

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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

FORGEWOOD HOUSING CO-OPERATIVE LIMITED

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**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

MEMBERS OF THE MANAGEMENT COMMITTEE

Callum Boughey	(Chairperson)	
Alan Thomson	(Vice Chair)	
William Muir	(Secretary)	
Charlie Millar	(Treasurer)	
Jamie Bell	(Committee Member)	
John Burton	(Committee Member)	
David Hemmings	(Committee Member)	
Sandra Murray	(Committee Member)	
Marina Johnstone	(Committee Member)	Resigned 14/01/20
Alex Tweedie	(Committee Member)	Resigned 29/05/19
Edyta Salamonska	(Committee Member)	Resigned 26/06/19
James Barr	(Committee Member)	Resigned 18/09/19
Lee Murray	(Committee Member)	
Tommy Divers	(Committee Member)	Appointed 18/09/19
Jolene Martin	(Committee Member)	Appointed 18/09/19
Teresa Boyle	(Committee Member)	Co-opted 04/12/19
Melissa Barclay	(Committee Member)	Appointed 18/09/19
Natalie Barclay	(Committee Member)	Appointed 18/09/19

EXECUTIVE OFFICERS

Cathy Brien (Director)

REGISTERED OFFICE

49 Dinmont Crescent
Forgewood
Motherwell
ML1 3TT

AUDITOR

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

BANKERS

Bank of Scotland 32 Brandon Parade South Motherwell ML1 1LY	Nationwide Building Society Caledonia House, Carnegie Avenue Dunfermline KY11 8PE
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**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

SOLICITORS

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

FINANCIAL CONSULTANTS

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

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

The Management Committee presents their report and the audited Financial Statements for the year ended 31 March 2020.

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 deficit for the year, before the pension re-measurement was £6,669 (2019 - £61,650 surplus).

The Co-operative's net current assets at 31 March 2020 were £630,376 (2019 - £663,343).

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

The Future

The Co-operative plans to continue to provide good quality, affordable accommodation and take advantage of opportunities as they present themselves. However in March 2020 the Covid 19 Pandemic brought different challenges to the Co-operative. The Co-operative are committed to creating a safe and healthy environment for our staff, clients and all who come into contact with our services. Our office was closed in March however, our team have continued to provide essential services during the Coronavirus outbreak. We acted quickly to implement appropriate health and safety measures during the Coronavirus lockdown. Following the **Government's easing of lockdown restrictions, our focus continues to be on the health and safety of our staff and customers.**

Risk Management, Strategy and Objectives

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

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

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

Objective 5 Develop our leadership and staff.

Objective 6 Continue our role as a community anchor by providing services and improving our communities to grow and thrive.

We have implemented as a priority health and safety risk assessments as a result of Covid-19. This will ensure we have the appropriate controls and action plans in place. We will consult with staff regarding the assessments **when necessary. These assessments consider the risks within the context of the Government's easing of lockdown restrictions.** We will review our risk assessments as and when the Government announces further phases of its Coronavirus response and update it accordingly.

Governance

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

Committee of Management and Executive Officers

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

Statement of Management Committee's responsibilities

The Co-operative and Community Benefit Societies Act 2014 require The Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Co-operative and of the surplus or deficit of the Co-operative for that year. In preparing those Financial Statements, the Management Committee is required to:-

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Co-operative and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - 2019. 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.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Co-operative's auditor in connection with preparing their report) of which the Co-operative's auditor is 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 auditor is aware of that information.

Statement on Internal Financial Control

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

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

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

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

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

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 2020. 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.

Auditors

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

By order of Management Committee

Signature

A solid black rectangular box redacting the signature of the Secretary.

