



**Report to Board of Directors**  
**19 September 2013**

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**Title: Report of the Board and Financial Statement**

**Report of: TGHC Managing Director**

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### **Purpose of Report**

1. To seek approval of the report of the board and financial statements for the year ended 31 March 2013.

### **Background**

2. The report of the board and financial statements will be presented to the Annual General Meeting which will be held on 21 November 2013.
3. The report of the board and financial statements are for the financial year 1 April 2012 to 31 March 2013. This is the third full financial year in which trading activity has taken place within Keelman Homes.

### **Report of the Board**

4. The Report of the Board must follow the format as set out in the Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005 and as set out in the Companies Act 2006.
5. The Report of the Board has been prepared in accordance with these standards and is attached in the Appendix. This report details the principle activities of Keelman Homes for the financial year ended 31 March 2013 including the structure, governance and managements arrangements in place, the objectives and activities of Keelman Homes and the achievement and performance in the year as well as highlighting the future activities.

### **Financial Statements**

6. The Financial Statements for the year ended 31 March 2013 are included in the appendix to this report.
7. The Financial Statements show total funds in the balance sheet at £7.1million (2012: £6.8million). This includes the land value and the first and second tranches of grant received from the Homes and Communities Agency.
8. The financial activities during the year show that the unrestricted funds carried forward were £333,725 (2012: £127,191). Restricted funds carried forward are £6,812,787 (2012: £6,683,354). Restricted fund is the grant income received

from the Homes and Communities Agency to build the properties at Kibblesworth. Unrestricted funds include the rent and service charge income as well as investment income through investing our cash balances in short term deposits.

9. Expenditure during the year is also split between restricted and unrestricted funds. The restricted expenditure relates to the depreciation charge on our properties and the loan interest repayment charge. Unrestricted spend relates to the management fee payable to The Gateshead Housing Company who manage the properties on behalf of Keelman Homes, as well as the auditors fee and additional spend on the arts project undertaken at the Kibblesworth site.
10. These accounts have been audited by KPMG as our external auditors and they have been signed off as a true and accurate record.

#### **Impact on tenants**

11. Appropriate financial monitoring and control will ensure efficiencies are maximised and redirected to services that directly impact on tenants.

#### **Risk Management Implications**

12. The external audit carried out by KPMG is one element of the controls in place to ensure that the strategic risk associated with budget issues - cost overruns is effectively controlled.

#### **Financial Implications**

13. The financial implications are contained within the report and Appendix.

#### **Equality and Diversity Implications**

14. There are no equality or diversity implications arising from this report.

#### **Health Implications**

15. There are no direct health implications arising from this report.

#### **Value for Money implications**

16. Value for money was a factor in the procurement of Keepmoat Plc as the contractor for the new build.

#### **Environmental Implications**

17. Environmental consideration is given during the day to day management of financial resources through the drive to ensure that purchasing methods are sustainable and through the reduction of energy costs through energy efficient measures being introduced in working practices.

#### **Consultation carried out**

18. None directly for this report.

## **Recommendations**

19. The Board is recommended to:

- approve the Report of the Board and Financial Statements for the year ended 31 March 2013, and
- approve the Chair of the Board to sign the Report of the Board and Financial Statements as a correct record.

**Keelman Homes Limited**  
(a company limited by guarantee and not having a share  
capital)

Report of the Board and Financial  
Statements

Registered company number 06972673

Registered charity number 113321

31 March 2013

# Appendix

Keelman Homes Limited  
(a company limited by guarantee and not having a share capital)  
Report of the Board and Financial Statements  
31 March 2013

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**Reference and administrative details**

