

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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

HAWTHORN HOUSING CO-OPERATIVE LIMITED

CONTENTS

THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS.....	1
REPORT FROM THE MANAGEMENT COMMITTEE	3
REPORT BY THE AUDITOR ON CORPORATE GOVERNANCE MATTERS	10
INDEPENDENT AUDITOR'S REPORT	11
STATEMENT OF COMPREHENSIVE INCOME	14
STATEMENT OF FINANCIAL POSITION	15
STATEMENT OF CASH FLOWS.....	16
STATEMENT OF CHANGES IN CAPITAL AND RESERVES	17
NOTES TO THE FINANCIAL STATEMENTS	18

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

MEMBERS OF THE MANAGEMENT COMMITTEE

Helen Graham	(Chairperson)
Mattie McGeouch	(Vice Chairperson)
Cathie Ritchie	(Secretary)
Gillian Spence	(Treasurer)
Lambert Iku	
Robert Stewart	
Eileen Wallace	
Adebimpe Ademosu	
Jacqueline Bowman	(appointed 17 September 2019)
Nesbah Frempong	(appointed 17 September 2019)
Ola Opanike	(appointed 17 September 2019)
Kevin Wallace	(appointed 23 March 2020)
Kemi Belgore	(resigned 17 June 2019)
Bert O'Donnell	(resigned 22 July 2019)
Betty Todd	(resigned 22 July 2019)
Laura Harrison	(resigned 22 July 2019)
Rae Bowman	(resigned 6 January 2020)

EXECUTIVE OFFICERS

Colin Turnbull	(Director)
----------------	------------

REGISTERED OFFICE

23A Finlas Street
Possilpark
Glasgow
G22 5DB

AUDITOR

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

BANKERS

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

SOLICITORS

T C Young
7 West George Street
Glasgow
G2 1BA

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

FINANCIAL CONSULTANTS

A.C. Davidson Co.
Dunskait Place
Glasgow
G34 0AZ

HAWTHORN HOUSING CO-OPERATIVE LIMITED REPORT FROM THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

The Management Committee presents their report and the audited Financial Statements for the year ended 31 March 2020.

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 and shared-ownership accommodation.

Review of the Business

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 -performance of 3.4%. This was due to the high number of voids [119 compared to around 20 most years] arising from the knock-on voids from the new build development and our decision to improve houses where required while they were vacant,
- Rent arrears - our gross rent arrears were 8.77%. This is due to high former tenant arrears [because we have a few former tenants where we are slowly recovering debt and so they haven't been written off] and a large number of very high current tenant arrears. This has developed over the last few years and we have implemented an improvement plan that is based on firmer, quicker action and earlier contact with tenants in arrears.

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

Our strong financial performance is shown by the following indicators -

- Operating surplus
- Financial covenants

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

Assurance

In October 2019 we submitted an assurance statement to the Scottish Housing Regulator. We identified no areas of material non-compliance, but we did identify a number of areas where we recognised compliance could be improved. These were integrated into our annual plan and good progress in achieving this compliance can be demonstrated up to the end of March 2020.

Future Plans

The Co-operative has no plans to build further houses. There may be an opportunity to develop/acquire housing in partnership with the City Council at the Cowlairs Park development. We have assessed that we have the capacity to develop around 20 houses but this would be hugely dependent on the size and type of houses and the financial impact on the Co-op.

HAWTHORN HOUSING CO-OPERATIVE LIMITED REPORT FROM THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

Business plan

A new business plan is required for 2021 to 2024. This will lay out our longer term proposals in more detail but we expect that they will centre around our three strategic aims and the strands outlined below.

Strategy and Objectives

The Co-operative's vision is "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".

During the year the Co-op reassessed its strategic aims and objectives as the early steps in the review of our Business Plan. The Management Committee decided to remove one of its strategic aims to focus on the Co-operative's core business.

The Co-op removed the strategic aim of "Letting people know what we are doing" and from this we have identified three strategic aims for achieving our vision of "leading the creation of a community with excellent homes where we are proud to live" and added additional strands to achieve these aims. This is shown below.

