

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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 2023**

MEMBERS OF THE MANAGEMENT COMMITTEE

Helen Graham	(Chairperson)
Mattie McGeouch	(Vice Chairperson)
Cathie Ritchie	(Secretary)
Eileen Wallace	(Treasurer)
Gillian Spence	(Committee Member until resignation on 21 November 2022)
Lambert Iku	(Committee Member until resignation on 30 January 2023)
Adebimpe Ademosu	(Committee Member until resignation on 14 June 2022)
Kevin Wallace	(Committee Member until resignation on 19 June 2023)
Nesbah Frempong	
Omojibola Opanike	(Committee Member until resignation on 25 July 2022)
Joseph Kane	(Appointed 13 September 2022)
Sarah Jane Wilson	(Appointed 13 September 2022)
Arthur McCreadie	(Appointed 13 September 2022, resignation 21 February 2023)
Rose Logan	(Appointed 24 April 2023)
Billy Fleeting	(Appointed 22 May 2023)
Debbie Kirkland	(Appointed 22 May 2023)
Tina Luke	(Appointed 19 June 2023)
Rachel Elizabeth Bowman	
Liz Smith	(Committee Member until resignation on 30 January 2023)

EXECUTIVE OFFICERS

Colin Turnbull	(Director)
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REGISTERED OFFICE

23A Finlas Street
Possilpark
Glasgow
G22 5DB

AUDITOR

French Duncan LLP trading as AAB
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 2023**

The Management Committee presents their report and the audited Financial Statements for the year ended 31 March 2023.

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 – 19

Covid had significantly less impact during the year. Staff were office working throughout the year with home working only in exceptional circumstances. This was generally because of factors [eg strikes at school] other than covid.

Governance - the Co-op has settled on a hybrid model for Committee meetings which make them as accessible as possible. Most committee members are attending meetings in the office.

Repairs – Covid had very little impact on our repairs service.

**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 two significant areas of concern –

- Void loss - Our performance in the year was mainly affected by problems with meter management and the poor performance of utilities Companies. Our average void period improved from 37 days to 36 days.
- Rent arrears - Our performance again improved from 7.35% to 6.85%. This requires further improvement but is partly due to the number of former tenant arrears which we have not written off as we are recovering payments from them

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

Our strong financial performance is shown by the following indicators at March 2023-

- Operating surplus - £278,234
- Financial covenant - Interest cover – 646%

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

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2023**

Assurance

In October 2022 we submitted our fourth assurance statement to the Scottish Housing Regulator. We identified no areas of material non-compliance. We identified one change in our level of compliance due to a drop in tenant satisfaction along with uncertainty about longer term investment in stock [till we fully analysed the results of our stock condition survey]. This meant that the only change from last year is that we have assessed that 'Housing Quality and maintenance' section be changed from fully compliant to compliant but with non-material areas for improvement.

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 and in April 2023.

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". These are:

- A. Ensuring our members have the best possible quality of life*
- B. Keeping the Co-operative safe and secure*
- C. Getting the most from our resources and delivering value for money*

Each of these aims had a number of strands for achieving these aims. By April 2023 we assessed that –

- 22 of the strands had been met in full or exceeded,
- We had made reasonable progress in 17 and expected to meet the target by the end of the Business Plan
- There were 11 where we made limited progress with little chance of meeting the target.

During the year we were very successful in obtaining grant funding. In particular –

- Nearly £84,000 to reduce fuel bills for tenants [with every tenant being given £200 towards their heating costs],
- Nearly £60,000 to fund a Community Development post and
- Being awarded funding of £116,489 to fund the Community Development post for the following three years

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. This has become less likely with the significant increase in construction costs.

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2023**

Principal Risks and Uncertainties Faced

The Co-operative has a comprehensive risk management policy. This approach has been fully 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 considered the top 20 strategic risks identified by the 100 largest housing associations in the UK in a survey carried out by Inside Housing. This was to check if they had identified risks that we had missed.

In the annual review carried out by the Management Committee in March 2023, the Co-op assessed our highest risks as –

- Increase in arrears,
- Unable to achieve healthy long-term governance, and
- Breaching tenant safety regulations,

This has changed from the previous year with governance replacing ‘Unable to meet financial commitments’ because of the loss of expertise and experience on our committee recently and the positive assessment of our long-term finances by our Advisors following the recent stock condition survey.

