

FORGEWOOD HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

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 2012

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MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

Committee of Management

James Barr	(Chairperson)
Alan Thomson	(Vice Chairperson)
William Muir	(Secretary)
Bernadette Harper	(Treasurer)

John Burton
David Wood
Charles Millar
Isabella Stevenson
Marina Johnston
Kate Perrie
Jamie Bell
David Hemmings
Ann Gardiner (appointed September 2011)
Ian McFarlane (appointed September 2011)
Lisa Jane Graham (resigned September 2011)

Executive Officers

John Mulholland **(Director)**
Catherine Brien **(Depute Director)**

Registered Office

79 Kinloch Drive
Forgewood
MOTHERWELL

Auditors

French Duncan LLP
Chartered Accountants
Statutory Auditor
375 West George Street
Glasgow
G2 4LW

Bankers

Bank of Scotland
32 Brandon Parade South
Motherwell

Clydesdale Bank plc
43 Hamilton Road
Motherwell

Dunfermline Building Society
Caledonia House, Carnegie Avenue
Dunfermline

Solicitors

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

Financial Consultants

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

REPORT OF THE MANAGEMENT COMMITTEE**FOR THE YEAR ENDED 31 MARCH 2012**

The Management Committee presents its Report and the Audited Financial Statements for the year ended 31 March 2012.

Legal Status

The Co-operative is registered as a non-profit making organisation under the Industrial and Provident Societies Acts 1965 to 2002, registered number 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 Management Committee is of the opinion that the state of affairs of the Co-operative is satisfactory. The surplus for the year after taxation was £4,393 (2011 – £1,632 (as restated)). A transfer of £nil was made to designated reserves (2011 – £20,000). Net Assets at 31 March 2012 were £2,565,433 (2011 - £2,570,281 (as restated)).

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 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 it 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. It is also responsible for safeguarding the assets of the Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

REPORT OF THE MANAGEMENT COMMITTEE**FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

In so far as the Management Committee is aware:

- there is no relevant audit information of which the Co-operative's auditors are unaware; and
- the Management Committee has taken all steps that it ought to have taken to make itself 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 recognises 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 2012 (Continued)

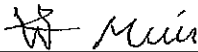
Auditors' Review

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 as auditors will be put to the members at the Annual General Meeting.

By Order of the Management Committee



William Muir
SECRETARY

Date: 18.9.2012

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

We have audited the Financial Statements of Forgewood Housing Co-operative Limited for the year ended 31 March 2012 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.

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 2012 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

Date: *26 September 2012*

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your Statement on page 3 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 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 controls on page 3 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
Chartered Accountants
Statutory Auditor
375 West George Street
Glasgow
G2 4LW

Date: 26 September 2012

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 £	2011 (as restated) £
TURNOVER	2	665,147	639,876
Operating costs	2	<u>(605,474)</u>	<u>(578,856)</u>
OPERATING SURPLUS	7	59,673	61,020
Interest receivable and other income		326	286
Interest payable	8	<u>(55,606)</u>	<u>(59,674)</u>
TOTAL SURPLUS FOR YEAR BEFORE TAXATION		4,393	1,632
Tax on surplus on ordinary activities	9	<u>-</u>	<u>-</u>
SURPLUS FOR YEAR		<u><u>4,393</u></u>	<u><u>1,632</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 2012

	2012 £	2011 (as restated)
Surplus for the financial year	4,393	1,632
Release from revaluation reserve	<u>19,676</u>	<u>22,163</u>
Total recognised surpluses and deficits relating to the year	24,069	<u>23,795</u>
Prior year adjustment (as explained in note 23)	<u>(239,432)</u>	
Total surpluses and deficits recognised since the last annual report	<u><u>(215,363)</u></u>	