<b>Charity Name</b>	Keelman Homes Limited
<b>Charity Reference Number</b>	113321
<b>Company Reference Number</b>	06972673
<b>Registered Address of the Charity</b>	Keelman House Fifth Avenue Business Park Fifth Avenue Team Valley Trading Estate Gateshead NE11 0XA
<b>Charity Trustees</b>	Richard Armitage (ALMO Trustee) – resigned 31 December 2012 Joanne Carr (ALMO Trustee) - appointed 1 January 2013 Paul Foy (Council Trustee) Peter Mole (Council Trustee) Brian Kelly (Ordinary Trustee) Linda Hitman (Ordinary Trustee) Hannah Shepherd (Ordinary Trustee) Anne Connelly (Ordinary Trustee)
<b>Secretary</b>	Jon Mallen-Beadle
<b>Management Team</b>	Day-to-day management has been delegated to The Gateshead Housing Company
<b>Auditors</b>	KPMG LLP Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX
<b>Bankers</b>	The Co-operative Bank 1 <sup>st</sup> Floor, Norfolk House 90 Grey Street Newcastle upon Tyne NE1 6BZ
<b>Solicitors</b>	Gateshead Metropolitan Borough Council Civic Centre Regent Street Gateshead NE8 1HH

## Report of the Board

The Board present their report and financial statements for the period ended 31 March 2013.

### Principal activities

The principal activity of the Company is the introduction of new housing stock within the Kibblesworth area. The company has entered into a management agreement with The Gateshead Housing Company to manage the day-to-day operation of the contractor who will build the new homes and to manage, maintain and improve the properties once built.

### Review of business

Keelman Homes has been set up to enable the development of new homes in Kibblesworth in Gateshead.

Planning permission was received from Gateshead Council to build almost 150 new homes within the Kibblesworth Estate.

The Airey homes were built in the 1940s as a short-term measure and the cost to bring them up to the Government's Decent Homes Standard would have been excessive.

Keelman Homes will now replace these existing properties with new homes to create a more sustainable estate. Keelman Homes appointed construction firm Keepmoat Plc to redevelop the 11.4 acre site at the Kibblesworth Estate.

All of the estate's prefabricated 'Airey' properties were demolished by March 2013.

The scheme, which is supported by the Homes and Communities Agency and Gateshead Council, will create 81 new affordable homes to rent for existing residents, plus 54 additional homes for sale.

In addition, 13 homes will be offered for 'shared ownership' - a unique and flexible way for first-time buyers to get on the housing ladder. First-time buyers can purchase a minimum of a 25% share of the property and pay rent on the remaining share of the property. They can then increase their share in the property by 'staircasing' which is purchasing additional shares in the property at a minimum of 10%.

In the period to 31 March 2013 the Kibblesworth Regeneration programme continues to deliver new energy efficient homes. Airey properties were demolished to make way for the new development and in total 44 new properties were built of which 22 will be managed by The Gateshead Housing Company. These properties consist of bungalows, 2-bed, 3-bed and 4-bed houses. Overall a total of 72 properties are now being managed by the housing company on our behalf. The site was completed by the end of July 2013.

### Policy and practice and payment of creditors

As a controlled Company of a local authority, the Company adheres to BVPI8 which requires the payment of undisputed creditor invoices within 30 days of receipt of the invoice. Where disputes arise we attempt to resolve them promptly and amicably to ensure delays in payment are kept to a minimum.

### Corporate governance

The Company signs up to the principles of the Combined Code in so far as they are applicable to an organisation of its size and structure. As well as having robust codes of conduct for Board members, the Company has a clear Risk Strategy in place which underlies its key decisions.

The Company has a main Board which is suitable for all current activity; we continue to review our governance arrangements to ensure the needs of the organisation are being met effectively.

The Board Members who are directors for the purpose of company law and trustees for the purpose of charity law, who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Board Member has taken all the steps that he or she ought to have taken as a Board Member to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

In line with the statutory requirements for a limited company, a copy of these accounts will be filed with Companies House.

## **Report of the Board** *(continued)*

### **Structure, Governance and Management**

#### **Governing document**

Keelman Homes is a charitable company limited by guarantee; it was incorporated as a private company on 25 July 2009 and received charitable status on 16 December 2009. The organisation was established under a Memorandum of Association which established the objects and powers of the company and is governed under the Articles of Association. There is one member of Keelman Homes; this is The Gateshead Housing Company (TGHC). TGHC is an arms-length management organisation (ALMO) providing social housing management services to Gateshead Council. TGHC has the right to attend all general meetings and can exercise all rights which are reserved to the general members of a company. The TGHC Chair of the Board has been nominated the representative to act on its behalf as TGHC is a Corporate Entity. In the event of the Charity being dissolved, every member must pay up to £10 towards the cost of dissolution and the liabilities incurred by the Charity.

