

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED  
AND SUBSIDIARIES  
FINANCIAL STATEMENTS**

For the year ended 31 March 2012

Company No. 220297

Scottish Housing Regulator Registration No: 315

A registered Scottish charity – Charity No. SC039896

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

CLIENT  
FOR YOUR  
RECORDS

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**

**CONTENTS**

<b>Page</b>	
3	Report of the Board
8	Statement on Board's Responsibilities
9	Board Statement on Internal Financial Control
11	Report of the Auditors on Board's Statement on Internal Financial Controls
12	Report of the Auditors
14	Income and expenditure account – Group
15	Income and expenditure account - Company
16	Statement of total recognised deficits and surpluses – Group
16	Statement of total recognised deficits and surpluses – Company
17	Balance sheet – Group
18	Balance sheet – Company
19	Cash flow statement – Group
20	Cash flow statement – Company
21-45	Notes to the financial statements
<b>Registration particulars:</b>	
	Register of Companies
	Companies Act 2006 Registered Number: SC220297
	Scottish Housing Regulator
	Housing (Scotland) Act 2001 Registered Number: 315
	Scottish Charities
	Charities and Trustee Investment (Scotland) Act 2005 Charity No. SC039896

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

<b>Board Members</b>	
Billy Lockhart (Chairman)	Bill Marshall (appointed February 2012)
Scott Armstrong	George McBurnie
Margaret Brown	David McMillan
Beryl Castle	Pat McTaggart (appointed September 2011)
James Duncan (resigned September 2011)	Fred Murray
Thomas Gillan	George Murray (died September 2011)
John Hay	John Potts
Robert Higgins	Jim Steen (appointed September 2011)
John Jameson OBE D.L.(resigned April 2011)	Bill Zemaitis
<b>Executive Management Team</b>	
Chief Executive	Zoe Forster
Director of Finance	Hugh Carr
Director of Housing Services	Jayne Moore
Director of Investment & Regeneration	James Shirazi
<b>Advisors</b>	
Bankers	Dexia Public Finance Bank, 13th Floor, 200 Aldersgate Street, London EC1A 4HD The Housing Finance Corporation plc, 4th Floor, 107 Cannon Street, London, EC4 5AF Clydesdale Bank plc, 84-86 High Street, Dumfries, DG1 2BJ Royal Bank of Scotland plc, Kirkstane House, 139 St Vincent Street, Glasgow, G2 5JF Santander UK plc, 17 Uister Terrace, Regents Park, London NW1 4PJ Barclays Bank plc, Aurora, 1st Floor, 120 Bothwell Street, Glasgow, G2 7JT Nationwide International Ltd, 5-11 St Georges Street, Douglas, Isle of Man, IM99 1RN Baker Tilly UK Audit LLP, Breckenridge House, 274 Sauchiehall Street, Glasgow, G2 3EH
External Auditors	Baker Tilly UK Audit LLP, Breckenridge House, 274 Sauchiehall Street, Glasgow, G2 3EH
Internal Auditors	Beever and Struthers, St George's House, 215-219 Chester Road, Manchester, M15 4JE
Lawyers	Harper MacLeod, The Cad'oro, 45 Gordon Street, Glasgow, G1 3PE Brechtin Tindal Oatts, 48 St. Vincent Street, Glasgow G2 5HS

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**REPORT OF THE BOARD**  
**YEAR ENDED 31 MARCH 2012**

The Board presents its Annual Report together with the audited accounts for the year to 31 March 2012.

**Principal Activity**

The principal activity of Dumfries and Galloway Housing Partnership Limited (DGHP) is the provision of housing which:

- improves the quality of housing and of management services for the people of Dumfries and Galloway;
- is let at affordable and sustainable rent levels under a range of tenure types;
- encourages and strengthens tenant and resident participation in communities and in the Company;
- will provide through regeneration and new building homes to meet housing need; and
- meets the range of housing needs in Dumfries and Galloway, such as those of elderly and single people, and those seeking low cost home ownership.

**Memorandum and Articles**

DGHP is a Company Limited by Guarantee and does not have a share capital. The liability of the members is limited to £1 each. At 31 March 2012, there were approximately 1,000 members.

**Registered Office**

The Registered Office of the Company and its subsidiary companies is Criterson House, The Crichton, Bankend Road, Dumfries, DG1 4ZS.

**The Board**

The DGHP Board is elected by the members of the Company. It is the responsibility of the Board to determine the strategy, policy and overall direction of the Company. It also monitors the operational activities of the Company. Board members are unpaid.

The Boards of Novantie Limited and of DGHP 3 Limited comprise 3 members appointed by DGHP, who select 2 further members of each subsidiary's Board. The DGHP Board oversees the activities of Novantie and DGHP 3 within the Group Business Plan.

**Executive Management Team**

The Executive Management Team is responsible for achieving the strategy, through undertaking the operational activities in line with the policies and standards set by the Board.

**Financial Summary**

In the year to 31 March 2012, DGHP incurred a deficit of £332k (restated 2011 – surplus £685k) before tax. Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment. The 2011 comparative figures have been restated. This is further explained in Note 25 to the financial statements.

**Turnover**

Turnover of £31 million (2011 - £29 million) relates almost entirely to the income from the letting of properties at affordable rents. DGHP's policy is to set rents at affordable levels. Other income arises from garages and garages sites.

**Component Accounting**

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

**Treasury Management**

DGHP has a long term funding agreement with Dexia Public Finance Bank, which provides the funding required to meet investment and regeneration commitments entered into before 2011. At 31 March 2012, total loan commitments to Dexia were £121.30m (2011 £108.05m), from a total facility of £130m. £20m of this commitment was repaid under a revolving credit agreement in April 2012. The Company's policy is to manage debt in a prudent and non-speculative manner, and therefore £85m of this loan is subject to interest rates fixed until various dates up to 2030.

During 2011/12, the Company secured additional funding through a 30 year fixed rate loan with The Housing Finance Corporation plc of £41.6m. This loan was drawn down in March 2012, and is sufficient to fund the new build developments currently being delivered with Scottish Government and Dumfries and Galloway Council grant support.

**Business Plan and Budgetary Process**

Each year the Board approves the 30 year Business Plan, annual budget and rolling three year Internal Management Plan. Key risk areas are identified and risk management processes implemented. 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, information on the key risk areas and service and performance standards. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

**Risk Management**

The Board has developed, with advice from internal auditors and insurers, a formal risk management process to identify and assess business risks and implement appropriate risk management strategies. This involved identifying the types of risks the Company 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 has reviewed the adequacy of the Partnership's current internal controls.