William Muir, Secretary

Date: 29/09/20

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT BY THE AUDITOR TO THE MANAGEMENT COMMITTEE OF FORGEWOOD HOUSING CO-OPERATIVE LIMITED ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2020

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 5 and 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 pages 5 and 6 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

French Duncan LLP

Chartered Accountants
Statutory Auditors
133 Finnieston Street
GLASGOW
G3 8HB

Date:

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF FORGEWOOD HOUSING
CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2020

OPINION

We have audited the financial statements of Forgewood Housing Co-operative Limited for the year ended 31 March 2020 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in reserves and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Co-operative's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF FORGEWOOD HOUSING
CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2020

we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF COMMITTEE MEMBERS

As explained more fully in the management committee's responsibilities statement set out on pages 4 and 5, the committee members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management committee are responsible for assessing the housing Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the committee members either intend to liquidate the housing Co-operative or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF FORGEWOOD HOUSING
CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2020

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the housing Co-operative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee members.
- **Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the housing Co-operative to cease to continue as a going concern.**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

USE OF OUR REPORT

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

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

Date:

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
REVENUE	2	1,061,794	1,071,636
Operating costs	2	<u>(1,018,846)</u>	<u>(959,562)</u>
OPERATING SURPLUS	2, 9	42,948	112,074
Loss on sale of housing stock	7	(1,069)	-
Interest receivable and other similar income		577	349
Interest payable and other similar charges	8	(44,125)	(45,773)
Other Finance Charges	11	<u>(5,000)</u>	<u>(5,000)</u>
		<u>(49,617)</u>	<u>(50,424)</u>
(DEFICIT)/SURPLUS FOR THE YEAR		(6,669)	61,650
OTHER COMPREHENSIVE INCOME			
Initial recognition of multi-employer defined benefit scheme	24	-	(58,000)
Actuarial gains/(losses) in respect of pension scheme	24	194,000	(65,000)
TOTAL COMPREHENSIVE INCOME		<u><u>187,331</u></u>	<u><u>(61,350)</u></u>

The results for the year relate wholly to continuing activities.

The notes on page 15 to 35 form part of these financial statements.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020 £	2019 £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	12(a)	4,709,595	4,799,545
Other tangible fixed assets	12(b)	2,060,148	2,104,934
Investments		1	1
		<u>6,769,744</u>	<u>6,904,480</u>
CURRENT ASSETS			
Debtors	14	191,907	146,090
Cash at bank and in hand		<u>769,706</u>	<u>727,989</u>
		961,613	874,079
CREDITORS: amounts falling due within one year	15	<u>(331,237)</u>	<u>(210,736)</u>
NET CURRENT ASSETS		<u>630,376</u>	<u>663,343</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,400,120	7,567,823
CREDITORS: amounts falling due after more than one year			
housing property loans	16	(1,703,368)	(1,793,055)
PROVISIONS FOR LIABILITIES			
Pension - deficit funding liability	24	(1,000)	(225,000)
DEFERRED INCOME			
Social Housing Grants	19	(321,048)	(320,313)
Other Grants	19	<u>(1,935,977)</u>	<u>(1,978,063)</u>
		<u>3,438,727</u>	<u>3,251,392</u>
EQUITY			
Share capital	20	76	72
Revenue reserve	20	<u>3,438,651</u>	<u>3,251,320</u>
		<u>3,438,727</u>	<u>3,251,392</u>

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



Callum Boughey
Chairperson



Charlie Millar
Treasurer



William Muir
Secretary

The notes on page 15 to 35 form part of these financial statements.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	<u>169,662</u>	<u>156,638</u>
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		-	-
Purchase of other fixed assets	(20,185)	-	-
Social Housing Grant received	4,164	-	-
Social Housing Grant repaid	-	-	-
Proceeds of disposals of housing properties	19,317	-	-
		<u>3,296</u>	<u>-</u>
NET CASH INFLOW FROM INVESTING ACTIVITIES			
		<u>3,296</u>	<u>-</u>
NET CASH INFLOW BEFORE FINANCING		172,958	156,638
FINANCING ACTIVITIES			
Issue of ordinary share capital	10	24	24
Interest received	577	349	349
Interest paid	(44,125)	(45,773)	(45,773)
Loan principal repayments	(87,703)	(85,846)	(85,846)
NET CASH (OUTFLOW) FROM FINANCING		<u>(131,241)</u>	<u>(131,246)</u>
INCREASE IN CASH		41,717	25,392
OPENING CASH AND CASH EQUIVALENTS		<u>727,989</u>	<u>702,597</u>
CLOSING CASH AND CASH EQUIVALENTS		<u><u>769,706</u></u>	<u><u>727,989</u></u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2020

