

07 AUG 2018



**Alexander Sloan**  
Accountants and Business Advisers

# **Southside Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31 March 2018**

**Registered Housing Association No. HCB186**

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

**Scottish Charity No. SCO36009**

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

---

## CONTENTS

	<b>Page</b>
MEMBERS OF THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS	1
REPORT OF THE MANAGEMENT COMMITTEE	2 - 6
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	7
REPORT OF THE AUDITORS	8 - 9
STATEMENT OF COMPREHENSIVE INCOME	10
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	10
STATEMENT OF FINANCIAL POSITION	11
STATEMENT OF CASH FLOWS	12
STATEMENT OF CHANGES IN EQUITY	13
NOTES TO THE FINANCIAL STATEMENTS	14 - 32

# **SOUTHSIDE HOUSING ASSOCIATION LIMITED**

---

## **MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2018**

### **MANAGEMENT COMMITTEE**

Margaret McIntyre	Chairperson (From 28.09.2017)
Betty Macneill	Vice Chair (From 31.05.2018)
Iain Dyer	Secretary
Kenneth Ross	
Hanif Mirza	
Surjit Singh Chowdhary	
Alan Ferguson	
Jonah Chireka	(Joined 31.08.2017)
Alex Cameron	(Joined 31.08.2017)
Lucy A Cowan	
Bob Turnbull	(Joined 22.02.2018)
Dorothy Murray	Chair (To 31.08.2017) (Resigned 31.08.2017)
Parveen Mahmood	Vice Chair (To 26.04.2018) (Resigned 26.04.2018)

### **EXECUTIVE OFFICERS**

Patrick McGrath	Director
Allan Forfar	Head of Housing Management
Norma Taylor	Head of Housing Support
Manda Wright	Head of Finance
Donna Reilly	Head of Investment & Development

### **REGISTERED OFFICE**

135 Fifty Pitches Road  
Glasgow  
G51 4EB

### **EXTERNAL AUDITORS**

Alexander Sloan  
Accountants & Business Advisers  
180 St Vincent Street  
Glasgow  
G2 5SG

### **INTERNAL AUDITORS**

BDO LLP  
4 Atlantic Quay  
70 York Street  
Glasgow

### **BANKERS**

Bank of Scotland  
236 Albert Drive  
Glasgow  
G41 2NL

### **SOLICITORS**

TC Young  
7 West George Street  
Glasgow  
G2 1BA

# **SOUTHSIDE HOUSING ASSOCIATION LIMITED**

---

## **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018**

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2018.

### **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 governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO36009.

### **Principal Activities**

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

1. providing, constructing, improving and managing land, accommodation and associated facilities and providing care;
2. providing or arranging home maintenance, repair and improvement services and providing facilities and services for the benefit of such people either exclusively for them or together with other persons;
3. undertaking any activities which are charitable, allowed under section 58 of the Housing (Scotland) Act 2001, including any statutory amendment or re enactment of the provisions of this section from time to time being in force and;
4. carrying on any other charitable activities permitted to registered social landlords from time to time.

### **Review of Business and Future Developments**

The Association reported a surplus of £1,572,180 (2017: £1,300,681).

The reserves balance of £41,993,899 reported in the Statement of Financial Position (page 11) is, in part earmarked to support the continued investment in transferred stock.

The Association's Governance arrangements remain sound, all meetings of the Governing Body were quorate. The Association delegates some management functions to local Neighbourhood Committees and operates its Factoring and Mid Market business through a commercial subsidiary, Southside Factoring and Related Services Ltd. An Inter Company Agreement sets out the relationship between the parent and the subsidiary.

The Association has a complex network of Regulators. The principal regulator, the Scottish Housing Regulator continued to classify the Association as requiring "Low Engagement". The Care Inspectorate, which regulates housing support services, continued to classify services as "Good" or "Very Good". Other regulatory bodies, the Financial Conduct Authority and the Office of the Scottish Charity Regulator, had no significant engagement with the Association.

The Association continues to show strong patterns of performance on key service areas. In May 2018 the Association submitted its Annual Report on the Scottish Social Housing Charter (ARC) and this indicated strong performance on all areas of activity. A summary of the key outputs for the past year compared with the previous two is produced in Table 1 below

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2018

### Review of Business and Future Developments (Contd.)

	2015/16	2016/17	2017/18
Gross rent arrears (Indicator 31)	4.82%	4.89%	5.79%
Reactive repairs "right first time" (Indicator 13)	98.32%	94.09%	96.35%
Satisfaction with repairs service (Indicator 16)	91.12%	90.23%	97.20%
Average time to complete emergency repairs (Indicator 11)	1.4 hours	1.33 hours	1.93 hours
Average time to complete non- emergency repairs (Indicator 12)	2.88 days	4.19 days	4.33 hours
Annual gas safety inspections (Indicator 15)	100%	100%	100%
Anti-social behavior cases resolved in target (Indicator 19)	87.23%	94.81%	96.97%
New tenancies sustained for more than a year (Indicator 20)	92.11%	95.17%	92.61%
Average time to re-let properties (Indicator 35)	14.51 days	13.01 days	18.56 days
Void Rent Loss (Indicator 34)	0.45%	0.42%	0.46%
SHQS compliance	88.23%	89.02%	78.53%
SHQS compliance deducting demolition stock, exemptions and abeyances	100%	100%	100%

