

**HAWTHORN HOUSING CO-OPERATIVE LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2018**

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**HAWTHORN HOUSING CO-OPERATIVE LIMITED**

**ADVISERS AND REGISTERED OFFICE**

**FOR THE YEAR ENDED 31ST MARCH 2018**

**Auditors**

Armstrongs,  
Chartered Accountants  
142 West Nile Street  
Glasgow  
G1 2RQ

**Bankers**

The Royal Bank of Scotland  
Kirkintilloch Branch  
116 Cowgate  
Kirkintilloch  
G66 1JX

**Legal advisers**

T C Young  
Solicitors  
7 West George Street  
Glasgow  
G2 1BA

**Registered Office**

23A Finlas Street  
Possilpark  
Glasgow  
G22 5DB

**Registration information**

The Scottish Housing Regulator  
Registered number:

Housing (Scotland) Act 2010  
C3735

Financial Conduct Authority:

Co-operative and Community Benefit Societies Act 2014  
Registration Number 2195 R (S)

# HAWTHORN HOUSING CO-OPERATIVE LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

### FOR THE YEAR ENDED 31ST MARCH, 2018

The Committee of Management present their report and the audited financial statements for the year ended 31<sup>st</sup> March 2018.

#### **Principal activities**

The principal activities of the Co-operative are the provision, construction, improvement and management of rented and shared-ownership accommodation.

#### **Review of business**

The results for the year are as shown in the attached Statement of Comprehensive Income. The surplus for the year was £106,569 (2017 - £432,340).

#### **Changes in fixed assets**

Details of changes in fixed assets are set out in Note 12.

#### **The Committee of Management and executive officers**

The Committee of Management and executive officers of the Co-operative are as follows:-

##### Executive officers

. C. Turnbull

##### Committee of Management

. M. McGeouch	(Chair)	. B. O'Donnell
. H. Graham	(Vice Chair)	. L. Iku
. C. Ritchie	(Secretary)	. L. Harrison
. G. Spence	(Treasurer)	. O. Belgore
. E. Anderson		. A. Ademosu
. E. Todd		. R. Stewart
. R. Bowman		. E. Wallace

At the Annual General Meeting one third of all serving members of the Committee (if eligible as per the model rules) will retire from office and may stand for re-election if eligible.

Each member of the Committee of Management, with the exception of co-opted members, holds one fully paid share of £1 in the Co-operative. The executive officer of the Co-operative holds no interest in the Co-operative's share capital and, although not having the legal status of a director, acts as an executive within the authority delegated by the Committee.

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# HAWTHORN HOUSING CO-OPERATIVE LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH 2018/Cont...

### Statement of Committee's responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the 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 income and expenditure of the Co-operative for the year ended on that date. In preparing these financial statements, the Committee is required to:-

- . Select suitable accounting policies and then apply them consistently;
- . Make judgements 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 a 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 Committee is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Co-operative and to enable it to ensure that the financial statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014. It is also responsible for safeguarding the assets of the Co-operative and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Corporate governance

The Co-operative has complied throughout the accounting period with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance in 1992.

In accordance with the requirements of the Scottish Housing Regulator, the auditors have confirmed that they consider this statement appropriately reflects the Co-operative's compliance with those paragraphs of the Code of Best Practice required to be reviewed by them. The auditors have also confirmed that, in their opinion, with respect to the Statement on Internal Financial Control, the Management Committee have provided the disclosures required by Paragraph 4.5 of the Code of Best Practice as supplemented by the related guidance for Management Committee and such statement is not inconsistent with the information of which they are aware from their audit work on the Financial Statements.

### Statement as to disclosure of information to auditors

So far as the Committee are aware, there is no relevant audit information of which the Co-operative's auditors are unaware, and each Committee Member has taken all the steps that he or she ought to have taken as a Committee Member in order to make himself or herself aware of any relevant audit information and to establish that the Co-operative's auditors are aware of that information.

### Auditors

A resolution to appoint the auditors, Armstrongs, will be proposed at the Annual General Meeting.

