

Southside Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2011

Registered Housing Association No.HCB186

FSA Reference No. 1694R(S)

Scottish Charity No. SC036009

SOUTHSIDE HOUSING ASSOCIATION LIMITED

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**COMMITTEE OF MANAGEMENT, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2011**

COMMITTEE OF MANAGEMENT

| | |
|------------------------|-------------------------|
| Betty MacNeill | Chairperson |
| Abbas Abid | Vice Chairperson |
| Iain Dyer | Secretary |
| Shahida Zafar | |
| Kenneth Ross | |
| Gordon Anderson | |
| Hanif Mirza | |
| Samina Shariff | |
| Alison MacNeill | |
| Gordon Gunn | |
| Anne Lyness | |
| Margaret McIntyre | |
| Dorothy Murray | |
| Alan Ferguson | |
| Cllr Alistair Watson | |
| Michael Graham | |
| Liz Currie | Resigned March 2010 |
| Jimmy Hobbins | Appointed November 2010 |
| Surjit Singh Chowdhary | Appointed March 2011 |

EXECUTIVE OFFICERS

| | |
|-------------------|-----------------------------|
| Patrick McGrath | Director |
| Marilyn Beveridge | Head of Housing Services |
| Norma Taylor | Supporting Services Manager |

REGISTERED OFFICE

553 Shields Road
Glasgow
G41 2RW

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Bank of Scotland
236 Albert Drive
Glasgow
G41 2NL

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2YB

Dunfermline Building Society
Carnegie Avenue
Dunfermline
KY11 5PS

Clydesdale Bank PLC
20 Waterloo Street
Glasgow
G2 6DB

SOLICITORS

Tods Murray WS
33 Bothwell Street
Glasgow
G2 6NL

SOUTHSIDE HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2011

The Committee of Management presents its report and the Financial Statements for the year ended 31st March 2011.

Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.1694R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036009.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

The Association reported an operating surplus of £530,003 (2010: £249,334).

The rent increase applied in the year was 2.2%, (4.0% on larger properties and 1.0% on smaller properties) considerably lower than the December 2010 RPI. The Association has had a period of significant rent increases in recent years to meet its investment requirements but is committed to a long term strategy of keeping rent increases to no more than inflation plus 1.0%. Although wage and other service sector costs have run ahead of inflation in recent years the Association has tried to combat this by careful control of costs and staff restructuring. The Association aims to work within a RPI plus 1.0% ceiling for rent increases but this year the Management Committee felt that inflationary pressures on low income households were exceptional and therefore approved a lower rent increase.

The Association has continued to have an active development programme. Work on St. Andrew's Road new build was completed in March 2011 and generated 30 units for rent and 12 units for shared equity. All units were funded by Glasgow City Council using its Reprovisioning Programme (GHA), mainstream HAG and private finance. In addition the Association completed 12 special needs housing units at Barlogan Avenue and Barfillan Drive in June 2010. Work on a small new build site of 7 units at Tantallon Road started in April 2011. Preparatory work on Manse Brae has continued throughout 2010/11, although the original planning application was rejected.

The Association also carried out major tenement improvement works at Melville Street, and Pollokshaws Road through its factoring subsidiary SFARS.

The Association purchased one property under the Government Mortgage to Rent scheme during the past year. The Association also bought the remaining shares in two shared ownership units and sold a further 25% share. In relation to 1596 Pollokshaws Road, 15 shared equity units were sold.

The Association's performance as a regulated housing provider continues to be good. Key outputs on control of rent arrears, re-let times, the minimising of rent loss etc, are all better than most Scottish Housing Associations. Control of rent arrears in particular has improved significantly.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2011

Review of Business and Future Developments (Contd.)

The most significant change to the Association in its 40 years of operation took place on 28 March 2011 with the acquisition of 1033 houses for rent from Glasgow Housing Association. This has trebled the Association's size. This was done under the terms of the Second Stage Stock

Transfer process agreed between Glasgow City Council, the Scottish Government and Glasgow Housing Association. The transfer was in two tranches, 534 properties in Cardonald with a positive value of £2,459,000 and 499 houses in Pollokshields with a negative value of £3,676,000.

A third transfer is due to take place in June 2011. In addition 26 staff also transferred to Southside Housing Association under the terms of the transaction.

During the year the Association reviewed its staff pension arrangements with The Pensions Trust scheme. The result of this review is that from April 2011 the benefits of members of this scheme will accrue at a rate of 1/120th of final salary per year, as opposed to the 1/60th of final salary per year prior to this date.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2011

Management Committee and Executive Officers

The members of the Committee of Management and the Executive Officers are listed on Page 1.

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

The members of the Committee of Management are also Trustees of the Charity. Members of the Committee of Management are appointed by the members at the Association's Annual General Meeting.

No member of the Committee of Management received remuneration for their services.

Statement of Management Committee's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Committee of Management 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 for that period. In preparing those Financial Statements, the Committee of Management is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Committee of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to 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) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Committee of Management must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Committee of Management are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Committee of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2011

Statement on Internal Financial Control

The Committee of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment 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;
- 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 misstatement of Loss. Key elements of the Association's systems include ensuring that:

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

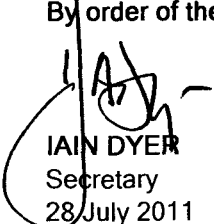
Donations

During the year the Association made charitable donations amounting to £1,837 (2010: £275).