In addition to this general positive trend on performance outputs, the Association's social landlord division addressed a number of key challenges over the past year including:

- Approved new Business Plan for SHA and for SFARS Ltd
- Addressing the continuing threat from Welfare Reform
- Improving and allocating individual properties bought under a "Private Acquisition Programme"
- Continuing a programme of rehousing households in the Pollokshields demolition stock
- Continued the building of 49 new homes on the cleared St. Andrews site
- Commenced the refurbishment of 166 Gorbals Street
- Commenced the second phase of new build for Mid Market Rent in Portman Street

As noted above the Association has a healthy development programme of new and acquired homes for a mixture of social renting, Mid Market Rent and Shared Equity. The Association started the process of raising £25m for new developments and hopes to conclude this work in 2018. The Association continues to have a significant programme of investment in its existing stock, but brought forward additional investment in fire safety work in 2017/18.

# **SOUTHSIDE HOUSING ASSOCIATION LIMITED**

---

## **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2018**

### **Review of Business and Future Developments (Contd.)**

The Association also employs Community Development staff to support the communities we work with and complements this revenue commitment with significant capital investment in new community resources. The Association is investing over £2m in a new Community Centre in Pollokshields including £400k of its own money. The balance of the funds is coming from the Big Lottery Fund and the Scottish Government's Regeneration Capital Fund. Unfortunately due to the withdrawal of the proposed anchor tenant, the Nan McKay Memorial Hall, we have had to resubmit the proposals to the Big Lottery Fund and will not hear until June 2018 on whether this is successful. In Cardonald, the Association has secured over £900k from the Green Infrastructure Fund (European Funding) towards a new, £2.2m Community Park at Halfway. Negotiations are ongoing to secure £800k from GCC supplemented with £500k of the Association's monies.

The Association completed a third year of People and Communities Fund monies from the Scottish Government. This included a programme of Community support called "Southside Connections", providing a programme of support from community bases throughout Pollokshields and Cardonald.

The Association continues to operate a profitable commercial subsidiary, SFARS Ltd. This delivers two distinctly branded services, Southside Residential – a factoring service to 1000 owners, and Southside Letting – a Mid Market Rent service to over 100 households. During 2017/18, Southside Letting launched a new 'Private Letting' partnership with private landlords. Profits from the subsidiary may be 'gifted' to the charitable parent.

The Association continued to manage Glasgow Care and Repair with funding support from Glasgow City Council. The range of services was expanded from the basic advice work, the handyperson service and the Home from Hospital Service to include a new Scottish Government funded Equity Release scheme.

During 2017/18, the partnership with housing associations to deliver handyperson services was expanded to three more organisations.

# **SOUTHSIDE HOUSING ASSOCIATION LIMITED**

---

## **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018**

### **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 and Community Benefit Act 2014 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 judgements 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 2014 and the Determination of Accounting Requirements - 2015. 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

---

## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

### 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 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.

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 2018. No weaknesses were found in the 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.

### Donations

During the year the Association made charitable donations amounting to £2,955 (2017 - £2,700).

### Auditors

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

 Management Committee



# **SOUTHSIDE HOUSING ASSOCIATION LIMITED**

---

## **REPORT BY THE AUDITORS TO THE MEMBERS 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 6 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

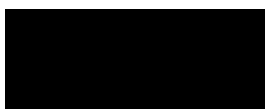
### **Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the 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 6 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes 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 the relevant Regulatory Standards in respect of internal financial controls 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**

Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
28 June 2018



**Alexander Sloan**  
Accountants and Business Advisers

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

---

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

### Opinion

We have audited the financial statements of Southside Housing Association Limited (the 'Association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Society 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 auditor's 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 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 prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Management Committee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Management Committee.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- 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 Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

---

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHSIDE HOUSING ASSOCIATION LIMITED (Continued)

### Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 5, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
- Conclude on the appropriateness of the Management Committee use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**ALEXANDER SLOAN**

Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
28 June 2018



**Alexander Sloan**  
Accountants and Business Advisers

# **SOUTHSIDE HOUSING ASSOCIATION LIMITED**

## **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 £	2017 £
<b>REVENUE</b>	2	11,880,939	11,334,524
Operating Costs	2	(10,580,600)	(10,358,417)
<b>OPERATING SURPLUS</b>		1,300,339	976,107
Gain On Sale Of Housing Stock	7	169,480	21,533
Release of Negative Goodwill	22	111,000	56,184
Interest Receivable and Other Income		72,791	248,489
Interest Payable and Similar Charges	8	(41,895)	(46,428)
Other Finance Income / (Charges)	10	(39,535)	44,796
		271,841	324,574
Surplus on ordinary activities before taxation		1,572,180	1,300,681
Tax on surplus on ordinary activities	10	-	-
<b>SURPLUS FOR THE YEAR</b>	9	<b>1,572,180</b>	<b>1,300,681</b>
Other Comprehensive Income		997,000	(610,000)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>2,569,180</b>	<b>690,681</b>

The notes on pages 14 to 32 form part of these financial statements.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018	2017
		£	£
<b>NON-CURRENT ASSETS</b>			
Housing Properties - Depreciated Cost	11 (a)	88,285,940	79,661,131
Intangible Assets	11 (b)	180	11,393
Other Non-current Assets	11 (c)	2,463,176	2,488,126
		<u>90,749,296</u>	<u>82,160,650</u>
Negative Goodwill	22	(4,775,824)	(4,886,824)
<b>INVESTMENTS</b>			
Investment in subsidiaries	25	1	1
Investment properties	25	-	-
		<u>1</u>	<u>1</u>
<b>CURRENT ASSETS</b>			
Receivables	14	2,186,725	2,338,039
Investments	25	-	7,107,452
Cash at bank and in hand		18,116,571	10,266,127
		<u>20,303,296</u>	<u>19,711,618</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	<u>(5,134,573)</u>	<u>(3,066,571)</u>
<b>NET CURRENT ASSETS</b>		<u>15,168,723</u>	<u>16,645,047</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>101,142,196</u>	<u>93,918,874</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16	(3,416,770)	(3,780,502)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Other Provision	30	<u>(399,000)</u>	<u>(1,292,000)</u>
		(399,000)	(1,292,000)
<b>DEFERRED INCOME</b>			
Social Housing Grants	18	(55,169,285)	(49,287,345)
Other Grants	18	<u>(163,036)</u>	<u>(133,953)</u>
		<u>(55,332,321)</u>	<u>(49,421,298)</u>
<b>NET ASSETS</b>		<u><b>41,994,105</b></u>	<u><b>39,425,074</b></u>
<b>EQUITY</b>			
Share Capital	19	206	355
Revenue Reserves		<u>41,993,899</u>	<u>39,424,719</u>
		<u><b>41,994,105</b></u>	<u><b>39,425,074</b></u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 28 June 2018.

Chairperson

Vice Chairperson

The notes on pages 14 to 32 form part of these financial statements.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018	2017
		£	£
<b>Net cash inflow from operating activities</b>	17	2,893,752	2,489,397
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(10,218,475)	(8,251,729)	
Purchase of Intangible Fixed Assets	-	(540)	
Purchase of Other Fixed Assets	(131,867)	(21,002)	
Social Housing Grant Received	8,264,496	6,225,819	
Other Grants Received	34,323	-	
Changes on short term deposits with banks	7,107,452	2,001,053	
Proceeds on Disposal of Properties	119,792	158,838	
<b>Net cash inflow from investing activities</b>		5,175,721	112,439
<b>Financing Activities</b>			
Loan Redemption Payments	-	-	
Interest Received on Cash and Cash Equivalents	72,791	296,116	
Interest Paid on Loans	(41,895)	(46,428)	
Loan Principal Repayments	(249,930)	(246,144)	
Share Capital Issued	5	21	
<b>Net cash (outflow) / inflow from financing activities</b>		(219,029)	3,565
<b>Increase in cash</b>		7,850,444	2,605,401
<b>Opening Cash &amp; Cash Equivalents</b>		10,266,127	7,660,726
<b>Closing Cash &amp; Cash Equivalents</b>		<b>18,116,571</b>	<b>10,266,127</b>
<b>Cash and Cash equivalents as at 31 March</b>			
Cash		18,116,571	10,266,127
		<b>18,116,571</b>	<b>10,266,127</b>

The notes on pages 14 to 32 form part of these financial statements.

## SOUTHSIDE HOUSING ASSOCIATION LIMITED

### STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 31 March 2016</b>	334	38,734,038	38,734,372
Issue of Shares	21	-	21
Other comprehensive income - pension scheme	-	(610,000)	(610,000)
Surplus for the year	-	1,300,681	1,300,681
<b>Balance as at 31 March 2017</b>	<b>355</b>	<b>39,424,719</b>	<b>39,425,074</b>
<b>Balance as at 1 April 2017</b>	355	39,424,719	39,425,074
Issue of Shares	5	-	5
Cancellation of Shares	(154)	-	(154)
Other comprehensive income - pension scheme	-	997,000	997,000
Surplus for the year	-	1,572,180	1,572,180
<b>Balance as at 31 March 2018</b>	<b>206</b>	<b>41,993,899</b>	<b>41,994,105</b>

The reserve balance shown above is, in part earmarked to support the continued investment in transferred stock.