By order of the Committee

  
Secretary

Dated : 05-09-2018

**HAWTHORN HOUSING CO-OPERATIVE LIMITED**  
**COMMITTEE STATEMENT ON THE CO-OPERATIVE'S**  
**SYSTEM OF INTERNAL FINANCIAL CONTROL**  
**FOR THE YEAR ENDED 31ST MARCH 2018**

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

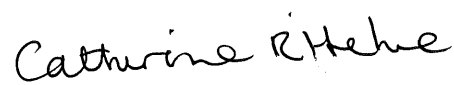
- . the reliability of financial information used within the Co-operative or for publication;
- . the maintenance of proper accounting records;
- . the safeguarding of assets (against unauthorised use or disposition).

It is the 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 include ensuring that:

- . formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Co-operative's assets;
- . experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- . forecasts and budgets are prepared regularly which allow the Committee and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term;
- . regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets 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 relevant sub-committees comprising Committee members and others;
- . the Committee review reports from management, from directors, staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Co-operative;
- . formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Committee have reviewed the effectiveness of the system of internal financial control in existence in the Co-operative for the year ended 31<sup>st</sup> March 2018 and until the below date. No weaknesses were found in 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.

By order of the Committee

  
Secretary

Dated : 05-09-2018

**HAWTHORN HOUSING CO-OPERATIVE LIMITED**  
**REPORT BY THE AUDITORS TO THE COMMITTEE**  
**ON CORPORATE GOVERNANCE MATTERS**  
**FOR THE YEAR ENDED 31ST MARCH 2018**

**Corporate Governance**

In addition to our audit of the financial statements, we have reviewed the Committee's statement on page three concerning the Co-operative's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within 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 to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. 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 four has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued 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 Committee members and officers of the Co-operative, and examination of relevant documents, we have satisfied ourselves that the Committee's Statement on Internal Financial Control appropriately reflects the Co-operative's compliance with the information required by the Regulatory Standards contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Adam Armstrong, LLB, CA, (Senior Statutory Auditor),  
for and on behalf of Armstrongs,  
Statutory Auditor,  
Chartered Accountants,  
Victoria Chambers,  
142, West Nile Street,  
Glasgow,  
G1 2RQ.

Date: 11<sup>th</sup> September 2018

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

**Opinion**

We have audited the financial statements of Hawthorn Housing Co-operative Limited for the year ended 31<sup>st</sup> March 2018 which comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Co-operative's members, as a body, in accordance with 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Co-operative and the Co-operative's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Co-operative's affairs as at 31<sup>st</sup> March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014.

**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 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 other 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 Management Committee members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management 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 Management Committee is responsible for the other information. The other information comprises the information included in the Report of the Management Committee, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

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

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

In the light of the knowledge and understanding of the Co-operative and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Committee report.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require 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 been 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 the Management Committee**

As explained more fully in the Statement of Committee's Responsibilities set out on page three, the Management Committee is 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 the 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 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 Management Committee members either intend to liquidate the 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 it 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.
- 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 Co-operative's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee members.
- conclude on the appropriateness of the Management Committees' 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 Co-operative to cease to continue as a going concern.



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

**Auditor's responsibilities for the audit of the financial statements (continued)**

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.

A handwritten signature in black ink, appearing to read 'Adam Armstrong', with a large, stylized flourish extending to the right.

Adam Armstrong, LLB, CA, (Senior Statutory Auditor),  
for and on behalf of Armstrongs,  
Statutory Auditor,  
Chartered Accountants,  
Victoria Chambers,  
142, West Nile Street,  
Glasgow,  
G1 2RQ.

Dated: 11<sup>th</sup> September 2018

**HAWTHORN HOUSING CO-OPERATIVE LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31ST MARCH 2018**

	Notes	2018 £	2017 £
<b>Turnover</b>	2	1,470,618	1,399,883
Operating costs	2	1,321,377	1,245,066
<b>Operating surplus</b>	2	149,241	154,817
Gain/(Loss) on Component Replacement		( 4,232)	( 9,578)
Interest receivable and other income	8	5,034	9,082
Interest payable and similar charges	9	( 42,282)	( 27,514)
Other finance charges	10	( 2,000)	( 15,000)
<b>Surplus/(Deficit) before tax</b>		105,761	111,807
Taxation	11	1,192	2,467
Surplus/(Deficit) for the year		104,569	109,340
Other comprehensive income		-	-
Pension remeasurement		2,000	323,000
<b>Total comprehensive income for the year</b>		106,569	432,340