- Ensuring our members have the best possible quality of life, by
 - Providing good quality well maintained homes
 - Providing high quality, continually improving services
 - Expanding the range of services our community receives
 - Ensuring our people have high aspirations they can achieve in life
 - Building a strong, supportive community
 - Ensuring the area is a safe, attractive place to live
 - Providing homes that are easy to heat and at an affordable rent
 - Encouraging others to invest in and provide services for this community
- Keeping the Co-operative safe and secure, by
 - Complying with legislation and regulation
 - Submitting assurance statements as required
 - Being financially secure in the long term
- Getting the most from our resources by
 - Having clear, simple integrated plans
 - Providing our members with value for money
 - A happy, engaged effective staff team
 - Getting the most from our people
 - Having a Strong volunteering and self-help ethos within community
 - Obtaining best value from our suppliers through our procurement strategy
 - Strong, committee leadership of Co-op and Community
 - Maximising the grants we receive

The Co-operative has an annual plan that lists the priority actions it will take in each of these strands to achieve the strategic aims and progress is monitored at each monthly management committee meeting.

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

Principal Risks and Uncertainties Faced

The Co-operative has a comprehensive risk management policy. Our Audit sub-committee reviews the risk map each quarter and this is reported to the management committee with a full review carried out each year. In the annual review we also consider the risk registers from two other RSLs to check if they have identified risks that we have missed. The key risks and efforts to mitigate these are detailed as follows:

<u>Details of risk</u>	<u>Mitigation in place</u>
<p>Risk - Increase in arrears Cause: high annual rent increases, not effectively managed <i>Effect: Loss of income, Loss of low level engagement</i></p>	<p>Arrears Action Plan in place. Monthly monitoring by Committee weekly by director. Audits by high performing RSLs to review how they deal with arrears - firmer, quicker action being taken [evictions]</p>
<p>Risk: Increase in Pension Deficit and Contributions Cause: Valuation indicates increased contribution required, <i>Effect: Increased contribution</i></p>	<p>Closed final salary scheme. Implemented defined contribution scheme & incorporated into financial projections.</p>
<p>Risk: Being assessed as materially non-compliant Cause: Self-assessment not sufficiently evidenced or overly positive, Lack of awareness/misunderstanding regarding requirements [eg equal opps, tenant safety, FOI and GDPR] <i>Effect: Regulator could intervene</i></p>	<p>Compliance action plan in place for 2020, Evidence bank, membership of new directors group etc to share understanding and awareness of level of assurance</p>

COVID – 19

Covid did not impact on the Co-operative till the very end of the financial year. The Co-op responded by equipping staff to enable them to work from home. This provided the Co-op with flexibility to deal with any restrictions in the future.

Covid has been added on our risk register and it has impacted on our arrears and void performance and has also reduced the contact between the Co-op and its members/tenants.

Committee of Management and Executive Officers

The members of the Management Committee and the Executive Officers are listed on page 1.

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.

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

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 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.

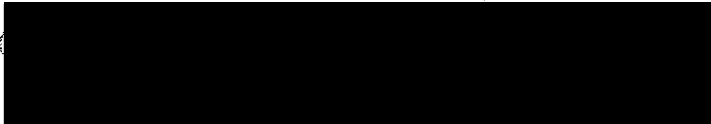
**HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

Auditors

A resolution to re-appoint the auditor, French Duncan LLP, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of Management Committee

Signature

A large black rectangular redaction box covering the signature of the Management Committee member.

Date:

A black rectangular redaction box covering the date of the report.

**HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2020**

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 2020**

- 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 2020. 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.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT BY THE AUDITOR TO THE MANAGEMENT COMMITTEE OF HAWTHORN HOUSING CO-OPERATIVE LIMITED ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2020

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 8 and 9 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 8 and 9 has provided the disclosures required by the relevant Regulatory Standards with 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



Chartered Accountants
Statutory Auditors

GLASGOW

Date: 18 November 2020

HAWTHORN HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF HAWTHORN HOUSING CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2020

OPINION

We have audited the financial statements of Hawthorn Housing Co-operative Limited for the year ended 31 March 2020 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in reserves and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland (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 2020 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the committee members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the committee members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Co-operative's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The other information comprises the information contained in the trustees' 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.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF HAWTHORN HOUSING CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2020

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such 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 6, 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 trustees 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 Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but 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:

HAWTHORN HOUSING CO-OPERATIVE LIMITED


INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF HAWTHORN HOUSING CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2020

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 that 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.

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.