The notes on pages 14 to 32 form part of these financial statements.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

#### Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

#### 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 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

#### Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of the asset to which it relates.

#### Retirement Benefits

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 Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

The Association previously participated in the Scottish Housing Associations Defined Benefit Pension Scheme where retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. The Association accounts for amounts that it has agreed to pay towards the Scottish Housing Association Defined Benefit Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

The Association participates in both the Scottish Widows and the Scottish Housing Associations defined contribution pension schemes. The pension costs charged in the financial statements for these schemes represent the contribution payable by the Association during the year.

#### Valuation Of Housing Properties

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

<b>Component</b>	<b>Useful Economic Life</b>
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 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. PRINCIPAL ACCOUNTING POLICIES

#### Depreciation and Impairment of Other Non-Current Assets

Non-current 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:

Asset Category	Depreciation Rate
Office Premises	2%
Furniture and Fittings	33%
Computer & Office Equipment	20%-33%
Van	20%

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

#### Social Housing Grant and Other Grants in Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income 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 non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals of housing property under the Right to Buy scheme are treated as non-current asset disposals and any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

#### Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board of Management to exercise judgement in applying the Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

##### a) Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place and court action.

##### b) Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

##### c) Useful life of properties, plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. PRINCIPAL ACCOUNTING POLICIES

#### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position 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.

#### **Service Charge Sinking Funds**

The Association receives a service charge from owner occupiers to fund future planned maintenance, cyclical maintenance and car park costs. In accordance with the Statement of Recommended Practice the balance of unspent service income is included as a liability where amounts are repayable or contributions are reduced.

#### **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 Statement of Comprehensive Income in accordance with the Statement of Recommended Practice.

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

#### **Key Judgements made in the application of Accounting Policies**

##### ***a) The Categorisation of Housing Properties***

In the judgement of the Board of Management the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

##### ***b) Identification of cash generating units***

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

##### ***c) Pension Liability***

In March 2018 the Association received details from the Pension Trust of the valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feels this is the best available estimate of the past service liability.

#### **Financial Instruments - Basic**

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING AND OTHER ACTIVITIES

	Notes	2018			2017		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3	10,827,053	9,103,257	1,723,796	10,422,204	9,267,743	1,154,461
Other Activities	4	1,053,886	1,477,343	(423,457)	912,320	1,090,674	(178,354)
<b>Total</b>		<b>11,880,939</b>	<b>10,580,600</b>	<b>1,300,339</b>	<b>11,334,524</b>	<b>10,358,417</b>	<b>976,107</b>

## 3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Supported Housing £	Shared Ownership £	2018 Total £	2017 Total £
<b>Revenue from Lettings</b>					
Rent receivable net of service charges	7,951,373	903,565	180,713	9,035,651	8,875,396
Service charges receivable	196,869	11,077	2,215	210,161	242,767
<b>Gross income from rent and service charges</b>	<b>8,148,242</b>	<b>914,642</b>	<b>182,928</b>	<b>9,245,812</b>	<b>9,118,163</b>
Less: Rent losses from voids	62,059	-	-	62,059	60,754
<b>Net Rents Receivable</b>	<b>8,086,183</b>	<b>914,642</b>	<b>182,928</b>	<b>9,183,753</b>	<b>9,057,409</b>
Grants released from deferred income	1,462,392	-	57,937	1,520,329	1,341,210
Other revenue grants	112,896	8,396	1,679	122,971	23,585
<b>Total turnover from affordable letting activities</b>	<b>9,661,471</b>	<b>923,038</b>	<b>242,544</b>	<b>10,827,053</b>	<b>10,422,204</b>
<b>Expenditure on affordable letting activities</b>					
Management and maintenance administration costs	3,012,393	413,688	84,410	3,510,491	3,526,820
Service Costs	1,349,898	67,358	13,472	1,430,728	1,295,698
Planned and cyclical maintenance, including major repairs	987,459	111,604	22,321	1,121,384	1,373,674
Reactive maintenance costs	475,587	53,752	10,750	540,089	629,955
Bad Debts - rents and service charges	99,303	11,223	2,245	112,771	183,035
Depreciation of affordable let properties	2,387,794	-	-	2,387,794	2,258,561
<b>Operating costs of affordable letting activities</b>	<b>8,312,434</b>	<b>657,625</b>	<b>133,198</b>	<b>9,103,257</b>	<b>9,267,743</b>
<b>Operating surplus on affordable letting activities</b>	<b>1,349,037</b>	<b>265,413</b>	<b>109,346</b>	<b>1,723,796</b>	<b>1,154,461</b>
<b>2017</b>	<b>801,203</b>	<b>233,120</b>	<b>120,138</b>		

