

Southside Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2014

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

**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2014**

MANAGEMENT COMMITTEE

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	
John Cogan	appointed 29/08/13
Lucy A Cowan	appointed 29/08/13
Parveen Mahmood	appointed 29/08/13
Anne Lyness	resigned April 2013

EXECUTIVE OFFICERS

Patrick McGrath	Director
Marilyn Beveridge	Head of Housing Services
Norma Taylor	Head of Housing Support
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

SOUTHSIDE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2014.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 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 £1,345,225 (2013 £1,656,884).

The Association's Governing Body, its Management Committee, continued the work of internal review and appraisal begun the previous year. In addition the Board of the Factoring subsidiary also carried out a similar review process. We continued to delegate much of the decision making relating to local service delivery down to our Neighbourhood Committees. The Halfway and Cardonald Neighbourhood Committees agreed to trial joint meetings and this will be reviewed in the coming year. Based on the new Regulatory Framework for housing associations, the Associations Management Committee is proposing a new set of rules for the Association, which is based on model rules developed for the sector and these will be presented to the membership for approval in 2014.

The upward trend in landlord performance continued in 2013/14. Gross rent arrears has reduced from 6.98% in March 2013 to 5.7% in March 2014 an overall reduction of 1.28%. The outputs for our repairs service were very good, with the average time for emergency repairs responses, 1.67 hours and the average time taken to complete non-emergency repairs 3.58 days. Average re-let times for houses that become empty was 8.19 days, which has reduced from 12 days reported in last years APSR. Void rent loss - the percentage of rent due lost through properties being empty was 0.19%, this is a reduction on last years figure reported in the APSR which was 0.29%.

The Association submitted its first report on the new Scottish Social Housing Charter to the Scottish Housing Regulator in May, and we plan to prepare a comparative summary of this for tenants in the autumn.

All of the Association's registered Housing Support services were inspected by the Care Inspectorate this year and all received "Very Good" gradings. In addition the Association's status with the Scottish Housing Regulator was moved from "Medium Engagement" to "Low Engagement", reflecting the positive progress on performance since the stock transfers.

The Association's capital expenditure continued to be abnormally high last year reflecting the final phase of the works to the transfer properties, In particular, the major refurbishment of Moss Heights was completed. The lift replacement work at 150 Berryknowes Avenue has begun and this will be the last major capital project of the Second Stage Transfer stock. After this the Association expects the programme of replacement and renewal to settle into a more even financial pattern.

The Association continues to be a significant developer of new housing and 40 units at Manse Brae, Cathcart, were completed in May this year. Planning approval has been received for Moss Park Boulevard and plans for Penilee are being progressed.

Review of Business and Future Developments (Contd)

The Association has a significant regeneration role in Pollokshields and Phase 1 of the Re-housing and Demolition programme at the Deck Access flats will be completed this autumn. Planning applications for the new housing and the new community centre will be submitted in the coming year.

The Association has been successful in attracting new sources of funding including Change Fund monies for the Care and Repair service, Transformation Fund monies for Housing Support services to older people, and Big Lottery Funding for welfare rights and money advice services. The latter has been particularly successful, securing monies for shared resources with Cathcart, New Gorbals and Thistle Housing Association, and in June an announcement of 5 years of funding for wider community welfare and money advice services. The Association is also working with the Nan Mc Kay Hall and has successfully secured Stage 1 approval from the Big Lottery Fund for a new Community Centre in Pollokshields, a Stage 2 application will be progressed in the coming year.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014

Management Committee and Executive Officers

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

Each member of the Management Committee 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 Management Committee.

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

Statement of Management Committee's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Management Committee 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 Management Committee 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 Management Committee 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 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 Management Committee 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 Management Committee 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 Management Committee 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 MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014

Statement on Internal Financial Control

The Management Committee 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 Management Committee'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 Management Committee 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 Management Committee;
- the Management Committee 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.

