



**Alexander Sloan**  
Accountants and Business Advisers

# **Govan Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2017**

**Registered Housing Association No. HEP87**

**FCA Reference No. 1686R(S)**

**Scottish Charity No. SC009055**

# GOVAN HOUSING ASSOCIATION LIMITED

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# GOVAN HOUSING ASSOCIATION LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2017

### MANAGEMENT COMMITTEE

Mr William Pritchard	Chairperson
Mr Thomas McArthur	Vice Chairperson
Miss Georgina Hay	Secretary
Mrs Alice Connelly	
Mr John Hendry	
Mr John Flanagan	
Ms Karen Russell	
Mr Gary Maguire MBE	
Mr Colin Quigley	
Ms Alison Martin	

### EXECUTIVE OFFICERS

Fiona McTaggart	Chief Executive
Natalya Macholla	Deputy Chief Executive

### REGISTERED OFFICE

35 McKechnie Street  
Govan  
Glasgow  
G51 3AQ

### AUDITORS

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

### BANKERS

Royal Bank of Scotland  
788 Govan Road  
Glasgow  
G51 2YL

### SOLICITORS

TC Young  
7 West George Street  
Glasgow  
G2 1BA

# GOVAN HOUSING ASSOCIATION LIMITED

FOR THE YEAR ENDED 31ST MARCH 2017

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## Management Committee and Executive Officers

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

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

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

## Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Act 2014 requires the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

- select suitable accounting policies and then apply them consistently;
- make 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 members of 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.

# GOVAN HOUSING ASSOCIATION LIMITED

FOR THE YEAR ENDED 31ST MARCH 2017

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## 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 2017. 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 £500 (2016: £550).

## Auditors

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

## By order of the Management Committee

### MISS GEORGINA HAY

Secretary  
31 July 2017

# GOVAN HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 19 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 19 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator, in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by 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*

**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
31 July 2017



**Alexander Sloan**  
Accountants and Business Advisers



We have audited the financial statements of Govan Housing Association Limited for the year ended 31st March 2017 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standards of the United Kingdom

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Management Committee and Auditors**

As explained more fully in the Statement of Management Committee's Responsibilities, the Association's Management Committee are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC) Ethical Standards for Auditors.

### **Scope of the audit on the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

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

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

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

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

- the Statement of Comprehensive Income, to which our report relates, and the Statement of Financial Position are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

*Alexander Sloan*

**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
31 July 2017



**Alexander Sloan**  
Accountants and Business Advisers



# GOVAN HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017		2016
		£	£	£
<b>REVENUE</b>	2.		7,835,720	7,309,136
Operating Costs	2.		(6,333,399)	(5,951,745)
<b>OPERATING SURPLUS</b>			1,502,321	1,357,391
Gain On Sale Of Housing Stock	7.	26,983		18,000
Interest Receivable and Other Income		9,169		10,972
Interest Payable and Similar Charges	8.	(362,152)		(383,553)
Other Finance Charges	11.	(80,155)		(88,402)
			(406,155)	(442,983)
<b>SURPLUS FOR YEAR</b>			1,096,166	914,408
Other Comprehensive Income			-	-
<b>TOTAL COMPREHENSIVE INCOME</b>			1,096,166	914,408

The notes on pages 27 to 40 form part of these financial statements.

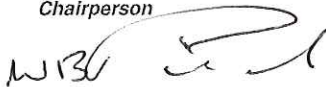
# GOVAN HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2017

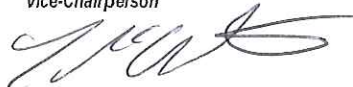
	Notes	2017		2016
		£	£	£
<b>NON-CURRENT ASSETS</b>				
Housing Properties - Depreciated Cost	12.(a)		64,643,209	63,594,261
Other Non Current Assets	12.(b)		1,323,093	1,338,988
			<u>65,966,302</u>	<u>64,933,249</u>
<b>CURRENT ASSETS</b>				
Receivables	14.	1,058,662	677,342	
Cash at bank and in hand		5,072,294	4,417,245	
		<u>6,130,956</u>	<u>5,094,587</u>	
<b>CREDITORS:</b> Amounts falling due within one year	15.	(2,719,299)	(2,349,250)	
<b>NET CURRENT ASSETS</b>			<u>3,411,657</u>	<u>2,745,337</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			69,377,959	67,678,586
<b>CREDITORS:</b> Amounts falling due after more than one year	16.		(11,499,271)	(12,043,685)
<b>DEFERRED INCOME</b>				
Social Housing Grants	18.	(47,983,710)	(46,878,878)	
Other Grants	18.	(668,353)	(625,570)	
			<u>(48,652,063)</u>	<u>(47,504,448)</u>
<b>NET ASSETS</b>			<u>9,226,625</u>	<u>8,130,453</u>
<b>EQUITY</b>				
Share Capital	19.		218	212
Revenue Reserves			9,226,407	8,130,241
			<u>9,226,625</u>	<u>8,130,453</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 31 July 2017.

