



PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

Registered Housing Association No. HCB166

Financial Services Authority No. 2171R(S)

Scottish Charity No SC 035589

BAKER TILLY UK AUDIT LLP
Chartered Accountants

Glasgow

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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Registration Particulars:

Financial Services Authority

Industrial and Provident Societies Act 1965
Registered Number 2171R(S)

Scottish Housing Regulator

Housing (Scotland) Act 2001
Registered Number HCB166

Scottish Charities

Charity and Trustee Investment (Scotland) Act 2005
Scottish Charity Number SC 035589

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

The Committee of Management present their report and audited financial statements for the year ended 31 March 2010.

Principal activity

The principal activity of the Association is the provision of housing for let at rents affordable to the client groups for whom it intends to provide.

Business review

Paisley South made a surplus of £233,581 during the year (2009 deficit £77,721). The surplus was made by Paisley South after investment in major repairs in the year amounting to £1,097,512. This compares with £1,516,195 for similar expenditure in the previous year. £102,374 of this expenditure incurred during the year was grant funded. Major repairs expenditure is written off in the year it is incurred and not capitalised.

Despite this expenditure the Association is in a satisfactory financial position with £895,115 deposited as cash funds, and has converted its development overdraft for its Beauly/Esk Drive development into a 30 year loan in May 2009. We have provided substantial funds over the next five years to meet our commitments under the Scottish Housing Quality Standards. Cash surpluses will continue to be made, but will be required to meet our planned major repair programme over the next few years.

The Association hopes to achieve ongoing efficiencies through joint EU Procurement with FLAIR of maintenance related contracts and through the tendering in March 2010 of Insurance Services.

The Association considers the announcement from Scottish Government in October 2009 of the withdrawal after tenant consultation of the Scottish Homes Contracts welcome news. This will allow the Association to place those properties on the same footing as all other properties owned by the Association.

Finally the Association completed a major review of the delegated authorities in June 2009 to ensure the Management Committee has clarity in its decision making and after a recruitment exercise now has 13 members with a range of skills on the Committee at March 2010. All of this ensures a sound Governance Structure protecting the assets of the Association for the future.

Surplus for the year and transfers

The results for the year are shown in the Income and Expenditure Account on page 12.

Transfers to designated reserves:

	£
Major repairs reserve	256,243
Westerfield House repairs reserve	4,002
31 Argyle Street repairs reserve	267
Transfer to revenue reserve	(26,931)
	<u>233,581</u>

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

(Continued)

Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2010 were as follows:

James Weir (Chairperson)	Janette Davies (Vice Chairperson)
Eileen Graham (Secretary)	Hendricus Van Der Aar
Sandra Loney	Annie Patrick
John Sweeney	Councillor Eddie Devine
Moira Lawrence	Councillor Mairi McGurk
Mairi MacLean (resigned June 09)	Allan McCulloch (appointed Sept 09)
Karen McMillan (appointed Sept 09)	Fred Dapaah (appointed Sept 09)
Suzanne dock (appointed September 09)	Moira Van Der Aar (appointed October 09)
Fiona Thwaites (resigned July 2010)	

Each member of the Committee of Management holds one fully paid share of £1 in Paisley South. The Executive Officers of Paisley South hold no interest in Paisley South's share capital and although not having the legal status of "director" they act as Executives within the authority delegated by the Committee.

Executive Officers

The Executive Officers of Paisley South during the year to 31 March 2010 were as follows:

Kathleen McCutcheon	Director
Elaine Thomson	Depute Director/Technical Manager
Lorna Colville	Finance Manager
Lorna Gilroy	Housing Services Manager
Alex Grassie	Development Manager

Operational Review

1 Corporate Governance

Paisley South has a Committee of Management who are elected by the members of the Association. (See below for details). It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Committee of Management are unpaid.

The Executive Team of Paisley South (as listed above) are responsible for achieving the strategy set, and undertaking the operational activities in line with the policies set.

Our governing body is our Committee of Management, which is responsible to the wider membership. Committee of Management members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

This report details issues that have arisen during the year relating to the main activities undertaken by Paisley South.

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010
(Continued)

2 Corporate Issues

Tenant involvement and participation is a major part of Paisley South's Aims and Objectives, and we continue to review how Paisley South involves tenants in its activities.