Auditors

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

By order of the Management Committee



IAIN DYER
Secretary
31 July 2014

SOUTHSIDE HOUSING ASSOCIATION LIMITED

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

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

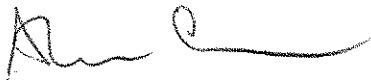
Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
31 July 2014

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 2014 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 87 of the Co-operative and Community Benefit Societies Act 2014. 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 Management Committee and Auditors

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. 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 2014 and of its deficit 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 Co-operative and Community Benefit Societies Act 2014, 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.

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

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

- 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.
- 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
31 July 2014

SOUTHSIDE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	2014 £	2013 £
TURNOVER	2.	9,023,747	8,773,004
Operating Costs	2.	<u>(7,678,522)</u>	<u>(7,116,120)</u>
OPERATING SURPLUS	9.	1,345,225	1,656,884
Gain On Sale Of Housing Stock	7.	110,483	125,732
Release of Negative Goodwill	22.	112,065	275,549
Exceptional Item	24.	(7,606,533)	(3,676,619)
Interest Receivable and Other Income		398,703	732,298
Interest Payable and Similar Charges	8.	(87,108)	(141,236)
Other Finance Income/Costs	25.	<u>(59,000)</u>	<u>14,000</u>
		<u>(7,131,390)</u>	<u>(2,670,276)</u>
DEFICIT ON ORDINARY ACTIVITIES		<u>(5,786,165)</u>	<u>(1,013,392)</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

		2014 £	2013 £
Deficit for the financial year		(5,786,165)	(1,013,392)
Actuarial Loss in the year	25.	<u>(116,000)</u>	<u>(191,000)</u>
Total losses recognised since last annual report		<u>(5,902,165)</u>	<u>(1,204,392)</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2014

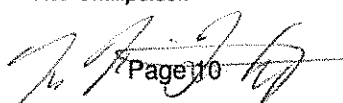
	Notes	2014	2013
		£	£
TANGIBLE FIXED ASSETS			
Housing Properties - Depreciated Cost	10.(a)	75,105,147	68,078,332
Less: Social Housing Grant	10.(a)	(50,785,545)	(47,731,374)
: Other Public Grants	10.(a)	(2,302,612)	(2,055,124)
		<u>22,016,990</u>	<u>18,291,834</u>
Other fixed assets	10.(b)	3,073,941	2,619,653
		<u>25,090,931</u>	<u>20,911,487</u>
Negative Goodwill	22.	(5,166,075)	(5,278,140)
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)	-
		<u>1</u>	<u>-</u>
CURRENT ASSETS			
Debtors	13.	1,355,094	3,738,175
Development Cost of Housing Property	21.	-	115,686
Investments	23.	13,032,575	24,002,148
Cash at bank and in hand		8,830,288	6,991,270
		<u>23,217,957</u>	<u>34,847,279</u>
CREDITORS: Amounts falling due within one year	14.	(2,744,669)	(4,064,501)
NET CURRENT ASSETS		<u>20,473,288</u>	<u>30,782,778</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>40,398,145</u>	<u>46,416,126</u>
CREDITORS: Amounts falling due after more than one year	15.	(4,059,780)	(4,281,602)
PROVISIONS FOR LIABILITIES AND CHARGES			
Pension Liability (Strathclyde Pension Scheme)	25.	(466,000)	(360,000)
		<u>(466,000)</u>	<u>(360,000)</u>
NET ASSETS		<u>35,872,365</u>	<u>41,774,524</u>
CAPITAL AND RESERVES			
Share Capital	17.	329	323
Designated Reserves	18.(a)	32,282,360	35,185,448
Revenue Reserves	18.(b)	4,055,676	6,948,753
Pension Reserves	18.(c)	(466,000)	(360,000)
		<u>35,872,365</u>	<u>41,774,524</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 31 July 2014.

Chairperson



Vice-Chairperson



Secretary



SOUTHSIDE HOUSING ASSOCIATION LIMITED

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2014**

	Notes	2014	2013
		£	£
Net Cash Inflow from Operating Activities	16.	4,083,084	730,188
Returns on Investment and Servicing of Finance			
Interest Received	630,774	865,619	
Interest Paid	(86,292)	(180,392)	
Net Cash Inflow from Investment and Servicing of Finance		544,482	685,227
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties	(18,029,426)	(7,017,879)	
Shared Ownership Buy-back	-	(56,281)	
Purchase of Other Fixed Assets	(224,175)	(1,929,428)	
Social Housing Grant Received	3,243,708	494,121	
Social Housing Grant Repaid	(652,386)	-	
Other Grants Received	1,944,316	-	
Proceeds on Disposal of Properties	188,203	125,732	
Proceeds on Disposal of Other Fixed Assets	-	1,300	
Net Cash Outflow from Capital Expenditure and Financial Investment		(13,529,760)	(8,382,435)
Net Cash Outflow before use of Liquid Resources and Financing		(8,902,194)	(6,967,020)
Management of Liquid Resources			
Change in short term deposits with banks		10,969,573	10,997,852
Financing			
Loan Principal Repayments	(228,369)	(727,455)	
Share Capital Issued	8	35	
Net Cash Outflow from Financing		(228,361)	(727,420)
Increase in Cash	16.	<u>1,839,018</u>	<u>3,303,412</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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 Benefit 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 10. 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 2014

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 2014

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 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2014			2013		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	8,331,675	7,078,247	1,253,428	8,265,752	6,570,203	1,695,549
Other Activities	4.	692,072	600,275	91,797	507,252	545,917	(38,665)
Total		9,023,747	7,678,522	1,345,225	8,773,004	7,116,120	1,656,884

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General			2014 Total £	2013 Total £
	Needs Housing £	Supported Housing £	Shared ownership £		
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	7,184,932	558,839	124,637	7,868,408	7,897,856
Service Charges Receivable	390,644	69,949	19,570	480,163	382,669
Gross Rents Receivable	7,575,576	628,788	144,207	8,348,571	8,280,525
Less: Rent losses from voids	34,778	1,828	-	36,606	25,627
Net Rents Receivable	7,540,798	626,960	144,207	8,311,965	8,254,898
Revenue Grants from Scottish Ministers	19,710	-	-	19,710	10,854
Total Income From Social Letting	7,560,508	626,960	144,207	8,331,675	8,265,752
Expenditure on Social Letting Activities					
Service Costs	1,366,937	244,764	68,478	1,680,179	1,734,319
Management and maintenance administration costs	2,540,617	202,974	45,269	2,788,860	2,573,554
Reactive Maintenance	1,145,542	89,099	-	1,234,641	1,261,672
Bad Debts - Rents and Service Charges	112,064	-	-	112,064	62,564
Planned and Cyclical Maintenance, including Major Repairs	417,522	32,475	-	449,997	443,473
Depreciation of Social Housing	751,616	39,403	21,487	812,506	494,621
Operating Costs of Social Letting	6,334,298	608,715	135,234	7,078,247	6,570,203
Operating Surplus on Social Letting Activities	1,226,210	18,245	8,973	1,253,428	1,695,549
2013	1,543,231	101,756	50,562		

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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		Operating Costs		Operating Surplus / (Deficit)	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	55,083	-	-	-	-	-	-	55,083	-	-	-	86,367	-	(31,284)	(8,451)
Care and Repair of Property	-	187,882	-	-	-	-	-	-	187,882	-	-	-	195,798	-	(7,916)	26,966
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-	-	-	95,457	-	(95,457)	(188,663)
Support Activities	-	-	183,261	-	183,261	-	-	-	183,261	-	-	182,466	795	-	53,859	
Commercial Rents	-	-	-	135,520	-	135,520	-	-	135,520	-	-	-	-	135,520	63,872	
Other Activities	-	47,589	-	82,737	-	82,737	-	-	130,326	-	-	40,187	-	90,139	13,752	
Total From Other Activities	-	<u>290,554</u>	<u>183,261</u>	<u>218,257</u>	<u>183,261</u>	<u>218,257</u>	<u>144,996</u>	<u>692,072</u>	<u>692,072</u>	<u>-</u>	<u>-</u>	<u>600,275</u>	<u>91,797</u>	<u>(38,665)</u>	<u>(38,665)</u>	
2013	-	<u>182,200</u>	<u>180,056</u>	<u>144,996</u>	<u>507,252</u>	<u>507,252</u>	<u>545,917</u>	<u>(38,665)</u>	<u>(38,665)</u>	<u>-</u>	<u>-</u>	<u>545,917</u>	<u>(38,665)</u>	<u>(38,665)</u>	<u>(38,665)</u>	

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

	2014	2013
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>75,566</u>	<u>72,195</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>9,846</u>	<u>5,486</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>75,566</u>	<u>72,195</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
£70,001 to £80,000	1	1

6. EMPLOYEE INFORMATION

	2014	2013
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>80</u>	<u>76</u>
The average total number of Employees employed during the year was	<u>87</u>	<u>84</u>
Staff Costs were:	£	£
Wages and Salaries	2,328,647	2,235,381
Social Security Costs	206,608	177,088
Other Pension Costs	182,448	278,130
Temporary, Agency and Seconded Staff	112,283	53,220
	<u>2,829,986</u>	<u>2,743,819</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK		
	2014	2013
	£	£
Sales Proceeds	188,203	125,732
Cost of Sales	<u>77,720</u>	<u>-</u>
Gain On Sale Of Housing Stock	<u>110,483</u>	<u>125,732</u>

8. INTEREST PAYABLE		
	2014	2013
	£	£
On Bank Loans & Overdrafts	<u>87,108</u>	<u>141,236</u>

9. DEFICIT ON ORDINARY ACTIVITIES		
	2014	2013
	£	£
Deficit on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	968,708	537,180
Auditors' Remuneration - Audit Services	12,000	10,000
- Other Services	4,910	6,668
Operating Lease Rentals - Other	77,201	21,129
Gain on sale of fixed assets	<u>-</u>	<u>(1,300)</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. 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 2013	65,306,919	3,992,498	6,101,224	75,400,641
Additions	663,353	15,213,676	73,522	15,950,551
Disposals	(452,532)	-	(414,646)	(867,178)
Schemes Completed	1,232,567	-	(1,116,895)	115,672
As at 31st March 2014	66,750,307	19,206,174	4,643,205	90,599,686
DEPRECIATION				
As at 1st April 2013	7,077,368	-	244,941	7,322,309
Charge for Year	791,019	-	21,487	812,506
Impairment (note 24)	-	7,606,533	-	7,606,533
Disposals	(187,358)	-	(59,451)	(246,809)
As at 31st March 2014	7,681,029	7,606,533	206,977	15,494,539
SOCIAL HOUSING GRANT				
As at 1st April 2013	40,162,506	2,856,180	4,712,688	47,731,374
Additions	183,011	3,413,809	-	3,596,820
Disposals	(222,369)	-	(320,280)	(542,649)
Schemes Completed	823,577	-	(823,577)	-
As at 31st March 2014	40,946,725	6,269,989	3,568,831	50,785,545
OTHER CAPITAL GRANTS				
As at 1st April 2013	2,055,124	-	-	2,055,124
Additions	247,488	-	-	247,488
As at 31st March 2014	2,302,612	-	-	2,302,612
NET BOOK VALUE				
As at 31st March 2014	15,819,941	5,329,652	867,397	22,016,990
As at 31st March 2013	16,011,921	1,136,318	1,143,595	18,291,834

Additions to housing properties includes capitalised development administration costs of £140,081 (2013 - £nil) and capitalised major repair costs to existing properties of £663,353 (2013 £7,795,099)

All land and housing properties are freehold.