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

HAWTHORN HOUSING CO-OPERATIVE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH 2018

	Notes	2018 £	2017 £
<b>Non-current assets</b>			
Tangible assets - social housing	12a	11,076,305	8,884,723
Other tangible assets - plant and equipment	12b	<u>480,783</u>	<u>495,201</u>
		<u>11,557,088</u>	<u>9,379,924</u>
<b>Current assets</b>			
Debtors	13	94,761	106,930
Cash at bank and in hand		<u>4,885,888</u>	<u>1,918,840</u>
		<u>4,980,649</u>	<u>2,025,770</u>
<b>Creditors</b> : amounts falling due within one year	14	1,371,743	461,274
<b>Net current assets</b>		<u>3,608,906</u>	<u>1,564,496</u>
<b>Total assets less current liabilities</b>		15,165,994	10,944,420
<b>Creditors</b> : amounts falling due after more than one year	15	( 3,336,036)	( 1,530,025)
<b>Deferred income</b>			
Deferred capital grants	16	( 2,773,615)	( 464,621)
<b>Net Assets</b>		<u>9,056,343</u>	<u>8,949,774</u>
<b>Equity</b>			
Share capital	17	327	327
Accumulated surplus		<u>9,056,016</u>	<u>8,949,447</u>
		<u>9,056,343</u>	<u>8,949,774</u>

These financial statements were approved by the Committee on 05 - 09 - 2018 and signed on their behalf by:

*M. McGeach* ..... Chairman

*h. Greal* ..... Committee Member

*Catherine R. L. L. L.* ..... Secretary

The notes form part of these financial statements.

HAWTHORN HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2018

	Share Capital £	Revenue Reserve £	Total £
<b>Balance as at 1<sup>st</sup> April 2016</b>	327	8,517,107	8,517,434
Issue of shares	16	-	16
Cancellation of shares	( 16)	-	( 16)
Total comprehensive income	-	432,340	432,340
<b>Balance as at 1<sup>st</sup> April 2017</b>	<u>327</u>	<u>8,949,447</u>	<u>8,949,774</u>
Issue of shares	17	-	17
Cancellation of shares	( 17)	-	( 17)
Total comprehensive income	-	106,569	106,569
<b>Balance as at 31<sup>st</sup> March 2018</b>	<u><u>327</u></u>	<u><u>9,056,016</u></u>	<u><u>9,056,343</u></u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2018

	Notes	2018 £	2017 £
<b>Net cash inflow from operating activities</b>	1	<u>3,175,906</u>	<u>517,360</u>
<b>Cash flows from investing activities</b>			
Payments to acquire and develop housing properties		( 2,481,161)	( 602,763)
Grants received		2,308,994	248,683
Payments to acquire other fixed assets		7,650	28,860
Interest received		5,034	9,082
<b>Net cash outflow from investing activities</b>		<u>( 159,483)</u>	<u>( 316,138)</u>
<b>Cashflow from financing activities</b>			
Interest paid		( 42,282)	( 27,514)
Repayments of borrowings		( 7,110)	( 44,918)
Issue of share capital		17	16
<b>Net cash outflow from financing activities</b>		<u>( 49,375)</u>	<u>( 72,416)</u>
<b>Net change in cash and cash equivalents</b>		2,967,048	128,806
<b>Cash and cash equivalents at the beginning of the year</b>		1,918,840	1,790,034
<b>Cash and cash equivalents at the end of the year</b>		<u>4,885,888</u>	<u>1,918,840</u>

Notes

1) <b>Cashflow from operating activities</b>		<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
Surplus/(Deficit) for the year		105,761	111,807
<b>Adjustments for non cash items</b>			
Depreciation of tangible fixed assets		311,647	299,383
Decrease/(increase) in trade and other debtors		3,979	( 29,732)
Increase/(decrease) in trade and other creditors		2,716,480	105,412
Pension costs less contributions payable		2,000	15,000
Share capital written off		( 17)	( 16)
<b>Adjustments for investing or financing activities</b>			
Interest payable		42,282	27,514
Interest receivable		( 5,034)	( 9,082)
<b>Adjustment for taxation</b>			
Tax paid		( 1,192)	( 2,926)
		<u>3,175,906</u>	<u>517,360</u>

# HAWTHORN HOUSING CO-OPERATIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31ST MARCH 2018

#### 1. Principal accounting policies

##### Basis of accounting

The financial statements have been prepared in accordance with FRS 102 as issued by the Financial Reporting Council and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting for social housing providers issued in 2014.