BALANCE SHEET AS AT 31 MARCH 2012

	Notes	2012 £	2011 (as restated) £
TANGIBLE FIXED ASSETS			
Housing properties	10	13,402,458	13,449,023
Less: Social housing, other grants and depreciation		<u>(9,176,159)</u>	<u>(9,137,046)</u>
Other	10	4,226,299	4,311,977
	10	<u>177,540</u>	<u>177,397</u>
		<u>4,403,839</u>	<u>4,489,374</u>
INVESTMENTS			
		<u>1</u>	<u>1</u>
CURRENT ASSETS			
Debtors	11	93,715	89,281
Cash at bank and in hand		<u>398,878</u>	<u>451,848</u>
		492,593	541,129
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	12	<u>(441,628)</u>	<u>(505,283)</u>
NET CURRENT ASSETS			
		<u>50,965</u>	<u>35,846</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		4,454,805	4,525,221
Creditors: Amounts falling due after one year	13	<u>(1,889,372)</u>	<u>(1,954,940)</u>
		<u>2,565,433</u>	<u>2,570,281</u>
CAPITAL AND RESERVES			
Called up share capital	14	160	163
Designated reserves	15	88,416	88,416
Revaluation reserve	16	2,245,352	2,274,266
Revenue reserves	17	<u>231,505</u>	<u>207,436</u>
		<u>2,565,433</u>	<u>2,570,281</u>

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

18 September 2012

James Barr CHAIRPERSON

William Muir SECRETARY

Bernadette Harper TREASURER

STATEMENT OF CASH FLOW

FOR THE YEAR TO 31 MARCH 2012

	Notes	2012 £	2011 (as restated) £
NET CASH INFLOW FROM OPERATING ACTIVITIES	18	<u>53,727</u>	<u>250,104</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		326	286
Interest paid		<u>(55,606)</u>	<u>(59,674)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(55,280)</u>	<u>(59,388)</u>
TAXATION			
Tax paid		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
CAPITAL EXPENDITURE			
Cash paid for development, construction and purchase of housing		(17,475)	(241,032)
Cash paid for purchase of other fixed assets		(6,700)	(190)
Social Housing Grant received		17,475	10,679
Net proceeds on disposal of housing properties		<u>12,385</u>	<u>-</u>
		<u>5,685</u>	<u>(230,543)</u>
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		<u>4,132</u>	<u>(39,827)</u>
FINANCING			
Loan finance received		-	203,434
Loans repaid		(58,149)	(48,149)
Shares issued		3	6
		<u>(58,146)</u>	<u>155,291</u>
(DECREASE)/INCREASE IN CASH	19	<u><u>(54,014)</u></u>	<u><u>115,464</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES

The Co-operative is registered as a non-profit making organisation under the Industrial and Provident Societies Acts 1965 to 2002.

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice 2010 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 the Scottish Government, Local Authorities and other agencies.

c) Social Housing Grant (SHG)

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

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

d) Tangible Fixed Assets - Housing Properties

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

e) Depreciation - Housing Properties

The Co-operative adopted component accounting during the financial year. Properties other than heritable land are depreciated in accordance with FRS15 at rates calculated to reduce the net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. The estimated useful lives of the assets and components are shown in the table below:

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

The year to March 2012 represents the first full year of implementation of component accounting and prior to this only land and structure were recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