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Motor Vehicles £	Commercial Property £	Office Premises £	Office Furniture & Equipment £	Total £
COST					
As at 1st April 2013	36,406	422,495	2,346,887	429,156	3,234,944
Additions	33,745	-	457,711	119,034	610,490
Eliminated on Disposals	-	-	-	-	-
As at 31st March 2014	70,151	422,495	2,804,598	548,190	3,845,434
GRANTS RECEIVED					
As at 1st April 2013	-	131,021	-	-	131,021
As at 31st March 2014	-	131,021	-	-	131,021
AGGREGATE DEPRECIATION					
As at 1st April 2013	14,305	75,714	58,630	335,621	484,270
Charge for year	14,030	5,826	55,599	80,747	156,202
As at 31st March 2014	28,335	81,540	114,229	416,368	640,472
NET BOOK VALUE					
As at 31st March 2014	41,816	209,934	2,690,369	131,822	3,073,941
As at 31st March 2013	22,101	215,760	2,288,257	93,535	2,619,653

11. CAPITAL COMMITMENTS

	2014 £	2013 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	1,630,026	5,931,901

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

12. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2014 £	2013 £
Other		
Expiring within one year	-	150
Expiring between two and five years	77,201	20,445
Expiring in over five years	-	684

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

	2014	2013
	£	£
Arrears of Rent & Service Charges	430,439	477,388
Less: Provision for Doubtful Debts	(297,546)	(277,977)
	<u>132,893</u>	<u>199,411</u>
Social Housing Grant Receivable	381,516	28,404
Other Tax Receivable	3,891	851,927
Other Debtors	764,040	2,549,681
Amounts Due from Group Undertakings	72,754	108,752
	<u>1,355,094</u>	<u>3,738,175</u>

Included in Amounts Due from Group Undertakings (Southside Factoring & Related Services Ltd) is £36,504 (2013 - £72,754) which is due for repayment in more than one year.

14. CREDITORS: Amounts falling due within one year

	2014	2013
	£	£
Housing Loans	209,431	215,978
Trade Creditors	550,753	2,260,633
Rent in Advance	245,185	181,291
Social Housing Grant in Advance	106,932	216,669
Other Taxation and Social Security	55,115	73,363
Amounts Due to Group Undertakings	72,906	58,727
Other Creditors	1,044,359	46,746
Accruals and Deferred Income	459,988	1,011,094
	<u>2,744,669</u>	<u>4,064,501</u>

At the balance sheet date there were pension contributions outstanding of £34,271 (2013: £73,727)

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

	2014	2013
	£	£
Housing Loans	<u>4,059,780</u>	<u>4,281,602</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	209,431	215,978
Between one and two years	211,110	219,425
Between two and five years	655,208	680,104
In five years or more	3,193,462	3,382,073
	<u>4,269,211</u>	<u>4,497,580</u>
Less: Amount shown in Current Liabilities	209,431	215,978
	<u>4,059,780</u>	<u>4,281,602</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2014 £	2013 £
Operating Surplus	1,345,225	1,656,884
Depreciation	968,711	537,180
Change in properties developed for resale	115,686	-
Change in Debtors	918,325	(565,860)
Change in Creditors	804,139	(880,703)
Gain on sale of fixed assets	-	(1,300)
Defined Benefit Pension Contributions Paid (Strathclyde Pension Fund)	(218,000)	(156,000)
Service Cost on Defined Benefit Scheme (Strathclyde Pension Fund)	149,000	140,000
Share Capital Written Off	(2)	(13)
Net Cash Inflow from Operating Activities	4,083,084	730,188

<i>Reconciliation of net cash flow to movement in net debt</i>	2014 £	£	2013 £	£
Increase in Cash	1,839,018		3,303,412	
Cash flow from management of liquid resources	(10,969,573)		(10,997,852)	
Cash flow from change in debt	228,369		727,455	
Movement in net debt during year		(8,902,186)		(6,966,985)
Net debt at 1st April 2013		26,495,838		33,462,823
Net debt at 31st March 2014		17,593,652		26,495,838