#### **Recruitment and appointment of Trustees**

The Trustees as charity trustees control the Company and its property and funds and are known as the Board. The Trustees consist of at least four and not more than seven individuals, comprising one individual nominated by the ALMO in accordance with article 4.3.2 (the ALMO Trustees), two individuals nominated by the Council in accordance with article 4.3.3 (the Council Trustees) and four individuals appointed or elected in accordance with article 4.3.4 (the Ordinary Trustees).

The ALMO Trustees shall be appointed by the ALMO to serve for such period of office as shall be confirmed by the ALMO. A written notice delivered by the Chief Executive of the ALMO (or such other authorised individual) of the ALMO to the Secretary shall be conclusive as to who has been appointed as an ALMO Trustee and for what period of time. The ALMO may remove and replace the Trustees at any time provided written notice is given to the Secretary.

The Council Trustees shall be appointed by the Council to serve for such period of office as shall be confirmed by the Council. One of the Council Trustees shall be an employee or elected member of the Council and one of the Council Trustees shall be an existing Council-nominated board member of the ALMO. A written notice delivered by the Chief Executive (or such other authorised individual) of the Council to the Secretary shall be conclusive as to who has been appointed as a Council Trustee and for what period of time. The Council may remove and replace either or both of the Council Trustees at any time provided written notice is given to the Secretary.

The Ordinary Trustees would be appointed by the Board to fill a casual vacancy until the company's next Annual General Meeting (Article 4.6). Every Trustee after appointment or reappointment must sign a declaration of willingness to act as a charity trustee of the Charity before he or she may vote at any meeting of the Trustees. One third (or the number nearest to one third) of the Ordinary Trustees must retire at each AGM, those longest in office retiring first and the choice between any of equal service being made by drawing lots and can be re-elected at the AGM should they wish.

Anne Connelly retires by rotation and, being eligible, offers herself for re-election.

The Charity's work focuses on the build of new homes within Kibblesworth and the subsequent management of these homes once they have been let. Therefore, we have looked to ensure we have a mix of Trustees with appropriate skill sets. The ALMO Trustee and Council Trustees have skills in relation to the management of social housing and performance management; we have also ensured that the Ordinary Trustees have a good mix of skills in relation to housing management, communications and tenant involvement.

#### **Induction and training of Trustees**

Once the Trustees have been appointed they are invited to meet with the Company Secretary to familiarise themselves with the work of the Charity, the context in which it operates and the role of the Trustee. They are also provided with the Memorandum and Articles of Association for the Charity, as well as the Code of Conduct for the Trustees. Trustees are also continually being offered the opportunity to undertake training that they feel is necessary to their roles and they have been provided with the opportunity for further learning in relation to new build.

**Report of the Board** *(continued)***Organisational structure**

Keelman Homes has a Board made up of 7 Trustees who meet bi-monthly and are responsible for all decisions taken by the Company. Keelman Homes has a management agreement with The Gateshead Housing Company to manage the new build and manage the properties once built and let. The Gateshead Housing Company therefore, has responsibility for the day-to-day management of the operations being undertaken by Keelman Homes.

**Related parties**

The Charity is guided by the Charities Act and Companies Act and is guided by both National and Local policy. The Gateshead Housing Company acts as a managing agent for Keelman Homes in its day-to-day operations including taking responsibility for the day-to-day management, maintenance and improvement of the Gateshead Council Housing Stock.

The Board has considered the internal control environment of The Gateshead Housing Company and considers that the systems of internal control are effective and appropriate.

**Risk Management**

The Board conducted a review of the major risks to which Keelman Homes are exposed and produced a risk register which is updated on a six-monthly basis. Systems and procedures have been established to mitigate the risks Keelman Homes faces where appropriate.