Accordingly the Board has set policies on internal controls which cover the following:

- consideration of the type of risks the Company faces
- the level of risks regarded as acceptable
- the likelihood of risks occurring
- the Company'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
- defining the appropriate responsibilities of management to implement the Board's policies and to identify and evaluate risks for the Board's consideration
- embedding risk management and effective control systems in the Company's operations

**Risk Management (continued)**

- developing systems to identify, assess and respond quickly to evolving risks in the Company and in the external environment
- including procedures for reporting failings immediately to appropriate levels of management and the Board together with details of corrective action being undertaken

**Internal Financial Control**

The Board is responsible for establishing and maintaining the Company's system of internal control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Board has established with a view to providing effective internal financial control are outlined on page 9.

**Housing Services**

DGHP is committed to a high standard of customer service in all its activities. Key to this is the Customer Service Centre, which is the principal point of contact for all customer enquiries, and locally based neighbourhood management and technical staff. The quality and customer satisfaction of these services is closely monitored, and steps are taken to improve them further on an ongoing basis.

**Asset Management and Investment**

DGHP has developed an asset management strategy that will achieve the SHQS by 2015, and seeks to develop a strategic approach to investing in and restructuring the housing stock.

- use DGHP's assets and resources to build stronger communities.
- deliver tenant and wider resident participation.
- build asset value.

DGHP will therefore continue to improve the quality of its stock through active asset management, which may include demolitions, selective market sales of stock no longer fit for its original purpose, improvements where economically justifiable and new build where the appropriate funding is available.

In the nine years since acquiring the housing stock of Dumfries and Galloway Council, DGHP has invested approximately £130m in bringing its tenants homes to the Scottish Housing Quality Standard; a further £50m will be invested by the Scottish Government's deadline of March 2015. The major elements of this programme to date are the installation of modern secure front and rear doors; modern kitchens and bathrooms, including a significant number of bathrooms adapted for people with mobility needs, and affordable and effective heating systems. By 2015, the company will install a further 1,000 new heating systems, including many state of the art low carbon systems to bring affordable heating to all its tenants.

On a routine basis, DGHP is committed to maintaining its properties to the highest standard. To this end programmes of cyclical repairs are carried out to deal with the gradual and predictable deterioration of building components, and a comprehensive responsive maintenance service is provided.

Of the total expenditure on works to existing properties in the year, £24,395k (2011: £22,604k) were capitalised. Of these total capitalised costs £15,787k relates to replaced components and £8,608k relates to property improvements.

# DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

## REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2012

### Regeneration and Development

DGHP, in conjunction with Dumfries and Galloway Council and the Scottish Government, has an ambitious programme of regeneration and new build housing development, to meet the high levels of demand for new affordable homes across the region, and will continue to explore opportunities for the provision of new housing in other parts of the region. Full financial appraisals are conducted on each potential development to ensure its viability and affordability before DGHP commits to a development.

During 2011/12, the Company had to manage the impact of the financial collapse its largest new build housing contractor; this has necessarily delayed the completion of regeneration schemes in Dumfries and Stranraer. These schemes are now back on track, and other schemes funded by the Scottish Government's Innovation and Investment Fund are on site. Overall, DGHP projects to complete almost 500 new homes by 2015.

### Big Lottery

During 2011/12, DGHP completed the development of 10 flats in Dumfries for young people leaving care and setting up their own home for the first time, supported by DGHP staff living in the same accommodation. This important project has been supported by the Scottish Government and by the Big Lottery Fund. The Big Lottery Fund is funding the costs of staff, other administration costs and the capital costs of fittings and equipment.

### Sales of housing properties

DGHP sold 39 (2011 – 62) properties under Right to Buy in the year. When tenants exercise their Right to Buy, the largest part of the sale proceeds are passed to Dumfries and Galloway Council under the terms of the stock transfer agreement; DGHP retains only a small amount from each sale.

DGHP participates in the Scottish Government's Mortgage to Rent scheme, which allows a homeowner to become a tenant of DGHP, avoiding the upheaval of removing families from their communities, and the costs of housing homeless families. In the year ended 31 March 2012 DGHP completed 9 Mortgage to Rent purchases (2011 - 9).

### Employee Involvement and Health & Safety

The Company encourages employee involvement in all initiatives and holds annual conferences for staff and the Board to agree its objectives. A health and safety report is regularly reviewed by the Investment and Regeneration Committee.

### Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training. High quality personnel are seen as an essential part of the control environment and the standards of integrity expected are communicated directly through the Chief Executive.

### Employees with disabilities

Applications for employment by people with disabilities 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 DGHP may continue. DGHP's policy is that training, career development and promotion opportunities should be available to all employees.

### Charitable Donations and Community Involvement

Charitable donations totalling £20,919 (2011 - £33,767) were made through the Community Pride Fund initiative.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**REPORT OF THE BOARD**

**YEAR ENDED 31 MARCH 2012**

**Credit Payment Policy**

The Company's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 39 days. The Company seeks to pay all suppliers within 30 days, subject to the need to ensure costs are properly incurred and invoiced.

**Information for auditors**

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

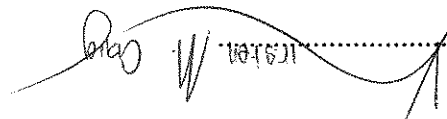
**Going Concern**

The Board has reviewed the results for this year and has also reviewed the projections for the next five years. It therefore has a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

**Auditors**

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

Signed by order of the Board

Secretary: 

Date: 22 August 2012



**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**STATEMENT ON BOARD RESPONSIBILITIES**  
**YEAR ENDED 31 MARCH 2012**

Company law requires the Board to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company at the end of the period and of the surplus or deficiency for the period then ended.

In preparing those financial statements, the Board are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The Board is responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL**  
**YEAR ENDED 31 MARCH 2012**

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial operational information and the safeguarding of the Group's assets and interest.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with the Turnbull principles as incorporated in the GPNI5: demonstrating internal controls assurance in housing associations.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include;

**Identification and evaluation of key risks**

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Group's activities. The Executive Management Team (EMT) regularly considers and receives reports on significant risks facing the Group and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

**Monitoring and corrective action**

A process of control, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

**Environment and control procedures**

The Board retains responsibility for a defined range of issues covering strategic, operational and financial and compliance issues including treasury strategy and new investment projects. The Board has adopted and disseminated to all employees a Code of Conduct for Employees. This sets out the Group's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and deterrence of fraud and corruption.

**Information and financial reporting systems**

Financial reporting procedures include detailed budgets for the year ahead, detailed management accounts produced monthly and quarterly and forecasts for the remainder of the financial year and for subsequent years. These are reviewed in detail by the EMT and Finance and Personnel Committee and are considered and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

**Fraud Assurance**

As part of its system of internal control the Board has a well-defined and clear policy on fraud. It covers the specific responsibilities all employees and Board Members must adopt in preventing, detecting and reporting fraudulent activity. In addition, a clearly established whistleblowing policy is in place for all staff.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL**  
**YEAR ENDED 31 MARCH 2012**

**Internal Audit Assurance**

The internal control framework and the risk management process are subject to regular review by Internal Audit who advise the Executive directors and report to the Audit Committee. The Audit Committee considers internal control and risk at each of its meetings during the year.

