

HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

HAWTHORN HOUSING CO-OPERATIVE LIMITED

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**HAWTHORN HOUSING CO-OPERATIVE LIMITED
THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2021**

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	
Nesbah Frempong	
Ola Opanike	
Kevin Wallace	
Gary Gray	(appointed 15 September 2020)
Kevin Wallace	(appointed 15 September 2020)
Rae Bowman	
Jacqueline Bowman	(resigned 18 May 2020)

EXECUTIVE OFFICERS

Colin Turnbull	(Director)
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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 2021**

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 2021

The Management Committee presents their report and the audited Financial Statements for the year ended 31 March 2021.

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 improved significantly because of the reduction in the number of voids. The time to let was affected by the first lockdown and while the average number of days void improved from 62.3 to 53.6, we estimate that the average would have been 39 days had it not been for Covid.
- Rent arrears - our gross current tenant rent arrears were 8.53% an improvement from 8.77% the year before. This improvement was achieved, despite the impact of Covid, by an increased focus on arrears, implementing an improvement plan and making earlier and closer contact with tenants.
- 10 gas service were not carried out within 12 months. This was due the Co-op suspending forced accesses and respecting tenants who were shielding. All have now been completed without any issues.

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

Our strong financial performance is shown by the following indicators -

- Operating surplus £427,451
- Financial covenant – Gearing 32%
- Financial covenant – Interest Cover 398%

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

Assurance

In October 2020 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 2021.

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 Cowlares Park development. We have assessed that we have the

HAWTHORN HOUSING CO-OPERATIVE LIMITED

REPORT FROM THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2021

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.

Business plan

The Co-operative agreed its Business Plan for 2021-2024 on 22 March 2021. The plan reiterates the Co-operative's vision of "Leading the creation of a community with excellent homes where we are proud to live" and doing this by being "For the Community, from the Community".

The Plan also confirmed our three strategic aims for achieving our vision of "leading the creation of a community with excellent homes where we are proud to live" and amended the strands to achieve these aims. This is detailed 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 re what 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 our members well informed about what we do and how to access our services
- 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
 - Having systems that are secure and robust
- 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

HAWTHORN HOUSING CO-OPERATIVE LIMITED

REPORT FROM THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2021

The Business Plan includes a three-year plan that indicates where we want to be by that time and a one year plan which gives milestones for achieving that three year plan. In these plans we have categorised each of the actions against these strands to ensure that every action assists us to achieve our strategic objectives.

We have also identified which of the Scottish Government outcomes they contribute to. We recognise in our ambitious plans there are some tasks that will be delivered primarily by other organisations. We have recognised those tasks where we will have a marginal.

Development

The Co-operative obtained funding to participate in a feasibility study commissioned by West of Scotland Housing Association regarding the development of Cowlares park which is adjacent to the Co-operative's community. The study will explore the feasibility of the Co-op acquiring 15 houses as part of the development. The Co-op has stressed that it will only participate where it is financially viable.

Special General Meeting

The Co-operative held a Special General meeting just prior to the AGM where it agreed –

- To allow virtual SGMs and AGMs in the future,
- To reduce is quorum from 10% to 7% of members and
- To require Management Committee members to attend a minimum of 50% of management committee meetings in the calendar year

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>
Risk - Increase in arrears Cause: high annual rent increases, not effectively managed <i>Effect: Loss of income, Loss of low level engagement</i>	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]
Risk: Increase in Pension Deficit and Contributions Cause: Valuation indicates increased contribution required, <i>Effect: Increased contribution</i>	Closed final salary scheme. Implemented defined contribution scheme & incorporated into financial projections.
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>	Compliance action plan in place for 2021/2022, Evidence bank, membership of new directors' group etc to share understanding and awareness of level of assurance
Risk: Breach of tenant safety regulations	Collaboratively procured review of our tenant safety procedures completed – generally positive.

