

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2016

HAWTHORN HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

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HAWTHORN HOUSING CO-OPERATIVE LIMITED

ADVISERS AND REGISTERED OFFICE

FOR THE YEAR ENDED 31ST MARCH 2016

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
Solicitors
7 West George Street
Glasgow
G2 1BA

Registered Office

23A Finlas Street
Possilpark
Glasgow
G22 5DB

Registration information

The Scottish Housing Regulator
Registered number:

Housing (Scotland) Act 2014
C3735

Financial Conduct Authority:

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

HAWTHORN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH, 2016

The Committee of Management present their report and the audited financial statements for the year ended 31st March 2016.

Principal activities

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

Review of business

The results for the year are as shown in the attached Statement of Comprehensive Income. The surplus for the year was £142,731 (2015 - restated deficit £11,967).

Changes in fixed assets

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

The Committee of Management and executive officers

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

Executive officers

. I. Campbell (Resigned 21.07.15)
. C. Turnbull (Appointed 10.08.15)

Committee of Management

. H. Graham	(Chair)	. E. Anderson	
. M. McGeouch	(Vice Chair)	. G. Mooney	(Resigned 21.12.15)
. C. Ritchie	(Secretary)	. R. Bowman	
. C. Bowie	(Treasurer)	. A. Lawrance	(Co-opted)
. C. O'Donnell		. B. O'Donnell	(Deceased 19.07.16)
. G. Spence		. S. Martin	(Co-opted 15.02.16)
. W. Donald		. L. Iku	
. M. Gowans	(Resigned 08.06.15)		

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 2016/Cont...

Statement of Committee's responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Co-operative and of the income and expenditure of the Co-operative for the year ended on that date. In preparing these financial statements, the Committee is required to:-

- . Select suitable accounting policies and then apply them consistently;
- . Make judgements that are reasonable and prudent;
- . State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- . Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Co-operative will continue in business;
- . Prepare a statement on internal financial control.

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

Corporate governance

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

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

Statement as to disclosure of information to auditors

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

Auditors

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

By order of the Committee

Secretary

Catherine Ritchie

Dated : 14/09/2016

HAWTHORN HOUSING CO-OPERATIVE LIMITED
COMMITTEE STATEMENT ON THE CO-OPERATIVE'S
SYSTEM OF INTERNAL FINANCIAL CONTROL
FOR THE YEAR ENDED 31ST MARCH 2016

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

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

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

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

The Committee have reviewed the effectiveness of the system of internal financial control in existence in the Co-operative for the year ended 31st March 2016 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

Catherine Ritchie

Dated : 14 | 09 | 2016

HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT BY THE AUDITORS TO THE COMMITTEE
ON CORPORATE GOVERNANCE MATTERS
FOR THE YEAR ENDED 31ST MARCH 2016

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee's statement on page three concerning the Co-operative's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Co-operative's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page four has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

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



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

Date : 26th September 2016

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 2016 which comprise a Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

This report is made solely to the Co-operative's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Co-operative's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Co-operative and the Co-operative's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Committee and Auditors

As explained more fully in the Statement of Committee's Responsibilities set out on page three, the Committee are responsible for the preparation of the financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices' Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Co-operative's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Committee to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Co-operative's affairs as at 31st March 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Schedule 1, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2014.

Matters on which we are required to report

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the information given in the Report of the Management Committee is inconsistent in any material respect with the financial statements; or
- the Co-operative has not been kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.



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

Dated : 20th September 2016

HAWTHORN HOUSING CO-OPERATIVE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2016

	Notes	2016 £	Restated 2015 £
Turnover	2	1,332,025	1,045,589
Operating costs	2	1,164,533	1,020,722
Operating surplus	2	<u>167,492</u>	<u>24,867</u>
Interest receivable and other income	8	12,000	6,563
Interest payable and similar charges	9	(18,853)	(18,772)
Other finance charges	10	(15,000)	(23,000)
Surplus/(Deficit) before tax		<u>145,639</u>	<u>(10,342)</u>
Taxation	11	2,908	1,625
Surplus/(Deficit) for the year		<u>142,731</u>	<u>(11,967)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>142,731</u>	<u>(11,967)</u>

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

HAWTHORN HOUSING CO-OPERATIVE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH 2016

	Notes	2016 £	Restated 2015 £
Fixed assets			
Tangible assets - social housing	12a	8,561,801	8,654,227
Other tangible assets - plant and equipment	12b	485,883	501,091
		<u>9,047,684</u>	<u>9,155,318</u>
Current assets			
Debtors	13	77,198	50,028
Cash at bank and in hand		1,807,431	1,480,642
		<u>1,884,629</u>	<u>1,530,670</u>
Creditors : amounts falling due within one year	14	304,914	266,192
Net current assets		<u>1,579,715</u>	<u>1,264,478</u>
Total assets less current liabilities		10,627,399	10,419,796
Creditors : amounts falling due after more than one year	15	(1,894,027)	(2,016,987)
Deferred income			
Deferred capital grants	16	(215,938)	(28,106)
Net Assets		<u>8,517,434</u>	<u>8,374,703</u>
Equity			
Share capital	17	327	327
Accumulated surplus		8,517,107	8,374,376
		<u>8,517,434</u>	<u>8,374,703</u>

These financial statements were approved by the Committee on 14/09/2016 and signed on their behalf by:

Chairman 

Committee Member 

Secretary 

The notes form part of these financial statements.

HAWTHORN HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2016

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1st April 2014	327	8,386,343	8,386,670
Issue of shares	15	-	15
Cancellation of shares	(15)	-	(15)
Total comprehensive income	-	(11,967)	(11,967)
Balance as at 31st March 2015	<u>327</u>	<u>8,374,376</u>	<u>8,374,703</u>
Issue of shares	20	-	20
Cancellation of shares	(20)	-	(20)
Total comprehensive income	-	142,731	142,731
Balance as at 31st March 2016	<u><u>327</u></u>	<u><u>8,517,107</u></u>	<u><u>8,517,434</u></u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2016

	Notes	2016 £	Restated 2015 £
Net cash inflow from operating activities	1	<u>407,212</u>	<u>472,190</u>
Cash flows from investing activities			
Payments to acquire and develop housing properties		(185,005)	(75,060)
Grants received		176,087	28,106
Payments to acquire other fixed assets		-	(5,232)
Interest received		12,000	7,547
Net cash outflow from investing activities		<u>3,082</u>	<u>(44,639)</u>
Cashflow from financing activities			
Interest paid		(18,853)	(18,772)
Repayments of borrowings		(82,069)	(82,653)
Issue of share capital		20	15
Net cash outflow from financing activities		<u>(100,902)</u>	<u>(101,410)</u>
Net change in cash and cash equivalents		309,392	326,141
Cash and cash equivalents at the beginning of the year		1,480,642	1,154,501
Cash and cash equivalents at the end of the year		<u>1,790,034</u>	<u>1,480,642</u>

Notes

1) Cashflow from operating activities		2016 £	Restated 2015 £
Surplus/(Deficit) for the year		145,639	(10,342)
Adjustments for non cash items			
Depreciation of tangible fixed assets		306,124	318,789
Decrease/(increase) in trade and other debtors		(15,425)	118,942
Increase/(decrease) in trade and other creditors		(46,378)	(38,865)
Pension costs less contributions payable		12,000	73,000
Share capital written off		(20)	(15)
Adjustments for investing or financing activities			
Interest payable		18,853	18,772
Interest receivable		(12,000)	(6,563)
Adjustment for taxation			
Tax paid		(1,581)	(1,528)
		<u>407,212</u>	<u>472,190</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

1. Principal accounting policies

Basis of accounting

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

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

Turnover

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

Housing properties

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

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

Depreciation - housing properties

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

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

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

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HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

1. Principal accounting policies (continued)

Other fixed assets

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

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

Social Housing Grant and other grants

On transition to FRS 102 the Co-operative has taken the option of treating the valuation of the housing property as its deemed cost. All Social Housing Grants have therefore been written back to the Statement of Comprehensive Income requiring a prior year adjustment (see note 24).

Social housing grants and other capital grants are now accounted for using the accrual method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social housing grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

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

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

Capitalisation of interest

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

Development administration costs

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

Cyclical and major repairs

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

Pension costs

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

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

1. Principal accounting policies (continued)

Estimation uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying Hawthorn Housing Co-operative Limited's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

Rent arrears - bad debt provision

The Co-operative assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place and court action.

Life cycle of components

The Co-operative estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

The categorisation of housing properties

In the judgement of the Management Committee the entirety of the Co-operative's housing stock is held for social benefit and is therefore classified as property, plant and equipment in accordance with FRS 102.

Identification of cash generating units

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

Financial instruments - basic

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

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

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

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

Income and expenditure from lettings	Turnover £	2016	Operating surplus / (deficit)
		Operating costs £	£
Social lettings	1,112,168	937,360	174,808
Other activities	219,857	227,173	(7,316)
Total	1,332,025	1,164,533	167,492

Income and expenditure from lettings	Turnover £	Restated 2015	Operating surplus / (deficit)
		Operating costs £	£
Social lettings	1,029,568	999,766	29,802
Other activities	16,021	20,956	(4,935)
Total	1,045,589	1,020,722	24,867

3. Particulars of income and expenditure from social letting activities

	General needs £	Restated 2015 Total £
Income from letting		
Rent receivable net of identifiable service charges	1,118,064	1,021,655
Less : voids	(5,896)	(5,511)
	<u>1,112,168</u>	<u>1,016,144</u>
Revenue grants from Scottish Ministers	-	13,424
Total turnover from social letting activities	<u>1,112,168</u>	<u>1,029,568</u>
Expenditure on lettings		
Management and maintenance admin costs	418,307	469,213
Reactive maintenance	65,898	72,326
Planned maintenance	137,828	158,599
Bad debts	24,411	4,508
Depreciation of social housing	290,916	295,120
Total expenditure on lettings	<u>937,360</u>	<u>999,766</u>
Operating surplus for social lettings for 2016	<u>174,808</u>	<u>29,802</u>
Operating surplus for social lettings for 2015	<u>104,937</u>	

No service charges were receivable on housing accommodation not eligible for housing benefit (2015 - £Nil).

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

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

	Scottish Ministers' Grants £	Other income £	Total turnover £	Operating costs £	2016 Total £	2015 Total £
Wider role	203,329	-	203,329	211,766	(8,437)	(4,950)
Other income	-	-	-	-	-	15
Support activities	16,528	-	16,528	15,407	1,121	-
Total for other activities for 2016	<u>219,857</u>	<u>-</u>	<u>219,857</u>	<u>227,173</u>	<u>(7,316)</u>	<u>(4,935)</u>
Total for other activities for 2015	<u>11,650</u>	<u>4,371</u>	<u>16,021</u>	<u>20,956</u>	<u>(4,935)</u>	

5. Surplus for year

	2016 £	2015 £
Surplus is stated after charging (crediting):-		
Depreciation/loss on disposal	306,124	318,819
Auditor's remuneration (including VAT)	5,750	5,520
Bad debts	<u>24,411</u>	<u>4,508</u>

6. Officers emoluments

The officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Co-operative.

	2016 £	2015 £
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	<u>-</u>	<u>65,195</u>
Pension contributions made on behalf of officers with emoluments greater than £60,000	<u>-</u>	<u>7,290</u>
Emoluments paid to the Chief Executives		
	£	£
Emoluments excluding pension contributions	58,945	65,195
Employer's pension contributions	5,387	7,290
Total emoluments payable	<u>64,332</u>	<u>72,485</u>

The number of officers (including the highest paid officer) who received emoluments (excluding pension contributions) was in the following ranges:

£60,001 - £70,000	<u>-</u>	<u>1</u>
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None of the Committee members received remuneration during the year.

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

7. **Employee information**

	2016	2015
The monthly average number of full time equivalent employees during the year was:-		
Administrative	6	6
Caretakers	<u>3</u>	<u>4</u>
	<u>9</u>	<u>10</u>

	2016 £	2015 £
Staff costs (including executive emoluments)		
Wages and salaries	265,317	275,841
Social security costs	24,457	22,896
Pension contributions	15,438	21,661
	<u>305,212</u>	<u>320,398</u>

8. **Interest receivable and similar income**

	2016 £	2015 £
Interest receivable	<u>12,000</u>	<u>6,563</u>

9. **Interest payable and similar charges**

	2016 £	2015 £
On bank loans payable by instalments	<u>18,853</u>	<u>18,772</u>

10. **Other finance income / charges**

	2016 £	2015 £
Unwinding of discounted liabilities and remeasurement	<u>15,000</u>	<u>23,000</u>

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

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

	2016 £	2015 £
Tax charge for year at 20% (2015 - 20%)	<u>2,908</u>	<u>1,625</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:-

	2016 £	2015 £
Surplus/(deficit) on ordinary activities before tax	<u>145,639</u>	<u>(10,342)</u>
Surplus/(deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	29,128	(2,068)
Non taxable (surplus)/deficit	<u>(26,220)</u>	<u>3,693</u>
	<u>2,908</u>	<u>1,625</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

12. Non-current assets

a) Housing Properties (Restated)

	Housing properties held for letting £	Housing property under construction £	Total £
Deemed Cost			
As at 01.04.15 and 01.04.16	9,221,584	28,106	9,249,690
Additions during year	-	198,490	198,490
As at 31.03.16	<u>9,221,584</u>	<u>226,596</u>	<u>9,448,180</u>
Depreciation			
As at 01.04.15	595,463	-	595,463
Provided during year	290,916	-	290,916
As at 31.03.16	<u>886,379</u>	<u>-</u>	<u>886,379</u>
Net book value at 31.03.16	<u>8,335,205</u>	<u>226,596</u>	<u>8,561,801</u>
Net book value at 31.03.15	<u>8,626,121</u>	<u>28,106</u>	<u>8,654,227</u>

All housing property is freehold.

No development allowances were receiving during the year.

Completed housing properties were revalued on the basis of existing use value for social housing at 21st May 2013 by Allied Scotland, 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. On transition to FRS 102 the Co-operative has elected to adopt the valuation as the deemed cost of the housing property. Accordingly all Social Housing Grant has now been written off.

b) Other tangible assets

	Office property £	Office equipment £	Furniture & fittings £	Computer equipment £	Total £
Cost					
As at 01.04.15 and 31.03.16	<u>556,393</u>	<u>11,976</u>	<u>23,759</u>	<u>21,101</u>	<u>613,229</u>
Aggregate depreciation					
As at 01.04.15	66,767	3,395	21,362	20,614	112,138
Provided in year	<u>11,128</u>	<u>1,198</u>	<u>2,396</u>	<u>486</u>	<u>15,208</u>
As at 31.03.16	<u>77,895</u>	<u>4,593</u>	<u>23,758</u>	<u>21,100</u>	<u>127,346</u>
Net book value at 31.03.16	<u>478,498</u>	<u>7,383</u>	<u>1</u>	<u>1</u>	<u>485,883</u>
Net book value at 31.03.15	<u>489,626</u>	<u>8,581</u>	<u>2,397</u>	<u>487</u>	<u>501,091</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

13. Trade and other receivables		
	2016	2015
	£	£
Rental debtors	75,558	53,805
Less: provision for doubtful debts	<u>28,958</u>	<u>11,141</u>
	46,600	42,664
Other receivables	<u>30,598</u>	<u>7,364</u>
	<u>77,198</u>	<u>50,028</u>
14. Creditors - Amounts falling due within one year		
	2016	2015
	£	£
Bank overdraft	17,397	-
Trade payables	29,914	26,180
Rent in advance	49,710	48,706
Current instalments of housing loans	87,384	90,994
Liability for past service contributions	56,672	54,711
Accruals and deferred income	49,970	33,298
Social security and other taxes	10,984	10,747
Taxation	<u>2,883</u>	<u>1,556</u>
	<u>304,914</u>	<u>266,192</u>
15. Creditors - Amounts falling due after more than one year		
	2016	2015
	£	£
Housing Loans	1,284,789	1,363,698
Liability for past service contributions	<u>609,238</u>	<u>653,289</u>
	<u>1,894,027</u>	<u>2,016,987</u>

The Co-operative has two loan agreements in place with Nationwide Building Society. These facilities total £1,322,385 and will be fully repaid between 2029 and 2039. They are secured over the housing property at rates between 1.04% and 1.84%.