**Our aims and objectives***Purposes and aims*

Keelman Homes' purposes as set out in the objects contained within the Company's memorandum of association are to:

- (a) to provide houses or hostels or other residential accommodation and any associated amenities for persons in necessitous circumstances upon terms appropriate to their means;
- (b) to provide for aged, disabled (whether physically or mentally), or chronically sick persons in need thereof houses or hostels or other residential accommodation and any associated amenities specially designed or adapted to meet the disabilities and requirements of such persons;
- (c) to provide services, advice or assistance upon terms appropriate to their means to aged, disabled (whether physically or mentally) or chronically sick persons or other persons in necessitous circumstances in need thereof and providing any associated amenities specially designed or adapted to meet the disabilities and requirements of such persons;
- (d) the provision of recreation or other leisure facilities in the interest of social welfare with the object of improving the conditions of life for the residents of the area of benefit;
- (e) the relief of poverty amongst the residents of the area of benefit;
- (f) the advancement of education, training or retraining, particularly among unemployed people and providing unemployed people with work experience;
- (g) the maintenance, improvement or provision of public amenities for the public benefit in the interests of regeneration in areas of social and economic deprivation in which the Charity owns or manages housing stock; and
- (h) such other charitable purposes beneficial to the public consistent with the objects above as the Trustees shall in their absolute discretion determine.

Keelman Homes aims to provide new housing in Gateshead and neighbouring Local Authority areas for social housing letting and intermediate rent and to provide housing management services for our tenants in this area. Our aims reflect the purposes Keelman Homes was set up for.

**Report of the Board** *(continued)***Ensuring our work delivers our aims**

Keelman Homes was set up in July 2009 and we set our aims and objectives for that year to ensure that the foundations were in place to obtain funding for new houses to be built within the Kibblesworth area so that we could meet the objects set within our memorandum of association to provide homes for persons in necessitous circumstances.

Every year we review the aims and objectives set as well as review the activity undertaken in the prior year to ensure that we continue to meet the objects as detailed above.

*Our objectives for the year*

Our objectives for the year ended March 2013 were to continue the demolition and rebuild of properties across the Kibblesworth site. We completed all properties within Phases 3A, 3B and 3C during the year and Phase 4 was started with a number of properties being completed before the year end. In total we were handed 22 properties during 2012/13, bringing a total of 72 properties into the company's control by the end of March 2013.

We drew down the remainder of the loan provided by Gateshead Council during the year to fund the development programme at Kibblesworth. The interest rate payable on the loan is the consolidated rate of interest at the date of draw down of 4.86%.

**Achievement and performance**

At its Board meeting on 9 September 2009, the Board of Keelman Homes Board approved the appointment of Keepmoat Plc to demolish the existing Council owned Airey Houses at Kibblesworth and develop a mixed tenure scheme to include 81 properties for rent and 13 properties for shared ownership.

At its meeting on 21 January 2010, the Board received confirmation of the company being awarded charitable status and agreed the Management Agreement between TGHC and Keelman Homes.

The HCA grant and the loan from Gateshead Council were confirmed and approved in January 2010. The HCA grant was fully received prior to the beginning of the year and the final instalment of the loan was received during the year.

The programme of work was split into several phases. Phase 3 was completed during 2012/13 and Phase 4 was completed in July 2013. Of the final nine rented properties in Phase 4, two were completed in 2012/13 with the remaining seven being completed by July 2013, as well as the 13 shared ownership properties. Phase 3 included 32 properties for rent and 24 properties for sale (by Keepmoat Plc). Phase 4 included nine properties to rent, 13 properties for shared ownership and 25 properties for sale (by Keepmoat Plc).

**Financial review**

Payments have been made to the contractor Keepmoat Plc based on valuations of the work carried out.

The HCA grant was invested in accordance with our investment policy and through review of our expected cashflow required to pay the contractor and any other miscellaneous supplies.

The Gateshead Housing Company manages the properties on behalf of Keelman Homes in accordance with the management agreement. They collect the rent and any service charges associated with the properties and pass this income over to Keelman Homes and are paid a management fee for carrying out these services.

**Report of the Board** *(continued)***Principal funding sources**

The principal funding sources for the building of the new homes at Kibblesworth are an HCA Grant and a loan from Gateshead Council.

Once the properties are built and are let, the principal funding sources will be from the rental income and service charge income for these properties.

