

# FORGEWOOD HOUSING CO-OPERATIVE LIMITED

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

Register of Friendly Societies No. 2439R(S)

Registered Housing Association No. HAC 271

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

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2013**

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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	(resigned September 2012)
Marina Johnston	(resigned February 2013)
Kate Perrie	
Jamie Bell	
David Hemmings	
Ann Gardiner	
Ian McFarlane	
Margaret Fraser	(appointed September 2012)
Angela Robinson	(appointed September 2012, resigned February 2013)

**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 2013**

The Management Committee presents its report and the audited financial statements for the year ended 31 March 2013.

**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 £53,457 (2012 – £4,393). A transfer of £nil was made to designated reserves (2012 – £nil). Net Assets at 31 March 2013 were £2,618,890 (2012 - £2,565,433 ).

**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 2010, the Scottish Housing Regulator Determination of Accounting Requirements (April 2012) and the Statement of Recommended Practice for Registered Social Landlords (SORP 2010). They are also responsible for safeguarding the assets of the Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**REPORT OF THE MANAGEMENT COMMITTEE****FOR THE YEAR ENDED 31 MARCH 2013 (Continued)**

In so far as the Management Committee is aware:

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

**Related Party Transactions**

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

**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 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 2013 (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 as auditors to the Co-operative will be put to the members at the Annual General Meeting.

By Order of the Management Committee



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William Muir  
SECRETARY

Date: 17.9.2013

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS  
FOR THE YEAR ENDED 31ST MARCH 2013**

We have audited the financial statements of Forgewood Housing Co-operative Limited for the year ended 31 March 2013 on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Co-operative's members as a body, in accordance with Section 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 2013 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Part 6 of the Housing (Scotland) Act 2010 and the Scottish Housing Regulator Determination of Accounting Requirements (April 2012).

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

We have nothing to report in respect of the following matters where the 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

Statutory Auditor

375 West George Street

Glasgow

G2 4LW

Date:

23/09/2013

**REPORT OF THE INDEPENDENT AUDITORS  
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 Auditors  
375 West George Street  
Glasgow  
G2 4LW

Date: 23/09/2013



## INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £	2012 £
<b>TURNOVER</b>	2	697,022	665,147
Operating costs	2	<u>(603,398)</u>	<u>(605,474)</u>
<b>OPERATING SURPLUS</b>	7	93,624	59,673
Interest receivable and other income		363	326
Interest payable	8	<u>(40,530)</u>	<u>(55,606)</u>
<b>TOTAL SURPLUS FOR YEAR BEFORE TAXATION</b>		53,457	4,393
Tax on surplus on ordinary activities	9	<u>-</u>	<u>-</u>
<b>SURPLUS FOR YEAR</b>		<u><u>53,457</u></u>	<u><u>4,393</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 2013

	2013 £	2012
Surplus for the financial year	53,457	4,393
Release from revaluation reserve	<u>19,676</u>	<u>19,676</u>
Total recognised surpluses and deficits relating to the year	73,133	24,069
Prior year adjustment	<u>-</u>	<u>(239,432)</u>
Total surpluses and deficits recognised since the last audit report	<u><u>73,133</u></u>	<u><u>(215,363)</u></u>

## BALANCE SHEET AS AT 31 MARCH 2013

	Notes	2013 £	2012 £
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties	10	13,414,774	13,402,458
Less: Social housing, other grants and depreciation		<u>(9,252,066)</u>	<u>(9,176,159)</u>
Other	10	4,162,708	4,226,299
	10	<u>170,983</u>	<u>177,540</u>
		<u>4,333,691</u>	<u>4,403,839</u>
<b>INVESTMENTS</b>			
		<u>1</u>	<u>1</u>
<b>CURRENT ASSETS</b>			
Debtors	11	131,711	93,715
Cash at bank and in hand		<u>383,949</u>	<u>398,878</u>
		515,660	492,593
<b>CURRENT LIABILITIES</b>			
Creditors: Amounts falling due within one year	12	<u>(416,430)</u>	<u>(441,628)</u>
<b>NET CURRENT ASSETS</b>			
		<u>99,230</u>	<u>50,965</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		4,432,922	4,454,805
Creditors: Amounts falling due after one year	13	<u>(1,814,032)</u>	<u>(1,889,372)</u>
		<u>2,618,890</u>	<u>2,565,433</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	160	160
Designated reserves	15	88,416	88,416
Revaluation reserve	16	2,225,676	2,245,352
Revenue reserves	17	<u>304,638</u>	<u>231,505</u>
		<u>2,618,890</u>	<u>2,565,433</u>

