

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2019**

**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**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2019**

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# **PARKHEAD HOUSING ASSOCIATION LIMITED**

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

**YEAR ENDED 31 MARCH 2019**

### **THE BOARD**

Elizabeth Kennedy	Chairperson	Vikki McCall	
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		Paul Murphy	
Adele Edwards		Tim McGraw	(Appointed 29 May 2019)
Matthew Reid	Secretary		

### **EXECUTIVE OFFICERS**

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

### **REGISTERED OFFICE**

John Ferguson House  
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**

## **REPORT OF THE BOARD**

**AS AT 31 MARCH 2019**

The Board present their report and audited financial statements for the year ended 31 March 2019.

### **Principal activities**

The principal activity of Parkhead Housing Association Limited 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 (RSL).

The table below shows the properties that we own and manage:

	<b>2019</b>	<b>2018</b>
<b>Managed Property Numbers (7 Special needs)</b>		
Tenanted Property (Inc 2 wardens)	1,652	1,651
Shared Ownership Properties	35	35
Factored properties	339	339
Total	<u>2,026</u>	<u>2,025</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 2019**

**(Continued)**

### **Review of the Business and future developments**

Last year this section started off by stating “the challenges facing the sector are many and will only get more so as the years progress”. This prophesy is being fulfilled, sadly, as the months have passed and the continued impacts of the political environment are being felt by our community and others across the land, the future is increasingly becoming more unpredictable.

The next few months in particular may very well bring even more uncertainty and with it significant additional or an expansion of some existing highlighted risks to the Association. Yet despite these pressures Parkhead Housing Association continues to perform exceptionally well in all its operational and strategic areas and this strong performance will ensure that no matter what the future actually brings, the business is in excellent shape not only to deal with these stormy waters but also to take advantage of the opportunities that may present themselves in the future.

Over the year the Association has continued its drive to ensure its governance structures and practices are to the very highest of standards, and that its engagement with its customer base is strong and relevant to the needs, not only, of the business, as it goes forward, but also meets the needs of the community.

Our financial base continues to be strong with an increased turnover of £8,511,880 from £8,149,490 last year. The details in these accounts are testimony to how hard the whole organisation has worked to ensure sound financial controls as well as sound operational and strategic direction.

A key element in Association’s success over the years has been its robust approach to business planning. This is year two, of a five-year business plan launched at the last AGM. This plan is reviewed annually to ensure the targets set down in it are indeed met and for any changes that might be required as a result of the wider political environment highlighted at the very start of this section.

The year just ended saw the completion of the Quarrybrae school site and the provision of 60 new family homes for the East End. This site also contains the Associations’ first venture into the provision of mid-market rent. This is a project of which the Association is justly proud. The coming years will see a start to a new development on Helenvale Street, another providing much need homes for social rent to those on the waiting list, the transfer list and to those homeless within the City.

The Association now has two trading subsidiaries: -

The Parkhead Development Company now into its third year of operation has eventually settled down and is now employing 22 people. From a standing start of 9 the company has employed mostly local people, and as such it’s making a very positive impact not only on the areas the Company maintains but also the wider community. The Board of the development company after a period of consolidation will now look to the future to see what areas of expansion are available to it with the clear objective of creating sustainable employment opportunities for the community.

The Parkhead Lettings Company operates the 8 mid-market properties on the Quarrybrae school site and has literally just started operations. A more detailed report on its activities will be included in next annual report. However, the important point is that both subsidiaries’ profits all go back to the Association. The opening of the Parkhead School on Westmuir Street has been a huge effort from the Association and this completely refurbished centre of community activity will continue to expand over the years starting with the opening of the café on the ground floor over the next few months.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

**AS AT 31 MARCH 2019**

**(Continued)**

### **Review of the Business and future developments (Cont'd)**

Further work to restore the old drill hall will happen soon and the opening of a local pantry operation will be a major feature. This will be in essence a local Community shop selling provisions of all kinds at considerable reduced rates. This is a key part of the Association's social responsibility role to help keep living costs as low as it can, tackling food poverty and isolation within the Community. Other areas such as the Welfare rights service, the financial, digital and fuel inclusion services are also other important features in this area of the Association's activities over the last year and as it goes forward into the future.

The Association is rightly proud of its support of other local organisations and it will continue to provide support services to these groups in a way that meets their operational needs of these much needed and well-respected organisations. This is part of the Parkhead alliance plans the Association is keen to develop. In essence an umbrella organisation where local independent groups can work in unison, in their own way and in their own areas of expertise in a co-ordinated way to maximise the wider positive impact they make.