1. ACCOUNTING POLICIES (Continued)**f) Depreciation - Other Fixed Assets**

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

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

g) Capitalisation of Interest

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

h) Development Administration

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

i) Cyclical Repairs

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

j) Designated Reserves

Planned Maintenance

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

k) Pensions

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

l) Leases

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover £	Operating Costs £	2012 Operating Surplus £	2011 (as restated) Operating Surplus £
Social lettings	3	<u>647,583</u>	<u>(577,098)</u>	<u>70,485</u>	<u>63,252</u>
Other activities	4	<u>17,564</u>	<u>(28,376)</u>	<u>(10,812)</u>	<u>(2,232)</u>
Total		<u>665,147</u>	<u>(605,474)</u>	<u>59,673</u>	<u>61,020</u>
Total for previous period of account (as restated)		<u>639,876</u>	<u>(578,856)</u>	<u>61,020</u>	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Housing £	Other £	2012 Total £	2011 (as restated) Total £
Rent receivable net of service charges	646,405	-	1,178	-	647,583	624,928
Service charges	-	-	-	-	-	-
Gross income from rents and service charges	646,405	-	1,178	-	647,583	624,928
Less voids	-	-	-	-	-	(1,270)
Net income from rents and service charges	646,405	-	1,178	-	647,583	623,658
Grants from the Scottish Ministers	-	-	-	-	-	-
Other revenue grants	-	-	-	-	-	-
Total turnover from social letting activities	646,405	-	1,178	-	647,583	623,658
Management and maintenance administration costs	384,024	-	1,178	-	385,202	329,617
Service costs	-	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	29,836	-	-	-	29,836	52,167
Reactive maintenance costs	97,508	-	-	-	97,508	112,905
Bad debts - rents and service charges	961	-	-	-	961	1,677
Depreciation of social housing	63,591	-	-	-	63,591	64,040
Impairment of social housing	-	-	-	-	-	-
Operating costs for social letting activities	575,920	-	1,178	-	577,098	560,406
Operating surplus for social lettings	70,485	-	-	-	70,485	63,252
Operating surplus for social letting for previous period of account (as restated)	63,252	-	-	-	63,252	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (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 £	Turnover - £	Operating costs - bad debts £	Other operating costs £	Operating surplus/(deficit) £	Operating surplus/(deficit) for previous period of account £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	2,204	(2,204)	(1,470)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	17,559	17,559	-	26,172	(8,613)	(765)
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	-	-	-	5	5	-	-	5	3
Total from other activities	-	-	-	17,564	17,564	-	28,376	(10,812)	(2,232)
Total from other activities for the previous period of account	-	-	-	16,218	16,218	-	18,450	(2,232)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

5. DIRECTORS' EMOLUMENTS

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

	2012 £	2011 (as restated) £
Total Emoluments (including pension contributions and benefits in kind)	<u>77,351</u>	<u>71,187</u>
Emoluments of highest paid director (excluding pension contributions)	<u>71,666</u>	<u>66,669</u>
	Number	Number
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 24. No enhanced or special terms apply to memberships and there are no other pension arrangements to which the Co-operative contribute. The Co-operative's contributions for the director in the year amounted to £5,685 (2011 - £4,518 (as restated)).

	£	£
Total expenses re-imbursed insofar as not chargeable to income tax		
Management Committee	<u>2,604</u>	<u>1,989</u>

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

6. EMPLOYEES

	Number	Number
Average full time equivalent weekly numbers of persons employed during the year:	<u>6</u>	<u>6</u>
Staff Costs:		
	£	£
Wages and Salaries	211,369	198,470
Social Security Costs	21,283	18,878
Pension Contributions	<u>28,894</u>	<u>23,846</u>
	<u>261,546</u>	<u>241,194</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

7. OPERATING SURPLUS

	2012	2011
	£	(as restated) £
Operating surplus is stated after charging:-		
Depreciation	70,148	71,441
Loss on disposal of fixed assets	464	-
Auditors remuneration - Audit Services	7,744	6,104
Operating lease rentals - plant and machinery	<u>9,020</u>	<u>7,873</u>

8. INTEREST PAYABLE

On Bank Loans and Overdrafts	<u>55,606</u>	<u>59,674</u>
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9. TAXATION

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

10. TANGIBLE FIXED ASSETS

	Properties Held for Letting £	Properties Under Construction £	Completed Shared Ownership Properties £	Total £
Cost or Valuation				
At 1 April 2011 (as restated)	13,421,319	-	27,704	13,449,023
Additions	17,475	-	-	17,475
Disposals	(64,040)	-	-	(64,040)
Revaluation	-	-	-	-
At 31 March 2012	<u>13,374,754</u>	-	<u>27,704</u>	<u>13,402,458</u>
Social Housing Grant				
At 1 April 2011	9,049,365	-	23,642	9,073,007
Additions	17,475	-	-	17,475
Disposals	(41,953)	-	-	(41,953)
At 31 March 2012	<u>9,024,887</u>	-	<u>23,642</u>	<u>9,048,529</u>
Depreciation				
At 1 April 2011 (as restated)	64,039	-	-	64,039
Provided during year	63,591	-	-	63,591
Disposals	-	-	-	-
On revaluation	-	-	-	-
At 31 March 2012	<u>127,630</u>	-	-	<u>127,630</u>
Net Book Value at 31 March 2012	<u>4,222,237</u>	-	<u>4,062</u>	<u>4,226,299</u>
Net Book Value at 31 March 2011 (as restated)	<u>4,307,915</u>	-	<u>4,062</u>	<u>4,311,977</u>