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Committee of Management



IAIN DYER
Secretary
28 July 2011

SOUTHSIDE HOUSING ASSOCIATION LIMITED

**REPORT BY THE AUDITORS TO THE COMMITTEE OF MANAGEMENT OF
SOUTHSIDE HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 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 requirements relating to corporate governance matters within 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 page 5 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.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
28 July 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHSIDE HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Southside Housing Association Limited for the year ended 31st March 2011 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

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 auditors' 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 Committee of Management and Auditors

As described in the Statement of Committee of Management's Responsibilities the Association's Committee of Management, are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements 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.

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 Act 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 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 Management Committee's remuneration and 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 judgments made by the Management Committee 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion on the financial statements

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 31st March 2011 and of its income and expenditure and cash flow 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

In our opinion, the information given in the Management Committee's Report is consistent with the financial statements.

In our opinion the exemption granted by the Financial Services Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

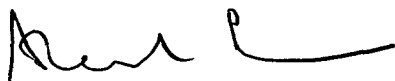
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SOUTHSIDE HOUSING ASSOCIATION LIMITED**

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- certain disclosures of Committee of Management's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
28 July 2011

SOUTHSIDE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

| | Notes | £ | 2011 £ | £ | 2010 £ |
|--|-------|------------|-------------|-----------|-------------|
| TURNOVER | 2. | | 3,662,964 | | 4,139,776 |
| Operating Costs | 2. | | (3,132,961) | | (3,890,442) |
| OPERATING SURPLUS | 8. | | 530,003 | | 249,334 |
| Amount Received following Stock Transfer | 23. | 20,077,132 | | - | |
| Interest Receivable and Other Income | | 8,339 | | 5,029 | |
| Interest Payable and Similar Charges | 7. | (166,998) | | (143,376) | |
| | | | 19,918,473 | | (138,347) |
| SURPLUS ON ORDINARY ACTIVITIES | | | 20,448,476 | | 110,987 |

All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2011

| | Notes | £ | 2011 £ | £ | 2010 £ |
|--|--------|-------------|--------------|-------------|--------------|
| TANGIBLE FIXED ASSETS | | | | | |
| Housing Properties - Depreciated Cost | 10.(a) | | 61,719,897 | | 54,818,376 |
| Less: Social Housing Grant | 10.(a) | | (47,865,224) | | (47,846,299) |
| | | | | | |
| | | | 13,854,673 | | 6,972,077 |
| Other fixed assets | 10.(b) | | 108,796 | | 104,200 |
| | | | | | |
| | | | 13,963,469 | | 7,076,277 |
| FIXED ASSET INVESTMENTS | | | | | |
| Investment in subsidiaries | 21. | | 1 | | 1 |
| Shared Equity Cost | 21. | 692,380 | | 402,380 | |
| Shared Equity Grant | 21. | (692,380) | | (402,380) | |
| | | | | | |
| | | | - | | - |
| CURRENT ASSETS | | | | | |
| Debtors | 13. | 911,842 | | 2,578,439 | |
| Development Cost of Housing Property | 22. | 925,485 | | 77,875 | |
| Cash at bank and in hand | | 21,927,749 | | 836,151 | |
| | | | | | |
| | | | 23,765,076 | | 3,492,465 |
| CREDITORS: Amounts falling due within one year | | | | | |
| | 14. | (2,498,493) | | (2,223,366) | |
| NET CURRENT ASSETS | | | | | |
| | | | 21,266,583 | | 1,269,099 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | | |
| | | | 35,230,053 | | 8,345,377 |
| CREDITORS: Amounts falling due after more than one year | | | | | |
| | 15. | | (7,893,457) | | (6,372,816) |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | | | |
| Pension Liability (Strathclyde Pension Scheme) | 25. | (48,500) | | - | |
| | | | | | |
| | | | (48,500) | | - |
| NET ASSETS | | | | | |
| | | | 27,288,096 | | 1,972,561 |
| CAPITAL AND RESERVES | | | | | |
| Share Capital | 17. | | 293 | | 283 |
| Designated Reserves | 18.(a) | | 21,528,676 | | 1,451,544 |
| Revenue Reserves | 18.(b) | | 940,578 | | 520,734 |
| Pension Reserve | 18 (c) | | (48,500) | | - |
| Negative Goodwill | 23. | | 4,867,049 | | - |
| | | | | | |
| | | | 27,288,096 | | 1,972,561 |

The Financial Statements were approved by the Committee of Management and signed on their behalf on 28 July 2011.