The Association works with a range of Partners on a whole series of subjects, including the environment. This is an area that many of the Association's tenants rightly raise as a major concern of theirs as it is ours. On a regular basis the issue of bin collection, street sweeping and bulk uplifts, acres out with the control of the Association are highlighted to the local authority, and it has to be said with varying levels of success.

Last year this section highlighted the Parkhead Charrette Report. It's sad to say that's despite the Association standing full square behind its outcomes and recommendations nothing has happened as result. This is still a key area for the Association in the year ahead.

Investment in the Association's prime assets over the last year has been to plan, these, asset being the homes its tenants live in and the people charged with running the business, the Association's staff. Detailed planning has been used to ensure these investments levels are maintained and the forward programs will be funded and implemented. The training and development of its staff is as important to the association as its investment in bricks and mortar. By doing so the Association will ensure its tenants will always receive the best possible service delivered by well equipped, compassionate and motivated staff.

The Board has reviewed the results for this year and has reviewed the financial projections for the next five years. These include proposed development and improvement to the current housing stock. The funding requirements for this work have also been considered. The Board has concluded that the present arrangements in place for the association are adequate for the Association to meet its liabilities as they fall due for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

### **The Board**

The members of the Board during the year to the 31 March 2019 and up to the date of approval of the financial statements were:

Elizabeth Kennedy	Chairperson	Vikki McCall	
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		Paul Murphy	



# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

**AS AT 31 MARCH 2019**

**(Continued)**

### **Review of the Business and future developments (Cont'd)**

Adele Edwards  
Matthew Reid Secretary  
Danielle Lynch (Resigned 31 December 2018)

Radka Filkasoua (Resigned 19 November 2018)  
Tim McGraw (Appointed 29 May 2019)

### **Executive Officers**

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

### **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. Social Responsibility**

The Association has always been more than bricks and mortar. The wider role operation has developed into its Social responsibility agenda and includes actions to help mitigate poverty in all its forms, creating sustainable employment, improving where it can, the health and wellbeing of its tenants both physical and mental to help tackle education inequalities that still to this day blight many of the East End's young people. The physical environment, so important a part of creating a safe and secure community are all key objectives as the Association moves forward.

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 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 has identified the main areas of risk for the Association under the headings of Corporate Objectives (Governance), Economic, Political, Reputational, Operational, Technological and

## **PARKHEAD HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE BOARD**

**AS AT 31 MARCH 2019**

**(Continued)**

#### **Review of the Business and future developments (Cont'd)**

Health. The Board have identified specific controls around these controls in order to mitigate the risk to an acceptable level, assurance is gained on the effectiveness of these controls through a combination of internal and external validations, and these are reviewed by the Board.

- The Association holds a full strategic risk register. The key risks identified during the year and their mitigation is as follows:
  - Changes to Welfare Benefit – Operational/Economic/Political
    - The risk is associated with potential higher rent arrears. The Association has reduced Housing Officer patch sizes to refocus on arrears and tenancy sustainability. Also, the creation of a Financial Inclusion Officer role through the Big Lottery funding to provide advice and to work closely and support tenants.
  - Political - changes in housing policy, changes to housing grant funding, BREXIT uncertainty and universal credit.
    - The Association annually reviews and monitors its five and thirty- year budgets. Senior management and Board regularly political horizon scan to ensure they are aware of any potential political changes that affect social policy.
  - Reputational – damage due to bad publicity
    - Robust corporate governance practices that ensure openness and transparency throughout the Association.
    - Ensuring the delivery of the Associations social purpose and core operational objectives that meet the needs and expectations of our tenants.

#### **Related Party Transactions**

Six (2018: Seven) 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 subsidiaries, Parkhead Development Company and Parkhead Letting 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 (2018: 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.



## **PARKHEAD HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE BOARD**

**AS AT 31 MARCH 2019**

**(Continued)**

#### **Review of the Business and future developments (Cont'd)**

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.

#### **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.

#### **Pension Obligations**

The pension liability included in these financial statements does not include the potential effects of the McCloud judgement given the uncertainty surrounding the final situation in terms of employer pension liabilities and the financial impact of this.

#### **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.

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**REPORT OF THE BOARD**

**AS AT 31 MARCH 2019**

**(Continued)**

**Review of the Business and future developments (Cont'd)**

**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.


**Disclosure of information to the auditors**

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.

**Auditors**

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

On behalf of the Board



Matthew Reid  
Secretary

Date: 24th Aug 2019

## **PARKHEAD HOUSING ASSOCIATION LIMITED**

### **STATEMENT OF THE BOARD RESPONSIBILITIES UNDER THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014 FOR A REGISTERED SOCIAL LANDLORD**

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require The Board 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 Board 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 Board is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Board 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 2019] 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.

