

**Southside Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2015**

**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**

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2015**

**MANAGEMENT COMMITTEE**

Dorothy Murray	Chairperson
Margaret McIntyre	Vice Chairperson
Iain Dyer	Secretary
Betty MacNeill	
Abbas Abid	Resigned 26/03/2015
Kenneth Ross	
Alison MacNeill	
Surjit Singh Chowdhary	
Alan Ferguson	
Hanif Mirza	
John Cogan	
Lucy A Cowan	
Parveen Mahmood	

**EXECUTIVE OFFICERS**

Patrick McGrath	Director
Marilyn Beveridge	Head of Housing Services - Retired 31/03/2015
Norma Taylor	Head of Housing Support
Mandy Wright	Head of Finance
Donna Reilly	Head of Investment & Development

**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 Andrews Square  
Edinburgh  
EH2 2YB

Dunfermline Building Society  
Carnegie Avenue  
Dunfermline  
KY11 5PS

**SOLICITORS**

Shepherd & Wedderburn  
191 West George Street  
Glasgow  
G2 2LB

T.C. Young  
7 West George Street  
Glasgow  
G2 1BA



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REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2015

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2015.

#### Legal Status

The Association is a registered non-profit making organisation constituted under the Co-operative and Community Benefit Societies Act 2014 No.1694R(S). The Association is governed by 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 £343,583, (2014 - £1,265,111 (restated)). The completion of the major works at Moss Heights resulted in depreciation charges of approx. £1m, which are included in the operating costs for this last year, thereby affecting the operating surplus.

The Association's Governance arrangements were sound and all meetings of the Governing Body (the Management Committee) were quorate throughout the year. The Chairperson continues to develop the Association's commitment to a system of appraisal for Committee members. In August 2014, at a Special General Meeting, the Association adopted new models rules that are consistent with the Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management.

The Association continues to be classified as "Low Engagement" by the Scottish Housing Regulator. The other main regulator for the Association, the Care Inspectorate, has classified all our housing support services as "Good" or "Very Good".

The Association submitted its first Annual Report on the Charter (the ARC) to the Scottish Housing Regulator in May 2014, and reported to tenants in October. The evidence from the report demonstrated strong performance on nearly all key performance criteria with the Association consistently above national averages. Two areas of improvement were identified, the performance on the control of tenant rent arrears and the "first time fix" on reactive repairs. Both were below national averages. The Association submitted its second ARC in May 2015 which reports on the financial year 2014/15. This will again be reported to tenants in the autumn. The two areas identified above from last year both show significant improvement in the figures now reported for 2014/15. A summary of the outputs is produced in the table on the next page.





SOUTHSIDE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2015

Review of Business and Future Developments (Contd)

Table 1 -Summary of Performance Outputs Reported in the ARC.

Indicators	2014/15	2013/14	Scottish Average 2013/14
Gross rent arrears (Indicator 31)	5.10%	5.70%	5.10%
Reactive repairs "right first time" (Indicator 13)	90.20%	73.60%	87.20%
Satisfaction with repairs service (Indicator 16)	90%	88.60%	87.60%
Average time to complete emergency repairs (Indicator 11)	1.79 hours	1.67 hours	6.9 hours
Average time to complete non- emergency repairs (Indicator 12)	4.2 days	3.6 days	8.2 days
Annual gas safety inspections (Indicator 15)	99.10%	99.85%	98.10%
Anti-social behaviour cases resolved in target (Indicator 19)	83.20%	76.50%	75.90%
New tenancies sustained for more than a year (Indicator 20)	92%	90%	87.70%
Average time to re-let properties (Indicator 35)	13.1 days	8.2 days	35.7 days
Void Rent Loss (Indicator 34)	0.70%	0.20%	1.20%
SHQS compliance	79.50%	74.30%	85.40%
SHQS compliance deducting demolition stock, exemptions and abeyances	92%		

The key service improvement in the past year was in relation to the structure of rents. The Association addressed the anomalies and significant differences in the various historical approaches that characterised the Association's housing stock and carried out a major consultation exercise with tenants to ensure there was support for having a consistent approach to rent levels and rent setting. The new arrangements were put in place for April 2015, and the adjustment to rents generated by the restructuring programme have been phased in over the next three years, with a cap of £20 per month on any changes. The Association set a very low rent increase for the coming year of 0.5% to reflect the other changes taking place in tenant's rents.

