

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

Registered Housing Association Number: HAC171
FCA Reference Number: 2195R (S)

HAWTHORN HOUSING CO-OPERATIVE LIMITED

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

MEMBERS OF THE MANAGEMENT COMMITTEE

Helen Graham	(Chairperson)
Mattie McGeouch	(Vice Chairperson)
Cathie Ritchie	(Secretary)
Gillian Spence	
Lambert Iku	
Robert Stewart	(Treasurer until 31 January 2022, deceased)
Eileen Wallace	(Treasurer from 21 March 2022)
Adebimpe Ademosu	(Committee Member until resignation on 14 June 2022)
Nesbah Frempong	
Omojibola Opanike	(Committee Member until resignation on 25 July 2022)
Kevin Wallace	
Gary Gray	(Committee Member until deceased 13 February 2022)
Kevin Wallace	
Rachel Elizabeth Bowman	(Co-opted member from 30 August 2021 until filled casual vacancy 21 March 2022)
Liz Smith	(Co-opted member from 25 July 2022)

EXECUTIVE OFFICERS

Colin Turnbull	(Director)
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REGISTERED OFFICE

23A Finlas Street
Possilpark
Glasgow
G22 5DB

AUDITOR

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

BANKERS

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

SOLICITORS

T C Young
7 West George Street
Glasgow
G2 1BA

HAWTHORN 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. 2195R (S). The Co-operative is governed under its Rule Book.

Principal Activities

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

Review of the Business

Covid continued to have an impact of the operations of the Co-op during the year, though this was not as pronounced as the previous year. The office was closed with staff working from home at the start of the financial year until 4 May 2021. Staff then returned two days a week with the office fully open to the public. Staff returned to working full time in the office though individual staff did have to work from home from time to time as they were self-isolating. Staff returned to home working from 20 December 2021 until the 24 January 2022. Staff were able to transition to home working easily meaning that core services were available throughout that short period.

However, home working did mean that staff were more isolated and that they lost the close contact with the community we work for. The Co-op has therefore returned to full-time office working on a phased basis with home working only where staff are self-isolating etc.

Governance - the Co-op has settled on a hybrid model for Committee meetings which make them as accessible as possible.

Repairs - our ability to deliver repairs and maintenance contracts was affected by Covid. Some materials have been difficult to source, causing significant delays in some cases. We have also been unable to access houses for some work at various points and have been unable to insist on access to carry out servicing when the tenant is self-isolating etc. The performance of some of our maintenance contractors appears to have been affected by Covid due to staff absences etc.

Snagging on a new build development - this was delayed for nearly two years.

Costs - significant increase in some contracts are starting to emerge. It is unclear whether this is due solely to Covid, to Brexit or to global factors affecting the supply of labour and materials. There is probably an element of all these factors at play.

Review of the Current Year Performance/KPIs

KPIs

We monitor our performance every quarter across a range of financial and non-financial indicators with benchmarking against previous performance and performance of others to make it more meaningful.

During the year our performance had 2 significant areas of concern:

- Void loss - Our performance in the year was affected by delays sourcing a new door for one house and a delay in the police returning the keys for another void. The average time taken to let a house improved from 53.6 days to 37.4 days.
- Rent arrears - Our performance improved from 7.75% to 7.35%.

We have no significant concerns with the other services we provide.

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

Our strong financial performance is shown by the following indicators at March 2022-

- Operating surplus - £128,427
- Financial covenant - Interest cover – 136%

We comfortably meet all our covenants with none of them causing any concern.

Assurance

In October 2021 we submitted our third assurance statement to the Scottish Housing Regulator. We identified no areas of material non-compliance. Overall, we assessed that we had increased levels of compliance though we did also downgrade two areas from ‘fully compliant’ to ‘compliant but with areas for improvement’. Our self-assessment was supported by:

- Benchmarking our assessment with that carried out by Maryhill Housing Association to provide some context to assist members in determining whether our assessment is reasonable
- An external consultant assessing our compliance in key areas, benchmarking against five other RSLs.

Progress against Business Plan

The Co-op agreed its Business Plan for 2021-24 in March 2021. The plan reiterates the Co-operative’s vision of “Leading the creation of a community with excellent homes where we are proud to live” and doing this by being “For the Community, from the Community”.

The Business Plan, and our progress, was reviewed by the Management Committee in March 2022.

