

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2012

HAWTHORN HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012

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HAWTHORN HOUSING CO-OPERATIVE LIMITED

ADVISERS AND REGISTERED OFFICE

FOR THE YEAR ENDED 31ST MARCH, 2012

Auditors

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

Bankers

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

Legal advisers

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

Registered Office

23A Finlas Street
Possilpark
Glasgow
G22 5DB

Registration particulars

Registered Housing Association number: C3735

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

HAWTHORN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH, 2012

The Committee of Management present their report and the audited financial statements for the year ended 31st March, 2012.

Principal activities

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

Review of business

The results for the year are as shown in the attached Income and Expenditure Account. The deficit for the year was £80,430 (2011 - restated surplus £2,836).

Changes in fixed assets

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

The Committee of Management and executive officer

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

Executive officer

. I. Campbell

Committee of Management

. D. Bowie	(Resigned 26.10.11)	. H. Graham	(Chair)
. C. Bowie		. C. O'Donnell	(Vice Chair)
. E. Todd	(Resigned 17.10.11)	. G. Spence	(Treasurer)
. W. Donald		. M. McGeouch	(Secretary)
. C. Ritchie		. F. Galloway	(Resigned 13.09.11)
. M. Devine		. S. Innes	(Resigned 26.10.11)
. M. Gowans		. G. Gray	(Resigned 12.08.11)
. E. Anderson			

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

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

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HAWTHORN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

Statement of Committee's responsibilities

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

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

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

Corporate governance

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

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

Statement as to disclosure of information to auditors

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

Auditors

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

By order of the Committee

Secretary *mm mm geouch*

Dated : *3.9.2012*

HAWTHORN HOUSING CO-OPERATIVE LIMITED
COMMITTEE STATEMENT ON THE CO-OPERATIVE'S
SYSTEM OF INTERNAL FINANCIAL CONTROL
FOR THE YEAR ENDED 31ST MARCH, 2012

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

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

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

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

The Committee have reviewed the effectiveness of the system of internal financial control in existence in the Co-operative for the year ended 31st March 2012 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

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Dated :

3.4.2012

HAWTHORN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE AUDITORS ON THE COMMITTEE

STATEMENT ON THE CO-OPERATIVE'S SYSTEM OF INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 31ST MARCH, 2012

Corporate Governance

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

Basis of opinion

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

Opinion

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

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



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: 11th September 2012

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF HAWTHORN HOUSING CO-OPERATIVE LIMITED**

We have audited the financial statements for the year ended 31st March 2012 which comprise the Income and Expenditure Account, the Balance Sheet, Statement of Total Recognised Gains and Losses, Historical Cost Surpluses and Deficits and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007.

This report is made solely to the Co-operative's members, as a body, in accordance with Industrial and Provident Societies Acts 1965 to 2002. 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, the Committee are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Co-operative's affairs as at 31st March 2012 and of its deficit for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007.

Opinion on Committee Report

In our opinion the information given in the Report of the Committee for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report

We have nothing to report in respect of the following matters where the current legislation requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Committee's remuneration specified by law are not made; or
- we have not received all the information and explanations we require 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: 11th September 2012

HAWTHORN HOUSING CO-OPERATIVE LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2012

	Notes	2012 £	Restated 2011 £
Turnover	2	850,689	861,889
Operating costs	2	881,507	800,415
Operating surplus/(deficit)	5	<u>(30,818)</u>	<u>61,474</u>
Interest receivable and other income	8	11,593	3,925
Interest payable and similar charges	9	(59,013)	(60,712)
Surplus/(deficit) on ordinary activities before taxation		<u>(78,238)</u>	<u>4,687</u>
Tax on surplus on ordinary activities	10	2,192	1,851
Surplus/(deficit) on ordinary activities after taxation		<u><u>80,430</u></u>	<u><u>2,836</u></u>

The results for the year relate wholly to continuing activities.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST MARCH 2012

	2012 £	Restated 2011 £
Surplus/(deficit) for the financial year	(80,430)	2,836
Surplus on revaluation of property	-	2,052,095
Total gains and losses recognised since last annual report	<u>(80,430)</u>	<u>2,054,931</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31ST MARCH 2012

	2012 £	Restated 2011 £
Reported surplus/(deficit) on ordinary activities before taxation	(78,238)	4,687
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	64,098	42,780
Historical cost surplus/(deficit) on ordinary activities before taxation	<u>(14,140)</u>	<u>47,467</u>
Historical cost surplus/(deficit) on ordinary activities after taxation	<u>(16,332)</u>	<u>45,616</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