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 property at 31 March 2012 would have been included at a cost of £11,407,170 (2011 - £11,444,626 (as restated)) less Social Housing Grant and depreciation of £9,419,198 (2011 - £9,438,635 (as restated)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

10. TANGIBLE FIXED ASSETS

	Office Premises £	Office Furniture and Equipment £	Total £
Cost			
At 1 April 2011	216,204	57,677	273,881
Additions	-	6,700	6,700
Revaluation	-	-	-
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2012	216,204	64,377	280,581
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2011	43,807	52,677	96,484
Charge for the year	4,324	2,233	6,557
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2012	48,131	54,910	103,041
	<hr/>	<hr/>	<hr/>
Net Book Value at 31 March 2012	168,073	9,467	177,540
	<hr/>	<hr/>	<hr/>
Net Book Value at 31 March 2011	172,397	5,000	177,397
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

11. DEBTORS

	2012 £	2011 £
Amounts falling due within one year:		
Rent arrears	19,457	16,555
Prepayments and accrued income	5,728	4,367
Other Debtors	<u>68,530</u>	<u>68,359</u>
	<u><u>93,715</u></u>	<u><u>89,281</u></u>

12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank overdraft	1,044	-
Housing loans	63,515	56,096
Corporation tax	-	-
Other taxes and social security	6,148	5,959
Other creditors	348,990	416,693
Accruals and deferred income	<u>21,931</u>	<u>26,535</u>
	<u><u>441,628</u></u>	<u><u>505,283</u></u>

13. CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

Housing loans:-		
Due between one and two years	64,934	57,824
Due between two and five years	203,638	184,424
Due after five years	<u>1,620,800</u>	<u>1,712,692</u>
	<u><u>1,889,372</u></u>	<u><u>1,954,940</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 2012 (Continued)

14. SHARE CAPITAL

	2012	2011
	£	£
Shares of £1 each, fully paid and issued		
Allotted, issued and fully paid at 1 April 2011	163	160
Issued during the year	3	6
Forfeited during the year	<u>(6)</u>	<u>(3)</u>
At 31 March 2012	<u>160</u>	<u>163</u>

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

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

At 31 March 2012, shares issued were split as follows:

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

15. DESIGNATED RESERVES

Planned Maintenance

	£
Balance at 1 April 2011 (as previously stated)	256,568
Prior year adjustment	<u>(168,152)</u>
Balance at 1 April 2011 (as restated)	88,416
Transferred in year	<u>-</u>
Balance at 31 March 2012	<u>88,416</u>

16. REVALUATION RESERVE

	2012
	£
Balance at 1 April 2011 (as previously stated)	2,194,118
Prior year adjustment	<u>80,148</u>
Balance at 1 April 2011 (as restated)	2,274,266
Release against loss on disposal of fixed assets	(9,238)
Release to revenue reserve	<u>(19,676)</u>
Balance at 31 March 2012	<u>2,245,352</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

17. REVENUE RESERVE

	2012 £
Balance at 1 April 2011 (as previously stated)	239,148
Prior year adjustment	<u>(31,712)</u>
Balance at 1 April 2011 (as restated)	207,436
Surplus for the year	4,393
Release from revaluation reserve	19,676
Transfer to designated reserves	<u>-</u>
Balance at 31 March 2012	<u><u>231,505</u></u>

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

	2012 £	2011 (as restated) £
OPERATING SURPLUS FOR THE YEAR	59,673	61,020
Depreciation	70,148	71,441
Loss on sale of assets	464	-
Forfeited shares	(6)	(3)
(Increase)/decrease in debtors	(4,434)	3,724
(Decrease)/increase in creditors	<u>(72,118)</u>	<u>113,922</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u><u>53,727</u></u>	<u><u>250,104</u></u>

19. RECONCILIATION OF NET CASHFLOW
TO MOVEMENT IN NET DEBT

(Decrease)/increase in cash in year	(54,014)	115,464
Loan repayments	58,149	48,149
Loans received	-	(203,434)
Change in net debt	<u>4,135</u>	<u>(39,821)</u>
Net debt at 1 April 2011	<u>(1,559,188)</u>	<u>(1,519,367)</u>
Net debt at 31 March 2012	<u><u>(1,555,053)</u></u>	<u><u>(1,559,188)</u></u>