By order of the Board



Matthew Reid  
Secretary

Date: 27 AUG 2014

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

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

### **FINANCIAL CONTROL**

**31 MARCH 2019**

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 2019. 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: 29th April 2019



**PARKHEAD HOUSING ASSOCIATION LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**PARKHEAD HOUSING ASSOCIATION LIMITED**  
**ON CORPORATE GOVERNANCE MATTERS**

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 11 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 LLP*

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

Date *19/9/19*



**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 2019 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 2019 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 – 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 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.

**PARKHEAD HOUSING ASSOCIATION LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**PARKHEAD HOUSING ASSOCIATION LIMITED**

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.

**Opinion on other matters under the Co-operative and Community Benefit Societies Act 2014**

In our opinion, the following continued to apply throughout the year of account:

- the reason given by the Board in respect of a previous year of account for subsidiaries to not be dealt with in the financial statements (having been approved by the FCA under section 99, subsection (3)); and
- the grounds given by the Board for that reason.

**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.

**PARKHEAD HOUSING ASSOCIATION LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**PARKHEAD HOUSING ASSOCIATION LIMITED**

**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*

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

Date *19/9/19*

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £	2018 £
<b>Turnover</b>	2	8,511,880	8,149,490
Operating costs	2	<u>(7,192,511)</u>	<u>(6,844,829)</u>
<b>Operating surplus</b>	2	1,319,369	1,304,661
Gain on Disposal of Housing Accommodation		(2,219)	(542)
Interest receivable		43,295	12,174
Interest and financing costs	4	(315,861)	(185,189)
Other finance costs	22	<u>(57,500)</u>	<u>(89,000)</u>
<b>Surplus on ordinary activities before tax</b>		987,084	1,042,104
Taxation on deficit on ordinary activities	5	<u>-</u>	<u>-</u>
<b>Operating surplus for year</b>	6	<u>987,084</u>	<u>1,042,104</u>
Actuarial (loss)/gain in respect of pension scheme		<u>(692,000)</u>	<u>1,567,000</u>
<b>Total Comprehensive Income for the year</b>		<u>295,084</u>	<u>2,609,104</u>

All amounts relate to continuing activities.

# PARKHEAD HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	£	2019 £	2018 £
<b>Tangible Fixed Assets</b>				
Housing properties	9a		77,227,442	72,865,626
Other Fixed Assets	9b		1,380,322	1,195,187
Investments	10		101	100
			<u>78,607,865</u>	<u>74,060,913</u>
<b>Current Assets</b>				
Trade and other debtors	11	896,356		505,584
Cash and cash equivalents		<u>11,832,554</u>		<u>7,859,154</u>
		12,728,910		8,364,738
<b>Current Liabilities</b>				
<b>Creditors</b> - Amounts falling due within one year	12	<u>3,323,883</u>		<u>2,614,591</u>
<b>Net current assets</b>			<u>9,405,027</u>	<u>5,750,147</u>
<b>Total Assets Less Current Liabilities</b>			88,012,892	79,811,060
<b>Creditors</b> – amount falling due after more than one year	13		(64,292,656)	(57,343,882)
Provisions for liabilities:				
Pension provision	22		(2,992,000)	(2,037,000)
Other provisions	16		<u>(28,361)</u>	<u>(25,380)</u>
<b>Net assets</b>			<u>20,699,875</u>	<u>20,404,797</u>
<b>Capital and reserves</b>				
Share capital	18		130	135
Revenue reserves	18		<u>20,699,745</u>	<u>20,404,662</u>
			<u>20,699,875</u>	<u>20,404,797</u>

These financial statements on pages 16 to 41 were approved and authorised for issue by the Board on 19.04.19 and signed on their behalf by:

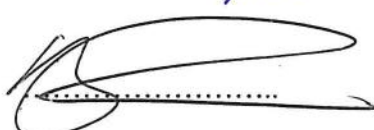
Board Member:



Board Member:



Secretary:





# PARKHEAD HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS

YEAR TO 31 MARCH 2019

	Notes	2019 £	2018 £
<b>Net cash provided by/(used in) operating activities</b>	20	<u>3,271,168</u>	<u>3,335,157</u>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets	(6,959,216)		(2,529,425)
Proceeds of disposal of tangible fixed assets	-		4,474
Interest received	43,295		12,173
HAG repaid	-		(12,900)
HAG received	<u>3,672,593</u>		<u>1,310,127</u>
<b>Net cash provided by/(used in) investing activities</b>		(3,243,328)	(1,215,551)
<b>Cash flow from financing activities</b>			
Interest paid	(315,861)		(182,939)
New secured loans	5,000,000		-
Repayments of borrowings	(738,584)		(738,584)
Issue of share capital	<u>5</u>		<u>7</u>
<b>Net cash provided by/(used in) financing activities</b>		<u>3,945,560</u>	<u>(921,516)</u>
<b>Net change in cash and cash equivalents</b>		3,973,400	1,198,090
Cash and cash equivalents at the beginning of the year		<u>7,859,154</u>	<u>6,661,064</u>
Cash and cash equivalents at the end of the year		<u>11,832,554</u>	<u>7,859,154</u>
<b>Analysis of cash and cash equivalents</b>			
Cash in hand		11,832,554	7,859,154
Notice deposits (less than 3 months)		<u>-</u>	<u>-</u>
<b>Total cash and cash equivalents</b>		<u>11,832,554</u>	<u>7,859,154</u>

Further details are given in note 20.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

**AS AT 31 MARCH 2019**

### **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.

The financial statements are prepared in Sterling (£).

### **1.2 Consolidation**

The Association and its subsidiary undertakings comprise of 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 2019**

**(Continued)**

### **1.4 Going Concern**

The Board has reviewed the results for this year and has reviewed the financial projections for the next 5 years. These include proposed development and improvement to current housing stock. The funding requirements required for this work have also been considered

On that basis the Board of Directors 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 and service charge income 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 Other Income**

#### *Interest income*

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

**AS AT 31 MARCH 2019**

**(Continued)**

### **1.9 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.

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
Housing Properties under Construction	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 2019**

**(Continued)**

### **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 2019**

**(Continued)**

### **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 2019**

**(Continued)**

### **1.17 Financial Instruments (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.

##### ***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 Contingent Liabilities**

A contingent liability is either a possible, but uncertain, obligation or a present obligation that is not recognised because it fails to meet the recognition criteria of a provision as outlined in 1.18. As required by FRS 102, disclosures of a contingent liability will be made unless the possibility of an outflow of resources is remote. The Association does not recognise a contingent liability but discloses its existence in the financial statements.

### **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.'

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2019

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)

		Turnover	Operating Costs £	Operating Surplus/ (deficit) £	Operating Surplus/ (deficit) 2018 £
<b>Affordable letting activities</b>	3a	8,072,156	6,503,575	1,568,581	1,511,241
<b>Other Activities</b>	3b	439,724	688,936	(249,212)	(206,580)
<b>Total</b>		<u>8,511,880</u>	<u>7,192,511</u>	<u>1,319,369</u>	<u>1,304,661</u>
<b>Total for previous reporting period</b>		<u>8,149,490</u>	<u>6,844,829</u>	<u>1,304,661</u>	

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2019

(Continued)

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

	General Needs Housing	Supported Social Housing	Shared Ownership Housing	2019	2018 Total
	£	£	£	£	£
<b>Income from lettings</b>					
Rent receivable net of identifiable service charges	6,437,931	284,825	84,949	6,807,705	6,613,262
Service charges receivable	262,273	-	-	262,273	258,819
Gross Rents Receivable	6,700,204	284,825	84,949	7,069,978	6,872,081
<b>Less: Rent Losses from Voids</b>	<b>(40,469)</b>	<b>-</b>	<b>-</b>	<b>(40,469)</b>	<b>(28,330)</b>
<b>Net Rents Receivable</b>	<b>6,659,735</b>	<b>284,825</b>	<b>84,949</b>	<b>7,029,509</b>	<b>6,843,751</b>
Grants released from deferred income	1,008,327	-	27,667	1,035,994	1,010,378
Grants received	6,653	-	-	6,653	48,110
<b>Total income from Affordable Letting Activities</b>	<b>7,674,715</b>	<b>284,825</b>	<b>112,616</b>	<b>8,072,156</b>	<b>7,902,239</b>
<b>Expenditure on Affordable Letting Activities</b>					
Service costs	336,755	-	-	336,755	232,515
Management and maintenance administration costs	1,260,686	13,610	93,132	1,367,428	1,360,733
Planned and cyclical maintenance including major repair costs	1,581,740	5,196	-	1,586,936	1,613,375
Reactive maintenance costs	695,660	7,374	-	703,034	750,921
Bad debts – rents and service charges	47,109	-	-	47,109	23,190
Depreciation of social housing	2,428,710	-	33,603	2,462,313	2,410,264
<b>Operating costs for Affordable Letting Activities</b>	<b>6,350,660</b>	<b>26,180</b>	<b>126,735</b>	<b>6,503,575</b>	<b>6,390,998</b>
<b>Operating Surplus on Affordable Letting Activities</b>	<b>1,324,055</b>	<b>258,645</b>	<b>(14,119)</b>	<b>1,568,581</b>	<b>1,511,241</b>
<b>2018</b>	<b>1,262,901</b>	<b>253,211</b>	<b>(4,871)</b>	<b>1,511,241</b>	

