

FORGEWOOD HOUSING CO-OPERATIVE LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Registered Housing Association Number: HAC 271
FCA Reference Number: 2439R (S)
Scottish Charity Registration Number: SC045344

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

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**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

REPORT FROM THE MANAGEMENT COMMITTEE

MEMBERS OF THE MANAGEMENT COMMITTEE

Alan Thompson	(Chairperson)	
Jamie Bell	(Vice Chairperson)	
William Muir	(Secretary)	
Bernadette Harper	(Treasurer)	
John Burton		
Charles Millar		
James Barr		
David Hemmings		
Ian MacFarlane		(Resigned 3 May 2017)
Paul Bartycha		(Co-opted 16 November 2016)
Callum Boughey		(Co-opted 22 March 2017)
Anne Millar		(Co-opted 22 March 2017)

EXECUTIVE OFFICERS

John Mulholland	(Director)
Catherine Brien	(Deputy Director)

REGISTERED OFFICE

49 Dinmont Crescent
Forgewood
Motherwell
ML1 3TT

AUDITORS

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

BANKERS

Bank of Scotland
32 Brandon Parade South
Motherwell

Clydesdale Bank Plc
43 Hamilton Road
Motherwell

Nationwide Building Society
Caledonia House, Carnegie Avenue
Dunfermline

SOLICITORS

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

Financial Consultants

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

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

REPORT FROM THE MANAGEMENT COMMITTEE

The Management Committee presents their report and the Financial Statements for the year ended 31st March 2017.

Legal Status

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

Principal Activities

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

Review of business and future developments

Current Year

The Committee is satisfied with the Co-operative's performance during the year. The surplus for the year, before the pension re-measurement was £64,313 (2016 - £45,782). The Co-operative's net current assets at 31 March 2017 were £258,178 (2016- £531,803).

Changes in Fixed Assets

Details of Fixed Assets are set out in note 10.

The Future

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

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 3.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

REPORT FROM THE MANAGEMENT COMMITTEE (CONTINUED)

Statement of Management Committee's responsibilities

The Co-operative and Community Benefit Act 2014 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:-

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Co-operative and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - 2014. They are also responsible for safeguarding the assets of the Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Co-operative's suppliers are paid promptly.

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

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Co-operative's auditors in connection with preparing their report) of which the Co-operative's auditors are unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Co-operative's auditors are aware of that information.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

REPORT FROM THE MANAGEMENT COMMITTEE (CONTINUED)

Statement on Internal Financial Control

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

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

It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of the Co-operative's systems include ensuring that:

- Formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Co-operative's assets;
- Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- Forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- The Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Co-operative is undertaken; and
- Formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Co-operative for the year ended 31 March 2017. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

REPORT FROM THE MANAGEMENT COMMITTEE (CONTINUED)

Auditors

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

By order of Management Committee



William Muir
Secretary

Date: 20/09/2017

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

INDEPENDENT AUDITOR'S REPORT

**REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF FORGEWOOD
HOUSING CO-OPERATIVE LIMITED ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 6 concerning the Co-operative's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Co-operative's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 6 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



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

Date:

20/09/2017

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

INDEPENDENT AUDITOR'S 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 2017 which comprise an income and expenditure account, balance sheet, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

RESPECTIVE RESPONSIBILITIES OF MANAGEMENT COMMITTEE AND AUDITORS

As explained more fully in the Statement of the Management Committee's Responsibilities the Co-operative's Management Committee, are responsible for the preparation of the Financial Statements that 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 ON THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Co-operative's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in The Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the Financial Statements:

- give a true and fair view of the state of the Co-operative's affairs as at 31 March 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters

French Duncan LLP

Chartered Accountants

Statutory Auditors

133 Finnieston Street

Glasgow

G3 8HB

Date: 20/09/2017

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

INCOME AND EXPENDITURE ACCOUNT

	Notes	2017 £	2016 £
REVENUE	2.	1,015,146	788,365
Operating Costs	2.	(878,548)	(669,574)
OPERATING SURPLUS		<u>136,598</u>	<u>118,791</u>
Loss on Sale of Housing Stock		(8,825)	-
Interest Receivable and Other Income		249	333
Interest Payable and Similar Charges	7.	(54,709)	(64,342)
Other Finance Charges		(9,000)	(9,000)
		<u>(72,285)</u>	<u>(73,009)</u>
SURPLUS FOR THE YEAR	8.	64,313	45,782
OTHER COMPREHENSIVE INCOME			
Pension remeasurement	20.	216,000	-
TOTAL INCOME FOR THE YEAR		<u><u>280,313</u></u>	<u><u>45,782</u></u>

The notes on pages 15 to 28 form part of these financial statements.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

