

# FORGEWOOD HOUSING CO-OPERATIVE LIMITED

## FINANCIAL STATEMENTS



FOR THE YEAR ENDED 31 MARCH 2011

Register of Friendly Societies No. 2439R(S)

Registered Housing Association No. HAC 271

**FRENCH DUNCAN LLP**

Chartered Accountants  
375 West George Street  
Glasgow  
G2 4LW

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS**

**Committee of Management**

Alan Thomson	(Chairperson)
John Burton	(Vice Chairperson)
William Muir	(Secretary)
Bernadette Harper	(Treasurer)
James Barr	
David Wood	
Charles Millar	
Isabella Stevenson	
Marina Johnston	
Kate Perrie	
Jamie Bell	
David Hemmings	(Appointed 2010)
Lisa Jane Graham	(Co-opted September 2010)

**Executive Officer**

John Mulholland (Director)  
Catherine Brien (Depute Director)

**Registered Office**

79 Kinloch Drive  
Forgewood  
MOTHERWELL

**Auditors**

French Duncan LLP  
375 West George Street  
Glasgow  
G2 4LW

**Bankers**

Bank of Scotland	Clydesdale Bank plc	Dunfermline Building Society
32 Brandon Parade South	43 Hamilton Road	Caledonia House, Carnegie Avenue
Motherwell	Motherwell	Dunfermline

**Solicitors**

Harper McLeod  
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 2011**

The Management Committee presents its Report and the Audited Financial Statements for the year ended 31 March 2011.

**Legal Status**

The Co-Operative is registered as a non-profit making organisation under the Industrial and Provident Societies Act 1965. No 2439R(S). The Co-Operative is constituted under its rule book.

**Principal Activities**

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

**Results**

The members of the Management Committee are of the opinion that the state of affairs of the Co-Operative is satisfactory. The surplus for the year after taxation was £30,948 (2010 – Surplus £10,396). A transfer of £20,000 was made to the designated reserves (2010 – £30,000). Net Assets now total £2,689,997 (2010 - £2,659,046).

**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 Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007. 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.

**REPORT OF THE MANAGEMENT COMMITTEE****FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)**

The Management Committee confirms that the Financial Statements comply with the above requirements.

In so far as the Management Committee are aware

- there is no relevant audit information 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 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.

**Raising Standards Guidance on Internal Financial Control and Financial Reporting**

The Co-Operative considers that it has complied with "Raising Standards" guidance on "Internal Financial Control and Financial Reporting" contained within "Raising Standards in Housing", published by the Scottish Federation of Housing Associations and endorsed by the Scottish Housing Regulator.

**Internal Financial Control**

The Management Committee has overall responsibility for the Co-Operative's system of internal financial control and recognise that such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

To discharge this responsibility, the Management Committee will continue to establish an organisational structure with clearly defined levels of responsibility and authority and with appropriate reporting procedures. Included within these key procedures will be the following internal financial controls:

- the formulation of policies and approval procedures in the areas such as compliance, investment and treasury operations and capital expenditure;
- a comprehensive system of budgeting, planning and financial reporting;
- formal business risk reviews by management which consider the potential effects of risk and identify potential new risk;
- internal audit reviews of the controls and processes from which formal reports are prepared;
- the Management Committee considers significant control issues and receives regular reports from both the internal and external auditors; and
- external auditors report on any weaknesses in internal financial controls identified during the course of their audit. These reports, together with the replies from management and details of measures taken as a consequence are reviewed by the Management Committee.

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

**Auditors' Review**

In addition to their audit of the financial statements, our auditors have reviewed the Management Committee's statement concerning the Co-Operative's compliance with the disclosures required by the Scottish Federation of Housing Associations "Raising Standards" guidance on "Internal financial control and financial reporting". Their report is set out on page 6.

