



**Report to Board of Directors  
17 September 2015**

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

**Report of: TGHC Head of Corporate Services**

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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 2015.

**Background**

2. The report of the board and financial statements will be presented to the Annual General Meeting which will be held on 19 November 2015.
3. The report of the board and financial statements are for the financial year 1 April 2014 to 31 March 2015. This is the fifth full financial year in which trading activity has taken place within Keelman Homes.
4. The report of the board and financial statements has been produced following the format set out in the Statement of Recommended Practice: Accounting for Registered Social Housing Providers.

**Report of the Board**

5. The report of the board must follow the format as set out in the Statement of Recommended Practice: Accounting for Registered Social Housing Providers. It must also comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.
6. The Report of the Board has been prepared in accordance with these standards and is attached in the Appendix.
7. The report of the board details the principle activities of Keelman Homes for the financial year ended 31 March 2015, including the structure, governance and management arrangements in place. The report includes the objectives and activities of Keelman Homes and the achievement and performance in year, as well as highlighting future activities.

## **Financial Statements**

8. The Financial Statements for the year ended 31 March 2015 are included in the Appendix to this report.
9. The financial result for the period was a surplus of £45,000 (2014: £69,000 surplus). The surplus was mainly determined by the sales of shared ownership properties at Kibblesworth, which generated a surplus of £29,000.
10. The Financial Statements show total reserves on the balance sheet at £2,775,000 (2014: £2,730,000). This includes the land value for Kibblesworth and the increase in reserves from the income and expenditure account of £45,000.
11. 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**

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

## **Risk Management Implications**

13. 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**

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

## **Equality and Diversity Implications**

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

## **Health Implications**

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

## **Value for Money implications**

17. Regular financial monitoring and control will ensure efficiencies are maximised and then utilised in the most appropriate manner.

## **Environmental Implications**

18. There are no environmental implications arising from this report.

## **Consultation carried out**

19. No direct consultation has been carried out in relation to this report.

## **Recommendations**

20. The Board is recommended to
- (i) approve the Report of the Board and Financial Statements for the year ended 31 March 2015;
  - (ii) 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 1133321

31 March 2015

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## Reference and administrative details

<b>Charity Reference Number</b>	1133321
<b>Company Reference Number</b>	06972673
<b>Registered Provider Number:</b>	4647
<b>Registered Address</b>	Civic Centre Gateshead Regent Centre Gateshead NE8 1JN
	Joanne Carr (ALMO Trustee) Paul Foy (Council Trustee) Peter Mole (Council Trustee) Brian Kelly (Ordinary Trustee) Linda Hitman (Ordinary Trustee) Hannah Shepherd (Ordinary Trustee) – resigned 2 July 2015 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>Auditor</b>	KPMG LLP Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX
<b>Banker</b>	The Co-operative Bank 1 <sup>st</sup> Floor, Norfolk House 90 Grey Street Newcastle upon Tyne NE1 6BZ
<b>Solicitor</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 2015.

### Principal activities

The principal activity of the Company is the development of affordable housing. The company has entered into a management agreement with The Gateshead Housing Company to manage the day-to-day operations of the contractors 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 affordable housing in Gateshead.

#### New build

This year in partnership with Esh Construction Services and Galliford Try, Keelman Homes built 28 new affordable homes for rent plus 6 homes for sale over four sites in Gateshead.

#### Kibblesworth redevelopment

During 2013 Keelman Homes completed the redevelopment of the Kibblesworth estate creating 81 affordable homes to rent, plus 13 homes were offered for sale as 'shared ownership'.

The final shared ownership sales were completed in November 2014.

#### Empty Homes

Keelman Homes entered into an agreement with the Homes and Communities Agency (HCA) as part of its 2011 to 2015 funding scheme, to bring empty properties back into use. During this year Keelman Homes successfully purchased, refurbished and let 5 properties under this scheme.

#### Managing properties on behalf of other registered providers

In addition to the development of new affordable housing Keelman Homes has also entered into agreements with a group of registered providers not based in Gateshead to manage their properties on behalf of them.

### 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 Management Policy 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.

During the year there was a significant change in the membership of Keelman Homes with The Gateshead Housing Company resigning and the current trustees of Keelman Homes being appointed as members.

As a subsidiary of The Gateshead Housing Company, Keelman Homes was precluded from applying for funding from the Homes and Communities Agency (HCA) affordable homes guarantee programme.

Changing the membership of Keelman Homes will allow it access to new potential funding resources from the HCA or the private sector, and with this there is the potential to increase the amount of new affordable homes the Company is able to deliver.

