

LOGGED ✓
STATUTORY

GOVAN HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

Financial Services Authority No. 1686 R (S)

Registered Housing Association No. HEP 87

Charity No. SC 009055

BAKER TILLY UK AUDIT LLP
Chartered Accountants

Glasgow

GOVAN HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

31 MARCH 2010

MANAGEMENT COMMITTEE

Ms A Irvine (Chairperson)
Mrs M O'Neil (Secretary)
Mrs A Frame
Mr M O'Halloran
Miss G Hay
Mr T Dawson
Mr A Butler

Mr R Carabine
Councillor J Flanagan
Mrs A Connelly
Mrs M Porter
Mrs K Russell
Mrs P Mackay
Mr A Kean

EXECUTIVE OFFICERS

Germaine Hahn	Director
Stephen McCabe	Assistant Director/Finance and Administration Manager
Fiona Maguire	Development Manager
Liz Wylie	Housing Manager
Tim Holmes	Maintenance Manager

REGISTERED OFFICE

35 McKechnie Street
Govan
Glasgow
G51 3AQ

AUDITORS

BAKER TILLY UK AUDIT LLP
BRECKENRIDGE HOUSE
274 SAUCHIEHALL STREET
GLASGOW
G2 3EH

BANKERS

ROYAL BANK OF SCOTLAND
788 GOVAN ROAD
GLASGOW
G51 2YL

SOLICITORS

TC YOUNG
7 WEST GEORGE STREET
GLASGOW
G2 1BA

Registration Particulars:

Financial Services Authority

Industrial and Provident Societies Act 1965
Registered Number 1686 R (S)

Scottish Housing Regulator

Housing Scotland Act 2001
Registered Number HEP 87

Scottish Charities

Charity and Trustee Investment Act (Scotland) 2005
Scottish Charity Number SC 009055

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

Contents

	Page
Report of Committee of Management	1 - 7
Statement of Management Committee's Responsibilities	8
Committee of Management Statement on Internal Financial Control	9 - 10
Auditors' Report	11 - 13
Income and Expenditure Account	14
Balance Sheet	15
Cash Flow Statement	16
Notes to the Financial Statements	17 - 35

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

The Committee of Management present their report and audited financial statements for the year ended 31 March 2010.

Principal activity

The principal activity of Govan Housing Association (Govan) is the development, management and maintenance of housing for people in housing need.

Govan is registered with the Financial Services Authority as an Industrial and Provident Society Association, The Office of the Scottish Charities Regulator (OSCR) as a charity and The Scottish Housing Regulator as a Registered Social Landlord.

Business review

Govan made a surplus of £559,615 (2009 – deficit £45,005) during the year. The surplus was made by Govan after investment in major repairs for its properties. The total expenditure on major repairs in the year amounted to £285,169 (2009 - £476,688). This expenditure is written off in the year it is incurred and not capitalised.

Govan is in a reasonable financial position with revolving loan facilities available to it on demand. Govan continues to have a substantial major repair investment programme with further major repairs due in a substantial proportion of properties over the next few years.

Surplus for the year and transfers

The results for the year are shown in the Income and Expenditure Account on page 14. The surplus made in the year of £559,615 (2009 – deficit £45,005) has been dealt with as follows:

	£	£
Surplus for the year		559,615
Transfers from designated reserves:		
Cyclical maintenance reserve	-	
Major repairs sinking fund	-	
		<hr/>
Transfer to revenue reserve		559,615
		<hr/>

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2010 were as follows:

Ms A Irvine (Chairperson)	Mr A Butler
Mrs M O'Neil (Secretary)	Mr R Carabine
Mrs A Frame	Mrs M Porter
Mr M O'Halloran	Councillor J Flanagan
Miss G Hay	Mrs K Russell (co-opted 22/10/09)
Mrs A Connelly	Mrs P Mackay (co-opted 22/10/09)
Mr T Dawson	Mr A Kean (co-opted 28/01/10)

Each member of the Committee of Management holds one fully paid share of £1 in Govan. The executive officers of Govan hold no interest in Govan's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Committee.

Executive Team

The Executive Team of Govan during the year to 31 March 2010 was as follows:

Germaine Hahn	Director
Stephen McCabe	Assistant Director/Finance and Administration Manager
Fiona Maguire	Development Manager
Liz Wylie	Housing Manager
Tim Holmes	Maintenance Manager

The Director retired on 7 May 2010 to be replaced by a new Chief Executive, Kenneth Mollins.

