

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2012**

**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 2012

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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

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

# PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2012

The Committee of Management present their report and audited financial statements for the year ended 31 March 2012.

### 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 £823,061 during the year (2011 surplus restated £642,553). Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment. The 2011 comparative figures have been restated. This is further explained Note 24 to the financial statements.

Despite the continued investment in planned maintenance, the Association is in a satisfactory financial position with £1,256,944 deposited as cash funds. We have designated substantial funds over the next four 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 on-going efficiencies through joint EU Procurement with IFLAIR of maintenance related contracts.

### Surplus for the year and transfers

The results for the year are shown in the Income and Expenditure Account on page 15.

Transfers to designated reserves:

|  | £              |
|--|----------------|
| Westerfield House repairs reserve                | 4,295          |
| Westerfield House void reserve                   | 3,601          |
| 31 Argyle Street repairs reserve                 | 1,716          |
| Transfer to revenue reserve                      | 813,449        |
| <b>Results for the year ending 31 March 2012</b> | <b>823,061</b> |

# PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2012

(Continued)

### Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2012 were as follows:

|  |                                   |
|--|-----------------------------------|
| James Weir (Chairperson)               | Janette Davies (Vice Chairperson) |
| Eileen Graham (Secretary)              | Hendricus Van Der Aar             |
| Sandra Loney                           | Annie Patrick (Resigned Dec 2011) |
| John Sweeney                           | Councillor Eddie Devine           |
| Allan McCulloch                        | Councillor Mairi McGurk           |
| Karen McMillan                         | Catherine Smith                   |
| Moira Van Der Aar (Resigned Sept 2011) | Jim Grant                         |
| David Patterson (Resigned July 2011)   |                                   |

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 2012 were as follows:

|                     |                                   |
|---------------------|-----------------------------------|
| Kathleen McCutcheon | Director                          |
| Elaine Thomson      | Depute Director/Technical Manager |
| Lorna Colville      | Finance Manager                   |
| Lorna Gilroy        | Housing 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 2012

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

### 3 Development Issues

We have spent £0.86m (2011 - £2.86m) during the year just completed, of which £Nil (2011 - £1.84m) was funded by grants. This was mainly spent to complete our 47 rented unit development at Gordon St which was completed during 2011/12.

### 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 £34,124 (2011 - £28,630). This was mainly due to the works required to make the void properties ready to let and tenant transfers within our stock, in particular to our new development Gordon St.

We have also continued to invest in resources efficiently 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.

We spent a significant sum (£1.13m) during 2011/12 on our Mannering Rd properties. This consisted of new insulated render, windows, external doors and roof works etc. £1.058m of this spend has been capitalised on the balance sheet as an asset, as per our component accounting policy. The balance has been recognised in the Income and Expenditure Account.

### 5 Component Accounting

Paisley South has adopted Component Accounting into its financial statements this year in compliance with the SORP 2010. Major Components (Note 1(h)(i)) of our buildings are identified and depreciated over specific economic life spans. Their replacement is then capitalised in the accounts as they occur. There are resulting prior period adjustments shown to the relevant notes to the accounts and detailed in Note 24.

# PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2012

(Continued)

### 6 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 involves 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.
- 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

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 2012, 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.

# PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2012

(Continued)

In addition the Association has a long-term programme of planned repairs to cover for works which have become necessary, 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. In line with the SORP 2010, replacements to building components (as identified in Note 1(h)(i)) are capitalised in the accounts as they occur. All other major repairs would be charged to the Income and Expenditure account, unless classified as an impairment as per 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 11 and 12.

### **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 financial 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 increased from £2.20m (restated) to £3.013m (see note 8).

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

With the introduction of component accounting, the Association has reclassified its major repairs reserve as a Future Depreciation Reserve to fund increased depreciation in the future due to capitalisation of major repairs.

# PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2012

(Continued)

### **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. No properties were sold during 2011/12.

### **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 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 on-going programme of new developments in particular tenemental rehabilitation.

### **Going Concern**

The Committee of Management 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 Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

### **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.



**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**REPORT OF COMMITTEE OF MANAGEMENT**

**31 MARCH 2012**  
**(Continued)**

**Auditors**

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

On behalf of the Committee of Management



Eileen Graham  
Secretary

Address: 64 Espedair Street  
Paisley  
PA2 6RW  
Date:

.....6/8/2012.....

# PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMMITTEE RESPONSIBILITIES

YEAR ENDED 31 MARCH 2012

The Committee of Management is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Under the legislation relating to Industrial and Provident Societies the Committee of Management 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 surplus or deficit of the Association of that period. In preparing those financial statements the Committee of Management are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the RSL SORP;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Committee of Management is also responsible for:

- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the RSL and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) 2007;
- safeguarding the Association's assets; and
- 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 2012

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. There was no formal review by the internal auditor undertaken during 2011/12, although other reports were presented to Committee.
- 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 2012**

**(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 2012 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: 6/8/2012

# 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 11 and 12 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 2009/4 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 11 and 12 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

*Baker Tilly UK Audit LLP*

Baker Tilly UK Audit LLP  
Registered Auditors  
Chartered Accountants  
274 Sauchiehall St  
Glasgow  
G2 3EH

Date: .....17/8/12.....

