

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**Registered Housing Association No. HCB167**

**Financial Conduct Authority No. 1911RS**

**Registered Charity No SC030908**

**RSM UK AUDIT LLP**  
**Chartered Accountants**

**Glasgow**

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **THE BOARD, EXECUTIVES AND ADVISERS**

**YEAR ENDED 31 MARCH 2018**

### **THE BOARD**

Elizabeth Kennedy	Chairperson	Danielle Lynch	Co-opted
John Ferguson MBE	Honorary President	Bill Ford	Co-opted
John Buchanan	Vice-Chair	Susan McKeown	
Mandy Morgan		Robert Donnelly	
Thomas Brock	Co-opted	James Reilly	
Izabela Trzcielinska		Vikki McCall	Co-opted
Radka Filkasoua			
Paul Murphy			
Adele Edwards	23 <sup>rd</sup> May 2018 (casual Vacancy)		
Matthew Reid	Secretary		

### **EXECUTIVE OFFICERS**

James Strang	Chief Executive
Aileen McGuire	Director of Corporate Services
Graeme Aitken	Director of Operations

### **REGISTERED OFFICE**

40 Helenvale Street  
Glasgow  
G31 4TF

### **AUDITORS**

RSM UK Audit LLP  
Third Floor  
Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

### **BANKERS**

Royal Bank of Scotland  
100 West George Street  
Glasgow  
G2 1PP

### **SOLICITORS**

TC Young  
7 West George Street  
Glasgow  
G2 1BA

### **Registration Particulars:**

Financial Conduct Authority

Co-operative and Community Benefit Societies Act 2014  
Registered Number 1911 R (S)

Scottish Housing Regulator

Housing (Scotland) Act 2010  
Registered Number HCB 167

Scottish Charities

Charities and Trustee Investment (Scotland) Act 2005  
Scottish Charity Number SC 030908

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

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# PARKHEAD HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD

AS AT 31 MARCH 2018

The Board present their report and audited financial statements for the year ended 31 March 2018.

### Principal activities

The principal activity of Parkhead Housing Association (PHA) is the development, management and maintenance of housing for people in housing need.

Parkhead Housing Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and The Scottish Housing Regulator as a Registered Social Landlord.

The table below shows the property we own and manage:

	2018	2017
<b>Managed Property Numbers (7 Special needs)</b>		
Tenanted Property (Inc 2 wardens)	1651	1,639
Shared Ownership Properties	35	37
Factored properties	339	350
Total	<u>2025</u>	<u>2,026</u>
<b>Developing Property Numbers</b>		
Tenanted Property on site over 2018	<u>9</u>	<u>36</u>

### Our strategic aims

Parkhead Housing Association's mission statement outlines its commitment to the local community and undertakes its strategic aims. This statement is as follows:

"We aim to be an excellent landlord and factor providing good quality affordable homes within the Parkhead area and its wider community. We promote the involvement of our stakeholders in our decision making so that we can be sure that our services meet their needs. We work with the community and other partners to improve Parkhead as a place in which to live and we seek to play a significant role in the regeneration of the physical, economic and social life of Parkhead".

PHA's core values are:

- 1 Community Centred - we will ensure that the focus of our work meets the needs and aspirations of the Parkhead Community.
- 2 Partnership - we will work with others to improve services and improve the daily lives our residents and other stakeholders.
- 3 Service Excellence - we will provide the best possible level of services to all customers at all times.
- 4 Integrity - we will be open and accountable, respect others and behave in a professional and ethical manner at all times.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

**AS AT 31 MARCH 2018**

**(Continued)**

### **Review of business and future developments**

The challenges facing the sector are many and will only get more so as the years progress. Yet despite these pressures Parkhead Housing Association continues to perform very well in almost all of its key operational areas. Our ARC indicators show we operate very well when compared to our peers, our clear focus on sound financial governance and on service delivery to our tenants has led to significant successes over the years and these areas will be the foundation as the Association goes forward.

Over the last year the Association has reviewed its Governance structures and practices and are in the process of modernising how we go about the running of the business to ensure the highest quality of decision making is maintained and is as robust as it can be as the Association moves forward.

Our Turnover continues to rise with £8,149,490 generated this year as compared to £7,696,069 last year and the overall financial operation of the business is in excellent shape now and as the business moves to the future.

The key to our success lies in the robust business planning we undertake on a regular basis. This year we have carried out a full review of the business and we have recently issued our business plan for the next five years designed to consolidate our core business, and to equip us to take the opportunities that will become apparent over the lifetime of this business plan. We have started work on our newest development on the old Quarrybrae School site. This development will also see our diversification into a small scale Mid-market Rent Development and to enable us to deliver this we have established another trading subsidiary, The Parkhead Letting Company. This means we now have two subsidiaries. The Parkhead Development Company is now into its second year of operation and continues to go from strength to strength providing environmental services and employing both permanent and seasonal local people. This re-investment of money raised in the area back into the area has already had, and will continue to have, a huge impact on the local economy and as this subsidiary develops we will seek to do more in this area. The profits are used to support the work of the Housing Association.