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Other Revenue Grants	Other Income	Total Turnover	Operating Costs Other	Operating Surplus / (Deficit) 2018	Operating Surplus / (Deficit) 2017
	£	£	£	£	£	£
Wider role activities	81,935	1,119	83,054	260,438	(177,384)	(82,626)
Care and Repair	60,923	233,625	294,548	248,568	45,980	81,738
Support activities	207,247	6,245	213,492	221,648	(8,156)	(29,444)
Care activities	-	-	-	-	-	46,325
Investment Property Activities	-	-	-	-	-	(28,661)
Development costs	-	41,746	41,746	269,501	(227,755)	(185,461)
Other activities	-	421,046	421,046	477,188	(56,142)	19,775
<b>Total From Other Activities</b>	<b>350,105</b>	<b>703,781</b>	<b>1,053,886</b>	<b>1,477,343</b>	<b>(423,457)</b>	<b>(178,354)</b>
<b>2017</b>	<b>584,903</b>	<b>327,417</b>	<b>912,320</b>	<b>1,090,674</b>	<b>(178,354)</b>	

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. OFFICERS' EMOLUMENTS

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

	2018	2017
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	61,126	78,988
Pension contributions made on behalf on Officers with emoluments greater than £60,000	35,839	14,471
Emoluments payable to Chief Executive (excluding pension contributions)	61,126	78,988
Total Emoluments paid to key management personnel	357,640	347,026

The apparent fall in the emoluments of the Director is as a result of the introduction of a salary sacrifice scheme, offered to all staff who are members of the SHAPS pension scheme. This has given rise to a compensating increase in the pension contributions of the Chief Executive.

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

	Number	Number
£60,001 to £70,000	1	-
£70,001 to £80,000	-	1

### 6. EMPLOYEE INFORMATION

	2018	2017
	No.	No.
The average monthly number of full time equivalent persons employed during the year was:	96	95
The average total number of Employees employed during the year was:	104	106
Staff Costs were:	£	£
Wages and Salaries	2,665,494	2,769,047
Social Security Costs	246,220	240,916
Other Pension Costs	474,256	416,830
Temporary, Agency and Seconded Staff	25,450	26,171
	3,411,420	3,452,964

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. GAIN ON SALE OF HOUSING STOCK

	2018	2017
	£	£
Sales Proceeds	119,792	158,838
Cost of Sales	<u>(49,688)</u>	<u>137,305</u>
Gain On Sale Of Housing Stock	<u>169,480</u>	<u>21,533</u>

### 8. INTEREST PAYABLE & SIMILAR CHARGES

	2018	2017
	£	£
On Bank Loans & Overdrafts	<u>41,895</u>	<u>46,428</u>
	41,895	46,428

### 9. SURPLUS FOR THE YEAR

	2018	2017
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	2,447,907	2,362,481
Auditors' Remuneration - Audit Services	11,880	11,760
Operating Lease Rentals - Other	40,657	22,103
(Loss) / gain on sale of fixed assets	<u>(121,750)</u>	<u>21,533</u>

### 10. OTHER FINANCE INCOME / CHARGES

	2018	2017
	£	£
Unwinding of Discounted Liabilities	<u>39,535</u>	<u>(44,796)</u>

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 11. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Shared Ownership In course of Construction £	Total £
<b>COST</b>					
As at 1 April 2017	99,239,169	12,036,536	4,485,734	-	115,761,439
Additions	272,031	10,659,678	132,424	-	11,064,133
Disposals	(350,683)	-	-	-	(350,683)
Schemes Completed	4,490,573	(4,061,974)	(428,599)	-	-
As at 31 March 2018	<u>103,651,090</u>	<u>18,634,240</u>	<u>4,189,559</u>	<u>-</u>	<u>126,474,889</u>
<b>DEPRECIATION</b>					
As at 1 April 2017	35,636,486	-	463,822	-	36,100,308
Charge for Year	2,255,029	-	83,791	-	2,338,820
Disposals	(219,170)	-	(31,009)	-	(250,179)
As at 31 March 2018	<u>37,672,345</u>	<u>-</u>	<u>516,604</u>	<u>-</u>	<u>38,188,949</u>
<b>NET BOOK VALUE</b>					
As at 31 March 2018	<u>65,978,745</u>	<u>18,634,240</u>	<u>3,672,955</u>	<u>-</u>	<u>88,285,940</u>
As at 31 March 2017	<u>63,602,683</u>	<u>12,036,536</u>	<u>4,021,912</u>	<u>-</u>	<u>79,661,131</u>

Additions to housing properties include capitalised development administration costs of £Nil (2017 - £Nil) and capitalised major repair costs to existing properties of 272,031 (2017 - £287,217).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £1,933,504 (2017 - £2,290,846). The amount capitalised is £272,031 (2017 - £287,217) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £272,031 (2017 - £287,217) and improvement of £Nil (2017 - £Nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £13,519,895 (2017 - £13,875,094).