The rent loss from voids of £40,469 (2018: £28,330) includes £nil (2018: £nil) in respect of development voids.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2019**

**(Continued)**

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or deficit	Operating surplus or deficit for previous period of account
	£	£	£	£	£	£	£	£	£
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	-	-	-	56,448	56,448	-	56,448	-	-
Support activities	-	-	29,577	-	29,577	-	8,803	20,774	(54,247)
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	-	-	-	233,579	233,579	-	500,493	(266,914)	(149,076)
Restricted Big Lottery	-	-	-	120,120	120,120	-	123,192	(3,072)	(3,257)
<b>Total from other activities</b>	-	-	29,577	410,147	439,724	-	688,936	(249,212)	-
<b>2018</b>	-	-	17,845	229,406	247,251	-	453,831	(206,580)	-



# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2019

(Continued)

**4. Interest payable and financing costs**

	2019	2018
	£	£
Interest on loans	315,790	182,939
Rent arrears NPV charge	71	2,250
	<u>315,861</u>	<u>185,189</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**

	2019	2018
	£	£
Operating surplus is stated after charging/(crediting):		
Depreciation of housing properties	2,462,313	2,410,264
Depreciation of other tangible fixed assets:		
- owned	116,404	94,124
(Surplus)/deficit on disposal of tangible fixed assets	<u>(2,219)</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>12,514</u>	<u>15,522</u>

**7. Key Management Personnel**

The key management personnel are the Chief Executive, Director of Corporate Services and Director of Operations. 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 2019

(Continued)

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

	2019 No.	2018 No.
£60,000 - £70,000	-	2
£70,000 - £80,000	2	-
£80,000 - £90,000	1	1
	<u>1</u>	<u>1</u>
	£	£
Emoluments payable to Chief Executive (excluding pension contributions)	85,594	81,966
Emoluments payable to other key management personnel	142,080	135,568
Employers NIC	27,930	26,638
Pension contributions to a defined contribution scheme	27,421	26,165
	<u>283,025</u>	<u>270,337</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

	2019 No.	2018 No.
The average full-time equivalent number of persons (including key management personnel) employed during the year was:	<u>32.5</u>	<u>32</u>
Staff Costs were:	£	£
Wages and Salaries	1,347,851	1,300,138
Social Security Costs	135,801	127,973
Pension Costs	412,932	375,761
	<u>1,896,584</u>	<u>1,803,872</u>

Included in the pension costs total is a net service cost expense of £205,000 (2018: £176,000).

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2019  
(Continued)

### 9a. Tangible Fixed Assets

Housing Properties	Housing Properties Held for Letting £	Housing Properties Under Construction £	Completed Shared Ownership Properties £	Total £
<b>Cost</b>				
At 1 April 2018	103,422,496	1,816,353	1,680,130	106,918,978
Properties acquired	27,000	-	-	27,000
Works to existing properties	722,932	6,074,195	-	6,797,127
Schemes completed	603,056	(603,056)	-	-
Disposals in year	(96,945)	-	-	(96,945)
<b>At 31 March 2019</b>	<u>104,678,539</u>	<u>7,287,492</u>	<u>1,680,130</u>	<u>113,646,160</u>
<b>Depreciation and impairment</b>				
At 1 April 2018	33,072,007	-	981,345	34,053,352
Provided during year	2,428,709	-	33,602	2,462,311
Disposals	(96,945)	-	-	(96,945)
<b>At 31 March 2019</b>	<u>35,403,771</u>	<u>-</u>	<u>1,014,948</u>	<u>36,418,718</u>
<b>Net Book Value</b>				
<b>As at 31 March 2019</b>	<u>69,274,768</u>	<u>7,287,492</u>	<u>665,182</u>	<u>77,227,442</u>
As at 31 March 2018	<u>70,350,448</u>	<u>1,816,353</u>	<u>698,785</u>	<u>72,865,626</u>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2019

(Continued)

### 9a. Tangible Fixed Assets (cont'd)

During the year there was £962,204 (2018: £1,304,685) of spend on cyclical/planned repair works, £221,208 (2018: £486,392) of which was capitalised. Out of this capitalised spend £129,681 (2018: £409,113) related to component replacements and £91,527 (2018: £77,279) related to improvements.