BALANCE SHEET

AS AT 31ST MARCH, 2012

	Notes	2012 £	Restated 2011 £
Tangible fixed assets			
Housing properties	11	7,634,702	7,714,363
Other	12	547,980	569,590
		<u>8,182,682</u>	<u>8,283,953</u>
Current assets			
Debtors		44,771	80,595
Cash at bank and in hand	13	1,280,978	1,329,749
		<u>1,325,749</u>	<u>1,410,344</u>
Creditors : amounts falling due within one year	14	143,371	177,179
Net current assets		<u>1,182,378</u>	<u>1,233,165</u>
Total assets less current liabilities		9,365,060	9,517,118
Creditors : amounts falling due after more than one year	15	(1,629,742)	(1,701,369)
Net Assets		<u>7,735,318</u>	<u>7,815,749</u>
Capital and reserves			
Share capital	16	329	330
Designated reserves	17	1,078,724	1,078,724
Revaluation reserve	18	5,170,301	5,234,399
Accumulated surplus	23	1,485,964	1,502,296
		<u>7,735,318</u>	<u>7,815,749</u>

These financial statements were approved by the Committee on 07/09/2012 and signed on their behalf by:

Chairman *M. Grabe*

Committee Member *William Dowl*

Secretary *mm m. geouel*

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012

1. Principal accounting policies

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

The financial statements have been prepared under the historical cost convention (as modified by the revaluation of some fixed assets in accordance with applicable Accounting Standards), the Statement of Recommended Practice - Accounting by registered social landlords (2010) and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Turnover

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

Housing properties

Completed housing properties are professionally valued on an existing use basis. Surpluses and deficits are reflected in the revaluation reserve. Permanent diminutions in the value of housing property are eliminated first against any revaluation reserve in respect of that property with any excess being charged to the Income and Expenditure account.

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

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

Depreciation - housing properties

The Co-operative adopted component accounting during the financial year. Properties other than heritable land are depreciated in accordance with FRS15 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		

The year to 31st March 2012 represents the first full year of implementation of component accounting (prior to this only three components were recognised - land, building and grant).

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HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012

1. Principal accounting policies/Cont...

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

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

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

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

Capitalisation of interest

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

Development administration costs

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

Cyclical and major repairs

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

Designated reserves

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

Pension costs

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

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

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2011

2. Particulars of turnover, operating costs and operating surpluses

	Turnover £	2012 Operating Costs £	Operating surplus/(deficit) £
Social lettings	842,177	866,549	(24,372)
Other activities	8,512	14,958	(6,446)
Total	<u>850,689</u>	<u>881,507</u>	<u>(30,818)</u>

	Turnover £	Restated 2011 Operating costs £	Operating surplus/(deficit) £
Social lettings	786,047	723,827	62,220
Other activities	75,842	76,588	(746)
Total	<u>861,889</u>	<u>800,415</u>	<u>61,474</u>

3. Particulars of income and expenditure from lettings

	General needs housing £	Restated 2011 Total £
Income from lettings		
Rent receivable net of identifiable service charges	847,910	787,988
Less: voids	(5,733)	(1,941)
Total turnover from social letting activities	<u>842,177</u>	<u>786,047</u>
Expenditure on lettings		
Management and maintenance administration costs	408,691	357,631
Reactive maintenance	123,545	92,403
Planned and cyclical maintenance	139,296	105,735
Bad debts - rents and service charges	11,693	2,434
Depreciation of social housing	183,324	165,624
Operating costs for social letting activities	<u>866,549</u>	<u>723,827</u>
Operating surplus/(deficit) for social lettings for 2012	<u>(24,372)</u>	<u>62,220</u>
Operating surplus/(deficit) for social lettings for 2011	<u>62,220</u>	

No service charges were receivable on housing accommodation not eligible for housing benefit (2011 - £Nil).