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. NON CURRENT ASSETS (Continued)

(b) Intangible Assets	Website & Software £	Total £
<b>COST</b>		
As at 1 April 2017	33,639	33,639
As at 31 March 2018	33,639	33,639
<b>AGGREGATE DEPRECIATION</b>		
As at 1 April 2017	22,246	22,246
Charge for year	11,213	11,213
As at 31 March 2018	33,459	33,459
<b>NET BOOK VALUE</b>		
As at 31 March 2018	180	180
As at 31 March 2017	11,393	11,393

## 11. NON CURRENT ASSETS (Continued)

(c) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Motor Vehicles £	Computer Equipment £	Total £
<b>COST</b>					
As at 1 April 2017	2,574,828	383,838	63,435	422,495	3,444,596
Additions	52,728	25,108	54,031	-	131,867
Eliminated on Disposals	( 98,913)	( 327,824)	( 12,242)	-	( 438,979)
As at 31 March 2018	2,528,643	81,122	105,224	422,495	3,137,484
<b>AGGREGATE DEPRECIATION</b>					
As at 1 April 2017	403,706	357,139	46,217	149,408	956,470
Charge for year	52,551	27,041	21,045	8,450	109,087
Eliminated on Disposals	( 52,223)	( 326,784)	( 12,242)	-	( 391,249)
As at 31 March 2018	404,034	57,396	55,020	157,858	674,308
<b>NET BOOK VALUE</b>					
As at 31 March 2018	2,124,609	23,726	50,204	264,637	2,463,176
As at 31 March 2017	2,171,122	26,699	17,218	273,087	2,488,126

## 12. CAPITAL COMMITMENTS

	2018 £	2017 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	11,342,807	8,903,592

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

## 13. COMMITMENTS UNDER OPERATING LEASES

	2018 £	2017 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
<b>Other</b>		
Not later than one year	19,324	16,181
Later than one year and not later than five years	69,606	48,542
Later than five years	2,273	16,181



# SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Arrears of Rent & Service Charges	499,600	502,901
Less: Provision for Doubtful Debts	(386,451)	(356,456)
	113,149	146,445
Social Housing Grant Receivable	1,513,795	1,561,946
Other Receivables	531,428	564,255
Amounts Due from Group Undertakings	28,353	65,393
	<u>2,186,725</u>	<u>2,338,039</u>

## 15. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Housing Loans	218,820	220,234
Trade Payables	1,168,314	691,654
Rent Received in Advance	278,801	267,447
Social Housing Grant in Advance	855,154	256,533
Other Taxation and Social Security	78,706	74,442
Other Payables	779,514	121,284
Liability for Past Service Contributions	120,238	117,558
Accruals and Deferred Income	1,635,026	1,317,419
	<u>5,134,573</u>	<u>3,066,571</u>

At the balance sheet date there were pension contributions outstanding of £608 (2017 - £3,143).

## 16. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£	£
Liability for Past Service Contributions	348,705	463,921
Housing Loans	3,068,065	3,316,581
	<u>3,416,770</u>	<u>3,780,502</u>
<b>Housing Loans</b>		
Amounts due within one year	218,820	220,234
Amounts due in one year or more but less than two years	219,992	221,398
Amounts due in two years or more but less than five years	615,288	668,931
Amounts due in more than five years	2,232,785	2,426,252
	<u>3,286,885</u>	<u>3,536,815</u>
Less: Amount shown in Current Liabilities	218,820	220,234
	<u>3,068,065</u>	<u>3,316,581</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	120,238	117,558
Amounts due in one year or more but less than two years	119,400	220,234
Amounts due in two years or more but less than five years	229,305	243,687
	<u>468,943</u>	<u>581,479</u>
Less: Amount shown in Current Liabilities	120,238	117,558
	<u>348,705</u>	<u>463,921</u>

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
Bank of Scotland	Standard security over 26 properties	0.6%	2029	Variable
Nationwide Building Soc	Standard security over 150 properties	0.7%	2034	Variable
Nationwide Building Soc	Standard security over 82 properties	0.7%	2038	Variable
Royal Bank of Scotland	Standard security over 19 properties	1.9%	2029	Variable
Royal Bank of Scotland	Standard security over 102 properties	1.9%	2029	Fixed

All of the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans.

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 2.70% (2017 - 2.60%).

