

PARKHEAD HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

Registered Housing Association No. HCB167

Financial Conduct Authority No. 1911RS

Registered Charity No SC030908

**RSM UK AUDIT LLP
Chartered Accountants**

Glasgow

PARKHEAD HOUSING ASSOCIATION LIMITED

THE BOARD, EXECUTIVES AND ADVISERS

YEAR ENDED 31 MARCH 2016

THE BOARD

Susan McKeown (nee Currie)	Chairperson	Jenny Pearson	Co-opted
John Ferguson	Honorary President	Nessie Wood	
Elizabeth Kennedy	Vice-Chair	Norman Meiklejohn	
Sarah Fitzpatrick		Robert Donnelly	
Thomas Brock	Co-opted	James Reilly	
Jamie Grant		John Buchanan	
Paul Murphy		Vikki McCall	Co-opted
Matthew Reid	Secretary	Radka Filkasoua	

EXECUTIVE OFFICERS

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

REGISTERED OFFICE

40 Helenvale Street
Glasgow
G31 4TF

AUDITORS

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

BANKERS

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

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

Registration Particulars:

Financial Conduct Authority

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

Scottish Housing Regulator

Housing (Scotland) Act 2010
Registered Number HCB 167

Scottish Charities

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

PARKHEAD HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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PARKHEAD HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

AS AT 31 MARCH 2016

The Board present their report and audited financial statements for the year ended 31 March 2016.

Principal activities

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

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

The table below shows the property we own and manage:

	2016	2015
Managed Property Numbers (7 Special needs)		
Tenanted Property (Inc 2 wardens)	1,583	1,484
Shared Ownership Properties	44	49
Factored properties	350	354
Total	<u>1,977</u>	<u>1,887</u>
Developing Property Numbers		
Tenanted Property on site over 2016	<u>45</u>	<u>85</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 2016

(Continued)

Review of business and future developments

In financial terms the Association has generated a surplus of £1,205,102 this was against a budgeted surplus of £1,264,302. The unfavorable result was due to a combination of increased depreciation and HAG amortisation for the year. This increased depreciation and lower than expected amortisation was the result of the Association adopting FRS102. The 2014-15 comparative figures have been restated and the detailed adjustments are shown in note 24 of the financial statements.

The Financial statements reflect the introduction of Financial Reporting Standard 102 (FRS102) and the Statements of Recommended Practice for registered social landlords that was adopted in 2014 for the first time. See note 24 for further details.

The development programme this year has seen the completion of 85 units at Whiterose Phase 2 consisting of both houses and flats. In addition the Association is currently on site at Blackcats - Pippin Bar site that will provide a further 45 new homes for our tenants.

The Association's Key Performance indicators were mainly in line with target, however rent arrears were marginally higher but still a commendable result considering ongoing welfare reforms and the financial turbulence that many tenants are faced with in the current economic climate. The KPI for Voids was slightly above the target, this was primarily due to the impact on the Association development programme and the completion of 85 new units at Whiterose Phase 2, as well as the short term impact of an organisation review.

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

The Business has performed well against all measures despite the continued welfare reform agenda and the impact this has had, and will continue to have, on direct income streams and the disposable incomes of many working families. The recent additional powers devolved to the Scottish Government may have a direct positive impact on the welfare reform agenda but the sector still waits for the Scottish Government to outline the changes it plans to implement. The Board of PHA will support any and all moves for positive change to protect the rights of those of its tenants who rely in part or in full on the welfare system.

On the development front the association completed the Whiterose Phase 2 site and housed 85 families in first class modern accommodation. This completes the regeneration of the Whiterose area, although the acquisition of the underused Whiterose Community Hall still evades the association. Also within the year a start was made on two new developments; the Black cat studio site at the junction of Springfield Road and Dechmont Street and the infill development on the old Pippin bar site on the Parkhead cross. These new developments will add a total of 48 new affordable homes to our property portfolio. In addition, the association has advanced discussions with the City Council to acquire for further new build developments on the site of the old Children's home in Helenvale Street and the old Westmuir Street School located at 135 Westmuir Street. The Association also took ownership of the old Quarrybrae School site on Crail Street. Next year a start will be made on a 62 unit mixed development of flats and houses including mid-market rental units.