The major regeneration work at Pollokshields Deck Access flats continues. However the planned demolition of Phase 1 of the Deck Access flats at St. John's Quadrant did not proceed in 2014/15 as planned due to protracted negotiations on re-housing issues and delays in negotiations with owner occupiers. This work will hopefully be completed early in the current financial year. Planning applications for new housing and a new community centre are ongoing.

The Association continues to provide new homes and developments at Moss Park Boulevard and Portman Street commenced in 2014/15. The building of new housing in Gleddoch Road will go on site later this year as the acquisition of the site was finally completed in March 2015. The Association has also seen significant expansion in its role as a provider of Mid Market Rented (MMR) properties through its subsidiary SFARS Ltd. In addition to the CCG Ltd development in Tantallon Road, where the Association acts as managing agent, the Association acquired 18 new units in March Street and is currently building 16 units for MMR in Portman Street. The Association is also supporting the work of Glasgow City Council (GCC) in seeking to tackle poor quality management and maintenance in the private tenemental stock on the south side of Glasgow. In the past year the Association purchased 41 tenement flats with acquisition grant from GCC and with Council support, repair work will be carried out in the coming year and this will be linked to improved factoring arrangements where possible. This presents some risks to the Association as the Scottish Housing Quality Standard and the Energy Efficiency in Social Housing Standard both require housing associations to meet certain physical standards and this may be difficult in tenement properties where the Association is a minority owner.

The Association's subsidiary company, Southside Factoring and Related Services Ltd, continues to deliver a factoring service to over 900 owners. The subsidiary's role continues to diversify into non-social housing provision, and it now manages over 70 units of Mid Market Rent. The Board of SFARS continues to examine opportunities for expansion in its core factoring role, but also in further housing provision.



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REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2015

Review of Business and Future Developments (Contd)

A diversification in funding sources for new services continues to be a growing feature of the Associations income. The Association received monies from the Big Lottery Fund for a Support and Connect Welfare Rights and Advice Service, and also received a five year funding commitment from the Big Lottery Fund for a separate Money Advice and Welfare Rights Service to the wider community. The new community centre at Pollokshields, incorporating the Nan Mc Kay Hall, is also subject to Big Lottery Fund grant applications and a Stage 2 application will be submitted this autumn.

The Association received two Scottish Government People and Communities Fund grants in 2014/15 for projects that will run during the current financial year. One grant will support the work of the Association in building links to services for older people, and the second is an employment and training initiative for young single people linked to the improvement of open spaces at Moss Heights. The Association was also successful in getting grant funding through the Change Fund for Care and Repair's Home from Hospital Service and from the Transformation Fund for the Southside Connections Service. The Care and Repair core service continues to receive Glasgow City Council Revenue grant, and similarly the housing support services receive GCC Housing Support Revenue Grants. However, GCC has announced significant cuts to the housing support grants for the coming year.



REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2015

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**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 Co-operative & Community Benefit Societies Act 2014 requires 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 Co-operative and Community Benefit Societies Act 2014, 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.



## SOUTHSIDE HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

#### 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;
- Quarterly 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;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- 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 internal financial controls are in place and are effective and that a 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.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

#### 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

30 July 2015





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REPORT BY THE AUDITORS TO THE MEMBERS  
SOUTHSIDE HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on page 6 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

**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 Financial Reporting Council. 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 6 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls 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 relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



ALEXANDER SLOAN  
Chartered Accountants

GLASGOW  
30 July 2015



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

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We have audited the financial statements of Southside Housing Association Limited for the year ended 31st March 2015 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 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 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the 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.