Operational Review

1 Corporate Governance

Govan has a Committee of Management who are elected by the members of the Association. (See above for details). It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Committee of Management are unpaid.

The Executive Team of Govan (as listed above) are responsible for achieving the strategy set, and undertaking the operational activities in line with the policies set.

Our governing body is our Committee of Management, which is responsible to the wider membership. Committee of Management members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

This report details issues that have arisen during the year relating to the main activities undertaken by Govan.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

2 Corporate Issues

Tenant involvement and participation is a major part of Govan's Aims and Objectives, and we continue to review how Govan involves tenants in its activities.

Govan is committed to involving staff in decision making and policy making. In the year just ended regular staff meetings were held to keep staff informed of our activities.

Performance Management

Service delivery is underpinned by staff performance. This continues to be a high priority for us. In the last year we continued with the implementation of our staff appraisal system and our systems for reporting performance.

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have started a programme of major investment in our housing stock, which is by far our most costly asset. This includes both carrying out major repairs, and also considering whether any of our older schemes should be remodelled to meet the changing requirements of tenants in the future. We are updating our stock condition information, to ensure that our long-term financial planning reflects our future investment requirements, and undertaking a review of our asset management strategy.

Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do. In our housing stock, we moved ahead with some major repairs that had become necessary.

We continued to monitor rent arrears closely and as a result there was a significant reduction in arrears. We also continued to deliver many completed adaptations to existing properties to meet the specific needs of our tenants.

3 Development Issues

The year just completed has been busy. We have spent £5.252m (2009 - £2.435m) during the year, of which £5.066m (2009 - £2.182m) was funded by grants received from Glasgow City Council (Housing Association Grant).

4 Housing Issues

Govan continues to work on reducing the period of time taken to re-let or let new properties, to ensure that we maximize our effectiveness in housing people in need, and reduce our costs. The rent loss due to empty properties was £102,833 (2009 - £146,887). Work is continuing to improve this figure.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

5 Finance and IT Issues

Govan has a funding package with the Royal Bank of Scotland. Facilities totalling £14.25m are available to be drawn down. At 31 March 2010 the Bank had approved permitted drawings up to a level of £4.51m, of which £2.22m (2009 £2.48m) is still undrawn.

6. Other Areas

Risk Management Policy

The Committee have, with advice from their internal auditors, a formal risk management process to assess business risks and implement risk management strategies. This involved identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Association's current internal controls.

Investment Appraisal

Capital expenditure is regulated by budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Committee. Reviews are carried out during the development period, to monitor expenditure and performance.

Internal Financial Control

The Committee of Management is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Committee of Management has established with a view to providing effective internal financial control are listed on page 9.

Management Structure

The Committee of Management has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

General Reserves Policy

The Committee members have reviewed the reserves of Govan. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. During the year the charity's general reserve increased from £2.863m to £3.423m (see note 8).

Sales of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs, first tranche sales, and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

Maintenance policies

The Association seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, included works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the SORP.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2010 the Association had £11.96m (2009 £12.25m) in undrawn loan facilities of which £2.22m (2009 £2.48m) was immediately available for drawing.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Director.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

Budgetary Process

Each year the Committee of Management approves the annual budget and rolling five-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of Management of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Rental Income

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The point's value is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the Housing Movement.

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

Future developments

Subject to the availability of public funding the Association is committed to an ongoing development programme to provide new housing for our tenants.

Auditors

Baker Tilly UK Audit LLP has indicated their willingness to continue acting as auditor to the Association.

On behalf of the Committee of Management

M. O'Neil

Date: 29/7/2010

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF MANAGEMENT COMMITTEE RESPONSIBILITIES

Statute requires the Management Committee to prepare financial statements for each financial year, which give a true and fair view of affairs of the Association and of the surplus or deficit for that period. In preparing those financial statements, the Management Committee are required to fulfil the following obligations:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee confirm that the financial statements comply with the requirements.

The Management Committee are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

By order of the Committee of Management

.....M. O'Neil.....