PARKHEAD HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

AS AT 31 MARCH 2016

(Continued)

In addition a total of 7 units were acquired in conjunction with the City Council within the tenement stock which will help improve the quality of maintenance in many private factored closes which mar the physical and social environment of the area.

This year has seen significant additions to our letting stock and for the next three years there will be a planned development programme to help house the growing waiting list and the growing numbers of homeless families within the City.

The Association is still fully committed to the Townscape Heritage Initiative (THI) and over the last year staff has been instrumental in securing THI funding for shop front upgrades and the commencement of the restoration of the Westmuir School is due to start later in the current year with huge strides having been made.

The continued investment in our existing stock as part of the Association's asset management planning process has resulted in new kitchens, windows and energy efficiency projects being implemented over the course of the year.

The daily management and control of lettings, applications, estate management and reactive repairs services all continue to operate within targets and to the continued satisfaction of our tenants.

The back shop support services all continue to ensure that the core frontline services are delivered to the highest possible professional standards. The effort to maintain healthy working life accreditation has been excellent and the award this year of IIP Gold has been a major boost to the organisation. The association is now a fully accredited Scottish Living Wage employer and has received a similar award from Glasgow City Council. In June last year, the association was named as Best (small) Housing Association of the year 2015. The past year has been a truly successful one for the organisation on so many fronts and has been achieved by the commitment of the Board and its staff.

On the wider role front, the second John Wheatley Lecture was well received and this event is now firmly on the Housing Sector calendar. The Family Fun Day and the second Armistice ceremony are growing in popularity and is becoming a regular feature within the Parkhead area, along with The George Ryan Education Bursary.

The Association has thus far been unsuccessful in achieving its goals with regard to the Whiterose Community hall which is still, sadly, a seriously under used local community asset. This is despite repeated and sustained attempts to have the serious concerns of the Association in relation to its management addressed by the Council. The Board will seek to take whatever steps it can to ensure this valuable community asset is available to the community and that its management and control are placed on a secure footing.

The Association is currently in the process of resurrecting its dormant subsidiary, Parkhead Development Company (PDC) to carry out environmental services within Parkhead area. PDC will provide close cleaning, backcourt maintenance and void clearance services.

PARKHEAD HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

AS AT 31 MARCH 2016

(Continued)

The Board

The members of the Board during the year to 31 March 2016 and up to the date of approval of the financial statements were:

Susan McKeown (nee Currie)	Chairperson	Matthew Reid	Secretary
John Ferguson	Honorary President	Nessie Wood	
Elizabeth Kennedy	Vice-Chair	Norman Meiklejohn	
Sarah Fitzpatrick		Robert Donnelly	
Thomas Brock	Co-opted	James Reilly	
Jamie Grant		John Buchanan	
Paul Murphy		Vikki McCall	Co-opted
Radka Filkasoua			
Jenny Pearson	Co-opted		

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

Executive Officers

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

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.

PARKHEAD HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

AS AT 31 MARCH 2016

(Continued)

3. Wider role

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

The Board will, over the next year, attempt to reach an operating agreement with the Whiterose Hall Committee to future joint working, although thus far this has proven difficult. 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 a when any particular risks have been identified. The policies on internal controls outlined in last years report have the focus of the sub committee.

Risk Management Policy

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

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

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

PARKHEAD HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

AS AT 31 MARCH 2016

(Continued)

Related Party Transactions

Nine 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 (2015: 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 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.

PARKHEAD HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD

AS AT 31 MARCH 2016

(Continued)

Budgetary and Planning Process

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

Rental income

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

Auditors

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) has indicated its willingness to continue in office.