Going Concern

The management committee has reviewed the results for the year and the projections for the next five years including the current economic circumstances and the cost-of-living crisis. 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

The risk, which the Co-op has identified, from the small pool of prospective committee members has been brought into sharp focus over the last 18 months with the loss of experienced committee members following bereavement, members moving house and other personal reasons. The Co-op has responded by identifying new members and arranging a training programme, but we recognise we are in a transitional period till these new members build up their experience and knowledge.

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2023**

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
- 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 trading as AAB, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of Management Committee

Signature



Cathie Ritchie, Secretary

Date: 19th September 2023 .

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2023**

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;

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2023**

- 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 2023. 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: *19th September 2023*

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 2023

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 6 and 7 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 6 and 7 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: 20 September 2023

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWTHORN HOUSING CO-OPERATIVE
LIMITED FOR THE YEAR ENDED 31 MARCH 2023**

OPINION

We have audited the financial statements of Hawthorn Housing Co-operative Limited for the year ended 31 March 2023 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 2023 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

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LIMITED FOR THE YEAR ENDED 31 MARCH 2023**

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 2023

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 engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Co-operative through discussions with management and management committee members and from our sector knowledge;
- we focused on specific laws and regulations, including those specified by the Scottish Housing Regulator, which we considered may have a direct material effect on the financial statements or the operations of the Co-operative, including the Co-operative and Community Benefit Societies Act 2014, Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Statement of Recommended Practice for Social Housing Providers 2018 and Determination of Housing Requirements 2019, and data protection, anti-bribery, employment, and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and committee members; and

HAWTHORN HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWTHORN HOUSING CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2023

- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

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

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- reviewing internal audit reports prepared during the year;
- enquiring of management and Management Committee 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 2023**

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: 20 September 2023

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
REVENUE	2	1,893,086	1,714,265
Operating costs	2	<u>(1,614,852)</u>	<u>(1,514,947)</u>
OPERATING SURPLUS	2, 8	278,234	199,318
Loss on disposal	9	(50,858)	(70,891)
Interest receivable and other similar income		18,958	580
Interest payable and other similar charges	7	(114,732)	(90,254)
Other Finance Charges	11	<u>-</u>	<u>(5,000)</u>
		<u>(146,632)</u>	<u>(165,565)</u>
Surplus for the year		131,602	33,753
Taxation	10	(4,102)	(607)
SURPLUS FOR THE YEAR		127,500	33,146
OTHER COMPREHENSIVE INCOME			
Actuarial (loss)/gain in respect of pension scheme	24	(98,883)	174,116
TOTAL COMPREHENSIVE INCOME		<u>28,617</u>	<u>207,262</u>

The results for the year relate wholly to continuing activities.

The financial statements were approved by the Management Committee, authorised for issue and signed on its behalf on *19th September 2023*.



Helen Graham
Chairperson



Eileen Wallace
Treasurer



Cathie Ritchie
Secretary

The notes on page 18 to 41 form part of these financial statements.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Notes	2023 £	2022 £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	12(a)	13,826,340	13,319,934
Other tangible fixed assets	12(b)	404,510	415,658
		<u>14,230,850</u>	<u>13,735,592</u>
CURRENT ASSETS			
Debtors	14	102,938	77,393
Cash at bank and in hand		1,017,033	2,431,815
Investments		930,000	-
		<u>2,049,971</u>	<u>2,509,208</u>
CREDITORS: amounts falling due within one year	15	<u>(444,806)</u>	<u>(348,320)</u>
NET CURRENT ASSETS		<u>1,605,165</u>	<u>2,160,888</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,836,015	15,896,480
CREDITORS: amounts falling due after more than one year			
housing property loans	16	(2,751,003)	(2,843,353)
PROVISIONS FOR LIABILITIES			
Pension - defined benefit liability	24	(73,000)	(13,000)
DEFERRED INCOME			
Social Housing Grants	19	(3,540,630)	(3,597,364)
		<u>9,471,382</u>	<u>9,442,763</u>
EQUITY			
Share capital	20	376	374
Revenue reserve	20	9,471,006	9,442,389
		<u>9,471,382</u>	<u>9,442,763</u>

The financial statements were approved by the Management Committee, authorised for issue, and signed on its behalf on *19th September 2023*.



