

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

**FINANCIAL STATEMENTS**

**For the year ended 31 March 2013**

**Company No. 220297**

**Scottish Housing Regulator Registration No: 315**

**A registered Scottish charity – Charity No. SC039896**

**BAKER TILLY UK AUDIT LLP  
Chartered Accountants**

**Glasgow**

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

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**Registration particulars:**

|                            |  |
|----------------------------|--|
| Register of Companies      | Companies Act 2006<br>Registered Number: SC220297                            |
| Scottish Housing Regulator | Housing (Scotland) Act 2010<br>Registered Number: 315                        |
| Scottish Charities         | Charities and Trustee Investment (Scotland) Act 2005<br>Charity No. SC039896 |

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**Board Members**

|   |                 |
|---|-----------------|
| David McMillan (Elected Chairman, October 2012) | Bill Marshall   |
| Scott Armstrong                                 | George McBurnie |
| Margaret Brown (resigned June 2013)             | Pat McTaggart   |
| Beryl Castle                                    | Fred Murray     |
| Thomas Gillan                                   | John Potts      |
| John Hay  | Jim Steen       |
| Robert Higgins                                  | Bill Zemaititis |
| Billy Lockhart (Chairman to October 2012)       |                 |

**Executive Management Team**

|                                       |               |
|---------------------------------------|---------------|
| Chief Executive                       | Zoe Forster   |
| Director of Finance                   | Hugh Carr     |
| Director of Housing Services          | Jayne Moore   |
| Director of Investment & Regeneration | James Shirazi |

**Advisors**

|                   |  |
|-------------------|--|
| Bankers           | Dexia Public Finance Bank, 13th Floor, 200 Aldersgate Street, London EC1A 4HD<br>The Housing Finance Corporation plc, 4th Floor, 107 Cannon Street, London, EC4 5AF<br>Clydesdale Bank plc, 84-86 High Street, Dumfries, DG1 2BJ<br>Royal Bank of Scotland plc, Kirkstane House, 139 St Vincent Street, Glasgow, G2 5JF<br>Santander UK plc, 17 Ulster Terrace, Regents Park, London NW1 4PJ<br>Barclays Bank plc, Aurora, 1st Floor, 120 Bothwell Street, Glasgow, G2 7JT<br>Nationwide International Ltd, 5-11 St Georges Street, Douglas, Isle of Man, IM99 1RN |
| 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 Ca'd'oro, 45 Gordon Street, Glasgow, G1 3PE<br>Brechin Tindal Oatts, 48 St. Vincent Street, Glasgow G2 5HS   |

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**REPORT OF THE BOARD**  
**YEAR ENDED 31 MARCH 2013**

The Board presents its Annual Report together with the audited accounts for the year to 31 March 2013.

**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 2013, there were approximately 1,500 members.

**Registered Office**

The Registered Office of the Company and its subsidiary companies is Grierson 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 2013, DGHP incurred a deficit of £1,506k (2012 – deficit £332k) before tax.

**Turnover**

Turnover of £34 million (2012 - £31 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.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**REPORT OF THE BOARD**  
**YEAR ENDED 31 MARCH 2013**

**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 2013, total loan commitments to Dexia were £101.3m (2012 £121.30m), from a total facility of £130m. 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.

DGHP also has 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
- 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

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**REPORT OF THE BOARD**  
**YEAR ENDED 31 MARCH 2013**

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 ten years since acquiring the housing stock of Dumfries and Galloway Council, DGHP has invested approximately £150m in bringing its tenants homes to the Scottish Housing Quality Standard; a further £25m 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 complete the installation of modern 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 new and existing properties in the year; £23,194k (2012: £24,395k) were capitalised. Of these total capitalised costs £10,815k relates to replaced components (2012:£15,787k) and £12,379k relates to new built and improved properties (2012 £8,608k).

**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 2012/13, the Company restarted the regeneration schemes in Dumfries and Stranraer which had been delayed by the financial collapse its largest new build housing contractor. These schemes are now close to completion, and other schemes supported by the Scottish Government's Innovation and Investment Fund are on site. Overall, DGHP projects to complete over 300 further new homes by 2016.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**REPORT OF THE BOARD**  
**YEAR ENDED 31 MARCH 2013**

**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 40 (2012 – 39) 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 2013 DGHP completed 10 Mortgage to Rent purchases (2012 - 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 £29,239 (2012 - £20,919) were made through the Community Pride Fund initiative.

**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 31 days. The Company seeks to pay all suppliers within 30 days, subject to the need to ensure costs are properly incurred and invoiced.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**REPORT OF THE BOARD**  
**YEAR ENDED 31 MARCH 2013**

**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**

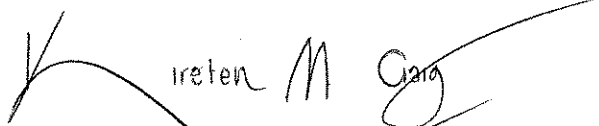
The Board has reviewed the results for this year and has also reviewed the projections for the next five years. It therefore has a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. For this reason, the going concern basis has been adopted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

**Auditors**

Following a competitive process, the Board recommends that Haines Watts Glasgow Limited are appointed auditors for the 2013/14 financial year

Signed by order of the Board

Secretary:

Kireten M Ganga

Date:

4<sup>th</sup> September 2013



**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**STATEMENT ON BOARD RESPONSIBILITIES**  
**YEAR ENDED 31 MARCH 2013**

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 Determination of Accounting Requirements 2012. 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 2013**

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 GPN15: 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, 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 2013**

**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.

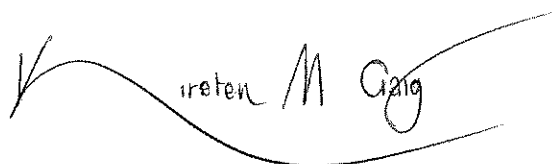
The Board confirms that there is an ongoing process for identifying and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report and accounts and is regularly reviewed by the Board.

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 2013.

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

Kirsten Craig

A handwritten signature in black ink, appearing to read "Kirsten M Craig", written over a horizontal line.

Date : 4<sup>th</sup> September 2013

**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 13 to 43. 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 FRC's website at [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

**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 2013 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, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012.