Best use of resources

We have continued with a programme of major investment in our housing stock, which is by far our most costly asset. We are continually updating our stock condition information, to ensure that our long-term financial planning reflects our future investment requirements. We also look for efficiencies and economies in the way that we carry out business processes.

Services

We aim to deliver high quality services and continue to review our front line service to customers to further improve this service. In our housing stock, we moved ahead with some major repairs that had become necessary, and brought two new schemes into management.

We continued to deliver many completed adaptations to existing properties, to meet the specific needs of our tenants.

3 Development Issues

We have spent £2.38m (2009 - £4.19m) during the year just completed, of which £2.27m (2009 - £2.81m) was funded by grants.

4 Housing Issues

Paisley South has been working on ways of reducing the period of time taken to re-let or let new properties, to ensure that we maximise our effectiveness in housing people in need and reduce our costs. The rent loss due to empty properties was £23,715 (2009 - £28,779). This was mainly due to the reduction in time the technical department took to get void properties ready to let.

We have also continued to invest in additional resources to assist us to reduce the level of rent arrears through working with tenants earlier in the process to minimise the level of arrears and debts written off while assisting tenants to maintain their tenancies.

5. Other Areas

Risk Management Policy

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

The Risk Management Policy and associated documents aim to cover the following:

- consideration of the type of risks the Association faces;
- the level of risks which they regard as acceptable;
- the likelihood of the risks concerned materialising;

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

(Continued)

- the Association's ability to reduce the incidence and impact on the business of risks that do materialise; and ensuring the costs of operating particular controls are relative to the benefit obtained.
- the responsibility of management to implement the Committee's policies and to identify and evaluate risks for their consideration.
- communicating that employees have responsibility for internal control as part of their accountability for achieving objectives.
- embedding the control system in the Association's operations so that it becomes part of the culture of the Association.
- developing systems to respond quickly to evolving risks arising from factors within the Association to changes in the external environment.
- including procedures for reporting failings immediately to appropriate levels of management and the Committee together with details of corrective action being undertaken.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2010, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Maintenance policies

The Association seeks to maintain 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. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition the Association has a long-term programme of planned repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the SORP.

Internal Financial Control

The Committee of Management is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures, which the Committee of Management has established with a view to providing effective internal financial control, are outlined on pages 8 and 9.

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

(Continued)

Management Structure

The Committee of Management has overall responsibility for the Association and within the various policies and procedures certain matters are specifically reserved for decision by the Committee.

Quality and Integrity of Personnel

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

Budgetary Process

Each year the Committee of Management approves the annual budget and rolling five-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk variances. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Reserves Policy

As part of the medium term budget process the Committee members have reviewed the reserves of Paisley South. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of known future commitments. The Committee of Management are satisfied that the Association has a sufficient level of reserves to meet future commitments. During the year the Association's general reserve decreased from £668k to £641k (see note 8).

The Association has two designated funds. The purpose of these funds is detailed in note 1(i) to the financial statements.

Sales of housing properties

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

We sold one property under right to buy thereby allowing a tenant to achieve their aspiration of becoming a homeowner.

Investment Appraisal

Capital expenditure is regulated by budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Committee. Reviews are carried out during the development period, to monitor expenditure and performance.

Rental income

The Association's Rent Policy was reviewed in March 2010. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. Rents are

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

(Continued)

reviewed annually to ensure that the rental income covers the required costs. This policy follows the generally accepted practice/principles of the Housing Movement.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue.

Future Developments

Subject to availability of funding the Association is committed to an ongoing programme of new developments in particular tenemental rehabilitation.

Information for auditors

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee 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.

Auditors

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

On behalf of the Committee of Management


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Secretary

Address: - 64 Espedair Street
Paisley
PA2 6RW

Date: 10/9/2010.....

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

STATEMENT OF COMMITTEE RESPONSIBILITIES

YEAR ENDED 31 MARCH 2010

Under the legislation relating to Industrial and Provident Societies we are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the profit or loss of the Association of that period. In preparing those financial statements we 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 Association will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the Association's assets;
- taking reasonable steps for the prevention and detection of fraud.