On behalf of the Board



.....
Matthew Reid
Secretary

Date: 30/8/16

PARKHEAD HOUSING ASSOCIATION LIMITED

STATEMENT OF THE BOARD RESPONSIBILITIES

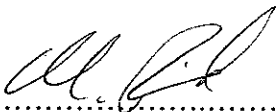
The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Management Committee to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

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

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

By order of the Board



.....
Matthew Reid
Secretary

Date: 30/8/16

PARKHEAD HOUSING ASSOCIATION LIMITED

THE BOARD'S STATEMENT ON INTERNAL

FINANCIAL CONTROL

31 MARCH 2016

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 2016. 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: 30/8/16
.....

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

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 12 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
Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date 8/9/16

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 Limited on pages 14 to 40. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report and for the opinion we have formed.

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement 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. 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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

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 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Board's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

RSM UK Audit LLP

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

S/9/16

PARKHEAD HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	2015 £
Turnover	2	7,126,765	7,097,314
Operating costs	2	<u>(5,692,693)</u>	<u>(5,314,372)</u>
Operating surplus	2	1,434,072	1,782,943
Gain on Disposal of Housing Accommodation	9	30,916	47,003
Interest receivable		23,168	21,301
Interest and financing costs	4	(188,054)	(144,316)
Other finance (costs)/income	22	<u>(95,000)</u>	<u>36,000</u>
Surplus on ordinary activities before tax		1,205,102	1,742,931
Taxation on deficit on ordinary activities	5	<u>-</u>	<u>-</u>
Surplus for year	6	<u>1,205,102</u>	<u>1,742,931</u>
Actuarial gain/(loss) in respect of pension scheme		1,103,000	(1,113,000)
Total Comprehensive Income for the year		<u>2,308,102</u>	<u>629,931</u>

All amounts relate to continuing activities.

PARKHEAD HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Notes	£	2016 £	2015 £
Tangible Fixed Assets				
Housing properties	10a		69,431,767	62,342,026
Other Fixed Assets	10b		1,255,033	1,321,157
Investments	11		100	100
			70,686,900	63,663,283
Current Assets				
Trade and other debtors	12	427,709		354,559
Cash and cash equivalents		7,873,860		6,447,030
		8,301,569		6,801,589
Current Liabilities				
Creditors - Amounts falling due within one year	13		2,280,027	2,652,952
Net current assets			6,021,542	4,148,637
Total Assets Less Current Liabilities			76,708,442	67,811,921
Creditors – amount falling due after more than one year				
Provisions for liabilities:	14		(57,139,958)	(49,632,685)
Pension provision	23		(2,027,000)	(2,944,000)
Other provisions	17		(13,266)	(15,135)
Net assets			17,528,218	15,220,101
Capital and reserves				
Share capital	18		142	127
Revenue reserves	18		17,528,076	15,219,974
			17,528,218	15,220,101

These financial statements on pages 14 to 40 were approved and authorised for issue by the Board on 24/8/16 and signed on their behalf by:

Board Member: E. Kennedy

Board Member: M. Wood

Secretary: W. G. G.

PARKHEAD HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

YEAR TO 31 MARCH 2016

	Notes	£	2016 £	2015 £
Net cash provided by/(used in) operating activities	20		2,680,279	2,383,195
Cash flow from investing activities				
Purchase of tangible fixed assets		(9,278,489)		(6,459,450)
Proceeds of disposal of tangible fixed assets		79,586		583,580
Interest received		71,832		57,301
HAG repaid		(50,233)		(348,150)
HAG received		3,671,892		5,162,436
Net cash provided by/(used in) investing activities			(5,505,412)	(1,004,283)
Cash flow from financing activities				
Interest paid		(188,054)		(144,316)
New secured loans		5,000,000		-
Repayments of borrowings		(560,012)		(572,370)
Issue of share capital		29		-
Net cash provided by/(used in) financing activities			4,251,963	(716,680)
Net change in cash and cash equivalents			1,426,830	662,233
Cash and cash equivalents at the beginning of the year		6,447,030		5,784,797
Cash and cash equivalents at the end of the year			7,873,860	6,447,030
Analysis of cash and cash equivalents				
Cash in hand			7,873,860	6,447,030
Notice deposits (less than 3 months)			-	-
Total cash and cash equivalents			7,873,860	6,447,030

Further details are given in note 20.