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

We have audited the financial statements of Paisley South Housing Association for the year ended 31 March 2012 on pages 15 to 36. 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 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 or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Committee and auditor**

As explained more fully in the Committee's Responsibilities Statement set out on page 10, the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

*Baker Tilly UK Audit LLP*

Baker Tilly UK Audit LLP  
Statutory Auditors  
Chartered Accountants  
274 Sauchiehall St  
Glasgow, G2 3EH

Date: .....17/8/12.....

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**INCOME & EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2012**

|  | Notes | 2012<br>£             | 2011<br>As restated<br>£ |
|--|-------|-----------------------|--------------------------|
| <b>Turnover</b>                                  | 2     | 4,566,348             | 4,807,490                |
| Less: Operating costs                            | 2     | <u>3,477,396</u>      | <u>3,712,145</u>         |
| <b>Operating surplus</b>                         | 2     | 1,088,952             | 1,095,345                |
| (Loss)/Profit on disposal of fixed assets        | 4     | -                     | (87,956)                 |
| Interest receivable                              |       | 7,733                 | 1,189                    |
| Interest payable and other charges               | 5     | (278,843)             | (374,881)                |
| Other Income                                     | 6     | <u>5,219</u>          | <u>8,856</u>             |
| <b>Surplus on ordinary activities before tax</b> |       | 823,061               | 642,553                  |
| Taxation on surplus on ordinary activities       | 7     | <u>-</u>              | <u>-</u>                 |
| <b>Surplus for year</b>                          |       | <u><u>823,061</u></u> | <u><u>642,553</u></u>    |

The results for the year relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR  
ENDING 31 MARCH 2012**

|   | 2012<br>£               | 2011<br>As restated<br>£ |
|---|-------------------------|--------------------------|
| Surplus for the year  | 823,061                 | 642,553                  |
| Prior period adjustment (Note 24)                                   | 1,340,070               | -                        |
| Total surpluses and deficits recognised since last reporting period | <u><u>2,163,131</u></u> | <u><u>642,553</u></u>    |

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET**

**AS AT 31 MARCH 2012**

|  | Notes | 2012             |                     | 2011                |
|--|-------|------------------|---------------------|---------------------|
|  |       | £                | £                   | As restated<br>£    |
| <b>Tangible Fixed Assets</b>             |       |                  |                     |                     |
| Housing properties                       |       |                  |                     |                     |
| -gross cost less depreciation            | 9     |                  | 64,751,137          | 63,282,364          |
| Less: HAG                                | 9     |                  | <u>(49,611,964)</u> | <u>(49,611,975)</u> |
|  |       |                  | 15,139,173          | 13,670,389          |
| Other Assets                             | 9     |                  | <u>160,228</u>      | <u>185,640</u>      |
|  |       |                  | 15,299,401          | 13,856,029          |
| Investments                              | 21    |                  | <u>2</u>            | <u>2</u>            |
|  |       |                  | <u>15,299,403</u>   | <u>13,856,031</u>   |
| <b>Current Assets</b>                    |       |                  |                     |                     |
| Debtors                                  | 10    | 480,444          |                     | 848,955             |
| Cash at hand and in bank                 |       | <u>1,256,994</u> |                     | <u>1,564,957</u>    |
|  |       | 1,737,438        |                     | 2,413,912           |
| <b>Current Liabilities</b>               |       |                  |                     |                     |
| Creditors due within one year            | 11    |                  | <u>(1,437,289)</u>  | <u>(2,606,253)</u>  |
| <b>Net current assets/ (liabilities)</b> |       |                  | <u>300,149</u>      | <u>(192,341)</u>    |
|  |       |                  | 15,599,552          | 13,663,690          |
| Creditors due after more than one year   | 12    |                  | <u>(8,816,765)</u>  | <u>(7,703,889)</u>  |
|  |       |                  | <u>6,782,787</u>    | <u>5,959,801</u>    |
| <b>Capital and Reserves</b>              |       |                  |                     |                     |
| Share capital                            | 16    |                  | 106                 | 181                 |
| Designated reserves                      | 8a    |                  | 3,769,678           | 3,760,066           |
| Revenue reserves                         | 8b    |                  | <u>3,013,003</u>    | <u>2,199,554</u>    |
|  |       |                  | <u>6,782,787</u>    | <u>5,959,801</u>    |

These financial statements were approved by the Committee of Management and authorised for issue on 6/8/2012 and signed on their behalf by:

Secretary

*E. Graham*

Member

*J. Allan*

Member

*John Weir*



**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**YEAR TO 31 MARCH 2012**

|  | Notes      | 2012             |                    | 2011               |
|--|------------|------------------|--------------------|--------------------|
|  |            | £                | £                  | As restated<br>£   |
| <b>Net cash inflow from operating activities</b>           | <b>15a</b> |                  | 1,515,691          | <u>2,161,373</u>   |
| <br><b>Returns on investments and servicing of finance</b> |            |                  |                    |                    |
| Interest received  |            | 7,733            |                    | 1,189              |
| Interest paid  |            | <u>(278,843)</u> |                    | <u>(374,881)</u>   |
|  |            |                  | <u>(271,110)</u>   | <u>(373,692)</u>   |
| <br><b>Taxation</b>  |            |                  |                    |                    |
| Corporation tax paid                                       |            | -                |                    | -                  |
| Net cash (outflow)/inflow on taxation                      |            | <u>-</u>         |                    | <u>-</u>           |
| <br><b>Capital Expenditure and Investing activities</b>    |            |                  |                    |                    |
| Cash paid for construction and purchases                   |            | (1,921,547)      |                    | (2,899,644)        |
| Housing association grant received                         |            | (5,359)          |                    | 1,813,648          |
| Sales of housing properties                                |            | -                |                    | (87,956)           |
| Grants repaid  |            | -                |                    |                    |
| Purchase of other fixed assets                             |            | (44,676)         |                    | (29,107)           |
| Other Income   |            | <u>5,219</u>     |                    | <u>8,857</u>       |
| Net cash (outflow) from investing activities               |            |                  | <u>(1,966,363)</u> | <u>(1,194,202)</u> |
| Net cash (outflow)/inflow before financing                 |            |                  | (721,782)          | 593,459            |
| <br><b>Financing</b>                                       |            |                  |                    |                    |
| (Decrease)/Increase in overdrafts                          |            | (822,525)        |                    | 568,368            |
| Loan received  |            | 1,877,000        |                    | -                  |
| Loan principal repayments                                  |            | (640,674)        |                    | (491,997)          |
| Increase in share capital                                  |            | <u>17</u>        |                    | <u>12</u>          |
| Net cash inflow from financing                             |            |                  | <u>413,818</u>     | <u>76,383</u>      |
| (Decrease)/Increase in cash and cash equivalents           |            |                  | <u>(307,964)</u>   | <u>669,842</u>     |

Further details are given in note 15

# PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

### 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) updated 2010 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 period adjustment also being made, where it has a material and fundamental impact.

#### (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 loan, 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 or for properties approved through the Mortgage to Rent scheme.

#### (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 2012

(Continued)

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

Properties included in housing properties are stated at cost less social housing grant and other public grants and less accumulated depreciation. 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 SHG 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 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, 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 reapportionment of other staff costs or any general overheads, which are written off through the Income and Expenditure account.

The only development staff the Association currently employs is a Clerk of Works.

The Association uses a development agent service to deliver its development programme. The cost of this service has also been capitalised.

If expenditure does not qualify for SHG, 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.

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or

# PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

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

The adoption of component accounting represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be Land, Structure, Roofs, Windows, Kitchens, Bathrooms, Central Heating Boilers and Radiators, Electrics and Lifts. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in Note 1(h)(1) below. The new accounting policy is compliant with the SORP 2010.

### (h) Depreciation

#### (i) Housing Properties

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;

| Item      | Depreciation Period | Item                | Depreciation Period |
|-----------|---------------------|---------------------|---------------------|
| Land      | Not depreciated     | Door Entry          | Over 30 years       |
| Structure | Over 50 years       | Kitchen             | Over 15 years       |
| Roofs     | Over 50 years       | Heating - Boilers   | Over 14 years       |
| Bathroom  | Over 30 years       | Heating - Radiators | Over 28 years       |
| Windows   | Over 30 years       | Lifts               | Over 30 years       |
| Electrics | Over 30 years       |                     |                     |

#### (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% straight line |

This year Committee have approved a change in the policy to depreciate furniture and equipment, to better reflect the useful life of the assets. This is a change from 20% reducing balance to 20% straight line depreciation.

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.

# PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

(i) **Designated reserves - reserves for planned maintenance and future depreciation** (note 8)

Future 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 designation for Westerfield House for the replacement of additional items charged as a service charge over and above normal planned repairs and a designation for the return of an office to 2 flats, at 31 Argyle Street after the tenancy lease ends.

(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 Defined Benefit Scottish Housing Associations' Pension Scheme (SHAPS) 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.

(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 SORP. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

(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 such sales during this financial year.

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

**(o) Consolidation**

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

**(p) Impairment of fixed assets**

The Association depreciates its housing assets over 50 years or less, therefore no revaluation of housing stock is required to assess impairment.

Annually the Management will consider if there has been any significant changes in the housing stock that would warrant an impairment review.

