

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2012**

**Registered Housing Association No. HCB167**

**Financial Services Authority No. 1911RS**

**Registered Charity No SC030908**

**BAKER TILLY UK AUDIT LLP**  
**Chartered Accountants**

**Glasgow**

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

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

**YEAR ENDED 31 MARCH 2012**

### **THE BOARD**

Susan McKeown (nee Currie)	Chairperson	Agnes Wood	Secretary
John Ferguson	Vice-Chair	Billy Cauldwell	Co-opted
John Brien	Treasurer	Margaret Graham	
Elizabeth Kennedy		Maureen Eden	
Winifred Duthie		Jenny Pearson	Co-opted
Sarah Fitzpatrick		David Bradley	Resigned 30 May 2012
Thomas Brook	Co-opted	Carol Connelly	

### **EXECUTIVE OFFICERS**

James Strang	Chief Executive
Aileen McGuire	Head of Corporate Services
Graeme Aitken	Head of Housing Services

### **REGISTERED OFFICE**

40 Helenvale Street  
Glasgow  
G31 4TF

### **AUDITORS**

Baker Tilly UK Audit LLP  
Breckenridge House  
274 Sauchiehall Street  
Glasgow  
G2 3EH

### **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 Services Authority

Industrial and Provident Societies Act 1965  
Registered Number 1911 R (S)

Scottish Housing Regulator

Housing Scotland Act 2001  
Registered Number HCB 167

Scottish Charities

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

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2012**

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# PARKHEAD HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD

AS AT 31 MARCH 2012

The Board present their report and audited financial statements for the year ended 31 March 2012.

### 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 Services Authority as an Industrial and Provident 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

	2012	2011
<b>Managed Property Numbers (7 Special needs)</b>		
Tenanted Property (Inc 2 wardens)	1,444	1,391
Shared Ownership Properties	57	60
Factored properties	342	342
Total	<u>1,843</u>	<u>1,793</u>
<b>Developing Property Numbers</b>		
Tenanted Property on site over 2012	<u>54</u>	<u>41</u>

### Our strategic aims

Parkhead Housing Association's Mission Statement outlines overall commitment to the local community and underlines 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 tenants 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 help improve Parkhead as a place to live and we seek to play a significant role in the regeneration and physical economic and social life of Parkhead."

The Association has 10 clear and unambiguous aims. These are:

1. Manage build and maintain our housing stock to a high standard – we strive for both quality and value for money on all our services so that rents should be affordable to people on low wages.
2. Continually improve tenant involvement in how we work and perform – we try to ensure tenants' views and priorities are taken into account in our policy reviews and service delivery.
3. Meet the specific housing needs of individuals where we can – as far as our existing stock allows and ensuring unmet needs are addressed, where possible within our new build programme.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

**31 MARCH 2012**

**(Continued)**

4. Ensure we work in partnership with Governments, Community, the City Council, other agencies and voluntary groups to make Parkhead a more attractive place to live and work and to bring up families.
5. Encourage membership of the organisation among residents.
6. Support and develop the Board to ensure the objectives of the organisation are met.
7. Ensure the work of all sections of the organisation is co-ordinated to maximise production of the core business.
8. Support and develop Staff to achieve their maximum potential within their jobs.
9. Comply with legislation and best practice in all that we do.
10. Identify, lead and participate in the development of new projects and initiatives to enhance and promote the physical and economical life of the people of Parkhead and its surrounding area.

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

In financial terms the Association generated a surplus of £877,176 (2011- surplus restated £1,704,715). Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment. The 2011 comparative figures have been restated. The resulting prior period adjustment is shown in the relevant notes to the financial statements and detailed in Note 25a.

Parkhead has also complied with the new requirement in SORP 2010 to show negative goodwill arising on non-exchange transactions as a credit to the Income and Expenditure account in the year of acquisition. Similarly, a prior period adjustment has arisen which is shown in the relevant notes to the financial statements and detailed in Note 25b.

The Association continues to be committed to its development programme and is hopeful for the opportunity in the near future to develop its site at Whiterose Phase 2 and also our recently acquisition at the old Parkhead Fire Station site.

Over the last year the Association has completed its staff re-structure which resulted in a reduction of staff from 31 full time equivalent posts to 25. The re-structure allowed the Association to refocus its frontline operations and to further improve customer care and to secure efficiencies in service delivery and overheads costs. These changes will have significant medium to long term benefits to our business.

The Association's Key Performance Indicators (KPIs) are all within target including arrears, reactive repairs and void control.

Taking these ongoing influences into account, the overall trend indicates continued strong performance by the business over the last year and places the Association in a very competitive position within the sector as a whole and within its peer group.

# PARKHEAD HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD

31 MARCH 2012

(Continued)

### The Board

The members of the Board during the year to 31 March 2012 were:

Susan McKeown (nee Currie)	Chairperson	Agnes Wood	Secretary
John Ferguson	Vice-Chair	George Redmond	Corporate Representative
John Brien	Treasurer	David Bradley	Resigned 30 May 2012
Elizabeth Kennedy		Thomas Brook	Co-opted
Winifred Duthie		Billy Cauldwell	Co-opted
Sarah Fitzpatrick		Jenny Pearson	Co-opted
Margaret Graham		Maureen Eden	
Carol Connelly			

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, Head of Corporate Services  
Graeme Aitken, Head of Housing Services

### Operational Review

#### 1. Corporate Governance

The Board of Parkhead Housing Association is totally committed to developing the strongest possible policies and practices in relation to the Governance of the business. This involves regular reviews of what it does and how it does it, to look at good practice elsewhere and to develop homegrown initiatives to maximize transparency and accountability.