PARKHEAD HOUSING ASSOCIATION LIMITED

PRINCIPAL ACCOUNTING POLICIES

AS AT 31 MARCH 2016

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 Associations operations are 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 2015, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

1.2 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 2016

1.3 Change in Accounting Policy

These financial statements are the first financial statements of Parkhead Housing Association prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Parkhead Housing Association for the year ended 31 March 2016 were prepared in accordance with previous UK GAAP. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Consequently, management has amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made. Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) reserves at the date of transition to FRS 102; (ii) reserves at the end of the comparative period; and (iii) income or expenditure for the comparative period reported under previous UK GAAP are given in note 24.

1.4 Going Concern

The Association should:

- reach a conclusion about the ability of the RSL to continue as a going concern;
- make balanced, proportionate and clear disclosures about going concern for the financial statements to give a true and fair view;
- disclose if the period they have reviewed in making their assessment of going concern is less than twelve months from the date of approval of the financial statements; and
- explain their justification for limiting the review period.

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

1.5 Turnover and revenue recognition

Turnover relates to the income from the letting of properties at affordable rents, together with revenue grants receivable in the period. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

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).

PARKHEAD HOUSING ASSOCIATION LIMITED

PRINCIPAL ACCOUNTING POLICIES

AS AT 31 MARCH 2016

1.6 Government Grants (continued)

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

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

1.7 Other Grants

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

1.8 Fixed assets - Housing properties

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

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

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

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

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

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

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

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

Land	Not depreciated
Structure	Over 50 years
Roof	Over 40 years
Kitchen	Over 18 years
Bathroom	Over 50 years

PARKHEAD HOUSING ASSOCIATION LIMITED

PRINCIPAL ACCOUNTING POLICIES

AS AT 31 MARCH 2016

1.8 Fixed assets - Housing properties (continued)

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.

1.9 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.

1.10 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.

PARKHEAD HOUSING ASSOCIATION LIMITED

PRINCIPAL ACCOUNTING POLICIES

AS AT 31 MARCH 2016

1.10 Other Fixed Assets (continued)

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 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.

1.12 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.

1.13 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.

1.14 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.

1.15 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.

PARKHEAD HOUSING ASSOCIATION LIMITED

PRINCIPAL ACCOUNTING POLICIES

AS AT 31 MARCH 2016

1.16 **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.

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

Financial liabilities

Trade creditors

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

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

PARKHEAD HOUSING ASSOCIATION LIMITED

PRINCIPAL ACCOUNTING POLICIES

AS AT 31 MARCH 2016

1.16 Financial Instruments (continued)

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.

1.17 Provisions

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

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

1.18 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.

1.19 Consolidation

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

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

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

		Turnover	Operating Costs £	Operating Surplus/ (deficit) £	Operating Surplus/ (deficit) 2015 £
Affordable letting activities	3a	6,957,322	5,380,552	1,576,770	1,883,695
Other Activities	3b	169,443	312,141	(142,698)	(100,752)
Total		<u>7,126,765</u>	<u>5,692,693</u>	<u>1,434,072</u>	<u>1,782,943</u>
Total for previous reporting period		<u>7,097,314</u>	<u>5,314,372</u>	<u>1,782,943</u>	