Date: 29/7/2010

GOVAN HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

31 MARCH 2010

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments 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; and
- 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 mis-statement or loss. Key elements include ensuring that:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff take responsibility for important business functions.
- Forecasts and budgets are prepared regularly which allow the Committee and staff to monitor the key business risks and financial objectives and progress towards the financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variance from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Committee review reports from management and from both internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

GOVAN HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

31 MARCH 2010

(Continued)

The Management have reviewed the system of internal financial control in the Association during the year ended 31 March 2010. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of the Committee of Management

M. O'Neil

Secretary

Date: *29/7/2010*

GOVAN HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 9 and 10 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out a review in accordance with Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion

In our opinion the Statement on Internal Financial Control on pages 9 and 10 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date: 3/8/10

GOVAN HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GOVAN HOUSING ASSOCIATION LIMITED

We have audited the financial statements on pages 14 to 35, which have been prepared under the accounting policies set out on pages 17 to 20.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept 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 opinion we have formed.

Respective responsibilities of Committee of Management and auditors

The Management Committee's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Management Committee's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions with the Association is not disclosed.

We read the Management Committee's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.


GOVAN HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GOVAN HOUSING ASSOCIATION LIMITED

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary, in the group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2010, because the business of the Association and that of the subsidiary are so different they cannot be treated as a single undertaking.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.


Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date:3/6/10.....

GOVAN HOUSING ASSOCIATION LIMITED

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
Turnover	2	3,337,609	3,454,447
Less : Operating costs	2	<u>2,725,984</u>	<u>3,302,728</u>
Operating Surplus	2	611,625	151,719
Gain/(loss) on sale of fixed assets	7	30,636	(5,594)
Interest receivable and other income	9	9	201
Interest payable and other charges	4	<u>(82,655)</u>	<u>(191,331)</u>
Surplus/(Deficit) on ordinary activities before tax		559,615	(45,005)
Taxation	6	-	-
Surplus/(Deficit) for year		<u>559,615</u>	<u>(45,005)</u>

The results for 2009 and 2010 relate wholly to continuing activities.

The Association has no recognised gains or losses other than those dealt with in the income and expenditure account.

GOVAN HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 MARCH 2010

	Notes	2010 £	2009 £
Tangible Fixed Assets			
Housing properties - gross cost less depreciation	9	60,902,673	55,822,660
Less : HAG	9	<u>(54,209,450)</u>	<u>(49,167,212)</u>
		6,693,223	6,655,448
Other Assets	9	<u>366,720</u>	<u>364,960</u>
		<u>7,059,943</u>	<u>7,020,408</u>
Current Assets			
Work in Progress	10	31,181	74,513
Debtors	11	1,053,151	657,360
Cash in hand and in bank		<u>88,192</u>	<u>67,213</u>
		1,172,524	799,086
Current Liabilities			
Creditors due within one year	12	<u>(1,703,360)</u>	<u>(2,005,976)</u>
Net Current (Liabilities)		<u>(530,836)</u>	<u>(1,206,890)</u>
Total Assets Less Current Liabilities		6,529,107	5,813,518
Creditors due after one year	13	<u>(3,106,371)</u>	<u>(2,950,404)</u>
Net Assets		<u>3,422,736</u>	<u>2,863,114</u>
Capital and Reserves			
Share capital	14	109	102
Revenue reserves	8	<u>3,422,627</u>	<u>2,863,012</u>
		<u>3,422,736</u>	<u>2,863,114</u>

These financial statements were approved by the Committee of Management and authorised for issue on
29/7/2010.....

Committee Member: Georgina Hay
 Committee Member: A. Connolly
 Secretary: M. O'Neil

GOVAN HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR TO 31 MARCH 2010

	Notes	2010 £	2009 £
Net cash inflow from operating activities	17a	731,377	499,652
Returns on investments and servicing of finance			
Interest received		9	201
Interest paid		<u>(82,655)</u>	<u>(191,331)</u>
Net cash (outflow) from returns on investments and servicing of finance		<u>(82,646)</u>	<u>(191,130)</u>
Investing activities			
Cash paid for construction and purchase of housing		(5,252,162)	(2,435,268)
Movement in Work in Progress		43,332	325,390
Disposals in year		67,912	142,510
HAG repayments - write-offs in year		(23,893)	(140,206)
Housing association grant received		4,330,624	2,516,696
Other grants received		(9,570)	328,806
Purchase of other fixed assets		(21,420)	(446,901)
Disposals of other Fixed Assets		87,371	5,967
Net cash (outflow)/inflow from investing activities		<u>(777,806)</u>	<u>296,994</u>
Net cash inflow before financing		(129,075)	605,516
Financing			
Loan received		283,296	-
Loan principal repayments		(133,250)	(552,245)
Shares issued		<u>8</u>	<u>13</u>
Net cash inflow/(outflow) from financing		<u>150,054</u>	<u>(552,232)</u>
Increase in cash and cash equivalents		<u>20,979</u>	<u>53,284</u>

Further information is given in note 17.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

1. Accounting Policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs (b) to (r) below. The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlord Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords".