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 Gateshead Housing Company (the ALMO) in accordance with article 4.3.2 (the ALMO Trustees), two individuals nominated by Gateshead 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 Managing Director 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.

Brian Kelly retires by rotation and, being eligible, offers himself for re-election.

The Charity's work focuses on the build of new homes 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.

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

### **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.

### **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.

The key strategic risks of have been identified as being:

- Failure to manage the Company's finances
- Failure to deliver on new build and investment projects
- Failure to deliver effective asset management
- Failure to maintain a positive reputation
- Failure to focus on the customer
- Failure to effectively manage business continuity
- Failure to manage effective corporate governance
- Failure to deliver on management agreement with other providers and landlords
- Failure to maintain supply chain
- Failure to react appropriately to the political environment
- Adverse impact of welfare reform legislation
- Adverse impact of right to buy

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

### **Our aims and objectives** *(continued)*

#### **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:

- (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 of 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 to provide housing management services for our tenants in this area. Our aims reflect the purposes Keelman Homes was set up for.

#### **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 2015 were as follows:

- Look to engage with developers to build further new affordable housing within Gateshead
- Look to provide housing management services on behalf of other registered providers within Gateshead
- Look to purchase empty properties within Gateshead

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

### **Achievement and performance**

During the financial year ended 31 March 2015 Keelman Homes completed the build of further new affordable homes at a number of sites within Gateshead. The Company also successfully bought empty properties back into use.

### **Financial review**

Payments have been made to our development partners based on valuations of the work carried out.

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.

### **Principal funding sources**

The principal funding sources for the building of our new homes are HCA Grants and loans from Gateshead Council.

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

### **Reserves policy**

Given the change in membership of Keelman Homes during the year and the current economic climate, the reserves policy is under review.

The contingencies in relation to each new build scheme have been built into the expenditure in relation to each schemes' contract. We believe that we have secured funding sufficient to cover the costs of the new build properties and to allow an appropriate contingency fund to be retained on each project.

### **Future plans**

Keelman Homes will continue to progress opportunities to develop further around its three strategic objectives as follows:

- Look to engage with developers to build further new affordable housing within Gateshead
- Look to provide housing management services on behalf of other registered providers within Gateshead
- Look to purchase empty properties within Gateshead and bring them back into use

The progress of these objectives is closely linked to ensuring value for money is achieved.

### **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*

Civic Centre  
Regent Centre  
Gateshead  
NE8 1JN

2015

## **Statement of the Board of Trustees' responsibilities in respect of the Report of the Board and the financial statements**

Under charity law, the Board of Trustees is responsible for preparing the Board of Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of the surplus or deficit for that period.

In preparing these financial statements, the Board of Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board of Trustees is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the association at that time and enable the Board of Trustees to ensure that its financial statements comply with the Charities Act 2011, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. The Board of Trustees has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the association 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 2015. 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 association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008, section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Board of Trustees and auditor**

As more fully explained in the Statement of Trustees' Responsibilities set out on page 7 the association's Board of Trustees is responsible for the preparation of financial statements which 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 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 affairs of the association as at 31 March 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Charities Act 2011, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

## **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.

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

2015

**Income and expenditure account**  
*for the year ended 31 March 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	2014 £000
<b>Turnover</b>		<b>679</b>	841
Cost of sales	2	<b>(99)</b>	(347)
Operating costs		<b>(297)</b>	(216)
		<hr/>	<hr/>
<b>Operating surplus</b>	3	<b>283</b>	278
Interest payable	4	<b>(238)</b>	(209)
		<hr/>	<hr/>
<b>Surplus for the year</b>	10	<b>45</b>	69
		<hr/> <hr/>	<hr/> <hr/>

All results derive from continuing activities.

**Balance sheet**  
*at 31 March 2015*

	<i>Note</i>	<b>2015</b>	<b>2014</b>		
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Housing properties – gross cost	5	<b>13,456</b>			10,758
Less:					
Social housing grant	5	<b>(4,968)</b>			(4,862)
Depreciation	5	<b>(316)</b>			(223)
		<hr/>			<hr/>
		<b>8,172</b>			5,673
<b>Current assets</b>					
Stocks	6	<b>575</b>		-	
Debtors	7	<b>198</b>		157	
Cash at bank and in hand		<b>215</b>		1,311	
		<hr/>		<hr/>	
		<b>988</b>		1,468	
<b>Creditors:</b> amounts falling due within one year	8	<b>608</b>		(207)	
		<hr/>		<hr/>	
<b>Net current assets</b>		<b>380</b>			1,261
<b>Creditors:</b> amounts falling due after more than one year	9	<b>(5,777)</b>			(4,204)
		<hr/>			<hr/>
<b>Net assets</b>		<b>2,775</b>			2,730
		<hr/> <hr/>			<hr/> <hr/>
<b>Reserves</b>					
Revaluation reserve	10	<b>2,700</b>			2,700
Income and expenditure account	10	<b>75</b>			30
		<hr/>			<hr/>
		<b>2,775</b>			2,730
		<hr/> <hr/>			<hr/> <hr/>