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

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

	General Needs Housing	Hostel Supported Social Housing	Shared Ownership Housing	2016	2015 Total
	£	£	£	£	£
Income from lettings					
Rent receivable net of identifiable service charges	5,446,944	268,674	109,743	5,825,361	5,493,198
Service charges receivable	234,327	-	-	234,327	225,886
Gross Rents Receivable	5,681,271	268,674	109,743	6,059,688	5,719,084
Less: Rent Losses from Voids	(74,112)	-	-	(74,112)	(53,782)
Net Rents Receivable	5,607,159	268,674	109,743	5,985,576	5,665,302
Grants released from deferred income	924,344		15,325	939,669	1,242,098
Grants received	32,077	-	-	32,077	-
Total income from Affordable Letting Activities	6,563,580	268,674	125,068	6,957,322	6,907,400
Expenditure on Affordable Letting Activities					
Service costs	176,038	-	-	176,038	182,547
Management and maintenance administration costs	938,803	8,454	64,156	1,011,413	954,159
Planned and cyclical maintenance including major repair costs	1,280,973	1,481	-	1,282,454	1,261,402
Reactive maintenance costs	760,772	8,190	-	768,962	562,127
Bad debts – rents and service charges	32,026	-	-	32,026	39,599
Depreciation of social housing	2,063,485	-	46,174	2,109,659	2,023,871
Operating costs for Affordable Letting Activities	5,252,097	18,125	110,330	5,380,552	5,023,705
Operating Surplus on Affordable Letting Activities	1,311,483	250,549	14,738	1,576,770	1,883,695
2015	1,662,619	197,590	28,486	1,888,695	

The rent loss from voids of £74,112 (2015: £53,782) includes £nil (2015: £nil) in respect of development voids.

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

(Continued)

3b – Particulars of turnover, 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	-	-	-	57,781	57,781	-	57,781	-	-
Support activities	-	-	38,042	-	38,042	-	79,433	(41,391)	(10,891)
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	-	-	-	69,904	69,904	-	168,841	(98,937)	(93,551)
Other activities – Trust Heritage Initiative	-	-	-	3,716	3,716	-	6,086	(2,370)	3,690
Total from other activities	-	-	38,042	131,401	169,443	-	312,141	(142,698)	(100,752)
2015	-	-	63,404	126,510	189,914	-	290,666	(100,752)	-

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

4. Interest payable and financing costs

	2016	2015
	£	£
Interest on loans	197,835	112,582
Rent arrears NPV charge	(9,781)	31,734
	188,054	144,316

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

	2016	2015
	£	£
Operating surplus is stated after charging/(crediting):		
Depreciation of housing properties	2,109,659	1,916,244
Depreciation of other tangible fixed assets:		
- owned	94,156	93,551
(Surplus)/deficit on disposal of tangible fixed assets	30,916	47,003
	13,620	8,722
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	9,870	8,722
Other services:		
FRS 102 transition	3,750	-
	13,620	8,722

7. Key Management Personnel

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

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

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

7. Key Management Personnel (contd)

	2016 No.	2015 No.
£60,001 to £70,000	1	1
	2016	2015
	£	£
Emoluments payable to Chief Executive (excluding pension contributions)	74,404	73,308

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

8. Employee Information

	2016 No.	2015 No.
The average full time equivalent number of persons (including key management personnel) employed during the year was:	29	29
Staff Costs were:	£	£
Wages and Salaries	1,062,009	985,560
Social Security Costs	86,943	80,585
Pension Costs	261,679	233,458
	1,410,631	1,299,603

Included in the pension costs total is an expense of £91,000 (2015: £73,000) arising from the implementation of FRS102 in the financial statements.

9. Gain on Disposal of Fixed Assets

	2016 £	2015 £
Net Proceeds from the Disposal of Housing Accommodation	99,447	163,561
Cost of Housing Accommodation sold	(68,531)	(116,558)
Gain on Sale of Housing Accommodation	30,916	47,003

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

10a. Tangible Fixed Assets

Housing Properties	Housing Properties Held for Letting £	Housing Properties Under Construction £	Completed Shared Ownership Properties £	Total £
Cost				
At 1 st April 2015	83,849,645	4,225,123	2,579,336	90,654,104
Properties acquired	424,488	-	-	424,488
Works to existing properties	900,239	7,925,729	-	8,825,968
Schemes completed	10,281,114	(10,079,013)	(202,101)	-
Disposals in year	(443,274)	-	(68,531)	(511,805)
At 31st March 2016	<u>95,012,212</u>	<u>2,071,839</u>	<u>2,308,704</u>	<u>99,392,756</u>
Depreciation and impairment				
At 1 st April 2015	27,220,189	-	1,091,888	28,312,078
Provided during year	2,063,485	-	46,174	2,109,659
Disposals	(431,737)	-	(29,011)	(460,748)
At 31st March 2016	<u>28,851,937</u>	<u>-</u>	<u>1,109,051</u>	<u>29,960,989</u>
Net Book Value				
As at 31st March 2016	<u>66,160,275</u>	<u>2,071,839</u>	<u>1,199,653</u>	<u>69,431,767</u>
As at 31 st March 2015	<u>56,629,456</u>	<u>4,225,123</u>	<u>1,487,448</u>	<u>62,342,026</u>