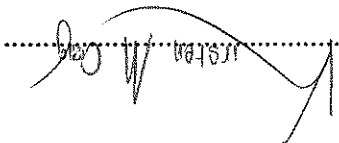
The Audit Committee conducts an annual review of the effectiveness of the system of internal control and takes account of any changes that may be needed to maintain the effectiveness of the risk management and control process. The Audit Committee makes an annual report to the Board. The Board has received this report.

The Board confirms that there is an ongoing process for identifying and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report and accounts and is regularly reviewed by the Board.

On behalf of the Group, the Audit Committee has reviewed the effectiveness of the systems of internal financial control in existence for the year ended 31 March 2012.

The Board has reviewed the effectiveness of the system of internal control and is satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year and that those systems were aligned to an on-going process for the management of the significant risks facing the Group. No weaknesses were identified which would have resulted in material misstatement or loss and which would have required disclosure in the financial statements.

By order of the Board



Date: 22 August 2012

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**Corporate Governance**

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

**Basis of Opinion**

We carried out our review having regard to the Bulletin 2009/4 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Company's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on pages 9 and 10 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

*Baker Tilly UK Audit LLP*

Baker Tilly UK Audit LLP  
Statutory Auditors  
Chartered Accountants  
Breckendge House  
274 Sauchiehall Street  
Glasgow G2 3EH

Date: 26 August 2012

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

We have audited the group and parent financial statements of Dumfries and Galloway Housing Partnership Limited (the "financial statements") on pages 14 to 45. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 Company'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 Company and the Company'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 8, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the association's affairs as at 31 March 2012 and of the group's and company's 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, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

**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.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; 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.



Linda Gray (Senior Statutory Auditor)  
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
Brecknidge House  
274 Sauchiehall Street  
Glasgow G2 3EH

Date: 24 August 2012.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**GROUP INCOME AND EXPENDITURE ACCOUNT**

**YEAR ENDED 31 MARCH 2012**

	2011	2012	
As restated			
£'000			
<b>Turnover</b>	28,525	31,118	2
<b>Operating Costs</b>	(22,427)	(25,118)	2
<b>Operating surplus</b>	6,098	6,000	
Loss on disposal of fixed assets	(900)	(512)	
Interest receivable	1	88	
Interest payable and other charges	(4,511)	(5,967)	4
Other finance income/(costs)	(2)	59	18
<b>(Deficit)/surplus on ordinary activities before tax</b>	686	(332)	
Corporation tax on ordinary activities	(1)	(3)	5
<b>(Deficit)/surplus on ordinary activities after tax</b>	685	(335)	15

The results for the year relate wholly to continuing activities.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**COMPANY INCOME AND EXPENDITURE ACCOUNT**

**YEAR ENDED 31 MARCH 2012**

	Notes	2012	2011 As restated £'000
<b>Turnover</b>	2	31,065	28,508
<b>Operating Costs</b>	2	(25,077)	(22,416)
<b>Operating surplus</b>		5,988	6,092
Loss on sale of fixed assets		(512)	(900)
Interest receivable		87	2
Interest payable and other charges	4	(5,966)	(4,511)
Other finance income/(costs)	18	59	(2)
<b>(Deficit)/surplus on ordinary activities before tax</b>		(344)	681
Corporation tax on ordinary activities	5	-	-
<b>(Deficit)/surplus on ordinary activities after tax</b>	15	(344)	681

The results for the year relate wholly to continuing activities.



**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**STATEMENT OF TOTAL RECOGNISED DEFICITS AND SURPLUSES**

**AS AT 31 MARCH 2012**

**GROUP**

	2012	2011
	£'000	As restated £'000
Notes		
2012	685	685
(Deficit)/surplus for the year	(335)	(335)
Prior period adjustment (note 25)	60,118	-
Actuarial (loss)/gain on pension scheme	(1,191)	894
18	58,592	1,579
<b>Total recognised surpluses and deficits for the year</b>	<b>58,592</b>	<b>1,579</b>

**COMPANY**

	2012	2011
	£'000	As restated £'000
Notes		
2012	681	681
(Deficit)/surplus for the year	(344)	(344)
Prior period adjustment (note 25)	60,118	-
Actuarial (loss)/gain on pension scheme	(1,191)	894
18	58,583	1,575
<b>Total recognised surpluses and deficits for the year</b>	<b>58,583</b>	<b>1,575</b>

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**GROUP BALANCE SHEET AS AT 31 MARCH 2012**

	Notes	2012	2011
		£'000	£'000
		restated	As
		2011	2011

<b>Tangible Fixed Assets</b>			
Housing properties		173,792	155,321
- Gross cost less depreciation	6	(50,960)	(44,422)
Less: Grants	6		
<b>Other Fixed Assets</b>		122,832	110,899
	6	687	670
<b>Current Assets</b>		123,519	111,569
Work in Progress	8	870	903
Debtors	9	4,304	2,566
Cash in bank and on hand		41,609	601
<b>Current Assets</b>		46,783	4,070
<b>Creditors: Amounts falling due within one year</b>		(8,372)	(8,061)
	10		
<b>Net current assets/(liabilities)</b>		38,411	(3,991)
<b>Total assets less current liabilities</b>		161,930	107,578
<b>Creditors: Amounts falling due after more than one year</b>		(162,902)	(108,050)
Pension (liability)	11		
	18	(1,393)	(368)
<b>Provision for Liabilities</b>		(164,295)	(108,418)
	5	(2)	(1)
<b>Capital and reserves</b>		(2,367)	(841)
Revenue reserve	15	(2,367)	(841)
<b>Total Funds</b>		(2,367)	(841)

These financial statements were approved by the Board and authorised for issue on 22 August 2012 and signed on its behalf by:

Secretary: *William M O'Connell*  
 Director: *William R Dochha. J*

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**COMPANY BALANCE SHEET**

**AS AT 31 MARCH 2012**

	Notes	2012	2011
		£'000	£'000
			As restated
<b>Tangible Fixed Assets</b>			
- Housing properties	6	173,727	155,321
- Gross cost less depreciation	6	(50,941)	(44,422)
Less: Grants			
Other Fixed Assets	6	122,787	110,899
Investments	7	-	-
		123,465	111,557
<b>Current Assets</b>			
Work in Progress	8	870	903
Debtors	9	4,229	2,583
Cash in bank and on hand		41,562	577
		46,661	4,063
<b>Creditors: Amounts falling due within one year</b>			
10		(8,217)	(8,053)
<b>Net current assets/(liabilities)</b>		38,444	(3,990)
<b>Total assets less current liabilities</b>		161,909	107,567
<b>Creditors: Amounts falling due after more than one year</b>			
11		(162,902)	(108,050)
18		(1,393)	(368)
<b>Capital and reserves</b>			
Revenue reserve	15	(2,386)	(851)
<b>Total Funds</b>		(2,386)	(851)