Hawthorn Housing Co-operative Limited is a public benefit entity (PBE).

##### Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Housing Regulator, local authorities and other agencies.

##### Housing properties

In previous years completed housing properties were professionally valued on an existing use basis. Surpluses and deficits were reflected in the revaluation reserve. Permanent diminutions in the value of housing property were eliminated first against any revaluation reserve in respect of that property with any excess being charged to the Statement of Comprehensive Income. On transition to FRS 102 the Co-operative has taken the option to adopt the valuation as the deemed cost.

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property. Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

##### Depreciation - housing properties

Properties other than heritable land are depreciated at rates calculated to reduce net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Heritable land is not depreciated. The estimated useful lives of the assets and components is shown in the table below.

Structure	100 years	Radiators	30 years
Roof	40 years	Boilers	15 years
Close doors	20 years	Bathrooms	25 years
Windows	30 years	Kitchens	15 years
Electrics	30 years		

Reviews for impairment of housing properties are carried out regularly and any impairment in an income-generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets would be recognised in the Statement of Comprehensive Income.

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# HAWTHORN HOUSING CO-OPERATIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31ST MARCH 2018

#### 1. Principal accounting policies (continued)

##### **Other fixed assets**

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged by equal instalments commencing with the year of acquisition at rates estimated to write off costs less any residual value over the expected economic useful lives at annual rates :-

Office property	- 2% per annum
Furniture and fittings	- 15% per annum
Office equipment	- 10% per annum
Computer equipment	- 33% per annum

##### **Social Housing Grant and other grants**

Social housing grants and other capital grants are now 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 Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period 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.

##### **Capitalisation of interest**

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

##### **Development administration costs**

Development costs incremental to the other costs of the Co-operative have been capitalised.

##### **Cyclical and major repairs**

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

##### **Pension costs**

The Co-operative participates in the centralised Scottish Housing Associations' defined benefit pension scheme and retirement benefits to employees of the Co-operative are funded by contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. In accordance with FRS 102 the payments in respect of the past service deficit plan have been discounted and recognised as a liability within the financial statements.

**HAWTHORN HOUSING CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 2018**

1. **Principal accounting policies** (continued)

**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 Hawthorn Housing Co-operative Limited'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, are 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.

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.

Identification of cash generating units

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

**Financial instruments - basic**

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

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



HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2018

2. Particulars of turnover, cost of sales, operating costs and operating surpluses / (deficits)

	Turnover £	2018 Operating costs £	Operating surplus / (deficit) £
<b>Income and expenditure from lettings</b>			
Social lettings	1,284,391	1,125,514	158,877
Other activities	186,227	195,863	( 9,636)
<b>Total</b>	<u>1,470,618</u>	<u>1,321,377</u>	<u>149,241</u>
	Turnover £	2017 Operating Costs £	Operating surplus / (deficit) £
Social lettings	1,201,252	1,020,020	181,232
Other activities	198,631	225,046	( 26,415)
<b>Total</b>	<u>1,399,883</u>	<u>1,245,066</u>	<u>154,817</u>

3. Particulars of income and expenditure from social letting activities

	General needs £	2017 Total £
<b>Income from letting</b>		
Rent receivable net of identifiable service charges	1,279,703	1,199,739
Less : voids	( 10,350)	( 8,449)
	<u>1,269,353</u>	<u>1,191,290</u>
Revenue grants from Scottish Ministers	15,038	9,962
<b>Total turnover from social letting activities</b>	<u>1,284,391</u>	<u>1,201,252</u>
<b>Expenditure on lettings</b>		
Stage 3 costs	22,335	7,826
Management and maintenance admin costs	458,525	432,349
Reactive maintenance	107,130	79,257
Planned maintenance	224,661	193,895
Bad debts	4,086	5,676
Depreciation of social housing	308,777	301,017
<b>Total expenditure on lettings</b>	<u>1,125,514</u>	<u>1,020,020</u>
<b>Operating surplus for social lettings for 2018</b>	<u>158,877</u>	<u>181,232</u>
<b>Operating surplus for social lettings for 2017</b>	<u>181,232</u>	

No service charges were receivable on housing accommodation not eligible for housing benefit (2017 - £Nil).