The review confirmed our three strategic aims for achieving our vision of “leading the creation of a community with excellent homes where we are proud to live” and retained the strands to achieve these aims. These are shown below:

A. Ensuring our members have the best possible quality of life, by:

- Providing good quality well maintained homes
- Providing high quality, continually improving services
- Expanding the range of services our community receives
- Ensuring our people have high aspirations re what they can achieve in life
- Building a strong, supportive community
- Ensuring the area is a safe, attractive place to live
- Providing homes that are easy to heat and at an affordable rent
- Encouraging others to invest in and provide services for this community
- Keeping our members well informed about what we do and how to access our services

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

B. Keeping the Co-operative safe and secure, by:

- Complying with legislation and regulation
- Submitting assurance statement as required
- Being financially secure in the long term
- Having systems that are secure and robust

C. Getting the most from our resources and delivering value for money by:

- Having clear, simple integrated plans
- Having a clear statement and strategy for providing our members with value for money
- Having a happy, engaged effective staff team
- Getting the most from our people
- Having a strong volunteering and self-help ethos within the community
- Obtaining best value from our suppliers through our procurement strategy
- Having strong, committee leadership of Co-op and Community
- Maximising the grant we receive

We recorded the progress against each of the outcomes for the three-year plan and added the amended 'year two plan'. In these plans we have categorised each of the actions against these strands to ensure that every action assists us to achieve our strategic objectives.

We have also identified which of the Scottish Government outcomes they contribute to. We recognise in our ambitious plans there are some tasks that will be delivered primarily by other organisations. We have recognised those tasks where we will have a marginal impact.

Development

The Co-operative obtained funding to participate in a feasibility study commissioned by West of Scotland Housing Association regarding the development of Cowlairs Park, which is adjacent to the Co-operative's community. The study will explore the feasibility of the Co-op acquiring 15 houses as part of the development. The Co-op has stressed that it will only participate where it is financially viable.

Principal Risks and Uncertainties Faced

The Co-operative has a comprehensive risk management policy. This approach was fully reviewed during the year and was reviewed by two consultants. Our Audit sub-committee reviews the risk map each quarter and this is reported to the management committee with a full review carried out each year. In the annual review, we also consider the risk registers from two other RSLs to check if there they have identified risks that we have missed.

In the annual review carried out in February 2022, the Co-op assessed our highest risks as:

- Increase in arrears;
- Breaching tenant safety regulations; and
- Unable to meet financial commitments.

HAWTHORN 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 the year and the projections for the next five years including the impact of the current inflationary and economic conditions and any ongoing impact of the Covid pandemic. The Management Committee 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 provided in the Accounting Policies Note 1.

Governance

Various aspects of the Co-op's governance were reviewed by two consultants during the year. They recommended some minor changes within overall positive assessments. These changes have been broadly implemented. However, the risk, which the Co-op has identified, from the small pool of prospective committee members was brought into sharp focus when two influential committee members passed away within weeks of each other. The Co-op responded by filling one vacancy on a casual basis and has four other members who have expressed an interest in being elected to full membership at the AGM.

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 judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Co-operative will continue 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

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

- 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.

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

Cathie Ritchie, Secretary
Date: 13 September 2022

**HAWTHORN 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;
- All expenditure is authorised by senior staff and Management Committee;
- The Co-operative has a corporate strategy in place which details the strategic and operational objectives of the business;
- There are controls in place to ensure the Organisation meets its covenants as detailed in its loan agreements with lenders;
- The treasury management policy ensures that borrowing and investment are based on an assessment of risk;
- The Organisation has 30-year cash flow projections which are updated annually. The underlying assumptions show a good understanding of the Co-operative's business objectives, key risks and commitments and include up to date life cycle costing information;
- A risk management plan is in place which takes a structured approach to the identification and analysis of key risks, the likelihood of these materialising and their possible impact;
- Adequate insurance for the business has been taken out;
- 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;

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

- 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.

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.

By order of Management Committee

Signature

Cathie Ritchie, Secretary
Date: 13 September 2022

HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT BY THE AUDITOR TO THE MEMBERS OF HAWTHORN 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 pages 7 and 8 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 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 pages 7 and 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

French Duncan LLP

Chartered Accountants
Statutory Auditors

GLASGOW

Date:

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

OPINION

We have audited the financial statements of Hawthorn 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 capital and reserves and related notes including a summary of significant accounting policies. 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 (United Kingdom Generally Accepted Accounting Practice).