The Association had previously undertaken a review of its Board structure and functions and as a direct consequence over this reporting year; three new board members were co-opted to strengthen the skill and knowledge base of the business. These three co-optees include members drawn from the association young people's group and from the Association's first Registered Tenants Organization representing the service needs of the elderly. These two different perspectives on service delivery will enhance the Boards understanding of the needs and aspirations of these growing customer groups both as current tenants and as prospective tenants currently seeking to be accommodated by the Association. The Third co-option followed an open advertisement calling for people with a business and financial back ground to join the Board. As far as we are able to tell, PHA was the first in Scotland to do this and others have since followed in our path. This exercise resulted in the Board interviewing 5 first class candidates and selecting Mr. Tom Brock from the Clydesdale Bank. This addition will bring a new focus to the business in challenging times.

The introduction of new technology to assist the Board with its administration and its deliberations has also been introduced over the reporting year by the use of I-Pads and Skype conferencing systems to enable all board members to participate in all meetings regardless of their location.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

**31 MARCH 2012**

**(Continued)**

### **1. Corporate Governance (continued)**

Board training has continued a pace of the year with three members undertaking a Scottish Vocational Qualification (SVQ) on Governance. The continued development of individual members to ensure they match the Board member profile and are able to meet the agreed standards are ongoing and its much to the Board's credit that they undertaken these tasks with a very high level of enthusiasm.

The Board has, over the last year drafted and approved a new 3 year Business Plan detailing how the business will respond to the significant challenges which lie ahead not only for the wider economy, but for the housing sector in general.

Last year the Board reported on the major operational re-structuring that took place and over the last year this new structure has bedded in well with a number of initiatives well underway as a direct result. These include the introduction of electronic document storage and handling, a new staff support, supervision and annual assessment system, welfare reform work to prepare the business for the challenges ahead and a new telephone management system. The re-structure has also allowed for significant head room to enable the purchase of the Parkhead Fire station site and plans to develop over the next two years 24 new homes for rent and the purchase of 29 units for rent on the belvedere development built by Kiers. The business is structured to enable the delivery of, on average, £1m worth of investment in our current housing stock a year over the next 30 years.

The last reporting year also saw the completion of the Duke Street development and the refurbishment of 52/64 Helenevale Street which, in addition to the belvedere site, added a total of 70 to our housing stock over the reporting year. Or to put it another way PHA was able to house another 70 families in good affordable housing.

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

We compare our performance with others and set demanding targets. We delivered to the performance targets set in all areas except re-let management, where issues of house condition and difficult to let stock meant a longer turn around than we would have hoped. We perform in the first or second quartile when we are compared with other Housing Associations in our Peer group using The Scottish Housing Regulator's Performance Statistics, with the exception of void turn round where we are in the third quartile.

### **3. Wider role**

The Association has continued its support of a number of locally based organisations both in the provision of direct grant funding and the provision of services in kind to assist the management of some of these organisations. The Association has reviewed its donations policy and now has a more directed policy on assisting local organisations.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

**31 MARCH 2012**

**(Continued)**

### **4. Component Accounting**

Parkhead has adopted Component Accounting into its financial statements this year in compliance with the SORP 2010. Major Components (Note 1d) of our buildings are identified and depreciated over specific economic life spans. Their replacement is then capitalised in the accounts as they occur. There are resulting prior period adjustments shown to the relevant notes to the accounts and detailed in Note 25.

### **5. Negative Goodwill**

As a result of complying with the new requirement in SORP 2010 to show negative goodwill arising on non-exchange transactions as a credit to the income and expenditure account in the year of acquisition, a prior period adjustment has arisen. Negative goodwill which arose in 2007/08 following a second stage transfer from Glasgow Housing Association has been credited to opening revenue reserve as a prior period adjustment.

### **6. Other Areas**

#### **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;
- 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.

The Association has added to its risk register the likely impact of the coalition government's welfare reform with particular reference to housing benefits and will develop an amended coping strategy when the changes and their assessed impact are identified to the sector as a whole and on PHA in particular.



# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

**31 MARCH 2012**

**(Continued)**

### **6. Other Areas (continued)**

#### **Related Party Transactions**

Ten members of the Board are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

#### **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 (2011: 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 2010, replacements to building components (as identified in note 1) are capitalized in the accounts as they occur. All other repairs are charged to the Income and Expenditure account.

#### **Treasury and Financial Management**

As indicated previously the Association has reviewed its loan portfolio and entered into a new combined relationship with The Royal Bank of Scotland. This particular advantageous scheme to the Association is unique in the history of the Association. It also included a development fund to enable the Association to finance its Development Programme.

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 BOARD**

**AS AT 31 MARCH 2012**

**(Continued)**

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

Parkhead Housing Association recognises that apart from its physical assets the next major asset is its people. The people, who develop policies, implement policies and actually design build and deliver our community regeneration. The Internal Management Plan referred to previously includes people focused initiatives specifically designed to ensure work life balance and improved supervision and support policies and the development, for the first time of individual Staff training plans. These opportunities are designed to enable Staff who already provide a very high level of professional support they provide to the running of the business and to the high level of professional advice given to the volunteer Board.