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

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

	Scottish Ministers' Grants £	Other income £	Total turnover £	Operating costs £	2012 Total £	Restated 2011 Total £
Wider role	8,481	-	8,481	14,958	(6,477)	(4,989)
LHO income	-	-	-	-	-	4,229
Other income	-	31	31	-	31	14
Total for other activities for 2012	<u>8,481</u>	<u>31</u>	<u>8,512</u>	<u>14,958</u>	<u>(6,446)</u>	<u>(746)</u>
Total for other activities for 2011	<u>8,263</u>	<u>67,579</u>	<u>75,842</u>	<u>76,588</u>	<u>(746)</u>	

5. Operating surplus

	2012 £	Restated 2011 £
Operating surplus is stated after charging:-		
Depreciation/loss on disposal	200,177	182,308
Auditor's remuneration (including VAT)	<u>5,280</u>	<u>5,000</u>

6. Directors emoluments

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

	2012 £	2011 £
Total emoluments (including pension contributions and benefits in kind)	<u>69,866</u>	<u>63,748</u>
Total emoluments (excluding pension contributions) to the highest paid director amounted to	<u>56,935</u>	<u>55,241</u>
Total emoluments (excluding pension contributions) to the Chairman amounted to	<u>Nil</u>	<u>Nil</u>
None of the other Committee Members received any remuneration during the year.		
Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom income tax.	<u>620</u>	<u>738</u>

Contributions totalling £12,931 (2011 - £8,507) were made to the personal pension scheme of the Chief Executive. Her pension arrangements were on the same basis as other members of staff with no enhanced or special terms.

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

7. Employee information	2012	2011
The monthly average number of full time equivalent employees during the year was:-		
Administrative	<u>8</u>	<u>7</u>
	2012	2011
	£	£
Staff costs (including executive emoluments)		
Wages and salaries	217,587	221,634
Social security costs	18,063	18,504
Pension contributions	<u>35,949</u>	<u>28,201</u>
	<u>271,599</u>	<u>268,339</u>
8. Interest receivable and similar income		
	2012	2011
	£	£
Interest receivable	<u>11,593</u>	<u>3,925</u>
9. Interest payable		
	2012	2011
	£	£
On bank loans payable by instalments	<u>59,013</u>	<u>60,712</u>
10. Taxation		
The tax charge on the surplus on ordinary activities was as follows:		
	2012	2011
	£	£
Tax charge for year at 21% (2011 - 21%)	<u>2,192</u>	<u>1,851</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:-

	2012	Restated
	£	2011
		£
Surplus/(deficit) on ordinary activities before tax	<u>(78,238)</u>	<u>(4,687)</u>
Surplus/(deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2011 - 21%)	(16,430)	985
Non taxable income	18,864	-
Other adjustment	<u>(242)</u>	<u>866</u>
	<u>2,192</u>	<u>1,851</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

11. Tangible fixed assets-housing properties

	Housing properties held for letting £
Cost (net of grants) or valuation	
At 01.04.11	
Additions	7,714,363
Disposals	103,663
	(231)
At 31.03.12	<u>7,817,795</u>
Depreciation	
At 01.04.11	-
Charge for Year	183,093
At 31.03.12	<u>183,093</u>
NBV at 31.03.12	<u>7,634,702</u>
NBV at 31.03.11	<u>7,714,363</u>

All housing property is freehold.

Development allowances of £1,627 were received during the year and administration costs of the same value were capitalised.

Completed housing properties were revalued on the basis of existing use value for social housing at 31st May 2011 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.

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

	2012 £	Restated 2011 £
Cost of properties	17,296,465	17,265,147
Less : Social Housing and other grants	<u>13,943,566</u>	<u>14,013,004</u>
	3,352,899	3,252,143
Less : depreciation	888,498	772,178
	<u>2,464,401</u>	<u>2,479,965</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

12. Tangible fixed assets -other fixed assets

	Office property £	Office equipment £	Furniture & fittings £	Computer equipment £	Total £
Cost					
At 01.04.11	570,159	5,154	23,759	8,538	607,610
Additions	-	-	-	1,724	1,724
Disposals	(6,481)	-	-	-	(6,481)
At 31.03.12	<u>563,678</u>	<u>5,154</u>	<u>23,759</u>	<u>10,262</u>	<u>602,853</u>
Depreciation					
At 01.04.11	22,806	1,030	7,107	7,077	38,020
Charge for year	11,274	690	3,409	1,480	16,853
At 31.03.12	<u>34,080</u>	<u>1,720</u>	<u>10,516</u>	<u>8,557</u>	<u>54,873</u>
NBV at 31.03.12	<u>529,598</u>	<u>3,434</u>	<u>13,243</u>	<u>1,705</u>	<u>547,980</u>
NBV at 31.03.11	<u>547,353</u>	<u>4,124</u>	<u>16,652</u>	<u>1,461</u>	<u>569,590</u>

2012
£

2011
£

13. Debtors

Rental debtors		
Grants receivable	27,933	45,078
Prepayments and accrued income	-	15,059
	<u>16,838</u>	<u>20,458</u>
	<u>44,771</u>	<u>80,595</u>

Rental arrears are stated net of a provision for bad debts totalling £6,983 (2011 - £11,560).