Other works to existing properties includes capitalised repairs to buyback properties of £nil (2018: £376,815) and adaptation spend of £57,905 (2018: £60,647).

All Housing Properties are freehold.

### 9 b. Tangible Fixed Assets

#### Other fixed assets

	Land Bank £	Commercial And Office Premises £	Computer Office Furniture & Equipment £	Total £
<b>Cost</b>				
At 1 April 2018	22,885	1,753,474	379,172	2,155,531
Additions	-	121,431	182,327	303,758
Disposal	-	-	(35,866)	(35,866)
<b>At 31 March 2019</b>	<u>22,885</u>	<u>1,874,905</u>	<u>525,633</u>	<u>2,423,423</u>
<b>Depreciation</b>				
At 1 April 2018	-	645,805	314,539	960,344
Charge for year	-	50,615	65,789	116,404
On disposals	-	-	(33,647)	(33,647)
<b>At 31 March 2019</b>	<u>-</u>	<u>696,420</u>	<u>346,681</u>	<u>1,043,101</u>
<b>Net Book Value</b>				
<b>As at 31 March 2019</b>	<u>22,885</u>	<u>1,178,485</u>	<u>178,952</u>	<u>1,380,322</u>
<b>As at 31 March 2018</b>	<u>22,885</u>	<u>1,107,669</u>	<u>64,633</u>	<u>1,195,187</u>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2019**  
(Continued)

### 10. Investments

	2019 £	2018 £
<b>Cost</b>		
At 1 April and 31 March	<u>101</u>	<u>100</u>

Investments consist of 100 Ordinary A Shares of £1 each in Parkhead Development Limited and 1 £1 Ordinary A share in new subsidiary, Parkhead Lettings Company.

The Association controls 100% of the voting share in each subsidiary. Both subsidiaries are registered in Scotland. The capital and reserves total at 31 March 2019 are £31,155 (2018: £27,470) and -£14 (2018: £nil) respectively.

### 11. Debtors

	2019 £	2018 £
Arrears of Rent and Service Charges	353,883	290,759
Less: Provision for Doubtful Debts	(89,973)	(72,690)
Less: Discounting of payment plans > 12 months	<u>(30,201)</u>	<u>(30,130)</u>
	233,709	187,939
 Trade Debtors	 16,634	 8,737
Other Debtor	464,829	142,708
Group Debtor	45,090	3,526
Prepayments	<u>136,094</u>	<u>162,673</u>
	<u>896,356</u>	<u>505,584</u>

Included in the figure for rent and service charge arrears is £58,732 (2018: £43,912) due in respect of housing benefits payments.

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2019

(Continued)

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

	2019	2018
	£	£
Housing Loans (Note 16)	522,473	530,289
Trade Creditors	831,866	279,079
Other Creditors	226,119	99,947
Accrued Charges	451,323	431,313
Deferred capital grants (note 15)	1,026,535	1,024,683
Rent in Advance	207,726	214,778
Group Creditor	57,842	34,502
	<u>3,323,883</u>	<u>2,614,591</u>

Other creditors includes £85,713 of Big Lottery Funding for capital expenditure which is being released in line with depreciation of the related assets.

	£
Opening deferred revenue grant	48,524
Received/receivable during the year	160,774
Funding released in line with authorised expenses	(68,078)
Deferred income:	<u>141,220</u>

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

	2019	2018
	£	£
Housing Loans (Note 15)	20,153,738	15,929,749
Deferred Capital Grant (Note 14)	44,138,918	41,414,133
	<u>64,292,656</u>	<u>57,343,882</u>

### 14. Deferred capital grant

	2019	2018
	£	£
As at 1 April	42,438,816	42,080,737
Grant receivable	90,038	77,923
Grant received in year	3,672,593	1,310,127
Repayments	-	(19,593)
Capital grant released	(1,035,994)	(1,010,378)
At 31 March	<u>45,165,453</u>	<u>42,438,816</u>
Amounts to be released within one year	1,026,535	1,024,683
Amounts to be released in more than one year	44,138,918	41,414,133
	<u>45,165,453</u>	<u>42,438,816</u>



# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2019**  
**(Continued)**

### 15. Debt analysis - Borrowings

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Creditors: amounts falling due within one year		
Bank loans	<u>522,473</u>	<u>530,289</u>
Creditors: amounts falling due within one year		
Bank loans	<u>20,332,325</u>	<u>16,063,102</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 1.048% to 3.05% (2018 – 0.72% to 2.43%). The Association makes quarterly repayments to capital repayment facilities and monthly repayments on one interest only facility.