The Association currently 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 points 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**

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

On behalf of the Board



Agnes Wood  
Secretary

Date.. 29/8/12.....

# PARKHEAD HOUSING ASSOCIATION LIMITED

## STATEMENT OF THE BOARD RESPONSIBILITIES

Statute requires the Board to prepare financial statements for each financial year, which give a true and fair view of affairs of the Association and of the surplus or deficit for that period. In preparing those financial statements, the Board are required to fulfil the following obligations:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board confirm that the financial statements comply with the requirements.

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of 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



Agnes Wood  
Secretary

Date. 29/8/12

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

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

### **FINANCIAL CONTROL**

**31 MARCH 2012**

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 mis-statement 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.

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**THE BOARD'S STATEMENT ON INTERNAL**

**FINANCIAL CONTROL**

**31 MARCH 2012**

**(Continued)**

The Board have reviewed the system of internal financial control in the Association during the year ended 31 March 2012. 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

.....*A Wood*.....

Agnes Wood  
Secretary

Date.....*29/8/12*.....

# PARKHEAD HOUSING ASSOCIATION LIMITED

## AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

### Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Board's statement on pages 9 and 10 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

### Basis of Opinion

We carried out our review having regard to Bulletin 2009/4 that was issued by the Auditing Practices Board. The Bulletin did 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 reasons given for non-compliance.

### Opinion

In our opinion the Statement on Internal Financial Control on pages 8 and 9 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



Baker Tilly UK Audit LLP  
Statutory Auditors  
Breckenridge House  
274 Sauchiehall Street  
Glasgow  
G2 3EH

Date:.....10/9/12.....

# PARKHEAD HOUSING ASSOCIATION LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

### PARKHEAD HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Parkhead Housing Association for the year ended 31 March 2012 on pages 13 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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.

#### **Respective responsibilities of the Committee and auditor**

As explained more fully in the Committee's Responsibilities Statement set out on page 8, the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### **Opinion on financial statements**

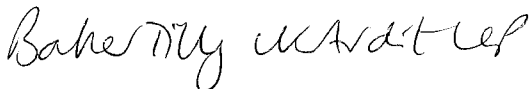
In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 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.



BAKER TILLY UK AUDIT LLP  
Statutory Auditor  
Breckenridge House  
274 Sauchiehall Street  
Glasgow  
G2 3EH

Date:.....10/9/12.....

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**INCOME & EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2012**

	<b>Notes</b>	<b>2012 £</b>	<b>2011 As restated £</b>
<b>Turnover</b>	2	5,884,514	5,015,083
Operating costs	2	<u>(4,627,597)</u>	<u>(3,193,444)</u>
<b>Operating surplus</b>	2	1,256,917	1,821,639
(Loss)/Gain on Disposal of Housing Accommodation	6	(135,806)	4
Interest receivable		23,606	68,686
Interest payable	7	(149,541)	(110,614)
Other finance costs	22	<u>(118,000)</u>	<u>(75,000)</u>
<b>Surplus on ordinary activities before tax</b>		877,176	1,704,715
Taxation on deficit on ordinary activities	9	<u>-</u>	<u>-</u>
<b>Surplus for year</b>	10	<u><u>877,176</u></u>	<u><u>1,704,715</u></u>

All amounts relate to continuing activities.



**PARKHEAD HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF RECOGNISED SURPLUSES AND DEFICITS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	Note	2012 £	2011 As restated £
<b>Surplus for the year</b>		877,176	1,704,715
Prior period adjustment (Note 25a)		3,207,432	-
Prior period adjustment (Note 25b)		2,142,796	-
Actuarial (loss)/gain on pension scheme	22	<u>(696,000)</u>	<u>560,000</u>
Total surplus recognised since the last annual report		<u>5,531,404</u>	<u>2,264,715</u>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2012

	Notes	£	2012 £	2011 As restated £
<b>Tangible Fixed Assets</b>				
Housing properties				
- gross cost less depreciation	11a		75,439,136	<u>73,317,403</u>
Less: Social Housing Grant	11a	(51,647,994)		(51,791,482)
Other Public Grants	11a	<u>(3,416,939)</u>		<u>(3,416,939)</u>
			<u>(55,064,933)</u>	<u>(55,208,421)</u>
			20,374,203	18,108,982
Other Fixed Assets	11b		1,183,702	1,105,596
Investments	12		100	100
			<u>21,558,005</u>	<u>19,214,678</u>
<b>Current Assets</b>				
Debtors	13	401,616		764,200
Cash at bank in hand		4,923,668		3,996,912
		<u>5,325,284</u>		<u>4,761,112</u>
<b>Current Liabilities</b>				
Creditors - Amounts falling due within one year	14	<u>(1,805,099)</u>		<u>(2,622,095)</u>
Net current assets			<u>3,520,185</u>	<u>2,139,017</u>
Total Assets Less Current Liabilities			25,078,190	21,353,695
Creditors – amount falling due after more than one year	15		(14,660,012)	(11,780,692)
Pension Liability	22		<u>(1,069,000)</u>	<u>(405,000)</u>
Net assets			<u>9,349,178</u>	<u>9,168,003</u>
<b>Capital and reserves</b>				
Share capital	16		149	150
Designated reserves	17		3,417,671	3,515,249
Revenue reserves	10		<u>5,931,358</u>	<u>5,652,604</u>
			<u>9,349,178</u>	<u>9,168,003</u>