(b) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 9 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

(c) Mortgages

Mortgage loans are advanced by private lenders or under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Housing Association Grant by Glasgow City Council.

(d) Housing Association Grants

Housing Association Grants (HAG) are made by Glasgow City Council and are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost (note 1(f)) of the scheme in accordance with instructions issued from time to time by The Scottish Government. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

(e) Housing Association Grant - Acquisition and Development Allowances receivable

Acquisition and Development Allowances are determined by Glasgow City Council and are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development Allowances become available in instalments according to the progress of work on the scheme. These Allowances are credited to development costs when they are receivable.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

(f) **Fixed assets - Housing land and buildings (note 9)**

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

These costs are either termed "qualifying costs" by Glasgow City Council for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

Development costs are capitalised to the extent that they are attributable to specific schemes and where such costs are not felt to be excessive.

If expenditure does not qualify for HAG, it is nevertheless capitalised.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the scheme will not be developed to completion.

Interest on the loan financing the development is capitalised up to the relevant date of completion.

(g) **Sale of Housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

(h) **Depreciation**

(i) **Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties, which has been set at 50 years.

No depreciation is charged on the cost of land.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

(ii) Other fixed assets

The Association's assets are written off evenly over their expected useful lives as follows:

Office Premises	-	2%
Equipment	-	25%
Vehicles	-	15%

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(i) Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

(j) Work in Progress

Work in Progress represents net sums spent to date on Shared Equity properties. No element of profit is included in the valuation of work in progress.

(k) Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in these accounts.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

(l) **Lease obligations**

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

(m) **Value added tax**

The Association is not registered for VAT as its taxable supplies are below the registration threshold. As the vast majority of the Association's income is exempt, expenditure is shown inclusive of VAT.

(n) **Pensions**

The Association participates in the centralised SFHA Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by 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 expected cost to the Association of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

(o) **Turnover**

Turnover represents rental income receivable from tenants, development administration and other income.

(p) **Improvements**

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

(q) **Consolidation**

The Association and its subsidiary undertaking comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

2. Particulars of turnover, operating costs and operating surplus or deficit

	Turnover	Operating Costs	Operating Surplus/ (Deficit)	Operating Surplus/(Deficit) 2009
	£	£	£	£
Social lettings	3,186,368	2,308,148	878,220	317,986
Other activities	151,241	417,836	(266,595)	(166,267)
Total	<u>3,337,609</u>	<u>2,725,984</u>	<u>611,625</u>	<u>151,719</u>
2009	<u>3,454,447</u>	<u>3,302,728</u>	<u>151,719</u>	

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

3. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities

	General Housing £	Needs Shared Ownership £	Supported Housing £	2010 Total £	2009 Total £
Rent receivable net of service charges	3,085,856	44,462	-	3,130,318	2,999,142
Service charges	61,693	18,751	22,597	103,041	95,211
Gross income from rents and service charges	3,147,549	63,213	22,597	3,233,359	3,094,353
Less: voids	(97,298)	(434)	(5,101)	(102,833)	(146,887)
Net income from rents and service charges	3,050,251	62,779	17,496	3,130,526	2,947,466
Grants from Scottish Ministers	49,842	-	-	49,842	43,320
Other revenue grants	6,000	-	-	6,000	-
Total turnover from social letting activities	3,106,093	62,779	17,496	3,186,368	2,990,786
Management and maintenance administration costs	961,817	10,145	-	971,962	994,136
Service costs	72,023	4,072	21,256	97,351	95,576
Planned and cyclical maintenance including major repairs costs	541,738	2,538	-	544,276	791,061
Reactive maintenance costs	495,768	992	-	496,760	547,552
Bad debts – rents and service charges	62,332	266	-	62,598	110,935
Depreciation of social housing	133,019	2,182	-	135,201	133,540
Operating costs for social letting activities	2,266,697	20,195	21,256	2,308,148	2,672,800
Operating Surplus for social lettings	839,396	42,584	(3,760)	878,220	317,986
2009	289,612	33,968	(5,594)	317,986	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £21,116 (2009 £20,884).