**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.

*Baker Tilly UK Audit LLP*

Linda Gray (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

Breckenridge House

274 Sauchiehall Street

Glasgow G2 3EH

Date: 10/9/13

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

**GROUP INCOME AND EXPENDITURE ACCOUNT**

**YEAR ENDED 31 MARCH 2013**

|  | Notes | 2013                  | 2012                |
|--|-------|-----------------------|---------------------|
|  |       | £'000                 | £'000               |
| <b>Turnover</b>                                    | 2     | 34,187                | 31,118              |
| Operating Costs                                    | 2     | <u>(28,219)</u>       | <u>(25,118)</u>     |
| <b>Operating surplus</b>                           |       | 5,968                 | 6,000               |
| Loss on disposal of fixed assets                   |       | (748)                 | (512)               |
| Interest receivable                                |       | 259                   | 88                  |
| Interest payable and other charges                 | 4     | (6,955)               | (5,967)             |
| Other finance (costs)/income                       | 18    | <u>(30)</u>           | <u>59</u>           |
| <b>(Deficit) on ordinary activities before tax</b> |       | (1,506)               | (332)               |
| Corporation tax on ordinary activities             | 5     | (45)                  | (3)                 |
| <b>(Deficit) on ordinary activities after tax</b>  | 15    | <u><u>(1,551)</u></u> | <u><u>(335)</u></u> |

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 2013**

|  | Notes | 2013                  | 2012                |
|--|-------|-----------------------|---------------------|
|  |       | £'000                 | £'000               |
| <b>Turnover</b>                                    | 2     | 33,934                | 31,065              |
| Operating Costs                                    | 2     | <u>(28,173)</u>       | <u>(25,077)</u>     |
| <b>Operating surplus</b>                           |       | 5,761                 | 5,988               |
| Loss on sale of fixed assets                       |       | (748)                 | (512)               |
| Interest receivable                                |       | 257                   | 87                  |
| Interest payable and other charges                 | 4     | (6,955)               | (5,966)             |
| Other finance (costs)/income                       | 18    | <u>(30)</u>           | <u>59</u>           |
| <b>(Deficit) on ordinary activities before tax</b> |       | (1,715)               | (344)               |
| Corporation tax on ordinary activities             | 5     | -                     | -                   |
| <b>(Deficit) on ordinary activities after tax</b>  | 15    | <u><u>(1,715)</u></u> | <u><u>(344)</u></u> |

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 2013**

**GROUP**

|   | Notes | 2013<br>£'000  | 2012<br>£'000  |
|---|-------|----------------|----------------|
| <b>(Deficit) for the year</b>                               |       | (1,551)        | (335)          |
| Actuarial (loss) on pension scheme                          | 18    | <u>(672)</u>   | <u>(1,191)</u> |
| <b>Total recognised surpluses and deficits for the year</b> |       | <u>(2,223)</u> | <u>(1,526)</u> |

**COMPANY**

|   | Notes | 2013<br>£'000  | 2012<br>£'000  |
|---|-------|----------------|----------------|
| <b>(Deficit) for the year</b>                               |       | (1,715)        | (344)          |
| Actuarial (loss) on pension scheme                          | 18    | <u>(672)</u>   | <u>(1,191)</u> |
| <b>Total recognised surpluses and deficits for the year</b> |       | <u>(2,387)</u> | <u>(1,535)</u> |

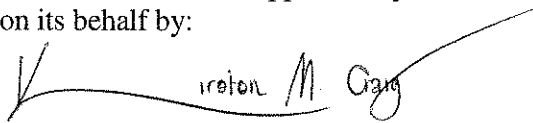


**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**GROUP BALANCE SHEET AS AT 31 MARCH 2013**

|  | Notes | 2013             | 2012             |
|--|-------|------------------|------------------|
|  |       | £'000            | £'000            |
| <b>Tangible Fixed Assets</b>                                   |       |                  |                  |
| Housing properties   |       |                  |                  |
| - Gross cost less depreciation                                 | 6     | 189,714          | 173,792          |
| Less: Grants   | 6     | <u>(57,920)</u>  | <u>(50,960)</u>  |
|  |       | 131,794          | 122,832          |
| Other Fixed Assets   | 6     | <u>696</u>       | <u>687</u>       |
|  |       | 132,490          | 123,519          |
| <b>Current Assets</b>  |       |                  |                  |
| Work in Progress   | 8     | 1,299            | 870              |
| Debtors  | 9     | 3,568            | 4,304            |
| Cash in bank and on hand                                       |       | 12,753           | 41,609           |
|  |       | <u>17,620</u>    | <u>46,783</u>    |
| <b>Creditors: Amounts falling due within one year</b>          | 10    | <u>(9,723)</u>   | <u>(8,372)</u>   |
| <b>Net current assets</b>                                      |       | 7,897            | 38,411           |
| <b>Total assets less current liabilities</b>                   |       | <u>140,387</u>   | <u>161,930</u>   |
| <b>Creditors: Amounts falling due after more than one year</b> | 11    | (142,902)        | (162,902)        |
| Pension (liability)  | 18    | (2,074)          | (1,393)          |
|  |       | <u>(144,976)</u> | <u>(164,295)</u> |
| Provision for Liabilities                                      | 5     | <u>(1)</u>       | <u>(2)</u>       |
|  |       | <u>(4,590)</u>   | <u>(2,367)</u>   |
| <b>Capital and reserves</b>                                    |       |                  |                  |
| Revenue reserve  | 15    | <u>(4,590)</u>   | <u>(2,367)</u>   |
| <b>Total Funds</b>   |       | <u>(4,590)</u>   | <u>(2,367)</u>   |

These financial statements were approved by the Board and authorised for issue on 20 August 2013 and signed on its behalf by:

Secretary:



Director:



**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES****COMPANY BALANCE SHEET****AS AT 31 MARCH 2013**

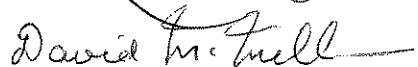
|  | Notes | 2013            | 2012            |
|--|-------|-----------------|-----------------|
|  |       | £'000           | £'000           |
| <b>Tangible Fixed Assets</b>                                   |       |                 |                 |
| Housing properties   |       |                 |                 |
| - Gross cost less depreciation                                 | 6     | 189,642         | 173,727         |
| Less: Grants   | 6     | <u>(57,920)</u> | <u>(50,941)</u> |
|  |       | 131,722         | 122,787         |
| Other Fixed Assets   | 6     | 689             | 678             |
| Investments  | 7     | -               | -               |
|  |       | <u>132,411</u>  | <u>123,465</u>  |
| <b>Current Assets</b>  |       |                 |                 |
| Work in Progress   | 8     | 1,299           | 870             |
| Debtors  | 9     | 3,889           | 4,229           |
| Cash in bank and on hand                                       |       | 12,584          | 41,562          |
|  |       | <u>17,772</u>   | <u>46,661</u>   |
| <b>Creditors: Amounts falling due within one year</b>          | 10    | <u>(9,980)</u>  | <u>(8,217)</u>  |
| <b>Net current assets</b>                                      |       | 7,792           | 38,444          |
| <b>Total assets less current liabilities</b>                   |       | <u>140,203</u>  | <u>161,909</u>  |
| <b>Creditors: Amounts falling due after more than one year</b> | 11    | (142,902)       | (162,902)       |
| Pension (liability)  | 18    | (2,074)         | (1,393)         |
|  |       | <u>(4,773)</u>  | <u>(2,386)</u>  |
| <b>Capital and reserves</b>                                    |       |                 |                 |
| Revenue reserve  | 15    | <u>(4,773)</u>  | <u>(2,386)</u>  |
| <b>Total Funds</b>   |       | <u>(4,773)</u>  | <u>(2,386)</u>  |