These financial statements were approved by the Board and authorised for issue on 22 March 2012 and signed on its behalf by:

Secretary: *Victoria M Gray*  
 Director: *William B Storkhoff*

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**GROUP CASH FLOW STATEMENT**

**YEAR ENDED 31 MARCH 2012**

	2012	2011
<b>Net cash inflow from operating activities</b>	<b>£9,857,000</b>	<b>£11,350,000</b>
<b>Return on investments and servicing of finance</b>		
Interest received	88	-
Interest paid	(5,967)	(4,511)
<b>Net cash (outflow) from returns on investments &amp; servicing of finance</b>	<b>(5,879)</b>	<b>(4,511)</b>
<b>Capital Expenditure and Financial Investment</b>		
Payments for the purchase and development of property	(24,396)	(32,317)
Proceeds of disposals of fixed assets	1,520	(940)
Repayment of proceeds to Council	(1,204)	(1,912)
HAG and other grants received	6,555	6,221
Purchase of equipment	(297)	(320)
<b>Net cash (outflow) from Capital Expenditure and Financial Investment</b>	<b>(17,822)</b>	<b>(26,712)</b>
<b>Net cash (outflow) before financing</b>	<b>(13,844)</b>	<b>(19,873)</b>
<b>Financing</b>		
Loans received	54,852	19,500
Loans repaid	-	-
<b>Net cash inflow from financing</b>	<b>54,852</b>	<b>19,500</b>
<b>Increase/(decrease) in cash</b>	<b>41,008</b>	<b>(373)</b>

Notes

17a

As restated  
2011

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**COMPANY CASH FLOW STATEMENT**

**YEAR ENDED 31 MARCH 2012**

	2012	2011
<b>Net cash inflow from operating activities</b>	<b>£7,000</b>	<b>£11,329</b>
Return on investments and servicing of finance	87	-
Interest received	-	-
Interest paid	(5,966)	(4,511)
<b>Net cash (outflow) from returns on investments &amp; servicing of finance</b>	<b>(5,879)</b>	<b>(4,511)</b>
<b>Capital Expenditure and Financial Investment</b>		
Payments for the purchase and development of property	(24,331)	(32,317)
Proceeds of disposals of fixed assets	1,520	1,616
Repayment of proceeds to Council	(1,204)	(1,912)
HAG and other grants received	6,535	6,221
Purchase of equipment	(297)	(305)
<b>Net cash (outflow) from Capital Expenditure and Financial Investment</b>	<b>(17,777)</b>	<b>(26,697)</b>
<b>Net cash (outflow) before financing</b>	<b>(13,867)</b>	<b>(19,878)</b>
<b>Financing</b>		
Loans received	54,852	19,500
Loans repaid	-	-
<b>Net cash inflow from financing</b>	<b>54,852</b>	<b>19,500</b>
<b>Increase/(decrease) in cash</b>	<b>40,985</b>	<b>(379)</b>

Notes

17b

17b

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**

**1. Principal accounting policies**

The Company is incorporated under the Companies Act 2006 and is registered as a company limited by guarantee with Companies House in Scotland.

The accounts of the company have been prepared in accordance with the Companies Act 2006, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and in compliance with the Statement of Recommended Practice (SORP), "Accounting by Registered Social Housing Providers Update 2010" and applicable Accounting Standards.

The accounts of Novantia Limited and DGHP 3 Limited have been prepared in accordance with the Companies Act 2006 and the Financial Reporting Standards for Smaller Entities April 2008.

**Basis of Preparation**

The accounts are prepared under the historical cost convention and on a going concern basis. The Company's activities are based on a long term business plan, which anticipates that it will operate at a deficit until the initial major repair programme and SHQS investment is complete. To support its operation the Company has in place loan facilities totalling £170m. The Board believes that with the continuing support of its lenders it is proper to continue to prepare the financial statements on a going concern basis.

**Consolidation**

In accordance with Financial Reporting Standard 2, 'Accounting for subsidiary undertakings', the financial statements show the consolidated position of Dumfries & Galloway Housing Partnership and its subsidiaries Novantia Limited and DGHP 3 Limited

**Turnover**

Turnover represents rental, service and management charges from properties, agency fees, revenue based grants receivable from the Scottish Ministers and others, and sales of shared equity properties.

**Housing Association Grants (HAG) & Mortgage to Rent Grants (MTR)**

HAG and MTR grants are receivable from the Scottish Government and are used to reduce the capital costs of housing properties. Grants received in respect of revenue expenditure are credited to the Income and Expenditure account in the same period as the expenditure to which they relate. Where following the sale of a property, HAG or MTR grant becomes repayable subject to abatement, it is included as a current liability until repaid. HAG is subordinated in respect of loans on agreement with the Scottish Government. HAG is repayable under certain circumstances.

**Other Grants**

These include grants from local authorities and other organisations. The capital costs of housing properties are stated net of grants receivable on these properties. Grants in respect of revenue expenditure are credited to the Income and Expenditure account in the same period as the expenditure to which they relate.

**Housing, land and buildings – depreciation**

Housing Properties are stated at cost, less accumulated depreciation.

Garage properties and Aid and Adaptations works are depreciated on a straight line basis over their expected economic useful lives at an annual rate of 5% (20 years)

No depreciation is charged on the cost of land.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

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 75 years
Kitchen	Over 20 years
Bathroom	Over 30 years
Windows	Over 30 years
Rewiring	Over 30 years
Heating-Radiators	Over 24 years
Boiler	Over 10 years
Heating - Green	Over 20 years
Roots (pitched)	Over 45 years
Roots (flat)	Over 15 years
Extensions	Over 55 years

As a result of the expected economic life being in excess of 50 years an annual impairment review is performed.

**Other fixed assets**

All fixed assets are initially recorded at cost. Depreciation is charged by equal annual instalments at rates estimated to write off costs less any residual value over expected useful lives

Fixtures, fittings & equipment - over 3 or 5 years

Office property - over 75 years

**Value Added Tax**

The Company is VAT registered. Minimal recovery of input VAT is made, and as a result expenditure is shown inclusive of irrecoverable VAT.

**Deferred Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Sale of housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

Disposals under shared equity schemes are accounted for in the income and expenditure account.

**Improvements**

Improvements are capitalised where they result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- An increase in rental income or

- A material reduction in future maintenance costs or

- A significant extension of the life of the property.