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

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

|   | Turnover<br>£ | Operating<br>Costs<br>£ | Operating<br>Surplus/<br>(Deficit)<br>£ | As<br>restated<br>2011<br>Total<br>£ |
|---|---------------|-------------------------|---|--------------------------------------|
| Income and expenditure from letting – note 3a | 4,059,029     | 2,935,597               | 1,123,432                               | 1,175,489                            |
| Other income and expenditure – note 3b        | 507,319       | 541,799                 | (34,480)                                | (80,144)                             |
|   | 4,566,348     | 3,477,396               | 1,088,952                               | 1,095,345                            |
| <b>As restated 2011</b>                       | 4,807,490     | 3,712,145               | 1,095,345                               |                                      |

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

**3a. Particulars of Income and Expenditure from Lettings**

|  | <b>General Needs<br/>Housing<br/>£</b> | <b>Shared<br/>Ownership<br/>£</b> | <b>2012<br/>Total<br/>£</b> | <b>As<br/>Restated<br/>2011<br/>Total<br/>£</b> |
|--|--|-----------------------------------|-----------------------------|---|
| Income from lettings                                   |  |                                   |                             |   |
| Rent receivable net of<br>Identifiable Service Charges | 3,974,899                              | 4,900                             | 3,979,799                   | 3,714,969                                       |
| Service charges receivable                             | 110,526                                | -                                 | 110,526                     | 100,270   |
| <b>Gross Rents Receivable</b>                          | <b>4,085,425</b>                       | <b>4,900</b>                      | <b>4,090,325</b>            | <b>3,815,239</b>                                |
| Less: Rent Losses from Voids                           | (34,124)                               | -                                 | (34,124)                    | (28,630)  |
| <b>Net Rents Receivable</b>                            | <b>4,051,301</b>                       | <b>4,900</b>                      | <b>4,056,201</b>            | <b>3,786,609</b>                                |
| Revenue Grants from Scottish<br>Ministers              | 2,828                                  | -                                 | 2,828                       | 127,407   |
| <b>Total Income from Lettings</b>                      | <b>4,054,129</b>                       | <b>4,900</b>                      | <b>4,059,029</b>            | <b>3,914,016</b>                                |
| Expenditure on Letting Activities                      |  |                                   |                             |   |
| Services   | 71,928                                 | -                                 | 71,928                      | 64,685  |
| Management and maintenance<br>administration costs     | 1,203,904                              | 3,712                             | 1,207,616                   | 1,132,808                                       |
| Reactive Maintenance Costs                             | 746,055                                | -                                 | 746,055                     | 552,439   |
| Planned and Cyclical Maintenance                       | 401,654                                | -                                 | 401,654                     | 554,794   |
| Rent losses from bad debts                             | 55,571                                 | -                                 | 55,571                      | 47,936  |
| Depreciation   | 452,421                                | 352                               | 452,773                     | 385,865   |
| <b>Total Expenditure on Lettings</b>                   | <b>2,931,533</b>                       | <b>4,064</b>                      | <b>2,935,597</b>            | <b>2,738,527</b>                                |
| <b>Operating Surplus on Letting<br/>Activities</b>     | <b>1,122,596</b>                       | <b>836</b>                        | <b>1,123,432</b>            | <b>1,175,489</b>                                |
| As restated 2011                                       | 1,174,652                              | 837                               | 1,175,489                   |   |

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £44,154 (2011 - £44,154). A separate charge is made for service charges.

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 2012  
(Continued)

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

|   | 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>(deficit) | As Restated<br>2011 |
|---|---|----------------------------|--------------------------------|-----------------|-------------------|-----------------------------------|-----------------------------|------------------------|---------------------|
|   | £                                       | £                          | £                              | £               | £                 | £                                 | £                           | £                      | £                   |
| Wider action/wider role   | 37,067                                  | -                          | -                              | -               | 37,067            | -                                 | 57,937                      | (20,870)               | (58,961)            |
| Care and repair   | -                                       | -                          | -                              | -               | -                 | -                                 | -                           | -                      | -                   |
| Factoring   | -                                       | -                          | -                              | -               | -                 | -                                 | -                           | -                      | -                   |
| Development activities  | -                                       | 6,252                      | -                              | -               | 6,252             | -                                 | 19,862                      | (13,610)               | (21,183)            |
| Support activities  | -                                       | -                          | -                              | -               | -                 | -                                 | -                           | -                      | -                   |
| Care activities   | -                                       | -                          | -                              | -               | -                 | -                                 | -                           | -                      | -                   |
| Agency/management services for registered social<br>landlords   | -                                       | -                          | -                              | -               | -                 | -                                 | -                           | -                      | -                   |
| Other agency/management services  | -                                       | -                          | -                              | -               | -                 | -                                 | -                           | -                      | -                   |
| Developments and improvements for sale,<br>(including first tranche shared ownership sales) to<br>non registered social landlords | -                                       | -                          | -                              | -               | -                 | -                                 | -                           | -                      | -                   |
| Other activities  | -                                       | -                          | -                              | 464,000         | 464,000           | -                                 | 464,000                     | -                      | -                   |
| <b>Total from other activities</b>  | <b>37,067</b>                           | <b>6,252</b>               | <b>-</b>                       | <b>464,000</b>  | <b>507,319</b>    | <b>-</b>                          | <b>541,799</b>              | <b>(34,480)</b>        | <b>(80,144)</b>     |
| <b>As Restated 2011</b>   | <b>37,067</b>                           | <b>-</b>                   | <b>-</b>                       | <b>856,407</b>  | <b>893,474</b>    | <b>-</b>                          | <b>973,618</b>              | <b>(80,144)</b>        |                     |

Other activities income and expenditure are the owners' costs attributable to the Gordon Street Development, and the owners' contributions and council grants received to cover these costs.