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such

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

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 5, the committee members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the committee members 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 Act and relevant regulations made or having effect thereunder.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

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

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 trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the housing Co-operative to cease to continue as a going concern.
- 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 than 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 association through discussions with management and management committee members and from our sector knowledge;
- 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 association, 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

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

- 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 association's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of Board and Board 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;
- reviewing internal audit reports prepared during the year;
- enquiring of Board and Board members as to actual and potential litigation and claims; and
- 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.

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWTHORN 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 Auditors
133 Finnieston Street
GLASGOW
G3 8HB

Date

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

	Notes	2022 £	2021 £
REVENUE	2	1,714,265	1,666,190
Operating costs	2	<u>(1,585,838)</u>	<u>(1,238,739)</u>
OPERATING SURPLUS	2, 8	128,427	427,451
Interest receivable and other similar income		580	934
Interest payable and other similar charges	7	(90,254)	(92,945)
Other Finance Charges	10	<u>(5,000)</u>	<u>-</u>
		<u>(94,674)</u>	<u>(92,011)</u>
Surplus for the year		33,753	335,440
Taxation	9	(607)	(480)
SURPLUS FOR THE YEAR		33,146	334,960
OTHER COMPREHENSIVE INCOME			
Actuarial gain/(loss) in respect of pension scheme	23	174,116	(296,000)
TOTAL COMPREHENSIVE INCOME		<u>207,262</u>	<u>38,960</u>

The results for the year relate wholly to continuing activities.

The notes on page 19 to 41 form part of these financial statements.

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

	Notes	2022 £	2021 £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	11(a)	13,319,934	13,467,342
Other tangible fixed assets	11(b)	415,658	436,739
		<u>13,735,592</u>	<u>13,904,081</u>
CURRENT ASSETS			
Debtors	13	77,393	126,104
Cash at bank and in hand		<u>2,431,815</u>	<u>2,267,844</u>
		2,509,208	2,393,948
CREDITORS: amounts falling due within one year	14	<u>(348,320)</u>	<u>(296,108)</u>
NET CURRENT ASSETS		<u>2,160,888</u>	<u>2,097,840</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,896,480	16,001,921
CREDITORS: amounts falling due after more than one year	15	(2,843,353)	(2,865,496)
PROVISIONS FOR LIABILITIES			
Pension - defined benefit liability	23	(13,000)	(247,000)
DEFERRED INCOME			
Social Housing Grants	18	(3,597,364)	(3,653,930)
Other Grants	18	-	-
		<u>9,442,763</u>	<u>9,235,495</u>
EQUITY			
Share capital	19	374	368
Revenue reserve	19	<u>9,442,389</u>	<u>9,235,127</u>
		<u>9,442,763</u>	<u>9,235,495</u>

The financial statements were approved by the Management Committee, authorised for issue, and signed on its behalf on 13 September 2022.

Helen Graham
Chairperson

Mattie McGeouch
Vice Chairperson

Cathie Ritchie
Secretary

The notes on page 19 to 41 form part of these financial statements.

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

	Notes	2022 £	2021 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	16	<u>601,217</u>	<u>690,512</u>
INVESTING ACTIVITIES			
Acquisition and construction of housing properties	(263,577)	-	-
Purchase of other fixed assets	(929)	(7,919)	-
Social Housing Grant received	-	-	-
Social Housing Grant repaid	-	-	-
Proceeds of disposals of housing properties	16,800	-	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<u>(247,706)</u>	<u>(7,919)</u>
NET CASH INFLOW BEFORE FINANCING		353,511	682,593
FINANCING ACTIVITIES			
Issue of ordinary share capital	30	11	-
Interest received	580	934	-
Interest paid	(90,254)	(92,945)	-
Loan principal repayments	17 (99,896)	(97,174)	-
NET CASH (OUTFLOW) FROM FINANCING		<u>(189,540)</u>	<u>(189,174)</u>
INCREASE IN CASH		163,971	493,419
OPENING CASH AND CASH EQUIVALENTS		2,267,844	1,774,425
CLOSING CASH AND CASH EQUIVALENTS		<u><u>2,431,815</u></u>	<u><u>2,267,844</u></u>