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

The adoption of Component Accounting during the year represents a change in accounting policy. Previously the major components of the Company's housing properties were deemed to be land and buildings. The major components are now deemed to be land, structure, roofs, windows, kitchens, bathrooms, electrical rewiring, extensions and central heating system components. Each component has a different economic life and is depreciated over this individual life. Depreciation rates are shown above. The new accounting policy is compliant with the SORP 2010.

**Retirement benefits (Note 18)**

Retirement benefits to employees of the Company recruited since October 2003 are provided by a defined contribution scheme provided by Scottish Widows. Contributions are made by DGHF of 10% of salary, and payable by the employee. Contributions charged to the Income and Expenditure account represent the contributions

Retirement benefits to employees of the Company recruited before October 2003 are provided by the Local Government Pension Scheme (LGPS). This is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

The Company has fully adopted accounting standard FRS17 'Retirement Benefits'. The impact of this standard has been reflected throughout the financial statements. For defined benefit schemes the amount charged to the income and expenditure account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs.

Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Total Recognised Deficits and Surpluses.

Defined benefit schemes are funded, with the assets held separately from the company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

**Leases and hire purchase contracts – operating leases**

Rentals paid under operating leases are charged to income as incurred.



**Capitalisation of development overheads.**

Directly attributable external development costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice. The Company does not capitalise internal costs.

**Development Interest**

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

**Work in Progress**

Work in progress relates to New Supply Shared Equity (NSSE) properties and is valued at the lower of cost and net realisable value. Cost comprises the cost of land, development and interest net of grants received. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.

**Investments**

Investments in unlisted investments are held at cost.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**2. Particulars of turnover, operating costs and operating surplus and surplus before taxation by class of business**

<b>GROUP</b>			
	<b>Turnover</b>	<b>Operating Costs</b>	<b>Operating Surplus</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Social lettings</b>	30,609	24,979	5,630
<b>Other</b>	509	139	370
<b>Total</b>	<b>31,118</b>	<b>25,118</b>	<b>6,000</b>
<b>2011 – as restated</b>	<b>28,525</b>	<b>22,427</b>	<b>6,098</b>

<b>COMPANY</b>			
	<b>Turnover</b>	<b>Operating Costs</b>	<b>Operating Surplus</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Social lettings</b>	30,609	24,979	5,630
<b>Other</b>	456	98	358
<b>Total</b>	<b>31,065</b>	<b>25,077</b>	<b>5,988</b>
<b>2011 – as restated</b>	<b>28,508</b>	<b>22,416</b>	<b>6,092</b>
			<b>As restated</b>
			<b>2011</b>
			<b>£'000</b>
			6,075
			17
			<b>6,092</b>

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

3a. Particulars of income and expenditure from lettings - Group and Company

	General Supported Housing	Supported Housing	Garages	2012	As restated 2011
	£'000	£'000	£'000	£'000	£'000
<b>Lettings</b>					
Rent receivable net of identifiable service charges	29,537	952	342	30,831	28,112
Service charges receivable	(6)	-	-	(6)	7
Gross Rents Receivable	29,531	952	342	30,825	28,118
Less: Rent Losses from Voids	591	11	69	671	555
Net income from rents and service charges	28,940	941	273	30,154	27,564
Grants from the Scottish Ministers	388	-	-	388	406
Other revenue grants	-	67	-	67	-
<b>Total Income from Social Letting Activities</b>	<b>29,328</b>	<b>1,008</b>	<b>273</b>	<b>30,609</b>	<b>27,970</b>
<b>Operating costs on social letting activities</b>					
Management and maintenance administration costs	8,964	217	-	9,181	8,613
Service costs	108	33	-	141	146
Reactive maintenance	6,274	166	-	6,440	4,680
Planned and cyclical maintenance including major repairs expenditure	3,660	3	-	3,663	4,116
Housing depreciation	4,945	135	-	5,080	4,085
Bad debts	474	-	-	474	255
<b>Operating costs for social letting activities</b>	<b>24,425</b>	<b>554</b>	<b>-</b>	<b>24,979</b>	<b>21,895</b>
<b>Operating Surplus for social lettings to 31 March 2012</b>	<b>4,903</b>	<b>454</b>	<b>273</b>	<b>5,630</b>	<b>6,075</b>
<b>Operating surplus for social lettings to 31 March 2011 - as restated</b>	<b>5,329</b>	<b>472</b>	<b>274</b>	<b>6,075</b>	

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**

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

	<i>Grants from Scottish Ministers</i>	<i>Other revenue grants</i>	<i>Supporting people income</i>	<i>Other income</i>	<i>Total Turnover</i>	<i>Operating costs – bad debts</i>	<i>Other operating costs</i>	<i>Operating surplus or deficit</i>	<i>Operating surplus or deficit for previous period of account</i>
Wider action/wider role	43	-	-	-	43	-	(67)	(24)	(89)
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	158	158	-	(17)	141	27
Development activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	181	-	181	-	-	181	6
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non-registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	127	127	-	(55)	72	79
<b>Total from other activities</b>	43	-	181	285	509	-	(139)	370	23
<b>2011</b>	139	326	-	90	555	-	(532)	23	

Included in other activities is income in relation to cost recovery e.g. legal costs and staff telephone costs.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

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

	<i>Grants from Scottish Ministers</i>	<i>Other revenue grants</i>	<i>Supporting people income</i>	<i>Other income</i>	<i>Total Turnover</i>	<i>Operating costs – bad debts</i>	<i>Other operating costs</i>	<i>Operating surplus or deficit</i>	<i>Operating surplus or deficit for previous period of account</i>
Wider action/wider role	43	-	-	-	43	-	(67)	(24)	(89)
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	158	158	-	(17)	141	27
Development activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	181	-	181	-	-	181	6
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non-registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	74	74	-	(14)	60	73
<b>Total from other activities</b>	43	-	181	232	456	-	(98)	358	17
<b>2011</b>	139	145	181	73	538	-	(521)	17	

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**

**4. Interest payable**

	Group		Company	
	2012	2011	2012	2011
Interest payable	£'000	£'000	£'000	£'000
Interest paid in period	(5,967)	(4,511)	(5,966)	(4,511)
Interest capitalised	-	-	-	-
	<u>(5,967)</u>	<u>(4,511)</u>	<u>(5,966)</u>	<u>(4,511)</u>

**5. Taxation**

DGHP has charitable status and its activities are therefore exempt from corporation tax.

Novantie is subject to UK Corporation Tax and was charged £1,691 (2011 - £1,141) in the year.