Helen Graham
Chairperson



Eileen Wallace
Treasurer



Cathie Ritchie
Secretary

The notes on page 18 to 41 form part of these financial statements.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	<u>693,117</u>	<u>601,217</u>
INVESTING ACTIVITIES			
Acquisition and construction of housing properties	12	(987,989)	(263,577)
Purchase of other fixed assets	12	(3,771)	(929)
Proceeds from disposals of housing properties		-	16,800
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<u>(991,760)</u>	<u>(247,706)</u>
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(298,643)	353,511
FINANCING ACTIVITIES			
Issue of ordinary share capital		18	30
Interest received		18,958	580
Interest paid		(114,732)	(90,254)
Loan principal repayments	18	<u>(90,383)</u>	<u>(99,896)</u>
NET CASH (OUTFLOW) FROM FINANCING		<u>(186,139)</u>	<u>(189,540)</u>
(DECREASE)/INCREASE IN CASH		(484,782)	163,971
OPENING CASH AND CASH EQUIVALENTS		2,431,815	2,267,844
CLOSING CASH AND CASH EQUIVALENTS		<u>1,947,033</u>	<u>2,431,815</u>

The notes on page 18 to 41 form part of these financial statements.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2023

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1 April 2022	374	9,442,389	9,442,763
Issue of Shares	18	-	18
Cancelled shares	(16)	-	(16)
Surplus for Year	-	127,500	127,500
Other comprehensive income	-	(98,883)	(98,883)
Balance as at 31 March 2023	<u>376</u>	<u>9,471,006</u>	<u>9,471,382</u>

	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)
Deficit 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>

The notes on page 18 to 41 form part of these financial statements.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
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 Management Committee decided to reclassify some items of expenditure from operating costs. There has been no impact on the results of the Co-operative in either this year or the prior year as a result of these reallocations.

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 Co-operative 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.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 24.

Housing Properties

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

Component	Useful Economic Life
Land	Not depreciated
Structure	100 years
Boilers	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.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

Sales of Housing Properties

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

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.

Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Investments

Monies held on deposit with a maturity date exceeding three months are classified as current asset investments.

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.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases

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

Works to Existing Properties

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

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 2023 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 2023
 NOTES TO THE FINANCIAL STATEMENTS

2. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS

	Note	2023		2022		Operating surplus/ (deficit) £
		Revenue £	Operating Costs £	Revenue £	Operating Costs £	
Social letting activities	3	1,731,172	(1,446,538)	1,674,800	(1,472,027)	202,773
Other activities	4	161,914	(168,314)	39,465	(42,920)	(3,455)
Total		<u>1,893,086</u>	<u>(1,614,852)</u>	<u>1,714,265</u>	<u>(1,514,947)</u>	<u>199,318</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Social Housing Accommodation £	Shared Ownership Housing £	2023 Total £	2022 Total £
Revenue from lettings					
Rent receivable net of identifiable service charges	1,661,090	-	-	1,661,090	1,607,163
Service charges receivable	-	-	-	-	-
Gross rents receivable	1,661,090	-	-	1,661,090	1,607,163
Less rent losses from voids	(12,727)	-	-	(12,727)	(13,458)
Net rents receivable	1,648,363	-	-	1,648,363	1,593,705
Amortisation of Social Housing & Other Grants	56,734	-	-	56,734	56,566
Revenue grants from local authorities and other agencies	26,075	-	-	26,075	24,529
Other Revenue grants	-	-	-	-	-
Total income from social letting	1,731,172	-	-	1,731,172	1,674,800
Expenditure on social letting activities					
Management and maintenance administration costs	617,566	-	-	617,566	612,996
Stage 3 costs	23,705	-	-	23,705	22,299
Planned and cyclical maintenance including major repairs	182,379	-	-	182,379	332,249
Reactive maintenance	182,220	-	-	182,220	128,608
Bad debts - rents and service charges	9,943	-	-	9,943	52,581
Depreciation of social housing	430,725	-	-	430,725	323,294
Operating costs of social letting	1,446,538	-	-	1,446,538	1,472,027
Operating surplus on social letting activities	284,634	-	-	284,634	202,773
2022	202,773	-	-	202,773	

HAWTHORN HOUSING CO-OPERATIVE LIMITED
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
 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) 2023	Operating surplus/ (deficit) 2022
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	-	-	-	(6,145)	(6,145)	(4,216)
Rechargeable Repairs	-	-	-	-	-	(255)	-	(255)	-
Other income/ (expenditure)	-	-	-	161,914	161,914	-	(161,914)	-	761
TOTAL FROM OTHER ACTIVITIES	-	-	-	161,914	161,914	(255)	(168,059)	(6,400)	(3,455)
TOTAL FROM OTHER ACTIVITIES FOR 2022	-	-	-	39,465	39,465	-	(42,920)	(3,455)	

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
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.