Chartered Accountants and Statutory Auditors
133 Finnieston Street
GLASGOW
G3 8HB

Date 18 November 2020

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
REVENUE	2	1,682,540	1,551,428
Operating costs	2	<u>(1,518,653)</u>	<u>(1,397,792)</u>
OPERATING SURPLUS	2, 8	163,887	153,636
(Loss) on disposal of components	9	(88,889)	-
Interest receivable and other similar income		8,108	9,825
Interest payable and other similar charges	7	(103,606)	(104,781)
Other Finance Charges	11	<u>(10,000)</u>	<u>(11,000)</u>
		<u>(194,387)</u>	<u>(105,956)</u>
(Deficit)/Surplus for the year		(30,500)	47,680
Taxation	10	(1,994)	(2,035)
(DEFICIT)/SURPLUS FOR THE YEAR		<u>(32,494)</u>	<u>45,645</u>
OTHER COMPREHENSIVE INCOME			
Initial recognition of multi-employer defined benefit scheme	24	-	(182,000)
Actuarial gain/(loss) in respect of pension scheme	24	388,000	(79,000)
TOTAL COMPREHENSIVE INCOME		<u>355,506</u>	<u>(215,355)</u>

The results for the year relate wholly to continuing activities.

The notes on page 18 to 40 form part of these financial statements.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	12(a)	13,855,583	13,921,234
Other tangible fixed assets	12(b)	449,306	470,287
		<u>14,304,889</u>	<u>14,391,521</u>
CURRENT ASSETS			
Debtors	14	126,793	87,603
Cash at bank and in hand		<u>1,774,425</u>	<u>2,184,667</u>
		1,901,218	2,272,270
CREDITORS: amounts falling due within one year	15	<u>(318,513)</u>	<u>(531,164)</u>
NET CURRENT ASSETS		<u>1,582,705</u>	<u>1,741,106</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,887,594	16,132,627
CREDITORS: amounts falling due after more than one year housing property loans	16	(2,965,566)	(3,062,347)
PROVISIONS FOR LIABILITIES			
Pension - defined benefit liability	24	(15,000)	(456,000)
DEFERRED INCOME			
Social Housing Grants	19	(3,710,485)	(3,767,040)
Other Grants	19	-	(6,250)
		<u>9,196,543</u>	<u>8,840,990</u>
EQUITY			
Share capital	20	376	329
Revenue reserve	20	<u>9,196,167</u>	<u>8,840,661</u>
		<u>9,196,543</u>	<u>8,840,990</u>

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

Chairperson

Vice Chairperson

Secretary

The notes on page 18 to 40 form part of these financial statements.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	<u>184,519</u>	<u>367,783</u>
INVESTING ACTIVITIES			
Acquisition and construction of housing properties	(404,058)	(2,979,107)	
Purchase of other fixed assets	(4,734)	(15,453)	
Social Housing Grant received	-	359,100	
Social Housing Grant repaid	-	-	
Proceeds of disposals of housing properties	-	-	
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<u>(408,792)</u>	<u>(2,635,460)</u>
NET CASH (OUTFLOW) BEFORE FINANCING		(224,273)	(2,267,677)
FINANCING ACTIVITIES			
Issue of ordinary share capital	65	27	
Interest received	8,108	9,825	
Interest paid	(103,606)	(104,781)	
Loan principal repayments	18 (90,536)	(88,694)	
NET CASH (OUTFLOW) FROM FINANCING		<u>(185,969)</u>	<u>(183,623)</u>
(DECREASE) IN CASH		(410,242)	(2,451,300)
OPENING CASH AND CASH EQUIVALENTS		2,184,667	4,635,967
CLOSING CASH AND CASH EQUIVALENTS		<u><u>1,774,425</u></u>	<u><u>2,184,667</u></u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2020

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1 April 2019	329	8,840,661	8,840,990
Issue of Shares	65	-	65
Cancelled shares	(18)	-	(18)
Deficit for Year	-	(32,494)	(32,494)
Other comprehensive income	-	388,000	388,000
Balance as at 31 March 2020	<u>376</u>	<u>9,196,167</u>	<u>9,196,543</u>

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1 April 2018	327	9,056,016	9,056,343
Issue of Shares	27	-	27
Cancelled shares	(25)	-	(25)
Surplus for Year	-	45,645	45,645
Other comprehensive income	-	(261,000)	(261,000)
Balance as at 31 March 2019	<u>329</u>	<u>8,840,661</u>	<u>8,840,990</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Legal status

The Co-operative is incorporated under the Co-operative and Community Benefits Societies Act 2014 and is registered by the Financial Conduct Authority. The Co-operative is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

Basis of Accounting

These financial statements have been prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers 2018 and comply with the requirements of the Determination of Housing Requirements 2019 as issued by the Scottish Housing Regulator.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Co-operative's accounting policies (see below).

The following principal accounting policies have been applied:

Going Concern

The Management Committee have assessed the Co-operative's ability to continue as a going concern and have reasonable expectations that the Co-operative has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

The Co-operative has taken into account the Covid-19 outbreak in its consideration and is satisfied that the Co-operative has adequate resources to manage the impact of the pandemic 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 are released to income over the expected useful life of the asset to which it relates.

Retirement Benefits

The Co-operative participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Co-operative are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Co-operatives taken as a whole.

The Co-operative accounts for the pension scheme on a defined benefit basis on its share of scheme assets and liabilities as determined by the actuary. Defined benefit costs are recognised in the Statement of Comprehensive Income within operating costs. Actuarial gains and losses are recognised in Other Comprehensive Income. Further details of the scheme and its assumptions are included in note 24.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Valuation of 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.

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

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Sales of Housing Properties

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

Disposals of housing property under the Right to Buy scheme are treated as a non-current asset disposals and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Estimation Uncertainty

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

Rent Arrears - Bad Debt Provision

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

Life Cycle of Components

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

Useful Lives of Other Fixed Assets

The useful lives of other fixed Assets are based on the knowledge of senior management at the Co-operative with reference to expected asset life cycles.

Pension Liabilities

This has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate. Assumptions in respect of discount rates and inflation will vary from year to year, as will the value of assets and will be dependent on circumstances at the date of valuation. Since the year end there has been volatility in market assumptions given the Covid-19 pandemic and, in particular, discount rates have fallen which would increase scheme liabilities. However stock market performance has improved which would help offset any increase in liabilities.

Costs of Shared Ownership

The Co-operative allocates costs to shared ownership properties on a percentage basis split across the number of properties the Co-operative owns.

Leases

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

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Works to Existing Properties

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

Development Interest

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

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

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

b) Identification of cash generating units

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

c) Pension liability

In May 2020 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 2020
 NOTES TO THE FINANCIAL STATEMENTS

2. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS

	Note	2020		2019		Operating surplus/ (deficit) £
		Revenue £	Operating Costs £	Revenue £	Operating Costs £	
Social letting activities	3	1,603,192	(1,416,046)	1,308,989	(1,198,901)	110,088
Other activities	4	79,348	(102,607)	242,439	(198,891)	43,548
Total		<u>1,682,540</u>	<u>(1,518,653)</u>	<u>1,551,428</u>	<u>(1,397,792)</u>	<u>153,636</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Social Housing Accommodation £	Shared Ownership Housing £	2020 Total £	2019 Total £
Revenue from lettings					
Rent receivable net of identifiable service charges	1,525,169	-	-	1,525,169	1,311,627
Service charges receivable	-	-	-	-	-
Gross rents receivable	1,525,169	-	-	1,525,169	1,311,627
Less rent losses from voids	(43,562)	-	-	(43,562)	(13,216)
Net rents receivable	1,481,607	-	-	1,481,607	1,298,411
Amortisation of Social Housing & Other Grants	62,805	-	-	62,805	6,250
Revenue grants from local authorities and other agencies	-	-	-	-	-
Other Revenue grants	58,780	-	-	58,780	4,328
Total income from social letting	1,603,192	-	-	1,603,192	1,308,989
Expenditure on social letting activities					
Management and maintenance administration costs	590,926	-	-	590,926	589,541
Stage 3 costs	30,305	-	-	30,305	-
Planned and cyclical maintenance including major repairs	133,440	-	-	133,440	154,203
Reactive maintenance	265,101	-	-	265,101	114,030
Bad debts - rents and service charges	15,454	-	-	15,454	23,475
Depreciation of social housing	380,820	-	-	380,820	317,652
Operating costs of social letting	1,416,046	-	-	1,416,046	1,198,901
Operating surplus on social letting activities	187,146	-	-	187,146	110,088
2019	110,088	-	-	110,088	