These financial statements were approved by the Board and authorised for issue on 20 August 2013, and signed on its behalf by:

Secretary:



Director:



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

**GROUP CASH FLOW STATEMENT**

**YEAR ENDED 31 MARCH 2013**

|  | Notes | 2013            | 2012            |
|--|-------|-----------------|-----------------|
|  |       | £'000           | £'000           |
| <b>Net cash inflow from operating activities</b>                                 | 17a   | <u>13,624</u>   | <u>9,857</u>    |
| <b>Return on investments and servicing of finance</b>                            |       |                 |                 |
| Interest received  |       | 257             | 88              |
| Interest paid  |       | <u>(6,958)</u>  | <u>(5,967)</u>  |
| <b>Net cash (outflow) from returns on investments &amp; servicing of finance</b> |       | <u>(6,701)</u>  | <u>(5,879)</u>  |
| <b>Capital Expenditure and Financial Investment</b>                              |       |                 |                 |
| Payments for the purchase and development of property                            |       | (23,320)        | (24,396)        |
| Proceeds of disposals of fixed assets  |       | 1,461           | 1,520           |
| Repayment of proceeds to Council   |       | (1,137)         | (1,204)         |
| HAG and other grants received  |       | 7,446           | 6,555           |
| Purchase of equipment  |       | <u>(229)</u>    | <u>(297)</u>    |
| <b>Net cash (outflow) from Capital Expenditure and Financial Investment</b>      |       | <u>(15,779)</u> | <u>(17,822)</u> |
| <b>Net cash (outflow) before financing</b>                                       |       | <u>(8,856)</u>  | <u>(13,844)</u> |
| <b>Financing</b>   |       |                 |                 |
| Loans received   |       | -               | 54,852          |
| Loans repaid   |       | <u>(20,000)</u> | -               |
| <b>Net cash (outflow)/inflow from financing</b>                                  |       | <u>(20,000)</u> | <u>54,852</u>   |
| <b>(Decrease)/increase in cash</b>   | 17a   | <u>(28,856)</u> | <u>41,008</u>   |

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

**COMPANY CASH FLOW STATEMENT**

**YEAR ENDED 31 MARCH 2013**

|  | Notes | 2013            | 2012            |
|--|-------|-----------------|-----------------|
|  |       | £'000           | £'000           |
| <b>Net cash inflow from operating activities</b>                                 | 17b   | <u>13,509</u>   | <u>9,789</u>    |
| <b>Return on investments and servicing of finance</b>                            |       |                 |                 |
| Interest received  |       | 257             | 87              |
| Interest paid  |       | <u>(6,955)</u>  | <u>(5,966)</u>  |
| <b>Net cash (outflow) from returns on investments &amp; servicing of finance</b> |       | <u>(6,698)</u>  | <u>(5,879)</u>  |
| <b>Capital Expenditure and Financial Investment</b>                              |       |                 |                 |
| Payments for the purchase and development of property                            |       | (23,312)        | (24,331)        |
| Proceeds of disposals of fixed assets  |       | 1,461           | 1,520           |
| Repayment of proceeds to Council HAG and other grants received                   |       | (1,151)         | (1,204)         |
| Purchase of equipment  |       | <u>(228)</u>    | <u>(297)</u>    |
| <b>Net cash (outflow) from Capital Expenditure and Financial Investment</b>      |       | <u>(15,789)</u> | <u>(17,777)</u> |
| <b>Net cash (outflow) before financing</b>                                       |       | <u>(8,978)</u>  | <u>(13,867)</u> |
| <b>Financing</b>   |       |                 |                 |
| Loans received   |       | -               | 54,852          |
| Loans repaid   |       | <u>(20,000)</u> | -               |
| <b>Net cash (outflow)/inflow from financing</b>                                  |       | <u>(20,000)</u> | <u>54,852</u>   |
| <b>(Decrease)/increase in cash</b>   | 17b   | <u>(28,978)</u> | <u>40,985</u>   |

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**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 Novantie 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 Novantie 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 2013**

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   |
| Roofs (pitched)   | Over 45 years   |
| Roofs (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.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**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.

**Retirement benefits (Note 18)**

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

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.

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**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 2013**

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

**GROUP**

|                 | <b>Turnover</b> | <b>Operating Costs</b> | <b>Operating Surplus</b> | <b>2012</b>  |
|-----------------|-----------------|------------------------|--------------------------|--------------|
|                 | <b>£'000</b>    | <b>£'000</b>           | <b>£'000</b>             | <b>£'000</b> |
| Social lettings | 32,945          | 27,197                 | 5,748                    | 5,630        |
| Other           | 1,242           | 1,022                  | 220                      | 370          |
| <b>Total</b>    | <u>34,187</u>   | <u>28,219</u>          | <u>5,968</u>             | <u>6,000</u> |
| <b>2012</b>     | <u>31,118</u>   | <u>25,118</u>          | <u>6,000</u>             |              |

**COMPANY**

|                 | <b>Turnover</b> | <b>Operating Costs</b> | <b>Operating Surplus</b> | <b>2012</b>  |
|-----------------|-----------------|------------------------|--------------------------|--------------|
|                 | <b>£'000</b>    | <b>£'000</b>           | <b>£'000</b>             | <b>£'000</b> |
| Social lettings | 32,945          | 27,197                 | 5,748                    | 5,630        |
| Other           | 989             | 976                    | 13                       | 358          |
| <b>Total</b>    | <u>33,934</u>   | <u>28,173</u>          | <u>5,761</u>             | <u>5,988</u> |
| <b>2012</b>     | <u>31,065</u>   | <u>25,077</u>          | <u>5,988</u>             |              |