These financial statements were approved and authorised for issue by the Board on 29/8/12 and signed on their behalf by:

Board Member: J. Ferguson

Board Member: C. Kennedy

Secretary: M. Wood

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**YEAR TO 31 MARCH 2012**

	Notes	£	2012 £	2011 As restated £
<b>Net cash inflow from operating activities</b>	20		2,640,465	1,810,793
<b>Returns on investments and servicing of finance</b>				
Interest received		23,606		68,686
Interest paid		(149,541)		(110,614)
<b>Net Cash Outflow from Returns on Investments And Servicing of Finance</b>			(125,935)	(41,928)
<b>Capital Expenditure and Financial Investment</b>				
Acquisition and Construction of Properties		(3,627,680)		(3,768,460)
Purchase of Other Fixed Assets		(178,832)		(481,121)
Social Housing Grant Received		188,880		2,095,207
Proceeds on Disposal of Properties		611,080		108,529
Housing Association Grant Repaid		(332,368)		(98,828)
<b>Net Cash (Outflow) from Capital Expenditure</b>			(3,338,920)	(2,144,673)
<b>Net Cash (Outflow) before use of Financing</b>			(824,390)	(375,808)
<b>Financing</b>				
Loan Advances Received		3,398,471		-
Loan Principal Repayments		(422,095)		(436,766)
Share Capital Issued		15		15
<b>Net Cash Inflow/(Outflow) from Financing</b>			2,976,391	(436,751)
<b>Increase/(Decrease) in Cash</b>	20		2,152,001	(812,559)

Further details are given in note 20.

# **PARKHEAD HOUSING ASSOCIATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

### **1. Principal Accounting Policies**

#### **(a) Basis of Accounting**

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice (SORP) – Accounting by Registered Social Housing Providers update 2010, and on the historical costs basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

#### **(b) Turnover**

Turnover represents rental and services charge income receivable, fees receivable and revenue grants receivable from grant awarding bodies and first tranche sales of shared ownership properties.

#### **(c) 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 accounting standard FRS17 'Retirement Benefits' during the year. The impact of this standard has been reflected throughout the financial statements. Prior year comparatives have been restated where appropriate.

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.

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

(d) **Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation.

Works to existing properties will generally be capitalised under the following circumstances:

- Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored, or
- Where a subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance or a significant extension of the life of the property.

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

The adoption of Component Accounting during the year represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be Land, Structure, Roofs, Windows, Kitchens, Bathrooms, Lifts, Doors and Central Heating. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown below. The new accounting policy is compliant with the SORP 2010.

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

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

(e) **Impairment of fixed assets**

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

(f) **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%

(g) **Social Housing Grant and Other Grants in Advance/Arrears**

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

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

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

(h) **Sales of Housing Properties**

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

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

(i) **Capitalisation of Development Overheads**

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice 2010.

(j) **Development Interest**

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

(k) **Designated Reserves**

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations, which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The second stage transfer (SST) Reserve has been designated to meet the future repair and maintenance costs of the properties acquired under the SST agreement.

(l) **Consolidation**

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

(m) **Value Added Tax**

The Association is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure is charged to the Income and Expenditure Account inclusive of VAT. Recoverable VAT arising from partial exempt activities is credited to the Income and Expenditure Account.

(n) **Negative Goodwill**

For non-exchange transactions, relating to the acquisition of other entities, the fair value of the gifted assets and liabilities are recognised as a gain or loss in the Income and Expenditure account in the year of the transaction. This represents a change in accounting policy. Previously the Association held the negative goodwill as deferred income and released this in line with the expenditure incurred on the SST properties.

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

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

		<b>Turnover</b>	<b>Operating Costs £</b>	<b>Operating Surplus/ (deficit) £</b>	<b>Operating Surplus/ (deficit) As restated 2011 £</b>
<b>Social lettings</b>	3a	4,929,233	3,643,048	1,286,185	1,907,461
<b>Other Activities</b>	3b	955,281	984,549	(29,268)	(85,822)
<b>Total</b>		<u>5,884,514</u>	<u>4,627,597</u>	<u>1,256,917</u>	<u>1,821,639</u>
<b>As restated - 2011</b>		<u>5,015,083</u>	<u>3,193,444</u>	<u>1,821,639</u>	



**PARKHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

**3. Particulars of Income and Expenditure from Lettings**

	<b>General Needs Housing £</b>	<b>Hostel Supported Housing £</b>	<b>Shared Ownership £</b>	<b>2012 £</b>	<b>2011 As restated Total £</b>
<b>Income from lettings</b>					
Rent receivable net of identifiable service charges	4,490,256	195,037	116,372	4,801,665	4,438,694
Service charges receivable	184,449	-	-	184,449	160,532
Gross Rents Receivable	4,674,705	195,037	116,372	4,986,114	4,599,226
Less: Rent Losses from Voids	(56,881)	-	-	(56,881)	(31,448)
<b>Net Rents Receivable</b>	<u>4,617,824</u>	<u>195,037</u>	<u>116,372</u>	<u>4,929,233</u>	<u>4,567,778</u>
Revenue grants from the Scottish Ministers	-	-	-	-	-
<b>Total income from Social Letting Activities</b>	<u>4,617,824</u>	<u>195,037</u>	<u>116,372</u>	<u>4,929,233</u>	<u>4,567,778</u>
<b>Expenditure on Social Letting Activities</b>					
Service costs	175,042	-	-	175,042	166,675
Management and maintenance administration costs	758,435	10,758	64,527	833,720	512,154
Planned and cyclical maintenance including major repair costs	1,124,234	5,635	-	1,129,869	714,361
Reactive maintenance costs	632,708	72,554	-	705,262	569,504
Bad debts – rents and service charges	40,094	-	-	40,094	36,696
Depreciation of social housing	743,501	-	15,560	759,061	660,927
<b>Operating costs for Social Letting Activities</b>	<u>3,474,014</u>	<u>88,947</u>	<u>80,087</u>	<u>3,643,048</u>	<u>2,660,317</u>
<b>Operating Surplus on Letting Activities</b>	<u>1,143,810</u>	<u>106,090</u>	<u>36,285</u>	<u>1,286,185</u>	<u>1,907,461</u>
<b>As restated - 2011</b>	<u>1,719,987</u>	<u>101,666</u>	<u>85,808</u>	<u>1,907,461</u>	

The rent loss from voids of £56,881 (2011: £31,448) includes £nil (2011: £nil) in respect of development voids.

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

(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	-	-	-	-	-	-	-	-	-
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	54,329	54,329	-	54,329	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	63,405	-	63,405	-	76,871	(13,466)	(11,330)
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	68,055	68,055	-	122,677	(54,622)	(58,618)
Other activities - Trust Heritage Initiative	-	-	-	697,603	697,603	-	723,742	(26,139)	(15,874)
Other activities – Life Cycle Fund (winning row)	-	-	-	71,889	71,889	-	6,930	64,959	-
<b>Total from other activities</b>	-	-	63,405	891,876	955,281	-	984,549	(29,268)	(85,822)
<b>2011</b>	-	-	63,404	383,901	447,305	-	(533,127)	-	-

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2012**

**(Continued)**

### 4. Directors' Emoluments

The Directors 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 the directors whose emoluments, excluding pension contributions, were over £60,000 fell within the following bands:

	2012 No.	2011 No.
£60,001 to £70,000	1	1
	2012 £	2011 £
Emoluments payable to Highest Paid Director (excluding pension contributions)	67,288	67,052

The Chief Executive is not an ordinary member of the Association's pension scheme described in Note 23. He has no other pension arrangements to which the Association contributes.

During the year £nil (2011: £55,859) was paid to directors in respect of compensation for loss of office.

### 5. Employee Information

	2012 No.	2011 No.
The average full time equivalent number of persons employed during the year was:	25	31
Staff Costs were:	£	£
Wages and Salaries	997,701	1,053,629
Social Security Costs	71,069	79,261
Pension Costs	123,372	(405,057)
	1,192,142	727,833

Included in the pension costs total is an adjustment of £150,000 (2011- £617,000) arising from the implementation of FRS17 in the financial statements.

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

**6. (Loss)/gain on Disposal of Fixed Assets**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Net Proceeds from the Disposal of Housing Accommodation	59,178	69,377
Cost of Housing Accommodation sold	(194,984)	(69,373)
<b>(Loss)/gain on Sale of Housing Accommodation</b>	<b>(135,806)</b>	<b>4</b>

**7. Interest Payable**

On Bank Loans and Overdrafts	156,751	115,405
Less: Interest Capitalised	(7,210)	(4,791)
	<b>149,541</b>	<b>110,614</b>

**8. Surplus on Ordinary Activities Before Tax**

Surplus on Ordinary Activities before Taxation is stated after charging:

Depreciation – Tangible Owned Fixed Assets	859,789	451,749
Auditors' Remuneration - External Audit Services	9,360	7,762
Non Audit Services	1,435	-
	<b>869,584</b>	<b>459,511</b>

**9. Taxation**

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

**10. Revenue Reserves**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>As restated £</b>
At 1 April 2011 as originally reported	302,376	4,535,039
Prior Period Adjustment (Note 26)	5,350,228	-
At 1 April 2011 as restated	<b>5,652,604</b>	<b>4,535,039</b>
Surplus for the year	877,176	1,704,715
Transfer (to)/from designated reserves	97,578	(1,147,150)
Actuarial (loss)/gain recognised	(696,000)	560,000
	<b>5,931,358</b>	<b>5,652,604</b>