This year has seen one of the biggest refurbishment projects in the Parkhead area with the commencement of the restoration of the Parkhead School on Westmuir Street. Nearly £5.5m is being invested in this local landmark, with contributions from various grant bodies to revive the previously derelict building. To ensure the project was able to start, the Association agreed to underpin the project by becoming the final investor. Once the refurbishment has been completed to an agreed standard the Association will make its' financial contribution to the project and become the ultimate owner of the property. The aim is to not only restore the building to its former grandeur but to create a public space where the people of Parkhead can learn, work and socialise. This project was a fitting way to end our 40<sup>th</sup> Anniversary year, bringing back to life an old building and using it to breathe new life into our local community. Expectations are that the school will be the focus of significant community involvement as the years progress, with community focused organisations taking up tenancy within the building.

In addition to the physical works to the area the Association has been very involved in a raft of other wider role activities. These include the securing of new funding for our Partner organisation Playbusters, ensuring this wonderful local organisation can go from strength to strength. The renewal of the community and Veterans gardens are both linked to the Associations' new Environment strategy which is linked to the Association's support for the implementation of the recently reported Charrette. The Charrette report is a key document as it sets out what the local people see as the main environmental and social issues affecting their community. The Association stands fully behind this report and will seek its implementation over the coming years.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

**AS AT 31 MARCH 2018**

**(Continued)**

### **Review of business and future developments (continued)**

In previous years the Association reported on its success in its use of the City Councils tenement stock acquisition strategy. The Association will renew its call for this funding to be made available once more and we will target three specific closes in the Parkhead area which are all currently in private ownership and are a blight on our landscape.

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The Association always seeks to maintain and enhance its prime asset base. A key asset are its staff and we will continue to ensure they are well trained to deliver the services our community need, they are looked after during their working lives and they are enabled to flourish to their full potential. By doing so we will ensure our tenants receive the best possible service delivered by a well-equipped, compassionate and motivated staff team.

### **The Board**

The members of the Board during the year to 31 March 2018 and up to the date of approval of the financial statements were:

Elizabeth Kennedy	Chairperson	Matthew Reid	Secretary
John Ferguson MBE	Honorary President	Susan McKeown	
John Buchanan	Vice-Chair	Norman Meiklejohn	Deceased
Bill Ford	Co-opted 13 December 2017	Robert Donnelly	
Thomas Brock	Co-opted	James Reilly	
Danielle Lynch	Co-opted 13 December 2017	Vikki McCall	
Jenny Pearson	Resigned 23 August 2017	Paul Murphy	
Mandy Morgan		Radka Filkasoua	
Izabela Trzcielinska		Nessie Wood	Resigned 21 September 2017
Adele Edwards	Appointed 23 May 2018 (Casual Vacancy)		

Each member of the Board holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Board.

### **Executive Officers**

James Strang, Chief Executive  
Aileen McGuire, Director of Corporate Services  
Graeme Aitken, Director of Operations

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

**AS AT 31 MARCH 2018**

**(Continued)**

### **Operational Review**

#### **1. Corporate Governance**

The Board has maintained its record on ensuring it operates at the highest levels of Governance and has taken steps to ensure that the Board is as representative of its shareholder base as it can be. The Board has maintained its training and skills assessment processes.

#### **2. Services to tenants**

We compare our performance with other similar sized RSLs and we set demanding internal targets. This year involved the Association completing the ARC as part of the new SHR regulatory system. We will publish our first tenants ARC report in due course. Part of this process includes a survey of our tenants on a range of activities and we consistently record very high levels of satisfaction. These figures are in line with the monthly exit surveys we carry out as part of customer engagement policy.

#### **3. Wider role**

The Association has a long and very positive track record in its wider role initiatives. In the past year we granted two educational Bursaries, held a very successful gala day, variety show, art competition and donated to a number of local charitable events. We continue to support the Parkhead Youth Project through accountancy service support and have developed a strong working and support relationship with the newly established North East Food bank operated under the Trussell Trust franchise.

The Board will continue to investigate social enterprise options to enable the creation of sustainable employment opportunities within our community.

#### **4. Other Areas**

The Audit and Risk Committee have settled in well and are operating within the structure of the organisation with good effect. The Risk Register is regularly reviewed and updated as and when any particular risks have been identified. The policies on internal controls outlined in last year's report have the focus of the sub-committee.

### **Risk Management Policy**

The Board have, with advice from their auditors, a formal risk management process in place to assess business risks and implement risk management strategies. This involved identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Board have reviewed the adequacy of the Association's current internal controls.

Accordingly, they have set policies on internal controls which cover the following:

- consideration of the type of risks the Association faces;
- the level of risks which they regard as acceptable;
- the likelihood of the risks concerned materialising;
- the Association's ability to reduce the incidence and impact on the business of risks that do materialise, and the costs of operating particular controls relative to the benefit obtained;

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

**AS AT 31 MARCH 2018**

**(Continued)**

- clarified the responsibility of management to implement the Board's policies and to identify and evaluate risks for their consideration;
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives;
- embedded the control system in the Association's operations so that it becomes part of the culture of the Association;
- developed systems to respond quickly to evolving risks arising from factors within the Association to changes in the external environment; and
- included procedures for reporting failings immediately to appropriate levels of management and the Board together with details of corrective action being undertaken.

### **Related Party Transactions**

Seven (2017: Eight) members of the Board were tenants in the year. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

All transactions between Parkhead Housing Association and its subsidiary, Parkhead Development Company, are carried out on an arms-length basis.

### **Credit Payment Policy**

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days (2017: thirty days).

### **Maintenance policies**

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. In line with the SORP 2014, replacements to building components (as identified in note 1) are capitalised in the accounts as they occur. All other repairs are charged to the Income and Expenditure account.