BALANCE SHEET

	Notes	2017		2016	
		£	£	£	£
FIXED ASSETS					
Housing Properties - Depreciated Cost	10.(a)		5,004,641		4,721,612
Other Fixed Assets	10.(b)		2,206,747		1,832,072
Investments			1		1
			<u>7,211,389</u>		<u>6,553,685</u>
CURRENT ASSETS					
Debtors	11.	93,939		96,315	
Cash at bank and in hand		696,220		1,227,169	
		<u>790,159</u>		<u>1,323,485</u>	
CREDITORS: Amounts falling due within one year	12.	(531,981)		(791,682)	
NET CURRENT ASSETS			<u>258,178</u>		<u>531,803</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>7,469,567</u>		<u>7,085,487</u>
CREDITORS: Amounts falling due after more than one year					
Housing Property Loans	13.		(1,967,919)		(2,063,032)
Retirement Benefit Scheme Deficit	13.		(131,087)		(372,935)
Government Grant	17.		(2,121,635)		(1,680,820)
NET ASSETS			<u>3,248,926</u>		<u>2,968,700</u>
EQUITY					
Share Capital	15.		71		158
Revenue Reserves			3,248,855		2,968,542
			<u>3,248,926</u>		<u>2,968,700</u>

The financial statements were approved by the Management Committee, authorised for issue, and signed on its behalf on 20/09/2017.


Alan Thompson
 Chairperson


William Muir
 Secretary


Jamie Bell
 Treasurer

The notes on pages 15 to 28 form part of these financial statements.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF CASH FLOWS

	Notes	2017	2016
		£	£
Net Cash (Outflow)/Inflow from Operating Activities	14.	(63,377)	268,517
Investing Activities			
Acquisition and Construction of Properties	-	(1,940)	
Purchase of Other Fixed Assets	(957,936)	(1,497,794)	
Social Housing Grant Received	483,501	1,497,794	
Proceeds on Disposal of Properties	151,047	-	
Interest received	249	333	
Share capital issued	14	-	
Net Cash Outflow from Investing Activities		(323,125)	(1,607)
Financing Activities			
Interest Paid	(54,709)	(64,342)	
Movement in short term borrowings	5,375	15,783	
Movement in long term borrowings	(95,113)	386,623	
Net Cash (Outflow)/Inflow from Financing		(144,447)	338,397
(Decrease)/Increase in Cash		(530,949)	604,974
Opening Cash & Cash Equivalents		1,227,169	622,195
Closing Cash & Cash Equivalents		696,220	1,227,169

The notes on pages 15 to 28 form part of these financial statements.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF CHANGES IN EQUITY

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

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1 April 2015	158	2,922,760	2,922,918
Surplus for Year	-	45,782	45,782
Balance as at 31 March 2016	<u>158</u>	<u>2,968,542</u>	<u>2,968,700</u>

The notes on pages 15 to 28 form part of these financial statements.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

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

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers 2014. The Co-operative is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

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

The following principal accounting policies have been applied:

Going Concern

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

Revenue

The Co-operative recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised as expenditure is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of the asset to which it relates.

Retirement Benefits

The Co-operative participates in the Scottish Housing Co-operative Defined Benefits Pension Scheme and retirement benefits to employees of the Co-operative are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

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

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (Continued.)

Valuation of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Co-operative depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 10. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Land	Not depreciated
Structure	60 years
Boilers	12 years
Bathrooms	20 years
Windows	30 years
Kitchens	15 years
Heating Systems	24 years
Roofs	40 years

Depreciation and Impairment Of Other Non-Current Assets

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office building	- 2% straight line
Furniture & equipment	- 25% straight line

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

Social Housing Grant and Other Grants in Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same year as the expenditure to which it relates.

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

Sales of Housing Properties

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

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (Continued.)

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

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

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying the Co-operative's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Rent Arrears - Bad Debt Provision

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

Life Cycle of Components

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

Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Works to Existing Properties

The Co-operative capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Development Interest

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

Pension Liabilities

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

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Management Committee the entirety of the Co-operative's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) Identification of cash generating units

The Co-operative considers its cash-generating units to be the scheme in which it manages its housing property for asset management purposes.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (Continued.)