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Due within one year	522,473	530,289
Due in one year or more but less than two years	529,847	535,210
Due between two and five years	2,026,505	1,635,779
Due more than five years	<u>17,775,973</u>	<u>13,892,113</u>
	<u>20,854,798</u>	<u>16,593,391</u>
Less deferred expenditure relating to loan funding	<u>(178,587)</u>	<u>(133,343)</u>
	<u>20,676,211</u>	<u>16,460,048</u>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2019**  
(Continued)

### 16. Provisions

	Holiday Pay £
At 1 April 2018	25,380
Utilised in the year	(25,380)
Provision in the year	28,361
As at 31 March 2019	<u>28,361</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.

### 17. Contingent Liability

Legal proceedings were still ongoing at the date of signing of these financial statements regarding adjudication decision for 9 Whitby Street Fire Damage reinstatement works and External stonework contract, the result of which remains uncertain.

The latest legal claim is £383,000 however Parkhead Housing Association expects a maximum outflow of £200,000.

### 18. Share Capital & Reserves

	2019 £	2018 £
<i>Share Capital</i>		
Shares of £1 fully paid and issued at 1 April 2018	135	142
Shares issued during year	5	7
Shares cancelled during the year	<u>(10)</u>	<u>(14)</u>
Shares issued at 31 March 2019	<u>130</u>	<u>135</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.

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2019**  
(Continued)

**18. Share Capital & Reserves (cont'd)**

	<b>Revenue Reserves 2019 £</b>	<b>Revenue Reserves 2018 £</b>
<i>Reserves</i>		
At 1 April 2018	20,404,662	17,795,558
Surplus for year	295,084	2,609,104
	<hr/>	<hr/>
At 31 March 2019	<u>20,699,745</u>	<u>20,404,662</u>

**19. Housing Stock**

	<b>2019 No.</b>	<b>2018 No.</b>
at the year end was:		
General needs - New build	766	766
- Rehabilitation	877	876
Shared Ownership	35	35
Supported Housing	9	9
	<hr/>	<hr/>
	<u>1,687</u>	<u>1,686</u>

**20. Cash flow from operating activities**

	<b>2019</b>	<b>2018</b>
Surplus for year	295,084	2,609,104
Adjustments for non-cash items:		
Depreciation	2,578,716	2,504,387
Amortisation	(1,035,994)	(1,010,378)
Holiday pay accrual	2,981	2,457
Rent arrears NPV costs	71	2,250
Movement in debtors	(518,127)	109,580
Movement in creditors	718,733	248,463
Movement in provisions	955,000	(1,302,000)
Share capital cancelled	(10)	(14)
Gain on disposal of tangible fixed assets	2,219	542
Adjustments for investing or financing activities:		
Interest received	(43,295)	(12,173)
Interest paid	315,790	182,939
	<hr/>	<hr/>
	<u>3,271,168</u>	<u>3,335,157</u>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2019

(Continued)

### 21. Capital Commitments

	2019 £	2018 £
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	949,824	7,096,635
Capital commitments are expected to be funded as follows:		
Housing Association Grant	-	3,251,721
Private finance funding	949,824	3,844,914

### 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 2019 using the following assumptions.

Actuarial assumptions	2019	2018
Rate of increase in salaries	3.7%	3.6%
Expected return on assets	2.4%	2.7%
Discount rate	2.4%	2.7%
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:

	2019	2018
	£	£
Present value of funded obligations	(13,015,000)	(11,437,000)
Fair value of plan assets	10,023,000	9,400,000
Net Liability	(2,992,000)	(2,037,000)

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2019

(Continued)

### 22. Pensions Obligations (cont'd)

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

Defined Benefit Plans	2019	2018
	£	£
Opening defined benefit obligation	11,437,000	12,629,000
Service cost	412,000	378,000
Member Contributions	77,000	75,000
Interest cost	312,000	330,000
Actuarial loss/(gain)	998,000	(1,696,000)
Loss on curtailment	-	-
Past service costs	-	-
Benefits paid	(221,000)	(279,000)
Closing defined benefit obligation	13,015,000	11,437,000

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

Defined Benefit Plans	2019	2018
	£	£
Opening plan assets	9,400,000	9,290,000
Expected return on assets	254,000	241,000
Actuarial (losses)/gains	306,000	(129,000)
Contributions by employer	207,000	202,000
Contributions by members	77,000	75,000
Benefits paid	(221,000)	(279,000)
Closing plan assets	10,023,000	9,400,000