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

**11a. Tangible Fixed Assets**

<b>Housing Properties</b>	<b>Housing Properties Held for Letting £</b>	<b>Housing Properties Under Construction £</b>	<b>Completed Shared Ownership Properties £</b>	<b>Major Repairs £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 <sup>st</sup> April 2011	62,575,358	7,797,332	3,021,958	1,241,400	74,636,048
Prior Period Adjustment (Note 26a)	7,594,591	(2,287,239)	-	(1,241,400)	4,065,952
As restated	70,169,949	5,510,093	3,021,958	-	78,702,000
Transfer	5,510,093	(5,510,093)	-	-	-
Additions during year	3,508,277	119,403	-	-	3,627,680
Disposals in year	(667,575)	-	(82,793)	-	(750,368)
<b>At 31<sup>st</sup> March 2012</b>	<b>78,520,744</b>	<b>119,403</b>	<b>2,939,165</b>	<b>-</b>	<b>81,579,312</b>
<b>Housing Association Grant</b>					
At 1 <sup>st</sup> April 2011	46,273,720	5,387,045	1,807,961	-	53,468,726
Prior Period Adjustment (Note 26a)	(351,987)	(1,325,257)	-	-	(1,677,244)
As restated	45,921,733	4,061,788	1,807,961	-	51,791,482
Additions during year	188,880	-	-	-	188,880
Repayments	(296,174)	-	(36,194)	-	(332,368)
Transfer	4,061,788	4,061,788	-	-	-
<b>At 31<sup>st</sup> March 2012</b>	<b>49,876,227</b>	<b>-</b>	<b>1,771,767</b>	<b>-</b>	<b>51,647,994</b>
<b>Other Grants</b>					
At 1 <sup>st</sup> April 2011	3,416,939	-	-	-	3,416,939
<b>At 31<sup>st</sup> March 2012</b>	<b>3,416,939</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,416,939</b>
<b>Depreciation</b>					
At 1 <sup>st</sup> April 2011	2,530,327	-	146,878	180,159	2,857,364
Prior Period Adjustment (Note 26a)	2,707,392	-	-	(180,159)	2,527,233
As restated	5,237,719	-	146,878	-	5,384,597
Provided during year	744,259	-	14,802	-	759,061
Disposals	(1,207)	-	(2,275)	-	(3,482)
Transfer	-	-	-	-	-
<b>At 31<sup>st</sup> March 2012</b>	<b>5,980,771</b>	<b>-</b>	<b>159,405</b>	<b>-</b>	<b>6,140,176</b>
<b>Net Book Value</b>					
<b>As at 31<sup>st</sup> March 2012</b>	<b>19,246,807</b>	<b>119,403</b>	<b>1,007,993</b>	<b>-</b>	<b>20,374,203</b>
As at 31 <sup>st</sup> March 2011 as restated	15,593,558	1,448,305	1,067,119	-	18,108,982

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

### 11a. Tangible Fixed Assets (contd)

Additions to housing properties during the year include capitalised administration costs of £15,599 (2011 - £201,614) for which Housing Association Grants amounting to £9,756 (2011 - £35,614) were received in the year.

During the year £557,917 (2011 restated: £468,355) out of a planned, cyclical and major repairs spend of £1,687,786 (2011: £1,182,716) was capitalised. Out of the amount capitalised £557,917 (2011: £468,355) related to replacement components and £nil (2011: £nil) related to improvements.

All Housing Properties are freehold.

### 11 b. Tangible Fixed Assets

#### Other fixed assets

	Land Bank £	Central Heating £	Commercial And Office Premises £	Computer Office Furniture & Equipment £	Total £
<b>Cost</b>					
At 1 <sup>st</sup> April 2011	22,885	514,111	1,285,380	316,668	2,139,094
Prior Period Adjustment (Note 26a)	-	(514,111)	-	-	(514,111)
As restated	22,885	-	1,285,380	316,668	1,624,933
Additions	21,703	-	113,617	43,512	178,832
<b>At 31<sup>st</sup> March 2012</b>	<b>44,588</b>	<b>-</b>	<b>1,398,997</b>	<b>360,180</b>	<b>1,803,765</b>
<b>Housing Association Grant</b>					
At 1 <sup>st</sup> April 2011	-	197,349	-	-	197,349
Prior Period Adjustment (Note 26a)	-	(197,349)	-	-	(197,349)
As restated	-	-	-	-	-
<b>At 31<sup>st</sup> March 2012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciation</b>					
At 1 <sup>st</sup> April 2011	-	308,231	323,597	195,740	827,568
Prior Period Adjustment (Note 26a)	-	(308,231)	-	-	(308,231)
As restated	-	-	323,597	195,740	519,337
Charge for year	-	-	42,275	58,451	100,726
<b>At 31<sup>st</sup> March 2012</b>	<b>-</b>	<b>-</b>	<b>365,872</b>	<b>254,191</b>	<b>620,063</b>
<b>Net Book Value</b>					
<b>As at 31<sup>st</sup> March 2012</b>	<b>44,588</b>	<b>-</b>	<b>1,033,125</b>	<b>105,989</b>	<b>1,183,702</b>
As at 31 <sup>st</sup> March 2011	22,885	-	961,783	120,928	1,105,596

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 12. Investments

	2012	2011
	£	£
<b>Cost</b>		
At 1 <sup>st</sup> April 2011 and 31 March 2012	100	100

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 was dormant during the financial year. The capital and reserves total at 31 March 2012 is £100 (2011 - £100).

### 13. Debtors

	2012	2011
	£	£
Arrears of Rent and Service Charges	182,999	161,082
Less: Provision for Doubtful Debts	(45,750)	(40,271)
	137,249	120,811
Social Housing Grant Receivable	-	234,547
Other Debtors	171,994	310,113
Prepayments	92,373	98,729
	401,616	764,200

Included in the figure for rent and service charge arrears is £28,341 (2011: £26,703) due in respect of housing benefits payments.