14. Creditors due within one year

Rent in advance		
Current instalments of housing loans	32,811	26,900
Accruals and deferred income	67,316	65,662
Social security & other taxes	35,616	70,067
Taxation	5,264	12,693
	<u>2,364</u>	<u>1,857</u>
	<u>143,371</u>	<u>177,179</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

15. Creditors due outwith one year

	2012 £	2011 £
Housing Loans	<u>1,629,742</u>	<u>1,701,369</u>

Loans are secured by specific charges on the co-operative properties and are repayable over a period of sixteen to twenty eight years at varying rates of interest from 2.33% to 3.74% in instalments due as follows:-

	£	£
Due within one year	<u>67,316</u>	<u>65,662</u>
Between one and two years	73,850	67,986
Between two and five years	237,947	218,768
In five or more years	<u>1,317,945</u>	<u>1,414,615</u>
	<u>1,629,742</u>	<u>1,701,369</u>

16. Share capital

Shares of £1 each issued and fully paid

Allotted, issued and fully paid

At 01.04.11	330	330
Issued during year	30	14
Forfeited during year	(31)	(14)
Balance at 31.03.12	<u>329</u>	<u>330</u>

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

17. Designated reserves

	Life Cycle Reserve £
As at 01.04.11 and 31.03.12	<u>1,078,724</u>

18. Revaluation reserve

	2012 £	Restated 2011 £
Balance brought forward	5,234,399	3,225,084
Transferred on revaluation	-	2,052,095
Adjustment for depreciation on revalued amount	(64,098)	(42,780)
	<u>5,170,301</u>	<u>5,234,399</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

19. Capital commitments

There were no capital commitments at 31st March 2012 or 31st March 2011.

20. Contingent liabilities

The Co-operative has no known contingent liabilities at 31st March 2012 (2011 - £Nil).

21. Pensions

The Co-operative participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted out of the State Pension scheme.

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

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

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an actuarial report that provides an approximate update on the funding position of the Scheme as at 30th September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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

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

The Co-operative has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA scheme based on the financial position of the scheme as at 30th September 2011. As of that date the estimated employer debt for the Co-operative was £1,420,336.

The total pension cost for the Co-operative was £35,949 (2011 - £28,201) of which £4,257 (2011 - £2,928) was unpaid and is included in creditors.

HAWTHORN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

22. Legislative provisions

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

23. Reconciliation of movement in accumulated surplus

	2012	Restated 2011
	£	£
Revenue Reserve b/fwd		
Transfer from revaluation reserve	1,502,296	1,401,680
Surplus/(Deficit) for the year	64,098	42,780
Transfer from Designated Reserves	(80,430)	2,836
	-	55,000
	<u>1,485,964</u>	<u>1,502,296</u>

24. Related party transactions

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

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

25. Housing stock

	2012	2011
	£	£
General needs - new build	125	125
- rehabilitation	191	191
	<u>316</u>	<u>316</u>

26. Prior Year Adjustment

During the year the Association changed its accounting policy in relation to housing properties and depreciation, as detailed in Note 1 of the Financial Statements, in order to incorporate component accounting. Major repairs that relate to identified components are capitalised, with major components being depreciated over the estimated useful economic lives of each identified component.

As a result of the change in accounting policy, a prior year adjustment has been required under Financial Reporting Standard 3 - Reporting Financial Performance as follows:

Components replaced	£ 2,400,933
Social Housing Grant written off	£ 3,342,399

The overall effect of these adjustments has been to decrease the revaluation reserve and increase revenue reserves brought forward at 1st April 2011 by £673,624. Revenue reserves have increased from £828,672 to £1,502,296 and the revaluation reserve has decreased from £5,908,023 to £5,234,399.

Of the prior year adjustment, £129,032 related to 2011 in respect of major repairs capitalised of £175,500 and additional property depreciation charged of £46,468. This resulted in the surplus reported for the year ended 31st March 2011 increasing from a deficit of £126,196 to a surplus of £2,836.