They also have a facility from the Scottish Government. At 31st March 2016 the balance outstanding was £49,788 and interest was charged at a rate of 3.1%.

	£	£
Due within one year	<u>87,384</u>	<u>90,994</u>
Between one and two years	88,390	91,948
Between two and five years	271,331	281,678
In five or more years	<u>925,068</u>	<u>990,072</u>
	<u>1,284,789</u>	<u>1,363,698</u>

The liability for past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 2.29% (2015 - 2.22%).

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

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

The above creditors are due as follows:

	2016 £	2015 £
Due within one year	<u>56,672</u>	<u>54,711</u>
Between one and two years	58,000	56,000
Between two and five years	180,000	174,000
In five years or more	<u>371,238</u>	<u>423,289</u>
	<u>609,238</u>	<u>653,289</u>

16. Deferred capital grants

	2016 £	2015 £
Social Housing Grants		
Balance as at 1 st April 2015	28,106	-
Additions in year	187,832	28,106
	<u>215,938</u>	<u>28,106</u>
Balance as at 31 st March 2016		

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

17. Share capital

	2016	2015
Shares of £1 each issued and fully paid		
As at 1 st April 2015	327	327
Shares issued at par during the year	<u>20</u>	<u>15</u>
	347	342
Shares forfeited	(20)	(15)
	<u>327</u>	<u>327</u>
At 31 st March 2016		

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

18. Capital commitments

There were no capital commitments at 31st March 2016 or 31st March 2015.

19. Contingent liabilities

The Co-operative has no known contingent liabilities at 31st March 2016 (2015 - £Nil).

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

20. Pensions

Scheme: The Pensions Trust - Scottish Housing Associations' Pension Scheme

Hawthorn Housing Co-operative Limited participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the Co-operative to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore the Co-operative is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30th September 2015. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027: £26,304,000 per annum
(payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the Co-operative has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

All employers in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £72,518 (2015 - £82,318). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.29%.

The Co-operative made payments totalling £72,439 (2015 - £74,661) to the pension scheme during the year.

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

21. Legislative provisions

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

22. Related party transactions

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

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

The rent charge in the year in respect of these tenancies were £75,712 (2015 - £71,517) with rent arrears at the year end of £589 (2015 - £2,727) and prepayments of £2,220 (2015 - £2,473).

23. Housing stock

	2016	2015
General needs - new build	125	125
- rehabilitation	191	191
	<u>316</u>	<u>316</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

24. Transition to FRS 102

In accordance with the Statement of Recommended Practice the Co-operative has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1st April 2015. As a result of this the comparative figures for the period ending 31st March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in several changes in accounting policies compared with those used previously. The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ending 31st March 2016.

Changes for FRS 102 adoption:

- (i) On transition to the SORP FRS 102 the Co-operative has adopted the revalued fixed assets in the accounts as the deemed cost. Social Housing Grants at that date have been transferred to the Statement of Comprehensive Income.
- (ii) Social Housing Grants for property under construction have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.
- (iii) As the Co-operative has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs.
- (iv) The liability recognised as a result of (iii) above has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS 102 para 28.13A.

Restated Statement of Financial Position

	31.03.15	01.04.14
	£	£
Original capital and reserves	9,220,768	9,134,600
Increase in pension deficit	(708,000)	(689,000)
Increase in accumulated depreciation	(158,855)	(79,720)
Social housing grants	13,750,908	13,732,681
Revaluation of housing properties	(13,730,118)	(13,711,891)
Restated statement of financial position	8,374,703	8,386,670

Restated Surplus for the Year Ended 31.03.15

	31.03.15
	£
Original surplus on ordinary activities	86,168
Adjustment to depreciation	(79,135)
Unwinding of pension discount	(15,000)
Change in assumption of discount rate	(4,000)
Restated surplus for the year	(11,967)