### **Treasury and Financial Management**

The Association has taken steps to improve its internal auditing facility and the Association has introduced a new audit regime to better reflect the risks which could affect the Association in the future.

The Board on a regular basis consider the financial progress of the Association and take the necessary action to deal with adverse variances should they arise.



# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

**AS AT 31 MARCH 2018**

**(Continued)**

### **People policies and Health & Safety**

The Association fully recognises that its people are its most important asset. It is they who manage the business. PHA is fully committed to staff development, training and to the maintenance of a good working environment. The attainment of the Gold Award Health at Work award and the Bronze award under Investors in People underline this commitment. So too was the attainment of a number of staff with additional qualifications to enable them to enhance their role in the business.

The Association currently complies and will always comply with all relevant employment legislation.

### **Disabled employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

### **Budgetary and Planning Process**

Each year the Board approves the annual budget and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Board of variances from the budget, updated forecasts for the year together with information progress against the business plan.

### **Rental income**

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The point's value is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the Housing Movement.

### **Auditors**

RSM UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Board



Matthew Reid  
Secretary

Date: 15/8/18

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **STATEMENT OF THE BOARD RESPONSIBILITIES**

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Management Committee to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Management Committee is required to:

- select suitable accounting policies and 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 being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

The Management Committee is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Management Committee must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2014. It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

As far as the Board members are aware there is no relevant audit information of which the auditors are unaware and the Board members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

By order of the Board



Matthew Reid  
Secretary

Date: 15/8/18

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **THE BOARD'S STATEMENT ON INTERNAL**

### **FINANCIAL CONTROL**

**31 MARCH 2018**

The Board acknowledge their ultimate responsibility for ensuring that the Association 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 Association or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets (against unauthorised use or disposition).

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material 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 Association's assets.
- Experienced and suitably qualified staff take responsibility for important business functions.
- Forecasts and budgets are prepared regularly which allow the Board and staff to monitor the key business risks and financial objectives and progress towards the 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 variance from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Board review reports from management and from both internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board have reviewed the system of internal financial control in the Association during the year ended 31 March 2018. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Board



Matthew Reid  
Secretary

Date: 15/8/18

**PARKHEAD HOUSING ASSOCIATION LIMITED**  
**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF**  
**PARKHEAD HOUSING ASSOCIATION LIMITED**  
**ON INTERNAL FINANCIAL CONTROLS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 10 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Board and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 10 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

*RSM UK Audit WP*

RSM UK AUDIT LLP  
Statutory Auditor  
Chartered Accountants  
Third Floor  
Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date 21/8/18

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **PARKHEAD HOUSING ASSOCIATION LIMITED**

#### **Opinion**

We have audited the financial statements of Parkhead Housing Association Limited (the 'Association') for the year ended 31 March 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows and the notes to the financial statements, 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 Association's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

#### **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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

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

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, 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 knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **PARKHEAD HOUSING ASSOCIATION LIMITED**

#### **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 Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or we have not received all the information and explanations we require for our audit.

#### **Responsibilities of the Board**

As explained more fully in the Statement of the Board Responsibilities set out on page 10, the Board is 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 Board determines 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 Board is responsible for assessing the Association'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 Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.



RSM UK Audit LLP  
Statutory Auditor  
Chartered Accountants  
Third Floor  
Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date 21/8/18

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 £	2017 £
<b>Turnover</b>	2	8,149,490	7,696,069
Operating costs	2	<u>(6,844,829)</u>	<u>(5,977,471)</u>
<b>Operating surplus</b>	2	1,304,661	1,718,598
Gain on Disposal of Housing Accommodation	9	(542)	-
Interest receivable		12,174	19,687
Interest and financing costs	4	(185,189)	(217,803)
Other finance (costs)/income	22	<u>(89,000)</u>	<u>(71,000)</u>
<b>Surplus on ordinary activities before tax</b>		1,042,104	1,449,482
Taxation on deficit on ordinary activities	5	<u>-</u>	<u>-</u>
<b>Surplus for year</b>	6	<u>1,042,104</u>	<u>1,449,482</u>
Actuarial (loss)/gain in respect of pension scheme		<u>1,567,000</u>	<u>(1,182,000)</u>
<b>Total Comprehensive Income for the year</b>		<u>2,609,104</u>	<u>267,482</u>

All amounts relate to continuing activities.

# PARKHEAD HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Notes	£	2018 £	2017 £
<b>Tangible Fixed Assets</b>				
Housing properties	10a		72,865,626	72,834,143
Other Fixed Assets	10b		1,195,187	1,226,130
Investments	11		100	100
			<u>74,060,913</u>	<u>74,060,373</u>
<b>Current Assets</b>				
Trade and other debtors	12	505,584		565,676
Cash and cash equivalents		<u>7,859,154</u>		<u>6,661,064</u>
		8,364,738		7,226,740
<b>Current Liabilities</b>				
<b>Creditors</b> - Amounts falling due within one year	13	<u>2,614,591</u>		<u>2,302,875</u>
<b>Net current assets</b>			<u>5,750,147</u>	<u>4,923,865</u>
<b>Total Assets Less Current Liabilities</b>			79,811,060	78,984,238
<b>Creditors</b> – amount falling due after more than one year	14		(57,343,882)	(57,826,615)
Provisions for liabilities:				
Pension provision	22		(2,037,000)	(3,339,000)
Other provisions	17		<u>(25,380)</u>	<u>(22,923)</u>
<b>Net assets</b>			<u>20,404,797</u>	<u>17,795,700</u>
<b>Capital and reserves</b>				
Share capital	18		135	142
Revenue reserves	18		<u>20,404,662</u>	<u>17,795,558</u>
			<u>20,404,797</u>	<u>17,795,700</u>