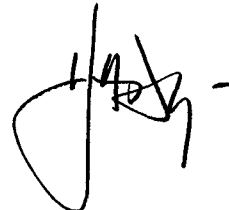
Chairperson

Betty Macneil

Vice-Chairperson



Secretary



SOUTHSIDE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED

31st MARCH 2011

| | Notes | £ | 2011 £ | £ | 2010 £ |
|---|-------|-------------|-------------------|-------------|------------------|
| Net Cash (Outflow) / Inflow from Operating Activities | 16. | | (427,905) | | 1,263,178 |
| Returns on Investment and Servicing of Finance | | | | | |
| Interest Received | | 8,339 | | 5,029 | |
| Interest Paid | | (202,072) | | (111,228) | |
| Net Cash Outflow from Investment and Servicing of Finance | | | (193,733) | | (106,199) |
| Capital Expenditure and Financial Investment | | | | | |
| Acquisition and Construction of Properties | | (2,815,519) | | (4,712,069) | |
| Purchase of Other Fixed Assets | | (20,979) | | (12,368) | |
| Social Housing Grant Received | | 1,860,510 | | 1,772,831 | |
| Social Housing Grant Repaid | | - | | - | |
| Other Grants Received | | - | | 10,116 | |
| Net Cash Outflow from Capital Expenditure and Financial Investment | | | (975,988) | | (2,941,490) |
| Net Cash Outflow before use of Liquid Resources and Financing | | | (1,597,626) | | (1,784,511) |
| Acquisition and Disposals | | | | | |
| Consideration received on acquisition Glasgow Housing Association | | | 20,077,132 | | - |
| Financing | | | | | |
| Loan Advances Received | | 3,024,968 | | 2,203,226 | |
| Loan Principal Repayments | | (412,893) | | (917,726) | |
| Share Capital Issued | | 17 | | 5 | |
| Net Cash Inflow from Financing | | | 2,612,092 | | 1,285,505 |
| Increase / (decrease) in Cash | 16. | | <u>21,091,598</u> | | <u>(499,006)</u> |

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2008, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Basis Of Consolidation

The Association has obtained exemption from the Financial Services Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The Financial Statements for Southside Housing Association Limited present information about it as an individual undertaking and not about its Group.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

Valuation Of 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 an annual rate of 2%. Land is not depreciated. Housing Properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount.

Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

| | |
|------------------------|-------|
| Office Premises | - 2% |
| Furniture and Fittings | - 33% |
| Computer Equipment | - 33% |
| Motor Vehicles | - 20% |

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

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

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction. Provision is made for such future repair expenditure on the basis of a costed programme.

The SST Designated Reserve is the amount set aside by the Association to meet its long-term commitments arising from the Second Stage Transfers from Glasgow Housing Association in 2011.

Service Charge Sinking Funds

The Association deposits part of its service charge income in a sinking fund bank account in order to meet future obligations.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

Negative Goodwill

Negative goodwill created through transfer of engagements is written off to the Income and Expenditure account as the non-cash assets acquired are depreciated or sold.

Housing Property Managed By Agents

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.

VAT

VAT is only charged on Management Fees and L.H.O. Management allowances. VAT is not charged by the Association on non chargeable items.

Retirement Benefits

Scottish Housing Association Pension Scheme

The Association participates in the Scottish Housing Associations' Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the 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. At the Balance Sheet date the Association had 17 employees participating in this scheme.

Strathclyde Pension Scheme

The Association participates in the Strathclyde Pension Fund and retirement benefits to employees of the Association are funded by the 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 organisations taken as a whole.

The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

The Association has fully adopted accounting standard FRS17 'Retirement Benefits' during the year. The impact of this standard has been reflected throughout the financial statements. Prior year comparatives have been restated where appropriate.

The difference between the fair value of the assets held in the Association's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method as recognised in the Association's balance sheet as a pension scheme liability as appropriate. At the balance sheet date the Association had 2 employees participating in this scheme.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | Notes | 2011 | | | 2010 | | |
|------------------|-------|------------------|-------------------------|--|------------------|-------------------------|--|
| | | Turnover £ | Operating Costs £ | Operating Surplus / (Deficit) £ | Turnover £ | Operating Costs £ | Operating Surplus / (Deficit) £ |
| | | | | | | | |
| Social Lettings | 3. | 2,459,016 | 1,956,537 | 502,479 | 2,214,136 | 1,986,021 | 228,115 |
| Other Activities | 4. | 1,203,948 | 1,176,424 | 27,524 | 1,925,640 | 1,904,421 | 21,219 |
| Total | | 3,662,964 | 3,132,961 | 530,003 | 4,139,776 | 3,890,442 | 249,334 |