**Reserves policy**

Our reserves policy will be further developed once the properties owned by the Charity are fully constructed and occupied, however, the reserves in relation to the new build have been built into the expenditure in relation to the contract. We believe that we have secured funding sufficient to cover the costs of the new build properties and to allow a £500,000 reserve to be retained at the end of the project as a contingency fund. This will be shown within reserves.

In relation to the reserves required once properties are let, we will develop a reserves policy based on a month's rent per property per year.

**Future plans**

During the first part of 2013/14 Keelman Homes has completed the build of the new homes at Kibblesworth. These properties will be let to the current social housing tenants of the Kibblesworth properties which are being demolished to make way for the new build properties and to tenants according to Gateshead Council's lettings policy.

Keelman Homes will also complete the build of the shared ownership properties which will continue to be advertised to first time buyers as a way to get on the property ladder. Shared ownership is part of a government funded part-buy/part-rent scheme to help first-time buyers to become home owners. First-time buyers could initially purchase between 25% and 75% of one of the new homes and pay rent on its remaining share.

Keelman Homes will start to look at opportunities to develop further new homes in partnership with the Council at new sites outside of Kibblesworth and also look at the possibility of purchasing empty properties to further support the Council's Housing Strategy.

The Gateshead Housing Company will manage these homes on a day-to-day basis once the tenants move into the newly built properties. The Gateshead Housing Company will also manage the shared ownership properties, ensuring that valuations are received when necessary.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor is deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board.

**Brian Kelly**  
*Chairman of Trustees*

Keelman House  
Fifth Avenue Business Park  
Team Valley Trading Estate  
Gateshead  
Tyne and Wear  
NE11 0XA

19 September 2013

## **Statement of Trustees' responsibilities in respect of the Report of the Board and the Financial Statements**

The Trustees are responsible for preparing the Board's Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 charitable company will continue its activities.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.



## KPMG LLP

Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX  
United Kingdom

### **Independent auditor's report to the members of Keelman Homes Limited**

We have audited the financial statements of Keelman Homes Limited for the year ended 31 March 2013 set out on pages 10 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charitable company'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 charitable company'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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities set out on page 7, the Trustees (who are also the directors of the charitable company for the purposes of company law) 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](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 charitable company's affairs as at 31 March 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

**Independent auditor's report to the members of Keelman Homes Limited**  
*(continued)*

**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:

- the charitable company has not kept adequate accounting records 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 accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Mick Thompson (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

2013

## Appendix

Keelman Homes Limited  
(a company limited by guarantee and not having a share capital)  
Report of the Board and Financial Statements  
31 March 2013

### Statement of financial activities (incorporating income and expenditure account) for the year ended 31 March 2013

	<i>Note</i>	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
<b>Incoming resources</b>					
<b>Incoming resources from generated funds</b>					
Investment income	2	-	-	-	5,615
<b>Incoming resources from charitable activities</b>					
Provision of social housing	3	314,034	440,000	754,034	674,387
<b>Total incoming resources</b>		<u>314,034</u>	<u>440,000</u>	<u>754,034</u>	<u>680,002</u>
<b>Resources expended</b>					
Charitable activities	4	14,465	-	14,465	7,699
Other resources expended	4	87,835	310,567	398,402	173,225
Governance costs	5	5,200	-	5,200	5,000
<b>Total resources expended</b>		<u>107,500</u>	<u>310,567</u>	<u>418,067</u>	<u>185,924</u>
<b>Net incoming resources and net movement in funds for the year</b>		<u>206,534</u>	<u>129,433</u>	<u>335,967</u>	<u>494,078</u>
<b>Reconciliation of funds</b>					
Total funds brought forward		<u>127,191</u>	<u>6,683,354</u>	<u>6,810,545</u>	6,316,467
<b>Total funds carried forward</b>	11	<u>333,725</u>	<u>6,812,787</u>	<u>7,146,512</u>	<u>6,810,545</u>

All of the above results are derived from continuing activities.

The charitable company has no recognised gains or losses other than those stated above.