<i>Analysis of changes in net debt</i>	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
Cash at bank and in hand	6,991,270	1,839,018		8,830,288
Liquid Resources	6,991,270	1,839,018		8,830,288
Debt: Due within one year	24,002,148	(10,969,573)		13,032,575
Due after more than one year	(215,978)	(221,822)	228,369	(209,431)
	(4,281,602)	450,191	(228,369)	(4,059,780)
Net Debt	26,495,838	(8,902,186)	-	17,593,652

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2013	323
Issued in year	8
Cancelled in year	(2)
At 31st March 2014	<u>329</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.

18. RESERVES

(a) Designated Reserves

	SST	Major	Total
	£	Repairs £	£
At 1st April 2013	33,733,904	1,451,544	35,185,448
Transfer (to) Revenue Reserves	(7,606,533)	4,703,445	(2,903,088)
At 31st March 2014	<u>26,127,371</u>	<u>6,154,989</u>	<u>32,282,360</u>

(b) Revenue Reserves

	Total
	£
At 1st April 2013	6,948,753
Deficit for the year	(5,786,165)
Transfer (to) / from Pension Reserves	(10,000)
Transfer from Designated Reserves	2,903,088
At 31st March 2014	<u>4,055,676</u>

(b) Pension Reserves (Strathclyde Pension Scheme)

	Total
	£
At 1st April 2013	(360,000)
Actuarial Gains/(Losses)	(116,000)
Transfer (to) / from Revenue Reserves	10,000
At 31st March 2014	<u>(466,000)</u>

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2014	2013
	No.	No.
General Needs - New Build	70	132
- Rehabilitation	1,832	1,808
Shared Ownership	65	73
Supported Housing	138	153
	<u>2,105</u>	<u>2,166</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RELATED PARTY TRANSACTIONS

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

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

6 members are tenants of the Association

1 member is a factored owner

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

Governing Body Members cannot use their position to their advantage. 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.

21. FIXED ASSET INVESTMENT

	2014 £	2013 £
Shared Equity Properties		
Development Cost of Shared Equity Property	1,016,005	1,016,005
Less: Grants Receivable	1,016,005	1,016,005
	<u>-</u>	<u>-</u>
Investments in Subsidiaries		
As at 31st March 2014 & 31st March 2013	<u>1</u>	<u>1</u>

In the opinion of the Management Committee 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 related 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:

	2014 £	2013 £
Loan to Southside Factoring & Related Services		
Balance as at 1st April 2013	108,752	167,485
Interest Received	761	1,012
Amounts Repaid in year	<u>(36,760)</u>	<u>(59,745)</u>
Balance as at 31st March 2014	<u>72,754</u>	<u>108,752</u>

The aggregate amount of capital and reserves and the results of Southside Factoring & Related Services Limited for the year ended 31st March 2014 were as follows:

	2014 £	2013 £
Capital & Reserves	<u>61,630</u>	<u>36,255</u>
Profit for the year	<u>25,375</u>	<u>45,352</u>

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. COST OF HOUSING PROPERTY HELD FOR SALE

	2014	2013
	£	£
Shared Ownership Properties		
Completed Properties Unsold	-	115,686

22. NEGATIVE GOODWILL

	2014	2013
	£	£
Balance as at 1st April 2013	5,278,140	5,553,689
Release during the year	(112,065)	(275,549)
As at 31st March 2014	5,166,075	5,278,140

23. CURRENT ASSET INVESTMENTS

	2014	2013
	£	£
Short Term Deposits	13,032,575	24,002,148

24. 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 10a).

The planned maintenance work on these properties continued during the year. The cost of this work has been capitalised under component accounting (note 10a), as required by the association's accounting policy (note 1). £7.61 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 10a) 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 18).

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. 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 1st April 2011.