These financial statements on pages 14 to 38 were approved and authorised for issue by the Board on ..... and signed on their behalf by:

Board Member: E. Kennedy

Board Member: Susan McKeown

Secretary: [Signature]



# PARKHEAD HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS

YEAR TO 31 MARCH 2018

	Notes	£	2018 £	2017 £
<b>Net cash provided by/(used in) operating activities</b>	20		3,335,157	2,985,631
<b>Cash flow from investing activities</b>				
Purchase of tangible fixed assets		(2,529,425)		(5,765,417)
Proceeds of disposal of tangible fixed assets		4,474		-
Interest received		12,173		51,313
HAG repaid		(12,900)		-
HAG received		1,310,127		2,293,484
<b>Net cash provided by/(used in) investing activities</b>			(1,215,551)	(3,420,620)
<b>Cash flow from financing activities</b>				
Interest paid		(182,939)		(217,803)
New secured loans		-		-
Repayments of borrowings		(738,584)		(560,012)
Issue of share capital		7		8
<b>Net cash provided by/(used in) financing activities</b>			(921,516)	(777,807)
<b>Net change in cash and cash equivalents</b>			1,198,090	(1,212,796)
Cash and cash equivalents at the beginning of the year		6,661,064		7,873,860
Cash and cash equivalents at the end of the year			7,859,154	6,661,064
<b>Analysis of cash and cash equivalents</b>				
Cash in hand			7,859,154	6,661,064
Notice deposits (less than 3 months)			-	-
<b>Total cash and cash equivalents</b>			7,859,154	6,661,064

Further details are given in note 20.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

**AS AT 31 MARCH 2018**

### **1.0 Legal Status**

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The address of the Company's registered office and principal place of business is 40 Helenvale Street, Glasgow, G31 4TF.

The Association's principal activities are detailed in the Board Report. The nature of the Association's operations is detailed in the Board Report.

The Association is a Public Benefit Entity.

### **1.1 Basis of Accounting**

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

### **1.2 Consolidation**

The Association and its subsidiary undertaking comprise a group. The Financial Conduct Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not the group.

### **1.3 Critical Accounting Estimates and Areas of Judgement**

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below.

#### ***Critical accounting estimates:***

Useful lives of housing property - management reviews its estimate of the useful lives of depreciable assets at each reporting date based on predictions from contracts manager.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

**AS AT 31 MARCH 2018**

### **1.4 Going Concern**

The Board has reviewed the results for the year and has also reviewed the projections for the next five years.

On that basis the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **1.5 Turnover and revenue recognition**

Turnover relates to the income from the letting of properties at affordable rents, together with revenue grants receivable in the period. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

### **1.6 Government Grants**

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Reasonable assurance is normally obtained when (e.g. the grant has been awarded in writing).

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant, a liability is included in the Statement of Financial Position to recognise this obligation.

### **1.7 Other Grants**

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

### **1.8 Fixed assets - Housing properties**

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent.

Completed housing properties are stated at cost less accumulated depreciation and impairment losses.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

**AS AT 31 MARCH 2018**

### **1.8 Fixed assets - Housing properties (continued)**

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

Shared ownership properties are included in housing properties at cost, less any provisions needed for depreciation or impairment.

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 50 years
Roof	Over 40 years
Kitchen	Over 18 years
Bathroom	Over 50 years
Heating system - Boiler	Over 13 years
Heating system – ex boiler	Over 26 years
Windows and external doors	Over 30 years
Internal doors	Over 50 years
Lift	Over 50 years

Surpluses and deficits on the sale of housing properties are accounted for in the Income and Expenditure account in the year of disposal. The surplus or deficit is shown on the face of the Income and Expenditure Account.

First tranche Shared Ownership disposals are credited to turnover on completion, the cost of construction of these sales is included as work in progress until the point of sale when the costs are taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal taken to the Income and Expenditure account.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

**AS AT 31 MARCH 2018**

### **1.10 Impairment of Fixed Assets**

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the RSL estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

### **1.11 Other Fixed Assets**

Other Fixed 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 Premises (excluding land)	- 1.5% - 3.33%
Furniture and Fittings	- 33.33%
Computer Equipment	- 20%
Office Equipment	- 33.33%

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the statement of comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

### **1.12 Borrowing Costs**

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale.

All other borrowing costs are expensed as incurred.

### **1.13 Tax**

The Association has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

**AS AT 31 MARCH 2018**

### **1.14 Value Added Tax**

The Association is VAT registered, however a large proportion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of VAT.

### **1.15 Deposits and Liquid Resources**

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

### **1.16 Employee Benefits**

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the RSL is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### **1.17 Financial Instruments**

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### ***Financial assets***

##### ***Debtors***

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade or other debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

**AS AT 31 MARCH 2018**

### *Debtors (continued)*

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in income and expenditure for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

### *Financial liabilities*

#### *Trade creditors*

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

#### *Borrowings*

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

### **1.18 Provisions**

Provisions are recognised when the RSL has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

# PARKHEAD HOUSING ASSOCIATION LIMITED

## PRINCIPAL ACCOUNTING POLICIES

AS AT 31 MARCH 2018

### 1.19 Pension Costs

The Association participates in the Strathclyde Pension Fund and retirement benefits to employees of the Association 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 organisations taken as a whole.