DGHP 3 is subject to UK Corporation Tax and was charged £929 (2011 - NIL) in the year.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

6. Tangible fixed assets – Group – Housing Properties

	Housing Properties Held for Letting	Housing Properties Under Construction	Total
<b>Gross Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 April 2011	72,489	23,880	96,369
Prior Period Adjustment (note 25)	77,332	580	77,912
As restated	149,821	24,460	174,281
Additions	16,699	7,697	24,396
Disposals in year	(1,284)	-	(1,284)
Transfers	4,343	(4,343)	-
As at 31 March 2012	169,579	27,814	197,393
<b>Depreciation</b>			
As at 1 April 2011	2,511	-	2,511
Prior Period Adjustment (note 25)	16,449	-	16,449
As restated	18,960	-	18,960
Charge for year	5,080	-	5,080
Disposals	(439)	-	(439)
As at 31 March 2012	23,601	-	23,601
<b>Gross Cost less Depreciation</b>	<b>145,978</b>	<b>27,814</b>	<b>173,792</b>
<b>Housing Association Grant</b>			
As at 1 April 2011	26,510	15,136	41,646
Prior Period Adjustment (note 25)	866	107	973
As restated	27,376	15,243	42,619
Additions	199	5,456	5,655
Disposals	(14)	-	(14)
Transfer	1,800	(1,800)	-
As at 31 March 2012	29,361	18,899	48,260
<b>Other Grants</b>			
As at 1 April 2011	1,432	-	1,432
Prior Period Adjustment (note 25)	354	17	371
As restated	1,786	17	1,803
Additions	735	165	900
Disposals	(3)	-	(3)
Transfer	17	(17)	-
As at 31 March 2012	2,535	165	2,700
<b>Total Grants</b>	<b>31,896</b>	<b>19,064</b>	<b>50,960</b>
<b>Net book value</b>	<b>114,082</b>	<b>8,750</b>	<b>122,832</b>
31 March 2012	101,699	9,200	110,899
31 March 2011 as restated	110,899	30	110,899

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

6. Tangible fixed assets - Company - Housing Properties

	£'000	£'000	£'000
<b>Total</b>			
<b>Housing Properties Under Construction</b>			
Gross Cost	96,369	72,489	23,880
As at 1 April 2011	77,912	77,332	580
Prior Period Adjustment (note 25)	174,281	149,821	24,460
As restated	174,281	149,821	24,460
Additions	24,331	16,664	7,667
Disposals in year	(1,284)	(1,284)	(4,343)
Transfers	-	4,343	-
As at 31 March 2012	197,328	169,544	27,784
<b>Depreciation</b>			
As at 1 April 2011	2,511	2,511	-
Prior Period Adjustment (note 25)	16,449	16,449	-
As restated	18,960	18,960	-
Charge for year	5,080	5,080	-
Disposals	(439)	(439)	-
As at 31 March 2012	23,601	23,601	-
<b>Gross Cost less Depreciation</b>			
As at 1 April 2011	41,646	27,376	15,136
Prior Period Adjustment (note 25)	973	866	107
As restated	42,619	28,501	15,243
Additions	5,655	199	5456
Disposals in year	(14)	(14)	-
Transfer	-	1,800	(1,800)
As at 31 March 2012	48,260	29,361	18,899
<b>Other Grants</b>			
As at 1 April 2011	1,432	1,432	-
Prior Period Adjustment (note 25)	371	354	17
As restated	1,803	1,786	17
Additions	880	735	145
Disposals in year	(3)	(3)	-
Transfer	-	17	(17)
As at 31 March 2012	2,680	2,535	145
<b>Total Grants</b>			
As at 1 April 2011	1,432	1,432	-
Prior Period Adjustment (note 25)	371	354	17
As restated	1,803	1,786	17
Additions	880	735	145
Disposals in year	(3)	(3)	-
Transfer	-	17	(17)
As at 31 March 2012	2,680	2,535	145
<b>Net book value</b>			
31 March 2012	122,787	114,047	8,740
31 March 2011 as restated	110,899	101,699	9,200



**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**6. Tangible fixed assets – Group and Company – Housing Properties (cont'd)**

None of the Company's properties is held under lease agreements. A valuation of the housing property has been carried out, as at 31 March 2010, for security purposes by Savills (L&P) Limited, which placed the value of the properties on this basis at £126m, which is significantly in excess of the carrying value of the housing property. As a result of this it is felt that there is no impairment in relation to housing property.

Tangible fixed assets – Group – Other Fixed Assets			
	Office Property	Fixtures, Fittings and Equipment	Total
	£'000	£'000	£'000
As at 1 April 2011	390	2,586	2,976
Additions	-	297	297
As at 31 March 2012	390	2,883	3,273
Depreciation	48	2,258	2,306
As at 1 April 2011	53	2,522	2,575
Charge for year	5	264	269
As at 31 March 2012	53	2,522	2,575
Grants	-	-	-
As at 1 April 2011	-	-	-
Additions	-	11	11
As at 31 March 2012	-	11	11
Net book value	337	350	687
31 March 2012			
31 March 2011	342	328	670

Tangible fixed assets – Company – Other Fixed Assets			
	Office Property	Fixtures, Fittings and Equipment	Total
	£'000	£'000	£'000
As at 1 April 2011	390	2,571	2,961
Additions	-	297	297
As at 31 March 2012	390	2,868	3,258
Depreciation	48	2,255	2,303
As at 1 April 2011	53	2,516	2,569
Charge for year	5	261	266
As at 31 March 2012	53	2,516	2,569
Grants	-	-	-
As at 1 April 2011	-	-	-
Additions	-	11	11
As at 31 March 2012	-	11	11
Net book value	337	341	678
31 March 2012			
31 March 2011	342	316	658

None of the Company's properties are held under lease agreements.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**

**7. Investments**

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Investment in Subsidiary Companies	-	-	4	4

Dumfries and Galloway Housing Partnership Ltd owns 2 ordinary shares of £1 each in Novantite Limited, representing a 100% shareholding. Novantite's principal activity is management of commercial property. At 31 March 2012, the capital and reserves of Novantite Ltd were £15k, with a profit after taxation for the period of £5k.

Dumfries and Galloway Housing Partnership Ltd owns 2 ordinary shares of £1 each in DGHP 3 Limited, representing a 100% shareholding. At 31 March 2012, the capital and reserves of DGHP 3 Ltd were £4k, with a profit after taxation for the period of £4k. DGHP 3 Ltd's principal activity is to perform design and build contracts.