Due to lenders at the year end	3,286,885	3,536,815
Loans at amortised cost using the effective interest rate	<u>3,286,885</u>	<u>3,536,815</u>

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 17. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2018 £	2017 £
Operating Surplus	1,300,339	976,107
Depreciation	2,577,016	2,381,339
Amortisation of Intangible Fixed Assets	11,213	11,213
Change in Provisions for liabilities and charges	(104,000)	35,000
Change in properties developed for resale	-	95,111
Amortisation of Capital Grants	(1,735,784)	(1,347,380)
Change in debtors	103,163	812,292
Change in creditors	622,457	(519,081)
Gain on sale of fixed assets	46,501	-
Unwinding of Discount on Pension Liability	73,001	44,796
Share Capital Written Off	(154)	-
Net cash inflow from operating activities	<u>2,893,752</u>	<u>2,489,397</u>

### 18. DEFERRED INCOME

	Housing Properties Held for Letting £	Other Fixed Assets £	Total £
<b>Social Housing Grants</b>			
As at 1 April 2017	49,287,345	-	49,287,345
Additions in the year	7,617,724	-	7,617,724
Eliminated on disposal of components and property	(251,130)	-	(251,130)
Amortisation in year	(1,484,654)	-	(1,484,654)
As at 31 March 2018	<u>55,169,285</u>	<u>-</u>	<u>55,169,285</u>
<b>Net book value</b>			
As at 31 March 2018	<u>55,169,285</u>	<u>-</u>	<u>55,169,285</u>
As at 31 March 2017	<u>49,287,345</u>	<u>-</u>	<u>49,287,345</u>
<b>Other Grants</b>			
As at 1 April 2017	-	133,953	133,953
Additions in the year	-	34,323	34,323
<b>Net book value</b>			
As at 31 March 2018	<u>-</u>	<u>163,036</u>	<u>163,036</u>
As at 31 March 2017	<u>-</u>	<u>133,953</u>	<u>133,953</u>
<b>Total grants net book value as at 31 March 2018</b>	<u>55,169,285</u>	<u>163,036</u>	<u>55,332,321</u>
<b>Total grants net book value as at 31 March 2017</b>	<u>49,287,345</u>	<u>133,953</u>	<u>49,421,298</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2018 £	2017 £
Amounts due within one year	1,484,654	1,308,621
Amounts due in one year or more	53,847,667	48,112,677
	<u>55,332,321</u>	<u>49,421,298</u>

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 19. SHARE CAPITAL

#### Shares of £1 each Issued and Fully Paid

	2018	2017
	£	£
As at 1 April 2017	355	334
Issued in year	5	21
Cancelled in year	(154)	-
At 31 March 2018	<u>206</u>	<u>355</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. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2018	2017
	No.	No.
General Needs	2,251	2,182
Shared Ownership	49	53
Supported Housing	72	139
	<u>2,372</u>	<u>2,374</u>

### 21. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102.

Those members who 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.

Management Committee cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committeemembers (and their close family) were as follows:

	2018	2017
	£	£
Rent received from tenants on the Management Committee and their close	41,410	63,033
Factoring charges received from factored owners on the Management Committee	<u>3,839</u>	<u>384</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £3,012 (2017 - £5,012).

At the year end total factoring arrears owed by the factored owners on the Management Committee (and their close family) were £0 (2017 - £0).

Members of the Management Committee who are local councillors	1	1
---	---	---

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

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 22. NEGATIVE GOODWILL

	2018	2017
	£	£
As at 1 April 2017	4,886,824	4,943,008
Release during the year	(111,000)	(56,184)
As at 31 March 2018	<u>4,775,824</u>	<u>4,886,824</u>

### 23. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 135 Fifty Pitches Road, Glasgow, G51 4EB.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in South Glasgow, Cardonald, Pollokshields, Halfway, Govanhill, Penilee.

### 24. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £253 (2017 - £102) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 25. INVESTMENTS

#### Short term deposits

	2018 £	2017 £
Short term deposits	-	7,107,452

#### Investments in Subsidiaries

	2018 £	2017 £
<b>Cost</b>		
As at 1 April and 31 March	1	1
<b>NBV</b>		
As at 31 March	1	1
As at 1 April	1	1

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 named Southside Factoring and Related Services Ltd. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

The aggregate amount of capital and reserves and the results of Southside Factoring and Related Services Ltd for the year ended 31 March 2018 were as follows:

	2018 £	2017 £
Capital & Reserves	20,112	5,425
Surplus / (Deficit) for the year	14,687	(68,117)

The Association rents properties to the company which the company then rents out to tenants. During the year the Association charged the company £303,202 in rent (2017: £236,251). The Association recharges the company for costs it incurs on behalf of the company including staff costs. During the year £192,106 (2017: £255,694) was recharged in staff costs. The Association charged the company £55,000 (2017: £51,999) in management fees and £126,450 (2017: £120,237) in factoring management fees during the year. The Association provides the company with a concierge and mobile estates services at a cost of £107,365 (2017: £106,864). At the year end the company owes the Association £28,353 (2017: the company owes the Association £65,393).