| | General Needs Housing £ | Supported Housing £ | Shared ownership £ | 2011 Total £ | 2010 Total £ |
|---|----------------------------------|---------------------------|--------------------------|--------------------|--------------------|
| Income from Lettings | | | | | |
| Rent Receivable Net of Identifiable Service Charges | 1,543,965 | 474,337 | 164,640 | 2,182,942 | 1,952,188 |
| Service Charges Receivable | 205,795 | 73,109 | 13,993 | 292,897 | 263,464 |
| Gross Rents Receivable | 1,749,760 | 547,446 | 178,633 | 2,475,839 | 2,215,652 |
| Less: Rent losses from voids | 16,823 | - | - | 16,823 | 14,316 |
| Net Rents Receivable | 1,732,937 | 547,446 | 178,633 | 2,459,016 | 2,201,336 |
| Revenue Grants from Scottish Ministers | - | - | - | - | 12,800 |
| Total Income From Social Letting | 1,732,937 | 547,446 | 178,633 | 2,459,016 | 2,214,136 |
| Expenditure on Social Letting Activities | | | | | |
| Service Costs | 142,985 | 50,796 | 9,722 | 203,503 | 234,597 |
| Management and maintenance administration costs | 529,229 | 167,187 | 54,554 | 750,970 | 683,371 |
| Reactive Maintenance | 288,852 | 91,250 | - | 380,102 | 377,958 |
| Bad Debts - Rents and Service Charges | 82,066 | - | - | 82,066 | (6,782) |
| Planned and Cyclical Maintenance, including Major Repairs | 294,791 | 93,127 | - | 387,918 | 570,960 |
| Depreciation of Social Housing | 95,063 | 30,031 | 26,884 | 151,978 | 125,917 |
| Operating Costs of Social Letting | 1,432,986 | 432,391 | 91,160 | 1,956,537 | 1,986,021 |
| Operating Surplus on Social Letting Activities | 299,951 | 115,055 | 87,473 | 502,479 | 228,115 |
| 2010 | 98,653 | 92,005 | 37,457 | | |

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | Grants From Scottish Ministers £ | Other Revenue Grants £ | Supporting People Income £ | Other Income £ | Total Turnover £ | Operating Costs Bad Debts £ | Operating Costs Other £ | Operating Surplus / (Deficit) 2011 £ | Operating Surplus / (Deficit) 2010 £ |
|--|--|---------------------------------|-------------------------------------|----------------------|------------------------|--------------------------------------|----------------------------------|--|--|
| Wider Role Activities | - | - | - | - | - | - | - | - | (555) |
| Care and Repair of Property | - | 251,031 | - | - | 251,031 | - | 259,365 | (8,334) | 11,599 |
| Factoring/Commercial | - | - | - | - | - | - | - | - | 53,711 |
| Development and construction of property activities (inc Stage 3) | 110,568 | - | - | - | 110,568 | - | 127,111 | (16,543) | 1,665 |
| Support Activities | - | - | 187,895 | - | 187,895 | - | 210,789 | (22,894) | (57,519) |
| Agency / Management services for other RSLs | - | - | - | 255,516 | 255,516 | - | 264,245 | (8,729) | - |
| Property Sales | - | - | - | 291,000 | 291,000 | - | 291,000 | - | - |
| Other Income | - | - | - | 27,307 | 27,307 | - | 1,008 | 26,299 | 12,318 |
| Services - Other Owners | - | - | - | 32,968 | 32,968 | - | 22,906 | 10,062 | - |
| Commercial Rents | - | - | - | 47,663 | 47,663 | - | - | 47,663 | - |
| Total From Other Activities | 110,568 | 251,031 | 187,895 | 654,454 | 1,203,948 | - | 1,176,424 | 27,524 | 21,219 |
| 2010 | 152,825 | 254,481 | 167,386 | 1,350,948 | 1,925,640 | - | 1,904,421 | 21,219 | |

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. OFFICERS' REMUNERATION

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

| 2011 | 2010 |
|------|------|
| £ | £ |

The members of the Committee of Management did not receive any remuneration

| | | |
|---|--------|--------|
| Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions) | 66,082 | 60,732 |
|---|--------|--------|

| | | |
|---|-------|-------|
| Pension contributions made on behalf on Officers with emoluments greater than £60,000 | 4,870 | 9,353 |
|---|-------|-------|

| | | |
|---|--------|--------|
| Emoluments payable to Chief Executive (excluding pension contributions) | 66,082 | 60,732 |
|---|--------|--------|

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

| | Number | Number |
|--------------------|--------|--------|
| | 1 | 1 |
| £60,001 to £70,000 | | |

16. EMPLOYEES' REMUNERATION

| | 2011 | 2010 |
|---|------|------|
| | No. | No. |
| The average monthly number of full time equivalent persons employed during the year was | 26 | 27 |

| | | |
|--|----|----|
| The average total number of Employees employed during the year was | 31 | 34 |
|--|----|----|

| | £ | £ |
|--|---|---|
|--|---|---|

| | | |
|--------------------|---------|---------|
| Wages and Salaries | 686,501 | 671,518 |
|--------------------|---------|---------|

| | | |
|-----------------------|--------|--------|
| Social Security Costs | 54,327 | 51,778 |
|-----------------------|--------|--------|

| | | |
|---------------------|--------|--------|
| Other Pension Costs | 80,738 | 63,662 |
|---------------------|--------|--------|

| | | |
|--------------------------------------|--------|--------|
| Temporary, Agency and Seconded Staff | 30,506 | 23,750 |
|--------------------------------------|--------|--------|

| | | |
|--|---------|---------|
| | 852,072 | 810,708 |
|--|---------|---------|

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2011 | 2010 |
|----------------------------|----------------|----------------|
| | £ | £ |
| On Bank Loans & Overdrafts | 146,089 | 87,414 |
| On Other Loans | <u>61,261</u> | <u>63,138</u> |
| | 207,350 | 150,552 |
| Less: Interest Capitalised | <u>40,352</u> | <u>7,176</u> |
| | <u>166,998</u> | <u>143,376</u> |

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £0 (2010 £0).