20. ANALYSIS OF CHANGES IN NET DEBT

	As at 1 April 2011 £	Cash Flow £	Other Changes £	As at 31 March 2012 £
Cash at bank and in hand	451,848	(52,970)	-	398,878
Bank overdraft	-	(1,044)	-	(1,044)
	<u>451,848</u>	<u>(54,014)</u>	-	<u>397,834</u>
Debt due within 1 year	(56,096)	58,149	(65,568)	(63,515)
Debt due after 1 year	<u>(1,954,940)</u>	<u>-</u>	<u>65,568</u>	<u>(1,889,372)</u>
	<u><u>(1,559,188)</u></u>	<u>4,135</u>	-	<u><u>(1,555,053)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

21 CAPITAL COMMITMENTS

	2012 £	2011 £
Expenditure contracted less paid and certified	-	4,742

22. HOUSING STOCK

	2012 No	2011 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	1	1
	<u>218</u>	<u>218</u>

23. PRIOR YEAR ADJUSTMENT

During the year, the Co-operative changed its accounting policy in relation to housing properties and depreciation, as detailed in Note 1 to the Financial Statements, in order to incorporate component accounting. Major repairs which relate to identified components are now capitalised, with major components being depreciated over the estimated useful economic lives of each identified component.

As a result of the change in accounting policy, a prior year adjustment has been required under Financial Reporting Standard 3 - Reporting Financial Performance, and Financial Reporting Standard 18 - Accounting Policies.

Balances brought forward have been adjusted as follows:

	Reported in 2011 Accounts £	Adjustment £	Restated 2011 Figures £
Housing Property - net book value	4,431,693	(119,716)	4,311,977
Designated Reserves	256,568	(168,152)	88,416
Revaluation Reserves	2,194,118	80,148	2,274,266
Revenue Reserves	239,148	(31,712)	207,436
Net prior year adjustment		<u>(239,432)</u>	

The reported surplus in 2011 has been reduced by £29,316 and now stands at £1,632.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

24. PENSION OBLIGATIONS

Forgewood Housing Co-operative Limited (the "Co-operative") participates in the Scottish Housing Associations' Pension Scheme (the "Scheme"). The Scheme is funded and is contracted-out of the State Pension scheme.

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

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

The last formal valuation of the Scheme was performed as at 30 September 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 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

The Scheme offers five benefit structures to employers, namely:

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

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 1/60th accrual rate benefit structure for active members and new members.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

24. PENSION OBLIGATIONS (Continued)

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

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

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

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

The Co-operative has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for the Co-operative was £871,268.

As at the balance sheet date there were 4 active members of the Scheme employed by the Co-operative. The annual pensionable payroll in respect of these members was £140,805.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

24. PENSION OBLIGATIONS (Continued)

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

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement - Non-pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

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

Contribution Rates for Future Service (payable from 1 April 2011)	%
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	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.)

As the Co-operative continues to offer membership of the scheme to employees it therefore regards crystallisation of the buy-out as remote. No provision for the buy-out debt is therefore required.

The pension cost charge of £28,894 (2011: £23,846) represents amounts paid by the Co-operative to this scheme during the year.

The Co-operative's Director is an ordinary member of the pension scheme and no enhanced or special terms apply. The Director does not have an individual pension arrangement. The Co-operative paid £5,685 (2011: £4,518) of contributions towards the Director's pension in the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

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.

During the year the Co-operative charged Bridges Housing Association Ltd, a company in which the Co-operative owns 50% of the share capital, £17,550 for agency services. The Co-operative also paid expenses on behalf of Bridges Housing Association Ltd of £9,193. During the year Bridges Housing Association Ltd paid £35,447 to the Co-operative. The balance owed by Bridges Housing Association Ltd to the Co-operative at 31 March 2012 was £11,743 (2011 - £20,447).

26. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2012, the Co-operative had annual commitments under non-cancellable operating leases as set out below.

	2012		2011	
	<u>Land & Building</u>	<u>Other Assets</u>	<u>Land & Building</u>	<u>Other Assets</u>
	£	£	£	£
Operating leases which expire:-				
Within 2 - 5 years	-	<u>4,227</u>	-	<u>4,145</u>