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2010

The Committee of Management acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association or for publication
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that;

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions; annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Committee of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- the Committee of Management review reports from the director, staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2010
(Continued)

The Committee of Management have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2010 and until the below date. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Committee of Management

E. Graham.....

Date: *10/9/2010*.....

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance


In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 8 and 9 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the statement on internal financial control on pages 8 and 9 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.


Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date: ...20.5.10.....

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

We have audited the financial statements on pages 12 to 32, which have been prepared under the accounting policies set out on pages 15 to 18.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report or for the opinion we have formed.

Respective responsibilities of Committee of Management and auditors

The Management Committee's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Management Committee's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions with the Association is not disclosed.

We read the Management Committee's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

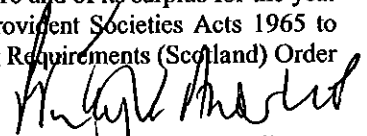
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary, in the group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2009, because the business of the Association and that of the subsidiary are so different they cannot be treated as a single undertaking.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.



Baker-Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date: 20.9.10.....

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
Turnover	2	3,867,768	3,954,547
Less: Operating costs	2	<u>(3,267,158)</u>	<u>(3,617,799)</u>
Operating surplus	2	600,610	336,748
Profit on disposal of fixed assets	4	20,026	8,020
Interest receivable		875	71,602
Interest payable and other charges	5	(395,361)	(500,049)
Other Income	6	<u>7,431</u>	<u>5,958</u>
Surplus/(Deficit) on ordinary activities before tax		233,581	(77,721)
Taxation on surplus on ordinary activities	7	<u>-</u>	<u>-</u>
Surplus/(Deficit) for year		<u>233,581</u>	<u>(77,721)</u>

The results for the year relate wholly to continuing activities.

There are no other gains or losses in 2009 or 2010 other than the surplus/(deficit) above.

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 MARCH 2010

	Notes	2010	2009
		£	£
Tangible Fixed Assets			
Housing properties			
-gross cost less depreciation	9	58,999,235	56,893,083
Less: HAG	9	<u>(47,343,662)</u>	<u>(45,127,328)</u>
		11,655,573	11,765,755
Other Assets	9	184,900	203,433
		<u>11,840,473</u>	<u>11,969,188</u>
Investments	20	2	2
		<u>11,840,475</u>	<u>11,969,190</u>
Current Assets			
Debtors	10	1,490,871	827,001
Cash at hand and in bank		<u>895,115</u>	<u>1,514,641</u>
		2,385,986	2,341,642
Current Liabilities			
Creditors due within one year	11	<u>(1,875,112)</u>	<u>(2,786,573)</u>
Net current assets/(liabilities)		<u>510,874</u>	<u>(444,931)</u>
		12,351,349	11,524,259
Creditors due after more than one year	12	<u>(8,308,924)</u>	<u>(7,715,404)</u>
		<u>4,042,425</u>	<u>3,808,855</u>
Capital and Reserves			
Share capital	16	174	185
Designated reserves	8	3,400,917	3,140,405
Revenue reserves	8	<u>641,334</u>	<u>668,265</u>
		<u>4,042,425</u>	<u>3,808,855</u>

These financial statements were approved by the Committee of Management and authorised for issue on 10/9/2010 and signed on their behalf by:

Secretary E. Graham

Member [Signature]

Member [Signature]

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR TO 31 MARCH 2010

	2010		2009
	£	£	£
Net cash inflow from operating activities		566,948	<u>1,155,651</u>
Returns on investments and servicing of finance			
Interest received	875		71,602
Interest paid	<u>(395,361)</u>		<u>(500,049)</u>
		<u>(394,486)</u>	<u>(428,447)</u>
Taxation			
Corporation tax paid	-		-
Net cash (outflow)/inflow on taxation		-	-
Investing activities			
Cash paid for construction and purchases	(2,331,995)		(4,190,158)
Housing association grant received	1,757,492		2,348,732
Sales of housing properties	24,537		12,531
Grants repaid	-		-
Purchase of other fixed assets	<u>(7,087)</u>		<u>(8,077)</u>
Net cash (outflow) from investing activities		<u>(557,053)</u>	<u>(1,836,972)</u>
Net cash outflow before financing		(384,591)	(1,109,768)
Financing			
Decrease in overdrafts	(861,136)		1,115,293
Loan received	1,234,902		802,580
Loan principal repayments	(608,710)		(589,340)
Increase in share capital	<u>9</u>		<u>34</u>
Net cash (outflow)/inflow from financing		<u>(234,935)</u>	<u>1,328,567</u>
(Decrease)/Increase in cash and cash equivalents		<u>(619,526)</u>	<u>218,799</u>

Further details are given in note 15

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

1. Accounting Policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs below. The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with The Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords" and applicable Accounting Standards.