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REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2021

Cause: Inadequate awareness/concern re regulations <i>Effect: Increase likelihood of Death/injury to tenants & Regulator involvement</i>	Fire risk assessment of common closes carried out and implementation plan drafted. Smoke detectors contract Programme of 5-year electrical inspections introduced.
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Going Concern

The management committee has reviewed the results for the year and the projections for the next five years including the impact of the Covid pandemic. The management committee has a reasonable expectation that the Co-operative has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements. Further details are provided in the accounting policies note 1.

COVID – 19

Covid had a significant impact on the Co-operative from the very start of the financial year. Staff started working from home from 25 March 2020 with laptops and access to housing systems, emails etc.

Service levels were affected during both the lockdowns – with no non-essential repairs carried out during both lockdowns, no void work carried out in the first lockdown and the office being closed to customers. The backlog of non-essential repairs was carried out quickly though voids took longer to let and 10 gas services were not completed within the 12 months.

The Co-op was able to maintain basic service levels, and this was recognised by tenants in a major survey in September 2020.

All the management committee meetings, the AGM and an SGM were held through video conferencing.

An internal audit review of our business continuity carried out in July 2021 assessed that our processes provided full assurance in relation to Covid.

The systems we have implemented mean that we have the capability to continue providing services should there be future lockdowns.

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.

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.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2021

Statement of Management Committee's responsibilities

The Co-operative and Community Benefit Societies Act 2014 require The Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Co-operative and of the surplus or deficit of the Co-operative for that year. In preparing those Financial Statements, the Management Committee is required to:-

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Co-operative and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - 2019. They are also responsible for safeguarding the assets of the Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Co-operative's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Co-operative's auditor in connection with preparing their report) of which the Co-operative's auditor is unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Co-operative's auditor is aware of that information.

Auditors

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

By order of Management Committee

Signature

Cathie Ritchie, Secretary
Date: 14 September 2021

HAWTHORN HOUSING CO-OPERATIVE LIMITED
REPORT FROM THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2021

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 2021**

- 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 2021. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of Management Committee

Signature

Cathie Ritchie, Secretary
Date: 14 September 2021

HAWTHORN HOUSING CO-OPERATIVE LIMITED

REPORT BY THE AUDITOR TO THE MEMBERS OF HAWTHORN HOUSING CO-OPERATIVE LIMITED ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2021

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 within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

French Duncan LLP

Chartered Accountants
Statutory Auditors

GLASGOW

Date

HAWTHORN HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWTHORN HOUSING CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2021

OPINION

We have audited the financial statements of Hawthorn Housing Co-operative Limited for the year ended 31 March 2021 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in capital and reserves and related notes including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Co-operative's affairs as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements February 2019.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the housing Co-operative in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the management committee members' use of the going concern basis of accounting in preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Co-operative's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the management committee members with respect to going concern are described in the relevant sections in this report.

OTHER INFORMATION

The other information comprises the information contained in the Annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

HAWTHORN HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWTHORN HOUSING CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2021

knowledge obtained in the course of 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 7, the committee members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the committee members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management committee are responsible for assessing the housing Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the committee members either intend to liquidate the housing Co-operative or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

HAWTHORN HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWTHORN HOUSING CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2021

- 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 than achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The Extent to Which the Audit Was Considered Capable of Detecting Irregularities Including Fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

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

HAWTHORN HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWTHORN HOUSING CO-OPERATIVE LIMITED FOR THE YEAR ENDED 31 MARCH 2021

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and committee members and inspecting legal invoices; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

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

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- reviewing internal audit reports prepared during the year;
- enquiring of Board and Board members as to actual and potential litigation and claims;
- inspecting any legal invoices; and
- reviewing correspondence with Scottish Housing Regulator.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.

Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the management committee and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWTHORN HOUSING CO-OPERATIVE
LIMITED FOR THE YEAR ENDED 31 MARCH 2021

USE OF OUR REPORT

This report is made solely to the Co-operative's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Co-operative's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Co-operative and the Co-operative's members as a body, for our audit work, for this report, or for the opinions we have formed.