HAWTHORN 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	368	9,235,127	9,235,495
Issue of Shares	30	-	30
Cancelled shares	(24)	-	(24)
Surplus for Year	-	33,146	33,146
Other comprehensive income	-	174,116	174,116
Balance as at 31 March 2022	<u>374</u>	<u>9,442,389</u>	<u>9,442,763</u>

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1 April 2020	376	9,196,167	9,196,543
Issue of Shares	11	-	11
Cancelled shares	(19)	-	(19)
Surplus for Year	-	334,960	334,960
Other comprehensive income	-	(296,000)	(296,000)
Balance as at 31 March 2021	<u>368</u>	<u>9,235,127</u>	<u>9,235,495</u>

HAWTHORN 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 Benefit 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 Management Committee have assessed the Co-operative's ability to continue as a going concern and have reasonable expectations that the Co-operative has adequate resources to continue in operational existence for the foreseeable future. The association continues to return operating surpluses and has a strong balance sheet with serviceable debt and liquid assets. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

The Co-operative has taken into account the current economic circumstances in its consideration and updated budgets accordingly. The Co-operative is satisfied that it has adequate resources to manage the impact of the economic factors 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 of a revenue nature are recognised in income in the same period as the related expenditure.

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 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 of the scheme and its assumptions are included in note 23.

HAWTHORN 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 11(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	15 years
Close Doors	20 years
Bathrooms	25 years
Windows	30 years
Kitchens	15 years
Heating systems	30 years
Roofs	40 years

Depreciation and Impairment of Other Non-Current Assets

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

Office property	2% straight line
Furniture and fittings	15% straight line
Caretaker equipment	25% straight line
Computer equipment	33% straight line
Office equipment	10% straight line
Motor vehicle	25% straight line

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

Social Housing Grant and Other Grants in Advance/Arrears

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

Social Housing Grant attributed to individual components is written off to the 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 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.

HAWTHORN 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.

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

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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.

HAWTHORN 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

		2022			2021		
	Note	Revenue £	Operating Costs £	Operating surplus/ (deficit) £	Revenue £	Operating Costs £	Operating surplus/ (deficit) £
Social letting activities	3	1,674,800	(1,542,918)	131,882	1,624,783	(1,179,188)	445,595
Other activities	4	39,465	(42,920)	(3,455)	41,407	(59,551)	(18,144)
Total		<u>1,714,265</u>	<u>(1,585,838)</u>	<u>128,427</u>	<u>1,666,190</u>	<u>(1,238,739)</u>	<u>427,451</u>

HAWTHORN 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 Total £	2021 Total £
Revenue from lettings					
Rent receivable net of identifiable service charges	1,607,163	-	-	1,607,163	1,585,231
Service charges receivable	-	-	-	-	-
Gross rents receivable	1,607,163	-	-	1,607,163	1,585,231
Less rent losses from voids	(13,458)	-	-	(13,458)	(17,003)
Net rents receivable	1,593,705	-	-	1,593,705	1,568,228
Amortisation of Social Housing & Other Grants	56,566	-	-	56,566	56,555
Revenue grants from local authorities and other agencies	24,529	-	-	24,529	-
Other Revenue grants	-	-	-	-	-
Total income from social letting	1,674,800	-	-	1,674,800	1,624,783
Expenditure on social letting activities					
Management and maintenance administration costs	612,996	-	-	612,996	567,487
Stage 3 costs	22,299	-	-	22,299	-
Planned and cyclical maintenance including major repairs	332,249	-	-	332,249	96,424
Reactive maintenance	128,608	-	-	128,608	126,342
Bad debts - rents and service charges	52,581	-	-	52,581	694
Depreciation of social housing	394,185	-	-	394,185	388,241
Operating costs of social letting	1,542,918	-	-	1,542,918	1,179,188
Operating surplus on social letting activities	131,882	-	-	131,882	445,595
2021	445,595	-	-	445,595	

HAWTHORN 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 £
Support Activities	-	-	-	-	-	-	-	-	-
Wider Role Activities	-	-	-	-	-	-	(4,216)	(4,216)	(18,163)
Contracted out services for RSL's	-	-	-	-	-	-	-	-	-
Factoring Income	-	-	-	-	-	-	-	-	-
Other income/ (expenditure)	-	-	-	39,465	39,465	-	(38,704)	761	19
TOTAL FROM OTHER ACTIVITIES	-	-	-	39,465	39,465	-	(42,920)	(3,455)	(18,144)
TOTAL FROM OTHER ACTIVITIES FOR 2021	-	41,388	-	19	41,407	-	(59,551)	(18,144)	

HAWTHORN 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)	71,820	71,250
Emoluments payable to the director (excluding pension contributions)	71,820	71,250
Pension contributions paid on behalf of the director	6,520	6,840
Total emoluments paid to key management personnel	78,340	86,709

Total number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following range:

	Number	Number
£70,001 - £80,000	1	1

During the year, £95 (2021 - £20) was paid to committee members in respect of reimbursement of expenses.