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

10a. Tangible Fixed Assets (contd)

Additions to housing properties during the year include capitalised administration costs of £9,608 (2015: £9,200) for which Housing Association Grants amounting to £9,608 (2015: £9,200) were received in the year.

During the year £737,900 (2015: £1,390,286) out of a planned, cyclical and major repairs spend of £1,616,762 (2015: £2,210,330) was capitalised. Out of the amount capitalised £723,000 (2015: £1,323,361) related to replacement components and £14,900 (2015: £66,925) related to improvements.

All Housing Properties are freehold.

10 b. Tangible Fixed Assets

Other fixed assets	Land Bank £	Commercial And Office Premises £	Computer Office Furniture & Equipment £	Total £
Cost				
At 1 st April 2015	22,885	1,664,038	385,585	2,072,508
Additions	-	290	27,742	28,032
Disposal	-	-	(61,323)	(61,323)
At 31st March 2016	<u>22,885</u>	<u>1,664,328</u>	<u>352,004</u>	<u>2,039,215</u>
Depreciation				
At 1 st April 2015	-	505,131	246,220	751,351
Charge for year	-	45,288	48,868	94,156
On disposals	-	-	(61,323)	(61,323)
At 31st March 2016	<u>-</u>	<u>550,419</u>	<u>233,765</u>	<u>784,184</u>
Net Book Value				
As at 31st March 2016	<u>22,885</u>	<u>1,113,909</u>	<u>118,239</u>	<u>1,255,033</u>
As at 31 st March 2015	<u>22,885</u>	<u>1,158,905</u>	<u>139,365</u>	<u>1,321,157</u>

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

11. Investments

	2016 £	2015 £
Cost		
At 1 st April and 31 March	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 2016 is £100 (2015: £100).

12. Debtors

	2016 £	2015 £
Arrears of Rent and Service Charges	256,985	249,409
Less: Provision for Doubtful Debts	(64,246)	(62,352)
Less: Discounting of payment plans > 12 months	(23,433)	(33,215)
	169,306	153,842
Other Debtors	133,301	86,490
Prepayments	125,102	114,227
	427,709	354,559

Included in the figure for rent and service charge arrears is £46,301 (2015: £25,516) due in respect of housing benefits payments.

13. Creditors – Amounts falling due within one year

	2016 £	2015 £
Housing Loans (Note 16)	458,009	554,912
Trade Creditors	253,152	296,250
Other Creditors	84,202	51,147
Accrued Charges	360,132	327,666
Deferred capital grants (note 15)	939,669	1,242,098
Rent in Advance	184,862	180,879
	2,280,027	2,652,952

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

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

	2016	2015
	£	£
Housing Loans (Note 16)	17,344,310	12,821,457
Deferred Capital Grant (Note 15)	39,795,648	36,811,228
	57,139,958	49,632,685

15. Deferred capital grant

	2016	2015
	£	£
As at 1 April	38,053,327	34,481,139
Grant received in year	3,671,892	5,162,436
Repayments	(50,233)	(348,150)
Capital grant released	(939,669)	(1,242,098)
	40,735,317	38,053,327
At 31 March		
Amounts to be released within one year	939,669	1,242,098
Amounts to be released in more than one year	39,795,648	36,811,228
	40,735,317	38,053,327

16. Debt analysis - Borrowings

	2016	2015
	£	£
Creditors: amounts falling due within one year		
Bank loans	458,009	554,912
	458,009	554,912
Creditors: amounts falling due after more than one year		
Bank loans	17,433,969	12,897,076
	17,433,969	12,897,076

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

Bank loans are secured by specific charges on the Association's properties. All loans relate to housing properties. Loans are repayable at rates of interest of 0.77% to 2.58% (2015 – 0.8% to 2.58%). The Association makes quarterly repayments of the bank borrowing.