The Financial Statements were approved by the Management Committee on 17.9.2013  
and signed on its behalf by:-

James Barr CHAIRPERSON

William Muir SECRETARY

Bernadette Harper TREASURER

## STATEMENT OF CASH FLOW

FOR THE YEAR TO 31 MARCH 2013

	Notes	2013 £	2012 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	18	<u>100,577</u>	<u>53,727</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		363	326
Interest paid		<u>(40,530)</u>	<u>(55,606)</u>
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>(40,167)</u>	<u>(55,280)</u>
<b>TAXATION</b>			
Tax paid		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
<b>CAPITAL EXPENDITURE</b>			
Cash paid for development, construction and purchase of housing		(12,316)	(17,475)
Cash paid for purchase of other fixed assets		-	(6,700)
Social Housing Grant received		12,316	17,475
Net proceeds on disposal of housing properties		<u>-</u>	<u>12,385</u>
		<u>-</u>	<u>5,685</u>
<b>NET CASH INFLOW BEFORE FINANCING</b>		<u>60,410</u>	<u>4,132</u>
<b>FINANCING</b>			
Loan finance received		-	-
Loans repaid		(74,297)	(58,149)
Shares issued		2	3
		<u>(74,295)</u>	<u>(58,146)</u>
<b>DECREASE IN CASH</b>	19	<u><u>(13,885)</u></u>	<u><u>(54,014)</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2013

**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 Scottish Housing Regulator Determination of Accounting Requirements (April 2012).

The principal accounting policies are set out below.

**a) Basis of accounting**

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

**b) Turnover**

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

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

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

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

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

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

**e) Depreciation - Housing Properties**

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		

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (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 2013 (Continued)

## 2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover £	Operating Costs £	2013 Operating Surplus £	2012 Operating Surplus £
Social lettings	3	<u>673,763</u>	<u>(560,766)</u>	<u>112,997</u>	<u>70,485</u>
Other activities	4	<u>23,259</u>	<u>(42,632)</u>	<u>(19,373)</u>	<u>(10,812)</u>
Total		<u>697,022</u>	<u>(603,398)</u>	<u>93,624</u>	<u>59,673</u>
Total for previous period of account		<u>665,147</u>	<u>(605,474)</u>	<u>59,673</u>	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Housing £	Other £	2013 Total £	2012 Total £
Rent receivable net of service charges	672,761	-	1,231	-	673,992	647,583
Service charges	-	-	-	-	-	-
Gross income from rents and service charges	672,761	-	1,231	-	673,992	647,583
Less voids	(229)	-	-	-	(229)	-
Net income from rents and service charges	672,532	-	1,231	-	673,763	647,583
Grants from the Scottish Ministers	-	-	-	-	-	-
Other revenue grants	-	-	-	-	-	-
Total turnover from social letting activities	672,532	-	1,231	-	673,763	647,583
Management and maintenance administration costs	385,045	-	1,231	-	386,276	385,202
Service costs	-	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	40,886	-	-	-	40,886	29,836
Reactive maintenance costs	69,052	-	-	-	69,052	97,508
Bad debts - rents and service charges	961	-	-	-	961	961
Depreciation of social housing	63,591	-	-	-	63,591	63,591
Impairment of social housing	-	-	-	-	-	-
Operating costs for social letting activities	559,535	-	1,231	-	560,766	577,098
Operating surplus for social lettings	112,997	-	-	-	112,997	70,485
Operating surplus for social letting for previous period of account	70,485	-	-	-	70,485	

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2013 (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 - £	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	-	-	-	-	-	-	8,720	(8,720)	(2,204)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	23,257	23,257	-	33,912	(10,655)	(8,613)
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	-	-	-	2	2	-	-	2	5
<b>Total from other activities</b>	-	-	-	23,259	23,259	-	42,632	(19,373)	(10,812)
<b>Total from other activities for the previous period of account</b>	-	-	-	17,564	17,564	-	28,376	(10,812)	



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (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.

	2013 £	2012 £
Total Emoluments (including pension contributions and benefits in kind)	<u>80,179</u>	<u>77,351</u>
Emoluments of highest paid director (excluding pension contributions)	<u>74,352</u>	<u>71,666</u>
	<b>Number</b>	<b>Number</b>
Greater than £60,000	<u>1</u>	<u>1</u>

The highest paid director is an ordinary member of the Co-operative's pension scheme described in note 23. No enhanced or special terms apply to memberships and there are no other pension arrangements to which the Co-operative contribute. The Co-operative's contributions for the director in the year amounted to £5,827 (2012 - £5,685).

	£	£
Total expenses re-imbursed insofar as not chargeable to income tax		
Management Committee	<u>2,564</u>	<u>2,604</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	206,686	211,369
Social Security Costs	20,971	21,283
Pension Contributions	<u>29,974</u>	<u>28,894</u>
	<u>257,631</u>	<u>261,546</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

## 7. OPERATING SURPLUS

	2013	2012
	£	£
Operating surplus is stated after charging:-		
Depreciation	70,148	70,148
Loss on disposal of fixed assets	-	464
Auditors remuneration - Audit Services	7,662	7,744
Operating lease rentals - plant and machinery	<u>3,700</u>	<u>9,020</u>

## 8. INTEREST PAYABLE

On Bank Loans and Overdrafts	<u>40,530</u>	<u>55,606</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 2013 (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 2012	13,374,754	-	27,704	13,402,458
Additions	12,316	-	-	12,316
Disposals	-	-	-	-
Revaluation	-	-	-	-
At 31 March 2013	<u>13,387,070</u>	-	<u>27,704</u>	<u>13,414,774</u>
<b>Social Housing Grant</b>				
At 1 April 2012	9,024,887	-	23,642	9,048,529
Additions	12,316	-	-	12,316
Disposals	-	-	-	-
At 31 March 2013	<u>9,037,203</u>	-	<u>23,642</u>	<u>9,060,845</u>
<b>Depreciation</b>				
At 1 April 2012	127,630	-	-	127,630
Provided during year	63,591	-	-	63,591
Disposals	-	-	-	-
On revaluation	-	-	-	-
At 31 March 2013	<u>191,221</u>	-	-	<u>191,221</u>
<b>Net Book Value at 31 March 2013</b>	<u>4,158,646</u>	-	<u>4,062</u>	<u>4,162,708</u>
<b>Net Book Value at 31 March 2012</b>	<u>4,222,237</u>	-	<u>4,062</u>	<u>4,226,299</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. An Interim valuation was carried out as at 31 March 2013 by A.C. Davidson & Co, Financial Consultants, using the same basis and no change was made to the property values at the year end.

On the historical cost basis, the property at 31 March 2013 would have been included at a cost of £11,419,486 (2012 - £11,407,170) less Social Housing Grant and depreciation of £9,487,591 (2012 - £9,419,198).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

## 10. TANGIBLE FIXED ASSETS

	Office Premises £	Office Furniture and Equipment £	Total £
<b>Cost</b>			
At 1 April 2012	216,204	64,377	280,581
Additions	-	-	-
Revaluation	-	-	-
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2013	<b>216,204</b>	<b>64,377</b>	<b>280,581</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Depreciation</b>			
At 1 April 2012	48,131	54,910	103,041
Charge for the year	4,324	2,233	6,557
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2013	<b>52,455</b>	<b>57,143</b>	<b>109,598</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net Book Value at 31 March 2013</b>	<b>163,749</b>	<b>7,234</b>	<b>170,983</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net Book Value at 31 March 2012</b>	<b>168,073</b>	<b>9,467</b>	<b>177,540</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

## 11. DEBTORS

	2013	2012
	£	£
Amounts falling due within one year:		
Rent arrears	19,272	19,457
Prepayments and accrued income	4,300	5,728
Other Debtors	<u>108,139</u>	<u>68,530</u>
	<u><u>131,711</u></u>	<u><u>93,715</u></u>

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

Bank overdraft	-	1,044
Housing loans	64,558	63,515
Corporation tax	-	-
Other taxes and social security	6,441	6,148
Other creditors	327,485	348,990
Accruals and deferred income	<u>17,946</u>	<u>21,931</u>
	<u><u>416,430</u></u>	<u><u>441,628</u></u>

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

Housing loans:-		
Due between one and two years	66,000	64,934
Due between two and five years	206,983	203,638
Due after five years	<u>1,541,049</u>	<u>1,620,800</u>
	<u><u>1,814,032</u></u>	<u><u>1,889,372</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 2013 (Continued)

## 14. SHARE CAPITAL

	2013	2012
	£	£
Shares of £1 each, fully paid and issued		
Allotted, issued and fully paid at 1 April 2012	160	163
Issued during the year	2	3
Forfeited during the year	<u>(2)</u>	<u>(6)</u>
At 31 March 2013	<u>160</u>	<u>160</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 2013, shares issued were split as follows:

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

## 15. DESIGNATED RESERVES

## Planned Maintenance

	£
Balance at 1 April 2012	88,416
Transferred in year	<u>-</u>
Balance at 31 March 2013	<u>88,416</u>

## 16. REVALUATION RESERVE

	2013
	£
Balance at 1 April 2012	2,245,352
Release against loss on disposal of fixed assets	-
Release to revenue reserve	<u>(19,676)</u>
Balance at 31 March 2013	<u>2,225,676</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

## 17. REVENUE RESERVE

	2013 £
Balance at 1 April 2012	231,505
Surplus for the year	53,457
Release from revaluation reserve	19,676
Transfer to designated reserves	-
Balance at 31 March 2013	<u>304,638</u>

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

	2013 £	2012 £
OPERATING SURPLUS FOR THE YEAR	93,624	59,673
Depreciation	70,148	70,148
Loss on sale of assets	-	464
Forfeited shares	(2)	(6)
Increase in debtors	(37,996)	(4,434)
Decrease in creditors	<u>(25,197)</u>	<u>(72,118)</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>100,577</u>	<u>53,727</u>

19. RECONCILIATION OF NET CASHFLOW  
TO MOVEMENT IN NET DEBT

(Decrease)/increase in cash in year	(13,885)	(54,014)
Loan repayments	74,297	58,149
Loans received	-	-
Change in net debt	<u>60,412</u>	<u>4,135</u>
Net debt at 1 April 2012	<u>(1,555,053)</u>	<u>(1,559,188)</u>
Net debt at 31 March 2013	<u>(1,494,641)</u>	<u>(1,555,053)</u>

## 20. ANALYSIS OF CHANGES IN NET DEBT

	As at 1 April 2012 £	Cash Flow £	Other Changes £	As at 31 March 2013 £
Cash at bank and in hand	398,878	(14,929)	-	383,949
Bank overdraft	<u>(1,044)</u>	<u>1,044</u>	-	<u>-</u>
	397,834	(13,885)	-	383,949
Debt due within 1 year	(63,515)		(1,043)	(64,558)
Debt due after 1 year	<u>(1,889,372)</u>	-	<u>1,043</u>	<u>(1,814,032)</u>
	<u>(1,555,053)</u>	<u>(13,885)</u>	-	<u>(1,494,641)</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

## 21 CAPITAL COMMITMENTS

	2013 £	2012 £
Expenditure contracted less paid and certified	<u>-</u>	<u>-</u>

## 22. HOUSING STOCK

	2013 No	2012 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>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

**23. PENSION OBLIGATIONS**

Forgewood Housing Co-operative Limited (the "Co-operative") participates in the Scottish Housing Associations' Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are commingled 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%.

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

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

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

The Co-operative has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for Forgewood Housing Co-operative Limited was £933,965.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

## 23. PENSION OBLIGATIONS (Continued)

The Scheme offers five benefit structures to employers, namely:

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

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.

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

As at the balance sheet date there were 4 active members of the Scheme employed by the Co-operative. The annual pensionable payroll in respect of these members was £144,326.

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
<b>Rate of pension increases</b>	
- 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

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 costs of future benefit accrual were assessed as:

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

## 23. PENSION OBLIGATIONS (Continued)

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 £29,974 (2012: £28,894) 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 £5,827 (2012: £5,685) of contributions towards the Director's pension in the year.

## 24. RELATED PARTY TRANSACTIONS

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

During the year the Co-operative charged Bridges Housing Association Ltd, a company in which the Co-operative owns 50% of the share capital, £23,257 for agency services. The Co-operative also paid expenses on behalf of Bridges Housing Association Ltd of £14,919. During the year Bridges Housing Association Ltd paid £25,000 to the Co-operative. The balance owed by Bridges Housing Association Ltd to the Co-operative at 31 March 2013 was £24,919 (2012 - £11,743).

## 25. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2013, the Co-operative had annual commitments under non-cancellable operating leases as set out

	2013		2012	
	Land & <u>Building</u>	Other <u>Assets</u>	Land & <u>Building</u>	Other <u>Assets</u>
	£	£	£	£
Operating leases which expire:-				
Within 2 - 5 years	-	4,227	-	4,227