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 26. RETIREMENT BENEFIT OBLIGATIONS

#### Scottish Housing Association Pension Scheme

Southside Housing Association Limited participated 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 Association has since moved to a defined contribution scheme but has a liability for the past service deficit in the defined benefit scheme.

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 FRS102 represents the employer contribution payable.

The last valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2016. 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 £341m and indicated an increase in the shortfall of assets compared to liabilities to approximately £207m, equivalent to a past service funding level of 62.2%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employer's in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the statement of financial position date the present value of this obligation was £468,943 (2017 - £581,479). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 2.70% (2017 - 2.60%).

The Association made payments totalling £117,348 (2017- £124,138) to the pension scheme during the year.

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 26. RETIREMENT BENEFIT OBLIGATIONS

#### Strathclyde Pension Fund 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 was 18 active member of the scheme employed by the Association. Total pension contributions made by the Association for the year were £117,000. Gross pensionable salaries for the year were £447,000.

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

#### Principal Actuarial Assumptions

Assumptions as at	2018 %p.a.	2017 %p.a.	2016 %p.a.
Salary increases	3.6%	4.4%	4.2%
Pension increases	2.4%	2.4%	3.2%
Discount rate	2.7%	2.6%	3.5%

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

	2018 £000	2017 £000	2016 £000
Employee members	3,454	4,626	3,209
Deferred pensioners	455	-	-
Pensioners	1,379	1,315	1,149
	<u>5,288</u>	<u>5,941</u>	<u>4,358</u>

#### 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	21.4	23.7
Future Pensioners	23.4	25.8

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 26. RETIREMENT BENEFIT OBLIGATIONS

#### Fair value of scheme assets by category

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Equities	3,422	3,394	2,672
Bonds	880	558	594
Property	538	465	445
Cash	49	232	-
	<u>4,889</u>	<u>4,649</u>	<u>3,711</u>

#### Net Pension Liability

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair value of employer's assets	4,889	4,649	3,711
Present value of scheme liabilities	(5,288)	(5,941)	(4,358)
	<u>(399)</u>	<u>(1,292)</u>	<u>(647)</u>

#### Reconciliation of fair value of employer assets

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening fair value of employer assets	4,649	3,711	3,510
Expected Return on Assets	122	131	114
Contributions by Members	29	30	33
Contributions by the Employer	117	125	136
Actuarial Gains / (Losses)	37	739	(22)
Estimated Benefits Paid	(65)	(87)	(60)
	<u>4,889</u>	<u>4,649</u>	<u>3,711</u>

#### Reconciliation of defined benefit obligations

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	5,941	4,358	4,573
Current Service Cost	187	137	179
Interest Cost	156	154	149
Contributions by members	29	30	33
Actuarial Gains	(960)	1,349	(516)
Estimated Benefits Paid	(65)	(87)	(60)
	<u>5,288</u>	<u>5,941</u>	<u>4,358</u>



# SOUTHSIDE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 26. RETIREMENT BENEFIT OBLIGATIONS

### Analysis of amount charged to the Income and Expenditure Account

	2018 £000	2017 £000	2016 £000
Charged to operating costs:			
Service cost	187	137	179
Charged to Other Finance Costs / (Income)			
Expected Return on employer assets	(122)	(131)	(114)
Interest on pension scheme liabilities	156	154	149
	34	23	35
	156	154	149
<b>Net Charge to the Income and Expenditure Account</b>	<b>221</b>	<b>160</b>	<b>214</b>

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

	2018 £000	2017 £000	2016 £000
Actuarial gain/(loss) recognised in year	997,000	(610,000)	494,000
Cumulative actuarial gains	(70,000)	(1,067,000)	(457,000)

### Analysis of projected amount to be charged to the Income & Expenditure Account for the year ended 31 March 2019

	£000	% of pay
Projected current service cost	(175)	-39%
Interest on obligation	(145)	-32%
Expected return on plan assets	133	30%
	(187)	-42%

Contributions made by the Association for the year ended 31 March 2018 are estimated to be approximately £147,000 (2017 - £126,000).

# SOUTHSIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 30. PROVISIONS FOR LIABILITIES AND CHARGES

	2018	2017
	£	£
Strathclyde Pension Fund Defined Benefit Scheme		
As at 1 April 2017	1,292,000	647,000
(Decrease) / Increase in Provision	(893,000)	645,000
Balance as at 31 March 2018	<u>399,000</u>	<u>1,292,000</u>

### 31. 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 11).

The planned maintenance work on these properties continued during the year. The cost of this work has been capitalised under component accounting (note 11), as required by the Association's accounting policy (note 1).