Interest capitalised was incurred at 2.527%.

| | 2011 | 2010 |
|---|--------------|----------|
| | £ | £ |
| Surplus on Ordinary Activities before Taxation is stated after charging:- | | |
| Depreciation - Tangible Owned Fixed Assets | 168,361 | 144,457 |
| Auditors' Remuneration - Audit Services | 6,000 | 6,412 |
| - Internal Audit Services | 1,450 | - |
| Operating Lease Rentals - Other | <u>4,313</u> | <u>-</u> |

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| a) Housing Properties | Housing Properties Held for Letting £ | Housing Properties In course of Construction £ | Completed Shared Ownership Properties £ | Total £ |
|-----------------------------|--|---|--|------------|
| COST | | | | |
| As at 1st April 2010 | 40,552,864 | 9,087,701 | 6,204,595 | 55,845,160 |
| Additions | 218,812 | 2,037,687 | - | 2,256,499 |
| Acquisition at Fair Value | 4,797,000 | - | - | 4,797,000 |
| Disposals | - | - | - | - |
| Schemes Completed | 8,697,537 | (8,623,923) | (73,614) | - |
| As at 31st March 2011 | 54,266,213 | 2,501,465 | 6,130,981 | 62,898,659 |
| DEPRECIATION | | | | |
| As at 1st April 2010 | 852,875 | - | 173,909 | 1,026,784 |
| Charge for Year | 125,094 | - | 26,884 | 151,978 |
| Disposals | 1,836 | - | (1,836) | - |
| As at 31st March 2011 | 979,805 | - | 198,957 | 1,178,762 |
| SOCIAL HOUSING GRANT | | | | |
| As at 1st April 2010 | 34,292,319 | 8,754,026 | 4,799,954 | 47,846,299 |
| Additions | 137,698 | (118,773) | - | 18,925 |
| Disposals | - | - | - | - |
| Schemes Completed | 6,188,661 | (6,126,524) | (62,137) | - |
| As at 31st March 2011 | 40,618,678 | 2,508,729 | 4,737,817 | 47,865,224 |
| NET BOOK VALUE | | | | |
| As at 31st March 2011 | 12,667,730 | (7,264) | 1,194,207 | 13,854,673 |
| As at 31st March 2010 | 5,407,670 | 333,675 | 1,230,732 | 6,972,077 |

Additions to housing properties includes capitalised development administration costs of £62448 (2010 - £78517) and capitalised major repair costs to existing properties of £nil (2010 £nil)

All land and housing properties are freehold.

In accordance with the Statement of Recommended Practice, housing properties acquired from Glasgow Housing Association Ltd were introduced on the Existing Use Value for Social Housing (EUV-SH) on 28 March 2011. The valuation was carried out by DTZ. This valuation was undertaken in accordance with the Practice Statements within the RICS Appraisal and Valuation Manual.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Other Tangible Assets

| | Motor Vehicles £ | Office Premises £ | Furniture & Equipment £ | Total £ |
|-------------------------------|------------------------|-------------------------|-------------------------------|------------|
| COST | | | | |
| As at 1st April 2010 | 20,957 | 137,001 | 284,969 | 442,927 |
| Additions | - | - | 20,979 | 20,979 |
| Eliminated on Disposals | - | - | - | - |
| As at 31st March 2011 | 20,957 | 137,001 | 305,948 | 463,906 |
| GRANTS RECEIVED | | | | |
| As at 1st April 2010 | - | - | - | - |
| Received in year | - | - | - | - |
| Repaid on Disposal | - | - | - | - |
| As at 31st March 2011 | - | - | - | - |
| AGGREGATE DEPRECIATION | | | | |
| As at 1st April 2010 | 10,001 | 50,410 | 278,316 | 338,727 |
| Charge for year | 2,191 | 2,740 | 11,452 | 16,383 |
| Eliminated on disposal | - | - | - | - |
| As at 31st March 2011 | 12,192 | 53,150 | 289,768 | 355,110 |
| NET BOOK VALUE | | | | |
| As at 31st March 2011 | 8,765 | 83,851 | 16,180 | 108,796 |
| As at 31st March 2010 | 10,956 | 86,591 | 6,653 | 104,200 |

| | 2011 £ | 2010 £ |
|--|-----------|------------|
| Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements | 556,777 | 10,284,222 |

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

At the year end, the annual commitments under operating leases were as follows:-

| | 2011 £ | 2010 £ |
|-------------------------------------|-----------|-----------|
| Other | | |
| Expiring between two and five years | 8,626 | - |

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2011 £ | 2010 £ |
|-------------------------------------|----------------|------------------|
| Arrears of Rent & Service Charges | 333,569 | 85,527 |
| Less: Provision for Doubtful Debts | (168,256) | (42,767) |
| | 165,313 | 42,760 |
| Social Housing Grant Receivable | 130,683 | 1,907,496 |
| Other Debtors | 436,268 | 383,166 |
| Amounts Due from Group Undertakings | 179,578 | 245,017 |
| | <u>911,842</u> | <u>2,578,439</u> |

Included in Amounts Due from Group Undertakings is £154,885 (2010 - £nil) which is due for repayment in more than one year.

| | 2011 £ | 2010 £ |
|---------------------------------|------------------|------------------|
| Housing Loans | 1,323,027 | 231,593 |
| Trade Creditors | 439,002 | 1,214,168 |
| Rent in Advance | 132,216 | 109,231 |
| Social Housing Grant in Advance | 255,195 | 190,423 |
| Other Creditors | - | 157,202 |
| Accruals and Deferred Income | 349,053 | 320,749 |
| | <u>2,498,493</u> | <u>2,223,366</u> |

Included in the Housing Loans above is £1,225,754 (£Nil -2010) that relates to development period overdrafts. These overdrafts will be converted to term loans in due course

| | 2011 £ | 2010 £ |
|---|------------------|------------------|
| Housing Loans | <u>7,893,457</u> | <u>6,372,816</u> |
| Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:- | | |
| Within one year | 1,323,027 | 231,593 |
| Between one and two years | 299,490 | 225,825 |
| Between two and five years | 884,700 | 690,968 |
| In five years or more | 6,709,267 | 5,456,023 |
| | <u>9,216,484</u> | <u>6,604,409</u> |
| Less: Amount shown in Current Liabilities | <u>1,323,027</u> | <u>231,593</u> |
| | <u>7,893,457</u> | <u>6,372,816</u> |

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of operating surplus to net cash (outflow) / inflow from operating activities

| | 2011 £ | 2010 £ |
|---|------------------|------------------|
| Operating Surplus | 530,003 | 249,334 |
| Depreciation | 168,361 | 144,457 |
| Change in properties developed for resale | (847,610) | 483,052 |
| Change in Debtors | 8,333 | (87,729) |
| Change in Creditors | (286,985) | 474,209 |
| Share Capital Written Off | (7) | (145) |
| Net Cash (Outflow) / Inflow from Operating Activities | <u>(427,905)</u> | <u>1,263,178</u> |

Reconciliation of net cash flow to movement in net debt

| | 2011 £ | 2010 £ |
|----------------------------------|--------------------|--------------------|
| Increase / (decrease) in Cash | 21,091,598 | (499,006) |
| Cash flow from change in debt | <u>(2,612,075)</u> | <u>(1,285,500)</u> |
| Movement in net debt during year | 18,479,523 | (1,784,506) |
| Net debt at 1st April 2010 | <u>(5,768,258)</u> | <u>(3,983,752)</u> |
| Net debt at 31st March 2011 | <u>12,711,265</u> | <u>(5,768,258)</u> |

Analysis of changes in net debt

| | At 01.04.10 £ | Cash Flows £ | At 31.03.11 £ |
|------------------------------|---------------------|--------------------|---------------------|
| Cash at bank and in hand | 836,151 | 21,091,598 | 21,927,749 |
| Debt: Due within one year | (231,593) | (1,091,434) | (1,323,027) |
| Due after more than one year | <u>(6,372,816)</u> | <u>(1,520,641)</u> | <u>(7,893,457)</u> |
| Net Debt | <u>(5,768,258)</u> | <u>18,479,523</u> | <u>12,711,265</u> |

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| Shares of £1 each Issued and Fully Paid | £ |
|---|------------|
| At 1st April 2010 | 283 |
| Issued in year | 17 |
| Cancelled in year | (7) |
| At 31st March 2011 | <u>293</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.

| (a) Designated Reserves | SST £ | Major Repairs £ | Total £ |
|---------------------------------------|-------------------|-----------------------|-------------------|
| At 1st April 2010 | - | 1,451,544 | 1,451,544 |
| Transfer to / (from) Revenue Reserves | 20,077,132 | - | 20,077,132 |
| At 31st March 2011 | <u>20,077,132</u> | <u>1,451,544</u> | <u>21,528,676</u> |

| (b) Revenue Reserves | Total £ |
|--|----------------|
| At 1st April 2010 | 520,734 |
| Surplus for the year | 20,448,476 |
| Transfer (to) / from Pension Reserves | 48,500 |
| Transfer (to) / from Designated Reserves | (20,077,132) |
| At 31st March 2011 | <u>940,578</u> |

| (b) Pension Reserve (Strathclyde Pension Scheme) | Total £ |
|--|-----------------|
| At 1st April 2010 | - |
| Transfer (to) / from Revenue Reserves | (48,500) |
| At 31st March 2011 | <u>(48,500)</u> |

| The number of units of accommodation in management at the year end was:- | 2011 No. | 2010 No. |
|--|--------------|-------------|
| General Needs - New Build | 118 | 81 |
| - Rehabilitation | 1,369 | 334 |
| Shared Ownership | 75 | 77 |
| Supported Housing | 126 | 126 |
| | <u>1,688</u> | <u>618</u> |

In addition, the Association owns 7 (2010: 7) commercial units. Some units have multiple occupancy and therefore may have more than one tenancy associated with it.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Members of the Committee of Management are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Committee of Management is summarised as follows:

- 5 members are tenants of the Association
- 3 members are factored owners
- 1 member is a relevant local councillor
- 1 member is a sharing owner

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage and do not receive remuneration. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