	Work in Progress		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Cost of developing shared equity properties	2,667	2,605	2,667	2,605
Grant received to develop properties	(1,797)	(1,702)	(1,797)	(1,702)
903	870	903	870	903

	Debtors		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Rent arrears	1,117	1,089	1,100	1,074
Less: bad debt provision	(546)	(493)	(546)	(493)
571	596	571	581	
Prepayments and accrued income	271	249	271	249
Amounts owed by group company	-	-	118	38
Other debtors	3,462	1,721	3,286	1,715
4,304	2,566	4,229	2,583	

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
<b>10</b>	<b>Creditors – Amounts falling due within one year</b>			
	3,880	3,958	3,777	3,958
	Trade creditors			
	213	175	213	174
	Other tax and social security			
	2,189	1,303	2,189	1,303
	Accruals and deferred income			
	445	367	438	366
	Rent in advance			
	1,645	2,258	1,600	2,252
	Other creditors			
	<u>8,372</u>	<u>8,061</u>	<u>8,217</u>	<u>8,053</u>
<b>11</b>	<b>Creditors – Amounts falling due after one year</b>			
	162,902	108,050	162,902	108,050
	Loans			

Dexia Credit Local London Branch holds a standard security and floating charge over approximately 9,000 of the company's properties. The loans are repayable at rates of interest at 1.71% to 5.39% (2011 1.30% to 5.25%) in instalments due as follows:

	Within 2 - 5 years	In five years or more
	4,771	121,300
	-	<u>108,050</u>

The Housing Finance Corporation plc holds a standard security over 1,165 of the company's properties. The loan of £41,601k is repayable in full in October 2043 and interest is fixed at 4.948%.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**

**12. Employees**

	2012	2011
	£'000	£'000
Staff costs during year		
Wages and salaries	5,651	5,649
Social security costs	588	550
Other pension costs	917	423
	<u>7,156</u>	<u>6,622</u>

Included in the pension costs total is an adjustment of £107k (2011 - £603,000) arising from the implementation of FRS17 in the financial statements.

The average full time equivalent number of persons employed during the year was as follows:

Administration and Leasing services	201	191
-------------------------------------	-----	-----

No member of the Board received any emoluments in respect of their services to the Company or the subsidiary companies.

The Directors are defined as the members of the Board, the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments exceed £60,000 (2011: £60,000 per year). All the Directors emoluments were paid through the parent company.

	£'000	£'000
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	441	437
Emoluments payable to Highest Paid Director (excluding pension contributions)	107	107

The number of Directors, excluding the highest paid Director, who received emoluments (excluding pension contributions) in the following ranges were:-

	No	No
£60,000 - £70,000	-	-
£70,001 - £80,000	-	-
£80,001 - £90,000	1	1
£90,001 - £100,000	2	2

The Company's pension contributions for the Chief Executive in the year amounted to £24k (2011 £24k).

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

	2012	2011		
	£'000	£'000		
	15	11		Total Board Members' expenses reimbursed insofar as not chargeable to UK Income Tax

**13. Auditors' Remuneration**

	2012	2011		
	£'000	£'000		
	30	27		The remuneration of the external auditors (including expenses and VAT) for the year
	23	23		Remuneration to related entities of BT UK Audit LLP
	36	33		
	28	28		
	5	5		
	23	23		
	5	5		
	28	28		

**14. Company limited by guarantee**

The Company is a company limited by guarantee and does not have a share capital. The liability of the members is limited to £1 each.

**15. Revenue reserve**

	2012	2011		
	restated	restated		
	£'000	£'000		
	3,226	3,232		At 1 April 2011 as originally reported
	-	-		Prior Year Adjustment (Note 25)
	3,226	3,232		At 1 April as restated
	(4,971)	(4,967)		Accumulated deficit for the year
	894	894		Actuarial (loss)/gain recognised
	(851)	(841)		At 31 March 2012

**16. Big Lottery**

During the year, the company received £90,135 (2011 - £nil) from the Big Lottery Fund in respect of the company's Supported Housing Pathway to Independence project. This is the first year of a five year commitment by the Big Lottery Fund to part fund this project to a total of £941,842. Grant received but not spent in 2011/12 of £32,509 has been carried forward in the Big Lottery Fund Grant reserve as part of the Revenue Reserve.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**17a. Group Cash Flow Statement**

	2012	2011
	£'000	As restated £'000
<b>Reconciliation of operating surplus to net cash outflow from operating activities</b>		
Operating surplus	6,000	6,098
Depreciation charges	5,349	4,315
Pension income	(107)	(602)
Decrease/(increase) in work in progress	33	(903)
(Increase)/decrease in debtors	(1,738)	3,103
Increase/(decrease) in creditors	320	(664)
<b>Net cash inflow from operating activities</b>	<b>9,789</b>	<b>11,329</b>

**Reconciliation of net cash flow to movement in net debt**

Increase/(decrease) in cash for the year	41,008	(373)
Movement in bank overdraft	-	-
Loans received	41,008	(373)
Loans repayments	-	-
Change in net debt	(13,844)	(19,873)
Net debt as at 1 April 2011	(107,449)	(87,576)
Net debt as at 31 March 2012	(121,293)	(107,449)

**Analysis of Changes in net debt**

	As at 31 March 2011	Cash Flow	Other Changes	As at 31 March 2012
	£'000	£'000	£'000	£'000
Cash at bank and in hand	601	41,008	-	41,609
Overdraft	-	-	-	-
Debt due within one year	-	-	-	-
Debt due after one year	(108,050)	(54,852)	-	(162,902)
	(107,449)	(13,844)	-	(121,250)

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**

**17b. Company Cash Flow Statement**

	2012	2011
	£'000	As restated £'000
<b>Reconciliation of operating surplus to net cash outflow from operating activities</b>		
Operating surplus	5,988	6,092
Depreciation charges	5,346	678
Pension (income)	(107)	(602)
Decrease/(increase) in work in progress	33	(903)
(Increase)/decrease in debtors	(1,646)	3,102
Increase/(decrease) in creditors	175	(675)
<b>Net cash inflow from operating activities</b>	<b>9,789</b>	<b>1,136</b>

**Reconciliation of net cash flow to movement in net debt**

Increase/(decrease) in cash for the year	40,985	(379)
Movement in bank overdraft	-	-
Loans received	40,985	(379)
Loans repayments	-	-
Change in net debt	(13,867)	(19,879)
Net debt as at 1 April 2011	(107,473)	(87,594)
Net debt as at 31 March 2012	(121,340)	(107,473)

**Analysis of Changes in net debt**

As at 31 March 2011	Cash Flow	Other Changes	As at 31 March 2012
£'000	£'000	£'000	£'000
577	40,985	-	41,652
Cash at bank and in hand			
Overdraft	-	-	-
Debt due within one year	-	-	-
Debt due after one year	(108,050)	-	(162,902)
(107,473)	(13,867)	-	(121,340)

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**18. Pension Funds**

The Company operates two different pension schemes for its employees. Retirement benefits for employees of the Company recruited since 10 October 2003 are provided by a defined contribution scheme provided by Scottish Widows. Contributions are made by employees and the employer, of up to 10% of salary. Contributions charged to the Income and Expenditure account represent the contributions payable by the Company in the year.