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2018

4. Particulars of turnover, operating costs and surpluses from other activities

	Scottish Ministers' Grants £	Other income £	Total turnover £	Operating costs £	2018 Total £	2017 Total £
Wider role	160,500	10,000	170,500	195,863	( 25,363)	( 32,665)
Release of deferred capital grant	-	6,250	6,250	-	6,250	6,250
Other income	-	9,477	9,477	-	9,477	-
Support activities	-	-	-	-	-	-
<b>Total for other activities for 2018</b>	<u>160,500</u>	<u>25,727</u>	<u>186,227</u>	<u>195,863</u>	<u>( 9,636)</u>	<u>( 26,415)</u>
<b>Total for other activities for 2017</b>	<u>192,381</u>	<u>6,250</u>	<u>198,631</u>	<u>225,046</u>	<u>( 26,415)</u>	

5. Surplus for year

	2018 £	2017 £
Surplus is stated after charging (crediting):-		
Depreciation/loss on disposal	335,076	323,886
Auditor's remuneration (including VAT)	6,000	6,130
Bad debts	<u>4,086</u>	<u>28,958</u>

6. 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.

	2018 £	2017 £
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	<u>62,915</u>	<u>60,503</u>
Pension contributions made on behalf of officers with emoluments greater than £60,000	<u>6,291</u>	<u>6,050</u>
<b>Emoluments paid to the Chief Executives</b>		
	£	£
Emoluments excluding pension contributions	62,915	60,503
Employer's pension contributions	6,291	6,050
Total emoluments payable	<u>69,206</u>	<u>66,553</u>
The number of officers (including the highest paid officer) who received emoluments (excluding pension contributions) was in the following ranges:		
£60,001 - £70,000	<u>1</u>	<u>1</u>

None of the Committee members received remuneration during the year.

**HAWTHORN HOUSING CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 2018**

**7. Employee information**

	<b>2018</b>	<b>2017</b>
The monthly average number of full time equivalent employees during the year was:-		
Administrative	6	8
Caretakers	3	3
	<u>9</u>	<u>11</u>
	<b>2018</b>	<b>2017</b>
	£	£
Staff costs (including executive emoluments)		
Wages and salaries	290,678	260,265
Social security costs	26,782	28,131
Pension contributions	29,399	25,804
	<u>346,859</u>	<u>314,200</u>

**8. Interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
	£	£
Interest receivable	<u>5,034</u>	<u>9,082</u>

**9. Interest payable and similar charges**

	<b>2018</b>	<b>2017</b>
	£	£
On bank loans payable by instalments	<u>42,282</u>	<u>27,514</u>

**10. Other finance income / charges**

	<b>2018</b>	<b>2017</b>
	£	£
Unwinding of discounted liabilities and remeasurement	<u>2,000</u>	<u>15,000</u>

**11. Tax on surplus on ordinary activities**

The tax charge on the surplus on ordinary activities was as follows:

	<b>2018</b>	<b>2017</b>
	£	£
Tax charge for year at 19% (2017 - 20%)	<u>1,192</u>	<u>2,467</u>

**Factors affecting the tax charge**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:-

	<b>2018</b>	<b>2017</b>
	£	£
Surplus/(deficit) on ordinary activities before tax	<u>105,761</u>	<u>111,807</u>
Surplus/(deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	20,095	22,361
Non taxable (surplus)/deficit	( 19,017)	( 19,894)
Under provision 2016/17 now paid	114	-
	<u>1,192</u>	<u>2,467</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2018