Financial Instruments – Basic

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

The Co-operative recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard

The Co-operative's debt instruments are measured at amortised cost using the effective interest rate method

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

	Notes	2017			2016		
		Revenue £	Operating Costs £	Operating Surplus / (Deficit) £	Revenue £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	814,092	(698,185)	115,907	756,945	(635,463)	121,482
Other Activities	4.	201,054	(180,363)	20,691	31,420	(34,111)	(2,691)
Total		<u>1,015,146</u>	<u>(878,548)</u>	<u>136,598</u>	<u>788,365</u>	<u>(669,574)</u>	<u>118,791</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	2017 Total £	2016 Total £
Revenue from Lettings			
Rent Receivable Net of Identifiable Service Charges	754,592	754,592	737,874
Gross Rents Receivable	754,592	754,592	737,874
Less: Rent losses from voids	(2,181)	(2,181)	-
Net Rents Receivable	752,411	752,411	737,874
Amortisation of Social Housing Grants – Stage 3s	18,995	18,995	-
Amortisation of Capital Grant	42,686	42,686	19,071
Total Income From Social Letting	814,092	814,092	756,945
Expenditure on Social Letting Activities			
Service costs	17,268	17,268	17,653
Management and maintenance administration costs	413,217	413,217	406,501
Reactive Maintenance	103,277	103,277	86,986
Bad Debts - Rents and Service Charges	1,907	1,907	-
Planned and Cyclical Maintenance, including Major Repairs	73,267	73,267	46,306
Depreciation of Social Housing	89,249	89,249	78,017
Operating Costs of Social Letting	698,185	698,185	635,463
Operating Surplus on Social Letting Activities	115,907	115,907	121,482
2016	121,482	121,482	

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. PARTICULARS OF REVENUE, 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 Other £	Operating Surplus / (Deficit) 2017 £	Operating Surplus / (Deficit) 2016 £
Wider Role Activities	68,687	-	-	-	68,687	(47,996)	20,691	(2,691)
Contracted out services undertaken for RSL's	-	-	-	30,230	30,230	(30,230)	-	-
Other activities	-	-	-	102,137	102,137	(102,137)	-	-
Total From Other Activities	68,687	-	-	132,367	201,054	(180,363)	20,691	(2,691)
2016	-	-	-	31,420	31,420	(34,111)	(2,691)	-

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. BOARD MEMBERS AND OFFICERS EMOLUMENTS

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

2017 **2016**
 £ £

No emoluments have been paid to any member of the Management Committee

Aggregate emoluments payable to Officers with Emoluments greater than £60,000 (excluding pension contributions)	67,082	64,323
	<u> </u>	<u> </u>

Pension contributions paid on behalf of the Director	<u>5,036</u>	<u>6,175</u>
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Total number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

£60,001 - £70,000	1	1
£70,001 - £80,000	-	-
£80,001 - £90,000	-	-
Over £90,000	<u>-</u>	<u>-</u>

There was £1,832 (2016 - £4,159) paid to board members during the year for reimbursement of expenses

6. EMPLOYEE INFORMATION

2017 **2016**

No. **No.**

The average monthly number of full time equivalent persons employed during the year was

6 8

The average total number of Employees employed during the year was

6 8

Staff Costs were:

Wages and Salaries	205,169	220,477
Social Security Costs	26,814	26,666
Pension Costs	22,831	25,308
	<u>254,814</u>	<u>272,451</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£	£
On Bank Loans and Overdrafts	54,709	64,342

8. SURPLUS FOR THE YEAR

	2017	2016
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	51,111	6,577
- Housing Properties	89,249	78,017
Auditors' Remuneration	7,500	7,000

9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Co-operative is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties Under Construction £	Shared Ownership Properties £	Total £
COST				
As at 1 April 2016	4,858,208	1,940	16,000	4,876,148
Additions	129,732	100,324	-	381,103
Disposals	(10,149)	-	-	(10,149)
Transfer	253,311	(102,264)	-	(10,149)
As at 31 March 2017	<u>5,231,102</u>	<u>-</u>	<u>16,000</u>	<u>5,247,102</u>
DEPRECIATION				
As at 1 April 2016	154,536	-	-	154,536
Charge for Year	89,249	-	-	89,249
Disposals	(1,324)	-	-	(1,324)
As at 31 March 2017	<u>242,461</u>	<u>-</u>	<u>-</u>	<u>242,461</u>
NET BOOK VALUE				
As at 31 March 2017	<u>4,988,641</u>	<u>-</u>	<u>16,000</u>	<u>5,004,641</u>
As at 31 March 2016	<u>4,703,672</u>	<u>1,940</u>	<u>16,000</u>	<u>4,721,612</u>

Additions to housing properties includes capitalised development administration costs of £Nil (2016 - £Nil) and capitalised major repair costs to existing properties of £129,732 (2016 - £nil).