The total amount of major repairs expenditure incurred in the year was £285,169 (2009 - £476,688). No major repairs were capitalised.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010
(Continued)

3b – 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	Other operating costs	Operating surplus or deficit	Operating surplus or deficit for previous period of account
	£	£	£	£	£	£	£	£	£
Wider action/wider role	3,930	-	-	-	3,930	-	29,196	(25,266)	(32,474)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	64,889	64,889	4,328	53,615	6,946	(17,648)
Development and construction of property activities	5,405	-	-	50	5,455	28,688	181,525	(204,758)	(69,597)
Support activities	-	-	67,339	-	67,339	-	110,076	(42,737)	(42,682)
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	9,628	9,628	-	10,408	(780)	(3,866)
Total from other activities	9,335	-	67,339	74,567	151,241	33,016	384,820	(266,595)	(166,267)
2009	291,443	50,820	67,338	54,060	463,661	13,566	616,362	(166,267)	

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010
(Continued)

4. Interest payable	2010	2009
	£	£
Total interest incurred	82,655	206,046
Interest capitalised	-	(14,715)
	<u>82,655</u>	<u>191,331</u>
5. Development Administration	2010	2009
	£	£
Total development expenditure	250,239	161,320
Less: Development administration costs	<u>210,213</u>	<u>70,854</u>
	40,026	90,466
Clerk of Works allowance received	(40,026)	-
Development allowances received	<u>-</u>	<u>(90,466)</u>
	<u>-</u>	<u>-</u>
6. Corporate Taxation		
The Association has charitable status and is not liable for tax on its exempt activities.		
7. Gain on sale of fixed assets – property	2010	2009
	£	£
Net sale proceeds	125,000	369,000
Cost of sales	(128,679)	(553,131)
Grants received	<u>34,315</u>	<u>178,537</u>
	<u>30,636</u>	<u>(5,594)</u>
8. Revenue Reserve		
	2010	2009
	£	£
At 1 April 2009	2,863,012	2,908,017
Surplus/(deficit) for year	<u>559,615</u>	<u>(45,005)</u>
At 31 March 2010	<u>3,422,627</u>	<u>2,863,012</u>

GOVAN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010

(Continued)

9 Tangible Fixed Assets

	Housing Properties Held for Letting	Housing Properties in course of construction	Completed Shared Ownership Properties	Office Premises	Equipment	Vehicles	Total
Cost	£	£	£	£	£	£	£
At 1 April 2009	52,235,933	3,778,824	887,361	386,713	257,338	28,417	57,574,586
Additions during year	167,173	5,084,989	-	7,798	23,193	-	5,283,153
Transfers	-	-	-	-	-	-	-
Disposals in year	(37,276)	-	-	-	(87,371)	-	(124,647)
At 31 March 2010	52,365,830	8,863,813	887,361	394,511	193,160	28,417	62,733,092
Housing Association Grant							
At 1 April 2009	44,648,794	3,749,623	768,795	-	-	-	49,167,212
Additions during year	2,248	5,063,883	-	-	-	-	5,066,131
Transfers	-	-	-	-	-	-	-
Repaid and abated during year	(23,893)	-	-	-	-	-	(23,893)
At 31 March 2010	44,627,149	8,813,506	768,795	-	-	-	54,209,450
Depreciation							
At 1 April 2009	1,061,638	-	17,820	66,618	221,500	19,390	1,386,966
Provided during year	133,988	-	2,182	7,890	19,405	1,935	165,400
Transfers	-	-	-	-	-	-	-
Disposals during year	(1,297)	-	-	-	(87,370)	-	(88,667)
At 31 March 2010	1,194,329	-	20,002	74,508	153,535	21,325	1,463,699
Net Book Value							
At 31 March 2010	6,544,352	50,307	98,564	320,003	39,626	7,092	7,059,943
At 31 March 2009	6,525,501	29,201	100,746	320,095	35,838	9,027	7,020,408

Development administration costs capitalised amounted to £40,026 (2009: £90,466) for which Clerk of Works allowances amounting to £40,026 (2009: £90,466) were received in the year. The net amount of these costs, in line with policy, was then fully depreciated. Interest capitalised during the year amounted to £nil (2009: £14,715).

