



HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2010

HAWTHORN HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010

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HAWTHORN HOUSING CO-OPERATIVE LIMITED

ADVISERS AND REGISTERED OFFICE

FOR THE YEAR ENDED 31ST MARCH, 2010

Auditors

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

Bankers

The Royal Bank of Scotland
249 Saracen Street
Glasgow
G22 5JW

Legal advisers

T C Young & Co.
30 George Square
Glasgow
G2 1LH

Registered Office

23A Finlas Street
Possilpark
Glasgow
G22 5DB

Registration particulars

Registered Housing Association number: C3735

Financial Services Authority number: Industrial and Provident Societies Act 1965
Registration Number 2195 R (S)

HAWTHORN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH, 2010

The Committee of Management present their report and the audited financial statements for the year ended 31st March, 2010.

Principal activities

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

Review of business

The results for the year are as shown in the attached Income and Expenditure Account. The deficit for the year was £14,940 (2009 - £19,294 surplus) and the sum of £55,000 was transferred to reserves (2009 - £90,000).

Changes in fixed assets

Details of changes in fixed assets are set out in Notes 11-12.

The Committee of Management and executive officer

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

Executive officer

. I. Campbell

Committee of Management

. D. Bowie	. H. Graham	(Chair)
. C. Spence	. C. O'Donnell	(Vice Chair)
. E. Todd (Secretary)	. G. Spence	(Treasurer)
. W. Donald	. F. Galloway	
. C. Ritchie	. M. McGeouch	
. M. Devine	. S. Innes	(Elected 15.09.09)
. M. Gowans	. G. Gray	(Elected 15.09.09)
. E. Anderson		

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

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

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HAWTHORN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

Statement of Committee's responsibilities

Housing Association legislation requires the Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Co-operative and of the income and expenditure of the Co-operative for the year ended on that date. In preparing these financial statements, the Committee is required to:-

- . Select suitable accounting policies and then apply them consistently;
- . Make judgements 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 a going concern basis unless it is inappropriate to presume that the Co-operative will continue in business;
- . Prepare a statement on internal financial control.

The Committee is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Co-operative and to enable it to ensure that the financial statements comply with the requirements of the Industrial and Provident Societies Acts 1965-2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007. It is also responsible for safeguarding the assets of the Co-operative and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate governance

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

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

Statement as to disclosure of information to auditors

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

Auditors

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

By order of the Committee

Secretary

E Todd

Dated:

15/09/2010

HAWTHORN HOUSING CO-OPERATIVE LIMITED
COMMITTEE STATEMENT ON THE CO-OPERATIVE'S
SYSTEM OF INTERNAL FINANCIAL CONTROL
FOR THE YEAR ENDED 31ST MARCH, 2010

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

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

It is the Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

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

The Committee have reviewed the effectiveness of the system of internal financial control in existence in the Co-operative for the year ended 31st March 2010 and until the below date. No weaknesses were found in internal financial controls, which resulted in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the Auditor's Report on the financial statements.

By order of the Committee

Secretary

E. Tadh

Dated :

15-09-2010

HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT OF THE AUDITORS ON THE COMMITTEE
STATEMENT ON THE CO-OPERATIVE'S SYSTEM OF INTERNAL FINANCIAL CONTROL
FOR THE YEAR ENDED 31ST MARCH, 2010

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee's statement concerning the Co-operative's compliance with the information required by the section on internal financial control within SFHA's publication "Raising Standards in Housing".

Basis of opinion

We carried out our review having regard to the bulletin "Disclosures Relating to Corporate Governance" issued by the Auditing Practices Board. The bulletin does not require us to review the effectiveness of the Co-operative's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the statement on internal financial control has provided the disclosures required by the section on internal financial control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through enquiry of certain Committee members, directors and officers of the Co-operative, and examination of relevant documents, we have satisfied ourselves that the Committee's Statement on Internal Financial Control appropriately reflects the Co-operative's compliance with the information required by the section on internal financial control within SFHA's publication "Raising Standards in Housing".



Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow.
G1 2RQ.