The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

The Association has fully adopted section 28 of FRS102 'Employee Benefits.'

The difference between the fair value of the assets held in the Association's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method as recognised in the Association's balance sheet as a pension scheme liability as appropriate.

### 2. Particulars of turnover, operating costs and operating surplus/(deficit)

			Operating Costs £	Operating Surplus/ (deficit) £	Operating Surplus/ (deficit) 2017 £
		Turnover			
<b>Affordable letting activities</b>	3a	7,902,239	6,390,998	1,511,241	1,865,558
<b>Other Activities</b>	3b	247,251	453,831	(206,580)	(146,960)
<b>Total</b>		<u>8,149,490</u>	<u>6,844,829</u>	<u>1,304,661</u>	<u>1,718,598</u>
<b>Total for previous reporting period</b>		<u>7,696,069</u>	<u>5,977,471</u>	<u>1,718,598</u>	



# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

(Continued)

### 3a. Particulars of Income and Expenditure from affordable letting activities

	General Needs Housing	Hostel Supported Social Housing	Shared Ownership Housing	2018	2017 Total
	£	£	£	£	£
<b>Income from lettings</b>					
Rent receivable net of identifiable service charges	6,252,788	277,067	83,407	6,613,262	6,293,481
Service charges receivable	258,819	-	-	258,819	240,360
Gross Rents Receivable	6,511,607	277,067	83,407	6,872,081	6,533,841
<b>Less:</b> Rent Losses from Voids	(28,330)	-	-	(28,330)	(41,325)
<b>Net Rents Receivable</b>	6,483,277	277,067	83,407	6,843,751	6,492,516
Grants released from deferred income	982,711	-	27,667	1,010,378	948,063
Grants received	48,110	-	-	48,110	19,410
<b>Total income from Affordable Letting Activities</b>	7,514,098	277,067	111,074	7,902,239	7,459,989
<b>Expenditure on Affordable Letting Activities</b>					
Service costs	232,515	-	-	232,515	197,695
Management and maintenance administration costs	1,266,845	11,546	82,342	1,360,733	1,087,649
Planned and cyclical maintenance including major repair costs	1,609,965	3,410	-	1,613,375	1,309,374
Reactive maintenance costs	742,021	8,900	-	750,921	672,718
Bad debts – rents and service charges	23,190	-	-	23,190	25,727
Depreciation of social housing	2,376,661	-	33,603	2,410,264	2,301,268
<b>Operating costs for Affordable Letting Activities</b>	6,251,197	23,856	115,945	6,390,998	5,594,431
<b>Operating Surplus on Affordable Letting Activities</b>	1,262,901	253,211	(4,871)	1,511,241	1,865,558
<b>2017</b>	1,596,899	246,311	22,348	1,865,558	

The rent loss from voids of £28,330 (2017: £41,325) includes £nil (2017: £nil) in respect of development voids.

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

(Continued)

### 3b – Particulars of turnover, operating costs and operating surplus or deficit from other activities

	<i>Grants from Scottish Ministers</i>	<i>Other revenue grants</i>	<i>Supporting people income</i>	<i>Other income</i>	<i>Total Turnover</i>	<i>Operating costs – bad debts</i>	<i>Other operating costs</i>	<i>Operating surplus or deficit</i>	<i>Operating surplus or deficit for previous period of account</i>
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	-	-	-
Care and repair	-	-	-	-	-	-	-	-	-
Investment property activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	54,979	54,979	-	54,979	-	-
Support activities	-	-	17,845	-	17,845	-	72,092	(54,247)	(46,159)
Care activities	-	-	-	-	-	-	-	-	-
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	-	-	-
Contracted out services undertaken for other organisations	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	136,080	136,080	-	285,156	(149,076)	(102,690)
Restricted Big Lottery	-	-	-	38,347	38,347	-	41,604	(3,257)	1,889
<b>Total from other activities</b>	-	-	17,845	229,406	247,251	-	453,831	(206,580)	(146,960)
<b>2017</b>	-	-	38,536	197,544	236,080	-	383,040	(146,960)	

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

(Continued)

### 4. Interest payable and financing costs

	2018	2017
	£	£
Interest on loans	182,939	213,356
Rent arrears NPV charge	2,250	4,447
	<u>185,189</u>	<u>217,803</u>

### 5. Taxation

The Association obtained charitable status in December 2000. As such, it has no liability for Corporation Tax in respect of its exempt activities.

### 6. Operating surplus or deficit

	2018	2017
	£	£
Operating surplus is stated after charging/(crediting):		
Depreciation of housing properties	2,410,264	2,301,268
Depreciation of other tangible fixed assets:		
- owned	94,124	90,675
(Surplus)/deficit on disposal of tangible fixed assets	<u>-</u>	<u>-</u>
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
Audit services – statutory audit	<u>15,522</u>	<u>12,251</u>

### 7. Key Management Personnel

The key management personnel are defined as the members of the Board, the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Board during the year.