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

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

|  | <b>General<br/>Needs<br/>Housing<br/>£'000</b> | <b>Supported<br/>Housing<br/>£'000</b> | <b>Other<br/>£'000</b> | <b>2013<br/>£'000</b> | <b>2012<br/>£'000</b> |
|--|--|--|------------------------|-----------------------|-----------------------|
| <b>Lettings</b>  |  |  |                        |                       |                       |
| Rent receivable net of identifiable service charges                  | 31,593   | 1,069                                  | 363                    | 33,025                | 30,831                |
| Service charges receivable   | 20   | 42                                     | -                      | 62                    | (6)                   |
| <b>Gross Rents Receivable</b>  | <b>31,613</b>                                  | <b>1,111</b>                           | <b>363</b>             | <b>33,087</b>         | <b>30,825</b>         |
| <b>Less: Rent Losses from Voids</b>                                  | <b>543</b>                                     | <b>9</b>                               | <b>73</b>              | <b>625</b>            | <b>671</b>            |
| <b>Net income from rents and service charges</b>                     | <b>31,070</b>                                  | <b>1,102</b>                           | <b>290</b>             | <b>32,462</b>         | <b>30,154</b>         |
| Grants from the Scottish Ministers                                   | 315  | -                                      | -                      | 315                   | 388                   |
| Other revenue grants   | -  | 168                                    | -                      | 168                   | 67                    |
| <b>Total Income from Social Letting Activities</b>                   | <b>31,385</b>                                  | <b>1,270</b>                           | <b>290</b>             | <b>32,945</b>         | <b>30,609</b>         |
| <b>Operating costs on social letting activities</b>                  |  |  |                        |                       |                       |
| Management and maintenance administration costs                      | 9,176  | 383                                    | -                      | 9,559                 | 9,181                 |
| Service costs  | 124  | 85                                     | -                      | 209                   | 141                   |
| Reactive maintenance   | 5,774  | 163                                    | 72                     | 6,009                 | 6,440                 |
| Planned and cyclical maintenance including major repairs expenditure | 5,363  | -                                      | -                      | 5,363                 | 3,663                 |
| Housing depreciation   | 5,534  | 147                                    | 21                     | 5,702                 | 5,080                 |
| Bad debts  | 355  | -                                      | -                      | 355                   | 474                   |
| <b>Operating costs for social letting activities</b>                 | <b>26,326</b>                                  | <b>778</b>                             | <b>93</b>              | <b>27,197</b>         | <b>24,979</b>         |
| <b>Operating Surplus for social lettings to 31 March 2013</b>        | <b>5,059</b>                                   | <b>492</b>                             | <b>197</b>             | <b>5,748</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>          |                       |

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2013**

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

|  | Grants<br>from<br>Scottish<br>Ministers | Other<br>revenue<br>grants | Supporting<br>people<br>income | Other<br>income | Total<br>Turnover | Operating<br>costs – bad<br>debts | Other<br>operating<br>costs | Operating<br>surplus or<br>deficit | Operating<br>surplus or<br>deficit for<br>previous<br>period of<br>account |
|--|---|----------------------------|--------------------------------|-----------------|-------------------|-----------------------------------|-----------------------------|------------------------------------|--|
| Wider action/wider role  | 29                                      | -                          | -                              | -               | 29                | -                                 | (46)                        | (17)                               | (24)   |
| Factoring  | -                                       | -                          | -                              | 101             | 101               | -                                 | (141)                       | (40)                               | 141  |
| Development activities   | -                                       | -                          | -                              | -               | -                 | -                                 | -                           | -                                  | -  |
| Support activities   | -                                       | -                          | 189                            | 3               | 192               | -                                 | (176)                       | 16                                 | 181  |
| Care activities  | -                                       | -                          | -                              | -               | -                 | -                                 | -                           | -                                  | -  |
| Agency/management services for registered<br>social landlords                | -                                       | -                          | -                              | 52              | 52                | -                                 | (81)                        | (29)                               | -  |
| Developments and improvements for sale to<br>non-registered social landlords | -                                       | -                          | -                              | 531             | 531               | -                                 | (531)                       | -                                  | -  |
| Other activities   | -                                       | -                          | -                              | 337             | 337               | -                                 | (47)                        | 290                                | 72   |
| <b>Total from other activities</b>   | 29                                      | -                          | 189                            | 1,024           | 1,242             | -                                 | (1,022)                     | 220                                | 370  |
| <b>2012</b>  | 43                                      | -                          | 181                            | 285             | 509               | -                                 | (139)                       | -                                  | -  |

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 2013**

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

|  | Grants<br>from<br>Scottish<br>Ministers | Other<br>revenue<br>grants | Supporting<br>people<br>income | Other<br>income | Total<br>Turnover | Operating<br>costs – bad<br>debts | Other<br>operating<br>costs | Operating<br>surplus or<br>deficit | Operating<br>surplus or<br>deficit for<br>previous<br>period of<br>account |
|--|---|----------------------------|--------------------------------|-----------------|-------------------|-----------------------------------|-----------------------------|------------------------------------|--|
| Wider action/wider role  | 29                                      | -                          | -                              | -               | 29                | -                                 | (46)                        | (17)                               | (24)   |
| Factoring  | -                                       | -                          | -                              | 101             | 101               | -                                 | (141)                       | (40)                               | 141  |
| Development activities   | -                                       | -                          | -                              | -               | -                 | -                                 | -                           | -                                  | -  |
| Support activities   | -                                       | -                          | 189                            | 3               | 192               | -                                 | (176)                       | 16                                 | 181  |
| Other agency/management services   | -                                       | -                          | -                              | 52              | 52                | -                                 | (82)                        | (30)                               | -  |
| Developments for sale to registered social<br>landlords                      | -                                       | -                          | -                              | -               | -                 | -                                 | -                           | -                                  | -  |
| Developments and improvements for sale to<br>non-registered social landlords | -                                       | -                          | -                              | 531             | 531               | -                                 | (531)                       | -                                  | -  |
| Other activities   | -                                       | -                          | -                              | 84              | 84                | -                                 | -                           | 84                                 | 60   |
| <b>Total from other activities</b>   | <b>29</b>                               | <b>-</b>                   | <b>189</b>                     | <b>771</b>      | <b>989</b>        | <b>-</b>                          | <b>(976)</b>                | <b>13</b>                          | <b>358</b>   |
| <b>2012</b>  | <b>43</b>                               | <b>-</b>                   | <b>181</b>                     | <b>232</b>      | <b>456</b>        | <b>-</b>                          | <b>(98)</b>                 | <b>358</b>                         |  |

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**4. Interest payable**

|                            | <b>Group</b>   |                | <b>Company</b> |                |
|----------------------------|----------------|----------------|----------------|----------------|
|                            | <b>2013</b>    | <b>2012</b>    | <b>2013</b>    | <b>2012</b>    |
|                            | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   |
| Interest payable in period | (6,955)        | (5,967)        | (6,955)        | (5,966)        |
| Interest capitalised       | -              | -              | -              | -              |
|                            | <u>(6,955)</u> | <u>(5,967)</u> | <u>(6,955)</u> | <u>(5,966)</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 £2k (2012 - £2k) in the year.

DGHP 3 is subject to UK Corporation Tax and was charged £43k (2012 – £1k) in the year

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**6. Tangible fixed assets –Group – Housing Properties**

|                                     | <b>Housing<br/>Properties<br/>Under<br/>Construction<br/>£'000</b> | <b>Housing<br/>Properties Held<br/>for Letting<br/>£'000</b> | <b>Total<br/>£'000</b> |
|-------------------------------------|--|--|------------------------|
| <b>Gross Cost</b>                   |  |  |                        |
| As at 1 April 2012                  | 27,814   | 169,579  | 197,393                |
| Additions                           | 10,083   | 13,119   | 23,202                 |
| Disposals in year                   | (48)   | (1,866)  | (1,914)                |
| Transfers                           | (15,785)   | 15,645   | (140)                  |
| As at 31 March 2013                 | <u>22,064</u>  | <u>196,477</u>   | <u>218,541</u>         |
| <b>Depreciation</b>                 |  |  |                        |
| As at 1 April 2012                  | -  | 23,601   | 23,601                 |
| Charge for year                     | -  | 5,703  | 5,703                  |
| Disposals                           | -  | (470)  | (470)                  |
| Transfer                            | -  | (7)  | (7)                    |
| As at 31 March 2013                 | <u>-</u>   | <u>28,827</u>  | <u>28,827</u>          |
| <b>Gross Cost less Depreciation</b> | <u>22,064</u>  | <u>167,650</u>   | <u>189,714</u>         |
| <b>Housing Association Grant</b>    |  |  |                        |
| As at 1 April 2012                  | 18,899   | 29,361   | 48,260                 |
| Additions                           | 5,464  | 164  | 5,628                  |
| Disposals                           | -  | (383)  | (383)                  |
| Transfer                            | (7,360)  | 6,873  | (487)                  |
| As at 31 March 2013                 | <u>17,003</u>  | <u>36,015</u>  | <u>53,018</u>          |
| <b>Other Grants</b>                 |  |  |                        |
| As at 1 April 2012                  | 165  | 2,515  | 2,700                  |
| Additions                           | 788  | 1,020  | 1,808                  |
| Disposals                           | -  | (6)  | (6)                    |
| Transfer                            | -  | 420  | 420                    |
| As at 31 March 2013                 | <u>953</u>   | <u>3,949</u>   | <u>4,902</u>           |
| <b>Total Grants</b>                 | <u>17,955</u>  | <u>39,965</u>  | <u>57,920</u>          |
| <b>Net book value</b>               |  |  |                        |
| 31 March 2013                       | <u>4,108</u>   | <u>127,686</u>   | <u>131,794</u>         |
| 31 March 2012                       | <u>8,750</u>   | <u>114,082</u>   | <u>122,832</u>         |

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**6. Tangible fixed assets –Company - Housing Properties**

|                                     | <b>Housing<br/>Properties<br/>Under<br/>Construction<br/>£'000</b> | <b>Housing<br/>Properties Held<br/>for Letting<br/>£'000</b> | <b>Total<br/>£'000</b> |
|-------------------------------------|--|--|------------------------|
| <b>Gross Cost</b>                   |  |  |                        |
| As at 1 April 2012                  | 27,784   | 169,544  | 197,328                |
| Additions                           | 10,083   | 13,111   | 23,194                 |
| Disposals in year                   | (48)   | (1,866)  | (1,914)                |
| Transfers                           | (15,755)   | 15,615   | (140)                  |
| As at 31 March 2013                 | <u>22,064</u>  | <u>196,404</u>   | <u>218,468</u>         |
| <b>Depreciation</b>                 |  |  |                        |
| As at 1 April 2012                  | -  | 23,601   | 23,601                 |
| Charge for year                     | -  | 5,702  | 5,702                  |
| Transfer                            | -  | (7)  | (7)                    |
| Disposals                           | -  | (470)  | (470)                  |
| As at 31 March 2013                 | <u>-</u>   | <u>28,826</u>  | <u>28,826</u>          |
| <b>Gross Cost less Depreciation</b> | <u>22,064</u>  | <u>167,578</u>   | <u>189,642</u>         |
| <b>Housing Association Grant</b>    |  |  |                        |
| As at 1 April 2012                  | 18,899   | 29,361   | 48,260                 |
| Additions                           | 5,464  | 164  | 5,628                  |
| Disposals in year                   | -  | (383)  | (383)                  |
| Transfer                            | (7,360)  | 6,873  | (487)                  |
| As at 31 March 2013                 | <u>17,003</u>  | <u>36,015</u>  | <u>53,018</u>          |
| <b>Other Grants</b>                 |  |  |                        |
| As at 1 April 2012                  | 145  | 2,535  | 2,680                  |
| Additions                           | 788  | 1,020  | 1,808                  |
| Disposals in year                   | -  | (6)  | (6)                    |
| Transfer                            | -  | 420  | 420                    |
| As at 31 March 2013                 | <u>933</u>   | <u>3,969</u>   | <u>4,902</u>           |
| <b>Total Grants</b>                 | <u>17,935</u>  | <u>39,985</u>  | <u>57,920</u>          |
| <b>Net book value</b>               |  |  |                        |
| 31 March 2013                       | <u>4,128</u>   | <u>127,594</u>   | <u>131,722</u>         |
| 31 March 2012                       | <u>8,740</u>   | <u>114,047</u>   | <u>122,787</u>         |

None of the Company's properties are held under lease agreements. A valuation of the housing property has been carried out, as at 31 March 2013, for security purposes by Savills (L&P) Limited, which placed the value of the properties on this basis at £171m, 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.

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**6. Tangible fixed assets – Group – Other Fixed Assets**

|                       | Office<br>Property<br>£'000 | Fixtures, Fittings<br>and Equipment<br>£'000 | Total<br>£'000 |
|-----------------------|-----------------------------|--|----------------|
| <b>Cost</b>           |                             |  |                |
| As at 1 April 2012    | 390                         | 2,883  | 3,273          |
| Additions             | 4                           | 225  | 229            |
| Disposals             | -                           | (499)  | (499)          |
| Transfers             | 140                         | -  | 140            |
| As at 31 March 2013   | <u>534</u>                  | <u>2,609</u>                                 | <u>3,143</u>   |
| <b>Depreciation</b>   |                             |  |                |
| As at 1 April 2012    | 53                          | 2,522  | 2,575          |
| Charge for year       | 1                           | 276  | 277            |
| Disposals             | -                           | (495)  | (495)          |
| Transfers             | 7                           | -  | 7              |
| As at 31 March 2013   | <u>61</u>                   | <u>2,303</u>                                 | <u>2,364</u>   |
| <b>Grants</b>         |                             |  |                |
| As at 1 April 2012    | -                           | 11   | 11             |
| Additions             | -                           | 5  | 5              |
| Transfers             | 67                          | -  | 67             |
| As at 31 March 2013   | <u>67</u>                   | <u>16</u>                                    | <u>83</u>      |
| <b>Net book value</b> |                             |  |                |
| 31 March 2013         | <u>406</u>                  | <u>290</u>                                   | <u>696</u>     |
| 31 March 2012         | <u>337</u>                  | <u>350</u>                                   | <u>687</u>     |

**Tangible fixed assets – Company – Other Fixed Assets**

|                       | Office<br>Property<br>£'000 | Fixtures, Fittings<br>and Equipment<br>£'000 | Total<br>£'000 |
|-----------------------|-----------------------------|--|----------------|
| <b>Cost</b>           |                             |  |                |
| As at 1 April 2012    | 390                         | 2,868  | 3,258          |
| Additions             | 4                           | 224  | 228            |
| Transfers             | 140                         | -  | 140            |
| Disposals             | -                           | (499)  | (499)          |
| As at 31 March 2013   | <u>534</u>                  | <u>2,593</u>                                 | <u>3,127</u>   |
| <b>Depreciation</b>   |                             |  |                |
| As at 1 April 2012    | 53                          | 2,516  | 2,569          |
| Charge for year       | 1                           | 273  | 274            |
| Transfers             | 7                           | -  | 7              |
| Disposals             | -                           | (495)  | (495)          |
| As at 31 March 2013   | <u>61</u>                   | <u>2,294</u>                                 | <u>2,355</u>   |
| <b>Grants</b>         |                             |  |                |
| As at 1 April 2012    | -                           | 11   | 11             |
| Additions             | -                           | 5  | 5              |
| Transfers             | 67                          | -  | 67             |
| As at 31 March 2013   | <u>67</u>                   | <u>16</u>                                    | <u>83</u>      |
| <b>Net book value</b> |                             |  |                |
| 31 March 2013         | <u>406</u>                  | <u>283</u>                                   | <u>689</u>     |
| 31 March 2012         | <u>337</u>                  | <u>341</u>                                   | <u>678</u>     |

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



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**7. Investments**

|                                    | <b>Group</b> |             | <b>Company</b> |             |
|------------------------------------|--------------|-------------|----------------|-------------|
|                                    | <b>2013</b>  | <b>2012</b> | <b>2013</b>    | <b>2012</b> |
|                                    | <b>£</b>     | <b>£</b>    | <b>£</b>       | <b>£</b>    |
| Investment in Subsidiary Companies | <u>-</u>     | <u>-</u>    | <u>4</u>       | <u>4</u>    |

Dumfries and Galloway Housing Partnership Ltd owns 2 ordinary shares of £1 each in Novantie Limited, representing a 100% shareholding. Novantie's principal activity is management of commercial property. At 31 March 2013, the capital and reserves of Novantie Ltd were £21k (2012: £15k), with a profit after taxation for the period of £6k (2012: £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 2013, the capital and reserves of DGHP 3 Ltd were £154k (2012: £4k), with a profit after taxation for the period of £150k (2012: £4k). DGHP 3 Ltd's principal activity is to perform design and build contracts.

|   | <b>Group</b> |              | <b>Company</b> |              |
|---|--------------|--------------|----------------|--------------|
|   | <b>2013</b>  | <b>2012</b>  | <b>2013</b>    | <b>2012</b>  |
|   | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b> |
| <b>8. Work in Progress</b>                  |              |              |                |              |
| Cost of developing shared equity properties | 3,462        | 2,667        | 3,462          | 2,667        |
| Grant received to develop properties        | (2,163)      | (1,797)      | (2,163)        | (1,797)      |
|   | <u>1,299</u> | <u>870</u>   | <u>1,299</u>   | <u>870</u>   |
| <b>9. Debtors</b>                           |              |              |                |              |
| Rent arrears                                | 982          | 1,117        | 969            | 1,100        |
| Less: bad debt provision                    | (484)        | (546)        | (484)          | (546)        |
|   | 498          | 571          | 485            | 554          |
| Prepayments and accrued income              | 283          | 271          | 283            | 271          |
| Amounts owed by group companies             | -            | -            | 357            | 118          |
| Other debtors                               | 2,787        | 3,462        | 2,764          | 3,286        |
|   | <u>3,568</u> | <u>4,304</u> | <u>3,889</u>   | <u>4,229</u> |

Included in Other Debtors are amounts totalling £23k which are receivable after more than 12 months.

Included in amounts owed by group companies is an amount of £48k which is receivable after more than 12 months.

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|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2013<br>£'000  | 2012<br>£'000  | 2013<br>£'000  | 2012<br>£'000  |
| <b>10 Creditors – Amounts falling due within one year</b> |                |                |                |                |
| Trade creditors   | 3,814          | 3,880          | 3,814          | 3,777          |
| Other tax and social security                             | 178            | 213            | 178            | 213            |
| Accruals and deferred income                              | 1,883          | 2,189          | 1,883          | 2,189          |
| Rent in advance   | 411            | 445            | 408            | 438            |
| Amounts owed to Group companies                           | -              | -              | 2,202          | -              |
| Corporation tax creditor                                  | 45             | 2              |                |                |
| Other creditors   | 3,392          | 1,643          | 1,495          | 1,600          |
|   | <u>9,723</u>   | <u>8,372</u>   | <u>9,980</u>   | <u>8,217</u>   |
| <b>11 Creditors – Amounts falling due after one year</b>  |                |                |                |                |
| <b>Loans</b>  | <u>142,902</u> | <u>162,902</u> | <u>142,902</u> | <u>162,902</u> |

Dexia Credit Local London Branch holds a standard security and floating charge over approximately 9,000 of the company's properties. Interest is payable at rates of 1.45% to 5.46%. (2012 1.71% to 5.39%). The loan is repayable in instalments due as follows:

|                       | £'000          | £'000          |
|-----------------------|----------------|----------------|
| Within 2 - 5 years    | -              | 4,771          |
| In five years or more | <u>101,300</u> | <u>121,300</u> |

The Housing Finance Corporation plc holds a standard security over 1,165 of the company's properties. The loan of £41,602k is repayable in full in October 2043 and interest is fixed at 4.948%.

**12. Employees**

|                         | Group         |               |
|-------------------------|---------------|---------------|
|                         | 2013<br>£'000 | 2012<br>£'000 |
| Staff costs during year |               |               |
| Wages and salaries      | 5,709         | 5,651         |
| Social security costs   | 577           | 588           |
| Other pension costs     | 867           | 917           |
|                         | <u>7,153</u>  | <u>7,156</u>  |

Included in the pension costs total is an adjustment of £21,000 (2012- £107,000) arising from the implementation of FRS17 in the financial statements.

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

|                                     | <b>No</b> | <b>No</b> |
|-------------------------------------|-----------|-----------|
| Administration and Leasing services | 208       | 201       |

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 (2012: £60,000 per year). All the Directors emoluments were paid through the parent company.

|  | <b>£'000</b> | <b>£'000</b> |
|--|--------------|--------------|
| Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind) | 440          | 441          |
| 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:-

|                    | <b>No</b> | <b>No</b> |
|--------------------|-----------|-----------|
| £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 £23k, (2012 £24k).

|   | <b>2013</b>  | <b>2012</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Total Board Members' expenses reimbursed insofar as not chargeable to UK Income Tax | 14           | 15           |

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**13. Auditors' Remuneration**

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2013<br>£'000 | 2012<br>£'000 | 2013<br>£'000 | 2012<br>£'000 |
| The remuneration of the external auditors (including expenses and VAT) for the year | 33            | 30            | 25            | 23            |
| Remuneration to related entities of BT UK Audit LLP                                 | 6             | 6             | 5             | 5             |
|   | <u>39</u>     | <u>36</u>     | <u>30</u>     | <u>28</u>     |

**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**

|                                  | Group          |                | Company        |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2013<br>£'000  | 2012<br>£'000  | 2013<br>£'000  | 2012<br>£'000  |
| At 1 April 2012                  | <u>(2,367)</u> | <u>(841)</u>   | <u>(2,386)</u> | <u>(851)</u>   |
| Accumulated deficit for the year | (1,551)        | (335)          | (1,715)        | (344)          |
| Actuarial (loss) recognised      | <u>(672)</u>   | <u>(1,191)</u> | <u>(672)</u>   | <u>(1,191)</u> |
| At 31 March 2013                 | <u>(4,590)</u> | <u>(2,367)</u> | <u>(4,773)</u> | <u>(2,386)</u> |

**16. Big Lottery**

During the year, the company received £173,111 (2012 – £90,135) from the Big Lottery Fund in respect of the company's Supported Housing Pathway to Independence project. This is the second year of a five year commitment by the Big Lottery Fund to part fund this project to a total of £941,842.

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**17a. Group Cash Flow Statement**

|  | <b>2013</b>      | <b>2012</b>      |
|--|------------------|------------------|
|  | <b>£'000</b>     | <b>£'000</b>     |
| <b>Reconciliation of operating surplus to net cash outflow from operating activities</b> |                  |                  |
| Operating surplus  | 5,939            | 6,000            |
| Depreciation charges   | 5,980            | 5,349            |
| Pension income   | -                | (107)            |
| (Increase)/decrease in work in progress  | (311)            | 33               |
| Decrease/(increase) in debtors   | 732              | (1,738)          |
| Increase in creditors  | 1,284            | 320              |
|  | <u>13,624</u>    | <u>9,857</u>     |
| <b>Reconciliation of net cash flow to movement in net debt</b>                           |                  |                  |
| (Decrease)/increase in cash for the year   | (28,856)         | 41,008           |
| Movement in bank overdraft   | -                | -                |
|  | <u>(28,856)</u>  | <u>41,008</u>    |
| Loans received   | -                | (54,852)         |
| Loan repayments  | 20,000           | -                |
|  | <u>20,000</u>    | <u>-</u>         |
| Change in net debt   | (8,856)          | (13,844)         |
| Net debt as at 1 April 2012  | <u>(121,293)</u> | <u>(107,449)</u> |
| Net debt as at 31 March 2013   | <u>(130,149)</u> | <u>(121,293)</u> |

**Analysis of Changes in net debt**

|                          | <b>As at 31<br/>March<br/>2012</b> | <b>Cash<br/>Flow</b> | <b>Other<br/>Changes</b> | <b>As at 31<br/>March 2013</b> |
|--------------------------|------------------------------------|----------------------|--------------------------|--------------------------------|
|                          | <b>£'000</b>                       | <b>£'000</b>         | <b>£'000</b>             | <b>£'000</b>                   |
| Cash at bank and in hand | 41,609                             | (28,856)             | -                        | 12,753                         |
| Overdraft                | -                                  | -                    | -                        | -                              |
| Debt due within one year | -                                  | -                    | -                        | -                              |
| Debt due after one year  | (162,902)                          | 20,000               | -                        | (142,902)                      |
|                          | <u>(121,293)</u>                   | <u>(8,856)</u>       | <u>-</u>                 | <u>(130,149)</u>               |

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
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**17b. Company Cash Flow Statement**

|  | <b>2013</b>      | <b>2012</b>      |
|--|------------------|------------------|
|  | <b>£'000</b>     | <b>£'000</b>     |
| <b>Reconciliation of operating surplus to net cash outflow from operating activities</b> |                  |                  |
| Operating surplus  | 5,731            | 5,988            |
| Depreciation charges   | 5,976            | 5,346            |
| Pension (income)   | -                | (107)            |
| (Increase)/decrease in work in progress  | (310)            | 33               |
| Decrease/(increase) in debtors   | 340              | (1,646)          |
| Increase in creditors  | 1,772            | 175              |
|  | <u>13,509</u>    | <u>9,789</u>     |
| <b>Reconciliation of net cash flow to movement in net debt</b>                           |                  |                  |
| (Decrease)/increase in cash for the year   | (28,978)         | 40,985           |
| Movement in bank overdraft   | -                | -                |
|  | <u>(28,978)</u>  | <u>40,985</u>    |
| Loans received   | -                | (54,852)         |
| Loan repayments  | 20,000           | -                |
|  | <u>20,000</u>    | <u>-</u>         |
| Change in net debt   | (8,978)          | (13,867)         |
| Net debt as at 1 April 2012  | <u>(121,340)</u> | <u>(107,473)</u> |
| Net debt as at 31 March 2013   | <u>(130,318)</u> | <u>(121,340)</u> |

**Analysis of Changes in net debt**

|                          | <b>As at 31<br/>March<br/>2012</b> | <b>Cash<br/>Flow</b> | <b>Other<br/>Changes</b> | <b>As at 31<br/>March 2013</b> |
|--------------------------|------------------------------------|----------------------|--------------------------|--------------------------------|
|                          | <b>£'000</b>                       | <b>£'000</b>         | <b>£'000</b>             | <b>£'000</b>                   |
| Cash at bank and in hand | 41,562                             | (28,978)             | -                        | 12,584                         |
| Overdraft                | -                                  | -                    | -                        | -                              |
| Debt due within one year | -                                  | -                    | -                        | -                              |
| Debt due after one year  | (162,902)                          | 20,000               | -                        | (142,902)                      |
|                          | <u>(121,340)</u>                   | <u>(8,978)</u>       | <u>-</u>                 | <u>(130,318)</u>               |

**DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES**  
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**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 the employer, of 10% of salary and by employees. Contributions charged to the Income and Expenditure account represent the contributions payable by the Company in the year.