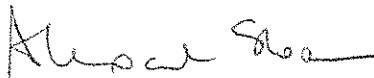
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SOUTHSIDE HOUSING ASSOCIATION LIMITED**

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**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  
30 July 2015



**SOUTHSIDE HOUSING ASSOCIATION LIMITED**

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015**

	Notes	2015 £	2014 Restated £
TURNOVER	2.	9,947,101	9,023,747
Operating Costs	2.	(9,603,518)	(7,758,636)
<b>OPERATING SURPLUS</b>	9.	<b>343,583</b>	<b>1,265,111</b>
Gain On Sale Of Housing Stock	7.	98,892	110,483
Release of Negative Goodwill	25.	111,249	112,065
Exceptional Item	27.	(365,736)	(7,606,533)
Interest Receivable and Other Income		296,378	398,703
Interest Payable and Similar Charges	8.	(67,949)	(87,108)
Other Finance Income/(Costs)	28.	32,000	(59,000)
		104,834	(7,131,390)
<b>SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>448,417</b>	<b>(5,866,279)</b>
Tax on surplus / (deficit) on ordinary activities	10.	-	-
<b>SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>448,417</b>	<b>(5,866,279)</b>

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**

		2015 £	2014 Restated £
Surplus for the financial year		448,417	(5,866,279)
Prior Year Adjustment	11.	(80,114)	
Actuarial Loss in the year	28.	(597,000)	(116,000)
<b>Total losses recognised since last annual report</b>		<b>(228,697)</b>	<b>(5,982,279)</b>





SOUTHSIDE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2015

	Notes	£	2015 £	2014 Restated £
<b>TANGIBLE FIXED ASSETS</b>				
Housing Properties - Depreciated Cost	12.(a)		80,111,251	75,105,147
Less: Social Housing Grant	12.(a)		(55,177,754)	(50,785,545)
: Other Public Grants	12.(a)		(2,086,602)	(2,302,612)
			<u>22,846,895</u>	<u>22,016,990</u>
Other fixed assets	12.(b)		2,690,180	2,993,328
			<u>25,537,075</u>	<u>25,010,318</u>
Negative Goodwill	25.		(5,054,826)	(5,166,075)
<b>FIXED ASSET INVESTMENTS</b>				
Investment in subsidiaries	23.		1	1
Shared Equity Cost	23.	1,270,805	1,016,005	
Shared Equity Grant	23.	(1,270,805)	(1,016,005)	
			<u>-</u>	<u>-</u>
<b>CURRENT ASSETS</b>				
Debtors	15.	2,978,978	1,355,094	
Development Cost of Housing Property	24.	565,091	-	
Investments	26.	9,053,850	13,032,575	
Cash at bank and in hand		9,960,435	8,830,288	
		<u>22,558,354</u>	<u>23,217,957</u>	
CREDITORS: Amounts falling due within one year	16.	(2,510,405)	(2,744,670)	
<b>NET CURRENT ASSETS</b>			<u>20,047,949</u>	<u>20,473,287</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>40,530,199</u>	<u>40,317,531</u>
CREDITORS: Amounts falling due after more than one year	17.		(3,824,027)	(4,059,780)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>				
Pension Liability (Strathclyde Pension Scheme)	28.	(1,063,000)	(466,000)	
			<u>(1,063,000)</u>	<u>(466,000)</u>
<b>NET ASSETS</b>			<u>35,643,172</u>	<u>35,791,751</u>
<b>CAPITAL AND RESERVES</b>				
Share Capital	19.		333	329
Designated Reserves	20.(a)		32,056,624	32,282,360
Revenue Reserves	20.(b)		4,649,215	3,975,062
Pension Reserves	20.(c)		(1,063,000)	(466,000)
			<u>35,643,172</u>	<u>35,791,751</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 30 July 2015.

Chairperson  


Vice-Chairperson  


Secretary  




SOUTHSIDE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2015

	Notes	2015 £	2014 Restated £
Net Cash Inflow from Operating Activities	18.	580,464	4,083,084
Returns on Investment and Servicing of Finance			
Interest Received		296,378	630,774
Interest Paid		(67,949)	(86,292)
Net Cash Inflow from Investment and Servicing of Finance		228,429	544,482
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(7,026,188)	(18,029,426)
Purchase of Other Fixed Assets		(87,486)	(224,175)
Social Housing Grant Received		3,089,733	3,243,708
Social Housing Grant Repaid		(45,754)	(652,386)
Other Grants Received		-	1,944,316
Proceeds on Disposal of Properties		216,694	188,203
Proceeds on Disposal of Shared Equity		426,700	-
Net Cash Outflow from Capital Expenditure and Financial Investment		(3,426,301)	(13,529,760)
Net Cash Outflow before use of Liquid Resources and Financing		(2,617,408)	(8,902,194)
Management of Liquid Resources			
Change in short term deposits with banks		3,978,725	10,969,573
Financing			
Loan Principal Repayments		(231,174)	(228,369)
Share Capital Issued		4	8
Net Cash Outflow from Financing		(231,170)	(228,361)
Increase in Cash	18.	1,130,147	1,839,018



# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### 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

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### 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%
Motor Vehicles	20%

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

##### **Social Housing Grant And Other Grants In Advance/Arrears**

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

Social Housing Grant 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

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### 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 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2015			2014 Restated		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	8,657,007	8,170,171	486,836	8,331,675	7,158,361	1,173,314
Other Activities	4.	1,290,094	1,433,347	(143,253)	692,072	600,275	91,797
<b>Total</b>		<b>9,947,101</b>	<b>9,603,518</b>	<b>343,583</b>	<b>9,023,747</b>	<b>7,758,636</b>	<b>1,265,111</b>

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

	General Needs Housing £	Supported Housing £	Shared ownership £	2015 Total £	2014 Restated Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	7,422,138	666,639	118,350	8,207,127	7,868,408
Service Charges Receivable	289,437	133,996	19,113	442,546	480,163
<b>Gross Rents Receivable</b>	<b>7,711,575</b>	<b>800,635</b>	<b>137,463</b>	<b>8,649,673</b>	<b>8,348,571</b>
Less: Rent losses from voids	27,190	-	-	27,190	36,606
<b>Net Rents Receivable</b>	<b>7,684,385</b>	<b>800,635</b>	<b>137,463</b>	<b>8,622,483</b>	<b>8,311,965</b>
Revenue Grants from Scottish Ministers	34,524	-	-	34,524	19,710
<b>Total Income From Social Letting</b>	<b>7,718,909</b>	<b>800,635</b>	<b>137,463</b>	<b>8,657,007</b>	<b>8,331,675</b>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	1,051,978	487,018	69,466	1,608,462	1,680,179
Management and maintenance administration costs	2,753,123	247,279	43,900	3,044,302	2,868,974
Reactive Maintenance	1,160,211	104,207	18,500	1,282,918	1,234,641
Bad Debts - Rents and Service Charges	1,984	210	-	2,194	112,064
Planned and Cyclical Maintenance, including Major Repairs	1,018,238	91,456	16,236	1,125,930	449,997
Depreciation of Social Housing	920,848	97,392	88,125	1,106,365	812,506
<b>Operating Costs of Social Letting</b>	<b>6,906,382</b>	<b>1,027,562</b>	<b>236,227</b>	<b>8,170,171</b>	<b>7,158,361</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>812,527</b>	<b>(226,927)</b>	<b>(98,764)</b>	<b>486,836</b>	<b>1,173,314</b>
<b>2014 Restated</b>	<b>1,146,096</b>	<b>18,245</b>	<b>8,973</b>	<b>1,173,314</b>	



# SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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) 2015	Operating Surplus / (Deficit) 2014
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	64,308	-	-	64,308	-	68,341	(4,033)	(31,284)
Care and Repair of Property	-	182,191	-	-	182,191	-	195,412	(13,221)	(7,916)
Development and construction of property activities	-	-	-	-	-	-	240,550	(240,550)	(95,457)
Support Activities	-	-	174,216	-	174,216	-	161,192	13,024	795
Shared Equity (First Tranche Sales)	-	-	-	426,700	426,700	-	426,700	-	-
Commercial Rents	-	-	-	164,654	164,654	-	-	164,654	135,520
Other Activities	-	249,864	-	28,161	278,025	-	341,152	(63,127)	90,139
<b>Total From Other Activities</b>	-	<b>496,363</b>	<b>174,216</b>	<b>619,515</b>	<b>1,290,094</b>	-	<b>1,433,347</b>	<b>(143,253)</b>	<b>91,797</b>
<b>2014</b>	-	<b>290,554</b>	<b>183,261</b>	<b>218,257</b>	<b>692,072</b>	-	<b>600,275</b>	<b>91,797</b>	



# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### 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.