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

	2012	2011
	£	As restated £
Bank Overdraft	-	1,225,245
Housing Loans (Note 14)	496,981	399,925
Trade Creditors	338,144	442,286
Other Creditors	148,247	220,180
Accrued Charges	656,270	167,173
Rent in Advance	165,457	167,286
	1,805,099	2,622,095

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

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

	2012 £	2011 As restated £
Housing Loans	<u>14,660,012</u>	<u>11,780,692</u>

Housing Loans are secured by specific charges on the Association's housing properties and are repayable at a variable rate from 1.23% to 1.25% (2011: 0.97% to 1.0%) in instalments, due as follows:

Within one year (Note 14)	496,981	399,925
Between one and two years	501,453	402,933
Between two and five years	1,016,486	814,978
In five years or more	<u>13,142,073</u>	<u>10,562,781</u>
	15,156,993	12,180,617
Less amount shown in current liabilities	(496,981)	(399,925)
	<u><u>14,660,012</u></u>	<u><u>11,780,692</u></u>

### 16. Share Capital

	2012 £	2011 £
<b>Shares of £1 each issued and fully paid</b>		
At 1 <sup>st</sup> April 2011	150	148
Issued in year	15	15
Cancelled in year	<u>(16)</u>	<u>(13)</u>
At 31 March 2012	<u><u>149</u></u>	<u><u>150</u></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 2012

(Continued)

### 17. Designated Reserves

	SST Reserves £	Cyclical Maintenance Reserves £	Major Repairs Reserve £	Total £
At 1 <sup>st</sup> April 2011	-	634,038	2,881,211	3,515,249
Transfer between designated reserves	-	1,152,484	(1,152,484)	-
Transfer (to)/from Income and Expenditure Account	1,631,149	-	(1,728,727)	(97,578)
At 31 March 2012	<u>1,631,149</u>	<u>1,786,522</u>	<u>-</u>	<u>3,417,671</u>

### 18. Contingent Liabilities

Housing Association Grant allocated to components (as detailed in Note 1 (d)) that have subsequently been replaced by the Association are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31 March 2012 was £1,973,418 (2011: £1,677,244).

### 19. Housing Stock

	2012 No.	2011 No.
The number of units of accommodation in management at the year end was:		
General needs - New build	581	529
- Rehabilitation	854	855
Shared Ownership	57	60
Supported Housing	9	7
	<u>1,501</u>	<u>1,451</u>

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

(Continued)

**20. Cash Flow Statement**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>As restated</b>
		<b>£</b>
<b>Reconciliation of Operating Surplus to Net Cash Flow from Operating Activities</b>		
Operating surplus	1,256,917	1,821,639
Pension – Employee costs difference	(150,000)	(617,000)
Depreciation	859,787	744,923
Decrease/(increase) in Debtors	362,584	(111,084)
Increase/(decrease) in Creditors	311,193	(27,672)
Share Capital cancelled	(16)	(13)
	<u>2,640,465</u>	<u>1,810,793</u>
<b>Reconciliation of Net Cash Flow to Movement In Net Debt</b>		
Increase/(decrease) in Cash in the year	2,152,001	(812,559)
Cash (inflow)/outflow from increase in debt finance	<u>(2,976,376)</u>	<u>436,766</u>
(Decrease) in Net Debt	(824,375)	(375,793)
Net Debt at 1 April 2011	<u>(9,408,950)</u>	<u>(9,033,157)</u>
Net Debt at 31 March 2012	<u>(10,233,325)</u>	<u>(9,408,950)</u>

**Analysis of Changes in Net Debt**

	<b>At</b>		<b>At</b>
	<b>31 March</b>	<b>Cash</b>	<b>31 March</b>
	<b>2011</b>	<b>Flows</b>	<b>2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Overdraft	(1,225,245)	1,225,245	-
Cash at Bank and in Hand	3,996,912	926,756	4,923,668
Debt due within one year	(399,925)	(97,056)	(496,981)
Debt due after one year	<u>(11,780,692)</u>	<u>(2,879,320)</u>	<u>(14,660,012)</u>
Total	<u>(9,408,950)</u>	<u>(824,375)</u>	<u>10,233,325</u>

**21. Capital Commitments**

Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	-	583,442
<hr/>		
Capital commitments are expected to be funded as follows:		
Housing Association Grant	-	-
Private finance funding	-	583,442
	<hr/>	<hr/>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(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:

#### Local Pension Disclosure

The last full Actuarial valuation was carried out as at 31 March 2011. The following information is based on updated information. This actuarial valuation of the scheme was carried out by independent actuaries at 31 March 2012 using the following assumptions.

Actuarial assumptions	2012	2011
Rate of increase in salaries	4.80%	5.10%
Expected return on assets	5.80%	6.90%
Discount rate	4.80%	5.50%
Inflation assumption	2.50%	2.80%
Post retirement mortality		Weighted average life expectancy for mortality tables used to determine benefit obligations

The amounts recognised in the balance sheet are as follows:

	2012	2011
	£	£
Present value of funded obligations	6,556,000	4,803,000
Fair value of plan assets	5,487,000	4,398,000
Net Liability	(1,069,000)	(405,000)

**PARKHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

**22. Pensions Obligations** (continued)

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

Defined Benefit Plans	<b>2012</b>	<b>2011</b>
	£	£
Opening defined benefit obligation	4,803,000	5,467,000
Service cost	123,000	182,000
Member Contributions	47,000	56,000
Interest cost	268,000	284,000
Actuarial (gains)/losses	1,335,000	(532,000)
Loss on curtailment	158,000	80,000
Past service costs	-	(587,000)
Benefits paid	(178,000)	(147,000)
Closing defined benefit obligation	6,556,000	4,803,000