# Appendix

Keelman Homes Limited  
(a company limited by guarantee and not having a share capital)  
Report of the Board and Financial Statements  
31 March 2013

## Balance sheet at 31 March 2013

	<i>Note</i>	<b>2013</b>		2012	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		<b>10,387,476</b>		8,929,868
<b>Current assets</b>					
Debtors	8	<b>208,503</b>		73,790	
Cash at bank and in hand		<b>1,342,794</b>		1,172,811	
		<hr/>		<hr/>	
<b>Creditors:</b> amounts falling due within one year	9	<b>1,551,297</b>		1,246,601	
		<b>(494,269)</b>		<b>(458,708)</b>	
		<hr/>		<hr/>	
<b>Net current assets</b>			<b>1,057,028</b>		787,893
<b>Creditors:</b> amounts falling due after more than one year	10		<b>(4,297,992)</b>		(2,907,216)
			<hr/>		<hr/>
<b>Net assets</b>			<b>7,146,512</b>		6,810,545
			<hr/>		<hr/>
<b>Charity funds</b>					
Restricted funds	11		<b>6,812,787</b>		6,683,354
General funds	11		<b>333,725</b>		127,191
			<hr/>		<hr/>
Total funds			<b>7,146,512</b>		6,810,545
			<hr/>		<hr/>

These financial statements on pages 10 to 16 were approved by the Trustees on their behalf by:

2013 and were signed on

**Brian Kelly**  
*Chair of Trustees*

Registered company number: 06972673

**Notes**

*(forming part of the financial statements)*

**1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

***Basis of preparation***

These financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Companies Act 2006 and the Statement of Recommended Practice: 'Accounting and Reporting by Charities' (SORP 2005) issued in March 2005 and applicable accounting standards.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the Board on pages 2 to 7.

The company's primary supplier is Keepmoat Plc with whom they have a construction contract which is funded through a Homes and Communities Agency grant and a loan from Gateshead Council. As a consequence the trustees believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

***Company status***

The Charity is a company limited by guarantee. The Trustees are those named on page 1. In the event of the Charity being wound up, the liability in respect of the guarantee is limited to £10 per Trustee.

***Fund accounting***

Restricted funds are funds subject to specific restrictive conditions imposed by donors. Grant income received from the Homes and Communities Agency has been treated as restricted income to be used for the development of new properties on the Kibblesworth site only. Income received from the letting of properties and any other income received by Keelman Homes is held as unrestricted funds. Loan income has not yet been received during the year, however, this will be treated as unrestricted funds.

The purpose and use of the restricted funds are also set out in note 11.

***Resources expended***

All expenditure is recognised on the accruals basis. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with use of the resources.

All income and expenditure is shown in the Statement of Financial Activities.

***Governance costs***

Governance costs include those costs incurred in the governance of the charity and are primarily associated with statutory requirements.

***Tangible fixed assets and depreciation***

Freehold properties, other than properties in the course of construction, are stated at cost and depreciated over their useful economic life, which is estimated to be 50 years.

Additions and disposals are recognised when all contractual obligations have been met. The costs of minor additions and those costing below £1,000 are not capitalised.

***Donated land***

Donated land is recognised at valuation at the point of transfer. No depreciation is provided on this land.

***Taxation***

The Charity is a registered charity and as such is exempt from taxation on profits or capital gains.

# Appendix

Keelman Homes Limited  
(a company limited by guarantee and not having a share capital)  
Report of the Board and Financial Statements  
31 March 2013

## Notes (continued)

### 2 Investment income

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total 2013 £	Total 2012 £
Bank and other interest	-	-	-	5,615
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 3 Incoming resources from charitable activities

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total 2013 £	Total 2012 £
Homes and communities grant	-	440,000	440,000	550,000
Shared ownership sales reservation fee	1,250	-	1,250	-
Public art contribution	45,741	-	45,741	-
Rental income	264,213	-	264,213	121,718
Service charge income	2,830	-	2,830	2,669
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>314,034</u>	<u>440,000</u>	<u>754,034</u>	<u>674,387</u>