None of the Association's land or properties was held under a lease.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

	2010	2009
10. Work in Progress	£	£
Improvement for sale properties	-	71,999
Cost of developing Shared Equity properties	1,520,571	500,737
Grant received to develop properties	(1,489,390)	(498,223)
	<u>31,181</u>	<u>74,513</u>
11. Debtors	2010	2009
Amounts falling due within one year:	£	£
Gross rents in arrears	197,021	407,285
Less bad debt provision	(128,049)	(329,164)
	<u>68,972</u>	<u>78,121</u>
HAG receivable	780,105	44,598
Other debtors	93,813	71,339
Prepayments and accrued income	110,261	463,302
	<u>1,053,151</u>	<u>657,360</u>
Debtors due after one year included above:		
Other debtors	<u>6,203</u>	<u>7,672</u>
12. Creditors due within one year	2010	2009
	£	£
Loans	40,780	46,701
Trade creditors	749,000	370,185
Taxation and social security	-	25,439
Other creditors	316,463	319,468
Accruals and deferred income	346,708	1,013,088
Rents in advance	250,409	231,095
	<u>1,703,360</u>	<u>2,005,976</u>
13. Creditors due outwith one year		
Loans	3,106,371	2,950,404
Loans are secured by specific charges on the association's properties. Loans are repayable at rates of interest of 0.75% to 13% (2009 0.75% to 13%), in instalments due as follows:		
Under one year	40,780	46,701
Between one and two years	69,603	45,860
Between two and five years	94,971	110,843
In five years or more	2,941,797	2,793,702
	<u>3,147,151</u>	<u>2,997,106</u>

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

	2010	2009
	£	£
14. Share Capital		
Shares of £1 fully paid and issued at 1 April 2009	102	93
Shares issued during year	8	13
Shares cancelled during year	<u>(1)</u>	<u>(4)</u>
Shares issued at 31 March 2010	<u>109</u>	<u>102</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.

	2010	2009
	£	£
15. Employees		
Staff costs during year:		
Wages and salaries	956,321	969,442
Social security costs	73,507	76,421
Other pension costs	<u>103,654</u>	<u>94,593</u>
	<u>1,133,482</u>	<u>1,140,656</u>

The average full time equivalent number of persons employed by the Association during the year were as follows:

	No	No
Finance and Administrative staff	9.0	8.4
Housing Staff	<u>23.1</u>	<u>24.4</u>
	<u>32.1</u>	<u>32.8</u>

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments including pension contributions exceed £60,000 per year (2009 - £60,000 per year).

	£	£
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	66,524	64,972
Emoluments payable to Highest Paid Director (excluding pension contributions)	57,687	56,288

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

15. Employees (continued)

The Association's pensions contributions for the Director in the year amounted to £8,837 (2009 £8,684).

There were no directors (2009 – Nil) whose emoluments, excluding pension contributions, were over £60,000 (2009 £60,000).

No member of the Committee of Management received any emoluments in respect of their services to the Association.

Pension Fund

General

Govan Housing Association Limited participates in the SFHA Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The 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 last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in the Autumn 2010.

Following a change in legislation in September 2005 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.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

15. Employees Pensions (continued)

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out 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 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.

Govan Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Govan Housing Association Limited was £4,360,033.

The SFHA Scheme is a multi-employer defined benefit scheme. The Scheme offers three 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.

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 given time. An open benefit structure is one which new entrants are able to join.

Govan Housing Association Limited has elected to continue to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2009 and the same benefit structure for any new entrants.

During the accounting period Govan Housing Association Limited paid contributions at the rate of 14.0% of pensionable salaries. Member contributions were 7.0%.

As at the balance sheet date there were 22 active members of the Scheme employed by Govan Housing Association Limited. Govan Housing Association Limited continues to offer membership of the Scheme to its employees.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

15. Employees Pensions (continued)

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

2006 Valuation Assumptions	% p.a.
Investment return pre retirement	7.2
Investment return post retirement	4.9
Rate of salary increases	4.6
Rate of pension increases	
- pension accrued pre 6 April 2005	2.6
- pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	2.6

Mortality Tables	
Non-pensioners	PA92C2025 short
Pensioners	PA92C2013 short

Contribution Rates for Future Service	%
Final Salary 1/60ths	17.8
Career average revalued earnings 1/60ths	14.6
Career average revalued earnings 1/70ths	12.6
Additional rate for deficit contributions	5.3

Govan Housing Association Limited participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

15. Employees Pensions (continued)

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

Govan Housing Association Limited paid no contributions to the Growth Plan during the accounting period. One employee paid contributions at the rate of 3%. Govan Housing Association continues to offer membership of the Plan 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. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	%pa
- Investment return pre retirement	7.6
- Investment return post retirement	
Active/deferreds	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

15. Employees Pensions (continued)

The Scheme Actuary has prepared a funding position update as at 30 September 2009. The market value of the Plan's assets at that date was £765 million and the Plan's Technical Provisions (i.e. past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £55 million, equivalent to a funding level of 93%.