	2023	2022
	£	£
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	75,215	71,820
Emoluments payable to the director (excluding pension contributions)	75,215	71,820
Pension contributions paid on behalf of the director	6,841	6,520
Total emoluments paid to key management personnel	82,056	78,340

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, £1,284 (2022 - £95) was paid to committee members in respect of reimbursement of expenses.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE INFORMATION

	2023	2022
	£	£
Staff costs during the year:		
Wages and salaries	379,900	340,810
Social security costs	25,589	28,769
Other pension costs	31,619	28,740
	<u>437,108</u>	<u>398,319</u>
	Number	Number
The average number of full time equivalent persons employed during the year was	<u>11</u>	<u>10</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2023	2022
	£	£
Bank loans and overdrafts	<u>114,732</u>	<u>90,254</u>

8. OPERATING SURPLUS FOR THE YEAR

	2023	2022
	£	£
Surplus is stated after charging/(crediting):		
Depreciation	445,644	345,304
Auditors' remuneration	10,800	9,240
Operating lease rentals	536	1,006
Amortisation of capital grants	<u>(56,734)</u>	<u>(56,566)</u>

9. LOSS ON DISPOSAL

	2023	2022
	£	£
Components replaced - cost	295,031	128,467
Cumulative depreciation on replaced components	<u>244,173</u>	<u>57,576</u>
(Loss) on disposal of replaced components	<u>50,858</u>	<u>70,891</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2023	2022
	£	£
The tax charge/(credit) is made up as follows:		
Current Tax:		
Corporation Tax at 19% (2022 – 19%)	4,102	607

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:-

	2023	2022
	£	£
Surplus on ordinary activities before tax	<u>131,602</u>	<u>33,753</u>
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2022 - 19%)	25,004	6,413
Non taxable surplus	<u>(20,902)</u>	<u>(5,806)</u>
	<u>4,102</u>	<u>607</u>

11. OTHER FINANCE CHARGES

	2023	2022
	£	£
Net interest expense on defined benefit pension scheme	<u>-</u>	<u>5,000</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

12. NON-CURRENT ASSETS

a) Housing Properties

	Housing Properties Held for Letting	Housing Properties Under Construction	Total
	£	£	£
COST			
At start of year	15,979,030	-	15,979,030
Additions	987,989	-	987,989
Disposals	(295,031)	-	(295,031)
Transferred on completion	-	-	-
At end of year	<u>16,671,988</u>	<u>-</u>	<u>16,671,988</u>
DEPRECIATION			
At start of year	2,659,096	-	2,659,096
Charged during year	430,725	-	430,725
Eliminated on disposal	(244,173)	-	(244,173)
At end of year	<u>2,845,648</u>	<u>-</u>	<u>2,845,648</u>
NET BOOK VALUE			
At end of year	<u>13,826,340</u>	<u>-</u>	<u>13,826,340</u>
At start of year	<u>13,319,934</u>	<u>-</u>	<u>13,319,934</u>

1. There were no impairment charges in the year.
2. New components capitalised during the year amounted to £987,989 (2022 - £263,577).
3. The Co-operative's lenders have standard securities over housing property with a carrying value of £4,216,274 (2022 - £ 4,061,848).

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

12. 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	23,486	29,464	7,674	16,311	658,405
Additions	-	-	1,094	2,677	-	-	3,771
Disposals	-	-	-	-	-	-	-
At end of year	<u>556,393</u>	<u>25,077</u>	<u>24,580</u>	<u>32,141</u>	<u>7,674</u>	<u>16,311</u>	<u>662,176</u>
DEPRECIATION							
At start of year	144,663	25,077	23,104	28,716	7,674	13,513	242,747
Charged during year	11,128	-	743	1,417	-	1,631	14,919
Disposals	-	-	-	-	-	-	-
At end of year	<u>155,791</u>	<u>25,077</u>	<u>23,847</u>	<u>30,133</u>	<u>7,674</u>	<u>15,144</u>	<u>257,666</u>
NET BOOK VALUE							
At end of year	<u>400,602</u>	<u>-</u>	<u>733</u>	<u>2,008</u>	<u>-</u>	<u>1,167</u>	<u>404,510</u>
At start of year	<u>411,730</u>	<u>-</u>	<u>382</u>	<u>748</u>	<u>-</u>	<u>2,798</u>	<u>415,658</u>