**Auditors**

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

By Order of the Management Committee



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William Muir

7 September 2011

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF  
FORGEWOOD HOUSING CO-OPERATIVE LIMITED**

We have audited the Financial Statements of Forgewood Housing Co-Operative Ltd for the year ended 31 March 2011 on pages 7 to 26. 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 9 of the Friendly and Industrial Provident Societies Act 1968. 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 2011 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing Scotland Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 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*

FRENCH DUNCAN LLP  
Chartered Accountants  
Statutory Auditor  
375 West George Street  
Glasgow  
G2 4LW

*11/03/11*

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

**Corporate Governance**

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 disclosure required by the Scottish Federation of Housing Associations - "Raising Standards" guidance on "Internal financial control and financial reporting".

**Basis of Opinion**

We carried out our review having regard to 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 nor 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 controls on pages 4 has provided the disclosures required by the Scottish Federation of Housing Associations "Raising Standards" guidance on "Internal financial control and financial reporting", and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

*French Duncan LLP*

FRENCH DUNCAN LLP  
Chartered Accountants  
Statutory Auditor  
375 West George Street  
Glasgow  
G2 4LW

*11/0/11*



## INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £	2010 £
TURNOVER	2	639,876	618,717
Operating costs	2	<u>(549,540)</u>	<u>(544,953)</u>
OPERATING SURPLUS	7	90,336	73,764
Interest receivable and other income		286	347
Interest payable	8	<u>(59,674)</u>	<u>(60,530)</u>
TOTAL SURPLUS FOR YEAR BEFORE TAXATION		30,948	13,581
Tax on surplus on ordinary activities	9	<u>-</u>	<u>(3,185)</u>
SURPLUS FOR YEAR		<u><u>30,948</u></u>	<u><u>10,396</u></u>

The results for the year relate wholly to continuing activities.

## STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

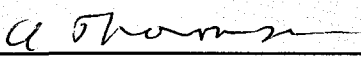
FOR THE YEAR ENDED 31 MARCH 2011

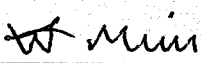
	2011 £	2010 £
Surplus for year attributable to shareholders	30,948	10,396
Release from revaluation reserve	22,163	13,228
Unrealised profit on revalued properties	<u>-</u>	<u>470,541</u>
Total surpluses and deficits recognised since the last annual report	<u><u>53,111</u></u>	<u><u>494,165</u></u>

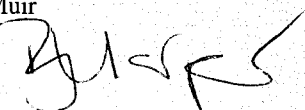
## BALANCE SHEET AS AT 31 MARCH 2011

	Notes	2011 £	2010 £
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties	10	13,547,443	13,298,390
Less: Social Housing, Other Grants and Depreciation		<u>(9,115,750)</u>	<u>(9,062,328)</u>
		4,431,693	4,236,062
Other	10	<u>177,397</u>	<u>184,609</u>
		<u>4,609,090</u>	<u>4,420,671</u>
<b>INVESTMENTS</b>			
		<u>1</u>	<u>1</u>
<b>CURRENT ASSETS</b>			
Debtors	11	89,281	93,006
Cash at bank and in hand		<u>451,848</u>	<u>336,384</u>
		541,129	429,390
<b>CURRENT LIABILITIES</b>			
Creditors: Amounts falling due within one year	12	<u>(505,283)</u>	<u>(384,958)</u>
<b>NET CURRENT ASSETS</b>			
		<u>35,846</u>	<u>44,432</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		4,644,937	4,465,104
Creditors: Amounts falling due after one year	13	<u>(1,954,940)</u>	<u>(1,806,058)</u>
		<u>2,689,997</u>	<u>2,659,046</u>
<b>CAPITAL AND RESERVES</b>			
Called up Share capital	14	163	160
Designated reserves	15	256,568	236,568
Revaluation reserve	16	2,194,118	2,216,281
Revenue reserves	17	<u>239,148</u>	<u>206,037</u>
		<u>2,689,997</u>	<u>2,659,046</u>