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

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

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

As at the balance sheet date there were 21 active members of the Scheme employed by Southside Housing Association Limited. The annual pensionable payroll in respect of these members was £671,173. 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 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. 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 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. 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 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. 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 21 active members of the scheme employed by the Association. Total pension contributions made by the Association for the year were ££122,468 . This includes £34,271 of outstanding contributions at the balance sheet date. Gross pensionable salaries for the year were £599,342.

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	2014	2013	2012
	%p.a.	%p.a.	%p.a.
Price increases	2.9	2.8	2.5
Salary increases	5.1	5.1	4.8
Expected return on assets	6.0	5.2	5.8
Discount rate	4.3	4.5	4.8

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

	2014	2013
	£	£
Employee members	3,531,000	3,006,000
	<u>3,531,000</u>	<u>3,006,000</u>
Net Pension Liability	2014	2013
	£	£
Fair value of employer's assets	3,065,000	2,646,000
Present value of scheme liabilities	3,531,000	3,006,000
	<u>3,531,000</u>	<u>3,006,000</u>
Present value of unfunded liabilities	(466,000)	(360,000)

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Analysis of amount charged to the Income and Expenditure Account

	2014 £	2013 £
Charged to operating costs:		
Service cost	149,000	140,000
	<u>149,000</u>	<u>140,000</u>
Charged to Other Finance Costs / (Income)		
Expected Return on employer assets	(144,000)	(131,000)
Losses/(Gains) on curtailments/settlements	63,000	-
Interest on pension scheme liabilities	140,000	117,000
	<u>59,000</u>	<u>(14,000)</u>
Net Charge to the Income and Expenditure Account	<u>208,000</u>	<u>126,000</u>
Actual Return on Plan Assets	<u>186,000</u>	<u>334,000</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	2014 % p.a.	2013 % p.a.	2012 % p.a.
Equities	6.6	5.7	6.3
Bonds	3.7	3.4	3.9
Property	4.8	3.9	4.4
Cash	3.7	3.0	3.5

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 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Employer membership statistics	2014 (Number)	2013 (Number)
Actives	21	24
Pensioners	6	1
Fair Value of employer assets	2014	2013
	£	£
Opening fair value of employer assets	2,646,000	2,192,000
Expected Return on Assets	144,000	131,000
Contributions by Members	33,000	38,000
Contributions by the Employer	218,000	156,000
Actuarial Gains / (Losses)	42,000	202,000
Estimated Benefits Paid	(18,000)	(73,000)
Closing fair value of employer assets	3,065,000	2,646,000
Fair value of scheme assets by category	2014	2013
	£	£
Equities	2,329,000	2,012,000
Bonds	368,000	370,000
Property	215,000	185,000
Cash	153,000	79,000
	3,065,000	2,646,000
Reconciliation of defined benefit obligations	2014	2013
	£	£
Opening defined benefit obligation	3,006,000	2,391,000
Current Service Cost	149,000	140,000
Interest Cost	140,000	117,000
Contributions by members	33,000	38,000
Actuarial Losses/(Gains)	158,000	393,000
Past service costs	(18,000)	(73,000)
Estimated Benefits Paid	63,000	-
	3,531,000	3,006,000

SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Analysis of projected amount to be charged to the Income & Expenditure Account for the year ended 31 March 2015

	£	% of pay
Projected current service cost	146,000	31
Interest on obligation	155,000	33
Expected return on plan assets	(188,000)	(40)
	113,000	24

Contributions made by the Association for the year ended 31 March 2015 are estimated to be approximately £113000.

Amounts for the current and previous accounting periods:

	2014	2013
	£	£
Fair value of employer assets	3,065,000	2,646,000
Present value of defined benefit obligations	(3,531,000)	(3,006,000)
(Deficit) / Surplus	(466,000)	(360,000)
Experience (losses) / Gains on assets	42,000	202,000

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

	2014	2013
	£	£
Actuarial gain / (loss) recognised in year	(116,000)	(191,000)
Cumulative actuarial gains	(349,000)	(233,000)