	Share Capital <u>£</u>	Revenue Reserve <u>£</u>	Total <u>£</u>
Balance as at 1 April 2019	72	3,251,320	3,251,392
Issue of Shares	10	-	10
Cancelled shares	(6)	-	(6)
Deficit for Year	-	(6,669)	(6,669)
Other Comprehensive Income		194,000	194,000
Balance as at 31 March 2020	<u>76</u>	<u>3,438,651</u>	<u>3,438,727</u>

	Share Capital <u>£</u>	Revenue Reserve <u>£</u>	Total <u>£</u>
Balance as at 1 April 2018	58	3,312,670	3,312,728
Issue of Shares	24	-	24
Cancelled shares	(10)	-	(10)
Surplus for Year	-	61,650	61,650
Other comprehensive income	-	(123,000)	(123,000)
Balance as at 31 March 2019	<u>72</u>	<u>3,251,320</u>	<u>3,251,392</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Legal status

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

Basis of Accounting

These financial statements have been prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers 2018 and comply with the requirements of the Determination of Housing Requirements 2019 as issued by the Scottish Housing Regulator.

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

The following principal accounting policies have been applied:

Going Concern

The financial statements have been prepared on a going concern basis after consideration of the future prospects of the Co-operative, its long term financial forecasts and the certainty of cash flow from rental of social housing stock. The Co-operative has taken into account the Covid 19 pandemic in its consideration and is satisfied that the Co-operative has adequate resources to manage the impact of the pandemic on an ongoing basis.

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

The Co-operative accounts for the pension scheme on a defined benefit basis based on its share of scheme assets and liabilities as determined by the actuary. Defined benefit costs are recognised in the Statement of Comprehensive Income within operating costs. Actuarial gains and losses are recognised in Other Comprehensive Income. Further details are disclosed in the notes to the accounts.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Valuation of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Co-operative depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12(a). Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
Land	Not depreciated
Structure	100 years
Boilers	12 years
Bathrooms	20 years
Windows	30 years
Kitchens	15 years
Heating systems	24 years
Roofs	40 years
Shared ownership	60 years
Electrics	10 years

Depreciation and Impairment of Other Non-Current Assets

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

Community Centre	2% Straight Line
Office Equipment	25% Straight Line

The carrying value of other 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 Statement of Comprehensive Income.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

Estimation Uncertainty

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

Rent Arrears - Bad Debt Provision

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

Life Cycle of Components

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

Useful Lives of Other Fixed Assets

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

Pension Liabilities

This has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate. Assumptions in respect of discount rates and inflation will vary from year to year, as will the value of assets and will be dependent on circumstances at the date of valuation. Since the year end there has been volatility in market assumptions given the Covid 19 pandemic and, in particular, discount rates have fallen which would increase scheme liabilities. However stock market performance has improved which would help to offset any increase in liabilities.

Costs of Shared Ownership

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

Leases

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

Works to Existing Properties

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

Development Interest

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

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

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

b) Identification of cash generating units

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

c) Pension liability

In May 2020 the Co-operative received details from the Pension Trust of its share of assets, liabilities and scheme deficit. The Co-operative has used this information as the basis of the pension defined benefit liability as disclosed in these accounts. The Management Committee consider this the best estimate of their scheme liability.

Financial Instruments – Basic

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

These are recognised in accordance with Section 11 of Financial Reporting Standard 102.

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

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
 NOTES TO THE FINANCIAL STATEMENTS

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

	Note	2020		2019		Operating surplus/ (deficit) £
		Revenue £	Operating Costs £	Revenue £	Operating Costs £	
Social letting activities	3	874,985	(810,818)	870,452	(765,306)	105,146
Other activities	4	186,809	(208,028)	201,184	(194,256)	6,928
Total		<u>1,061,794</u>	<u>(1,018,846)</u>	<u>1,071,636</u>	<u>(959,562)</u>	<u>112,074</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Social Housing Accommodation £	Shared Ownership Housing £	2020 Total £	2019 Total £
Revenue from lettings					
Rent receivable net of identifiable service charges	829,371	-	1,503	830,874	803,810
Service charges receivable	-	-	-	-	-
Gross rents receivable	829,371	-	1,503	830,874	803,810
Less rent losses from voids	(2,494)	-	-	(2,494)	(1,469)
Net rents receivable	826,877	-	1,503	828,380	802,341
Amortisation of Social Housing & Other Grants	3,429	-	-	3,429	600
Amortisation of Capital Grant	42,086	-	-	42,086	42,086
Revenue grants from local authorities and other agencies	1,090	-	-	1,090	25,425
Other Revenue grants	-	-	-	-	-
Total income from social letting	873,482	-	1,503	874,985	870,452
Expenditure on social letting activities					
Management and maintenance administration costs	555,903	-	-	555,903	464,098
Stage 3 costs	406	-	-	406	23,114
Planned and cyclical maintenance including major repairs	78,900	-	-	78,900	69,333
Reactive maintenance	84,308	-	-	84,308	99,432
Bad debts - rents and service charges	1,552	-	-	1,552	14,990
Depreciation of social housing	89,482	-	267	89,749	94,339
Operating costs of social letting	810,551	-	267	810,818	765,306
Operating surplus on social letting activities	62,931	-	1,236	64,167	105,146
2019	109,021	-	(3,875)	105,146	

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
 NOTES TO THE FINANCIAL STATEMENTS

4. PARTICULARS OF INCOME AND EXPENDITURE FROM OTHER ACTIVITIES

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs bad debts	Operating costs other	Operating surplus/ (deficit) 2020	Operating surplus/ (deficit) 2019
	£	£	£	£	£	£	£	£	£
Wider Role Activities	47,487	-	-	20,624	68,111	-	(66,255)	1,856	(8,072)
Contracted out services undertaken for RSL's	-	-	-	38,981	38,981	-	(48,827)	(9,846)	15,000
Factoring services	-	-	-	-	-	-	-	-	-
Other income/ (expenditure)	-	-	-	79,717	79,717	-	(92,946)	(13,229)	-
TOTAL FROM OTHER ACTIVITIES	47,487	-	-	139,322	186,809	-	(208,028)	(21,219)	6,928
TOTAL FROM OTHER ACTIVITIES FOR 2019	36,000	-	-	165,184	201,184	-	(194,256)	6,928	-

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

5. BOARD MEMBERS AND OFFICERS EMOLUMENTS

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

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

	2020	2019
	£	£
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	-	-
Emoluments payable to the director (excluding pension contributions)	41,180	27,177
Pension contributions paid on behalf of the director	3,213	6,281
Total emoluments paid to key management personnel	91,518	87,599

No employee received remuneration amounting to more than £60,000 in either year.

Forgewood Housing Co-operative (FHC) operates a staff sharing arrangement with Garrion People's Housing Co-operative (GPHC) in Wishaw. Director services are recharged at 50% (2019 - 33.33%) to GPHC for one Director and 50% for one Depute Director provided by FHC.

Payments to board members during the year for reimbursement of expenses totalled £1,349 (2019 - £532).

6. EMPLOYEE INFORMATION

	2020	2019
	£	£
Staff costs during the year:		
Wages and salaries	196,812	217,842
Social security costs	24,692	32,852
Other pension costs	23,576	19,826
	<u>245,080</u>	<u>270,520</u>
	Number	Number
The average number of full time equivalent persons employed during the year was	<u>7</u>	<u>8</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
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7. GAIN ON SALE OF HOUSING STOCK

	2020	2019
	£	£
Sales proceeds	19,317	-
Cost of sales	(20,386)	-
	<u>(1,069)</u>	<u>-</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
Bank loans and overdrafts	<u>44,125</u>	<u>45,773</u>

9. OPERATING SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus is stated after charging/(crediting):		
Depreciation of tangible owned fixed assets	134,535	145,041
Auditors' remuneration - audit services	7,462	7,491
Operating lease rentals	3,365	6,547
Amortisation of capital grants	<u>(45,515)</u>	<u>(42,686)</u>

10. TAX ON SURPLUS/(LOSS) ON ORDINARY ACTIVITIES

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

11. OTHER FINANCE CHARGES

	2020	2019
	£	£
Net pension interest cost	<u>5,000</u>	<u>5,000</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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12. NON-CURRENT ASSETS

a) Housing Properties

	Housing Properties Held for Letting £	Completed shared ownership properties £	Total £
COST			
At start of year	5,207,558	16,000	5,223,558
Additions	20,185	-	20,185
Disposals	(22,009)	-	(22,009)
At end of year	<u>5,205,734</u>	<u>16,000</u>	<u>5,221,734</u>
DEPRECIATION			
At start of year	418,680	5,333	424,013
Charged during year	89,482	267	89,749
Eliminated on disposal	(1,623)	-	(1,623)
At end of year	<u>506,539</u>	<u>5,600</u>	<u>512,139</u>
NET BOOK VALUE			
At end of year	<u>4,699,195</u>	<u>10,400</u>	<u>4,709,595</u>
At start of year	<u>4,788,878</u>	<u>10,667</u>	<u>4,799,545</u>

- 1 There were no impairment charges in the year.
- 2 There were no capitalised development administration charges in the year.
- 3 There were no components capitalised during the year.
- 4 The Co-operative's lenders have standard securities over housing property with a carrying value of £4,699,195 (2019 - £4,788,878).

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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12. NON-CURRENT ASSETS (Continued)

b) Other tangible assets	Community Centre £	Office Equipment £	Total £
COST			
At start of year	2,239,291	82,740	2,322,031
Additions	-	-	-
Disposals	-	-	-
At end of year	<u>2,239,291</u>	<u>82,740</u>	<u>2,322,031</u>
DEPRECIATION			
At start of year	134,357	82,740	217,097
Charged during year	44,786	-	44,786
Disposals	-	-	-
At end of year	<u>179,143</u>	<u>82,740</u>	<u>261,883</u>
NET BOOK VALUE			
At end of year	<u>2,060,148</u>	-	<u>2,060,148</u>
At start of year	<u>2,104,934</u>	-	<u>2,104,934</u>

13. COMMITMENTS UNDER OPERATING LEASES

	2020 £	2019 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	-	3,365
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>3,365</u>

14. DEBTORS

	2020 £	2019 £
Arrears of Rent & Service Charges	21,919	21,362
Less: Provision for Doubtful Debts	<u>(2,513)</u>	<u>(961)</u>
	19,406	20,401
Other Debtors	167,637	113,502
Prepayments and accrued income	<u>4,864</u>	<u>12,187</u>
	<u>191,907</u>	<u>146,090</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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15. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Housing Loans	92,056	90,072
Trade Payables	50,879	22,473
Rent in Advance	38,081	43,525
Other Taxation and Social Security	10,205	9,581
Other Payables	77,780	36,885
Accruals and Deferred Income	62,236	8,200
	<u>331,237</u>	<u>210,736</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2020	2019
	£	£
Housing loans	<u>1,703,368</u>	<u>1,793,055</u>

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

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

The Bank loans are repayable as follows:

	2020	2019
	£	£
Between one and two years	93,956	91,929
Between two and five years	293,664	287,329
In five years or more	1,315,748	1,413,797
	<u>1,703,368</u>	<u>1,793,055</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

17. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to balance as at 31 March 2020	2020	2019
	£	£
Operating Surplus	42,948	112,074
Depreciation	134,535	145,041
Amortisation of Capital Grants	(45,515)	(42,686)
Change in debtors	(45,817)	(37,016)
Change in creditors	118,517	(248,878)
Deficit contributions	(35,000)	(34,000)
Cancelled Shares	(6)	(10)
Social Housing grant recycled	-	262,113
Balance as at 31 March 2020	<u>169,662</u>	<u>156,638</u>

18. ANALYSIS OF CHANGES IN NET DEBT

	1 April	Cash	Non-cash	31 March
	2019	flows	changes	2020
	£	£	£	£
Cash at bank	727,989	41,717	-	769,706
Debt due within one year	(90,072)	87,703	(89,687)	(92,056)
Debt due after one year	(1,793,055)	-	89,687	(1,703,368)
Net debt	<u>(1,155,138)</u>	<u>129,420</u>	<u>-</u>	<u>(1,025,718)</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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19. DEFERRED INCOME

	2020	2019
	£	£
Capital Grants		
Balance as at 1 April 2019	1,978,063	2,020,149
Additions in year	-	-
Released / Repaid as the result of property disposal	-	-
Amortisation in Year	(42,086)	(42,086)
Balance as at 31 March 2020	<u>1,935,977</u>	<u>1,978,063</u>
Social Housing Grants		
Balance as at 1 April 2019	320,313	58,800
Additions in year	4,164	-
Transferred in year - recycled	-	262,113
Released / Repaid as the result of property disposal	-	-
Amortisation in Year	(3,429)	(600)
Balance as at 31 March 2020	<u>321,048</u>	<u>320,313</u>
Total deferred grants	<u><u>2,257,025</u></u>	<u><u>2,298,376</u></u>

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

Amounts due within one year	45,515	42,686
Amounts due in one year or more	<u>2,211,510</u>	<u>2,255,690</u>
	<u><u>2,257,025</u></u>	<u><u>2,298,376</u></u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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20. RESERVES

Share Capital	2020	2019
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 April 2019	72	58
Issued in year	10	24
Cancelled in year	(6)	(10)
At 31 March 2020	<u>76</u>	<u>72</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

Reserves	2020	2019
	£	£
At 1 April 2019	3,251,320	3,312,670
(Deficit)/surplus for year	(6,669)	61,650
SHAPS pension adjustment	194,000	(123,000)
At 31 March 2020	<u>3,438,651</u>	<u>3,251,320</u>

21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2020	2019
	No.	No.
General Needs	215	216
Shared Ownership	1	1
Supported Housing	-	-
	<u>216</u>	<u>217</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
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22. 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:

- Members are tenants of the Co-operative
- Members are factored owners
- Management Committee members cannot use their position to their advantage. Any transactions between the Co-operative and any entity with which a Management Committee member has a connection with is **made at arm's length and is under normal commercial terms.**

Transactions with Management Committee members were as follows:

- Rent Received from Tenants on the Committee – £27,197.
- Factoring income received from Owner Occupiers in the Committee - £NIL.
- At the year-end total rent arrears owed by the tenant members of the Committee were – £248.
- At the year-end total rent arrears owed by Owner Occupiers of the Committee were - £NIL.

The Co-operative owns 50% of the total share capital of Bridges Housing Association. Management charges of £NIL (2019 - £15,000) were received from Bridges Housing Association in the year to 31 March 2020. At this date, Bridges Housing Association Limited owed the Co-operative £NIL (2019 - £25,152).

23. DETAILS OF CO-OPERATIVE

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

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

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

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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24. RETIREMENT BENEFIT OBLIGATIONS

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 20 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

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.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme. For accounting purposes, a valuation of the Scheme was carried out with effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

Pension Scheme Liability movements:

	2020	2019
	£'000	£'000
As at 1 April 2019	225	131
De-recognition of deficit funding liability	-	(131)
Adjustment for FRS 102 remeasurement	-	189
Net interest expense	4	4
Expenses	1	1
Deficit contributions Paid	(35)	(34)
Impact of change in assumptions	(194)	65
As at 31 March 2020	<u>1</u>	<u>225</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2020	31 March 2019
	(£000s)	(£000s)
Fair value of plan assets	1,243	1,126
Present value of defined benefit obligation	1,244	1,351
Surplus (deficit) in plan	(1)	(225)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(1)	(225)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	-	-

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period ended 31 March 2020	Period ended 31 March 2019
	(£000s)	(£000s)
Impact of asset ceiling at start of period	-	-
Effect of the asset ceiling included in net interest cost	-	-
Actuarial losses (gains) on asset ceiling	-	-
Impact of asset ceiling at end of period	-	-

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2020	Period ended 31 March 2019
	(£000s)	(£000s)
Defined benefit obligation at start of period	1,351	1,251
Current service cost	-	-
Expenses	1	1
Interest expense	31	32
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	52	(10)
Actuarial losses (gains) due to changes in demographic assumptions	(8)	4
Actuarial losses (gains) due to changes in financial assumptions	(160)	96
Benefits paid and expenses	(23)	(23)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	1,244	1,351

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24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	1,126	1,062
Interest income	27	28
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	78	25
Contributions by the employer	35	34
Contributions by plan participants	-	-
Benefits paid and expenses	(23)	(23)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	1,243	1,126

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £105,000.

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)

	Period from 31 March 2019 to 31 March 2020 (£000s)	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	-	-
Expenses	1	1
Net interest expense	4	4
Losses (gains) on business combinations	-	-
Losses (gains) on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit costs recognised in statement of comprehensive income (SoCl)	5	5

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24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	78	25
Experience gains and losses arising on the plan liabilities - gain (loss)	(52)	10
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	8	(4)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	160	(96)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	194	(65)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-	-
Total amount recognised in other comprehensive income - gain (loss)	194	(65)

ASSETS

	31 March 2020 (£000s)	31 March 2019 (£000s)
Global Equity	171	181
Absolute Return	76	95
Distressed Opportunities	23	19
Credit Relative Value	30	20
Alternative Risk Premia	100	63
Fund of Hedge Funds	-	3
Emerging Markets Debt	44	36
Risk Sharing	39	33
Insurance-Linked Securities	33	29
Property	23	22
Infrastructure	73	47
Private Debt	25	15
Opportunistic Illiquid Credit	30	-
Corporate Bond Fund	91	79
Liquid Credit	33	-
Long Lease Property	30	14
Secured Income	69	39
Over 15 Year Gilts	16	29
Index Linked All Stock Gilts	-	-
Liability Driven Investment	328	401
Net Current Assets	9	1
Total assets	1,243	1,126

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

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24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

KEY ASSUMPTIONS	31 March 2020	31 March 2019
	% per annum	% per annum
Discount Rate	2.36%	2.34%
Inflation (RPI)	2.58%	3.26%
Inflation (CPI)	1.58%	2.26%
Salary Growth	2.58%	3.26%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

Assumptions in respect of discount rates and inflation will vary from year to year, as will the value of assets and will be dependent on circumstances at the date of valuation. Since the year end there has been volatility in market assumptions given the Covid 19 pandemic and, in particular, discount rates have fallen which would increase scheme liabilities. However stock market performance has improved which would help to offset any increase in liabilities.

25. CONTINGENT LIABILITIES

The pension withdrawal debt as at 30 September 2019 for Forgewood Housing Co-operative Limited is £999,400.