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

|                                       | 2012     | 2011              |
|---------------------------------------|----------|-------------------|
|                                       | £        | £                 |
| <b>4. Sales of Housing Properties</b> |          |                   |
| Sale proceeds                         | -        | 59,600            |
| Cost of sales                         | -        | <u>( 147,556)</u> |
| (Loss) on disposal                    | <u>-</u> | <u>(87,956)</u>   |

The sales of housing properties in 2011 have occurred under the right to buy legislation and sale of decant properties. Also included within these figures is the write off from the balance sheet of demolished properties.

|   | 2012           | 2011           |
|---|----------------|----------------|
|   | £              | £              |
| <b>5. Interest Payable and Other Charges</b>                  |                |                |
| Total interest payable  | 303,580        | 392,070        |
| <b>Less:</b> Interest capitalised                             | <u>24,737</u>  | <u>17,189</u>  |
| Interest payable recognized in Income and Expenditure account | <u>278,843</u> | <u>374,881</u> |

**6. Other Income**

Other income of £5,219 consists of £955 which is the gifting of 2010/11 profit of its subsidiary, Paisley South Property Services, to Paisley South Housing Association and £4,264 which is the provision of Finance Officer Services to Barrhead 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 2012  
(Continued)**

**8. Reserves**

**a) Designated Reserve**

|                             | At 31<br>March<br>2011 | Transfer<br>From/(to)<br>Revenue<br>Reserve | Transfer<br>Between<br>Reserves | At 31<br>March<br>2012 |
|-----------------------------|------------------------|---|---------------------------------|------------------------|
|                             | £                      | £   | £                               | £                      |
| Major repairs reserve       | 3,739,047              | -   | -                               | 3,739,047              |
| Westerfield repairs reserve | 10,369                 | 4,295                                       | -                               | 14,664                 |
| Westerfield void reserve    | 8,667                  | 3,601                                       | -                               | 12,268                 |
| 31 Argyle Street Reserve    | 1,983                  | 1,716                                       | -                               | 3,699                  |
|                             | <u>3,760,066</u>       | <u>9,612</u>                                | <u>-</u>                        | <u>3,769,678</u>       |

No restrictions are placed upon these reserves, but the Committee has designated their use for specific purposes. Over the next 2 years we plan to spend £95,000 on replacement central heating systems, which will be deductible from the major repairs reserve.

**b) Revenue Reserves**

|  | 2012<br>£        | 2011<br>£        |
|--|------------------|------------------|
| Opening balance at 1 April 2011 as originally reported | 859,484          | 1,916,150        |
| Prior period Adjustment (Note 24)                      | 1,340,070        | -                |
| At 1 April 2011 as restated                            | <u>2,199,554</u> | <u>1,916,150</u> |
| Surplus for year                                       | 823,061          | 642,553          |
| Transfer to designated reserves                        | (9,612)          | (359,149)        |
| At 31 March 2012                                       | <u>3,013,003</u> | <u>2,199,554</u> |

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT 31 MARCH 2012**  
(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      |
|-----------------------------------|-------------------------------------|--|---------------------------------------|--------------------------|-----------------|--------------------------------|------------|
| Cost                              | £                                   | £  | £                                     | £                        | £               | £                              | £          |
| At 1 April 2011                   | 56,947,762                          | 6,453,883                                    | 78,140                                | 63,479,785               | 285,457         | 320,109                        | 64,085,351 |
| Prior Period Adjustment (Note 24) | 2,837,141                           | -  | -                                     | 2,837,141                | -               | -                              | 2,837,141  |
| As restated                       | 59,784,903                          | 6,453,883                                    | 78,140                                | 66,316,926               | 285,457         | 320,109                        | 66,922,492 |
| Additions during year             | 1,061,024                           | 860,522                                      | -                                     | 1,921,546                | 5,016           | 39,660                         | 1,966,222  |
| Transfers                         | 7,033,153                           | (7,033,153)                                  | -                                     | -                        | -               | -                              | -          |
| Disposals in year                 | -                                   | -  | -                                     | -                        | -               | (233,860)                      | (233,860)  |
| At 31 March 2012                  | 67,879,080                          | 281,252                                      | 78,140                                | 68,238,472               | 290,473         | 125,909                        | 68,654,854 |
| <b>Housing Association Grant</b>  |                                     |  |                                       |                          |                 |                                |            |
| At 1 April 2011                   | 43,732,088                          | 5,366,025                                    | 59,197                                | 49,157,310               | 29,314          | -                              | 49,186,624 |
| Prior Period Adjustment (Note 24) | 454,664                             | -  | -                                     | 454,664                  | -               | -                              | 454,664    |
| As restated                       | 44,186,752                          | 5,366,025                                    | 59,197                                | 49,611,974               | 29,314          | -                              | 49,641,288 |
| Additions during year             | -                                   | -  | -                                     | -                        | -               | -                              | -          |
| Repaid and abated during year     | -                                   | (10)   | -                                     | (10)                     | -               | -                              | -10        |
| Transfers                         | 5,084,773                           | (5,084,773)                                  | -                                     | -                        | -               | -                              | -          |
| At 31 March 2012                  | 49,271,525                          | 281,242                                      | 59,197                                | 49,611,964               | 29,314          | -                              | 49,641,278 |
| <b>Depreciation</b>               |                                     |  |                                       |                          |                 |                                |            |
| At 1 April 2011                   | 1,988,107                           | -  | 4,048                                 | 1,992,155                | 142,986         | 247,626                        | 2,382,767  |
| Prior Period Adjustment (Note 24) | 1,042,407                           | -  | -                                     | 1,042,407                | -               | -                              | 1,042,407  |
| As restated                       | 3,030,514                           | -  | 4,048                                 | 3,034,562                | 142,986         | 247,626                        | 3,425,174  |
| Provided during year              | 452,421                             | -  | 352                                   | 452,773                  | 10,447          | 59,640                         | 522,860    |
| Disposals                         | -                                   | -  | -                                     | -                        | -               | (233,860)                      | (233,860)  |
| At 31 March 2012                  | 3,482,935                           | -  | 4,400                                 | 3,487,335                | 153,433         | 73,406                         | 3,714,174  |
| <b>Net book value</b>             |                                     |  |                                       |                          |                 |                                |            |
| As at 31 March 2012               | 15,124,620                          | 10   | 14,543                                | 15,139,173               | 107,726         | 52,503                         | 15,299,402 |
| As at 31 March 2011 as restated   | 12,567,637                          | 1,087,858                                    | 14,895                                | 13,670,389               | 113,157         | 72,483                         | 13,856,029 |

