

Southside Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2013

Registered Housing Association No.HCB186

FCA Reference No. 1694R(S)

Scottish Charity No. SC036009

SOUTHSIDE HOUSING ASSOCIATION LIMITED

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SOUTHSIDE HOUSING ASSOCIATION LIMITED

**COMMITTEE OF MANAGEMENT, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2013**

COMMITTEE OF MANAGEMENT

Dorothy Murray	Chairperson
Margaret McIntyre	Vice Chairperson
Iain Dyer	Secretary
Betty MacNeill	
Abbas Abid	
Kenneth Ross	
Alison MacNeill	
Surjit Singh Chowdhary	
Alan Ferguson	
Hanif Mirza	
Anne Lyness	(resigned April 2013)
Cllr Alistair Watson	(resigned October 2012)
Jimmy Hobbin	(resigned August 2012)
Shahida Zafar	(resigned August 2012)

EXECUTIVE OFFICERS

Patrick McGrath	Director
Marilyn Beveridge	Head of Housing Services
Norma Taylor	Supporting Services Manager
Mandy Wright	Head of Finance

REGISTERED OFFICE

135 Fifty Pitches Road
Glasgow
G51 4EB

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 Commerical Centre
Unit 29
Ladyloan Place
Glasgow

REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2013

The Committee of Management presents its report and the Financial Statements for the year ended 31st March 2013.

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 £1,656,884 (2012 - £1,504,934).

Last year was the first full year of ownership of all the Second Stage Transfer properties, the last transfer at Halfway having occurred in June 2011. Consequently the challenge for the Association has been to consolidate this huge organisational change and to meet all the commitments made to tenants.

From a governance perspective, the Association's Management Committee undertook a critical appraisal of its role and effectiveness using outside consultants. Given the importance of this work, the Association did not seek to actively recruit Committee Members to any vacancies that occurred during the year. This has allowed the Management Committee to appraise its strengths and to plan recruitment from an informed and considered perspective. The Association continues to delegate much of the operational oversight of its landlord role to three Neighbourhood Committees at Pollokshields, Cardonald and Halfway. In addition the Association's subsidiary, Southside Factoring and Related Services Limited (SFARS) continues to control its factoring activities. The Board of SFARS and the Management Committee of Southside Housing Association Limited met in September 2012 to review relationships and to agree an expansion of the SFARS role to include mid-market rents.

Performance in the Association's regulated landlord role has steadily improved throughout the year, reflecting the consolidation work that has taken place following the stock transfers. In the first year (2011/12) after the stock transfer expansion, the traditional strong performance in arrears control, effective letting and void rent loss had suffered as a result of the huge organisational change. However, last year has seen a major shift towards the pre-transfer performance outputs. The average time taken to let a property has reduced from 26 days to 12 days. The average Scottish figure for the previous year was 29 days, and this improved performance brings us close to the national top quartile of 10 days. The rent lost from properties lying empty expressed as a percentage of the rent account has also improved, reducing from 0.81% in 2011/12 to just over 0.32% last year. This again puts the Association's performance closer to the national top quartile of 0.20%. Arrears control has also improved down from a peak post stock transfer of 5.10% to a more reasonable 3.90%, but the Association expects this to come under severe pressure as a result of the UK Government Welfare Cuts and the general economic downturn.

In terms of large scale projects, the Association completed the refurbishment of 4-14 St Andrews Crescent in April 2013. It is also over half way through the refurbishment of 220 properties at Moss Heights Avenue, but this work will not be completed until October 2014. The Association completed seven new properties at Tantallon Road and started building over 40 new homes in Manse Brae, Cathcart.

REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2013

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 Acts 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. 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.

REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2013

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 or 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 £900 (2012 £2,115).

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
25 July 2013

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 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
25 July 2013

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 2013 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 work, for this report, or for the opinions we have formed.

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 2013 and of its results 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 2010 and the Determination of Accounting Requirements 2012.

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**

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
25 July 2013

SOUTHSIDE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

	Notes	2013 £	2012 £
TURNOVER	2.	8,773,004	8,721,372
Operating Costs	2.	<u>(7,116,120)</u>	<u>(7,216,438)</u>
OPERATING SURPLUS	9.	1,656,884	1,504,934
Gain On Sale Of Housing Stock	7.	125,732	36,191
Release of Negative Goodwill	23.	275,549	17,484,677
Exceptional Item	27.	(3,676,619)	-
Interest Receivable and Other Income		732,298	709,924
Interest Payable and Similar Charges	8.	(141,236)	(213,229)
Other Finance Income/Costs	26.	<u>14,000</u>	<u>23,000</u>
		<u>(2,670,276)</u>	<u>18,040,563</u>
(DEFICIT) / SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,013,392)	19,545,497
Tax on (deficit) / surplus on ordinary activities	10.	-	-
(DEFICIT) / SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(1,013,392)</u>	<u>19,545,497</u>

All amounts relate to continuing activities.

Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2013 £	2012 £
Surplus for the financial year	(1,013,392)	19,545,497
Actuarial Loss in the year	26. (191,000)	(159,000)
Prior year adjustment	-	<u>1,186,904</u>
Total losses and gains recognised since last annual report	<u>(1,204,392)</u>	<u>20,573,401</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2013

	Notes	2013		2012	
		£	£	£	£
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		68,078,332		63,643,076
Less: Social Housing Grant	11.(a)		(47,731,374)		(47,240,370)
: Other Public Grants	11.(a)		(2,055,124)		-
			<u>18,291,834</u>		<u>16,402,706</u>
Other fixed assets	11.(b)		2,619,653		346,469
			<u>20,911,487</u>		<u>16,749,175</u>
Negative Goodwill	23.		(5,278,140)		(5,553,689)
FIXED ASSET INVESTMENTS					
Investment in subsidiaries	21.		1		1
Shared Equity Cost	21.	1,016,005		1,016,005	
Shared Equity Grant	21.	(1,016,005)		(1,016,005)	
			<u>-</u>		<u>-</u>
CURRENT ASSETS					
Debtors	14.	3,738,175		1,288,670	
Cost of Housing Property held for sale	22.	115,686		59,405	
Investments	24.	24,002,148		35,000,000	
Cash at bank and in hand		6,991,270		3,687,858	
		<u>34,847,279</u>		<u>40,035,933</u>	
CREDITORS: Amounts falling due within one year	15.	(4,064,501)		(3,752,526)	
NET CURRENT ASSETS			<u>30,782,778</u>		<u>36,283,407</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>46,416,126</u>		<u>47,478,894</u>
CREDITORS: Amounts falling due after more than one year	16.	(4,281,602)		(4,301,000)	
PROVISIONS FOR LIABILITIES AND CHARGES					
Pension Liability (Strathclyde Pension Scheme)	26.	(360,000)		(199,000)	
			<u>(360,000)</u>		<u>(199,000)</u>
NET ASSETS			<u>41,774,524</u>		<u>42,978,894</u>
CAPITAL AND RESERVES					
Share Capital	18.		323		301
Designated Reserves	19.(a)		35,185,448		38,862,067
Pension Reserve	19.(c)		(360,000)		(199,000)
Revenue Reserves	19.(b)		6,948,753		4,315,526
			<u>41,774,524</u>		<u>42,978,894</u>

The Financial Statements were approved by the Committee of Management and signed on their behalf on 25 July 2013.

Dorothy Murray
Chairperson

Vice-Chairperson

Secretary

SOUTHSIDE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED

31st MARCH 2013

	Notes	2013	2012
		£	£
Net Cash Inflow from Operating Activities	17.	730,188	4,712,753
Returns on Investment and Servicing of Finance			
Interest Received	865,619	197,061	
Interest Paid	(180,392)	(213,407)	
Net Cash Inflow / (Outflow) from Investment and Servicing of Finance		685,227	(16,346)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties	(7,017,879)	(2,125,536)	
Shared ownership buy-back	(56,281)		
Purchase of Other Fixed Assets	(1,929,428)	(43,090)	
Social Housing Grant Received	494,121	851,215	
Social Housing Grant Repaid	-	(91,711)	
Proceeds on Disposal of Properties	125,732	130,864	
Proceeds on Disposal of Other Fixed Assets	1,300	-	
Net Cash Outflow from Capital Expenditure and Financial Investment		(8,382,435)	(1,278,258)
Net Cash (Outflow) / Inflow before use of Liquid Resources and Financing		(6,967,020)	3,418,149
Management of Liquid Resources			
Change in short term deposits with banks		10,997,852	(35,000,000)
Acquisition and disposals			
Consideration received on acquisition		-	17,333,391
Financing			
Loan Principal Repayments	(727,455)	(3,991,449)	
Share Capital Issued	35	18	
Net Cash Outflow from Financing		(727,420)	(3,991,431)
Increase / (decrease) in Cash	17.	<u>3,303,412</u>	<u>(18,239,891)</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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 Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

Turnover

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

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.

The Association also operates a defined contribution pension scheme. The pension costs charged in the financial statements for this scheme represent the contribution payable by the Association during the year.

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
Kitchen	15 years
Bathroom	20 years
Central Heating	20 years
Boilers	15 years
Rewiring	25 years
Lift Installation	25 years
Structure	50 years
CCTV	10 years

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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 the grant received.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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 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 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2013			2012		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	8,265,752	6,570,203	1,695,549	7,614,450	6,196,321	1,418,129
Other Activities	4.	507,252	545,917	(38,665)	1,106,922	1,020,117	86,805
Total		8,773,004	7,116,120	1,656,884	8,721,372	7,216,438	1,504,934

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General			2013 Total £	2012 Total £
	Needs Housing £	Supported Housing £	Shared ownership £		
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	7,363,323	411,297	123,236	7,897,856	7,220,977
Service Charges Receivable	296,111	54,545	32,013	382,669	451,854
Gross Rents Receivable	7,659,434	465,842	155,249	8,280,525	7,672,831
Less: Rent losses from voids	22,067	2,159	1,401	25,627	58,381
Net Rents Receivable	7,637,367	463,683	153,848	8,254,898	7,614,450
Revenue Grants from Scottish Ministers	10,854	-	-	10,854	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-	-
Total Income From Social Letting	7,648,221	463,683	153,848	8,265,752	7,614,450
Expenditure on Social Letting Activities					
Service Costs	1,605,574	96,670	32,075	1,734,319	1,615,459
Management and maintenance administration costs	2,383,352	142,816	47,386	2,573,554	1,975,951
Reactive Maintenance	1,191,152	70,520	-	1,261,672	886,904
Bad Debts - Rents and Service Charges	62,564	-	-	62,564	145,361
Planned and Cyclical Maintenance, including Major Repairs	418,288	25,185	-	443,473	1,098,622
Depreciation of Social Housing	444,060	26,736	23,825	494,621	474,024
Operating Costs of Social Letting	6,104,990	361,927	103,286	6,570,203	6,196,321
Operating Surplus on Social Letting Activities	1,543,231	101,756	50,562	1,695,549	1,418,129
2012		1,176,490	172,557	69,082	

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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) 2013	Operating Surplus / (Deficit) 2012
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	-	-	-	8,451	(8,451)	(1,105)
Care and Repair of Property	-	182,200	-	-	182,200	-	155,234	26,966	63,222
Development and construction of property activities	-	-	-	-	-	-	188,663	(188,663)	(118,934)
Support Activities	-	-	180,056	-	180,056	-	126,197	53,859	36,796
Seedcorn Grant for SST Set up costs	-	-	-	-	-	-	-	-	4,064
Other Activities	-	-	-	81,124	81,124	-	67,372	13,752	88,249
Commercial Rents	-	-	-	63,872	63,872	-	-	63,872	14,513
Total From Other Activities	-	182,200	180,056	144,996	507,252	-	545,917	(38,665)	86,805
2012	44,909	202,145	178,745	681,123	1,106,922	-	1,020,117	86,805	86,805

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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.

	2013	2012
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>77,407</u>	<u>68,987</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>5,486</u>	<u>5,088</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>77,407</u>	<u>68,987</u>

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
£70,001 to £80,000	1	-

6. EMPLOYEE INFORMATION

	2013	2012
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>76</u>	<u>68</u>
The average total number of Employees employed during the year was	<u>84</u>	<u>75</u>
Staff Costs were:	£	£
Wages and Salaries	2,235,381	1,714,726
Social Security Costs	177,088	150,210
Other Pension Costs	278,130	192,102
Temporary, Agency and Seconded Staff	53,220	36,594
	<u>2,743,819</u>	<u>2,093,632</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2013	2012
	£	£
Sales Proceeds	125,732	130,864
Cost of Sales	-	94,673
Gain On Sale Of Housing Stock	<u>125,732</u>	<u>36,191</u>

8. INTEREST PAYABLE

	2013	2012
	£	£
On Bank Loans & Overdrafts	141,236	154,070
On Other Loans	-	59,159
	<u>141,236</u>	<u>213,229</u>

9. (DEFICIT) / SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

(Deficit) / Surplus on Ordinary Activities before Taxation is stated after charging:-	2013	2012
	£	£
Depreciation - Tangible Owned Fixed Assets	537,180	500,741
Auditors' Remuneration - Audit Services	10,000	7,500
- Other Services	6,668	8,340
Operating Lease Rentals - Other	21,129	21,129
Gain on sale of fixed assets	<u>(1,300)</u>	<u>-</u>

10. TAX ON (DEFICIT) / 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 2013

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 £
COST				
As at 1st April 2012	56,572,938	4,137,012	6,101,224	66,811,174
Additions	7,795,099	823,728	-	8,618,827
Disposals	(29,360)	-	-	(29,360)
Schemes Completed	968,242	(968,242)	-	-
As at 31st March 2013	<u>65,306,919</u>	<u>3,992,498</u>	<u>6,101,224</u>	<u>75,400,641</u>
DEPRECIATION				
As at 1st April 2012	2,946,982	-	221,116	3,168,098
Charge for Year	470,796	-	23,825	494,621
Impairment (Note 27)	3,676,619	-	-	3,676,619
Disposals	(17,029)	-	-	(17,029)
As at 31st March 2013	<u>7,077,368</u>	<u>-</u>	<u>244,941</u>	<u>7,322,309</u>
SOCIAL HOUSING GRANT				
As at 1st April 2012	39,571,620	2,956,062	4,712,688	47,240,370
Additions	47,373	455,962	-	503,335
Disposals	(12,331)	-	-	(12,331)
Schemes Completed	555,844	(555,844)	-	-
As at 31st March 2013	<u>40,162,506</u>	<u>2,856,180</u>	<u>4,712,688</u>	<u>47,731,374</u>
OTHER CAPITAL GRANTS				
As at 1st April 2012	-	-	-	-
Additions	2,055,124	-	-	2,055,124
As at 31st March 2013	<u>2,055,124</u>	<u>-</u>	<u>-</u>	<u>2,055,124</u>
NET BOOK VALUE				
As at 31st March 2013	<u>16,011,921</u>	<u>1,136,318</u>	<u>1,143,595</u>	<u>18,291,834</u>
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>

Additions to housing properties includes capitalised development administration costs of £nil (2012 - £nil) and capitalised major repair costs to existing properties of £7,795,099 (2012 - £215,719).

All land and housing properties are freehold.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Commercial Property £	Motor Vehicles £	Office Premises £	Furniture & Equipment £	Total £
COST					
As at 1st April 2012	422,206	34,165	137,001	335,830	929,202
Additions	289	12,242	2,209,886	93,326	2,315,743
Eliminated on Disposals	-	(10,001)	-	-	(10,001)
As at 31st March 2013	422,495	36,406	2,346,887	429,156	3,234,944
GRANTS RECEIVED					
As at 1st April 2012	131,021	-	-	-	131,021
As at 31st March 2013	131,021	-	-	-	131,021
AGGREGATE DEPRECIATION					
As at 1st April 2012	69,885	17,025	55,890	308,912	451,712
Charge for year	5,829	7,281	2,740	26,709	42,559
Eliminated on disposal	-	(10,001)	-	-	(10,001)
As at 31st March 2013	75,714	14,305	58,630	335,621	484,270
NET BOOK VALUE					
As at 31st March 2013	215,760	22,101	2,288,257	93,535	2,619,653
As at 31st March 2012	221,300	17,140	81,111	26,918	346,469

12. CAPITAL COMMITMENTS

	2013 £	2012 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	5,931,901	3,065,309

The above commitments will be financed by the Association's own resources.

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2013 £	2012 £
Other		
Expiring within one year	150	-
Expiring between two and five years	20,445	9,365
Expiring in over five years	684	-

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2013	2012
	£	£
Arrears of Rent & Service Charges	477,388	529,304
Less: Provision for Doubtful Debts	(277,977)	(292,072)
	<u>199,411</u>	<u>237,232</u>
Social Housing Grant Receivable	28,404	66,562
Other Taxation Receivable	851,927	-
Other Debtors	2,549,681	817,391
Amounts Due from Group Undertakings	108,752	167,485
	<u>3,738,175</u>	<u>1,288,670</u>

Included in Amounts Due from Group Undertakings (Southside Factoring & Related Services Ltd) is £72,754 (2012 - £108,752) which is due for repayment in more than one year.

15. CREDITORS: Amounts falling due within one year

	2013	2012
	£	£
Housing Loans	215,978	924,035
Trade Creditors	2,260,633	658,800
Rent in Advance	181,291	225,322
Social Housing Grant in Advance	216,669	264,041
Other Taxation and Social Security	73,363	-
Amounts Due to Group Undertakings	58,727	-
Other Creditors	46,746	374,828
Accruals and Deferred Income	1,011,094	1,305,500
	<u>4,064,501</u>	<u>3,752,526</u>

At the balance sheet date there were pension contributions outstanding of £73,727 (2012 £23,612).

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

	2013	2012
	£	£
Housing Loans	<u>4,281,602</u>	<u>4,301,000</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	215,978	924,035
Between one and two years	219,425	225,123
Between two and five years	680,104	673,884
In five years or more	3,382,073	3,401,993
	<u>4,497,580</u>	<u>5,225,035</u>
Less: Amount shown in Current Liabilities	215,978	924,035
	<u>4,281,602</u>	<u>4,301,000</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2013 £	2012 £
Operating Surplus	1,656,884	1,504,934
Depreciation	537,180	500,741
Change in properties developed for resale	-	866,080
Change in Debtors	(565,860)	94,914
Change in Creditors	(880,703)	1,742,094
Gain on sale of fixed assets	(1,300)	-
Defined Benefit Pension Contributions Paid (Strathclyde Pension Fund)	(156,000)	(124,000)
Service Cost on Defined Benefit Scheme (Strathclyde Pension Fund)	140,000	128,000
Share Capital Written Off	(13)	(10)
Net Cash Inflow from Operating Activities	730,188	4,712,753

<i>Reconciliation of net cash flow to movement in net debt</i>	2013 £	2012 £	2013 £	2012 £
Increase / (decrease) in Cash	3,303,412	(18,239,891)		
Cash flow from management of liquid resources	(10,997,852)	35,000,000		
Cash flow from change in debt	727,455	3,991,449		
Movement in net debt during year	(6,966,985)	20,751,558		
Net debt at 1st April 2012	33,462,823	12,711,265		
Net debt at 31st March 2013	26,495,838	33,462,823		

<i>Analysis of changes in net debt</i>	At 01.04.12 £	Cash Flows £	Other Changes £	At 31.03.13 £
Cash at bank and in hand	3,687,858	3,303,412		6,991,270
Liquid Resources	35,000,000	(10,997,852)		24,002,148
Debt: Due within one year	(924,035)	727,455	(19,398)	(215,978)
Due after more than one year	(4,301,000)	-	19,398	(4,281,602)
Net Debt	33,462,823	(6,966,985)	-	26,495,838

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2012	301
Issued in year	35
Cancelled in year	<u>(13)</u>
At 31st March 2013	<u>323</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

(a) Designated Reserves

	SST £	Major Repairs £	Total £
At 1st April 2012	37,410,523	1,451,544	38,862,067
Transfer to Revenue Reserves	<u>(3,676,619)</u>	-	<u>(3,676,619)</u>
At 31st March 2013	<u>33,733,904</u>	<u>1,451,544</u>	<u>35,185,448</u>

(b) Revenue Reserves

	Total £
At 1st April 2012	4,315,526
(Deficit) / Surplus for the year	(1,013,392)
Transfer to Pension Reserves	(30,000)
Transfer from Designated Reserves	<u>3,676,619</u>
At 31st March 2013	<u>6,948,753</u>

(c) Pension Reserve (Strathclyde Pension Scheme)

	Total £
At 1st April 2012	(199,000)
Actuarial Gains / (Losses)	(191,000)
Transfer from Revenue Reserves	<u>30,000</u>
At 31st March 2013	<u>(360,000)</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2013 No.	2012 No.
General Needs - New Build	132	125
- Rehabilitation	1,808	1,809
Shared Ownership	73	74
Supported Housing	<u>153</u>	<u>129</u>
	<u>2,166</u>	<u>2,137</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. FIXED ASSET INVESTMENT

	2013 £	2012 £
Shared Equity Properties		
Development Cost of Shared Equity Property	1,016,005	1,016,005
Less: Grants Receivable	<u>1,016,005</u>	<u>1,016,005</u>
	-	-
Investments in Subsidiaries		
As at 31st March 2013 & 31st March 2012	<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. Southside Factoring and Related Service Ltd, is a company set up to provide a factoring service to homeowners. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

During the year the Association recharged management and administrative salaries and other overhead costs to Southside Factoring Related Services Limited for services provided by the Association. Southside Factoring Related Services Limited recharged the Association for factoring services provided to the Association during the year.

Southside Factoring & Related Services Limited also had the following loan due to the Association outstanding during the year:

	2013 £	2012 £
Loan to Southside Factoring & Related Services		
Balance as at 1st April 2012	167,485	179,578
Interest Received	1,012	1,260
Amounts Repaid in year	<u>(59,745)</u>	<u>(13,353)</u>
Balance as at 31st March 2013	<u>108,752</u>	<u>167,485</u>

The aggregate amount of capital and reserves and the results of Southside Factoring & Related Services Ltd for the year ended 31st March 2013 were as follows:

	2013 £	2012 £
Capital & Reserves	<u>45,352</u>	<u>(9,097)</u>
Profit for the year	<u>36,255</u>	<u>67,936</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. COST OF HOUSING PROPERTY HELD FOR SALE

	2013 £	2012 £
Shared Ownership Properties Completed Properties Unsold	<u>115,686</u>	<u>59,405</u>

23. NEGATIVE GOODWILL

	2013 £	2012 £
Balance as at 1st April 2012	5,553,689	4,867,049
Arising on Acquisition in the year	-	18,171,317
Release during the year	<u>(275,549)</u>	<u>(17,484,677)</u>
As at 31st March 2013	<u>5,278,140</u>	<u>5,553,689</u>

24. CURRENT ASSET INVESTMENTS

	2013 £	2012 £
Short Term Deposits	<u>24,002,148</u>	<u>35,000,000</u>

25. 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:

- 3 members are tenants of the Association
- 1 member is a factored owner
- 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. No remuneration was paid to members of the Committee of Management other than the reimbursement of expenses.

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.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. 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.

During the accounting period Southside Housing Association Limited paid contributions at the rate of 4.7% of pensionable salaries. Member contributions were 4.7%.

As at the balance sheet date there were 16 active members of the Scheme employed by Southside Housing Association Limited. The annual pensionable payroll in respect of these members was £537,777. 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 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The Association has been informed by the Scheme that its estimated potential employer's debt at 30th September 2012, should it leave the scheme, is around £2.95m. 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.

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method.. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation	
RPI	2.6
CPI	2.0

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 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. 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	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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.

The trustees have recently supplied Southside Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Southside Housing Association Limited will be required to pay £105,706 per annum as a contribution to the past service deficit. This will represent an increase of 81% in Southside Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

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 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. 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 24 active members of the scheme employed by the Association. Total pension contributions made by the Association for the year were £51,838. This includes £nil of outstanding contributions at the balance sheet date. Gross pensionable salaries for the year were £559,586.

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	2013	2012	2011
	%p.a.	%p.a.	%p.a.
Price increases	2.8	2.5	2.8
Salary increases	5.1	4.8	5.1
Expected return on assets	5.2	5.8	6.9
Discount rate	4.5	4.8	5.5

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

	2013	2012
	£	£
Employee members	3,006,000	2,391,000
Deferred pensioners	-	-
Pensioners	-	-
	<u>3,006,000</u>	<u>2,391,000</u>
Net Pension Liability	2013	2012
	£	£
Fair value of employer's assets	2,646,000	2,192,000
Present value of scheme liabilities	3,006,000	2,391,000
	<u>(360,000)</u>	<u>(199,000)</u>
Present value of unfunded liabilities		

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Analysis of amount charged to the Income and Expenditure Account

	2013	2012
	£	£
Charged to operating costs:		
Service cost	140,000	115,000
Past service cost	-	13,000
	<u>140,000</u>	<u>128,000</u>
Charged to Other Finance Costs / (Income)		
Expected Return on employer assets	(131,000)	(131,000)
Interest on pension scheme liabilities	117,000	108,000
	<u>(14,000)</u>	<u>(23,000)</u>
Net Charge to the Income and Expenditure Account	<u>126,000</u>	<u>105,000</u>
Actual Return on Plan Assets	<u>334,000</u>	<u>47,000</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	2013	2012	2011
	% p.a.	% p.a.	% p.a.
Equities	5.7	6.3	7.5
Bonds	3.4	3.9	4.9
Property	3.9	4.4	5.5
Cash	3.0	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	Females
	(Years)	(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 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Employer membership statistics	2013	2012
	(Number)	(Number)
Actives	24	24
Deferreds	-	-
Pensioners	1	-
Fair Value of employer assets		
	2013	2012
	£	£
Opening fair value of employer assets	2,192,000	1,269,000
Expected Return on Assets	131,000	131,000
Contributions by Members	38,000	34,000
Contributions by the Employer	156,000	114,000
Contributions in respect of unfunded benefits	-	-
Actuarial Gains / (Losses)	202,000	(94,000)
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	742,000
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(73,000)	(4,000)
Closing fair value of employer assets	<u>2,646,000</u>	<u>2,192,000</u>
Fair value of scheme assets by category		
	2013	2012
	£	£
Equities	2,012,000	1,688,000
Bonds	370,000	241,000
Property	185,000	153,000
Cash	79,000	110,000
	<u>2,646,000</u>	<u>2,192,000</u>
Reconciliation of defined benefit obligations		
	2013	2012
	£	£
Opening defined benefit obligation	2,391,000	1,318,000
Current Service Cost	140,000	115,000
Interest Cost	117,000	108,000
Contributions by members	38,000	34,000
Assets acquired in a business combination	-	755,000
Actuarial Losses/(Gains)	393,000	65,000
Past service costs	(73,000)	(4,000)
Estimated Benefits Paid	-	-
	<u>3,006,000</u>	<u>2,391,000</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Analysis of projected amount to be charged to the Income & Expenditure Account for the year ended 31 March 2014

	£	% of pay
Projected current service cost	176,000	27.9
Interest on obligation	140,000	22.3
Expected return on plan assets	(142,000)	(22.6)
Past service costs	-	-
Losses / (Gain) on curtailments and settlements	-	-
	174,000	27.6

Contributions made by the Association for the year ended 31 March 2014 are estimated to be approximately £1,590,000.

Amounts for the current and previous accounting periods:

	2013	2012
	£	£
Fair value of employer assets	2,646,000	2,192,000
Present value of defined benefit obligations	(3,006,000)	(2,391,000)
(Deficit) / Surplus	(360,000)	(199,000)
Experience (losses) / Gains on assets	202,000	(94,000)
Experience gains / (losses) on liabilities	-	11,000

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

	2013	2012
	£	£
Actuarial gain / (loss) recognised in year	(191,000)	(159,000)
Cumulative actuarial gains	(233,000)	(42,000)

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. EXCEPTIONAL ITEM

In 2011 and 2012 the Association received a total of £37 million from Glasgow Housing Association (GHA) under an agreement to transfer properties from GHA to the Association. These monies were required to fund a future programme of planned maintenance work on these properties. Under accounting requirements the monies were credited to the Income and Expenditure Account through the write-off of negative goodwill.

Due to the extent of the planned maintenance work required, some of the transferred properties had negative valuations (as determined by independent surveyors). These properties had been carried in the Balance Sheet at nil value (within Housing Properties note 11a).

The planned maintenance work on these properties started during the year. The cost of this work has been capitalised under component accounting (note 11a), as required by the association's accounting policy (note 1). £3.67 million of this expenditure has been effectively spent to bring some of the properties from their negative value to the carrying value of nil.

As a result it has been necessary to make an impairment adjustment to the Property Cost (note 11a) to ensure that the assets are not overstated. Due to the significance of this charge it has been treated as an exceptional item within the Income and Expenditure Account. However, the level of Revenue Reserves have been maintained by the transfer of the same amount from Designated Reserves (as shown in note 19).