All land and housing properties are heritable.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FIXED ASSETS (Continued.)

b) Other Tangible Assets	Office Premises £	Office Equipment	Hub £	Total £
COST				
As at 1 April 2016	216,204	64,378	1,680,820	1,961,402
Additions	-	18,362	558,471	576,833
Transfer	(216,204)	-	-	(216,204)
As at 31 March 2017	-	82,740	2,239,291	2,322,031
DEPRECIATION				
As at 1 April 2016	65,157	64,173	-	129,330
Charge for Year	-	6,325	44,786	51,111
Transfer	(65,157)	-	-	(65,157)
As at 31 March 2017	-	70,498	44,786	282,861
NET BOOK VALUE				
As at 31 March 2017	-	12,242	2,194,505	2,206,747
As at 31 March 2016	151,047	205	1,680,820	1,832,072

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. RECEIVABLES

	2017	2016
	£	£
Arrears of Rent & Service Charges	27,880	27,531
Less: Provision for Doubtful Debts	(961)	(961)
	<u>26,919</u>	<u>26,570</u>
Other Receivables	67,020	69,745
	<u>93,939</u>	<u>96,315</u>

12. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Housing Loans	88,481	83,106
Rent in Advance	41,739	37,268
Other Taxation and Social Security	7,716	6,787
Other Payables	343,236	620,212
Accruals and Deferred Income	18,896	13,244
Liability for Past Service Contribution arrangements	31,913	31,065
	<u>531,981</u>	<u>791,682</u>

13. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2017	2016
	£	£
Liability for Past Service Contribution Arrangements	131,087	372,935
Housing Loans	<u>1,967,919</u>	<u>2,063,032</u>
	<u>2,099,006</u>	<u>2,435,967</u>

All of the Co-operative's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans. Loans are secured by specific charges on the Association's properties. Loans are repayable in instalments as follows:

	2017	2016
	£	£
Between one and two years	90,106	85,005
Between two and five years	280,362	266,842
In five years or more	<u>1,597,451</u>	<u>1,711,184</u>
	<u>1,967,919</u>	<u>2,063,032</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. STATEMENT OF CASH FLOWS

	2017 £	2016 £
Operating surplus		
Depreciation	136,598	118,791
Amortisation of grant	140,360	84,594
Change in debtors	(42,686)	-
Change in creditors	2,376	(30,740)
Deficit contributions	(265,923)	129,872
Change in pension assumptions	(34,001)	(32,000)
Share capital written off	-	(2,000)
	(101)	-
	<u>(63,377)</u>	<u>268,517</u>

15. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid

	£
At 1 April 2016	158
Issued in year	14
Cancelled in year	(101)
At 31 March 2017	<u>71</u>

The Co-operative's shares carry no rights to a dividend or other distributions and are not repayable.

16. HOUSING STOCK

The number of units of accommodation in management at the year end was:-

	2017 No.	2016 No.
General Needs	216	214
Shared Ownership	1	1
Supported Housing	2	2

17. DEFERRED INCOME

	2017 £	2016 £
<i>Capital Grant</i>		
Balance as at 1 st April 2016		
Received in the year	1,680,820	-
Amortisation of capital grant	483,501	1,680,820
	(42,686)	-
Balance as at 31 st March 2017	<u>2,121,635</u>	<u>1,680,820</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Co-operative as defined by Financial Reporting Standard 102

The related party relationships of the members of the Management Committee are summarised as:

- 9 Members are tenants of the Co-operative
- No members are factored owners
- Those members that are tenants of the Co-operative have tenancies that are on the Co-operative's normal tenancy terms and they cannot use their position to their advantage.
- Governing Body members cannot use their position to their advantage. Any transactions between the Co-operative and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Governing Body members were as follows:

Rent Received from Tenants on the Committee	£ 19,348
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At the year end there were no tenant members of the Committee who has outstanding rent arrears.

19. DETAILS OF ASSOCIATION

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

The Co-operative's principal place of business is 79 Kinloch Drive, Forgewood, Motherwell, ML1 3XD.

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

20. RETIREMENT BENEFIT OBLIGATIONS

General

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

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

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

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. RETIREMENT BENEFIT OBLIGATIONS (Continued)

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027: £26,304,000 per annum (payable monthly, increasing by 3% each 1st April)

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

Deficit contributions

From 1 April 2017 to 28 February 2022: £25,735,092 per annum (payable monthly, increasing by 3% each 1st April)

From 1 April 2017 to 30 June 2025: £727,217 per annum (payable monthly, increasing by 3% each 1st April)

From 1 April 2017 to 31 October 2026: £1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2016. 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 £810m and indicated an increase in the shortfall of assets compared to liabilities to approximately £210m, equivalent to a past service funding level of 79%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal then the liability of the withdrawing employer is re-apportioned amongst the remaining employers. Therefore in certain circumstances the Co-operative may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £163,000 (2016 - £404,000). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 1.06%.

	2017	2016
	£	£
Provision at start of period	404,000	429,000
Unwinding of the discount factor (interest expenses)	9,000	10,000
Deficit contribution paid	(34,000)	(33,000)
Remeasurements – impact of any change in assumption	5,000	(2,000)
Remeasurements – amendments to the contribution schedule	(221,000)	-
Provision at end of period	<u>163,000</u>	<u>404,000</u>

The Co-operative made payments totalling £61,805 (2016: £58,978) to the pension scheme during the year.