At 31 March 2012, £25k was due to be paid over to the defined contribution pension scheme (2011: £24k).

Employees who transferred to or joined the Company before 10 October 2003 belong to the Dumfries and Galloway Council Pension Fund which is part of the Local Government Pension Scheme (LGPS), which is a defined benefit scheme which provides benefits based on the final pensionable salary, the assets of which are held in a separate trustee administered fund. The pension costs are assessed with the advice of independent qualified actuaries, using the projected unit method.

The amounts recognised in the balance sheet are as follows:

	2012	2011
Present value of funded obligations	£8,104	£7,023
Fair value of plan assets	6,711	6,655
(Deficit)	(1,393)	(368)
Related deferred tax asset	-	-
Net (Liability)	(1,393)	(368)



**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**

**18. Pension Funds (cont'd.)**

**Actuarial assumptions**

	<b>2012</b>	<b>2011</b>
Rate of increase in salaries	4.8%	5.1%
Rate of limited price indexation increases in pension in payment	2.5%	2.8%
Discount rate	4.8%	5.5%
Expected long rate return on scheme assets	5.3%	6.6%
Inflation assumption	1%	2.8%
Post retirement mortality	Based on PFA92 and PMA 92, year of birth' tables.	Based on PFA92 and PMA 92, year of birth' tables.

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

	<b>2012</b>	<b>2011</b>
Opening defined benefit obligation	7,023	7,309
Current Service cost	532	629
Past Service Cost	-	(487)
Member Contributions	188	194
Interest cost	402	400
Actuarial (gains) / losses	108	(913)
Benefits paid	(149)	(109)
Closing defined benefit obligation	8,104	7,023

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**

**18. Pension Funds (cont'd.)**

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

	2012	2011
Opening plan assets	6,655	5,446
Expected return	461	398
Actuarial gains/(losses)	(1,083)	(19)
Contributions by employer	639	745
Contributions by members	188	194
Benefits paid	(149)	(109)
Closing plan assets	6,711	6,655

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

	2012	2011
Current service cost	532	629
Interest on obligation	402	400
Expected return on plan assets	(461)	(398)
Past service cost	-	(487)
Total	473	144

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

	2012	2011
Opening cumulative STRDS	(1,434)	(2,328)
Actuarial (losses)/gains	(1,191)	894
	(2,625)	(1,434)

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**

**18. Pension Funds (cont'd.)**

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

	2012
Equities	59%
Bonds	26%
Property	9%
Other	6%
	100%

Amounts for the current and previous four periods are as follows:

	2012	2011	2010	2009	2008
Present Value of Scheme liabilities	8,104	7,023	7,309	3,692	3,760
Fair Value of Scheme assets	6,711	6,555	5,446	3,469	4,235
(Deficit)/Surplus of the Scheme	(1,393)	(368)	(1,863)	(223)	475
<b>Difference between actual and expected return on scheme assets:</b>					
Amount (£'000)	(1,083)	(19)	956	(1,744)	(449)
Percentage of scheme assets	(16.1%)	(0.3%)	17.55%	(50.3%)	(10.6%)
<b>Experience gains and (losses) on scheme</b>					
Amount (£'000)	104	22	(1)	376	55
Percentage of scheme liabilities	1.28%	0.3%	0%	10.2%	1.5%

The company expects to contribute £315k to its defined contribution scheme in the year to March 2012

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**19. Commitments – Group and Company**

	2012	2011
Expenditure authorised by the Board	£7,000	£7,000
contracted less certified	18,890	42,948

The commitments include both the costs for long term contracts for major repairs and contracts for the acquisition and construction of new housing developments.

These commitments are intended to be financed from a combination of Housing Association Grants and Other Grants of £0.5m with the balance to be funded by private finance, arranged by DGHF and secured on specific properties, already in place.

**20. Housing Stock**

The number of units in management at 31 March 2012 was as follows:-

	2012	2011
General Needs	10,002	9,994
Supported Housing	275	278
	<u>10,277</u>	<u>10,272</u>

All housing units are owned and managed by the Company

**21. Related Parties**

The Company has taken advantage of the exemption in Financial Reporting Standard 8 from the requirement to disclose transactions with group companies

Various members of the Board are tenants of the Company. Their transactions with the Company are all done on standard terms, as applicable to all tenants.

One Board member, Robert Higgins, was an elected member of Dumfries and Galloway Council until 3 May 2012. All transactions with the Council are undertaken on arm's length basis and in the normal course of business of both the Company and the Council. Mr Higgins could not use his position with the Company to his personal advantage.

**22. Contingent Liability**

The contractor engaged on some of the Company's regeneration schemes entered administration in April 2011. The administrator is seeking approximately £2.149m from the company under the relevant contracts. The Company is confident that no amounts are due to the contractor, and has not provided for any liability.

Housing Association Grant allocated to components (as detailed in Note 6) that have subsequently been replaced by the Association are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31 March 2012 was £14k (2011: £0k).

23. Leasing Commitments

At 31 March 2012 the Group and Company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2012	2011
	£'000	£'000
Operating leases which expire:		
Within 1 year	25	21
Within 2 to 5 years	314	-
After more than 5 years	6	261
	<u>345</u>	<u>282</u>

24. Reconciliation of Funds

	Group	Company
	2012	2012
	£	£
	restated	restated
	2011 as	2011 as
	reported	reported
At 1 April 2011 as originally reported	(60,959)	3,226
Prior Year Adjustment (Note 25)	60,118	-
At 1 April 2011 as restated	(841)	3,226
Deficit for year	(1,526)	(1,535)
Net Change in Funds	(1,526)	(4,077)
At 31 March 2012	(2,367)	(851)

25. Prior Period Adjustment-Component Accounting

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

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**

**25. Prior Period Adjustment- Component Accounting (continued)**

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their useful economic life. This has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge being recognised. In total this has led to an adjustment as at 31 March 2010 of an increase in fixed assets of £54,466k. This is represented by an increase in depreciation of £(12,812k), major repairs previously written-off to the Income and Expenditure Account now capitalised as components of £68,195k, Housing Association Grant (HAG) now allocated to components of £(988k) and other grant now allocated to components of £(171k)

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

£000	Increase depreciation charge	
(3,637)	Decrease major works charged against income	
9,717	Decrease HAG now allocated to components	
15	Increase fixed assets other grants	
(443)	Increase in the surplus for the year	
<u>5,652</u>		
	In addition the effect upon the balance sheet has been to:	
77,912	Increase fixed asset cost	
(973)	Increase fixed asset HAG	
(372)	Increase fixed asset other grants	
(16,449)	Increase fixed asset depreciation	
<u>60,118</u>	Net movement in the balance sheet - increase	