### 4 Analysis of expenditure

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total 2013 £	Total 2012 £
<b>Charitable activities</b>				
New build works	-	-	-	499
Repairs to properties	965	-	965	-
Housing management costs	13,500	-	13,500	7,200
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>14,465</u>	<u>-</u>	<u>14,465</u>	<u>7,699</u>
<b>Other resources expended</b>				
Depreciation charge	-	132,597	132,597	93,114
Other costs	1,736	-	1,736	211
Art project fees	86,099	-	86,099	7,000
Loan interest	-	177,970	177,970	72,900
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>87,835</u>	<u>310,567</u>	<u>398,402</u>	<u>173,225</u>

### 5 Governance costs

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total 2013 £	Total 2012 £
Auditor's remuneration	5,200	-	5,200	5,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# Appendix

Keelman Homes Limited  
(a company limited by guarantee and not having a share capital)  
Report of the Board and Financial Statements  
31 March 2013

## Notes (continued)

### 6 Net incoming resources

This is stated after charging:

	2013 £	2012 £
Depreciation of tangible fixed assets owned by the charity	132,597	93,114
Auditor's remuneration	5,200	5,000
	<u>          </u>	<u>          </u>

During the period, no Trustee received any benefits in kind (2012: £nil) and no expenses were reimbursed to any Trustees.

The charitable company does not employ any staff directly. The management of homes is undertaken by The Gateshead Housing Company (the company's parent undertaking) for a management fee as disclosed in note 4.

### 7 Tangible fixed assets

	Housing properties £	Land £	Assets under construction £	Total £
<b>Cost or valuation</b>				
At beginning of year	4,655,722	2,700,000	1,690,382	9,046,104
Additions	-	-	1,590,205	1,590,205
Transfers	2,112,960	-	(2,112,960)	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At end of year	6,768,682	2,700,000	1,167,627	10,636,309
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Depreciation</b>				
At beginning of year	116,236	-	-	116,236
Charge for the year	132,597	-	-	132,597
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At end of year	248,833	-	-	248,833
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net book value</b>				
At 31 March 2013	<b>6,519,849</b>	<b>2,700,000</b>	<b>1,167,627</b>	<b>10,387,476</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2012	4,539,486	2,700,000	1,690,382	8,929,868
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 8 Debtors

	2013 £	2012 £
Trade debtors: Arrears of rent and service charges	2,154	100
Amounts owed by parent undertaking	206,349	73,690
	<u>          </u>	<u>          </u>
	<b>208,503</b>	73,790
	<u>          </u>	<u>          </u>

# Appendix

Keelman Homes Limited  
(a company limited by guarantee and not having a share capital)  
Report of the Board and Financial Statements  
31 March 2013

## Notes (continued)

### 9 Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	193,290	210,630
Amounts owed to parent undertaking	202,345	181,222
Accruals	5,200	5,000
Loan from Gateshead Council (see note 10)	93,434	61,856
	<u>494,269</u>	<u>458,708</u>

### 10 Creditors: amounts falling due after one year

	2013 £	2012 £
Loan from Gateshead Council	4,297,992	2,907,216

The loan from Gateshead Council is repayable in equal half yearly instalments of £46,717 over 48 years and bears a consolidated rate of interest of 4.86%.

The loan is secured on the Kibblesworth land and housing properties.

### 11 Funds

	Brought forward £	Incoming resources £	Resources expended £	Carried forward £
<b>General funds</b>				
General funds	127,191	314,034	(107,500)	333,725
Total unrestricted funds	<u>127,191</u>	<u>314,034</u>	<u>(107,500)</u>	<u>333,725</u>
<b>Restricted funds</b>				
Restricted fixed asset fund	3,983,354	440,000	(310,567)	4,112,787
Donation of land	2,700,000	-	-	2,700,000
Total restricted funds	<u>6,683,354</u>	<u>440,000</u>	<u>(310,567)</u>	<u>6,812,787</u>
Total funds	<u>6,810,545</u>	<u>754,034</u>	<u>(418,067)</u>	<u>7,146,512</u>

#### Restricted funds

##### *Donation of land*

This represents the land donated by Gateshead Council to Keelman Homes at nil cost which was brought into the accounts at valuation of £2,700,000 in 2010/11.

##### *Restricted fixed asset fund*

The Homes and Communities Agency grant received to enable the building of 94 homes in Kibblesworth has been recognised as restricted income.