	2015	2014
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>76,965</u>	<u>75,566</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>10,835</u>	<u>9,846</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>76,965</u>	<u>75,566</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

	2015	2014
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>92</u>	<u>80</u>
The average total number of Employees employed during the year was	<u>107</u>	<u>87</u>
Staff Costs were:	£	£
Wages and Salaries	2,377,178	2,105,075
Social Security Costs	202,086	165,938
Other Pension Costs	402,386	280,734
Temporary, Agency and Seconded Staff	71,327	112,283
	<u>3,052,977</u>	<u>2,664,030</u>





## SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	216,694	188,203
Cost of Sales	<u>117,802</u>	<u>77,720</u>
Gain On Sale Of Housing Stock	<u>98,892</u>	<u>110,483</u>

### 8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	<u>67,949</u>	<u>87,108</u>

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

	2015	2014 Restated
	£	£
Surplus / (Deficit) on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	1,488,064	1,048,825
Auditors' Remuneration - Audit Services	11,922	12,000
- Other Services	5,264	4,910
Operating Lease Rentals - Other	<u>21,129</u>	<u>77,201</u>

### 10. TAX ON SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES

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

### 11. PRIOR YEAR ADJUSTMENT

During the year ended 31 March 2015, Management took a decision to revisit the capitalisation policy applied to works relating to the construction of the Office Premises. As a result of this, £260,038 has been reclassified from Office Premises to Office Furniture and Equipment. In addition, as a result of this change in policy, the depreciation charged to date has been updated through a Prior Year Adjustment resulting in a net decrease in the Reserves of £80,114. The effect of this is to decrease the surplus in the prior year by £80,114.



## SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 12. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
<b>COST</b>				
As at 1st April 2014	66,750,307	19,206,174	4,643,205	90,599,686
Additions	313,052	6,660,686	52,450	7,026,188
Disposals	(422,212)	(406,578)	(59,235)	(888,025)
Schemes Completed	15,831,688	(15,601,532)	(230,156)	-
As at 31st March 2015	82,472,835	9,858,750	4,406,264	96,737,849
<b>DEPRECIATION</b>				
As at 1st April 2014	7,681,029	7,606,533	206,977	15,494,539
Charge for Year	923,569	225,736	88,125	1,237,430
Disposals	(94,780)	-	(10,591)	(105,371)
Schemes Completed	7,832,269	(7,832,269)	-	-
As at 31st March 2015	16,342,087	-	284,511	16,626,598
<b>SOCIAL HOUSING GRANT</b>				
As at 1st April 2014	40,946,725	6,269,989	3,568,831	50,785,545
Additions	228,672	4,372,896	-	4,601,568
Disposals	(163,605)	-	(45,754)	(209,359)
Schemes Completed	4,102,261	(3,964,998)	(137,263)	-
As at 31st March 2015	45,114,053	6,677,887	3,385,814	55,177,754
<b>OTHER CAPITAL GRANTS</b>				
As at 1st April 2014	2,302,612	-	-	2,302,612
Disposals	(216,010)	-	-	(216,010)
As at 31st March 2015	2,086,602	-	-	2,086,602
<b>NET BOOK VALUE</b>				
As at 31st March 2015	18,930,093	3,180,863	735,939	22,846,895
As at 31st March 2014 Restated	15,819,941	5,329,652	867,397	22,016,990

Additions to housing properties includes capitalised development administration costs of £nil (2014 - £140,081) and capitalised major repair costs to existing properties of £951,623 (2014 £663,353).

All land and housing properties are freehold.



# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### b) Other Tangible Assets

	Motor Vehicles £	Commercial Property £	Office Premises £	Office Furniture & Equipment £	Total £
<b>COST</b>					
As at 1st April 2014 Restated	70,151	422,495	2,544,560	808,228	3,845,434
Additions	-	-	20,740	66,746	87,486
As at 31st March 2015	<u>70,151</u>	<u>422,495</u>	<u>2,565,300</u>	<u>874,974</u>	<u>3,932,920</u>
<b>GRANTS RECEIVED</b>					
As at 1st April 2014 Restated	-	131,021	-	-	131,021
As at 31st March 2015	<u>-</u>	<u>131,021</u>	<u>-</u>	<u>-</u>	<u>131,021</u>
<b>AGGREGATE DEPRECIATION</b>					
As at 1st April 2014 Restated	28,335	81,540	109,029	502,181	721,085
Charge for year	14,030	5,829	51,683	179,092	250,634
Impairment	-	-	140,000	-	140,000
As at 31st March 2015	<u>42,365</u>	<u>87,369</u>	<u>300,712</u>	<u>681,273</u>	<u>1,111,719</u>
<b>NET BOOK VALUE</b>					
As at 31st March 2015	<u>27,786</u>	<u>204,105</u>	<u>2,264,588</u>	<u>193,701</u>	<u>2,690,180</u>
As at 31st March 2014 Restated	<u>41,816</u>	<u>209,934</u>	<u>2,435,531</u>	<u>306,047</u>	<u>2,993,328</u>