French Duncan LLP

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

Date

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
REVENUE	2	1,666,190	1,682,540
Operating costs	2	<u>(1,238,739)</u>	<u>(1,518,653)</u>
OPERATING SURPLUS	2, 8	427,451	163,887
(Loss) on disposal of components	9	-	(88,889)
Interest receivable and other similar income		934	8,108
Interest payable and other similar charges	7	(92,945)	(103,606)
Other Finance Charges	11	<u>-</u>	<u>(10,000)</u>
		<u>(92,011)</u>	<u>(194,387)</u>
Surplus/(Deficit) for the year		335,440	(30,500)
Taxation	10	(480)	(1,994)
SURPLUS/(DEFICIT) FOR THE YEAR		334,960	(32,494)
OTHER COMPREHENSIVE INCOME			
Actuarial (loss)/gain in respect of pension scheme	24	(296,000)	388,000
TOTAL COMPREHENSIVE INCOME		<u>38,960</u>	<u>355,506</u>

The results for the year relate wholly to continuing activities.

The notes on page 20 to 42 form part of these financial statements.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	12(a)	13,467,342	13,855,583
Other tangible fixed assets	12(b)	436,739	449,306
		<u>13,904,081</u>	<u>14,304,889</u>
CURRENT ASSETS			
Debtors	14	126,104	126,793
Cash at bank and in hand		<u>2,267,844</u>	<u>1,774,425</u>
		2,393,948	1,901,218
CREDITORS: amounts falling due within one year	15	<u>(296,108)</u>	<u>(318,513)</u>
NET CURRENT ASSETS		<u>2,097,840</u>	<u>1,582,705</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,001,921	15,887,594
CREDITORS: amounts falling due after more than one year			
housing property loans	16	(2,865,496)	(2,965,566)
PROVISIONS FOR LIABILITIES			
Pension - defined benefit liability	24	(247,000)	(15,000)
DEFERRED INCOME			
Social Housing Grants	19	(3,653,930)	(3,710,485)
Other Grants	19	-	-
		<u>9,235,495</u>	<u>9,196,543</u>
EQUITY			
Share capital	20	368	376
Revenue reserve	20	<u>9,235,127</u>	<u>9,196,167</u>
		<u>9,235,495</u>	<u>9,196,543</u>

The financial statements were approved by the Management Committee, authorised for issue, and signed on its behalf on 14 September 2021.

Helen Graham
Chairperson

Mattie McGeouch
Vice Chairperson

Cathie Ritchie
Secretary

The notes on page 20 to 42 form part of these financial statements.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	<u>690,512</u>	<u>184,519</u>
INVESTING ACTIVITIES			
Acquisition and construction of housing properties	-	(404,058)	
Purchase of other fixed assets	(7,919)	(4,734)	
Social Housing Grant received	-	-	
Social Housing Grant repaid	-	-	
Proceeds of disposals of housing properties	-	-	
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<u>(7,919)</u>	<u>(408,792)</u>
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		682,593	(224,273)
FINANCING ACTIVITIES			
Issue of ordinary share capital	11	65	
Interest received	934	8,108	
Interest paid	(92,945)	(103,606)	
Loan principal repayments	18	<u>(97,174)</u>	<u>(90,536)</u>
NET CASH (OUTFLOW) FROM FINANCING		<u>(189,174)</u>	<u>(185,969)</u>
INCREASE/(DECREASE) IN CASH		493,419	(410,242)
OPENING CASH AND CASH EQUIVALENTS		1,774,425	2,184,667
CLOSING CASH AND CASH EQUIVALENTS		<u>2,267,844</u>	<u>1,774,425</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2021

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1 April 2020	376	9,196,167	9,196,543
Issue of Shares	11	-	11
Cancelled shares	(19)	-	(19)
Surplus for Year	-	334,960	334,960
Other comprehensive income	-	(296,000)	(296,000)
Balance as at 31 March 2021	<u>368</u>	<u>9,235,127</u>	<u>9,235,495</u>

	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>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Legal status

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

Basis of Accounting

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

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

The following principal accounting policies have been applied:

Going Concern

The Management Committee have assessed the Co-operative's ability to continue as a going concern and have reasonable expectations that the Co-operative has adequate resources to continue in operational existence for the foreseeable future. The association continues to return operating surpluses and has a strong balance sheet with serviceable debt and liquid assets. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

The Co-operative has taken into account the Covid-19 outbreak in its consideration and updates budgets accordingly. The Co-operative is satisfied that it 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 of a revenue nature are recognised in income in the same period as the related expenditure.