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

6. EMPLOYEE INFORMATION

	2022	2021
	£	£
Staff costs during the year:		
Wages and salaries	340,810	347,642
Social security costs	28,769	25,177
Other pension costs	28,740	33,675
	<u>398,319</u>	<u>406,494</u>

	Number	Number
The average number of full time equivalent persons employed during the year was	<u>10</u>	<u>11</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2022	2021
	£	£
Bank loans and overdrafts	<u>90,254</u>	<u>92,945</u>

8. OPERATING SURPLUS FOR THE YEAR

	2022	2021
	£	£
Surplus is stated after charging/(crediting):		
Depreciation	416,195	408,727
Auditors' remuneration	9,240	9,995
Operating lease rentals	1,006	1,006
Amortisation of capital grants	<u>(56,566)</u>	<u>(56,555)</u>

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

9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2022	2021
	£	£
The tax charge/(credit) is made up as follows:		
Current Tax:		
Corporation Tax at 19% (2021 – 19%)	607	480

Factors affecting the tax charge:

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

	2022	2021
	£	£
Surplus on ordinary activities before tax	<u>33,753</u>	<u>335,440</u>
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	6,413	63,734
Non taxable surplus	(5,806)	(63,197)
Adjustment to previous year	-	(57)
	<u>607</u>	<u>480</u>

10. OTHER FINANCE CHARGES

	2022	2021
	£	£
Net interest expense on defined benefit pension scheme	<u>5,000</u>	<u>-</u>

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

11. NON-CURRENT ASSETS

a) Housing Properties

	Housing Properties Held for Letting	Housing Properties Under Construction	Total
	£	£	£
COST			
At start of year	15,843,920	-	15,843,920
Additions	263,577	-	263,577
Disposals	(128,467)	-	(128,467)
Transferred on completion	-	-	-
At end of year	<u>15,979,030</u>	<u>-</u>	<u>15,979,030</u>
DEPRECIATION			
At start of year	2,376,578	-	2,376,578
Charged during year	340,094	-	340,094
Eliminated on disposal	(57,576)	-	(57,576)
At end of year	<u>2,659,096</u>	<u>-</u>	<u>2,659,096</u>
NET BOOK VALUE			
At end of year	<u>13,319,934</u>	<u>-</u>	<u>13,319,934</u>
At start of year	<u>13,467,342</u>	<u>-</u>	<u>13,467,342</u>

1. There were no impairment charges in the year.
2. New components capitalised during the year amounted to £263,577 (2021 - £nil).
3. The Co-operative's lenders have standard securities over housing property with a carrying value of £2,211,829 (2021 - £ 2,808,907).

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

11. NON-CURRENT ASSETS (continued)

b) Other tangible assets

	Office Property	Furniture & Fittings	Computer Equipment	Caretaker Equipment	Motor Vehicles	Office Equipment	Total
	£	£	£	£	£	£	£
COST							
At start of year	556,393	25,077	22,916	29,105	7,674	16,311	657,476
Additions	-	-	570	359	-	-	929
Disposals	-	-	-	-	-	-	-
At end of year	<u>556,393</u>	<u>25,077</u>	<u>23,486</u>	<u>29,464</u>	<u>7,674</u>	<u>16,311</u>	<u>658,405</u>
DEPRECIATION							
At start of year	133,535	25,076	21,221	21,350	7,673	11,882	220,737
Charged during year	11,128	1	1,883	7,366	1	1,631	22,010
Disposals	-	-	-	-	-	-	-
At end of year	<u>144,663</u>	<u>25,077</u>	<u>23,104</u>	<u>28,716</u>	<u>7,674</u>	<u>13,513</u>	<u>242,747</u>
NET BOOK VALUE							
At end of year	<u>411,730</u>	<u>-</u>	<u>382</u>	<u>748</u>	<u>-</u>	<u>2,798</u>	<u>415,658</u>
At start of year	<u>422,858</u>	<u>1</u>	<u>1,695</u>	<u>7,755</u>	<u>1</u>	<u>4,429</u>	<u>436,739</u>