#### 13. CAPITAL COMMITMENTS

	2015 £	2014 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>8,392,113</u>	<u>1,630,026</u>

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

#### 14. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2015 £	2014 £
Other		
Expiring between two and five years	<u>56,071</u>	<u>77,201</u>



# SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 15. DEBTORS

	2015 £	2014 £
Arrears of Rent & Service Charges	348,725	430,439
Less: Provision for Doubtful Debts	(205,820)	(297,546)
	<u>142,905</u>	<u>132,893</u>
Social Housing Grant Receivable	1,939,095	381,516
Corporation Tax Receivable	-	3,891
Other Debtors	896,978	764,040
Amounts Due from Group Undertakings	-	72,754
	<u>2,978,978</u>	<u>1,355,094</u>

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

	2015 £	2014 £
Housing Loans	214,012	209,431
Trade Creditors	1,235,773	1,168,659
Rent in Advance	266,707	245,185
Social Housing Grant in Advance	152,686	106,932
Other Taxation and Social Security	56,375	55,115
Amounts Due to Group Undertakings	24,662	72,906
Other Creditors	36,604	34,271
Accruals and Deferred Income	523,586	852,171
	<u>2,510,405</u>	<u>2,744,670</u>

At the balance sheet date there were pension contributions outstanding of £35,357 (2014 £34,271)

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

	2015 £	2014 £
Housing Loans	<u>3,824,027</u>	<u>4,059,780</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	214,012	209,431
Between one and two years	215,954	211,110
Between two and five years	659,753	655,208
In five years or more	<u>2,948,320</u>	<u>3,193,462</u>
	4,038,039	4,269,211
Less: Amount shown in Current Liabilities	214,012	209,431
	<u>3,824,027</u>	<u>4,059,780</u>





SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**18. CASH FLOW STATEMENT**

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2015 £	2014 £
Operating Surplus	343,583	1,265,111
Depreciation	1,488,064	1,048,825
Change in properties developed for resale	(565,091)	115,686
Change in Debtors	(428,492)	918,325
Change in Creditors	(284,600)	804,139
Defined Benefit Pension Contributions Paid (Strathclyde Pension Fund)	(138,000)	(218,000)
Service Cost on Defined Benefit Scheme (Strathclyde Pension Fund)	165,000	149,000
Share Capital Written Off	-	(2)
<b>Net Cash Inflow from Operating Activities</b>	<b>580,464</b>	<b>4,083,084</b>

<i>Reconciliation of net cash flow to movement in net debt</i>	2015 £	£	2014 £	£
Increase in Cash	1,130,147		1,839,018	
Cash flow from management of liquid resources	(3,978,725)		(10,969,573)	
Cash flow from change in debt	231,172		228,369	
<b>Movement in net debt during year</b>		(2,617,406)		(8,902,186)
Net debt at 1st April 2014 Restated		17,593,652		26,495,838
<b>Net debt at 31st March 2015</b>		<b>14,976,246</b>		<b>17,593,652</b>

<i>Analysis of changes in net debt</i>	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	8,830,288	1,130,147		9,960,435
Bank Overdrafts	-	-		-
<b>Liquid Resources</b>	<b>8,830,288</b>	<b>1,130,147</b>		<b>9,960,435</b>
Liquid Resources	13,032,575	(3,978,725)		9,053,850
Debt: Due within one year	(209,431)	231,172	(235,753)	(214,012)
Due after more than one year	(4,059,780)	0	235,753	(3,824,027)
<b>Net Debt</b>	<b>17,593,652</b>	<b>(2,617,406)</b>	<b>-</b>	<b>14,976,246</b>



## SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2014	329
Issued in year	4
Cancelled in year	-
At 31st March 2015	<u>333</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.