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.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in-line with the 'best estimate' assumptions. 'Best estimate' means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

A copy of the recovery plan must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of security benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. 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 Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 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 Plan liabilities, Plan 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.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

15. Employees Pensions (continued)

Govan Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2009. As of this date the estimated employer debt for Govan Housing Association Limited was £29,523.

16. Auditors' Remuneration

	2010	2009
	£	£
The remuneration of the auditors (including expenses and VAT for the year)	7,936	7,590
Remuneration of the auditors in respect of services other than those of external auditors	299	1,143
	8,235	8,733

17. Notes to the Cash Flow Statement

(a) Reconciliation of surplus to net cash inflow from operating activities	2010	2009
	£	£
Operating surplus for year	611,625	151,719
Depreciation/loss on disposals	76,732	153,800
Decrease in debtors	339,716	49,721
(Decrease)/Increase in creditors	(296,695)	144,416
Shares cancelled	(1)	(4)
Net cash inflow from operating activities	731,377	499,652
(b) Reconciliation of net cash flow to movement in net debt		
Increase in cash for the year	20,979	53,284
Loans received	(283,296)	-
Loan repayments	133,250	552,245
Change in net debt	(129,067)	605,529
Net debt as at 1 April 2009	(2,929,892)	(3,535,421)
Net debt as at 31 March 2010	(3,058,959)	(2,929,892)
(c) Analysis of Changes in net debt		

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010
(Continued)

17. Notes to the Cash Flow Statement (continued)

	As at 1 April 2009	Cash Flow	Other Changes	As at 31 March 2010
	£	£	£	£
Cash at bank and in hand	67,213	20,979	-	88,192
Debt due within one year	(46,701)	46,701	(40,780)	(40,780)
Debt due after one year	(2,950,404)	(196,747)	40,780	(3,106,371)
	(2,929,892)	(129,067)	-	(3,058,959)

18. Capital Commitments

	2010 £	2009 £
Expenditure authorised by the Committee of Management contracted less certified	16,020,376	5,989,587

Of the amount contracted for at 31 March 2010 £16,020,376 (2009: £5,989,587) has received grant approval from Glasgow City Council.

19. Contingent Liabilities

Scottish Homes Stock Transfer

Various financial provisions were incorporated in the legal documentation when the Association acquired housing stock from Scottish Homes in November 2004. The Association is required to account for major repair, capital expenditure and sales of properties under the Right to Buy legislation every five years. At 31 March 2010, the Association had not breached these provisions.

Pensions

Govan Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Govan Housing Association was £4,360,033. The Association has no current plans to withdraw from the scheme.

At 31 March 2010 the Association had no other contingent liabilities (2009 -£Nil).

20. Housing Stock

The number of units in Management at 31 March was as follows:

	2010 £	2009 £
General needs housing	1,189	1,192
Supported housing accommodation	24	24
Shared ownership accommodation	26	26
	1,239	1,242

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

21. Related parties

Various members of the Committee and their relatives are tenants of the Association. All of these transactions have been carried out on the terms applicable to all tenants.

22. Management of Association stock by other bodies

Various bodies manage stock on behalf of the Association. The amount of supporting housing grant received in the year was £Nil (2009 - £Nil). The number of units under management was as follows.

	No	No
At 1 April 2009	15	15
Movement in year	-	-
At 31 March 2010	15	15

23. Subsidiary Company

The Association has a subsidiary company South Clyde Housing Limited. This company is intended to handle the activities that the Association cannot undertake due to its charitable status. The company is a company limited by guarantee and is registered in Scotland. The Financial Services Authority has granted exemption from preparing group financial statements.

The subsidiary's results for the year and level of reserves was as follows:

Company	Capital and Holding	Turnover £	Surplus/(deficit) for period £	Capital and reserves £
South Clyde Housing Limited	100%	-	8	(69)