12. COMMITMENTS UNDER OPERATING LEASES

	2022	2021
	£	£
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	1,006	1,006
Later than one year and not later than five years	<u>503</u>	<u>1,509</u>
	<u>1,509</u>	<u>2,515</u>

13. DEBTORS

	2022	2021
	£	£
Arrears of Rent & Service Charges	131,160	131,333
Less: Provision for Doubtful Debts	<u>(69,351)</u>	<u>(28,958)</u>
	61,809	102,375
Other Debtors	8,839	18,726
Prepayments and accrued income	<u>6,745</u>	<u>5,003</u>
	<u>77,393</u>	<u>126,104</u>

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

14. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Housing Loans	102,466	100,219
Trade Payables	9,264	9,880
Rent in Advance	65,789	59,196
Other Taxation and Social Security	8,503	9,371
Accruals and Deferred Income	162,298	117,442
	<u>348,320</u>	<u>296,108</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2022	2021
	£	£
Housing loans	2,763,353	2,865,496
Other Creditors	80,000	-
	<u>2,843,353</u>	<u>2,865,496</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 3.68% with all other loans operating on a variable rate of interest. The variable loan is linked to the Bank of England Base Rate at a 2% margin.

The Bank loans are repayable as follows:

	2022	2021
	£	£
Between one and two years	106,901	103,078
Between two and five years	338,218	327,906
In five years or more	2,318,234	2,434,512
	<u>2,763,353</u>	<u>2,865,496</u>

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

16. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of operating surplus to cash flow from operating activities

	2022	2021
	£	£
Operating Surplus	128,427	427,451
Depreciation	416,195	408,727
Amortisation of Capital Grants	(56,566)	(56,555)
Change in debtors	48,711	689
Change in creditors	130,691	(23,669)
Deficit contributions	(67,422)	(66,000)
Cancelled Shares	(24)	(19)
Pension scheme service costs	2,000	2,000
Tax paid	(795)	(2,112)
Cash flow from operating activities	<u>601,217</u>	<u>690,512</u>

17. ANALYSIS OF CHANGES IN NET DEBT

Reconciliation of net debt as at 31 March 2022

	1 April 2021	Cash flows	Other changes	31 March 2022
	£	£	£	£
Cash at bank	2,267,844	163,971	-	2,431,815
Due within one year	(100,219)	(2,247)	-	(102,466)
Due after one year	(2,865,496)	102,143	-	(2,763,353)
Net debt	<u>(697,871)</u>	<u>263,867</u>	<u>-</u>	<u>(434,004)</u>

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

18. DEFERRED INCOME

	2022	2021
	£	£
Social Housing Grants		
Balance as at 1 April 2021	3,653,930	3,710,485
Additions in year	-	-
Transferred in year - recycled	-	-
Released / Repaid as the result of property disposal	-	-
Amortisation in Year	(56,566)	(56,555)
Balance as at 31 March 2022	<u>3,597,364</u>	<u>3,653,930</u>
Other Grants		
Balance as at 1 April 2021	-	-
Additions in year	-	-
Released / Repaid as the result of property disposal	-	-
Amortisation in Year	-	-
Balance as at 31 March 2022	<u>-</u>	<u>-</u>
Total deferred grants	<u><u>3,597,364</u></u>	<u><u>3,653,930</u></u>
This is expected to be released to the Statement of Comprehensive Income as follows:		
Amounts due within one year	56,566	56,555
Amounts due in one year or more	<u>3,540,798</u>	<u>3,597,375</u>
	<u><u>3,597,364</u></u>	<u><u>3,653,930</u></u>

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

19. RESERVES

Share Capital	2022	2021
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 April 2021	368	376
Issued in year	30	11
Cancelled in year	<u>(24)</u>	<u>(19)</u>
At 31 March 2022	<u><u>374</u></u>	<u><u>368</u></u>

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

Reserves	2022	2021
	£	£
At 1 April 2021	9,235,127	9,196,167
Surplus	33,146	334,960
SHAPS pension adjustment	<u>174,116</u>	<u>(296,000)</u>
At 31 March 2022	<u><u>9,442,389</u></u>	<u><u>9,235,127</u></u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2022	2021
	No.	No.
General Needs - New Build	173	173
- Rehabilitation	<u>191</u>	<u>191</u>
	<u><u>364</u></u>	<u><u>364</u></u>

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

21. RELATED PARTY TRANSACTIONS

Members of the Management Committee and their close family 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:

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

Transactions with Management Committee and their close family members were as follows:

- Rent Received from Tenants on the Committee and close family members – £63,966.
- 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 – £179.
- At the year-end total rent arrears owed by Owner Occupiers of the Committee were - £NIL.