Date: 15th September 2010

REPORT OF THE INDEPENDENT AUDITORS TO

THE MEMBERS OF HAWTHORN HOUSING CO-OPERATIVE LIMITED

We have audited the financial statements of Hawthorn Housing Co-operative Limited for the year ended 31st March 2010 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of some fixed assets and the accounting policies set out therein.

This report is made solely to the Co-operative's members, as a body, in accordance with Industrial and Provident Societies Act 1965. Our audit work has been undertaken so that we might state to the Co-operative's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Co-operative and the Co-operative's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Committee and Auditors

The Committee's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Committee's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the relevant legislation. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained if the Co-operative has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the information contained in the Report of the Committee and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

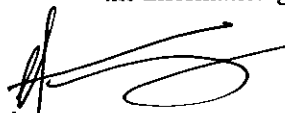
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Co-operative's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Co-operative's affairs as at 31st March 2010 and of its deficit for the year then ended;
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007;
- and
- the information given in the Report of the Committee is consistent with the financial statements.


Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow, G1 2RQ.

Dated: 15th September 2010

HAWTHORN HOUSING CO-OPERATIVE LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2010

	Notes	2010 £	2009 £
Turnover	2	907,307	878,027
Operating costs	2	861,842	824,253
Operating surplus	5	<u>45,465</u>	<u>53,774</u>
Interest receivable and other income	8	1,459	15,422
Interest payable and similar charges	9	(56,477)	(44,376)
Surplus/(deficit) on ordinary activities before taxation		<u>(9,553)</u>	<u>24,820</u>
Tax on surplus on ordinary activities	10	5,387	5,526
Surplus/(deficit) on ordinary activities after taxation		<u>(14,940)</u>	<u>19,294</u>

The results for the year relate wholly to continuing activities.

The Co-operative has no recognised gains and losses other than those included in the surplus/(deficit) above.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31ST MARCH 2010

	2010 £	2009 £
Reported surplus/(deficit) on ordinary activities before taxation	(9,553)	24,820
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	75,811	77,744
Historical cost surplus on ordinary activities before taxation	<u>66,258</u>	<u>102,564</u>
Historical cost surplus/(deficit) on ordinary activities after taxation	<u>60,871</u>	<u>97,038</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

BALANCE SHEET

AS AT 31ST MARCH, 2010


	Notes	2010 £	2009 £
Tangible fixed assets			
Housing properties	11	4,955,546	5,056,267
Other	12	<u>585,243</u>	<u>8,795</u>
		<u>5,540,789</u>	<u>5,065,062</u>
Current assets			
Debtors	13	100,852	293,866
Cash at bank and in hand		<u>1,481,705</u>	<u>1,486,445</u>
		<u>1,582,557</u>	<u>1,780,311</u>
Creditors : amounts falling due within one year	14	260,831	298,729
Net current assets		<u>1,321,726</u>	<u>1,481,582</u>
Total assets less current liabilities		6,862,515	6,546,644
Creditors : amounts falling due after more than one year	15	(1,770,967)	(1,440,159)
Net Assets		<u>5,091,548</u>	<u>5,106,485</u>
Capital and reserves			
Share capital	16	330	327
Designated reserves	17	1,133,724	1,078,724
Revaluation reserve	18	3,136,573	3,212,384
Accumulated surplus	23	<u>820,921</u>	<u>815,050</u>
		<u>5,091,548</u>	<u>5,106,485</u>

These financial statements were approved by the Committee on

and signed on their behalf by:



Chairman



Committee Member



Secretary

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010

1. Principal accounting policies

The Co-operative is incorporated under the Industrial and Provident Societies Act 1965 and is registered by the Financial Services Authority.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of some fixed assets in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by registered social landlords (2008) and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Turnover

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

Housing properties

Completed housing properties are professionally valued on an existing use basis. Surpluses and deficits are reflected in the revaluation reserve. Permanent diminutions in the value of housing property are eliminated first against any revaluation reserve in respect of that property with any excess being charged to the Income and Expenditure account. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties over their estimated useful life of fifty years.

Although under the provisions of FRS15, an interim valuation of the housing properties should have been carried out in the current year, in the opinion of the Committee, such a valuation would not provide a true and fair view. The Co-operative is presently undertaking a comprehensive rent review in order to maintain the future financial stability. The criteria upon which the valuation would be based will therefore be amended and the valuation would be misleading.