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

16. Debt analysis – Borrowings (continued)

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

	2016	2015
	£	£
Due within one year	458,009	554,912
Due in one year or more but less than two years	461,636	559,201
Due between two and five years	1,559,539	1,703,602
Due more than five years	15,412,794	10,634,273
	<u>17,891,977</u>	<u>13,451,988</u>

17. Provisions

	Holiday Pay £
At 1 April 2015	15,135
Utilised in the year	(15,135)
Additional provision in year	13,266
As at 31 March 2016	<u>13,266</u>

Holiday Pay

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

18. Share Capital & Reserves

	2016	2015
	£	£
<i>Share Capital</i>		
Shares of £1 fully paid and issued at 1 April 2015	127	135
Shares issued during year	29	6
Shares cancelled during the year	(14)	(14)
Shares issued at 31 March 2016	<u>142</u>	<u>127</u>

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

18. Share Capital & Reserves (continued)

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

	Revenue Reserves 2016 £	Revenue Reserves 2015 £
<i>Reserves</i>		
At 1 April 2015	15,219,974	14,514,424
Surplus for year	2,308,102	705,550
	17,528,076	15,219,974

19. Housing Stock

	2016 No.	2015 No.
at the year end was:		
General needs - New build	721	617
- Rehabilitation	853	858
Shared Ownership	44	49
Supported Housing	9	9
	1,627	1,533

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

20. Cash flow from operating activities	2016	2015
Surplus for year	2,308,102	629,931
Adjustments for non-cash items:		
Depreciation	2,203,815	2,117,422
Amortisation	(939,669)	(1,242,098)
Holiday pay accrual	(1,868)	(15,135)
Rent arrears NPV costs	(9,781)	(31,734)
Decrease in debtors	(73,150)	(23,710)
Increase in creditors	26,407	(290,656)
Increase in provisions	(918,869)	1,152,175
Share capital cancelled	(14)	(14)
Gain on disposal of tangible fixed assets	(30,916)	-
Adjustments for investing or financing activities:		
Interest received	(71,832)	(57,301)
Interest paid	188,054	144,316
	<u>2,680,279</u>	<u>2,383,195</u>

21. Capital Commitments

	2016	2015
	£	£
Capital expenditure that has been authorised by the Board but has not been contracted for	<u>250,000</u>	<u>440,000</u>
Capital expenditure that has been contracted for but not provided in the financial statements	<u>2,519,995</u>	<u>3,995,493</u>
Capital commitments are expected to be funded as follows:		
Housing Association Grant	2,860,532	3,995,493
Private finance funding	<u>2,519,995</u>	<u>7,515,475</u>

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

22. Pensions Obligations

Pension Fund

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

The last full Actuarial valuation was carried out as at 31 March 2014. The following information is based on updated information. This actuarial valuation of the scheme was carried out by independent actuaries at 31 March 2016 using the following assumptions.

Actuarial assumptions	2016	2015
Rate of increase in salaries	4.2%	4.3%
Expected return on assets	3.5%	3.2%
Discount rate	3.5%	3.2%
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:

	2016	2015
	£	£
Present value of funded obligations	(9,558,000)	(10,263,000)
Fair value of plan assets	7,531,000	7,319,000
Net Liability	(2,027,000)	(2,944,000)

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

22. Pensions Obligations (continued)

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

Defined Benefit Plans	2016	2015
	£	£
Opening defined benefit obligation	10,263,000	8,537,000
Service cost	261,000	231,000
Member Contributions	63,000	58,000
Interest cost	330,000	369,000
Actuarial losses	(1,147,000)	1,247,000
Loss on curtailment	-	-
Past service costs	-	-
Benefits paid	(212,000)	(179,000)
Closing defined benefit obligation	9,558,000	10,263,000