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

  
 Alan Thomson CHAIRPERSON

  
 William Muir SECRETARY

  
 Bernadette Harper TREASURER

7 September 2011

## STATEMENT OF CASH FLOW

FOR THE YEAR TO 31 MARCH 2011

	Notes	2011 £	2010 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	18	<u>258,125</u>	<u>119,982</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		286	347
Interest paid		<u>(59,674)</u>	<u>(60,530)</u>
<b>NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>(59,388)</u>	<u>(60,183)</u>
<b>TAXATION</b>			
Tax paid		-	(7,374)
Grant Received		-	-
		<u>-</u>	<u>(7,374)</u>
<b>CAPITAL EXPENDITURE</b>			
Cash paid for development, construction and purchase of housing		(249,053)	(373,408)
Cash paid for purchase of other fixed assets		(190)	(5,889)
Social Housing Grant received		10,679	15,018
Net proceeds on disposal of housing properties		-	-
		<u>(238,564)</u>	<u>(364,279)</u>
<b>NET CASH (OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		<u>(39,827)</u>	<u>(311,854)</u>
<b>FINANCING</b>			
Loan finance received		-	-
Loans repaid		155,285	254,525
Shares issued		6	11
		<u>155,291</u>	<u>254,536</u>
<b>INCREASE/(DECREASE) IN CASH</b>	19	<u>115,464</u>	<u>(57,318)</u>

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2011

**1. ACCOUNTING POLICIES**

The Co-Operative is registered as a non-profit making organisation under the Industrial and Provident Societies Act 1965.

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice 2008 and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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 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 on the balance sheet. 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 Social Housing Grant 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**

Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at annual rates of 1% excluding land costs and Social Housing Grant.

Depreciation on office refurbishment, 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 & equipment	-	25% straight line

**f) Capitalisation of Interest**

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

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

**1. ACCOUNTING POLICIES (Continued)****g) Development Administration**

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

**h) Cyclical and Major Repairs**

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

**i) Designated Reserves**

Cyclical Maintenance Reserve

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.

Major Repairs

The Co-Operative maintains its housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. Provision is made for such future repair expenditure on the basis of a costed programme.

**j) Pensions**

The Co-Operative participates in the centralised Scottish Housing Associations' 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 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.

**k) 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 2011 (CONTINUED)

## 2. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover £	Operating Costs £	2011 Operating Surplus/ (Deficit) £	2010 Operating Surplus/ (Deficit) £
Social lettings	3	<u>623,658</u>	<u>(531,090)</u>	<u>92,568</u>	<u>77,919</u>
Other activities	4	<u>16,218</u>	<u>(18,450)</u>	<u>(2,232)</u>	<u>(4,155)</u>
Total		<u>639,876</u>	<u>(549,540)</u>	<u>90,336</u>	<u>73,764</u>
Total for previous period of account		<u>618,717</u>	<u>(544,953)</u>	<u>73,764</u>	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

## 3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT) FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Housing £	Other (describe) £	2011 Total £	2010 Total £
Rent receivable net of service charges	623,798	-	1,130	-	624,928	601,628
Service charges	-	-	-	-	-	-
Gross income from rents and service charges	623,798	-	1,130	-	624,928	601,628
Less Voids	(1,270)	-	-	-	(1,270)	(870)
Net income from rents and service charges	622,528	-	1,130	-	623,658	600,758
Grants from the Scottish Ministers	-	-	-	-	-	-
Other revenue grants	-	-	-	-	-	-
Total turnover from social letting activities	622,528	-	1,130	-	623,658	600,758
Management and maintenance administration costs	328,487	-	1,130	-	329,617	325,113
Service costs	-	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	44,147	-	-	-	44,147	46,136
Reactive maintenance costs	112,905	-	-	-	112,905	109,544
Bad debts - rents and service charges	1,677	-	-	-	1,677	1,685
Depreciation of social housing	42,744	-	-	-	42,744	40,361
Impairment of social housing	-	-	-	-	-	-
Operating costs for social letting activities	529,960	-	1,130	-	531,090	522,839
Operating surplus/(deficit) for social lettings	92,568	-	-	-	92,568	77,919
Operating surplus/(deficit) for social letting for previous period of account	77,919	-	-	-	77,919	



## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2011 (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 or deficit £	Operating surplus or deficit for previous period of account £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	1,470	(1,470)	(417)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	16,215	16,215	-	16,980	(765)	(3,739)
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	-	-	-	3	3	-	-	3	1
<b>Total from other activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,218</b>	<b>16,218</b>	<b>-</b>	<b>18,450</b>	<b>(2,232)</b>	<b>(4,155)</b>
<b>Total from other activities for the previous period of account</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,959</b>	<b>17,959</b>	<b>-</b>	<b>22,114</b>	<b>(4,155)</b>	

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

## 5. DIRECTORS' EMOLUMENTS

The Management Committee 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.

	2011 £	2010 £
Total Emoluments (including pension contributions and benefits in kind)	<u>75,704</u>	<u>75,342</u>
Emoluments of highest paid director (excluding pension contributions)	<u>66,669</u>	<u>66,669</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 Association's contributions for the director in the year amounted to £9,035 (2010 - £8,673).

	£	£
Total expenses re-imbursed insofar as not chargeable to income tax		
Management Committee	<u>1,989</u>	<u>1,809</u>

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

## 6. EMPLOYEES

	Number	Number
The average full time equivalent weekly numbers of persons employed during the year was:	<u>6</u>	<u>6</u>
Staff Costs:		
	£	£
Wages and Salaries	198,470	202,680
Social Security Costs	18,878	18,300
Pension Contributions	<u>23,846</u>	<u>18,042</u>
	<u>241,194</u>	<u>239,022</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

## 7. OPERATING SURPLUS

	2011	2010
	£	£
Operating surplus is stated after charging:-		
Depreciation	50,146	47,707
Auditors Remuneration - Audit Services	6,104	5,245
Operating lease rentals - plant and machinery	<u>7,873</u>	<u>4,919</u>

## 8. INTEREST PAYABLE

On Bank Loans and Overdrafts	<u>59,674</u>	<u>60,530</u>
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## 9. TAXATION

Corporation Tax @ 21%	-	-
Under provision in respect of prior years	-	3,185
	<u>-</u>	<u>3,185</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (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 2010	13,270,686	-	27,704	13,298,390
Additions	249,053	-	-	249,053
Disposals	-	-	-	-
Revaluation	-	-	-	-
At 31 March 2011	<b>13,519,739</b>	-	<b>27,704</b>	<b>13,547,443</b>
<b>Social Housing Grant</b>				
At 1 April 2010	9,038,686	-	23,642	9,062,328
Additions	10,679	-	-	10,679
Disposals	-	-	-	-
At 31 March 2011	<b>9,049,365</b>	-	<b>23,642</b>	<b>9,073,007</b>
<b>Depreciation</b>				
At 1 April 2010	-	-	-	-
Provided during year	42,743	-	-	42,743
Disposals	-	-	-	-
On revaluation	-	-	-	-
At 31 March 2011	<b>42,743</b>	-	-	<b>42,743</b>
<b>Net Book Value at 31 March 2011</b>	<b>4,427,631</b>	-	<b>4,062</b>	<b>4,431,693</b>
<b>Net Book Value at 31 March 2010</b>	4,232,000	-	4,062	4,236,062

Development expenditure for the year of £29,275 (2010 - £28,660) is included in the cost of housing properties held for letting.

On 31 March 2010 the properties held for letting were revalued by DTZ Debenham Tie Leung on the Existing Use Value – Social Housing basis.