The emoluments of key management personnel whose emoluments, excluding pension contributions, were over £60,000 fell within the following bands:

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

(Continued)

### 7. Key Management Personnel (cont'd)

	2018 No.	2017 No.
£60,000 - £70,000	2	2
£70,000 - £80,000	-	1
£80,000 - £90,000	1	-
	<u>£</u>	<u>£</u>
Emoluments payable to Chief Executive (excluding pension contributions)	81,966	77,471
Emoluments payable to other key management personnel	135,568	130,295
	<u>217,534</u>	<u>207,766</u>

The Chief Executive is not an ordinary member of the Association's pension scheme described in note 22. He has no other pension arrangements with to which the Association contributes.

### 8. Employee Information

	2018 No.	2017 No.
The average full time equivalent number of persons (including key management personnel) employed during the year was:	<u>32</u>	<u>32</u>
Staff Costs were:	<u>£</u>	<u>£</u>
Wages and Salaries	1,300,138	1,152,983
Social Security Costs	127,973	116,898
Pension Costs	375,761	244,716
	<u>1,803,872</u>	<u>1,514,597</u>

Included in the pension costs total is a net service cost expense of £176,000 (2017: £59,000).

### 9. Gain on Disposal of Fixed Assets

	2018 £	2017 £
Loss on Sale of Housing Accommodation	<u>(542)</u>	<u>-</u>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

(Continued)

### 10a. Tangible Fixed Assets

Housing Properties	Housing Properties Held for Letting £	Housing Properties Under Construction £	Completed Shared Ownership Properties £	Total £
<b>Cost</b>				
At 1 <sup>st</sup> April 2017	97,391,773	5,522,738	1,820,270	104,734,781
Properties acquired	163,653	-	-	163,652
Transferred	140,140	-	(140,140)	-
Works to existing properties	866,161	1,436,432	-	2,302,592
Schemes completed	5,142,817	(5,142,817)	-	-
Disposals in year	(282,048)	-	-	(282,048)
<b>At 31<sup>st</sup> March 2018</b>	<u>103,422,496</u>	<u>1,816,353</u>	<u>1,680,130</u>	<u>106,918,978</u>
<b>Depreciation and impairment</b>				
At 1 <sup>st</sup> April 2017	30,884,549	-	1,016,089	31,900,638
Provided during year	2,376,662	-	33,603	2,410,265
Transferred	68,347	-	(68,347)	-
Disposals	(257,551)	-	-	(257,551)
<b>At 31<sup>st</sup> March 2018</b>	<u>33,072,007</u>	<u>-</u>	<u>981,345</u>	<u>34,053,352</u>
<b>Net Book Value</b>				
<b>As at 31<sup>st</sup> March 2018</b>	<u>70,350,448</u>	<u>1,816,353</u>	<u>698,785</u>	<u>72,865,626</u>
 As at 31 <sup>st</sup> March 2017	 <u>66,507,224</u>	 <u>5,522,738</u>	 <u>804,181</u>	 <u>72,834,143</u>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

(Continued)

### 10a. Tangible Fixed Assets (cont'd)

During the year there was £1,304,685 (2017: £1,816,138) of spend on cyclical/planned repair works, £486,392 (2017: £1,253,622) of which was capitalised. Out of this capitalised spend £409,113 (2017: £1,214,922) related to component replacements and £77,279 (2017: £38,700) related to improvements.

Other works to existing properties include capitalised repairs to buyback properties of £376,815 (2017: £138,546) and adaptation spend of £60,647 (2017: £74,878).

All Housing Properties are freehold.

£5,380,815 (2017: £5,024,139) of land is included in the cost of housing properties.

### 10 b. Tangible Fixed Assets

Other fixed assets	Land Bank £	Commercial And Office Premises £	Computer Office Furniture & Equipment £	Total £
<b>Cost</b>				
At 1 <sup>st</sup> April 2017	22,885	1,709,640	359,826	2,092,351
Additions	-	43,834	19,346	63,180
Disposal	-	-	-	-
<b>At 31<sup>st</sup> March 2018</b>	<u>22,885</u>	<u>1,753,474</u>	<u>379,172</u>	<u>2,155,531</u>
<b>Depreciation</b>				
At 1 <sup>st</sup> April 2017	-	596,505	269,715	866,220
Charge for year	-	49,300	44,824	94,124
On disposals	-	-	-	-
<b>At 31<sup>st</sup> March 2018</b>	<u>-</u>	<u>645,805</u>	<u>314,539</u>	<u>960,344</u>
<b>Net Book Value</b>				
<b>As at 31<sup>st</sup> March 2018</b>	<u>22,885</u>	<u>1,107,669</u>	<u>64,633</u>	<u>1,195,187</u>
<b>As at 31<sup>st</sup> March 2017</b>	<u>22,885</u>	<u>1,113,135</u>	<u>90,111</u>	<u>1,226,131</u>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

(Continued)

### 11. Investments

	2018 £	2017 £
<b>Cost</b>		
At 1 <sup>st</sup> April and 31 March	<u>100</u>	<u>100</u>

The investment consists of 100 Ordinary A Shares of £1 each in Parkhead Development Limited, in which the Association controls 100% of the voting shares. The subsidiary is registered in Scotland and began trading for the second six months of the financial year. The capital and reserves total at 31 March 2018 is £66,401 (2017: £14,093).

### 12. Debtors

	2018 £	2017 £
Arrears of Rent and Service Charges	290,759	264,856
Less: Provision for Doubtful Debts	(72,690)	(66,214)
Less: Discounting of payment plans > 12 months	<u>(30,130)</u>	<u>(27,880)</u>
	187,939	170,762
 Trade Debtors	 8,737	 4,584
Other Debtor	142,708	150,561
Group Debtor	3,526	84,845
Prepayments	<u>162,673</u>	<u>154,924</u>
	<u>317,644</u>	<u>565,676</u>

Included in the figure for rent and service charge arrears is £43,912 (2017: £57,187) due in respect of housing benefits payments.