### 20. RESERVES

(a) Designated Reserves	SST	Major Repairs	Total
	£	£	£
At 1st April 2014	26,127,371	6,154,989	32,282,360
Transfer to / (from) Revenue Reserves	(225,736)	-	(225,736)
At 31st March 2015	<u>25,901,635</u>	<u>6,154,989</u>	<u>32,056,624</u>

(b) Revenue Reserves	Total
	£
At 1st April 2014 - Restated	3,975,062
Surplus / (Deficit) for the year	448,417
Transfer (to) / from Designated Reserves	225,736
At 31st March 2015	<u>4,649,215</u>

(c) Pension Reserves	
At 1st April 2014	(466,000)
Actuarial Gains/(Losses)	(597,000)
Transfer (to) / from Revenue Reserves	-
At 31st March 2015	<u>(1,063,000)</u>

### 21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2015 No.	2014 No.
General Needs - New Build	29	70
- Rehabilitation	2,017	1,832
Shared Ownership	61	65
Supported Housing	156	138
	<u>2,263</u>	<u>2,105</u>



# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 22. 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:

5 members are tenants of the Association  
2 members are factored owners

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.

#### 23. FIXED ASSET INVESTMENT

	2015	2014
	£	£
<b>Shared Equity Properties</b>		
Development Cost of Shared Equity Property	1,270,805	1,016,005
Less: Grants Receivable	1,270,805	1,016,005
	<u>-</u>	<u>-</u>
<b>Investments in Subsidiaries</b>		
As at 31st March 2015 & 31st March 2014 Restated	<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 Services 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:

	2015	2014
	£	£
<b>Loan to Southside Factoring &amp; Related Services</b>		
Balance as at 1st April 2014	72,754	108,752
Interest received	509	761
Amounts repaid in the year	(73,263)	(36,759)
Balance as at 31st March 2015	<u>-</u>	<u>72,754</u>

The aggregate amount of capital and reserves and the results of Southside Factoring & Related Services Ltd for the year ended 31st March 2015 were as follows:

	2015	2014
	£	£
Capital & Reserves	<u>69,106</u>	<u>61,630</u>
Profit for the year	<u>7,478</u>	<u>25,375</u>



## SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 24. COST OF HOUSING PROPERTY HELD FOR SALE

	2015 £	2014 £
Shared Equity Properties		
Completed Properties Unsold	1,146,294	-
	<u>1,146,294</u>	<u>-</u>
Less: Grants Received from Scottish Ministers	(581,203)	-
	<u>565,091</u>	<u>-</u>

### 25. NEGATIVE GOODWILL

	2015 £	2014 £
Balance as at 1st April 2014	5,166,075	5,278,140
Release during the year	(111,249)	(112,065)
	<u>5,054,826</u>	<u>5,166,075</u>

### 26. CURRENT ASSET INVESTMENTS

	2015 £	2014 Restated £
Short Term Deposits	9,053,850	13,032,575
	<u>9,053,850</u>	<u>13,032,575</u>

### 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 12).

The planned maintenance work on these properties continued during the year. The cost of this work has been capitalised under component accounting (note 12), as required by the association's accounting policy (note 1). £11.51 million of this expenditure has been effectively spent to bring some of the properties from their negative value to the carrying value of nil. The charge for 2015 is £225,736 (2014: £7,606,533).

As a result it has been necessary to make an impairment adjustment to the Property Cost (note 12) 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 20).

In addition, in 2015, a valuation was carried out on the Office Building occupied and leased out by Southside Housing Association. This valuation indicated an impairment in the carrying value of the building of £140,000 which is included within the Exceptional Item costs in the year.





# SOUTHSIDE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 28 RETIREMENT BENEFIT OBLIGATIONS

##### General

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

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

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in
- Defined Contribution

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 has elected to operate the final salary with a CARE 1/20th accrual rate benefit structure for both active members and new entrants from 1st April 2011 until the 1st of July 2014. From this date, the Association operated the Defined Contribution scheme for all new members, and from the 1st of April 2015 all existing members transferred into the Defined Contribution scheme.