13. COMMITMENTS UNDER OPERATING LEASES

	2023 £	2022 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	536	1,006
Later than one year and not later than five years	-	503
	<u>536</u>	<u>1,509</u>

14. DEBTORS

	2023 £	2022 £
Arrears of Rent & Service Charges	131,760	131,160
Less: Provision for Doubtful Debts	<u>(66,410)</u>	<u>(69,351)</u>
	65,350	61,809
Other Debtors	19,921	8,839
Prepayments and accrued income	<u>17,667</u>	<u>6,745</u>
	<u>102,938</u>	<u>77,393</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

15. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	£
Housing Loans	104,432	102,466
Trade Payables	18,517	9,264
Rent in Advance	70,978	65,789
Other Taxation and Social Security	4,102	8,503
Accruals and Deferred Income	<u>246,777</u>	<u>162,298</u>
	<u>444,806</u>	<u>348,320</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2023	2022
	£	£
Housing loans	2,671,003	2,763,353
McTaggarts	<u>80,000</u>	<u>80,000</u>
	<u>2,751,003</u>	<u>2,843,353</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:

	2023	2022
	£	£
Between one and two years	107,447	106,901
Between two and five years	339,567	338,218
In five years or more	<u>2,223,989</u>	<u>2,318,234</u>
	<u>2,671,003</u>	<u>2,763,353</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

17. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of operating surplus to cash flow from operating activities

	2023	2022
	£	£
Operating Surplus	278,234	199,318
Depreciation	445,644	345,304
Amortisation of Capital Grants	(56,734)	(56,566)
Change in debtors	(25,545)	48,711
Change in creditors	91,025	130,691
Deficit contributions	(40,884)	(67,422)
Cancelled Shares	(16)	(24)
Pension scheme service costs	2,000	2,000
Tax paid	(607)	(795)
Cash flow from operating activities	<u>693,117</u>	<u>601,217</u>

18. ANALYSIS OF CHANGES IN NET DEBT

Reconciliation of net debt as at 31 March 2023

	1 April 2022	Cash flows	Other changes	31 March 2023
	£	£	£	£
Cash at bank	2,431,815	(484,782)	-	1,947,033
Due within one year	(102,466)	(1,966)	-	(104,432)
Due after one year	(2,763,353)	92,350	-	(2,671,003)
Net debt	<u>(434,004)</u>	<u>(394,398)</u>	-	<u>(828,402)</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

19. DEFERRED INCOME

	2023	2022
	£	£
Social Housing Grants		
Balance as at 1 April 2022	3,597,364	3,653,930
Additions in year	-	-
Transferred in year - recycled	-	-
Released / Repaid as the result of property disposal	-	-
Amortisation in Year	(56,734)	(56,566)
Balance as at 31 March 2023	<u>3,540,630</u>	<u>3,597,364</u>
Total deferred grants	<u><u>3,540,630</u></u>	<u><u>3,597,364</u></u>

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

Amounts due within one year	56,734	56,566
Amounts due in one year or more	<u>3,483,896</u>	<u>3,540,798</u>
	<u><u>3,540,630</u></u>	<u><u>3,597,364</u></u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

20. RESERVES

Share Capital	2023	2022
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 April 2022	374	368
Issued in year	18	30
Cancelled in year	(16)	(24)
At 31 March 2023	<u>376</u>	<u>374</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	2023	2022
	£	£
At 1 April 2022	9,442,389	9,235,127
Surplus	127,500	33,146
SHAPS pension adjustment	(98,883)	174,116
At 31 March 2023	<u>9,471,006</u>	<u>9,442,389</u>

21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2023	2022
	No.	No.
General Needs - New Build	173	173
- Rehabilitation	<u>191</u>	<u>191</u>
	<u>364</u>	<u>364</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS

22. 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:

- 12 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 – £81,177.
- 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 and close family members were – £1,526.
- At the year-end total rent arrears owed by Owner Occupiers of the Committee were - £NIL.