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

	2019	2018
	£	£
Current service cost	412,000	378,000
Interest on obligation	312,000	330,000
Expected return on plan assets	(254,000)	(241,000)
Loss on curtailments	-	-
Total	470,000	467,000

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2019**  
**(Continued)**

### 22. Pensions Obligations (cont'd)

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

	2019 £	2018 £
Opening cumulative STRGL	1,120,000	(447,000)
Actuarial (losses)	(692,000)	1,567,000
	428,000	1,120,000

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

	2019	2018
Equities	64%	70%
Properties	10%	11%
Bonds	24%	18%
Other	2%	1%

The history of experience gains and losses is as follows:

	2019	2018	2017	2016	2015
Difference between expected and actual return on scheme assets					
Amount £	306,000	(129,000)	1,486,000	(44,000)	134,000
Percentage of scheme assets	3.1%	1.3%	15.9%	0.58%	1.83%
Experience (loss)/gain arising on scheme liability					
Amount £	-	1,112,000	-	146,000	122,000
Percentage of scheme liabilities	-	11%	-	1.53%	1.18%
Total amount of actuarial (loss)/gain					
Amount £	692,000	(1,567,000)	1,182,000	1,103,000	1,113,000
Percentage of scheme liability	7%	16%	12.4%	11.54%	10.84%

The estimated Employer's contributions for the period to 31 March 2019 will be approximately £207,000.

The pension liability included in these financial statements does not include the potential effects of the McCloud judgement given the uncertainty surrounding the final situation in terms of employer pension liabilities and the financial impact of this.



# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2019**  
**(Cont'd)**

### **23. Related Parties**

During the year six (2018: Seven) members of the board were also tenants of the Association. Their tenancies are on normal commercial terms. During the year £22,412 (2018: £27,339) of rent was receivable from these tenant members. At the year-end there were £1,308 (2018: £818) 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 (2018: £nil) in respect of bad debts from related parties.

During the year Parkhead Housing Association provided monthly payroll services free of charge to Parkhead Youth Project, a local charity which is also a tenant at Parkhead Schoolhouse.

During the year Parkhead Housing Association provided monthly payroll services free of charge for North East Foodbank, a local charity which has a number of our employee's on its board. Additionally, food storage space at Parkhead Schoolhouse was gifted during the year to assist this charity.

Parkhead Housing Association's Chief Executive resigned on 26 February 2019 as acting-Chair of Playbusters, a local charitable organisation. This was a voluntary role and attracted no remuneration. During the financial year Playbusters provided services regarding the community gardens of £nil (2018: £1,500), Parkhead Housing Association provided third party funding of £1,059.95 (2018: £nil) to make up a shortfall to unlock funding for the charity as well as monthly payroll and management accounting services free of charge. Additionally, Parkhead Housing Association purchased £1,124 of goods/services on behalf of Playbusters, recharged at cost. Other debtors include £1,054 due in respect of these recharges (2018: £nil).

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

Parkhead Development Company provided £444,066 of services to Parkhead Housing Association (2018: £421,854). The group creditor of £57,842 includes £48,093 (2018: £30,593) representing services invoiced but not yet paid for.

Grant funding was received by Parkhead Housing Association in the year for Parkhead Development Company staff. Income from other activities includes £43,777 (2018: £23,031) of grant funding and other operating costs includes a grant of £43,777 (2018: £23,031) to Parkhead Development Company to fund their employment. The group creditor includes £2,203 (2018: £3,526) outstanding funding payable to Parkhead Development Company.

Income from other activities includes rent of £2,400 (2018: £2,400) and professional services fees of £600 (2018: £6,000). Additionally, there were recharged operating costs during the year of (2018: £13,924). The group debtor of £14,740 includes £12,147 of invoices raised but not yet paid (2018: £3,526).

All transactions were carried out under normal commercial terms.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2019**

**(Cont'd)**

Subsidiary Parkhead Development Company elected to gift aid £32,000 of its 2017/18 profits and £30,350 of its 2018/19 profits to Parkhead Housing Association. Income from other activities at note 3b includes £62,350 of gift aid received/receivable. The group debtor includes £30,350 due in respect of 2018/19, to be paid by January 2020.

Parkhead Housing Association transferred £100 to subsidiary Parkhead Lettings Company to cover banking fees until the organisation begins actively trading and generating its own funds. Group creditors includes £100 (2018: £nil) due as at 31 March 2019 in respect of this transaction.