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

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

Other fixed assets

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

Office property	- 2% per annum
Leasehold improvements	- over lease term
Furniture and fittings	- 15% per annum
Office equipment	- 10% per annum
Computer equipment	- 33% per annum

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HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010

1. Principal accounting policies/Cont...

Social Housing Grant and other grants

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments have been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the balance sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

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

Capitalisation of interest

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

Development administration costs

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

Cyclical and major repairs

The costs of cyclical and major repairs are charged to the income and expenditure account in the year in which they are incurred.

Designated reserves

The Co-operative has designated part of its long term obligations in the form of a life cycle reserve. This has been established to make provision for the Co-operative to maintain its property in accordance with a planned programme of work in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

Pension costs

The Co-operative participates in the centralised SFHA defined benefit pension scheme and retirement benefits to employees of the Co-operative are funded by contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The expected costs to the Co-operative of pension are charged to the income and expenditure accounts so as to spread the cost of pensions over the service lives of employees.

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010

2. Particulars of turnover, operating costs and operating surpluses

	2010		
	Turnover £	Operating costs £	Operating surplus/(deficit) £
Social lettings	762,708	721,009	41,699
Other activities	144,599	140,833	3,766
Total	907,307	861,842	45,465

	2009		
	Turnover £	Operating costs £	Operating surplus/(deficit) £
Social lettings	732,399	689,021	43,378
Other activities	145,628	135,232	10,396
Total	878,027	824,253	53,774

3. Particulars of income and expenditure from lettings

	General needs housing £	Shared ownership £	2010 Total £	2009 Total £
Income from lettings				
Rent receivable net of identifiable service charges	769,329	-	769,329	737,655
Less: voids	(6,621)	-	(6,621)	(5,256)
Total turnover from social letting activities	762,708		762,708	732,399
Expenditure on lettings				
Management and maintenance administration costs	311,786	-	311,786	274,594
Reactive maintenance	112,143	-	112,143	101,809
Planned and cyclical maintenance	185,760	-	185,760	193,859
Bad debts - rents and service charges	(7,835)	-	(7,835)	(396)
Depreciation of social housing	119,155	-	119,155	119,155
Operating costs for social letting activities	721,009		721,009	689,021
Operating surplus/(deficit) for social lettings for 2010	41,699		41,699	43,378
Operating surplus/(deficit) for social lettings for 2009	43,270	108	43,378	

No service charges were receivable on housing accommodation not eligible for housing benefit (2009 - £Nil).

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

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

	Scottish Ministers' Grants £	Other income £	Total turnover £	Operating costs £	2010 Total £	2009 Total £
Wider role	8,196	-	8,196	26,428	(18,232)	(2,014)
LHO income	-	135,576	135,576	113,605	21,971	12,384
Other income	-	827	827	800	27	26
Total for other activities for 2010	<u>8,196</u>	<u>136,403</u>	<u>144,599</u>	<u>140,833</u>	<u>3,766</u>	<u>10,396</u>
Total for other activities for 2009	<u>15,159</u>	<u>130,469</u>	<u>145,628</u>	<u>135,232</u>	<u>10,396</u>	
					2010 £	2009 £

5. Operating surplus

Operating surplus is stated after charging:-

Depreciation	137,127	121,378
Auditor's remuneration (including VAT)	<u>4,619</u>	<u>4,512</u>

6. Directors emoluments

The remuneration paid to the directors (defined as the Committee of Management and Chief Executive of Hawthorn Housing Co-operative Limited) was:-

	2010 £	2009 £
Total emoluments (including pension contributions and benefits in kind)	<u>61,226</u>	<u>58,880</u>
Total emoluments (excluding pension contributions) to the highest paid director amounted to	<u>53,079</u>	<u>51,042</u>
Total emoluments (excluding pension contributions) to the Chairman amounted to	<u>-</u>	<u>-</u>
None of the other Committee Members received any remuneration during the year.		
Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom income tax.	<u>1,325</u>	<u>1,975</u>

Contributions totalling £8,147 (2009 - £7,838) were made to the personal pension scheme of the director. Her pension arrangements were on the same basis as other members of staff with no enhanced or special terms.