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 5.7% of pensionable salaries. Member contributions were 5.7%.

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 £537,000. 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.



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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2014. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £539 million and indicated an decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

#### 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 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### Valuation Results

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

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable salaries)</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 2015 Southside Housing Association Limited will be required to pay £108,769 per annum as a 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.



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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 28 RETIREMENT BENEFIT OBLIGATIONS (Continued)

### Strathclyde Pension Scheme

#### Defined Benefit Scheme

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

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

At the balance sheet date, there were 21 active members of the scheme employed by the Association. Total pension contributions made by the Association for the year were £122,150. This includes £nil of outstanding contributions at the balance sheet date. Gross pensionable salaries for the year were £574,114.

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	2015	2014	2013
	%p.a.	%p.a.	%p.a.
Price increases	2.4	2.9	2.8
Salary increases	4.3	5.1	5.1
Expected return on assets	3.2	6.0	5.2
Discount rate	3.2	4.3	4.5

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

	2015	2014
	£	£
Employee members	4,573,000	3,531,000
	<u>4,573,000</u>	<u>3,531,000</u>
<b>Net Pension Liability</b>	<b>2015</b>	<b>2014</b>
	£	£
Fair value of employer's assets	3,510,000	3,065,000
Present value of scheme liabilities	4,573,000	3,531,000
	<u>(1,063,000)</u>	<u>(466,000)</u>





# SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 28. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Analysis of amount charged to the Income and Expenditure Account

	2015 £	2014 £
Charged to operating costs:		
Service cost	165,000	149,000
	<u>165,000</u>	<u>149,000</u>
Charged to Other Finance Costs / (Income)		
Expected Return on employer assets	(187,000)	(144,000)
Losses/(Gains) on curtailments/settlements	-	63,000
Interest on pension scheme liabilities	155,000	140,000
	<u>(32,000)</u>	<u>59,000</u>
<b>Net Charge to the Income and Expenditure Account</b>	<u>133,000</u>	<u>208,000</u>
<b>Actual Return on Plan Assets</b>	<u>408,000</u>	<u>186,000</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	2015 % p.a.	2014 % p.a.	2013 % p.a.
Equities	3.2	6.6	5.7
Bonds	3.2	3.7	3.4
Property	3.2	4.8	3.9
Cash	3.2	3.7	3.0

### 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	22.1	23.6
Future Pensioners	24.8	26.2



# SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 28. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Employer membership statistics	2015	2014
	(Number)	(Number)
Actives	21	21
Deferreds	2	-
Pensioners	6	6
 Fair Value of employer assets	 2015	 2014
	£	£
Opening fair value of employer assets	3,065,000	2,646,000
Expected Return on Assets	187,000	144,000
Contributions by Members	33,000	33,000
Contributions by the Employer	138,000	218,000
Actuarial Gains / (Losses)	145,000	42,000
Estimated Benefits Paid	(58,000)	(18,000)
 Closing fair value of employer assets	 3,510,000	 3,065,000
 Fair value of scheme assets by category	 2015	 2014
	£	£
Equities	2,633,000	2,329,000
Bonds	456,000	368,000
Property	386,000	215,000
Cash	35,000	153,000
	<u>3,510,000</u>	<u>3,065,000</u>
 Reconciliation of defined benefit obligations	 2015	 2014
	£	£
Opening defined benefit obligation	3,531,000	3,006,000
Current Service Cost	165,000	149,000
Interest Cost	155,000	140,000
Contributions by members	33,000	33,000
Actuarial Losses/(Gains)	747,000	158,000
Past service costs	-	63,000
Estimated Benefits Paid	(58,000)	(18,000)
	<u>4,573,000</u>	<u>3,531,000</u>



# SOUTHSIDE HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 28. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Amounts for the current and previous accounting periods:

	2015	2014
	£	£
Fair value of employer assets	3,510,000	3,065,000
Present value of defined benefit obligations	(4,573,000)	(3,531,000)
(Deficit) / Surplus	(1,063,000)	(466,000)
Experience (losses) / Gains on assets	145,000	42,000

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

	2015	2014
	£	£
Actuarial gain / (loss) recognised in year	(602,000)	(116,000)
Cumulative actuarial gains / (losses)	(951,000)	(349,000)