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

**9. Tangible Fixed Assets (contd)**

None of the Association's land or properties was held under a lease. Development administration costs capitalised amount to £66,300 (2011 - £78,547) for which £nil Housing Association Grant was received (2011 - £71,880).

Of the total amount capitalised in the year for housing properties held for rent of £1,061,024 (2011 £241,741), £1,058,652 (2011 £224,574) related to replacement components and £2,372 (2011 £17,167) relates to property improvements.

|                                      | <b>2012</b>      | <b>2011</b>     |
|--------------------------------------|------------------|-----------------|
|                                      | <b>£</b>         | <b>£</b>        |
| <b>10. Debtors</b>                   |                  |                 |
| Amounts falling due within one year: |                  |                 |
| Gross rent in arrears                | 248,365          | 230,092         |
| Less bad debt provision              | <u>(100,203)</u> | <u>(95,723)</u> |
|                                      | 148,162          | 134,369         |
| Prepayments and accrued income       | 25,142           | 24,601          |
| Balance due from group company       | 80,139           | 78,404          |
| Other debtors                        | <u>227,001</u>   | <u>611,581</u>  |
|                                      | <u>480,444</u>   | <u>848,955</u>  |
|                                      | <b>2012</b>      | <b>2011</b>     |
|                                      | <b>£</b>         | <b>£</b>        |

**11. Creditors due within one year**

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Loans (Note 12)              | 653,819          | 530,369          |
| Development loan (Note 12)   | -                | 822,525          |
| Trade creditors              | 240,089          | 627,214          |
| PAYE and social security     | 17,675           | 15,467           |
| Rent prepaid                 | 199,241          | 220,396          |
| Other creditors              | 170,385          | 191,090          |
| Accruals and deferred income | <u>156,080</u>   | <u>199,192</u>   |
|                              | <u>1,437,289</u> | <u>2,606,253</u> |

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012  
(Continued)**

|   | 2012<br>£        | 2011<br>£        |
|---|------------------|------------------|
| <b>12. Creditors due after more than one year</b> |                  |                  |
| Loans   | <u>8,816,765</u> | <u>7,703,889</u> |

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% (2011 – 0.75% to 13%), due as follows:

|                               |                  |                  |
|-------------------------------|------------------|------------------|
| In one year or less (Note 11) | 653,819          | 1,352,894        |
| Between one and two years     | 317,505          | 574,969          |
| Between three and four years  | 678,840          | 615,478          |
| In five years or more         | <u>7,820,420</u> | <u>6,513,442</u> |
|                               | <u>9,470,584</u> | <u>9,056,783</u> |

|                         | 2012<br>£      | 2011<br>£      |
|-------------------------|----------------|----------------|
| <b>13. Employees</b>    |                |                |
| Staff costs during year |                |                |
| Wages and salaries      | 681,644        | 716,931        |
| Social security costs   | 55,406         | 56,053         |
| Pension costs           | <u>117,690</u> | <u>87,051</u>  |
|                         | <u>854,740</u> | <u>860,035</u> |

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

|                      | Number    | Number    |
|----------------------|-----------|-----------|
| Full time equivalent | <u>22</u> | <u>22</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>1,412</u> | <u>1,105</u> |