Retirement Benefits

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

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 2021
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 2021
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.

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 2021
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 2021 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 2021
NOTES TO THE FINANCIAL STATEMENTS

2. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS

		2021			2020		
	Note	Revenue £	Operating Costs £	Operating surplus/ (deficit) £	Revenue £	Operating Costs £	Operating surplus/ (deficit) £
Social letting activities	3	1,624,783	(1,179,188)	445,595	1,603,192	(1,416,046)	187,146
Other activities	4	<u>41,407</u>	<u>(59,551)</u>	<u>(18,144)</u>	<u>79,348</u>	<u>(102,607)</u>	<u>(23,259)</u>
Total		<u>1,666,190</u>	<u>(1,238,739)</u>	<u>427,451</u>	<u>1,682,540</u>	<u>(1,518,653)</u>	<u>163,887</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
NOTES TO THE FINANCIAL STATEMENTS

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Social Housing Accommodation £	Shared Ownership Housing £	2021 Total £	2020 Total £
Revenue from lettings					
Rent receivable net of identifiable service charges	1,585,231	-	-	1,585,231	1,525,169
Service charges receivable	-	-	-	-	-
Gross rents receivable	1,585,231	-	-	1,585,231	1,525,169
Less rent losses from voids	(17,003)	-	-	(17,003)	(43,562)
Net rents receivable	1,568,228	-	-	1,568,228	1,481,607
Amortisation of Social Housing & Other Grants	56,555	-	-	56,555	62,805
Revenue grants from local authorities and other agencies	-	-	-	-	-
Other Revenue grants	-	-	-	-	58,780
Total income from social letting	1,624,783	-	-	1,624,783	1,603,192
Expenditure on social letting activities					
Management and maintenance administration costs	567,487	-	-	567,487	590,926
Stage 3 costs	-	-	-	-	30,305
Planned and cyclical maintenance including major repairs	96,424	-	-	96,424	133,440
Reactive maintenance	126,342	-	-	126,342	265,101
Bad debts - rents and service charges	694	-	-	694	15,454
Depreciation of social housing	388,241	-	-	388,241	380,820
Operating costs of social letting	1,179,188	-	-	1,179,188	1,416,046
Operating surplus on social letting activities	445,595	-	-	445,595	187,146
2020	187,146	-	-	187,146	

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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) 2021 £	Operating surplus/ (deficit) 2020 £
Support Activities	-	-	-	-	-	-	-	-	-
Wider Role Activities	-	27,174	-	-	27,174	-	(45,337)	(18,163)	(23,277)
Contracted out services for RSL's	-	-	-	-	-	-	-	-	-
Factoring Income	-	-	-	-	-	-	-	-	-
Other income/ (expenditure)	-	14,214	-	19	14,233	-	(14,214)	19	18
TOTAL FROM OTHER ACTIVITIES	<u>-</u>	<u>41,388</u>	<u>-</u>	<u>19</u>	<u>41,407</u>	<u>-</u>	<u>(59,551)</u>	<u>(18,144)</u>	<u>(23,259)</u>
TOTAL FROM OTHER ACTIVITIES FOR 2020	<u>79,330</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>79,348</u>	<u>-</u>	<u>(102,607)</u>	<u>(23,259)</u>	

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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.

	2021	2020
	£	£
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	71,250	68,775
Emoluments payable to the director (excluding pension contributions)	71,250	68,775
Pension contributions paid on behalf of the director	6,840	6,877
Total emoluments paid to key management personnel	86,709	83,952

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
£70,001 - £80,000	1	-

During the year, £20 (2020 - £743) was paid to committee members in respect of reimbursement of expenses.