12. Non-current assets  
a) Housing Properties

	Housing properties held for letting £	Housing Property Under construction £	Total £
<b>Deemed Cost</b>			
As at 01.04.17	9,593,797	457,146	10,050,943
Additions during year	150,479	2,354,112	2,504,591
Disposals during year	( 23,430)	-	( 23,430)
As at 31.03.18	<u>9,720,846</u>	<u>2,811,258</u>	<u>12,532,104</u>
<b>Depreciation</b>			
As at 01.04.17	1,166,220	-	1,166,220
Provided during year	308,777	-	308,777
Disposals	( 19,198)	-	( 19,198)
As at 31.03.18	<u>1,455,799</u>	<u>-</u>	<u>1,455,799</u>
<b>Net book value at 31.03.18</b>	<u>8,265,047</u>	<u>2,811,258</u>	<u>11,076,305</u>
<b>Net book value at 31.03.17</b>	<u>8,427,577</u>	<u>457,146</u>	<u>8,884,723</u>

All housing property is freehold.

No development allowances were receiving during the year.

b) Other tangible assets

	Motor £	Caretaker equipment £	Office property £	Office equipment £	Furniture & fittings £	Computer equipment £	Total £
<b>Cost</b>							
As at 01.04.17	7,674	21,186	556,393	11,976	23,759	21,101	642,089
Additions	-	-	-	-	-	7,650	7,650
Grant received	-	-	-	-	-	-	-
As at 31.03.18	<u>7,674</u>	<u>21,186</u>	<u>556,393</u>	<u>11,976</u>	<u>23,759</u>	<u>28,751</u>	<u>649,739</u>
<b>Aggregate depreciation</b>							
As at 01.04.17	1,919	5,297	89,023	5,791	23,758	21,100	146,888
Provided in year	1,919	5,297	11,128	1,198	-	2,526	22,068
As at 31.03.18	<u>3,838</u>	<u>10,594</u>	<u>100,151</u>	<u>6,989</u>	<u>23,758</u>	<u>23,626</u>	<u>168,956</u>
<b>Net book value at 31.03.18</b>	<u>3,836</u>	<u>10,592</u>	<u>456,242</u>	<u>4,987</u>	<u>1</u>	<u>5,125</u>	<u>480,783</u>
<b>Net book value at 31.03.17</b>	<u>5,755</u>	<u>15,889</u>	<u>467,370</u>	<u>6,185</u>	<u>1</u>	<u>1</u>	<u>495,201</u>

**HAWTHORN HOUSING CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 2018**

**13. Trade and other receivables**

	<b>2018</b>	<b>2017</b>
	£	£
Rental debtors	114,827	87,753
Less: provision for doubtful debts	<u>28,958</u>	<u>28,958</u>
	85,869	58,795
Other receivables	<u>8,892</u>	<u>48,135</u>
	<u><u>94,761</u></u>	<u><u>106,930</u></u>

**14. Creditors - Amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	£	£
Bank overdraft	249,921	-
Trade payables	216,033	203,605
Rent in advance	51,768	56,237
Current instalments of housing loans	89,296	40,553
Liability for past service contributions	59,788	59,127
Accruals and deferred income	697,069	92,256
Social security and other taxes	6,790	7,072
Taxation	<u>1,078</u>	<u>2,424</u>
	<u><u>1,371,743</u></u>	<u><u>461,274</u></u>

**15. Creditors - Amounts falling due after more than one year**

	<b>2018</b>	<b>2017</b>
	£	£
Housing Loans	3,152,824	1,287,152
Liability for past service contributions	<u>183,212</u>	<u>242,873</u>
	<u><u>3,336,036</u></u>	<u><u>1,530,025</u></u>

The Co-operative has one loan agreement in place with Charity Bank Limited. This facility totals £1,287,493 and will be fully repaid between 2041 and 2042. It is secured over the housing property at a rate of 2.25%.

They also had a facility from the Bank of Scotland Plc. At 31<sup>st</sup> March 2018 the balance outstanding was £1,954,626 (2017: £Nil) and interest was charged at a rate of 3.68% fixed for 10 years.

	£	£
Due within one year	<u>89,296</u>	<u>40,553</u>
Between one and two years	92,150	41,475
Between two and five years	294,535	130,167
In five or more years	<u>2,766,139</u>	<u>1,115,510</u>
	<u><u>3,152,824</u></u>	<u><u>1,287,152</u></u>

The liability for past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.51% (2017 - 1.06%).