(b) Changes to Accounting Policy

Where a new policy is thought to be more appropriate this amendment will be made and noted below with any prior year adjustment also being made, where it has a material impact.

During 2008/09, following the introduction of the SORP the Association amended its policy on capitalised development costs, as noted in Note 1(g), and shared ownership first tranche sales and noted in note (n) and in note (o).

(c) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 9 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

(d) Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments, which have been given approval for Housing Association Grant.

(e) Housing Association Grants

Housing Association Grants (HAG) are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount, which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost (note 1(f)) of the scheme in accordance with instructions issued from time to time. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

(f) Housing Association Grant - Acquisition and Development Allowances receivable

Acquisition and Development Allowances are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development allowances become available in instalments according to the progress of work on the scheme. These allowances are credited to development costs when they are receivable.

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

allowances are credited to development costs when they are receivable.

(g) Fixed assets - Housing land and buildings (note 9)

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

These costs are termed "qualifying costs" for approved HAG schemes or are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

Per SORP 2008 and following the employment of development staff during 2008/2009 development staff costs are now capitalised to the extent that they are directly attributable to specific schemes, where such costs are not felt to be excessive. This includes only actual development staff costs and not any reappropriation of other staff costs or any general overheads, which are written off through the income and expenditure account.

If expenditure does not qualify for HAG, it is nevertheless capitalised.

Expenditure on schemes, which are subsequently aborted, is written off in the year in which it is recognised that the scheme will not be developed to completion.

Interest on the loan financing the development is capitalised up to the relevant date of scheme completion.

(h) Depreciation

(i) Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties at annual rates of 2%. No depreciation is charged on the cost of land.

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

(ii) Other fixed assets

The Association's assets are written off evenly over their expected useful lives as follows:

Office premises	-	4% straight line
Furniture & equipment	-	20% reducing balance

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(i) Designated reserves - reserves for planned maintenance (note 8)

Accrued planned maintenance expenditure, being the Association's commitment to undertake planned repairs to its properties, is set-aside in a designated reserve to the extent that it is not met from HAG. This includes a provision for Westerfield House for the replacement of additional items charged as a service charge over and above normal planned repairs. This year a provision for the return of an office, to flat at 31 Argyle Street after lease ends is included.

(j) Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

(k) Lease obligations

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

(l) Pension Fund

The Association participates in the centralised SFHA Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The expected cost to the Association of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees.

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

(m) 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, including first tranche sales as per SOPR 2008. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements. This change in accounting policy has not led to any material change that requires any current year or prior year adjustment.

(n) Turnover

Turnover represents rental income receivable from tenants, development administration and other income. It also includes sales of any first tranche shared ownership and the sale of shared equity properties if applicable. Paisley South Housing Association has had no sales during this financial year.

(o) Consolidation

The Association and its subsidiary undertaking comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts represent the results of the Association and not of the group.

(p) Improvements

Improvements are capitalised where these 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 to the life of the property.

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

(q) Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

2. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities

	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £	2009 Total £
Income and expenditure from letting – note 3a	3,752,094	(3,120,417)	631,677	392,011
Other income and expenditure – note 3b	115,674	(146,741)	(31,067)	(55,263)
	<u>3,867,768</u>	<u>3,267,158</u>	<u>600,610</u>	<u>336,748</u>
2009	<u>3,954,547</u>	<u>3,617,799</u>		