**Notes** *(continued)***12 Analysis of net assets between funds**

	<b>General funds</b>	<b>Restricted funds</b>	<b>Total</b>
	£	£	£
Tangible fixed assets	-	10,387,476	10,387,476
Current assets	338,925	1,212,372	1,551,297
Creditors due within one year	(5,200)	(489,069)	(494,269)
Creditors due after one year	-	(4,297,992)	(4,297,992)
	<hr/>	<hr/>	<hr/>
	333,725	6,812,787	7,146,512
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**13 Related parties**

Transactions with The Gateshead Housing Company (TGHC) are classed as related party transactions as it has the right to appoint a Trustee to the Board of Keelman Homes. At the year end £202,345 was owed to TGHC (2012: £181,222); and a total of £206,349 was owed by TGHC to Keelman Homes (2012: £73,690).

The ultimate controlling party of Keelman Homes Limited is Gateshead Council.

**14 Ultimate parent undertaking**

The company is a subsidiary undertaking of The Gateshead Housing Company, which is wholly owned by Gateshead Council. The consolidated accounts of the group headed by Gateshead Council are available to the public and may be obtained from Civic Centre, Regent Street, Gateshead, NE8 1HH. This is the only group in which the company's results are consolidated.

**15 Taxation**

The company is a registered charity. As such it is entitled to certain tax exemptions on income and profits from investments and surpluses on any trading activities carried on in furtherance of the charity's primary objectives provided that these profits and surpluses are applied solely for charitable purposes.

**16 Transactions as agent**

During the year the Charity acted as an agent between Gateshead Council and Keepmoat Plc.

The Charity received £433,926 (2012: £232,524) from Gateshead Council which it was legally bound to pay over to Keepmoat Plc and has no responsibility for their ultimate application. None of this amount was outstanding at the balance sheet date (2012: £nil).

KPMG LLP  
Quayside House,  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

19 September 2013

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Keelman Homes Limited (“the Charitable Company”), for the year ended 31 March 2013, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Charitable Company’s affairs as at 31 March 2013 and of its surplus or deficit for the financial year then ended;
- ii. whether the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- iii. whether the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

These financial statements comprise the Balance Sheet, the Statement of Financial Activities and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

### **Financial statements**

1. The Board has fulfilled its responsibilities, as set out in the terms of the audit engagement dated 15 February 2010, for the preparation of financial statements that:
  - i. give a true and fair view of the state of the Charitable Company’s affairs as at the end of its financial year and of its surplus or deficit for that financial year;
  - ii. have been properly prepared in accordance with UK Generally Accepted Accounting Practice (“UK GAAP”); and
  - iii. have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which FRS 21 *Events after the balance sheet date* requires adjustment or disclosure, have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

### Information provided

5. The Board has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Board for the purpose of the audit; and
  - unrestricted access to persons within the Charitable Company from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

8. The Board has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Charitable Company and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - b) allegations of fraud, or suspected fraud, affecting the Charitable Company's financial statements communicated by employees, former employees, analysts, regulators or others.
9. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
10. The Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with FRS 12 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. The Board has disclosed to you the identity of the Charitable Company's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with FRS 8 *Related Party Disclosures*.
12. The Board confirms that:
  - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Charitable Company's ability to continue as a going concern as required to provide a true and fair view.
  - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Charitable Company to continue as a going concern.

This letter was tabled and agreed at the meeting of the Board of Trustees on 19 September 2013.

Yours faithfully,

NAME  
Chair of Trustees

## Appendix to the Board Representation Letter of Keelman Homes Limited: Definitions

### **Financial Statements**

A complete set of financial statements comprises:

- a Balance Sheet as at the end of the period;
- a Statement of Financial Activities for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information.

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

The ASB's *Statement of Principles for Financial Reporting* states that:

“An item of information is material to the financial statements if its misstatement or omission might reasonably be expected to influence the economic decisions of users of those financial statements, including their assessments of management's stewardship.”

### **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

### **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

## Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in FRS 8 *Related Party Disclosures* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a retirement benefit scheme for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a scheme, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## Related party transaction

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged.