

**Southside Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2012**

**Registered Housing Association No.HCB186**

**FSA Reference No. 1694R(S)**

**Scottish Charity No. SC036009**

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## CONTENTS

	<b>Page</b>
MEMBERS OF THE COMMITTEE OF MANAGEMENT EXECUTIVES AND ADVISERS	1
REPORT OF THE COMMITTEE OF MANAGEMENT	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	5
REPORT OF THE AUDITORS	6
INCOME AND EXPENDITURE ACCOUNT	8
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	8
BALANCE SHEET	9
CASH FLOW STATEMENT	10
NOTES TO THE FINANCIAL STATEMENTS	11

**SOUTHSIDE HOUSING ASSOCIATION LIMITED**

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**COMMITTEE OF MANAGEMENT, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2012**

**COMMITTEE OF MANAGEMENT**

Betty MacNeill	Chairperson
Abbas Abid	Vice Chairperson
Iain Dyer	Secretary
Shahida Zafar	
Kenneth Ross	
Gordon Anderson	resigned August 2011
Hanif Mirza	
Samina Shariff	resigned August 2011
Alison MacNeill	
Gordon Gunn	resigned August 2011
Anne Lyness	
Margaret McIntyre	
Dorothy Murray	
Alan Ferguson	
Cllr Alistair Watson	
Michael Graham	resigned August 2011
Jimmy Hobbin	
Surjit Singh Chowdhary	

**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

**SOLICITORS**

Tods Murray WS  
33 Bothwell Street  
Glasgow  
G2 6NL

**FINANCE AGENT**

FMD Financial Services Limited  
KCEDG Commercial Centre  
Unit 29  
Ladyloan Place  
Glasgow

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**REPORT OF THE COMMITTEE OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2012**

The Committee of Management presents its report and the Financial Statements for the year ended 31st March 2012.

**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 £1,504,934 (2011:- £501,941).

The key development in the year was the third and final tranche of Second Stage Transfer. The Association had acquired 1033 houses for rent from GHA in March 2011 and this was recorded in last year's accounts. In June 2011 the Association acquired a further 424 properties from GHA in Halfway. These properties had a negative value and attracted a dowry of £17,333, 391.

The average rent increase applied for the year was 2.2%. Although the Association has a financially planning assumption of rent increases linked to RPI and uses a ceiling of RPI +1%, the exceptional financial pressures on household income prompted a below inflation increase. The Association is particularly pleased with its efforts in recent year to keep any rent increases to a minimum.

The Association's programme of new house building has slowed, reflecting the downturn in capital grant allocations from Central Government. The Association had only one project on site this year, a small in-fill development of 7 units at Tantallon Road. A larger, planned project at Manse Brae for over 40 units failed to gain planning permission and has had to undergo a re-design and re-submission. Through its factoring subsidiary, the Association is supporting residents of 109 Allison Street tackle major structural works to their tenement.

There have been no Mortgage to Rent purchases this year. Although we have had a number of cases referred to us by the Scottish Government, the physical quality of the properties was felt to be too poor. There were four transactions in our shared ownership stock: - one property "tranching up" 50% to full ownership, one tranche of 25% was sold, one property was bought back and is available for re-sale as shared ownership, and one shared ownership was bought outright and retained for rent.

The Association's Housing Management performance has dipped this year following Second Stage Transfer. This was an understandable response to the massive organisational change which saw the Association expand rapidly from March to June 2011. Re-let times have slowed, void rent loss has increased and rent arrears have increased. There was considerable delay in the transfer of rent account data from GHA which partially explains the jump in arrears. It is the Association's intention to bring performance levels back to their normal historic levels in the coming two years.

The Association's Housing Support Services were inspected by the Care Inspectorate during this year and the Association was delighted to receive excellent awards in the subsequent assessment.

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**REPORT OF THE COMMITTEE OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2012**

**Committee of Management 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.

**Statement of Committee of Management'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.

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REPORT OF THE COMMITTEE OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2012

**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 mis-statement 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.

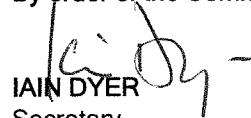
**Donations**

During the year the Association made charitable donations amounting to £2,115 (2011 £1,837).

**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  
28th June 2012

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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 4 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 4 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  
28th June 2012

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

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We have audited the financial statements of Southside Housing Association Limited for the year ended 31st March 2012 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. 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 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

### **Respective Responsibilities of Committee of Management and Auditors**

As explained more fully in the Statement of Committee of Management's Responsibilities the Association's Committee of Management, are responsible for the preparation of the Financial Statements that 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 on the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2012 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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.

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

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

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.



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

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**Matters on which we are required to report by exception (contd.)**

- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
28th June 2012

## SOUTHSIDE HOUSING ASSOCIATION LIMITED

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012

	Notes	2012 £	Restated 2011 £
<b>TURNOVER</b>	2.	8,721,372	3,662,964
Operating Costs	2.	(7,216,438)	(3,161,023)
<b>OPERATING SURPLUS</b>	9.	1,504,934	501,941
Gain On Sale Of Housing Stock	7.	36,191	-
Release of Negative Goodwill	24.	17,484,677	20,077,132
Interest Receivable and Other Income		709,924	8,339
Interest Payable and Similar Charges	8.	(213,229)	(166,998)
Other Finance Income / (Costs)	28.	23,000	-
		<u>18,040,563</u>	<u>19,918,473</u>
<b>SURPLUS FOR YEAR</b>		<u>19,545,497</u>	<u>20,420,414</u>

All amounts relate to continuing activities.

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012 £	Restated 2011 £
Surplus for the financial year	19,545,497	20,420,414
Actuarial Gain / (Loss) in the year	(159,000)	-
Prior year adjustment (as explained in Note 27)	<u>1,186,904</u>	<u>-</u>
<b>Total gains recognised since last annual report</b>	<u>20,573,401</u>	<u>20,420,414</u>

**SOUTHSIDE HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET AS AT 31st MARCH 2012**

	Notes	2012	Restated
		£	2011
		£	£
<b>TANGIBLE FIXED ASSETS</b>			
Housing Properties - Depreciated Cost	11.(a)	63,643,076	61,302,644
Less: Social Housing Grant	11.(a)	(47,240,370)	(46,516,253)
		<u>16,402,706</u>	<u>14,786,391</u>
Other fixed assets	11.(b)	346,469	335,920
		<u>16,749,175</u>	<u>15,122,311</u>
Negative Goodwill	24	(5,553,689)	(4,867,049)
<b>FIXED ASSET INVESTMENTS</b>			
Investment in subsidiaries	22.	1	1
Shared Equity Cost	22.	1,016,005	692,380
Shared Equity Grant	22.	(1,016,005)	(692,380)
		<u>-</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Debtors	14.	1,288,670	911,842
Development Cost of Housing Property	23.	59,405	925,485
Investments	25.	35,000,000	-
Cash at bank and in hand		3,687,858	21,927,749
		<u>40,035,933</u>	<u>23,765,076</u>
<b>CREDITORS: Amounts falling due within one year</b>	15.	(3,752,526)	(2,498,493)
<b>NET CURRENT ASSETS</b>		<u>36,283,407</u>	<u>21,266,583</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		47,478,894	31,521,846
<b>CREDITORS: Amounts falling due after more than one year</b>	16.	(4,301,000)	(7,893,457)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Pension Liability (Strathclyde Pension Scheme)	28.	(199,000)	(48,500)
		<u>(199,000)</u>	<u>(48,500)</u>
<b>NET ASSETS</b>		<u>42,978,894</u>	<u>23,579,889</u>
<b>CAPITAL AND RESERVES</b>			
Share Capital	18.	301	293
Designated Reserves	19.(a)	38,862,067	21,528,676
Pension Reserve	19.(c)	(199,000)	(48,500)
Revenue Reserves	19.(b)	4,315,526	2,099,420
		<u>42,978,894</u>	<u>23,579,889</u>

The Financial Statements were approved by the Committee of Management and signed on their behalf on 28th June 2012.