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

3a. Particulars of Income and Expenditure from Lettings

	General Needs Housing £	Shared Ownership £	2010 Total £	2009 Total £
Income from lettings				
Rent receivable net of Identifiable Service Charges	3,594,525	4,303	3,598,828	3,411,630
Service charges receivable	74,607	-	74,607	59,350
Gross Rents Receivable	3,669,132	4,303	3,673,435	3,470,980
Less: Rent Losses from Voids	(23,715)		(23,715)	(28,779)
Net Rents Receivable	3,645,417	4,303	3,649,720	3,442,201
Revenue Grants from Scottish Ministers	102,374		102,374	431,897
Total Income from Lettings	3,747,791	4,303	3,752,094	3,874,098
Expenditure on Letting Activities				
Services	69,779		69,779	80,924
Management and maintenance administration costs	1,056,385	3,291	1,059,676	1,047,549
Reactive Maintenance Costs	511,186		511,186	451,229
Planned and Cyclical Maintenance	1,194,620		1,194,620	1,627,153
Rent losses from bad debts	54,635		54,635	45,327
Depreciation	230,169	352	230,521	229,905
Total Expenditure on Lettings	3,116,774	3,643	3,120,417	3,482,087
Operating Surplus on Letting Activities	631,017	660	631,677	392,011
2009	391,528	483	392,011	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £39,854 (2009 - £28,262). A separate charge is made for service charges.

The total amount of major repairs expenditure incurred in the year was £1,097,512 (2009 - £1,516,195). No major repairs were capitalised (2009 - £nil).

There is no other accommodation except for General Needs and Shared Ownership.

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010
(Continued)

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or deficit)	2009
	£	£	£	£	£	£	£	£	£
Wider action/wider role	75,994	-	-	-	75,994	-	121,184	(45,190)	(35,308)
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development activities	-	39,680	-	-	39,680	-	25,557	14,123	(19,955)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	-	-	-	-	-	-
Total from other activities	75,994	39,680	-	-	115,674	-	146,741	(31,067)	(55,263)
2009	80,449	-	-	-	80,449	-	135,712	(55,263)	

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

	2010	2009
	£	£
4. Sales of Housing Properties		
Sale proceeds	65,378	12,900
Cost of sales	<u>(45,352)</u>	<u>(4,880)</u>
Gain on disposal	<u>20,026</u>	<u>8,020</u>

The sales of housing properties have occurred under the right to buy legislation, shared ownership sales and sale of decant properties.

	2010	2009
	£	£
5. Interest Payable and Other Charges		
Total interest payable	396,745	502,347
Less: Interest capitalized	<u>1,384</u>	<u>2,298</u>
Interest payable	<u>395,361</u>	<u>500,049</u>

6. Other Income

Other income of £7,431 is the gifting of 2008/09 profit of subsidiary, Paisley South Property Services, to Paisley South Housing Association.

7. Taxation

The Association was formally recognised as a recognised Scottish charity on 6th May 2004, and as such is exempt from tax on its charitable activities.

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

8. Reserves
a) Designated Reserve

	At 31 March 2009	Transfer From/(to) Revenue Reserve	Transfer Between Reserves	At 31 March 2010
	£	£	£	£
Major repairs reserve	3,138,136	256,243		3,394,379
Westerfield repairs reserve	2,269	4,002		6,271
31 Argyle Street Reserve	-	267		267
	<u>3,140,405</u>	<u>260,512</u>	<u> </u>	<u>3,400,917</u>

No restrictions are placed upon these reserves, but the Committee has designated their use for specific purposes.

b) Revenue Reserves

	2010 £	2009 £
Opening balance at 1 April 2009	668,265	978,841
(Deficit)/Surplus for year	233,581	(77,721)
Transfer to designated reserves	(260,512)	(232,855)
	<u>641,334</u>	<u>668,265</u>