These financial statements were approved by the Trustees on behalf by:

2015 and were signed on their

**Brian Kelly**  
*Chair of Trustees*

**Peter Mole**  
*Trustee*

Registered company number: 06972673

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP): Accounting for Registered Social Housing Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

A summary of significant accounting policies is set out below.

#### ***Basis of accounting***

The financial statements are prepared under the historical cost convention except for donated assets which are included at valuation upon donation. The company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

#### ***Going concern***

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 6.

The company meets its day-to-day working capital requirements through its current account, which is cash positive at the year end. The company meets its development programme requirements through a combination of grant and debt funding. Note 9 to the accounts highlights the current level of debt and the repayment terms.

The current economic conditions create uncertainty over the longer term availability of grant and loan finance. The company's forecasts and projections show that the company should be able to continue to operate within the level of its current facilities and no matters have been drawn to its attention to suggest that future funding may not be forthcoming on acceptable terms.

After making enquiries, the Board has 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.

#### ***Turnover***

Turnover represents all rental and service charge income receivable and proceeds from the first tranche of sales of shared ownership properties. Management fee income is also earned from the management of properties on behalf of other registered providers.

#### ***Taxation***

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part II of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

#### ***Housing properties***

Housing properties are initially recorded at cost, less applicable grants

Freehold land is not depreciated.

Freehold properties, other than properties under construction, are depreciated so as to write down the cost, less estimated residual value, on a straight line basis. Individual components are depreciated over their expected useful life as follows:-

Roof	50 years	Structure	100 years
Heating systems	40 years	Bathroom	30 years
Electrics	30 years	Kitchen	20 years
Windows and external doors	25 years	Gas boiler	15 years

**Notes** *(continued)*

**1 Accounting policies** *(continued)*

All properties are reviewed for impairment annually in accordance with FRS 11, and when it is deemed they have suffered a permanent diminution in value, the fall in value is recognised after taking account of any related capital grants.

Costs of improvement works to existing properties are only capitalised when there is a demonstrable enhancement of the economic benefits of the asset.

Donated land is included at its valuation on donation. Land is not depreciated.

Housing properties in the course of construction are stated at cost and not depreciated.

**Stocks**

Stocks comprise housing properties held for outright sale, and are stated at the lower of cost and net realisable value. The costs associated with properties in the course of construction are recognised as incurred, to the extent that they are considered to be recoverable.

**First tranche shared ownership sales**

The company has adopted the accounting treatment in the SORP 2010 under which the costs of shared ownership properties are split between fixed and current assets. The value taken to current assets is the total costs to date of unsold shared ownership properties multiplied by the estimated proportion of the properties that will be sold in the first tranche sales. The remaining costs are included in fixed assets so that any subsequent sale is treated as a disposal or part disposed of a fixed asset.

**Social Housing Grant**

Where developments have been financed wholly or partly by Social Housing Grant, the cost of those developments has been reduced by the amount of the grant receivable. On disposal of properties which have been financed wholly or partly by Social Housing Grant, the grant may become repayable but only as a junior unsecured debt. Social Housing Grant in respect of properties in the course of construction is shown as a current liability to the extent that it has not yet been absorbed by expenditure.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the properties into their intended use.

**Repairs, planned maintenance, major repairs**

The costs of day to day repairs are included in operating expenses, together with expenditure incurred on minor improvements. Non-Social Housing Grant funded major improvements, together with the non-qualifying element of Social Housing Grant assisted major repairs, are charged to capital.

**2 Surplus on sale of shared ownership land and properties**

	<b>2015</b>	2014
	<b>£000</b>	£000
Proceeds on sale	<b>128</b>	506
Less: cost of sales	<b>(99)</b>	(347)
	<hr/>	<hr/>
Surplus on sale of shared ownership land and properties	<b>29</b>	159
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 3 Operating surplus

Surplus on ordinary activities is stated after charging:

	2015 £000	2014 £000
Depreciation of owned tangible fixed assets	93	101
Auditor's remuneration - audit	7	7
- other services relating to taxation	6	-
	96	108

During the period, no Trustee received any benefits in kind (2014: £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 11.