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE INFORMATION

	2021	2020
	£	£
Staff costs during the year:		
Wages and salaries	347,642	344,536
Social security costs	25,177	32,228
Other pension costs	33,675	31,499
	<u>406,494</u>	<u>408,263</u>
	Number	Number
The average number of full time equivalent persons employed during the year was	<u>10</u>	<u>11</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2021	2020
	£	£
Bank loans and overdrafts	<u>92,945</u>	<u>103,606</u>

8. OPERATING SURPLUS FOR THE YEAR

	2021	2020
	£	£
Surplus is stated after charging/(crediting):		
Depreciation	408,727	406,535
Auditors' remuneration	9,995	8,408
Operating lease rentals	1,006	1,131
Amortisation of capital grants	<u>(56,555)</u>	<u>(62,805)</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
NOTES TO THE FINANCIAL STATEMENTS

9. LOSS ON DISPOSAL

	2021	2020
	£	£
Disposal proceeds	-	-
Net cost of replaced components	-	88,889
(Loss) on disposal	<u>-</u>	<u>(88,889)</u>

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

	2021	2020
	£	£
The tax charge/(credit) is made up as follows:		
Current Tax:		
Corporation Tax at 19% (2020 – 19%)	480	1,994

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:-

	2021	2020
	£	£
Surplus/(deficit) on ordinary activities before tax	<u>335,440</u>	<u>(30,500)</u>
Surplus/(deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	63,734	(5,795)
Non taxable (deficit)/surplus	(63,197)	7,963
Adjustment to previous year	<u>(57)</u>	<u>(174)</u>
	<u>480</u>	<u>1,994</u>

11. OTHER FINANCE CHARGES

	2021	2020
	£	£
Net interest expense on defined benefit pension scheme	<u>-</u>	<u>10,000</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
NOTES TO THE FINANCIAL STATEMENTS

12. NON-CURRENT ASSETS

a) Housing Properties

	Housing Properties Held for Letting	Housing Properties Under Construction	Total
	£	£	£
COST			
At start of year	15,843,920	-	15,843,920
Additions	-	-	-
Disposals	-	-	-
Transferred on completion	-	-	-
At end of year	<u>15,843,920</u>	<u>-</u>	<u>15,843,920</u>
DEPRECIATION			
At start of year	1,988,337	-	1,988,337
Charged during year	388,241	-	388,241
Eliminated on disposal	-	-	-
At end of year	<u>2,376,578</u>	<u>-</u>	<u>2,376,578</u>
NET BOOK VALUE			
At end of year	<u>13,467,342</u>	<u>-</u>	<u>13,467,342</u>
At start of year	<u>13,855,583</u>	<u>-</u>	<u>13,855,583</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 £2,808,907 (2020 - £ 2,918,196).

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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	22,916	21,186	7,674	16,311	649,557
Additions	-	-	-	7,919	-	-	7,919
Disposals	-	-	-	-	-	-	-
At end of year	<u>556,393</u>	<u>25,077</u>	<u>22,916</u>	<u>29,105</u>	<u>7,674</u>	<u>16,311</u>	<u>657,476</u>
DEPRECIATION							
At start of year	122,407	25,076	13,659	21,185	7,673	10,251	200,251
Charged during year	11,128	-	7,562	165	-	1,631	20,486
Disposals	-	-	-	-	-	-	-
At end of year	<u>133,535</u>	<u>25,076</u>	<u>21,221</u>	<u>21,350</u>	<u>7,673</u>	<u>11,882</u>	<u>220,737</u>
NET BOOK VALUE							
At end of year	<u>422,858</u>	<u>1</u>	<u>1,695</u>	<u>7,755</u>	<u>1</u>	<u>4,429</u>	<u>436,739</u>
At start 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>

13. COMMITMENTS UNDER OPERATING LEASES

	2021	2020
	£	£
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	1,006	565
Later than one year and not later than five years	<u>1,509</u>	<u>-</u>
	<u>2,515</u>	<u>565</u>