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

|  | 2012<br>£    | 2011<br>£    |
|--|--------------|--------------|
| <b>14. Auditors' Remuneration</b>  |              |              |
| The remuneration of the auditors (including expenses)  | 8,539        | 7,785        |
| Remuneration of the auditors in respect of services Other than those of Baker Tilly UK Audit LLP | -            | -            |
|  | <u>8,539</u> | <u>7,785</u> |

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

|  | 2012               | 2011               |          |                    |
|--|--------------------|--------------------|----------|--------------------|
|  | £                  | As restated        | £        |                    |
| <b>15. Notes to the Cash Flow Statement</b>                                |                    |                    |          |                    |
| (a) Reconciliation of surplus to net cash inflow from operating activities |                    |                    |          |                    |
| Surplus for year   | 823,061            | 642,553            |          |                    |
| Net interest payable   | 271,110            | 373,692            |          |                    |
| Loss on Disposal of Fixed Assets   | -                  | 87,956             |          |                    |
| Other Income   | <u>(5,219)</u>     | <u>(8,856)</u>     |          |                    |
| Operating surplus for the year excluding interest and tax payable          | 1,088,952          | 1,095,345          |          |                    |
| Depreciation   | 522,860            | 374,382            |          |                    |
| Cancelled shares   | (92)               | (5)                |          |                    |
| Decrease in debtors  | 373,860            | 641,918            |          |                    |
| (Decrease)/ increase in creditors  | <u>(469,889)</u>   | <u>49,735</u>      |          |                    |
|  | <u>1,515,691</u>   | <u>2,161,372</u>   |          |                    |
| (b) Reconciliation of net cash flow to movement in net debt                |                    |                    |          |                    |
| Increase / (Decrease) in cash for the year                                 | (307,964)          | 669,842            |          |                    |
| Decrease/(Increase) in overdraft   | 822,525            | (568,368)          |          |                    |
| Loans received   | (1,877,000)        | -                  |          |                    |
| Loan repayments  | <u>640,674</u>     | <u>491,997</u>     |          |                    |
| Change in net debt   | (721,765)          | 593,471            |          |                    |
| Net debt as at 1 April 2011  | <u>(7,491,826)</u> | <u>(8,085,297)</u> |          |                    |
| Net debt as at 31 March 2012   | <u>(8,213,591)</u> | <u>(7,491,826)</u> |          |                    |
| (c) Analysis of Changes in net debt  |                    |                    |          |                    |
|  | At 31              | Cash               | Other    | At 31              |
|  | March 2011         | Flow               | Changes  | March 2012         |
|  | £                  | £                  | £        | £                  |
| Cash at bank and in hand   | 1,564,957          | (307,964)          | -        | 1,256,993          |
| Overdraft  | (822,525)          | 822,525            | -        | -                  |
| Debt due within one year   | (530,369)          | (105,712)          | -        | (636,081)          |
| Debt due after one year  | (7,703,889)        | (1,130,614)        | -        | (8,834,503)        |
|  | <u>(7,491,826)</u> | <u>(721,765)</u>   | <u>-</u> | <u>(8,213,591)</u> |

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

|  | <b>2012</b> | <b>2011</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| <b>16. Share Capital</b>                           |             |             |
| Shares of £1 fully paid and issued at 1 April 2011 | 181         | 174         |
| Shares issued during year                          | 17          | 12          |
| Shares written off in year                         | <u>(92)</u> | <u>(5)</u>  |
| Shares issued at 31 March 2012                     | <u>106</u>  | <u>181</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.

|   | <b>2012</b>   | <b>2011</b>    |
|---|---------------|----------------|
|   | <b>£000's</b> | <b>£000's</b>  |
| <b>17 Capital Commitments</b>   |               |                |
| Expenditure authorised by the Committee of Management contracted less certified | <u>-</u>      | <u>824,339</u> |
| To be funded as follows:  |               |                |
| HAG   | -             | -              |
| Private Loan  | <u>-</u>      | <u>824,339</u> |
|   | <u>-</u>      | <u>824,339</u> |

**18. Contingent Liabilities**

Housing Association Grant allocated to components (as detailed in Note 1 (h) (i)) that have subsequently been replaced by the Association are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31 March 2012 was £1,313m (2011: £1,313m).

|  | <b>2012</b>  | <b>2011</b>  |
|--|--------------|--------------|
|  | <b>No</b>    | <b>No</b>    |
| <b>19. Housing Stock</b>   |              |              |
| The number of units in Management at 31 March 2012 was as follows: |              |              |
| General Need   | 1,207        | 1,207        |
| Shared ownership   | 2            | 2            |
| Supported Accommodation  | -            | -            |
|  | <u>1,209</u> | <u>1,209</u> |



# PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 20. Pension Commitments

Paisley South Housing Association Limited participates in the SHAPS Pension Scheme (the "Scheme"). The Scheme is funded and is contracted out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the 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 Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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 last formal valuation of the Scheme was performed at 30 September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets as at the valuation date was £295 million. The valuation showed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%

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 Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHAPS Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for Paisley South Housing Association Limited was £3,455,759.

The Scheme offers five benefit structures to employers, namely:

- Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/70<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/80<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/120<sup>th</sup> accrual rate, contracted in.

# PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

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 Housing Association Limited has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate.

During the accounting period Paisley South Housing Association Limited paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were at the rate of 9.6%.

As at the balance sheet date there were 16 active members of the Scheme employed by Paisley South Housing Association Limited. The annual pensionable payroll in respect of these members was £518,337.

Paisley South Housing Association has been notified by the Pensions Trust of the Scottish Housing Associations Pension Scheme (SHAPS) that past service deficit contributions payable for the year to 31 March 2013 will be £67,593.

Paisley South Housing Association Limited continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

| <b>2009 Valuation Assumptions</b>   | <b>% p.a.</b> |
|---|---------------|
| Investment return pre retirement  | 7.4           |
| Investment return post retirement - Non pensioners  | 4.6           |
| Investment return post retirement - Pensioners  | 4.8           |
| Rate of salary increases  | 4.5           |
| <b>Rate of pension increases</b>  |               |
| - Pension accrued pre 6 April 2005 in excess of GMP   | 2.9           |
| - Pension accrued post 6 April 2005<br>(for leavers before 1 October 1993 pension increases are 5.0%) | 2.2           |
| Rate of price inflation   | 3.0           |

| <b>Mortality Tables</b> |   |
|-------------------------|---|
| Non-pensioners          | SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement |
| Pensioners              | SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. Minimum improvement |

| <b>Contribution Rates for Future Service (payable from 1 April 2011)</b> | <b>% p.a.</b> |
|--|---------------|
| Final salary 1/60ths   | 19.2          |
| Career average revalued earnings 1/60ths                                 | 17.1          |
| Career average revalued earnings 1/70ths                                 | 14.9          |
| Career average revalued earnings 1/80ths                                 | 13.2          |
| Career average revalued earnings 1/120ths                                | 9.4           |
| Additional rate for deficit contributions                                | 10.4          |

# PAISLEY SOUTH HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 21. 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 its charitable status.

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 profit of £589 (2011 – loss £3,089), after the gifting of last year's profit to Paisley South Housing Association, and having capital and reserves of £9,040 (2011 - £8,208) at 31 March 2012. A balance of £80,139 (2011 - £78,404) was owed from the subsidiary to the Association at 31 March 2012.

The Financial Services Authority has granted exemption from preparing group financial statements due to the immateriality of the subsidiary's results.

### 22. 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.

### 23. Reconciliation of Funds

|  | 2012<br>£        | 2011 as<br>restated<br>£ |
|--|------------------|--------------------------|
| At 1 April 2011 as originally reported | 4,619,731        | 5,317,241                |
| Prior Period Adjustment (Note 24)      | <u>1,340,070</u> | <u>-</u>                 |
| At 1 April 2011 as restated            | 5,959,801        | 5,317,241                |
| Surplus for year                       | 823,061          | 642,553                  |
| New Shares Issued                      | 17               | 12                       |
| Shares Cancelled                       | <u>(92)</u>      | <u>(5)</u>               |
| Net Change in Funds                    | 822,986          | 642,560                  |
| At 31 March 2012                       | <u>6,782,787</u> | <u>5,959,801</u>         |

### 24. Prior Period Adjustment- Component Accounting

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

**PAISLEY SOUTH HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

(Continued)

**24. Prior Period Adjustment- Component Accounting (contd)**

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their useful economic life. This has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge being recognised.

In total this has led to an adjustment as at 31 March 2010 of an increase in fixed assets of £1.275m. This is represented by:

|  | £                |
|--|------------------|
| Increase fixed asset cost                    | 2,612,567        |
| Increase fixed asset HAG                     | (454,665)        |
| Increase fixed asset depreciation            | <u>(883,085)</u> |
| Net movement in the balance sheet - increase | <u>1,274,817</u> |

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

|   | £              |
|---|----------------|
| Increase depreciation charge                | (159,322)      |
| Decrease major works charged against income | <u>224,575</u> |
| Increase in the surplus for the year        | <u>65,253</u>  |

In addition the overall effect upon the balance sheet has been to:

|  |                    |
|--|--------------------|
| Increase fixed asset cost                    | 2,837,141          |
| Increase fixed asset HAG                     | (454,664)          |
| Increase fixed asset depreciation            | <u>(1,042,407)</u> |
| Net movement in the balance sheet - increase | <u>1,340,070</u>   |

The effect of this change in accounting policy on the current year's figures of 2012 have been to

|   | £                |
|---|------------------|
| Increase depreciation charge                | (193,489)        |
| Decrease major works charged against income | <u>1,058,651</u> |
| Increase in the surplus for the year        | <u>865,162</u>   |

**25. Operating Lease Commitments**

The Association has entered into an operating lease. Commitments as at 31 March 2012;

| <u>Office Accommodation</u> | <b>2012</b>   | <b>2011</b> |
|-----------------------------|---------------|-------------|
|                             | £             | £           |
| Expiry within 1 year        | 6,750         | -           |
| Expiry within 1-2 year      | -             | -           |
| Expiry more than 2 year     | -             | -           |
| Total                       | <u>£6,750</u> | <u>-</u>    |