period Ending 31 March 2018 (£000s) | Period Ending 31 March 2017 (£000s) |
|---|---|---|
| Provision at start of period | 163 | 404 |
| Unwinding of the discount factor (interest expense) | 1 | 9 |
| Deficit contribution paid | (32) | (34) |
| Remeasurements - impact of any change in assumptions | (1) | 5 |
| Remeasurements - amendments to the contribution schedule | - | (221) |
| Provision at end of period | 131 | 163 |

In 2017 as a result of the 2015 Actuarial Valuation the liability for the pension deficit was recalculated resulting in a significant reduction to the pension deficit liability of £221,000.

The Co-operative made payments totalling £23,737 (2017: £22,831) to the pension scheme during the year.

24. CONTINGENT LIABILITIES

The pension withdrawal debt as at 30 September 2017 for Forgewood Housing Co-Operative Limited is £1,007,691.