At 31 March 2013, £32k was due to be paid over to the defined contribution pension scheme (2012: £25k).

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:

|                                     | <b>2013</b>    | <b>2012</b>    |
|-------------------------------------|----------------|----------------|
|                                     | <b>£'000</b>   | <b>£'000</b>   |
| Present value of funded obligations | 10,220         | 8,104          |
| Fair value of plan assets           | 8,146          | 6,711          |
| (Deficit)                           | (2,074)        | (1,393)        |
| Related deferred tax asset          | -              | -              |
| <b>Net (Liability)</b>              | <b>(2,074)</b> | <b>(1,393)</b> |

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

| Actuarial assumptions  | 2013  | 2012  |
|--|---|---|
| Rate of increase in salaries                                     | 5.1%  | 4.8%  |
| Rate of limited price indexation increases in pension in payment | 2.8%  | 2.5%  |
| Discount rate  | 4.5%  | 4.8%  |
| Expected long rate return on scheme assets                       | 5.0%  | 5.3%  |
| Inflation assumption   | 1%  | 1%  |
| 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:

|                                    | 2013   | 2012  |
|------------------------------------|--------|-------|
|                                    | £,000  | £'000 |
| Opening defined benefit obligation | 8,104  | 7,023 |
| Current Service cost               | 589    | 532   |
| Past Service Cost                  | -      | -     |
| Member Contributions               | 181    | 188   |
| Interest cost                      | 402    | 402   |
| Actuarial (gains) / losses         | 1,185  | 108   |
| Benefits paid                      | (241)  | (149) |
| Closing defined benefit obligation | 10,220 | 8,104 |



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

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

|                           | <b>20123</b> | <b>2012</b>  |
|---------------------------|--------------|--------------|
|                           | <b>£'000</b> | <b>£'000</b> |
| Opening plan assets       | 6,711        | 6,655        |
| Expected return           | 372          | 461          |
| Actuarial gains/(losses)  | 513          | (1,083)      |
| Contributions by employer | 610          | 639          |
| Contributions by members  | 181          | 188          |
| Benefits paid             | (241)        | (149)        |
| Closing plan assets       | 8,146        | 6,711        |

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

|                                | <b>2013</b>  | <b>2012</b>  |
|--------------------------------|--------------|--------------|
|                                | <b>£'000</b> | <b>£'000</b> |
| Current service cost           | 589          | 532          |
| Interest on obligation         | 402          | 402          |
| Expected return on plan assets | (372)        | (461)        |
| Past service cost              | -            | -            |
| Total                          | 619          | 473          |

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

|                          | <b>2013</b>  | <b>2012</b>  |
|--------------------------|--------------|--------------|
|                          | <b>£'000</b> | <b>£'000</b> |
| Opening cumulative STRDS | (2,625)      | (1,434)      |
| Actuarial (losses)/gains | (672)        | (1,191)      |
|                          | (3,297)      | (2,625)      |

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

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

|          | 2013 |
|----------|------|
| Equities | 66%  |
| Bonds    | 24%  |
| Property | 8%   |
| Other    | 2%   |
|          | 100% |

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

|  | 2013<br>£'000 | 2012<br>£'000 | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|--|---------------|---------------|---------------|---------------|---------------|
| Present Value of Scheme liabilities  | 10,220        | 8,104         | 7,023         | 7,309         | 3,692         |
| Fair Value of Scheme assets  | 8,146         | 6,711         | 6,655         | 5,446         | 3,469         |
| (Deficit)/Surplus of the Scheme  | (2,074)       | (1,393)       | (368)         | (1,863)       | (223)         |
| <b>Difference between actual and expected<br/>return on scheme assets:</b> |               |               |               |               |               |
| Amount (£'000)   | 513           | (1,083)       | (19)          | 956           | (1,744)       |
| Percentage of scheme assets  | 6.3%          | (16.1%)       | (0.3%)        | 17.55%        | (50.3%)       |
| <b>Experience gains and (losses) on scheme</b>                             |               |               |               |               |               |
| Amount (£'000)   | 31            | 104           | 22            | (1)           | 376           |
| Percentage of scheme liabilities   | 0%            | 1.28%         | 0.3%          | 0%            | 10.2%         |

The company expects to contribute £351k to its defined contribution scheme in the year to March 2014.

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**19. Commitments – Group and Company**

|   | <b>2013</b>  | <b>2012</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Expenditure authorised by the Board contracted less certified | 20,966       | 18,890       |

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 will be financed by a combination of Housing Association Grants and Other Grants of £18m with the balance to be funded by private finance arranged by DGHP and secured on specific properties, which is already in place.

**20. Housing Stock**

The number of units in management at 31 March 2013 was as follows:-

|                   | <b>2013</b> | <b>2012</b> |
|-------------------|-------------|-------------|
| General Needs     | 9,968       | 10,002      |
| Supported Housing | 275         | 275         |
|                   | 10,243      | 10,277      |

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.

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Housing Association Grant allocated to components (as detailed in Note 6) that have subsequently been replaced by the Company 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: £nil).

**23. Leasing Commitments**

At 31 March 2013 the Group and Company had annual commitments under non-cancellable operating leases as set out below.

**Land and buildings**

|                                | <b>2013</b>  | <b>2012</b>  |
|--------------------------------|--------------|--------------|
|                                | <b>£'000</b> | <b>£'000</b> |
| Operating leases which expire: |              |              |
| Within 1 year                  | 26           | 25           |
| Within 2 to 5 years            | 285          | 314          |
| After more than 5 years        | -            | 6            |
|                                | 311          | 345          |

**24. Reconciliation of Funds**

|                     | <b>Group</b> |             | <b>Company</b> |             |
|---------------------|--------------|-------------|----------------|-------------|
|                     | <b>2013</b>  | <b>2012</b> | <b>2013</b>    | <b>2012</b> |
|                     | <b>£</b>     | <b>£</b>    | <b>£</b>       | <b>£</b>    |
| At 1 April 2012     | (2,367)      | (841)       | (2,386)        | (851)       |
| Deficit for year    | (2,223)      | (1,526)     | (2,387)        | (1,535)     |
| Net Change in Funds | (2,223)      | (1,526)     | (2,387)        | (1,535)     |
| At 31 March 2013    | (4,590)      | (2,367)     | (4,775)        | (2,386)     |