14. DEBTORS

	2021	2020
	£	£
Arrears of Rent & Service Charges	131,333	137,572
Less: Provision for Doubtful Debts	<u>(28,958)</u>	<u>(28,958)</u>
	102,375	108,614
Other Debtors	18,726	12,112
Prepayments and accrued income	<u>5,003</u>	<u>6,067</u>
	<u>126,104</u>	<u>126,793</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
NOTES TO THE FINANCIAL STATEMENTS

15. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Housing Loans	100,219	97,323
Trade Payables	9,880	9,565
Rent in Advance	59,196	62,508
Other Taxation and Social Security	9,371	10,147
Accruals and Deferred Income	117,442	138,970
	<u>296,108</u>	<u>318,513</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2021	2020
	£	£
Housing loans	<u>2,865,496</u>	<u>2,965,566</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:

	2021	2020
	£	£
Between one and two years	103,078	100,070
Between two and five years	327,906	318,116
In five years or more	2,434,512	2,547,380
	<u>2,865,496</u>	<u>2,965,566</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
NOTES TO THE FINANCIAL STATEMENTS

17. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of operating surplus to cash flow from operating activities

	2021	2020
	£	£
Operating Surplus	427,451	163,887
Depreciation	408,727	406,535
Amortisation of Capital Grants	(56,555)	(62,805)
Change in debtors	689	(39,190)
Change in creditors	(23,669)	(219,030)
Deficit contributions	(66,000)	(65,000)
Cancelled Shares	(19)	(18)
Pension scheme service costs	2,000	2,000
Tax paid	(2,112)	(1,860)
Cash flow from operating activities	<u>690,512</u>	<u>184,519</u>

18. ANALYSIS OF CHANGES IN NET DEBT

Reconciliation of net debt as at 31 March 2021

	1 April 2020	Cash flows	Other changes	31 March 2021
	£	£	£	£
Cash at bank	1,774,425	493,419	-	2,267,844
Due within one year	(97,323)	97,174	(100,070)	(100,219)
Due after one year	(2,965,566)	-	100,070	(2,865,496)
Net debt	<u>(1,288,464)</u>	<u>590,593</u>	<u>-</u>	<u>(697,871)</u>

HAWTHORN HOUSING CO-OPERATIVE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
NOTES TO THE FINANCIAL STATEMENTS

19. DEFERRED INCOME

	2021	2020
	£	£
Social Housing Grants		
Balance as at 1 April 2020	3,710,485	3,767,040
Additions in year	-	-
Transferred in year - recycled	-	-
Released / Repaid as the result of property disposal	-	-
Amortisation in Year	(56,555)	(56,555)
	<hr/>	<hr/>
Balance as at 31 March 2021	3,653,930	3,710,485
 Other Grants		
Balance as at 1 April 2020	-	6,250
Additions in year	-	-
Released / Repaid as the result of property disposal	-	-
Amortisation in Year	-	(6,250)
	<hr/>	<hr/>
Balance as at 31 March 2021	-	-
 Total deferred grants	 <u>3,653,930</u>	 <u>3,710,485</u>
 This is expected to be released to the Statement of Comprehensive Income as follows:		
Amounts due within one year	56,555	56,555
Amounts due in one year or more	<u>3,597,375</u>	<u>3,653,930</u>
	<u>3,653,930</u>	<u>3,710,485</u>

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20. RESERVES

Share Capital	2021	2020
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 April 2020	376	329
Issued in year	11	65
Cancelled in year	(19)	(18)
At 31 March 2021	<u>368</u>	<u>376</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	2021	2020
	£	£
At 1 April 2020	9,196,167	8,840,661
Surplus/(Deficit)	334,960	(32,494)
SHAPS pension adjustment	(296,000)	388,000
At 31 March 2021	<u>9,235,127</u>	<u>9,196,167</u>

21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2021	2020
	No.	No.
General Needs - New Build	173	173
- Rehabilitation	191	191
	<u>364</u>	<u>364</u>

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22. RELATED PARTY TRANSACTIONS

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

- 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 and their close family members were as follows:

- Rent Received from Tenants on the Committee and close family members – £50,461.
- 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 – £1,836.
- At the year-end total rent arrears owed by Owner Occupiers of the Committee were - £NIL.