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

7. Employee information

The monthly average number of full time equivalent employees during the year was:-

Administrative	<u>8</u>	<u>8</u>
	£	£
Staff costs (including executive emoluments)		
Wages and salaries	237,553	237,139
Social security costs	19,881	18,829
Pension contributions	<u>28,226</u>	<u>29,367</u>
	<u>285,660</u>	<u>285,335</u>

8. Interest receivable and similar income

Interest receivable	<u>1,459</u>	<u>15,422</u>
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9. Interest payable

On bank loans payable by instalments	53,161	36,784
On other loans	<u>3,316</u>	<u>7,592</u>
	<u>56,477</u>	<u>44,376</u>

10. Taxation

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

	2010	2009
	£	£
Tax charge for year at 21% (2009 - 21%)	<u>5,387</u>	<u>5,526</u>

Factors affecting the tax charge

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

	2010	2009
Surplus/(deficit) on ordinary activities before tax	<u>(9,553)</u>	<u>24,820</u>
Surplus/(deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2009 - 21%)	(2,006)	5,212
Non taxable income	6,921	-
Other adjustment	<u>472</u>	<u>314</u>
	<u>5,387</u>	<u>5,526</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

11. Tangible fixed assets - housing properties

	Housing properties held for letting
	£
Cost (net of grants) or valuation	
At 01.04.09	5,294,577
Additions	18,434
At 31.03.10	<u>5,313,011</u>
Depreciation	
At 01.04.09	238,310
Charge for Year	119,155
At 31.03.10	<u>357,465</u>
NBV at 31.03.10	<u>4,955,546</u>
NBV at 31.03.09	<u>5,056,267</u>

All housing property is freehold.

Development administration costs totalling £6,268 were capitalised during the year for which allowances of £7,344 were received.

Completed housing properties were revalued on the basis of existing use value for social housing at 23rd July 2007 by Messrs. Barr Brady, Chartered Surveyors. This value has been incorporated in the financial statements. The valuation report has been made in accordance with the RICS Appraisal and Valuation Manual.

If housing property had not been revalued it would have been shown as the following :-

	2010 £	2009 £
Cost of properties	19,459,219	19,278,574
Less : Social Housing and other grants	<u>17,296,362</u>	<u>17,134,152</u>
	2,162,857	2,144,422
Less : depreciation	370,843	327,198
	<u>1,792,014</u>	<u>1,817,224</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

12. Tangible fixed assets - other fixed assets

	Office property £	Tenants improvements £	Office equipment £	Furniture & fittings £	Computer equipment £	Total £
Cost						
At 01.04.09	6,899	39,298	3,421	2,006	5,047	56,671
Additions	570,159	-	5,154	23,619	2,600	601,532
Disposals	(6,899)	-	(3,421)	(2,006)	-	(12,326)
At 31.03.10	<u>570,159</u>	<u>39,298</u>	<u>5,154</u>	<u>23,619</u>	<u>7,647</u>	<u>645,877</u>
Depreciation						
At 01.04.09	2,346	39,297	1,710	1,158	3,365	47,876
Charge for year	11,365	-	515	3,543	2,549	17,972
Disposals	(2,346)	-	(1,710)	(1,158)	-	(5,214)
At 31.03.10	<u>11,365</u>	<u>39,297</u>	<u>515</u>	<u>3,543</u>	<u>5,914</u>	<u>60,634</u>
NBV at 31.03.10	<u>558,794</u>	<u>1</u>	<u>4,639</u>	<u>20,076</u>	<u>1,733</u>	<u>585,243</u>
NBV at 31.03.09	<u>4,553</u>	<u>1</u>	<u>1,711</u>	<u>848</u>	<u>1,682</u>	<u>8,795</u>
					2010	2009
					£	£

13. Debtors

Rental debtors	49,854	58,674
Grants receivable	38,486	6,159
Prepayments and accrued income	12,512	229,033
	<u>100,852</u>	<u>293,866</u>

Rental arrears are stated net of a provision for bad debts totalling £13,429 (2009 - £30,161).