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)**

9. Tangible Fixed Assets

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total Housing Properties £	Office Premises £	Furniture Fittings & Equipment £	Total £
At 1 April 2009	56,985,389	1,414,811	78,140	58,478,340	284,823	284,550	59,047,713
Additions during year	181,661	2,196,284	-	2,377,945	634	6,453	2,385,032
Transfers							
Disposals in year	(51,590)	-	-	(51,590)			(51,590)
At 31 March 2010	57,115,460	3,611,095	78,140	60,804,695	285,457	291,003	61,381,155
Housing Association Grant							
At 1 April 2009	43,688,553	1,379,578	59,197	45,127,328	29,314	-	45,156,642
Additions during year	113,467	2,154,457		2,267,924			2,267,924
Repaid and abated during year	(51,590)			(51,590)			(51,590)
Transfers							
At 31 March 2010	43,750,430	3,534,035	59,197	47,343,662	29,314	-	47,372,976
Depreciation							
At 1 April 2009	1,581,913	-	3,344	1,585,257	122,495	214,131	1,921,883
Provided during year	230,169		352	230,521	10,246	15,374	256,141
Disposals	(10,318)			(10,318)			(10,318)
At 31 March 2010	1,801,764		3,696	1,805,460	132,741	229,505	2,167,706
Net book value							
As at 31 March 2010	11,563,266	77,060	15,247	11,655,573	123,402	61,498	11,840,473
As at 31 March 2009	11,714,923	35,233	15,599	11,765,755	133,014	70,419	11,969,188

None of the Association's land or properties was held under a lease. Development administration costs capitalised amount to £58,259 (2009 - £52,362) for which £16,431 Housing Association Grant was received (2009 - £17,128).

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

	2010 £	2009 £
10. Debtors		
Amounts falling due within one year:		
Gross rent in arrears	266,255	334,533
Less bad debt provision	<u>(146,566)</u>	<u>(196,374)</u>
	119,689	138,159
Prepayments and accrued income	20,641	18,877
Balance due from group company	85,455	104,999
Other debtors	<u>1,265,086</u>	<u>564,966</u>
	<u>1,490,871</u>	<u>827,001</u>
	2010 £	2009 £
11. Creditors due within one year		
Loans	417,331	384,659
Bank Overdraft	254,157	1,115,293
Trade creditors	478,870	342,897
Rent prepaid	193,143	175,448
Other creditors	338,593	359,362
Accruals and deferred income	<u>193,018</u>	<u>408,914</u>
	<u>1,875,112</u>	<u>2,786,573</u>
	2010 £	2009 £
12. Creditors due after more than one year		
Loans	<u>8,308,924</u>	<u>7,715,404</u>
<p>Loans are secured by specific charges on the Association's properties and loans are repayable at current rates of interest ranging from 0.75% to 13% (2009 – 0.75% to 13 %), due as follows:</p>		
In one year or less	417,331	384,659
Between two and five years	957,706	915,809
In five years or more	<u>7,351,218</u>	<u>6,799,595</u>
	<u>8,726,255</u>	<u>8,100,063</u>

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2010
(Continued)**

	2010	2009
	£	£
13. Employees		
Staff costs during year		
Wages and salaries	669,160	635,403
Social security costs	52,461	51,636
Pension costs	88,249	75,573
	<u>809,870</u>	<u>762,612</u>

The number of persons employed by the Association during the year were as follows:

	Number	Number
Full time equivalent	<u>22</u>	<u>21</u>

During the current year, there were no directors' emoluments, excluding pension contributions, over £60,000.

	£	£
Total expenses reimbursed insofar as not chargeable to UK income Tax		
- Committee of Management	<u>1,159</u>	<u>890</u>

No member of the Committee of Management received any emoluments in respect of their services to the Association.

	2010	2009
	£	£
14. Auditors' Remuneration		
The remuneration of the auditors (including expenses)	7,506	6,747
Remuneration of the auditors in respect of services Other than those of auditors	-	-
	<u>7,506</u>	<u>6,747</u>

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010
(Continued)