On the historical cost basis, the revalued property at 31 March 2011 would have been included at a cost of £12,224,660 (2010 - £11,975,607) less Social Housing Grant and depreciation of £9,352,406 (2010 - £9,301,237).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

## 10. TANGIBLE FIXED ASSETS

	Office Premises £	Office Furniture and Equipment £	Total £
<b>Cost</b>			
At 1 April 2010	216,204	57,487	273,691
Additions	-	190	190
Revaluation	-	-	-
Disposals	-	-	-
At 31 March 2011	<u>216,204</u>	<u>57,677</u>	<u>273,881</u>
<b>Depreciation</b>			
At 1 April 2010	39,405	49,677	89,082
Charge for the year	4,402	3,000	7,402
Disposals	-	-	-
At 31 March 2011	<u>43,807</u>	<u>52,677</u>	<u>96,484</u>
<b>Net Book Value at 31 March 2011</b>	<u>172,397</u>	<u>5,000</u>	<u>177,397</u>
<b>Net Book Value at 31 March 2010</b>	<u>176,799</u>	<u>7,810</u>	<u>184,609</u>

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

## 11. DEBTORS

	2011 £	2010 £
Amounts falling due within one year:		
Rent arrears	16,555	11,575
Prepayments and accrued income	4,367	5,901
Other Debtors	<u>68,359</u>	<u>75,530</u>
	<u><u>89,281</u></u>	<u><u>93,006</u></u>

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

Bank overdraft	-	-
Housing loans	56,096	49,693
Corporation tax	-	-
Other taxes and social security	5,959	5,752
Other creditors	416,693	308,785
Accruals and deferred income	<u>26,535</u>	<u>20,728</u>
	<u><u>505,283</u></u>	<u><u>384,958</u></u>

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

Housing loans:-		
Due between one and two years	57,824	51,297
Due between two and five years	184,424	164,067
Due after five years	<u>1,712,692</u>	<u>1,590,694</u>
	<u><u>1,954,940</u></u>	<u><u>1,806,058</u></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 2011 (CONTINUED)

## 14. SHARE CAPITAL

	2011 £	2010 £
Shares of £1 each fully paid and issued		
Allotted, issued and fully paid at 1 April 2010	160	150
Issued during the year	6	11
Forfeited during the year	<u>(3)</u>	<u>(1)</u>
At 31 March 2011	<u><u>163</u></u>	<u><u>160</u></u>

Each member of the Co-Operative holds one share of £1 in the Association. 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 Association's Rules, share capital is non refundable if a person ceases to be a member.

At 31 March 2011, shares issued were split as follows:

	No	No
Active members	163	160
Ceased members	<u>-</u>	<u>-</u>
	<u><u>163</u></u>	<u><u>160</u></u>

## 15. DESIGNATED RESERVES

	Planned Maintenance £
Balance at 1 April 2010	236,568
Transferred in year	<u>20,000</u>
Balance at 31 March 2011	<u><u>256,568</u></u>

## 16. REVALUATION RESERVE

	2011 £
Balance at 1 April 2010	2,216,281
Release to revenue reserve	(22,163)
Revaluation in year	<u>-</u>
Balance at 31 March 2011	<u><u>2,194,118</u></u>

## 17. REVENUE RESERVE

	2011 £
Revenue reserves at 1 April 2010	206,037
Surplus for the year	30,948
Release from revaluation reserve	22,163
Transfer to designated reserves	<u>(20,000)</u>
At 31 March 2011	<u><u>239,148</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

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

	2011 £	2010 £
OPERATING SURPLUS FOR THE YEAR	90,336	73,764
Depreciation	50,146	47,707
Profit on sale of assets	-	-
Forfeited shares	(3)	(1)
Decrease in debtors	3,724	4,612
Increase/(decrease) in creditors	<u>113,922</u>	<u>(6,100)</u>
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	<u>258,125</u>	<u>119,982</u>

19. RECONCILIATION OF NET CASHFLOW  
TO MOVEMENT IN NET DEBT

Increase/(Decrease) in cash in year	115,464	(57,318)
Loan Repayments	(155,285)	(254,525)
Loans Received	-	-
Change in net debt	<u>(39,821)</u>	<u>(311,843)</u>
Net debt at 1 April 2010	<u>(1,519,367)</u>	<u>(1,207,524)</u>
Net debt at 31 March 2011	<u>(1,559,188)</u>	<u>(1,519,367)</u>

## 20. ANALYSIS OF CHANGES IN NET DEBT

	As at 1 April 2010 £	Cash Flow £	Other Changes £	As at 31 March 2011 £
Cash at bank and in hand	336,384	115,464	-	451,848
Bank overdraft	-	-	-	-
	<u>336,384</u>	<u>115,464</u>	<u>-</u>	<u>451,848</u>
Debt due within 1 year	(49,693)	49,693	(56,096)	(56,096)
Debt due after 1 year	<u>(1,806,058)</u>	<u>(204,978)</u>	<u>56,096</u>	<u>(1,954,940)</u>
	<u>(1,182,983)</u>	<u>(39,821)</u>	<u>-</u>	<u>(1,107,340)</u>

## 21 CAPITAL COMMITMENTS

	2011 £	2010 £
Expenditure contracted less paid and certified	4,742	-
Expenditure authorised by Management Committee not contracted	<u>-</u>	<u>-</u>
	<u>4,742</u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

22. HOUSING STOCK	2011	2010
	No	No
The number of units of accommodation in management at the year end was		
General needs		
- new build	73	73
- rehabilitation	142	142
Supported housing	2	2
Shared ownership	<u>1</u>	<u>1</u>
	<u>218</u>	<u>218</u>

## 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 3 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 2009 by a professionally qualified actuary using the "Projected Unit Credit" method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. 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 £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

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.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

## 23. PENSION OBLIGATIONS (cont)

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 Association' Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As at this date, the estimated employer debt for the Forgewood Housing Co-operative Limited was £734,656.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60 accrual rate.
- Career average revalued earnings with 1/60 accrual rate.
- Career average revalued earnings with 1/70 accrual rate.
- Career average revalued earnings with 1/80 accrual rate.
- Career average revalued earnings with 1/120 accrual rate, contracted in.

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. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Co-Operative has elected to operate the final salary with a 1/60 accrual rate benefit structure for active members as at 1 April 2010 and the final salary with a 1/60 accrual rate benefit structure for new entrants from 1 April 2010.

During the accounting period the Co-Operative paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

At the balance sheet date there were 6 active members of the Scheme employed by the Co-Operative. The annual pensionable payroll in respect of these members was £138,880.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions	% pa
- Investment return pre retirement	7.4
- Investment return post retirement - non-pensioners	4.6
- Investment return - pensioners	4.8
- Rate of salary increases	4.5
- Rate of pension increases	
pension accrued pre 6 April 2005	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

## 23. PENSION OBLIGATIONS (cont)

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners.

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

Mortality Tables:

Non-pensioners and pensioners- SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement.

<b>Contribution Rates for Future Service (payable from 1 April 2011)</b>	<b>% pa</b>
Final Salary 1/60	19.2
Career average revalued earnings 1/60	17.1
Career average revalued earnings 1/70	14.9
Career average revalued earnings 1/80	13.2

<b>Contribution Rates for Future Service (payable from 1 April 2011)</b>	<b>% pa</b>
Career average revalued earnings 1/120	9.4
Additional rate for deficit contributions*	10.4

(\*Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

## 24. SCOTTISH SECURE TENANCY RENTS

	2011 £	2010 £
Average Scottish Secure tenancy rent for housing accommodation	<u>3,057</u>	<u>2,968</u>
Percentage increase from previous year	<u>3.00%</u>	<u>3.00%</u>

## 25. 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.

## 26. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2011 the Co-operative had annual commitments under non-cancellable operating leases as set out below.

	2011		2010	
	<u>Land &amp; Building</u> £	<u>Other Assets</u> £	<u>Land &amp; Building</u> £	<u>Other Assets</u> £
Operating leases which expire:-				
Within 2 - 5 years	-	<u>4,145</u>	-	<u>4,145</u>