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2018

15. Creditors - Amounts falling due after more than one year (continued)

The above creditors are due as follows:

	2018 £	2017 £
Due within one year	<u>59,788</u>	<u>59,127</u>
Between one and two years	60,425	61,000
Between two and five years	122,787	181,873
In five years or more	-	-
	<u><u>183,212</u></u>	<u><u>242,873</u></u>

16. Deferred capital grants

	2018 £	2017 £
<b>Social Housing Grants</b>		
Balance as at 1 <sup>st</sup> April 2017	445,871	215,938
Additions in year	<u>2,315,244</u>	<u>229,933</u>
	2,761,115	445,871
<b>Other Capital Grants</b>		
Balance as at 1 <sup>st</sup> April 2017	18,750	-
Additions in year	-	25,000
Amortisation in year	<u>(6,250)</u>	<u>(6,250)</u>
	12,500	18,750
Balance as at 31 <sup>st</sup> March 2018	<u><u>2,773,615</u></u>	<u><u>464,621</u></u>
Due within one year	6,250	6,250
Due after more than one year	<u>2,767,365</u>	<u>458,371</u>
	<u><u>2,773,615</u></u>	<u><u>464,621</u></u>

The Social Housing Grants relate to property under construction and it is not anticipated that they will be released to the Statement of Comprehensive Income within one year.

17. Share capital

	2018	2017
<b>Shares of £1 each issued and fully paid</b>		
As at 1 <sup>st</sup> April 2017	327	327
Shares issued at par during the year	<u>17</u>	<u>16</u>
	344	343
Shares forfeited	<u>(17)</u>	<u>(16)</u>
	<u><u>327</u></u>	<u><u>327</u></u>
At 31 <sup>st</sup> March 2018		

Each shareholder of the Co-operative holds only one share and is entitled to vote at general meetings of the Co-operative. Shares carry no right to dividend or distribution 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 member meetings.

18. Capital commitments

There were no capital commitments at 31<sup>st</sup> March 2018 or 31<sup>st</sup> March 2017.

## HAWTHORN HOUSING CO-OPERATIVE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31ST MARCH 2018

#### 19. Contingent liabilities

The Co-operative has no known contingent liabilities at 31<sup>st</sup> March 2018 (2017 - £Nil).

#### 20. Pensions

##### **The Pensions Trust Retirement Solutions - Scottish Housing Associations' Pension Scheme (the Scheme)**

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

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

The Scheme is classified as a 'last-man standing arrangement'. Therefore the 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.

A formal actuarial valuation for the Scheme was carried out at 30<sup>th</sup> September 2015 by a professionally qualified actuary using the Projected Unit Credit method. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to make additional contributions - increasing at 3% per annum - to February 2022. The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Scheme liabilities. Recently, a provisional valuation of the Scheme was carried out in September 2017. This showed assets of £852m, liabilities of £981m and a smaller deficit of £129m.

Where the scheme is in deficit and where the Co-operative has agreed to a deficit funding arrangement the company must recognise a liability for this obligation by reference to Para 28.11A of FRS 102. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. At the statement of financial position date the present value of this obligation was £51,195 (2017 - £63,539). This was calculated by reference to the terms of the agreement and discounting the liability using the yield of a high quality corporate bond with a similar term. The discount rate used was 1.51%. The unwinding of the discount rate is recognised as a finance cost.

The Co-operative made payments totalling £88,399 (2017 - £88,199) to the pension scheme during the year.

**HAWTHORN HOUSING CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 2018**

**21. Legislative provisions**

The Co-operative is incorporated under the Co-operative and Community Benefit Societies Act 2014.

**22. Related party transactions**

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102.

All elected members of the Management Committee are tenants of the Co-operative. Their transactions with the Co-operative are all done on standard terms as applicable to all tenants and they cannot use their position to their advantage.

The rent charge in the year in respect of these tenancies were £73,152 (2017 - £63,600) with rent arrears at the year end of £2,985 (2017 - £1,377) and prepayments of £766 (2017 - £867).

**23. Housing stock**

	<b>2018</b>	<b>2017</b>
General needs - new build	125	125
- rehabilitation	191	191
	<u>316</u>	<u>316</u>