The following transactions took place during the year between the Association and its subsidiary:

| | 2011 | 2010 |
|---|------------------|------------------|
| | £ | £ |
| Loan to Southside Factoring and Related Services | | |
| Opening Balance | (245,017) | (381,253) |
| Loans advanced in Year | (115,358) | (249,761) |
| Amounts Repaid in Year | 180,797 | 385,997 |
| Balance as at 31 March 2011 | <u>(179,578)</u> | <u>(245,017)</u> |

| | 2011 | 2010 |
|--|----------------|----------------|
| | £ | £ |
| Shared Equity Properties | | |
| Development Cost of Shared Equity Property | 692,380 | 402,380 |
| Less: Grants Receivable | <u>692,380</u> | <u>402,380</u> |
| | <u>-</u> | <u>-</u> |
| Investments in Subsidiaries | | |
| As at 31st March 2011 & 31st March 2010 | <u>1</u> | <u>1</u> |

In the opinion of the Committee of Management the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a 100% owned subsidiary Southside Factoring & Related Services Ltd. The relationship between the Association and its subsidiary is set out in an independence agreement between

The aggregate amount of capital and reserves and the results of Southside Factoring & Related Services Ltd for the year ended 31st March 2011 were as follows:

| | 2011 | 2010 |
|---------------------|-----------------|-----------------|
| | £ | £ |
| Capital & Reserves | <u>(77,034)</u> | <u>(81,786)</u> |
| Profit for the year | <u>4,752</u> | <u>23,417</u> |

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. SHARED EQUITY PROPERTIES

| | 2011 £ | 2010 £ |
|---------------------------------|----------------|---------------|
| Shared Equity Properties | | |
| Completed Properties Unsold | <u>925,485</u> | <u>77,875</u> |

22. DEFERRED CREDIT

| | 2011 £ |
|------------------------------------|---------------------|
| Balance as at 1st April 2010 | - |
| Arising on Acquisition in the year | (24,944,181) |
| Release during the year | <u>(20,077,132)</u> |
| As at 31st March 2011 | <u>4,867,049</u> |

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28.3.2011

On 28 March 2011 the Association acquired housing assets and the related rent arrears from Glasgow Housing Association Limited as part of two Second Stage Transfers. The Association acquired 886 housing units that were managed by Glasgow Housing Association. The identifiable assets and liabilities have been incorporated in the balance sheet of the Association at their fair value on acquisition.

Analysis of Acquisition

| | Book Value £ | Adjustment to Fair Value £ | Fair Value £ |
|---|--------------------|----------------------------------|----------------------|
| Housing Properties | - a) | 4,797,000 | 4,797,000 |
| Rent Arrears | 118,549 b) c) | - | 118,549 |
| Pension Liability | (48,500) d) | - | (48,500) |
| | <u>70,049</u> | <u>4,797,000</u> | <u>4,867,049</u> |
| Consideration received from GHA - at fair value | | | (20,077,132) |
| Goodwill arising on Acquisition | | | <u>(24,944,181)</u> |

Adjustments

- a) Housing Property has been recognised at its fair value, being its value using the EUV-SH basis at acquisition
- b) The rent arrears acquired have re-assessed and fair value adjustments made where appropriate
- c) The Bad Debt Provision is based on the GHA calculations at the point of transfer.
- d) The Pension Liability has been calculated by a qualified actuary at the date of acquisition

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Scottish Housing Association Pension Scheme

General

Southside Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

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

The Scheme offers five 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
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

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.

Southside Housing Association Limited has elected to operate the Career Average Revalued Earnings with a 1/120th accrual rate benefit structure for all staff from 1st April 2011.

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 values. 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 Southside Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

Housing Association Limited. The annual pensionable payroll in respect of these members was £506833. Southside Housing Association Limited 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 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.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (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 30th September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

| | % p.a. |
|--|--------|
| - 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 |
| - Rate of pension increases: | |
| pension accrued pre 6 April 2005 in excess of GMP | 2.9 |
| pension accrued from 6 April 2005 | 2.2 |
| (for leavers before 1 October 1993 pension increases are 5.0%) | |
| - Rate of price inflation | 3.0 |

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

| | <i>Males</i> | <i>Females</i> |
|----------------|---|---|
| | <i>Assumed life expectancy in years at age 65</i> | <i>Assumed life expectancy in years at age 65</i> |
| Non-pensioners | 18.1 | 20.6 |
| Pensioners | 18.1 | 20.6 |

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation Results

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

| <i>Benefit Structure</i> | <i>Long-term joint contribution rate (% of pensionable)</i> |
|--------------------------|---|
| Final salary - 60ths | 19.2 |
| Career average 60ths | 17.1 |
| Career average 70ths | 14.9 |
| Career average 80ths | 13.2 |
| Career average 120ths | 9.4 |

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 £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

As a result of Pension Scheme legislation 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 buyout 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 currently participating 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.

The Association has been informed by the Scheme that its estimated potential employer's debt at 30th September 2010, should it leave the scheme, is around £2.3million. This figure is an illustration and the amount payable would only become apparent once the Association has left the scheme. As, at the balance sheet date, the Association has no plans to leave the scheme, no provision has been made in the financial statements for this amount.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Strathclyde Pension Scheme

Defined Benefit Scheme

The Association operates a defined benefit scheme as an admitted body under the Strathclyde Pension Fund, the assets of which are held in a separate trustee administered fund.