23. DETAILS OF CO-OPERATIVE

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

The Co-operative's principal place of business is 23A Finlas St, Cowlares Industrial Estate, Glasgow G22 5DB.

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

HAWTHORN HOUSING CO-OPERATIVE LIMITED
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24. 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 2021. This valuation revealed a deficit of £27m. A Recovery Plan was put in place to eliminate the deficit which ran to 30 September 2022.

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 is carried out with an effective date of 30 September each year. The liability figures from this valuation are 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 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 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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24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Pension Scheme Liability movements:

	<u>2023</u>	<u>2022</u>
	(£000s)	(£000s)
As at 1 April 2022	13	247
Current Service	-	-
Net Interest expense	-	5
Expenses	2	2
Deficit Contributions Paid	(41)	(67)
Impact of change in assumptions	99	(174)
As at 31 March 2023	<u>73</u>	<u>13</u>

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

	31 March 2023	31 March 2022
	(£000s)	(£000s)
Fair value of plan assets	1,485	2,265
Present value of defined benefit obligation	1,558	2,278
Surplus (deficit) in plan	(73)	(13)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(73)	(13)
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 2023	March 2022
	(£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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24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2023 (£000s)	Period ended 31 March 2022 (£000s)
Defined benefit obligation at start of period	2,278	2,437
Current service cost	-	-
Expenses	2	2
Interest expense	63	53
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	(39)	20
Actuarial losses (gains) due to changes in demographic assumptions	(38)	8
Actuarial losses (gains) due to changes in financial assumptions	(656)	(192)
Benefits paid and expenses	(52)	(50)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	1,558	2,278

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

	Period ended 31 March 2023 (£000s)	Period ended 31 March 2022 (£000s)
Fair value of plan assets at start of period	2,265	2,190
Interest income	63	48
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(832)	10
Contributions by the employer	41	67
Contributions by plan participants	-	-
Benefits paid and expenses	(52)	(50)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	1,485	2,265

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was(£769,000).

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24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)		
	Period from 31 March 2022 to 31 March 2023 (£000s)	Period from 31 March 2021 to 31 March 2022 (£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)	2	7

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME		
	Period ended 31 March 2023 (£000s)	Period ended 31 March 2022 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(832)	10
Experience gains and losses arising on the plan liabilities - gain (loss)	39	(20)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	38	(8)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	656	192
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(99)	174
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)	(99)	174

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24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

ASSETS

	31 March 2023	31 March 2022
	(£000s)	(£000s)
Global Equity	39	448
Absolute Return	20	104
Distressed Opportunities	46	81
Credit Relative Value	57	73
Alternative Risk Premia	9	94
Emerging Markets Debt	11	84
Risk Sharing	108	74
Insurance-Linked Securities	41	47
Property	62	59
Infrastructure	160	141
Private Debt	66	57
Opportunistic Liquid Credit	66	75
High Yield	8	22
Opportunistic Credit	-	8
Cash	6	6
Corporate Bond Fund	2	143
Liquid Credit	-	15
Long Lease Property	50	65
Secured Income	99	121
Over 15 Year Gilts	-	1
Liability Driven Investment	629	548
Currency Hedging	3	(8)
Net Current Assets	3	7
Total assets	1,485	2,265

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

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24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

KEY ASSUMPTIONS

	31 March 2023	31 March 2022
	% per annum	% per annum
Discount Rate	4.86%	2.79%
Inflation (RPI)	3.19%	3.54%
Inflation (CPI)	2.77%	3.17%
Salary Growth	3.77%	4.17%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2023	20.5
Female retiring in 2023	23.0
Male retiring in 2043	21.7
Female retiring in 2043	24.4

25. CONTINGENT LIABILITY

At 30 September 2022 the estimated debt on withdrawal from the Scottish Housing Associations' Pension Scheme was £628,559.

We have been notified by the Trustee of the pension Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes.

The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and that matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact on the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time.

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26. CAPITAL COMMITMENTS

	2023	2022
	£	£
Expenditure contracted but not provided for in accounts	<u>-</u>	<u>290,026</u>
Funded by:		
Social Housing Grant	-	-
Other grants and contributions	-	-
Reserves	<u>-</u>	<u>290,026</u>
	<u>-</u>	<u>290,026</u>