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

Defined Benefit Plans	2016	2015
	£	£
Opening plan assets	7,319,000	6,743,000
Expected return on assets	235,000	405,000
Actuarial (losses)/gains	(44,000)	134,000
Contributions by employer	170,000	158,000
Contributions by members	63,000	58,000
Benefits paid	(212,000)	(179,000)
Closing plan assets	7,531,000	7,319,000

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

	2016	2015
	£	£
Current service cost	261,000	231,000
Interest on obligation	330,000	369,000
Expected return on plan assets	(235,000)	(405,000)
Loss on curtailments	-	-
Total	356,000	195,000

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

22. Pensions Obligations (continued)

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

	2016	2015
	£	£
Opening cumulative STRGL	(2,732,000)	(1,619,000)
Actuarial (losses)	1,103,000	(1,113,000)
	(1,629,000)	(2,732,000)

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

	2016	2015
Equities	72%	75%
Properties	16%	13%
Bonds	12%	11%
Other	0%	1%

The history of experience gains and losses is as follows:

	2016	2015	2014	2013	2012
Difference between expected and actual return on scheme assets					
Amount £	(44,000)	134,000	97,000	494,000	639,000
Percentage of scheme assets	0.58%	1.83%	1.32%	7.87%	11.65%
Experience (loss)/gain arising on scheme liability					
Amount £	146,000	122,000	4,000	10,000	(1,035,000)
Percentage of scheme liabilities	1.53%	1.18%	-	0.00%	(16.0%)
Total amount of actuarial (loss)/gain					
Amount £	1,103,000	1,113,000	243,000	400,000	696,000
Percentage of scheme liability	11.54%	10.84%	2.85%	5.16%	10.62%

The estimated Employer's contributions for the period to 31 March 2017 will be approximately £170,000.

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

23. Related Parties

Eight Committee of Management members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £23,018 (2015: £25,720) of rent was receivable from these tenant members. At the year-end there were £nil (2015:£196) 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 (2015: £nil) in respect of bad debts from related parties.

24. First Time Adoption of FRS102

The financial statements have been prepared in accordance with FRS102 for the year ended 31 March 2016. The transition to FRS102 has impacted on the following accounting policies adopted and as such the comparative figures have been restated accordingly.

A – Grant Accounting

Previously all capital grants received were netted off against the cost of housing properties. In line with FRS102 and SORP 2014 capital government grants are now treated under the accrual model and as such are shown as deferred income and amortised to income over the expected useful life of housing property structure and its individual components (excluding land) on a pro-rata basis.

B – Depreciation of Housing Properties

Previously depreciation on housing properties was calculated on the net cost of properties after capital grant. In line with FRS102, and as noted above in A, grants are no longer netted off against the cost of housing properties and as such depreciation is now calculated on the gross cost of housing properties.

C – Fair value of debt with a payment plan

In line with the SORP 2014, all debt balances with a payment plan in place over 12 months at the year-end have been measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

D – Holiday Pay Accrual

FRS102 requires the Association to recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the entity during the reporting period. Therefore at 31 March 2015 a provision has been made of £15,135 reflecting the value of holiday pay entitlement which had not been taken as at that date by employees.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.

PARKHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

24. First Time Adoption of FRS102 (cont.)

Reconciliation of Reserves	Notes	1 April 2014 £	31 March 2015 £
Reserves as previously reported under UK GAAP		11,813,578	12,528,517
Grant accounting	A	21,638,391	22,880,490
Depreciation	B	(18,923,105)	(20,140,683)
Holiday pay accrual	C	(12,960)	(15,135)
Rental arrears discounted	D	(1,481)	(33,215)
Reserves reported under FRS 102		14,514,424	15,219,974

Reconciliation of Surplus or Deficit	Notes	Year ended 31 March 2015 £
Surplus or deficit as previously reported under UK GAAP		1,752,319
Grant accounting	A	1,242,099
Depreciation	B	(1,217,578)
Holiday pay accrual	C	(2,175)
Rental arrears discounted	D	(31,734)
Surplus or deficit reported under FRS 102		1,742,931