In September 2016, Parkhead Housing Association entered into an intercompany loan agreement of £70,000 with its subsidiary Parkhead Development Company. This loan was repaid during the year ended March 2018 in addition to interest at a fixed rate of 2% as per the terms of the agreement, there have been no further loan transactions with the subsidiary.

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

(Continued)

### 13. Creditors – Amounts falling due within one year

	2018	2017
	£	£
Housing Loans (Note 16)	530,289	551,459
Trade Creditors	279,079	259,931
Other Creditors	99,947	71,029
Accrued Charges	431,313	265,433
Deferred capital grants (note 15)	1,024,683	948,063
Rent in Advance	214,778	206,960
Group Creditor	34,502	-
	<u>2,614,591</u>	<u>2,302,875</u>

Other Creditors includes deferred revenue grant income of £48,524. Deferred revenue grant income represents restricted funding to be released to match related expenditure.

	£
Opening deferred revenue grant	10,790
Received/receivable during the year	76,082
Funding released in line with authorised expenses	(38,348)
Deferred income:	<u>48,524</u>

### 14. Creditors – Amounts falling due after more than one year

	2018	2017
	£	£
Housing Loans (Note 16)	15,929,749	16,693,941
Deferred Capital Grant (Note 15)	41,414,133	41,132,674
	<u>57,343,882</u>	<u>57,826,615</u>

### 15. Deferred capital grant

	2018	2017
	£	£
As at 1 April	42,080,737	40,735,317
Grant receivable	77,923	-
Grant received in year	1,310,127	2,293,483
Repayments	(19,593)	-
Capital grant released	<u>(1,010,378)</u>	<u>(948,063)</u>
At 31 March	<u>42,438,816</u>	<u>42,080,737</u>
Amounts to be released within one year	1,024,683	948,063
Amounts to be released in more than one year	41,414,133	41,132,674
	<u>42,438,816</u>	<u>42,080,737</u>



# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

(Continued)

### 16. Debt analysis - Borrowings

	2018 £	2017 £
Creditors: amounts falling due within one year		
Bank loans	<u>530,289</u>	<u>551,459</u>
Creditors: amounts falling due within one year		
Bank loans	<u>16,063,102</u>	<u>16,693,941</u>

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Bank loans are secured by specific charges on the Association's properties. All loans relate to housing properties. Loans are repayable at rates of interest of 0.72% to 2.43% (2017 – 0.57% to 2.29%). The Association makes quarterly repayments of the bank borrowing.

Based on the lender's earliest repayment dates, borrowings are repayable as follows:

	2018 £	2017 £
Due within one year	530,289	551,459
Due in one year or more but less than two years	535,210	555,802
Due between two and five years	1,635,779	1,693,964
Due more than five years	<u>13,892,113</u>	<u>14,530,741</u>
	<u>16,593,391</u>	<u>17,331,966</u>
Less deferred expenditure relating to loan funding	<u>(133,343)</u>	<u>(86,566)</u>
	<u>16,460,048</u>	<u>17,245,400</u>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

(Continued)

### 17. Provisions

	Holiday Pay £
At 1 April 2017	22,923
Utilised in the year	(22,923)
Provision in the year	25,380
As at 31 March 2018	<u>25,380</u>

#### *Holiday Pay*

This represents holiday accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the statutory cost payable for the period of absence.

### 18. Share Capital & Reserves

	2018 £	2017 £
<i>Share Capital</i>		
Shares of £1 fully paid and issued at 1 April 2017	142	142
Shares issued during year	7	8
Shares cancelled during the year	<u>(14)</u>	<u>(8)</u>
Shares issued at 31 March 2018	<u>135</u>	<u>142</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend 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 Association. Each member has a right to vote at members' meetings.

	Revenue Reserves 2018 £	Revenue Reserves 2017 £
<i>Reserves</i>		
At 1 April 2017	17,795,558	17,528,076
Surplus for year	<u>2,609,104</u>	<u>267,482</u>
At 31 March 2018	<u>20,404,662</u>	<u>17,795,558</u>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

(Continued)

### 19. Housing Stock

	2018 No.	2017 No.
at the year end was:		
General needs - New build	766	757
- Rehabilitation	876	873
Shared Ownership	35	37
Supported Housing	9	9
	<u>1686</u>	<u>1,676</u>

### 20. Cash flow from operating activities

	2018	2017
Surplus for year	2,609,104	253,489
Adjustments for non-cash items:		
Depreciation	2,504,387	2,391,943
Amortisation	(1,010,378)	(948,063)
Holiday pay accrual	2,457	9,657
Rent arrears NPV costs	2,250	4,447
Movement in debtors	109,580	(123,974)
Movement in creditors	248,463	(75,903)
Increase in provisions	(1,302,000)	1,312,000
Share capital cancelled	(14)	(8)
Gain on disposal of tangible fixed assets	542	-
Adjustments for investing or financing activities:		
Interest received	(12,173)	(51,313)
Interest paid	182,939	213,356
	<u>3,335,157</u>	<u>2,985,631</u>

### 21. Capital Commitments

	2018 £	2017 £
Capital expenditure that has been authorised by the Board but has not been contracted for	120,000	-
Capital expenditure that has been contracted for but not provided in the financial statements	<u>7,096,635</u>	<u>7,653,503</u>
Capital commitments are expected to be funded as follows:		
Housing Association Grant	3,251,721	4,409,482
Private finance funding	<u>3,844,914</u>	<u>3,244,021</u>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2018**

**(Continued)**

### 22. Pensions Obligations

#### **Pension Fund**

The Association is a member of the Local Government Pension Scheme (LGPS). The disclosure for the LGPS is as follows:

The last full Actuarial valuation was carried out as at 31 March 2014. The following information is based on updated information. This actuarial valuation of the scheme was carried out by independent actuaries at 31 March 2017 using the following assumptions.