23. DETAILS OF CO-OPERATIVE

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

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

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

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24. RETIREMENT BENEFIT OBLIGATIONS

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 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 co-operative is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it was not possible for the co-operative to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the co-operative has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the co-operative to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme 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.

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

The liabilities are compared, at the relevant accounting date, with the co-operative's fair share of the Scheme's total assets to calculate the co-operative's net deficit or surplus.

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24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Pension Scheme Liability movements:

	<u>2021</u> (£000s)	<u>2020</u> (£000s)
As at 1 April 2020	15	456
Current Service	-	-
Net Interest expense	-	10
Expenses	2	2
Deficit Contributions Paid	(66)	(65)
Impact of change in assumptions	296	(388)
As at 31 March 2021	<u>247</u>	<u>15</u>

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

	31 March 2021 (£000s)	31 March 2020 (£000s)
Fair value of plan assets	2,190	2,132
Present value of defined benefit obligation	2,437	2,147
Surplus (deficit) in plan	(247)	(15)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(247)	(15)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	-	-

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Impact of asset ceiling at start of period	-	-
Effect of the asset ceiling included in net interest cost	-	-
Actuarial losses (gains) on asset ceiling	-	-
Impact of asset ceiling at end of period	-	-

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24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Defined benefit obligation at start of period	2,147	2,368
Current service cost	-	-
Expenses	2	2
Interest expense	49	55
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	(62)	38
Actuarial losses (gains) due to changes in demographic assumptions	-	(14)
Actuarial losses (gains) due to changes in financial assumptions	458	(269)
Benefits paid and expenses	(157)	(33)
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	2,437	2,147

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

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Fair value of plan assets at start of period	2,132	1,912
Interest income	49	45
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	100	143
Contributions by the employer	66	65
Contributions by plan participants	-	-
Benefits paid and expenses	(157)	(33)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	2,190	2,132

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £149,000.

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24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	Period from 31 March 2020 to 31 March 2021 (£000s)	Period from 31 March 2019 to 31 March 2020 (£000s)
Current service cost	-	-
Expenses	2	2
Net interest expense	-	10
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 (SoCI)	2	12

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	100	143
Experience gains and losses arising on the plan liabilities - gain (loss)	62	(38)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	-	14
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(458)	269
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(296)	388
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)	(296)	388

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24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

ASSETS		
	31 March 2021	31 March 2020
	(£000s)	(£000s)
Global Equity	339	293
Absolute Return	108	131
Distressed Opportunities	75	39
Credit Relative Value	63	51
Alternative Risk Premia	88	171
Fund of Hedge Funds	-	-
Emerging Markets Debt	88	76
Risk Sharing	78	68
Insurance-Linked Securities	46	57
Property	39	40
Infrastructure	122	126
Private Debt	52	42
Opportunistic Liquid Credit	56	52
High Yield	57	-
Opportunistic Credit	60	-
Cash	1	-
Corporate Bond Fund	165	156
Liquid Credit	38	56
Long Lease Property	51	52
Secured Income	120	118
Over 15 Year Gilts	1	27
Index Linked All Stock Gilts	-	-
Liability Driven Investment	527	561
Net Current Assets	16	16
Total assets	2,190	2,132

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.

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24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

KEY ASSUMPTIONS

	31 March 2021	31 March 2020
	% per annum	% per annum
Discount Rate	2.18%	2.37%
Inflation (RPI)	3.27%	2.60%
Inflation (CPI)	2.87%	1.60%
Salary Growth	3.87%	2.60%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.5
Female retiring in 2021	23.4
Male retiring in 2041	22.8
Female retiring in 2041	25.0

25. CONTINGENT LIABILITY

At 30 September 2020 the estimated debt on withdrawal from the Scottish Housing Associations' Pension Scheme was £1,557,778.