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

Defined Benefit Plans	<b>2012</b>	<b>2011</b>
	£	£
Opening plan assets	4,398,000	3,960,000
Expected return on assets	308,000	289,000
Actuarial gains	639,000	28,000
Contributions by employer	273,000	212,000
Contributions by members	47,000	56,000
Benefits paid	(178,000)	(147,000)
Closing plan assets	5,487,000	4,398,000

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

	<b>2012</b>	<b>2011</b>
	£	£
Current service cost	123,000	182,000
Interest on obligation	268,000	284,000
Expected return on plan assets	(308,000)	(289,000)
Past service costs	-	(587,000)
Loss on curtailments	158,000	80,000
<b>Total</b>	<b>241,000</b>	<b>(330,000)</b>

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 22. Pensions Obligations (continued)

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

	2012	2011
	£	£
Opening cumulative STRGL	(280,000)	(840,000)
Actuarial gains/(losses)	(696,000)	560,000
	(976,000)	(280,000)

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

	2012	2011
Equities	6.3%	7.50%
Properties	4.4%	5.50%
Bonds	3.9%	4.90%
Other	3.5%	4.60%

The history of experience gains and losses is as follows:

	2012	2011	2010	2009	2008
Difference between expected and actual return on scheme assets					
Amount £	639,000	28,000	880,000	(773,000)	(325,000)
Percentage of scheme assets	11.65%	0.64%	22.20%	(27.90%)	(10.20%)
Experience (loss)/gain arising on scheme liability					
Amount £	(1,035,000)	-	-	154,000	1,000
Percentage of scheme liabilities	(16.0%)	0.00%	0.00%	5.10%	0.00%
Total amount of actuarial (loss)/gain					
Amount £	696,000	560,000	1,275,000	342,000	524,000
Percentage of scheme liability	(10.62%)	11.66%	23.30%	(11.40%)	16.90%

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 23. Related Parties

Tenants, sharing owners and owners who are members of the Board are not treated differently to any other tenants or owners. City Councillors who are members of the Board declare their interests relating to relevant decisions taken by the Association or the City Council.

### 24. Reconciliation of Funds

	2012 £	2011 As restated £
At 1 April as originally reported	3,817,775	5,077,252
Prior Period Adjustment (Note 26)	5,158,212	-
At 1 April as restated	8,975,987	6,711,270
Surplus for year	887,176	1,704,715
Actuarial (loss)/gain	(696,000)	560,000
New Shares Issued	15	15
Shares Cancelled	(16)	(13)
Net Change in Funds	191,175	2,264,717
At 31 March	9,167,162	8,975,987

### 25a. Prior Period Adjustment- Component Accounting

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment.

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their individual useful economic life. This change in accounting policy has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge now being recognised.

The effect of this change in accounting policy on the 31 March 2011 financial statements is shown below. 31 March 2011 opening reserves have been increased by £3,032,251 of which £1,925,828 relates to increased depreciation, £3,083,486 relates to major repairs previously written off to the Income and Expenditure Account now capitalised as components and £1,874,593 relates to HAG now allocated across components.

# PARKHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 25a. Prior Period Adjustment- Component Accounting (continued)

The effect of this change on the comparative year's figures of 2011 has been to:

	£
Increase depreciation charge	(293,174)
Decrease major works charged against income	468,355
Increase in the surplus for the year	<u>175,181</u>

In addition the effect upon the balance sheet has been to:

	£	£	£
	House Properties	Other Fixed Assets	Total
Increase fixed asset cost	4,065,952	(514,111)	3,551,841
Decrease fixed asset HAG	1,677,244	197,349	1,874,593
Increase fixed asset depreciation	<u>(2,527,233)</u>	308,231	<u>(2,219,002)</u>
Net movement in the balance sheet - decrease	<u>3,215,963</u>	<u>(8,531)</u>	<u>3,207,432</u>

Therefore the overall effect of the prior period adjustment is £3,207,432. In relation to the current year, the effect of the accounting policy change is to increase surplus by £307,632.

### 25b. Prior Period Adjustment - Negative Goodwill

As a result of complying with the new requirement in SORP 2010 to show negative goodwill arising on non-exchange transactions as a credit to the income and expenditure account in the year of acquisition, a prior period adjustment has arisen. Negative goodwill which arose in 2007/08 following a second stage transfer from Glasgow Housing Association has been credited to opening revenue reserve as a prior period adjustment.

The effect of this change in accounting policy on the 31 March 2011 financial statements is to increase revenue reserves by £2,142,796 of which £1,634,018 is a decrease in long term creditor and a decrease of £508,778 in short term credits. There is no effect on the 2011 Income and Expenditure Account.

In addition the effect on the balance sheet has been to:

Increase revenue reserves	2,142,796
Decrease short term creditors	(508,778)
Decrease long term creditors	<u>(1,634,018)</u>
Net movement on the balance sheet	<u>-</u>

Therefore the overall effect of the prior period adjustment is £2,142,716. In relation to the current year, the effect of the accounting policy change is to increase surplus by £78,682.

The total effect of both prior period adjustments is an increase in revenue reserves of £5,350,148. In relation to the current year, the overall effect of the changes in accounting policies is to increase surplus by £386,314