Chairperson

Vice-Chairperson

Secretary

E. Macneil

**SOUTHSIDE HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2012**

	Notes	2012 £	restated 2011 £
<b>Net Cash Inflow / (Outflow) from Operating Activities</b>	17.	4,712,753	(455,967)
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		197,061	8,339
Interest Paid		(213,407)	(202,072)
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		(16,346)	(193,733)
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(2,125,536)	(3,203,437)
Purchase of Other Fixed Assets		(43,090)	(20,979)
Social Housing Grant Received		851,215	1,860,510
Social Housing Grant Repaid		(91,711)	-
Proceeds on Disposal of Properties		130,864	-
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		(1,278,258)	(1,363,906)
<b>Net Cash Inflow / (Outflow) before use of Liquid Resources and Financing</b>		3,418,149	(2,013,606)
<b>Management of Liquid Resources</b>			
Movement in Liquid Resources		(35,000,000)	-
<b>Acquisition and Disposals</b>			
Consideration received on acquisition		17,333,391	20,077,132
<b>Financing</b>			
Loan Advances Received		-	3,024,968
Loan Principal Repayments		(3,991,449)	(412,893)
Share Capital Issued		18	17
<b>Net Cash (Outflow) / Inflow from Financing</b>		(3,991,431)	2,612,092
<b>(Decrease) / Increase in Cash</b>	17.	(18,239,891)	20,675,618

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### 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 2010, 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

##### **Valuation Of Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Windows	30 years
Kitchens	15 years
Bathroom	20 years
Central Heating	20 years
Boilers	15 years
Rewiring	25 years
Lift Installation	25 years
Structure	50 years

##### **Retirement Benefits**

The Association participates in the Scottish Housing Association 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.

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. The difference between the fair value of the assets held in the scheme and the liabilities measured on an actuarial basis using the projected unit method as recognised in the balance sheet as a pension liability.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **Retirement Benefits (Contd.)**

The Association also operates a defined contribution scheme. Contributions to this scheme are charged to income & expenditure account in the period they are due.

##### **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%
Office Equipment	- 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 attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

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.

##### **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

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **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 SST Reserve is the amount set aside to cover commitments under second stage transfers from Glasgow Housing Association in 2011 and 2012.

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.

##### **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.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2012			2011		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Restated Operating Surplus / (Deficit) £
Social Lettings	3.	7,614,450	6,196,321	1,418,129	2,459,016	1,984,599	474,417
Other Activities	4.	1,106,922	1,020,117	86,805	1,203,948	1,176,424	27,524
<b>Total</b>		<b>8,721,372</b>	<b>7,216,438</b>	<b>1,504,934</b>	<b>3,662,964</b>	<b>3,161,023</b>	<b>501,941</b>

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	2012			Restated 2011	
	General Needs Housing £	Supported Housing £	Shared ownership £	2012 Total £	2011 Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	6,578,044	511,185	131,748	7,220,977	2,182,942
Service Charges Receivable	295,765	127,064	29,025	451,854	292,897
<b>Gross Rents Receivable</b>	<b>6,873,809</b>	<b>638,249</b>	<b>160,773</b>	<b>7,672,831</b>	<b>2,475,839</b>
Less: Rent losses from voids	53,169	2,616	2,596	58,381	16,823
<b>Net Rents Receivable</b>	<b>6,820,640</b>	<b>635,633</b>	<b>158,177</b>	<b>7,614,450</b>	<b>2,459,016</b>
Revenue Grants from Scottish Ministers	-	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-	-
<b>Total Income From Social Letting</b>	<b>6,820,640</b>	<b>635,633</b>	<b>158,177</b>	<b>7,614,450</b>	<b>2,459,016</b>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	1,471,624	114,361	29,474	1,615,459	203,503
Management and maintenance administration costs	1,801,265	138,890	35,796	1,975,951	750,970
Reactive Maintenance	824,119	62,785	-	886,904	380,102
Bad Debts - Rents and Service Charges	145,361	-	-	145,361	82,066
Planned and Cyclical Maintenance, including Major Repairs	951,582	147,040	-	1,098,622	166,630
Depreciation of Social Housing	450,199	-	23,825	474,024	401,328
Impairment of Housing	-	-	-	-	-
<b>Operating Costs of Social Letting</b>	<b>5,644,150</b>	<b>463,076</b>	<b>89,095</b>	<b>6,196,321</b>	<b>1,984,599</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>1,176,490</b>	<b>172,557</b>	<b>69,082</b>	<b>1,418,129</b>	<b>474,417</b>
<b>2011 (as restated)</b>	<b>271,889</b>	<b>115,055</b>	<b>87,473</b>		



# SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2012	Operating Surplus / (Deficit) 2011
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	-	-	-	1,105	(1,105)	-
Care and Repair of Property	-	202,145	-	-	202,145	-	138,923	63,222	(8,334)
Development and construction of property activities	44,909	-	-	-	44,909	-	163,843	(118,934)	(16,543)
Support Activities	-	-	178,745	-	178,745	-	141,949	36,796	(22,894)
Seedcorn Grant for SST Set up costs	-	-	-	76,205	76,205	-	72,141	4,064	(8,729)
Property Sales	-	-	-	476,375	476,375	-	476,375	-	-
Other Income	-	-	-	88,249	88,249	-	-	88,249	26,299
Services - Other Owners	-	-	-	25,781	25,781	-	25,781	-	10,062
Commercial Rents	-	-	-	14,513	14,513	-	-	14,513	47,663
<b>Total From Other Activities</b>	<b>44,909</b>	<b>202,145</b>	<b>178,745</b>	<b>681,123</b>	<b>1,106,922</b>	<b>-</b>	<b>1,020,117</b>	<b>86,805</b>	<b>27,524</b>
<b>2011</b>	<b>110,568</b>	<b>251,031</b>	<b>187,895</b>	<b>654,454</b>	<b>1,203,948</b>	<b>-</b>	<b>1,176,424</b>	<b>27,524</b>	

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

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.	2012	2011
	£	£

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>68,987</u>	<u>66,082</u>
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Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>5,088</u>	<u>4,870</u>
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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
£60,001 to £70,000	1	1

#### 6. EMPLOYEE INFORMATION

	2012	2011
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>68</u>	<u>26</u>

The average total number of Employees employed during the year was	<u>75</u>	<u>31</u>
--	-----------	-----------

Staff Costs were:	£	£
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Wages and Salaries	1,714,726	686,501
Social Security Costs	150,210	54,327
Other Pension Costs	192,102	80,738
Temporary, Agency and Seconded Staff	36,594	30,506
	<u>2,093,632</u>	<u>852,072</u>

## SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. GAIN ON SALE OF HOUSING STOCK

	2012	2011
	£	£
Sales Proceeds	130,864	-
Cost of Sales	94,673	-
Gain On Sale Of Housing Stock	<u>36,191</u>	<u>-</u>

### 8. INTEREST PAYABLE

	2012	2011
	£	£
On Bank Loans & Overdrafts	154,070	146,089
On Other Loans	59,159	61,261
	<u>213,229</u>	<u>207,350</u>
Less: Interest Capitalised	-	40,352
	<u>213,229</u>	<u>166,998</u>

### 9. SURPLUS FOR YEAR

	2012	2011
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	500,741	417,711
Auditors' Remuneration - Audit Services	7,500	6,000
- Other Services	8,340	1,450
Operating Lease Rentals - Other	-	4,313
	<u>-</u>	<u>4,313</u>

### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
<b>COST</b>				
As at 1st April 2011- restated	55,381,783	2,501,465	6,130,981	64,014,229
Additions	1,230,178	1,635,547	-	2,865,725
Disposals	(39,023)	-	(29,757)	(68,780)
Schemes Completed	-	-	-	-
As at 31st March 2012	<u>56,572,938</u>	<u>4,137,012</u>	<u>6,101,224</u>	<u>66,811,174</u>
<b>DEPRECIATION</b>				
As at 1st April 2011- restated	2,512,628	-	198,957	2,711,585
Charge for Year	444,375	-	23,825	468,200
Disposals	(10,021)	-	(1,666)	(11,687)
As at 31st March 2012	<u>2,946,982</u>	<u>-</u>	<u>221,116</u>	<u>3,168,098</u>
<b>SOCIAL HOUSING GRANT</b>				
As at 1st April 2011- restated	39,269,707	2,508,729	4,737,817	46,516,253
Additions	330,915	447,333	-	778,248
Disposals	(29,002)	-	(25,129)	(54,131)
Schemes Completed	-	-	-	-
As at 31st March 2012	<u>39,571,620</u>	<u>2,956,062</u>	<u>4,712,688</u>	<u>47,240,370</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2012	<u>14,054,336</u>	<u>1,180,950</u>	<u>1,167,420</u>	<u>16,402,706</u>
As at 31st March 2011	<u>13,599,448</u>	<u>(7,264)</u>	<u>1,194,207</u>	<u>14,786,391</u>

Additions to housing properties includes capitalised development administration costs of £nil (2011 - £62448) and capitalised major repair costs to existing properties of £215,719 (2011 £nil)

All land and housing properties are freehold.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Commerical Property £	Motor Vehicles £	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>					
As at 1st April 2011- restated	422,206	20,957	137,001	305,948	886,112
Additions	-	13,208	-	29,882	43,090
Eliminated on Disposals	-	-	-	-	-
As at 31st March 2012	<u>422,206</u>	<u>34,165</u>	<u>137,001</u>	<u>335,830</u>	<u>929,202</u>
<b>GRANTS RECEIVED</b>					
As at 1st April 2011- restated	131,021	-	-	-	131,021
Received in year	-	-	-	-	-
Repaid on Disposal	-	-	-	-	-
As at 31st March 2012	<u>131,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,021</u>
<b>AGGREGATE DEPRECIATION</b>					
As at 1st April 2011- restated	64,061	12,192	53,150	289,768	419,171
Charge for year	5,824	4,833	2,740	19,144	32,541
Eliminated on disposal	-	-	-	-	-
As at 31st March 2012	<u>69,885</u>	<u>17,025</u>	<u>55,890</u>	<u>308,912</u>	<u>451,712</u>
<b>NET BOOK VALUE</b>					
As at 31st March 2012	<u>221,300</u>	<u>17,140</u>	<u>81,111</u>	<u>26,918</u>	<u>346,469</u>
As at 31st March 2011	<u>227,124</u>	<u>8,765</u>	<u>83,851</u>	<u>16,180</u>	<u>335,920</u>

#### 12. CAPITAL COMMITMENTS

	2012 £	2011 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>3,065,309</u>	<u>556,777</u>

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

#### 13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2012 £	2011 £
Other		
Expiring between two and five years	<u>9,365</u>	<u>8,626</u>

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14. DEBTORS

	2012	2011
	£	£
Arrears of Rent & Service Charges	529,304	333,569
Less: Provision for Doubtful Debts	(292,072)	(168,256)
	<u>237,232</u>	<u>165,313</u>
Social Housing Grant Receivable	66,562	130,683
Other Debtors	817,391	436,268
Amounts Due from Group Undertakings	167,485	179,578
	<u>1,288,670</u>	<u>911,842</u>

Included in Amounts Due for Group Undertakings (Southside Factoring & Related Services Ltd) is £108,752 (2011 - £154,885) which is due for repayment in more than one year.

## 15. CREDITORS: Amounts falling due within one year

	2012	2011
	£	£
Housing Loans	924,035	1,323,027
Trade Creditors	658,800	439,002
Rent in Advance	225,322	132,216
Social Housing Grant in Advance	264,041	255,195
Other Creditors	374,828	-
Accruals and Deferred Income	1,305,500	349,053
	<u>3,752,526</u>	<u>2,498,493</u>

At the balance sheet date there were pension contributions outstanding of £23612 (2011 £nil)

## 16. CREDITORS: Amounts falling due after more than one year

	2012	2011
	£	£
Housing Loans	4,301,000	7,893,457
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	924,035	1,323,027
Between one and two years	225,123	299,490
Between two and five years	673,884	884,700
In five years or more	3,401,993	6,709,267
	<u>5,225,035</u>	<u>9,216,484</u>
Less: Amount shown in Current Liabilities	924,035	1,323,027
	<u>4,301,000</u>	<u>7,893,457</u>

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow / (outflow) from operating activities</i>	2012 £	Restated 2011 £
Operating Surplus	1,504,934	501,941
Depreciation	500,741	168,361
Change in properties developed for resale	866,080	(847,610)
Change in Debtors	94,914	8,333
Change in Creditors	1,742,094	(286,985)
FRS 17 adjustment to pension costs	4,000	-
Share Capital Written Off	(10)	(7)
Net Cash Inflow / (Outflow) from Operating Activities	<u>4,712,753</u>	<u>(455,967)</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2012 £	2011 £	2011 £	2011 £
(Decrease) / Increase in Cash	(18,239,891)	20,675,618		
Cash flow from management of liquid resources	35,000,000	-		
Cash flow from change in debt	3,991,449	(2,612,075)		
Movement in net debt during year		20,751,558		18,063,543
Net debt at 1st April 2011		12,711,265		(5,768,258)
Net debt at 31st March 2012		<u>33,462,823</u>		<u>12,295,285</u>

<i>Analysis of changes in net debt</i>	At 01.04.11 £	Cash Flows £	Other Changes £	At 31.03.12 £
Cash at bank and in hand	21,927,749	(18,239,891)		3,687,858
Bank Overdrafts	-	-		-
Liquid Resources	21,927,749	(18,239,891)		3,687,858
Debt: Due within one year	-	(35,000,000)		35,000,000
Due after more than one year	(1,323,027)	398,992		(924,035)
	(7,893,457)	3,592,457		(4,301,000)
Net Debt	<u>12,711,265</u>	<u>(49,248,442)</u>	-	<u>33,462,823</u>

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18. SHARE CAPITAL

<b>Shares of £1 each Issued and Fully Paid</b>	<b>£</b>
At 1st April 2011	293
Issued in year	18
Cancelled in year	<u>(10)</u>
At 31st March 2012	<u>301</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.

#### 19. RESERVES

<b>(a) Designated Reserves</b>		<b>Major</b>	
	<b>SST</b>	<b>Repairs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1st April 2011	20,077,132	1,451,544	21,528,676
Transfer to / (from) Revenue Reserves	<u>17,333,391</u>	<u>-</u>	<u>17,333,391</u>
At 31st March 2012	<u>37,410,523</u>	<u>1,451,544</u>	<u>38,862,067</u>

<b>(b) Revenue Reserves</b>	<b>Total</b>
	<b>£</b>
At 1st April 2011 (As restated)	2,099,420
Surplus for the year	19,545,497
Transfer (to) / from Pension Reserve	4,000
Transfer (to) / from Designated Reserves	<u>(17,333,391)</u>
At 31st March 2012	<u>4,315,526</u>

<b>(c) Pension Reserve (Strathclyde Pension Scheme)</b>	<b>Total</b>
	<b>£</b>
At 1st April 2011	(48,500)
Pension Liability Acquired in Year	12,500
Actuarial Gains / (Losses)	(159,000)
Transfer (to) / from Revenue Reserves	<u>(4,000)</u>
At 31st March 2012	<u>(199,000)</u>

#### 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	<b>2012</b>	<b>2011</b>
	<b>No.</b>	<b>No.</b>
General Needs - New Build	125	118
- Rehabilitation	1,809	1,369
Shared Ownership	74	75
Supported Housing	<u>129</u>	<u>126</u>
	<u>2,137</u>	<u>1,688</u>



# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 21. RELATED PARTY TRANSACTIONS

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

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. 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:

	2012	2011
	£	£
<b>Loan to Southside Factoring &amp; Related Services</b>		
Balance as at 1st April 2011	(179,578)	(245,017)
Loans advanced in year	-	(115,358)
Interest Received	(1,260)	-
Amounts Repaid in year	13,353	180,797
Balance as at 31st March 2012	<u>(167,485)</u>	<u>(179,578)</u>

#### 22. FIXED ASSET INVESTMENT

	2012	2011
	£	£
<b>Shared Equity Properties</b>		
Development Cost of Shared Equity Property	1,016,005	692,380
Less: Grants Receivable	<u>1,016,005</u>	<u>692,380</u>
	-	-
<b>Investments in Subsidiaries</b>		
As at 31st March 2012 & 31st March 2011	<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 both parties.

The aggregate amount of capital and reserves and the results of Southside Factoring & Related Services Ltd for the year ended 31st March 2012 were as follows:

	2012	2011
	£	£
Capital & Reserves	<u>(9,097)</u>	<u>(77,034)</u>
Profit for the year	<u>67,936</u>	<u>4,752</u>

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 23. DEVELOPMENT COST OF HOUSING PROPERTY

	2012 £	2011 £
<b>Properties Held for Resale</b>		
In the course of construction	-	-
Completed Properties Unsold	59,405	925,485
	<u>59,405</u>	<u>925,485</u>
Less: Grants Received from Scottish Ministers	-	-
	<u>59,405</u>	<u>925,485</u>

#### 24. NEGATIVE GOODWILL

	2012 £	2011 £
Balance as at 1st April 2011	4,867,049	-
Arising on Acquisition in the year (note 26)	18,171,317	24,944,181
Release during the year	(17,484,677)	(20,077,132)
	<u>5,553,689</u>	<u>4,867,049</u>

#### 25. CURRENT ASSET INVESTMENTS

	2012 £	2011 £
Short Term Deposits	<u>35,000,000</u>	<u>-</u>

## SOUTHSIDE HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 26. SECOND STAGE TRANSFER

On 27 June 2012 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 442 housing units that were managed by Halfway. 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	801,000 a)	-	801,000
Rent Arrears	86,031 b) c)	( 36,105)	49,926
Pension Liability	( 13,000) d)	-	( 13,000)
	<u>874,031</u>	<u>( 36,105)</u>	<u>837,926</u>
Consideration received from GHA - at fair value			( 17,333,391)
<b>Negative Goodwill Arising on Acquisition</b>			<u>18,171,317</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 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 27 PRIOR YEAR ADJUSTMENT

During the year, the Association changed its accounting policy in relation to housing properties and depreciation, as detailed in Note 1 of the Financial Statements, in order to incorporate component accounting. Major repairs which relate to identified components are capitalised, with major components being depreciated over the estimated useful economic lives of each identified component.

As a result of the change in accounting policy, a prior year adjustment has been required under Financial Reporting Standard 3 - Reporting Financial Performance and Financial Reporting Standard 18 - Accounting Policies, as follows:

	£
Increase / (Decrease) in Net Book Value of Housing Properties	1,158,842

The effect of adopting component accounting has been to increase / decrease reserves as at 1 April 2010 by £1186904.

The figures in the 2011 Financial Statements have been adjusted as follows:

	Reported in 2011 Accounts £	Restated 2011 figures £
Housing Property	13,563,488	14,722,330
Office Premises	83,851	83,851
Revenue Reserves	940,578	2,099,420
	<u>                    </u>	<u>                    </u>
Housing Depreciation Charge	151,978	401,328
Major Repairs Charge	387,918	166,630
	<u>                    </u>	<u>                    </u>

The reported surplus in 2011 has been restated by £28062 and now stands at £20420414

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### **28. RETIREMENT BENEFIT OBLIGATIONS**

##### **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 final salary with a CARE 1/120th accrual rate benefit structure for both active members and new entrants from 1 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.

Housing Association Limited. The annual pensionable payroll in respect of these members was £527742. 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.

The Association has been informed by the Scheme that its estimated potential employer's debt at 30th September 2011, should it leave the scheme, is around £2.7m. This figure is an illustration and the amount payable would only become apparent once the Association 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 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 28. RETIREMENT BENEFIT OBLIGATIONS (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 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%.

#### 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.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 28. RETIREMENT BENEFIT OBLIGATIONS (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.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 28. RETIREMENT BENEFIT OBLIGATIONS (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 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 16 active members of the scheme employed by the Association. Total pension contributions made by the Association for the year were £114354. This includes £10171 of outstanding contributions at the balance sheet date. Gross pensionable salaries for the year were £628028.

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.

##### Principal Actuarial Assumptions

Assumptions as at 31st March	2012	2011
	%p.a.	%p.a.
Price increases	2.5	2.8
Salary increases	4.8	5.1
Expected return on assets	5.8	6.9
Discount rate	4.8	5.5

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

	2012	2011
	£	£
Employee members	2,391,000	1,318,000
Deferred pensioners	-	-
Pensioners	-	-
	<u>2,391,000</u>	<u>1,318,000</u>
<b>Net Pension Liability</b>	<b>2012</b>	<b>2011</b>
	£	£
Fair value of employer's assets	2,192,000	1,269,500
Present value of scheme liabilities	2,391,000	1,318,000
	<u>(199,000)</u>	<u>(48,500)</u>



## SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 28. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Analysis of amount charged to the Income and Expenditure Account

	2012 £	2011 £
Charged to operating costs:		
Service cost	115,000	-
Past service cost	13,000	-
	<u>128,000</u>	<u>-</u>
Charged to Other Finance Costs / (Income)		
Expected Return on employer assets	(131,000)	-
Interest on pension scheme liabilities	108,000	-
	<u>(23,000)</u>	<u>-</u>
<b>Net Charge to the Income and Expenditure Account</b>	<u>105,000</u>	<u>-</u>
<b>Actual Return on Plan Assets</b>	<u>47,000</u>	<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	2012 % p.a.	2011 % p.a.
Equities	6.3	7.5
Bonds	3.9	4.9
Property	4.4	5.5
Cash	3.5	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	21.0	23.4
Future Pensioners	23.3	25.3

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 28. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Employer membership statistics	2012	2011
	(Number)	(Number)
Actives	24	15
Deferreds	-	-
Pensioners	-	-
<b>Fair Value of employer assets</b>	<b>2012</b>	<b>2011</b>
	£	£
Opening fair value of employer assets	1,269,000	1,269,000
Expected Return on Assets	131,000	-
Contributions by Members	34,000	-
Contributions by the Employer	114,000	-
Contributions in respect of unfunded	-	-
Actuarial Gains / (Losses)	(94,000)	-
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	742,000	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(4,000)	-
	<u>2,192,000</u>	<u>1,269,000</u>
<b>Closing fair value of employer assets</b>	<b>2,192,000</b>	<b>1,269,000</b>
<b>Fair value of scheme assets by category</b>	<b>2012</b>	<b>2011</b>
	£	£
Equities	1,688,000	977,000
Bonds	241,000	165,000
Property	153,000	76,000
Cash	110,000	51,500
	<u>2,192,000</u>	<u>1,269,500</u>
<b>Reconciliation of defined benefit obligations</b>	<b>2012</b>	<b>2011</b>
	£	£
Opening defined benefit obligation	1,318,000	1,318,000
Current Service Cost	115,000	-
Interest Cost	108,000	-
Contributions by members	34,000	-
Actuarial Losses/(Gains)	65,000	-
Past service costs	(4,000)	-
Estimated Benefits Paid	-	-
	<u>1,636,000</u>	<u>1,318,000</u>

## SOUTHSIDE HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 28. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Analysis of projected amount to be charged to the Income & Expenditure Account for the year ended 31 March 2013

	£	% of pay
Projected current service cost	135,000	23
Interest on obligation	117,000	20
Expected return on plan assets	(130,000)	(22)
Past service costs	-	-
Losses / (Gain) on curtailments and settlements	-	-
	<u>122,000</u>	<u>21</u>

Contributions made by the Association for the year ended 31 March 2013 are estimated to be approximately £151000.

Amounts for the current and previous accounting periods:

	2012	2011
	£	£
Fair value of employer assets	2,192,000	1,269,500
Present value of defined benefit obligations	(2,391,000)	1,318,000
(Deficit) / Surplus	(199,000)	(48,500)
Experience (losses) / Gains on assets	(94,000)	-
Experience gains / (losses) on liabilities	11,000	-

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

	2012	2011
	£	£
Actuarial gain / (loss) recognised in year	(159,000)	117,000
Cumulative actuarial gains	(42,000)	117,000