Actuarial assumptions	2018	2017
Rate of increase in salaries	3.6%	4.4%
Expected return on assets	2.7%	2.6%
Discount rate	2.7%	2.6%
Post retirement mortality	Weighted average life expectancy for mortality tables used to determine benefit obligations	Weighted average life expectancy for mortality tables used to determine benefit obligations

The amounts recognised in the balance sheet are as follows:

	2018	2017
	£	£
Present value of funded obligations	(11,437,000)	(12,629,000)
Fair value of plan assets	9,400,000	9,290,000
Net Liability	(2,037,000)	(3,339,000)

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2018**

**(Continued)**

### 22. Pensions Obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Defined Benefit Plans	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Opening defined benefit obligation	12,629,000	9,558,000
Service cost	378,000	264,000
Member Contributions	75,000	76,000
Interest cost	330,000	335,000
Actuarial loss/(gain)	(1,696,000)	2,668,000
Loss on curtailment	-	-
Past service costs	-	-
Benefits paid	(279,000)	(272,000)
Closing defined benefit obligation	11,437,000	12,629,000

Changes in the fair value of plan assets are as follows:

Defined Benefit Plans	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Opening plan assets	9,290,000	7,531,000
Expected return on assets	241,000	264,000
Actuarial (losses)/gains	(129,000)	1,486,000
Contributions by employer	202,000	205,000
Contributions by members	75,000	76,000
Benefits paid	(279,000)	(272,000)
Closing plan assets	9,400,000	9,290,000

The amounts recognised in income and expenditure account are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Current service cost	378,000	264,000
Interest on obligation	330,000	335,000
Expected return on plan assets	(241,000)	(264,000)
Loss on curtailments	-	-
Total	467,000	335,000

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2018**

**(Continued)**

### 22. Pensions Obligations (continued)

Changes in the amounts recognised in the statement of total recognised gains and (losses) are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Opening cumulative STRGL	(447,000)	(1,629,000)
Actuarial (losses)	1,567,000	1,182,000
	1,120,000	(447,000)

The major categories of plan assets as a percentage of total plan assets are as follows:

	<b>2018</b>	<b>2017</b>
Equities	70%	73%
Properties	18%	12%
Bonds	11%	10%
Other	1%	5%

The history of experience gains and losses is as follows:

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Difference between expected and actual return on scheme assets					
Amount £	(129,000)	1,486,000	(44,000)	134,000	97,000
Percentage of scheme assets	1.3%	15.9%	0.58%	1.83%	1.32%
Experience (loss)/gain arising on scheme liability					
Amount £	1,112,000	-	146,000	122,000	4,000
Percentage of scheme liabilities	11%	-	1.53%	1.18%	-
Total amount of actuarial (loss)/gain					
Amount £	(1,567,000)	1,182,000	1,103,000	1,113,000	243,000
Percentage of scheme liability	16%	12.4%	11.54%	10.84%	2.85%

The estimated Employer's contributions for the period to 31 March 2019 will be approximately £202,000.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2018**

**(Continued)**

### **23. Related Parties**

During the year seven (2017: Seven) Committee of Management members were also tenants of the Association. Their tenancies are on normal commercial terms. During the year £27,339 (2017: £26,345) of rent was receivable from these tenant members. At the year-end there were £818 (2017: £668) of rent arrears due from these tenant members.

Amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2017: £nil) in respect of bad debts from related parties.

Parkhead Housing Association's Chief Executive currently serves as acting-Chair of Playbusters, a local charitable organisation. This is a voluntary role and attracts no remuneration. During the year Playbusters provided services regarding the community gardens of £1,500 (2017: £nil). This invoice has been paid and there are no balances with this related party at year end.

Transactions between Parkhead Housing Association and its subsidiary are as follows:

Parkhead Development Company provided £421,854 of services to Parkhead Housing Association (2017: £183,124). The group creditor of £34,502 includes £30,593 (2017: £33,664) representing services invoiced but not yet paid for.

Grant funding was received by Parkhead Housing Association in the year for 2 members of Parkhead Development Company staff. Income from other activities includes £23,031 (2017: £nil) of grant funding and other operating costs includes a grant of £23,031 (2017: £nil) to Parkhead Development Company to fund their employment. The group creditor includes £3,829 outstanding funding payable to Parkhead Development Company.

Income from other activities includes rent of £2,400 (2017: £1,000) and professional services fees of £6,000 (2017: £nil). Additionally, there were recharged operating costs during the year of £13,924 (2017: £32,791). The group creditor includes £3,526 of invoices raised but not yet paid (2017: £852).

All transactions were carried out under normal commercial terms.

Other creditors also includes £180 (2017: £nil) due to subsidiary company, Parkhead Development Company.