### 4 Interest payable

	2015 £000	2014 £000
On loan from Gateshead Council (see note 11)	238	209
	238	209

### 5 Tangible fixed assets

	Rented housing properties £000	Land £000	Shared ownership housing properties £000	Housing properties in the course of construction £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2014	7,251	2,700	715	92	10,758
Additions	940	140	16	1,602	2,698
Transfers	80	-	-	(80)	-
	8,271	2,840	731	1,614	13,456
<b>Depreciation</b>					
At 1 April 2014	216	-	7	-	223
Charge for the year	85	-	8	-	93
	301	-	15	-	316
<b>Social housing grant</b>					
At 1 April 2014	4,862	-	-	-	4,862
Additions	99	-	-	7	106
	4,961	-	-	7	4,968
<b>Net book value</b>					
<b>At 31 March 2015</b>	<b>3,009</b>	<b>2,840</b>	<b>716</b>	<b>1,607</b>	<b>8,172</b>
At 1 April 2014	2,173	2,700	708	92	5,673

**Notes** *(continued)*

**5 Tangible fixed assets** *(continued)*

*Number of units under management*

	<b>2015</b>	2014
	<b>Number</b>	Number
<b>Under development at end of year</b>		
Rented units	<b>20</b>	15
<b>Under management at end of year</b>		
Rented units	<b>96</b>	87
Shared ownership units	<b>13</b>	13
	<u><u>          </u></u>	<u><u>          </u></u>

**6 Stocks**

	<b>2015</b>	2014
	<b>£000</b>	£000
Properties under construction held for outright sale	<b>575</b>	-
	<u><u>          </u></u>	<u><u>          </u></u>

**7 Debtors**

	<b>2015</b>	2014
	<b>£000</b>	£000
Trade debtors	<b>16</b>	-
Shared ownership properties held for sale	-	85
Amounts owed by related parties (see note 11)	<b>182</b>	72
	<u>          </u>	<u>          </u>
	<b>198</b>	157
	<u><u>          </u></u>	<u><u>          </u></u>

**8 Creditors: amounts falling due within one year**

	<b>2015</b>	2014
	<b>£000</b>	£000
Trade creditors	-	57
Accruals	<b>283</b>	5
Amounts owed to related parties (see note 11)	<b>325</b>	145
	<u>          </u>	<u>          </u>
	<b>608</b>	207
	<u><u>          </u></u>	<u><u>          </u></u>

**Notes** *(continued)*

**9 Creditors: amounts falling due after one year**

	<b>2015</b>	2014
	<b>£000</b>	£000
Loans from Gateshead Council	<b>5,777</b>	4,204
	<u>          </u>	<u>          </u>

The first tranche of the loan from Gateshead Council of £4.5m is repayable in equal half yearly instalments of £46,717 over 50 years from March 2010 and accrues interest at 4.59%.

An additional facility of £1.7m has been agreed in the year with the Council, and is repayable in equal half yearly instalments of £17,000 over 50 years from October 2014 and accrues interest at 4%.

The first tranche of the loan, initial value of £4.5m is secured, whilst the second tranche, initial value of £1.7m remains unsecured.

**10 Reserves**

	<b>Revaluation reserve</b>	<b>Income and expenditure account</b>	<b>Total</b>
	£000	£000	£000
At beginning of year	2,700	30	2,730
Surplus for the year	-	45	45
	<u>          </u>	<u>          </u>	<u>          </u>
At end of year	<b>2,700</b>	<b>75</b>	<b>2,775</b>
	<u>          </u>	<u>          </u>	<u>          </u>

The revaluation reserve relates to land donated to the company on incorporation.

**11 Related parties**

Transactions with The Gateshead Housing Company (TGHC) are classed as related party transactions as it has the right to appoint one Trustee to the Board of Keelman Homes. At the year end £154,708 was owed to TGHC (2014: £8,451); and a total of £146,680 was owed by TGHC to Keelman Homes (2014: £47,316).

Transactions with Gateshead Council (GC) are classed as related party transactions as it has the right to appoint two Trustees to the Board of Keelman Homes. At the year end £170,073 was owed to Gateshead Council (2014: £136,485); and a total of £35,192 was owed by Gateshead Council to Keelman Homes (2014: £25,472). During the year, interest of £237,846 (2014: £203,846) was charged on loans owed to Gateshead Council, and at the year end the outstanding balance owed on the loans was £5,904,558 (2014: £4,297,992), with a balance of £127,435 (2014: £93,435) being repayable within one year.

**12 Ultimate controlling party**

The ultimate controlling party of the company are the Trustees as a body, who consider there to be no other controlling party. The accounts of the company are not consolidated into the accounts of any group of companies.