

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

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

FORGEWOOD HOUSING CO-OPERATIVE LIMITED

CONTENTS

THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS.....	1
REPORT FROM THE MANAGEMENT COMMITTEE.....	2
REPORT BY THE AUDITOR ON CORPORATE GOVERNANCE MATTERS.....	8
INDEPENDENT AUDITOR'S REPORT.....	9
STATEMENT OF COMPREHENSIVE INCOME.....	14
STATEMENT OF FINANCIAL POSITION.....	15
STATEMENT OF CASH FLOWS.....	16
STATEMENT OF CHANGES IN CAPITAL AND RESERVES.....	17
NOTES TO THE FINANCIAL STATEMENTS.....	18

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2022**

Members of the management committee

Alan Thomson	(Chairperson)	
Callum Boughey	(Vice Chair)	
Jolene Martin	(Secretary)	
Charlie Millar	(Treasurer)	
John Burton	(Committee Member)	
David Hemmings	(Committee Member)	
Lee Murray	(Committee Member)	
Tommy Divers	(Committee Member)	
Natalie Barclay	(Committee Member)	
Teresa Boyle	(Committee Member)	
Angie Robinson	(Committee Member)	Appointed June 2021
James Mitchell	(Committee Member)	Appointed June 2021
Marek Dziekan	(Committee Member)	Resigned March 2022
Melissa Barclay	(Committee Member)	Resigned January 2022
Jamie Bell	(Committee Member)	Stood down September 2021
Sandra Murray	(Committee Member)	Resigned June 2021

Executive officers

Cathy Brien (Director)

Registered office

49 Dinmont Crescent
Forgewood
Motherwell
ML1 3TT

Auditor

French Duncan LLP
Chartered Accountants and Statutory Auditor
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
--	--

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 2022**

The Management Committee presents their report and the audited Financial Statements for the year ended 31 March 2022.

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 2021/22 financial year was spent recovering from the devastating impact of the Covid-19 pandemic which presented us with numerous challenges in relation to maintaining essential service delivery and protecting the safety and well-being of tenants, committee members and staff. We know that the future will be unpredictable with ongoing concerns about the Covid-19 pandemic, the rising cost of living, the impact of Brexit and global conflicts. Our updated Business Plan provides us with the opportunity to review our performance, to take stock of the progress we have made during the past year and identify the challenges and opportunities that lie ahead. The co-operative recognises that Covid-19 remains with us and we continue to take the necessary precautions to protect everyone visiting our premises.

Despite the challenges, the co-operative had a reasonable year. Although returning a deficit of £48,247 this can be attributed mainly in catch up repairs in relation to Covid-19. It also includes an increase of approximately £3,000 in property depreciation and a loss in disposal of £ 44,000 in respect of component replacements

The co-operative's net current assets at 31 March 2022 were £342,276 (2021- £483,570).

Adapting to the challenges of the pandemic allowed us to engage with our tenants and the wider community even more. Through funding from a wide range of stakeholders - more notably the Big Lottery - We continued to adapt to the challenges of the pandemic by engaging with and providing both direct and in-direct support to our tenants and the wider community. Through funding from a wide range of stakeholders we were able restart and deliver a wide range of new community activities and events to help build greater community resilience and recovery. Our Community Lottery funded project started in September with weekly lunch clubs and social isolation activities.

We focused on service delivery and the continuation of our capital spend programme on which we spent over £101,149. This allowed us to upgrade bathrooms and fire detectors to a number of our properties. We also worked hard to keep in touch with our tenants and engaged with them on our plans and works due. We actively embraced digital technology to communicate with tenants through social media, texting, and our website as well as the more traditional methods such as printed newsletters, socially distanced events, and consultation events in the local community.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2022**

The Future

The Management Committee does not intend to make any changes to Forgewood Housing co-operatives direction as a direct result of the pandemic. However, the impact of Covid19 has delayed a number of areas of the co-operatives work. Despite this, we pushed forward with a new business plan which was independently verified by a reputable firm of consultants. This assessed both our financial viability over the long term but also the qualitative areas of our business so that our strategic objectives can be met. The management committee were delighted to receive the positive assurances about the financial position of the co-operative long-term.

Covid-19 has been a once in a generation challenge, and whilst it has not had any major adverse impact on the co-operatives finances over the last 12 months, its effects are likely to be felt across the sector on a medium to long term basis. Thus, we will continue to analyse and assess its impact on our activities and the overall performance of the co-operative.

Affordability and Value for Money will have a major impact on our tenants and our focus will be to assist and sign post them to agencies to help them with their finances during this financial crisis.

There are a number of challenges we face in the coming year include:

- high interest rates
- increasing levels of unemployment
- low consumer confidence
- Increasing challenges and challenges for claimants of Universal Credit
- Increase in Inflation Rates

To face these challenges, we will continue putting service delivery at the heart of our operations, and continue to provide good quality, affordable accommodation. We will do this by working in different ways, investing in new technology and hardware to enable staff to work remotely and for effective Governance and by re-profiling our building , maintenance and repairs programmes.

Forgewood Housing Co-operative is committed to creating a safe and healthy environment for our staff, clients and all who come into contact with our services. We will carry out a compliance review on our Landlord Health and Safety by an external consultant to satisfy the requirements of SHR.

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.

Political/legislative risks will be alleviated by developing a strategy to protect the co-operatives revenue and assist tenants to deal with Welfare Reform and ensure staff receive the necessary training.

There are a number of economic risks to the organisation predominantly the cost of living crisis and we have built in provisions in our Business Pan to address these issues.

Further Strategic Risks affecting the business in the future will be Demographical/Social, Technological, Legislative Environmental and Competitive risks and our Risk management strategy has plans in place to address how the co-operative will address these strategical risks.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2022**

Committee and staff both acknowledged that protecting rental affordability will need to be a key focus of FHC future business given major challenges on the horizon including the current economic context and new national quality and energy efficiency standards. By assessing the sustainability of the high percentage of flatted accommodation which may have limited useful life, will be major workstream in building the future FHC business plan. It was discussed that future rental increases above the current business plan formula of inflation only, may be required to protect business plan fundability given the potential requirement to undertake additional borrowing to fund future investment requirements.

The co-operative also recognised that the good intelligence they have on the condition of their asset base, as well as their commitment to investment in the stock, provides a strong basis to develop their future asset strategy despite the investment challenges they are facing. Stock Condition Survey will commence in December 2022. Staff and board also acknowledged evidence of strong demand for FHC's housing stock, and a key priority will be to continue investment in homes and neighbourhoods to maintain these high levels of demand.

The Board agreed that there needs to be a strategic commitment to developing the capacity of FHCs people – both Committee members and staff. It was recognised that the current board and staff knowledge and skills is both a driving and resisting force. Therefore, to ensure continued business sustainability, FHC must prioritise employee and Board development through the creation of an ambitious People Strategy, which sets out the Association's approach to recruitment, retention, learning and development, performance, and empowerment. Having the right people in governance and management roles, will enable FHC to achieve effective strategic oversight, which is particularly important during this period of uncertainty.

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 deliver excellent services in consultation with tenants and stakeholders.
- Objective 3 Effective management of our homes will always be our core business. We will provide quality homes in a desirable neighbourhood.
- Objective 4 We will seek to improve our financial strength and deliver value for money through continuous staff sharing arrangements with Garrion Peoples Housing Co-operative.
- 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.

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.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2022**

Going Concern

The Management Committee has reviewed the results for this year and has also reviewed the projections for the next five years. The Management Committee has considered the risks associated with its activities and has updated its plans and financial projections to ensure that it is able to manage those risks to minimise any financial implications and uncertainties. It therefore has a reasonable expectation that the co-operative has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements. Further details are given in the going concern accounting policy in note 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.

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.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2022**

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 2022. 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
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2022**

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 handwritten signature in black ink, appearing to read 'Jolene Martin', with a long horizontal flourish extending to the right.

Jolene Martin, Secretary

Date: 22/09/2022

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
REPORT BY THE AUDITOR TO THE MEMBERS OF FORGEWOOD HOUSING CO-OPERATIVE LIMITED ON
CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2022

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 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 and Statutory Auditor
133 Finnieston Street
Glasgow
G3 8HB

Date 29/09/2022.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORGEWOOD HOUSING CO-OPERATIVE
LIMITED FOR THE YEAR ENDED 31 MARCH 2022**

Opinion

We have audited the financial statements of Forgewood Housing Co-operative Limited for the year ended 31 March 2022 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 2022 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 February 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

In auditing the financial statements, we have concluded that the management committee members' use of the going concern basis of accounting in preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the co-operative's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the management committee members with respect to going concern are described in the relevant sections in this report.

Other information

The other information comprises the information contained in the Management Committee's report, other than the financial statements and our auditor's report thereon. The Management Committee 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.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORGEWOOD HOUSING CO-OPERATIVE
LIMITED FOR THE YEAR ENDED 31 MARCH 2022**

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 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 page 6, 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 Management Committee 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.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORGEWOOD HOUSING CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2022

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.
- 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 Management Committee's 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 co-operative'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.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the responsible individual ensured that the engagement team collectively had the appropriate competence, capabilities, and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the co-operative through discussions with management and Management Committee members and from our sector knowledge;

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORGEWOOD HOUSING CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2022

- we focused on specific laws and regulations, including those specified by the Scottish Housing Regulator, which we considered may have a direct material effect on the financial statements or the operations of the co-operative, including the Co-operative and Community Benefit Societies Act 2014, Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Statement of Recommended Practice for Social Housing Providers 2018 and Determination of Housing Requirements 2019, and data protection, anti-bribery, employment, and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and committee members; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the co-operative's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management and Management Committee members as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected, and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed high level analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management and Management Committee members as to actual and potential litigation and claims;
- reviewing correspondence with Scottish Housing Regulator.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.

Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Management Committee and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

**FORGEWOOD HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORGEWOOD HOUSING CO-OPERATIVE
LIMITED FOR THE YEAR ENDED 31 MARCH 2022**

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 Auditor
133 Finnieston Street
Glasgow
G3 8HB

Date: 29/09/2022.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Revenue	2	1,156,926	1,105,049
Operating costs	2	<u>(1,170,814)</u>	<u>(1,055,726)</u>
Operating (deficit)/ surplus	2, 8	(13,888)	49,323
Interest receivable and other similar income	45	116	
Interest payable and other similar charges	7	(29,404)	(31,512)
Other Finance Charges	7	<u>(5,000)</u>	<u>-</u>
		<u>(34,359)</u>	<u>(31,396)</u>
Deficit/(surplus) for the year		(48,247)	17,927
Other comprehensive income			
Actuarial gains/(losses) in respect of pension scheme	22	119,000	(214,000)
Total comprehensive income/(loss)		<u>70,753</u>	<u>(196,073)</u>

The results for the year relate wholly to continuing activities.

The notes on pages 18 to 37 form part of these financial statements.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Notes	2022 £	2021 £
Non-current assets			
Housing properties - depreciated cost	10(a)	4,699,875	4,740,894
Other tangible fixed assets	10(b)	1,970,576	2,015,362
Investments		1	1
		<u>6,670,452</u>	<u>6,756,257</u>
Current assets			
Debtors	12	196,981	65,507
Cash at bank and in hand		<u>560,040</u>	<u>651,283</u>
		757,021	716,790
Creditors: amounts falling due within one year	13	<u>(414,745)</u>	<u>(233,220)</u>
Net current assets		<u>342,276</u>	<u>483,570</u>
Total assets less current liabilities		7,012,728	7,239,827
Creditors: amounts falling due after more than one year	14	(1,511,268)	(1,603,898)
Provisions for liabilities			
Pension - deficit funding liability	22	(24,000)	(174,000)
Deferred Income			
Social housing grants	17	(310,155)	(324,340)
Other grants	17	<u>(1,853,891)</u>	<u>(1,894,934)</u>
		<u>3,313,414</u>	<u>3,242,655</u>
Equity			
Share capital	18	83	77
Revenue reserve	18	<u>3,313,331</u>	<u>3,242,578</u>
		<u>3,313,414</u>	<u>3,242,655</u>

The financial statements were approved by the Management Committee, authorised for issue, and signed on its behalf on 22/9/2022

Alan Thomson
Chairperson

Charlie Millar
Treasurer

Jolene Martin
Secretary

The notes on pages 18 to 37 form part of these financial statements.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Net cash inflow from operating activities	15	<u>128,250</u>	<u>135,744</u>
Investing activities			
Acquisition and construction of housing properties and components	(101,149)	(135,688)	
Social housing grant received	<u>11,921</u>	<u>7,040</u>	
Net cash outflow from investing activities		<u>(89,228)</u>	<u>(128,648)</u>
Net cash inflow before financing		39,022	7,096
Financing activities			
Issue of ordinary share capital	11	4	
Interest received	45	116	
Interest paid	(34,404)	(31,512)	
Loan principal repayments	<u>(95,917)</u>	<u>(94,127)</u>	
Net cash outflow from financing		<u>(130,265)</u>	<u>(125,519)</u>
Decrease in cash		(91,243)	(118,423)
Opening cash and cash equivalents		<u>651,283</u>	<u>769,706</u>
Closing cash and cash equivalents		<u><u>560,040</u></u>	<u><u>651,283</u></u>

The notes on pages 18 to 37 form part of these financial statements.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Revenue reserve	Total
	£	£	£
Balance as at 1 April 2021	77	3,242,578	3,242,655
Issue of shares	11	-	11
Cancelled shares	(5)	-	(5)
Deficit for year	-	(48,247)	(48,247)
Other comprehensive income		119,000	119,000
Balance as at 31 March 2022	<u>83</u>	<u>3,313,331</u>	<u>3,313,414</u>

	Share capital	Revenue reserve	Total
	£	£	£
Balance as at 1 April 2020	76	3,438,651	3,438,727
Issue of shares	4	-	4
Cancelled shares	(3)	-	(3)
Surplus for year	-	17,927	17,927
Other comprehensive income	-	(214,000)	(214,000)
Balance as at 31 March 2021	<u>77</u>	<u>3,242,578</u>	<u>3,242,655</u>

The notes on pages 18 to 37 form part of these financial statements.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
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 for the next five years, and the certainty of cash flow from rental of social housing stock. The co-operative has taken into account any ongoing impact of the Covid 19 pandemic and the current economic uncertainties and inflationary pressures in its consideration and is satisfied that the co-operative has adequate resources to manage the impact of these issues 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 2022
NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

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(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
Paint work	8 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.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

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.

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.

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 2022
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 2022 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 2022
NOTES TO THE FINANCIAL STATEMENTS

2. Particulars of revenue, operating costs, and operating surplus

	Note	2022		2021		Operating surplus/ (deficit) £
		Revenue £	Operating costs £	Revenue £	Operating costs £	
Social letting activities	3	933,166	(1,013,609)	893,872	(848,163)	45,709
Other activities	4	223,760	(157,205)	211,177	(207,563)	3,614
Total		1,156,926	(1,170,814)	1,105,049	(1,055,726)	49,323

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

3. Particulars of income and expenditure from social lettings

	General needs housing £	Supported social housing accommodation £	Shared ownership housing £	2022 £	2021 Total £
Revenue from lettings					
Rent receivable net of identifiable service charges	867,506	-	-	867,506	845,857
Service charges receivable	-	-	-	-	-
Gross rents receivable	867,506	-	-	867,506	845,857
Less rent losses from voids	(1,889)	-	-	(1,889)	(704)
Net rents receivable	865,617	-	-	865,617	845,153
Amortisation of social housing & other Grants	3,748	-	-	3,748	3,748
Amortisation of capital grant	41,043	-	-	41,043	41,043
Revenue grants from local authorities and other agencies	22,758	-	-	22,758	3,928
Other revenue grants	-	-	-	-	-
Total income from social letting	933,166	-	-	933,166	893,872
Expenditure on social letting activities					
Management and maintenance administration costs	585,822	-	-	585,822	550,215
Stage 3 costs	20,689	-	-	20,689	2,092
Planned and cyclical maintenance including major repairs	103,548	-	-	103,548	83,996
Reactive maintenance	157,257	-	-	157,257	97,554
Bad debts - rents and service charges	4,125	-	-	4,125	9,917
Depreciation of social housing	100,977	-	266	101,243	98,001
Loss on disposal	40,925	-	-	40,925	6,388
Operating costs of social letting	1,013,343	-	266	1,013,609	848,163
Operating surplus on social letting activities	(80,177)	-	(266)	(80,443)	45,709
2021	45,975	-	(266)	45,709	

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
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) 2022	Operating surplus/ (deficit) 2021
	£	£	£	£	£	£	£	£	£
Wider Role activities	93,788	-	-	44,404	138,192	-	(118,376)	19,816	496
Contracted out services undertaken for RSL's	-	-	-	30,037	30,037	-	-	30,037	791
Factoring services	-	-	-	-	-	-	-	-	2,532
Other income/ (expenditure)	-	-	-	55,531	55,531	-	(38,829)	16,702	(205)
Total from other activities	93,788	-	-	129,972	223,760	-	(157,205)	66,555	3,614
Total from other activities for 2021	80,684	-	-	130,493	211,177	-	(207,563)	3,614	

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
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.

	2022	2021
	£	£
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	-	-
Emoluments payable to the director (excluding pension contributions)	40,604	40,055
Pension contributions paid on behalf of the director	2,468	3,264
Total emoluments paid to key management personnel	88,914	90,307

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% (2021 - 50%) 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 £Nil (2021 - £Nil)

6. Employee information

	2022	2021
	£	£
Staff costs during the year:		
Wages and salaries	222,723	176,262
Social security costs	40,751	39,269
Other pension costs	29,023	29,879
	<u>292,497</u>	<u>245,410</u>
	Number	Number
The average number of full time equivalent persons employed during the year was	<u>9</u>	<u>9</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

7. Interest payable and similar charges

	2022	2021
	£	£
Bank loans and overdrafts	29,404	31,512
Net pension interest cost	5,000	-
	<u>34,404</u>	<u>31,512</u>

8. (Deficit)/Surplus for the years

	2022	2021
	£	£
(Deficit)/surplus is stated after charging/(crediting):		
Depreciation of tangible owned fixed assets	146,029	142,787
Auditors' remuneration - audit services	7,980	7,980
Loss on disposal of fixed assets	40,925	6,388
Operating lease rentals	6,176	-
Amortisation of capital grants	<u>(44,791)</u>	<u>(44,791)</u>

9. Tax on surplus on ordinary activities

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

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

10. Non-current assets

a) Housing Properties

	Housing properties held for letting £	Completed shared ownership properties £	Total £
Cost			
At start of year	5,333,502	16,000	5,349,502
Additions	101,149	-	101,149
Disposals	(43,715)	-	(43,715)
At end of year	<u>5,390,936</u>	<u>16,000</u>	<u>5,406,936</u>
Depreciation			
At start of year	602,742	5,866	608,608
Charged during year	100,977	266	101,243
Eliminated on disposal	(2,790)	-	(2,790)
At end of year	<u>700,929</u>	<u>6,132</u>	<u>707,061</u>
Net book value			
At end of year	<u>4,690,007</u>	<u>9,868</u>	<u>4,699,875</u>
At start of year	<u>4,730,760</u>	<u>10,134</u>	<u>4,740,894</u>

1. There were no impairment charges in the year.
2. There were no capitalised development administration charges in the year.
3. The co-operative's lenders have standard securities over housing property with a carrying value of £4,690,007 (2021 - £4,730,760).

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

10. 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	223,929	82,740	306,669
Charged during year	44,786	-	44,786
Disposals	-	-	-
At end of year	<u>268,715</u>	<u>82,740</u>	<u>351,455</u>
Net book value			
At end of year	<u>1,970,576</u>	-	<u>1,970,576</u>
At start of year	<u>2,015,362</u>	-	<u>2,015,362</u>

11. Commitments under operating leases

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:

	2022 £	2021 £
Not later than one year	5,161	-
Later than one year and not later than five years	826	-
Later than five years	-	-
	<u>5,987</u>	<u>-</u>

12. Debtors

	2022 £	2021 £
Arrears of rent & service charges	20,474	17,501
Less: Provision for doubtful debts	<u>(1,801)</u>	<u>(4,409)</u>
	18,673	13,092
Other debtors	169,483	44,934
Prepayments and accrued income	<u>8,825</u>	<u>7,481</u>
	<u>196,981</u>	<u>65,507</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

13. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Housing loans	94,112	97,399
Trade payables	60,190	20,331
Rent in advance	58,986	47,624
Other taxation and social security	9,505	11,359
Other payables	112,001	15,101
Accruals and deferred income	79,951	41,406
	<u>414,745</u>	<u>233,220</u>

14. Creditors: Amounts falling due after one year

	2022	2021
	£	£
Housing loans	<u>1,511,268</u>	<u>1,603,898</u>

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

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 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:

	2022	2021
	£	£
Between one and two years	96,557	98,923
Between two and five years	304,984	306,155
In five years or more	1,109,727	1,198,820
	<u>1,511,268</u>	<u>1,603,898</u>

15. Statement of cash flows

Reconciliation of operating (deficit)/surplus to balance as at 31 March 2022	2022	2021
	£	£
Operating (deficit)/surplus	(13,888)	49,323
Depreciation	146,029	142,787
Loss on disposal	40,925	6,388
Amortisation of capital grants	(44,791)	(44,791)
Revenue grants from local authorities and other agencies	(22,358)	-
Change in debtors	(131,474)	126,400
Change in creditors	184,812	(103,360)
Movement in pension liability	(31,000)	(41,000)
Cancelled shares	(5)	(3)
	<u>128,250</u>	<u>135,744</u>
Balance as at 31 March 2022	<u>128,250</u>	<u>135,744</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

16. Analysis of changes in net debt

	1 April 2021	Cash flows	Non-cash changes	31 March 2022
	£	£	£	£
Cash at bank	651,283	(91,243)	-	560,040
Debt due within one year	(97,399)	95,917	(92,630)	(94,112)
Debt due after one year	(1,603,898)	-	92,630	(1,511,268)
Net debt	<u>(1,050,014)</u>	<u>4,674</u>	<u>-</u>	<u>(1,045,340)</u>

17. Deferred income

	2022	2021
	£	£
Capital grants		
Balance as at 1 April 2021	1,894,934	1,935,977
Amortisation in Year	(41,043)	(41,043)
Balance as at 31 March 2022	<u>1,853,891</u>	<u>1,894,934</u>
Social housing grants		
Balance as at 1 April 2021	324,340	321,048
Additions in year	11,921	-
Transferred in year	-	7,040
Released in year	(22,358)	-
Amortisation in Year	(3,748)	(3,748)
Balance as at 31 March 2022	<u>310,155</u>	<u>324,340</u>
Total deferred grants	<u>2,164,046</u>	<u>2,219,274</u>

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

Amounts due within one year	44,232	44,791
Amounts due in one year or more	<u>2,119,814</u>	<u>2,174,483</u>
	<u>2,164,046</u>	<u>2,219,274</u>

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

18. Reserves

Share capital	2022	2021
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2021	77	76
Issued in year	11	4
Cancelled in year	<u>(5)</u>	<u>(3)</u>
At 31 March 2022	<u>83</u>	<u>77</u>

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

Reserves	2022	2021
	£	£
At 1 April 2021	3,242,578	3,438,651
Deficit/(surplus) for year	(48,247)	17,927
SHAPS pension adjustment	<u>119,000</u>	<u>(214,000)</u>
At 31 March 2022	<u>3,313,331</u>	<u>3,242,578</u>

19. Housing stock

The number of units of accommodation in management at the year end was:-	2022	2021
	No.	No.
General needs	215	215
Shared ownership	1	1
Supported housing	<u>-</u>	<u>-</u>
	<u>216</u>	<u>216</u>

20. 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.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

20. Relates party transactions (continued)

Transactions with Management Committee members were as follows:

- Rent Received from Tenants on the Committee – £28,196.
- 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 – £431.
- At the year-end total rent arrears owed by Owner Occupiers of the Committee were - £NIL.

21. 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.

22. Retirement benefit obligations

The co-operative 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 30 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 co-operative 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 co-operative to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the co-operative 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 co-operative to account for the Scheme as a defined benefit scheme.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

22. Retirement benefit obligations (continued)

For accounting purposes, a valuation of the scheme was carried out with an 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.

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

The liabilities are compared, at the relevant accounting date, with the co-operative's fair share of the Scheme's total assets to calculate the co-operative's net deficit or surplus.

**Present values of defined benefit obligation,
Fair value of assets and defined benefit asset (liability)**

	31 March 2022	31 March 2021
	(£000s)	(£000s)
Fair value of plan assets	1,472	1,380
Present value of defined benefit obligation	1,496	1,554
(Deficit) surplus in plan	(24)	(174)
Unrecognised surplus	-	-
Defined benefit (liability) asset to be recognised	(24)	(174)
Deferred tax	-	-
Net defined benefit (liability) asset to be recognised	(24)	(174)

Reconciliation of the impact of the asset ceiling

	Period from 31 March 2021 to 31 March 2022	Period from 31 March 2020 to 31 March 2021
	(£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	-	-

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

22. Retirement benefit obligations (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	Period from 31 March 2021 to 31 March 2022 (£000s)	Period from 31 March 2020 to 31 March 2021 (£000s)
Defined benefit obligation at start of period	1,554	1,244
Current service cost	-	-
Expenses	1	1
Interest expense	34	29
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	59	(14)
Actuarial losses (gains) due to changes in demographic assumptions	5	-
Actuarial (gains) losses due to changes in financial assumptions	(133)	318
Benefits paid and expenses	(24)	(24)
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	1,496	1,554

Reconciliation of opening and closing balances of the fair value of plan assets

	Period from 31 March 2021 to 31 March 2022 (£000s)	Period from 31 March 2020 to 31 March 2021 (£000s)
Fair value of plan assets at start of period	1,380	1,243
Interest income	30	30
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	50	90
Contributions by the employer	36	41
Contributions by plan participants	-	-
Benefits paid and expenses	(24)	(24)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	1,472	1,380

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £80,000.

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

22. Retirement benefit obligations (continued)

Defined benefit costs recognised in Statement of Comprehensive Income (SOI)

	Period from 31 March 2021 to 31 March 2022 (£000s)	Period from 31 March 2020 to 31 March 2021 (£000s)
Current service cost	-	-
Expenses	1	1
Net interest expense	4	(1)
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 (SoCI)	5	-

Reconciliation of defined benefit pension liability (SOFP)

	Period from 31 March 2021 to 31 March 2022 (£000s)	Period from 31 March 2020 to 31 March 2021 (£000s)
Opening pension liability	174	1
Current service cost	-	-
Expenses	1	1
Net interest expense	4	(1)
Employer contributions	(36)	(41)
Actuarial (gain) / loss	(119)	214
Closing pension liability	24	174

Defined benefit costs recognised in Other Comprehensive Income (OCI)

	Period from 31 March 2021 to 31 March 2022 (£000s)	Period from 31 March 2020 to 31 March 2021 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	50	90
Experience gains and losses arising on the plan liabilities - (loss) gain	(59)	14
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss) gain	(5)	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	133	(318)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	119	(214)
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)	119	(214)

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

22. Retirement benefit obligations (continued)

Assets

	31 March 2022	31 March 2021
	(£000s)	(£000s)
Global Equity	291	213
Absolute Return	67	68
Distressed Opportunities	53	47
Credit Relative Value	47	40
Alternative Risk Premia	61	55
Emerging Markets Debt	55	56
Risk Sharing	48	49
Insurance-Linked Securities	31	29
Property	38	25
Infrastructure	92	77
Private Debt	37	33
Opportunistic Illiquid Credit	49	35
High Yield	14	36
Opportunistic Credit	5	38
Cash	4	-
Corporate Bond Fund	93	104
Liquid Credit	9	24
Long Lease Property	42	32
Secured Income	79	76
Over 15 Year Gilts	1	1
Liability Driven Investment	356	332
Currency Hedging	(5)	-
Net Current Assets	5	10
Total assets	1,472	1,380

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.

Key assumptions

	31 March 2022	31 March 2021
	% per annum	% per annum
Discount Rate	2.79%	2.19%
Inflation (RPI)	3.51%	3.26%
Inflation (CPI)	3.16%	2.87%
Salary Growth	4.16%	3.87%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

FORGEWOOD HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
NOTES TO THE FINANCIAL STATEMENTS

22. Retirement benefit obligations (continued)

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.6
Female retiring in 2022	23.9
Male retiring in 2042	22.9
Female retiring in 2042	25.4

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.

23. Contingent liabilities

The pension withdrawal debt as at 30 September 2021 for Forgewood Housing Co-operative Limited is £672,181.