	2010 £	2009 £		
15. Notes to the Cash Flow Statement				
(a) Reconciliation of surplus to net cash inflow from operating activities				
Surplus/(deficit) for year	233,581	(77,721)		
Net interest payable	394,486	428,447		
Gain on Disposal of Fixed Assets	(20,026)	(8,020)		
	608,041	342,706		
Operating surplus for the year excluding interest and tax payable	608,041	342,706		
Depreciation	246,951	257,730		
Cancelled shares	(20)	(262)		
Decrease/(increase) in debtors	(205,027)	617,349		
(Decrease)/increase in creditors	(82,997)	(61,872)		
	566,948	1,155,651		
(b) Reconciliation of net cash flow to movement in net debt				
Increase/(Decrease) in cash for the year	(619,526)	218,799		
Decrease in overdraft	861,136	(1,115,293)		
Loans received	(1,234,902)	(802,580)		
Loan repayments	608,710	589,340		
	(384,582)	(1,109,734)		
Change in net debt	(384,582)	(1,109,734)		
Net debt as at 1 April 2009	(7,700,715)	(6,590,981)		
Net debt as at 31 March 2010	(8,085,297)	(7,700,715)		
(c) Analysis of Changes in net debt				
	At 31 March 2009	Cash Flow	Other Changes	At 31 March 2010
	£	£	£	£
Cash at bank and in hand	1,514,641	(619,526)	-	895,115
Overdraft	(1,115,293)	861,136	-	(254,157)
Debt due within one year	(384,659)	(32,672)	-	(417,331)
Debt due after one year	(7,715,404)	(593,520)	-	(8,308,924)
	(7,700,715)	(384,582)	-	(8,085,297)

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010
(Continued)

	2010	2009
	£	£
16. Share Capital		
Shares of £1 fully paid and issued at 1 April 2009	185	413
Shares issued during year	9	34
Shares written off in year	<u>(20)</u>	<u>(262)</u>
Shares issued at 31 March 2010	<u>174</u>	<u>185</u>

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

	2010	2009
	£000's	£000's
17 Capital Commitments		
Expenditure authorised by the Committee of Management contracted less certified	<u>4,668,575</u>	<u>-</u>
To be funded as follows:		
HAG	3,045,442	-
Private Loan	<u>1,623,133</u>	<u>-</u>
	<u>4,668,575</u>	<u>-</u>

	2010	2009
	No	No
18. Housing Stock		
The number of units in Management at 31 March 2010 was as follows:		
General Need	1243	1201
Shared ownership	2	2
Supported Accommodation	-	-
	<u>1,245</u>	<u>1,203</u>

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

19. Pension Commitments

Paisley South HA participates in the SFHA Pension Scheme.

The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the state scheme.

The Scheme offers three benefit structures to employers, namely:

Final salary with a 1/60th accrual rate.

Career average revalued earnings with a 1/60th accrual rate.

Career average revalued earnings with a 1/70th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Paisley South HA has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members and new entrants.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Paisley South HA paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 19 active members of the Scheme employed by Paisley South HA. Paisley South HA continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. SFHA is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million (equivalent to a past service funding level of 83.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. Annual funding updates of the SFHA Pension Scheme are carried out using

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

	% pa
-Investment return pre-retirement	7.2
-Investment return post retirement	4.9
-Rate of salary increases	4.6
-Rate of pension increases	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005	2.25
(for leavers before 1 October 1993 pension increases are 5.0%)	
-Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	Males	Females
	Assumed life expectancy in years at age 65	Assumed life expectancy in years at age 65
Non-pensioners	21.6	24.4
Pensioners	20.7	23.6

The long-term joint contribution rates required from employers and members to meet the cost of *future* benefit accrual were assessed as:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2008 for each of the benefit structures will be:

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

Benefit structure	Joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	23.1 comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9 comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9 comprising employer contributions of 11.9% and member contributions of 6.0%

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 31 March 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in autumn 2010.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Paisley South HA has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt was £2,818,648

PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

20. Subsidiary Company

The Association has a subsidiary company Paisley South Property Services Limited. This company is intended to handle the activities that the Association cannot undertake due to the charitable status achieved.

The company is a company limited by shares with two ordinary shares of £1 issued to the Association, and is registered in Scotland. The result for the company for the year was a loss of £3,387 (2009 – profit £1,473), after the gifting of last year's profit to Paisley South Housing Association, and having capital and reserves of £11,297 (2009 - £14,682) at 31 March 2010. A balance of £85,455 (2009 - £104,999) was owed from the subsidiary to the Association at 31 March 2010.

The Financial Services Authority has granted exemption from preparing group financial statements.

21. Related parties

Various members of the Management Committee are tenants of the Association. The transactions with the Association are all done on standard terms, as applicable to all tenants and they cannot use their position to their advantage.

2 members of the Management Committee are Councillors of and representatives of Renfrewshire Council. All transactions with Renfrewshire Council are made at arm's length, on standard terms applicable to all local Housing Associations. Councillors cannot use their position to their advantage.