22. 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 23A Finlas St, Cowlairs Industrial Estate, Glasgow G22 5DB.

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

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23. 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.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September each year. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2021. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2022 to 28 February 2023 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.

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23. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Pension Scheme Liability movements:

	2022	2021
	(£000s)	(£000s)
As at 1 April 2021	247	15
Current Service	-	-
Net Interest expense	5	-
Expenses	2	2
Deficit Contributions Paid	(67)	(66)
Impact of change in assumptions	(174)	296
As at 31 March 2022	<u>13</u>	<u>247</u>

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	2,265	2,190
Present value of defined benefit obligation	2,278	2,437
Surplus (deficit) in plan	(13)	(247)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(13)	(247)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	-	-

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period ended 31	Period ended 31
	March 2022	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	-	-

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23. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2022 (£000s)	Period ended 31 March 2021 (£000s)
Defined benefit obligation at start of period	2,437	2,147
Current service cost	-	-
Expenses	2	2
Interest expense	53	49
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	20	(62)
Actuarial losses (gains) due to changes in demographic assumptions	8	-
Actuarial losses (gains) due to changes in financial assumptions	(192)	458
Benefits paid and expenses	(50)	(157)
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	2,278	2,437

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

	Period ended 31 March 2022 (£000s)	Period ended 31 March 2021 (£000s)
Fair value of plan assets at start of period	2,190	2,132
Interest income	48	49
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	10	100
Contributions by the employer	67	66
Contributions by plan participants	-	-
Benefits paid and expenses	(50)	(157)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	2,265	2,190

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £58,000.

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23. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	Period from 31 March 2021 to 31 March 2022 (£000s)	Period from 31 March 2020 to 31 March 2021 (£000s)
Current service cost	-	-
Expenses	2	2
Net interest expense	5	-
Losses (gains) on business combinations	-	-
Losses (gains) on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit costs recognised in statement of comprehensive income (SoCl)	7	2

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2022 (£000s)	Period ended 31 March 2021 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	10	100
Experience gains and losses arising on the plan liabilities - gain (loss)	(20)	62
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(8)	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	192	(458)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	174	(296)
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)	174	(296)

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23. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

ASSETS	31 March 2022	31 March 2021
	(£000s)	(£000s)
Global Equity	448	339
Absolute Return	104	108
Distressed Opportunities	81	75
Credit Relative Value	73	63
Alternative Risk Premia	94	88
Fund of Hedge Funds	-	-
Emerging Markets Debt	84	88
Risk Sharing	74	78
Insurance-Linked Securities	47	46
Property	59	39
Infrastructure	141	122
Private Debt	57	52
Opportunistic Liquid Credit	75	56
High Yield	22	57
Opportunistic Credit	8	60
Cash	6	1
Corporate Bond Fund	143	165
Liquid Credit	15	38
Long Lease Property	65	51
Secured Income	121	120
Over 15 Year Gilts	1	1
Index Linked All Stock Gilts	-	-
Liability Driven Investment	548	527
Currency Hedging	(8)	-
Net Current Assets	7	16
Total assets	2,265	2,190

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

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23. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

KEY ASSUMPTIONS

	31 March 2022	31 March 2021
	% per annum	% per annum
Discount Rate	2.79%	2.18%
Inflation (RPI)	3.54%	3.27%
Inflation (CPI)	3.17%	2.87%
Salary Growth	4.17%	3.87%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

24. CONTINGENT LIABILITY

At 30 September 2021 the estimated debt on withdrawal from the Scottish Housing Associations' Pension Scheme was £1,024,640.

25. CAPITAL COMMITMENTS

	2022	2021
	£	£
Expenditure contracted but not provided for in accounts	<u>290,026</u>	<u>-</u>
Funded by:		
Social Housing Grant	-	-
Other grants and contributions	-	-
Reserves	<u>290,026</u>	<u>-</u>
	<u>290,026</u>	<u>-</u>