14. Creditors due within one year

Bank overdraft	-	61,282
Rent in advance	22,626	37,821
Current instalments of housing loans	63,857	51,911
Accruals and deferred income	158,338	132,546
Social security & other taxes	10,623	9,643
Taxation	5,387	5,526
	<u>260,831</u>	<u>298,729</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

15. Creditors due outwith one year	2010 £	2009 £
Housing Loans	<u>1,770,967</u>	<u>1,440,159</u>

Loans are secured by specific charges on the co-operative properties and are repayable over a period of seventeen to thirty years at varying rates of interest from 1.86% to 3.74% in instalments due as follows:-

	£	£
Due within one year	<u>63,857</u>	<u>51,911</u>
Between one and two years	66,098	53,919
Between two and five years	212,549	174,398
In five or more years	<u>1,492,320</u>	<u>1,211,842</u>
	<u>1,770,967</u>	<u>1,440,159</u>

16. Share capital
Shares of £1 each issued and fully paid

Allotted, issued and fully paid	327	332
At 01.04.09	30	21
Issued during year	(27)	(26)
Forfeited during year		
Balance at 31.03.10	<u>330</u>	<u>327</u>

Each shareholder of the Co-operative holds only one share and is entitled to vote at general meetings of the Co-operative. Shares carry no right to dividend or distribution on a winding up. When a shareholder ceases to be a member that person's share is cancelled and the amount paid thereon becomes the property of the Co-operative. Each member has a right to vote at member meetings.

17. Designated reserves		Life Cycle Reserve £
As at 01.04.09		1,078,724
Transfer from/(to) Income and Expenditure Account		<u>55,000</u>
As at 31.03.10		<u>1,113,724</u>

18. Revaluation reserve	2010 £	2009 £
Balance brought forward	3,212,384	3,290,128
Adjustment for depreciation on revalued amount	(75,811)	(77,744)
	<u>3,136,573</u>	<u>3,212,384</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

19. Capital commitments

	2010 £	2009 £
Expenditure authorised and contracted	<u>Nil</u>	<u>328,700</u>

20. Contingent liabilities

The Co-operative has no known contingent liabilities at 31st March 2010 (2009 - £Nil).

21. Pensions

The Co-operative participates in the SFHA Pension Scheme. The SFHA Pension Scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. SFHA is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to determine the level of future contributions required so that the scheme can meet its pension obligations as they fall due.

The last formal valuation of the scheme was performed as at 30th September 2006 by a professionally qualified actuary using the "projected unit credit" method. The market value of the scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million (equivalent to a past service funding level of 83.4%).

The Scheme Actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30th September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. The current triennial formal valuation of the scheme as at 30th September 2009 is being undertaken by a qualified actuary. The results of the valuation will be available in Autumn 2010.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the scheme's liability attributable to employment with the leaving employer compared to the total amount of the scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performances, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Co-operative has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA scheme based on the financial position of the scheme as at 30th September 2009. As of that date the estimated employer debt for the Co-operative was £1,168,093.

The total pension cost for the Co-operative was £28,226 (2009 - £29,368) of which £3,509 (2009 - £3,361) was unpaid and is included in creditors.

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

22. Legislative provisions

The Co-operative is incorporated under the Industrial and Provident Societies Act 1965

23. Reconciliation of movement in accumulated surplus

	2010	2009
	£	£
Revenue Reserve b/fwd	815,050	808,012
Transfer from revaluation reserve	75,811	77,744
Surplus/(Deficit) for the year	(14,940)	19,294
Transfer (to)/from Designated Reserves	(55,000)	(90,000)
	<u>820,921</u>	<u>815,050</u>

24. Related party transactions

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

The Co-operative also has a subsidiary, Lambhill Housing Association Limited, which was formed to deal with the LHO activity. Under the terms of the agency agreement this Association does not trade independently and all income and expenditure is reflected in the records of the Co-operative.

The executive officer, Irene Campbell, is on the Board of Young Possil Futures, a local charity. During the year, the Co-operative made a donation of £250 to that organisation to assist with their Fun day.

25. Housing stock

	2010	2009
	£	£
General needs - new build	125	125
- rehabilitation	191	190
	<u>316</u>	<u>315</u>