HAWTHORN HOUSING CO-OPERATIVE LIMITED
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
 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) 2020	Operating surplus/ (deficit) 2019
	£	£	£	£	£	£	£	£	£
Support Activities	-	-	-	-	-	-	-	-	2,010
Wider Role Activities	79,330	-	-	-	79,330	(102,607)	(102,607)	(23,277)	(4,429)
Contracted out services for RSL's	-	-	-	-	-	-	-	-	-
Factoring Income	-	-	-	-	-	-	-	-	-
Other income/ (expenditure)	-	-	-	18	18	-	-	18	45,967
TOTAL FROM OTHER ACTIVITIES	79,330	-	-	18	79,348	-	(102,607)	(23,259)	43,548
TOTAL FROM OTHER ACTIVITIES FOR 2019	177,676	-	-	64,763	242,439	(198,891)	-	43,548	-

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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.

	2020	2019
	£	£
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	68,775	65,904
Emoluments payable to the director (excluding pension contributions)	68,775	65,904
Pension contributions paid on behalf of the director	6,877	6,327
Total emoluments paid to key management personnel	83,952	80,428

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
£60,001 - £70,000	1	1

During the year, £743 (2019 - £1,087) was paid to committee members in respect of reimbursement of expenses.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE INFORMATION

	2020	2019
	£	£
Staff costs during the year:		
Wages and salaries	344,536	328,372
Social security costs	32,228	32,483
Other pension costs	31,499	31,849
	<u>408,263</u>	<u>392,704</u>
	Number	Number
The average number of full time equivalent persons employed during the year was	<u>11</u>	<u>11</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
Bank loans and overdrafts	<u>103,606</u>	<u>104,781</u>

8. OPERATING SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus is stated after charging/(crediting):		
Depreciation	406,535	343,601
Auditors' remuneration	8,408	6,240
Operating lease rentals	1,131	1,413
Amortisation of capital grants	<u>(62,805)</u>	<u>(6,250)</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

9. LOSS ON DISPOSAL

	2020	2019
	£	£
Disposal proceeds	-	-
Net cost of replaced components	88,889	-
(Loss) on disposal	<u>(88,889)</u>	<u>-</u>

10. TAX ON SURPLUS/(LOSS) ON ORDINARY ACTIVITIES

	2020	2019
	£	£
The tax charge/(credit) is made up as follows:		
Current Tax:		
Corporation Tax at 19% (2019 – 19%)	1,994	2,035

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:-

	2020	2019
	£	£
(Deficit)/surplus on ordinary activities before tax	<u>(30,500)</u>	<u>47,680</u>
(Deficit)/surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(5,795)	9,059
Non taxable surplus/(deficit)	7,963	(7,024)
Adjustment to previous year	<u>(174)</u>	<u>-</u>
	<u>1,994</u>	<u>2,035</u>

11. OTHER FINANCE CHARGES

	2020	2019
	£	£
Net interest expense on defined benefit pension scheme	<u>10,000</u>	<u>11,000</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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	10,124,862	5,487,058	15,611,920
Additions	250,914	153,144	404,058
Disposals	(172,058)	-	(172,058)
Transferred on completion	5,640,202	(5,640,202)	-
At end of year	<u>15,843,920</u>	<u>-</u>	<u>15,843,920</u>
DEPRECIATION			
At start of year	1,690,686	-	1,690,686
Charged during year	380,820	-	380,820
Eliminated on disposal	(83,169)	-	(83,169)
At end of year	<u>1,988,337</u>	<u>-</u>	<u>1,988,337</u>
NET BOOK VALUE			
At end of year	<u>13,855,583</u>	<u>-</u>	<u>13,855,583</u>
At start of year	<u>8,434,176</u>	<u>5,487,058</u>	<u>13,921,234</u>

1. There were no impairment charges in the year.
2. The Co-operative's lenders have standard securities over housing property with a carrying value of £2,918,196 (2019 - £2,962,638).

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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	18,182	21,186	7,674	16,311	644,823
Additions	-	-	4,734	-	-	-	4,734
Disposals	-	-	-	-	-	-	-
At end of year	<u>556,393</u>	<u>25,077</u>	<u>22,916</u>	<u>21,186</u>	<u>7,674</u>	<u>16,311</u>	<u>649,557</u>
DEPRECIATION							
At start of year	111,279	23,890	9,099	15,891	5,757	8,620	174,536
Charged during year	11,128	1,186	4,560	5,294	1,916	1,631	25,715
Disposals	-	-	-	-	-	-	-
At end of year	<u>122,407</u>	<u>25,076</u>	<u>13,659</u>	<u>21,185</u>	<u>7,673</u>	<u>10,251</u>	<u>200,251</u>
NET BOOK VALUE							
At end of year	<u>433,986</u>	<u>1</u>	<u>9,257</u>	<u>1</u>	<u>1</u>	<u>6,060</u>	<u>449,306</u>
At start of year	<u>445,114</u>	<u>1,187</u>	<u>9,083</u>	<u>5,295</u>	<u>1,917</u>	<u>7,691</u>	<u>470,287</u>

13. COMMITMENTS UNDER OPERATING LEASES

	2020	2019
	£	£
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	565	1,131
Later than one year and not later than five years	-	565
	<u>565</u>	<u>1,696</u>

14. DEBTORS

	2020	2019
	£	£
Arrears of Rent & Service Charges	137,572	108,600
Less: Provision for Doubtful Debts	<u>(28,958)</u>	<u>(28,958)</u>
	108,614	79,642
Other Debtors	12,112	2,810
Prepayments and accrued income	<u>6,067</u>	<u>5,151</u>
	<u>126,793</u>	<u>87,603</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

15. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Housing Loans	97,323	91,078
Trade Payables	9,565	20,639
Rent in Advance	62,508	60,247
Other Taxation and Social Security	10,147	11,029
Accruals and Deferred Income	<u>138,970</u>	<u>348,171</u>
	<u><u>318,513</u></u>	<u><u>531,164</u></u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2020	2019
	£	£
Housing loans	<u>2,965,566</u>	<u>3,062,347</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:

	2020	2019
	£	£
Between one and two years	100,070	96,502
Between two and five years	318,116	306,960
In five years or more	<u>2,547,380</u>	<u>2,658,885</u>
	<u><u>2,965,566</u></u>	<u><u>3,062,347</u></u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

17. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to balance as at 31 March 2020	2020	2019
	£	£
Operating Surplus	163,887	153,636
Depreciation	406,535	343,601
Amortisation of Capital Grants	(62,805)	(6,250)
Change in debtors	(39,190)	7,158
Change in creditors	(219,024)	(70,294)
Deficit contributions	(65,000)	(61,000)
Cancelled Shares	(18)	(25)
Taxation charge	1,994	2,035
Tax paid	<u>(1,860)</u>	<u>(1,078)</u>
Balance as at 31 March 2020	<u>184,519</u>	<u>367,783</u>

18. ANALYSIS OF CHANGES IN NET DEBT

Reconciliation of net debt as at 31 March 2020

	1 April 2019	Cash flows	Other changes	31 March 2020
	£	£	£	£
Cash at bank	2,184,667	(410,242)	-	1,774,425
Due within one year	(91,078)	90,536	(96,781)	(97,323)
Due after one year	<u>(3,062,347)</u>	-	96,781	<u>(2,965,566)</u>
Net debt	<u>(968,758)</u>	<u>(319,706)</u>	-	<u>(1,288,464)</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

19. DEFERRED INCOME

	2020	2019
	£	£
Social Housing Grants		
Balance as at 1 April 2019	3,767,040	2,761,115
Additions in year	-	1,005,925
Transferred in year - recycled	-	-
Released / Repaid as the result of property disposal	-	-
Amortisation in Year	(56,555)	-
Balance as at 31 March 2020	<u>3,710,485</u>	<u>3,767,040</u>
Other Grants		
Balance as at 1 April 2019	6,250	12,500
Additions in year	-	-
Released / Repaid as the result of property disposal	-	-
Amortisation in Year	(6,250)	(6,250)
Balance as at 31 March 2020	<u>-</u>	<u>6,250</u>
Total deferred grants	<u><u>3,710,485</u></u>	<u><u>3,773,290</u></u>

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

Amounts due within one year	56,555	80,963
Amounts due in one year or more	<u>3,653,930</u>	<u>3,692,327</u>
	<u><u>3,710,485</u></u>	<u><u>3,773,290</u></u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

20. RESERVES

Share Capital	2020	2019
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 April 2019	329	327
Issued in year	65	27
Cancelled in year	<u>(18)</u>	<u>(25)</u>
At 31 March 2020	<u>376</u>	<u>329</u>

Each member of the Co-operative holds one share of £1 in the Co-operative. 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 Co-operative. Each member has a right to vote at members' meetings.

Reserves	2020	2019
	£	£
At 1 April 2019	8,840,661	9,056,016
(Deficit)/Surplus	(32,494)	45,645
SHAPS pension adjustment	<u>388,000</u>	<u>(261,000)</u>
At 31 March 2020	<u>9,196,167</u>	<u>8,840,661</u>

21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2020	2019
	No.	No.
General Needs - New Build	173	125
- Rehabilitation	<u>191</u>	<u>191</u>
	<u>364</u>	<u>316</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

22. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Co-operative as defined by Financial Reporting Standard 102. The related party relationships of the members of the Management Committee are summarised as:

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

Transactions with Management Committee members were as follows:

- Rent Received from Tenants on the Committee and close family members – £67,162.
- Factoring income received from Owner Occupiers in the Committee - £NIL.
- At the year-end total rent arrears owed by the tenant members of the Committee were – £1,826.
- 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, Cowlairs 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
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

24. RETIREMENT BENEFIT OBLIGATIONS

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company 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 company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company 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 company to account for the Scheme as a defined benefit scheme. For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

Pension Scheme Liability movements:

	2020	2019
	(£000s)	(£000s)
As at 1 April 2019	456	243
De-recognition of deficit funding liability	-	(243)
Adjustment for FRS 102 remeasurement	-	425
Net Interest expense	10	11
Expenses	2	2
Deficit Contributions Paid	(65)	(61)
Impact of change in assumptions	(388)	79
As at 31 March 2020	<u>15</u>	<u>456</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	31 March 2020	31 March 2019
	(£000s)	(£000s)
Fair value of plan assets	2,132	1,912
Present value of defined benefit obligation	2,147	2,368
Surplus (deficit) in plan	(15)	(456)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(15)	(456)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	-	-

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31	Period ended 31
	March 2020	March 2019
	(£000s)	(£000s)
Defined benefit obligation at start of period	2,368	2,200
Current service cost	-	-
Expenses	2	2
Interest expense	55	57
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	38	(31)
Actuarial losses (gains) due to changes in demographic assumptions	(14)	6
Actuarial losses (gains) due to changes in financial assumptions	(269)	166
Benefits paid and expenses	(33)	(32)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	2,147	2,368

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	1,912	1,775
Interest income	45	46
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	143	62
Contributions by the employer	65	61
Contributions by plan participants	-	-
Benefits paid and expenses	(33)	(32)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	2,132	1,912

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £188,000.

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

	Period from 31 March 2019 to 31 March 2020 (£000s)	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	-	-
Expenses	2	2
Net interest expense	10	11
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)	12	13

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	143	62
Experience gains and losses arising on the plan liabilities - gain (loss)	(38)	31
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	14	(6)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	269	(166)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	388	(79)
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)	388	(79)

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

ASSETS

	31 March 2020 (£000s)	31 March 2019 (£000s)
Global Equity	293	308
Absolute Return	131	162
Distressed Opportunities	39	33
Credit Relative Value	51	33
Alternative Risk Premia	171	107
Fund of Hedge Funds	-	5
Emerging Markets Debt	76	61
Risk Sharing	68	55
Insurance-Linked Securities	57	50
Property	40	38
Infrastructure	126	80
Private Debt	42	25
Opportunistic Liquid Credit	52	-
Corporate Bond Fund	156	134
Liquid Credit	56	-
Long Lease Property	52	23
Secured Income	118	67
Over 15 Year Gilts	27	49
Index Linked All Stock Gilts	-	-
Liability Driven Investment	561	680
Net Current Assets	16	2
Total assets	2,132	1,912

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

KEY ASSUMPTIONS

	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.37%	2.33%
Inflation (RPI)	2.60%	3.28%
Inflation (CPI)	1.60%	2.28%
Salary Growth	2.60%	3.28%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

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. Since the year end there has been volatility in market assumptions given the Covid 19 pandemic and, in particular, discount rates have fallen which would increase scheme liabilities. However stock market performance has improved which would help to offset any increase in liabilities.

25. CONTINGENT LIABILITY

At 30 September 2019 the estimated debt on withdrawal from the Scottish Housing Associations' Pension Scheme was £1,745,317.