The Association became an admitted body in this scheme by virtue of the second stage transfers that took place on 29 March 2011. No costs were incurred in the period to 31 March 2011.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

At the balance sheet date, there were 2 active members of the scheme employed by the Association. Total pension contributions made by the Association for the year were £0. This includes £0 of outstanding contributions at the balance sheet date. Gross pensionable salaries for the year were £0.

The following figures are prepared by the Actuaries in accordance with their understanding of Financial Reporting Standard 17 - 'Retirement Benefits' (FRS 17) and Guidance Note 36: Accounting for Retirement Benefits under Financial Reporting Standard 17 issued by the Institute and Faculty of Actuaries.

Following an amendment to FRS 17 during the year, the basis of measurement of quoted securities changed from mid-market value to current price. Accordingly, the fair value of assets at 31 March 2009 has been measured at current bid price.

Principal Actuarial Assumptions

| Assumptions as at | 2011 %p.a. |
|---------------------------|---------------|
| Price increases | 2.8 |
| Salary increases | 5.1 |
| Expected return on assets | 6.9 |
| Discount rate | 5.5 |

The defined benefit obligation is estimated to comprise of the following:

| | 2011 £ |
|---------------------|-----------------|
| Employee members | 1,318,000 |
| Deferred pensioners | - |
| Pensioners | - |
| | <hr/> 1,318,000 |

| Net Pension Liability | 2011 £ |
|-------------------------------------|----------------|
| Fair value of employer's assets | 1,269,500 |
| Present value of scheme liabilities | (1,318,000) |
| | <hr/> (48,500) |

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Analysis of amount charged to the Income and Expenditure Account

| | 2011 £ |
|---|-----------|
| Charged to operating costs: | |
| Service cost | - |
| Past service cost | - |
| | <u>-</u> |
| Charged to Other Finance Costs / (Income) | |
| Expected Return on employer assets | - |
| Interest on pension scheme liabilities | - |
| | <u>-</u> |
| Net Charge to the Income and Expenditure Account | <u>-</u> |
| Actual Return on Plan Assets | <u>-</u> |

Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period as follows:

| Asset Class | 2011 % p.a. |
|-------------|----------------|
| Equities | 7.5 |
| Bonds | 4.9 |
| Property | 5.5 |
| Cash | 4.6 |

Other Assumptions

Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males (Years) | Females (Years) |
|--------------------|------------------|--------------------|
| Current Pensioners | 20.6 | 20.6 |
| Future Pensioners | 22.6 | 22.6 |

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. EMPLOYER MEMBERSHIP STATISTICS

| Employer membership statistics | 2011 (Number) |
|---------------------------------------|--------------------------|
| Actives | 15 |
| Deferreds | - |
| Pensioners | - |

Fair Value of employer assets

| | 2011 £ |
|---------------------------------------|-------------------|
| Opening fair value of employer assets | 1,269,500 |
| Expected Return on Assets | - |
| Contributions by Members | - |
| Contributions by the Employer | - |
| Actuarial Gains / (Losses) | - |

| | |
|--|------------------|
| Closing fair value of employer assets | 1,269,500 |
|--|------------------|

Fair value of scheme assets by category

| | 2011 £ |
|----------|-------------------|
| Equities | 977,000 |
| Bonds | 165,000 |
| Property | 76,000 |
| Cash | 51,500 |
| | 1,269,500 |

Reconciliation of defined benefit obligations

| | 2011 £ |
|------------------------------------|-------------------|
| Opening defined benefit obligation | 1,317,000 |
| Current Service Cost | - |
| Interest Cost | - |
| Contributions by members | - |
| Actuarial Losses/(Gains) | - |
| Past service costs | - |
| Estimated Benefits Paid | - |
| | 1,317,000 |

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Analysis of projected amount to be charged to the Income & Expenditure Account for the year ended 31 March 2012

| | £ | % of pay |
|---|--------------|-----------------|
| Projected current service cost | 1,000 | 21.9 |
| Interest on obligation | 1,000 | 20.0 |
| Expected return on plan assets | (1,000) | (23.3) |
| Past service costs | - | - |
| Losses / (Gain) on curtailments and settlements | - | - |
| | <u>1,000</u> | <u>19</u> |

Contributions made by the Association for the year ended 31 March 2012 are estimated to be approximately £11,000.

Amounts for the current and previous accounting periods:

| | 2011 |
|--|-------------|
| | £ |
| Fair value of employer assets | 1,269,500 |
| Present value of defined benefit obligations | (1,318,000) |
| (Deficit) / Surplus | (48,500) |
| Experience (losses) / Gains on assets | - |
| Experience gains / (losses) on liabilities | - |

Actuarial Gain / (Loss) recognised in the Statement of Recognised Gains and Losses

| | 2011 |
|--|-------------|
| | £ |
| Actuarial gain / (loss) recognised in year | 117,000 |
| Cumulative actuarial gains | 117,000 |