Chairperson



Vice-Chairperson



Secretary



The notes on pages 27 to 40 form part of these financial statements.

# GOVAN HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017	2016
		£	£
<b>Net Cash Inflow from Operating Activities</b>	17.	2,063,643	2,839,980
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(3,080,373)	(2,935,444)	
Purchase of Other Fixed Assets	(83,945)	(118,228)	
Social Housing Grant Received	2,447,227	2,622,816	
Other Grants Received	-	16,500	
Proceeds on Disposal of Properties	40,274	18,000	
Proceeds on Disposal of Other Fixed Assets	-	144	
<b>Net Cash Outflow from Investing Activities</b>		(676,817)	(396,213)
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	9,169	10,972	
Interest Paid on Loans	(362,152)	(383,553)	
Loan Principal Repayments	(368,867)	(348,176)	
Share Capital Issued	6	7	
<b>Net Cash Outflow from Financing</b>		(721,844)	(720,750)
<b>Increase in Cash</b>		664,981	1,723,017
<b>Opening Cash &amp; Cash Equivalents</b>		4,325,114	2,602,097
<b>Closing Cash &amp; Cash Equivalents</b>		<u>4,990,095</u>	<u>4,325,114</u>
<b>Cash and Cash equivalents as at 31 March 2017.</b>			
Cash		5,072,294	4,417,245
Bank overdraft		(82,199)	(92,131)
		<u>4,990,095</u>	<u>4,325,114</u>

The notes on pages 27 to 40 form part of these financial statements.

# GOVAN HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31st MARCH 2017

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1st April 2015</b>	213	7,215,833	7,216,046
Issue of Shares	7	-	7
Cancellation of Shares	(8)	-	(8)
Surplus for Year	-	914,408	914,408
<b>Balance as at 31 March 2016</b>	<b>212</b>	<b>8,130,241</b>	<b>8,130,453</b>
<b>Balance as at 1st April 2016</b>	212	8,130,241	8,130,453
Issue of Shares	6	-	6
Surplus for Year	-	1,096,166	1,096,166
<b>Balance as at 31 March 2017</b>	<b>218</b>	<b>9,226,407</b>	<b>9,226,625</b>

The reserves opening balance at 1st January 2015 has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### 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 participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. The Association has moved from the Defined Benefit Scheme to the Scottish Housing Association Defined Contribution Scheme.

The Association still has a liability for past service costs contributions to the Scottish Housing Association Defined Benefit Pension Scheme. The Association provides for amounts that it has agreed to pay towards the 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 a high quality corporate bond. Contributions to the Defined Contribution Scheme are charged to the Statement of Comprehensive Income as incurred.

##### 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 12. 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>
Land	Not depreciated
Structure	Over 50 years
Roof	Over 50 years
Windows	Over 30 years
Kitchen	Over 15 years
Bathroom	Over 20 years
Central Heating	Over 15 years

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

#### Depreciation And Impairment Of Other Non-Current Assets

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	- 2% Straight Line
Furniture and Equipment	- 25% Reducing Balance
Vehicles	- 15% Straight Line

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 a non-current asset disposals and any gain and 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 Management Committee to exercise judgement in applying Govan Housing Association Limited'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.

##### d) Costs of shared ownership

The Association allocates costs to shared ownership properties on an percentage basis split across the number of properties the Association owns.

# GOVAN HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **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.

##### **Housing Property Managed By Agents**

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.

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

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

In the judgement of the Management Committee, 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.

##### **d) Pension Liability**

In March 2017 the Association received details from the Pension Trust of the final 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 feel 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

# GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Notes	2017			2016		
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3. 7,408,099	5,844,868	1,563,231	7,005,568	5,582,734	1,422,834
Other Activities	4. 427,621	488,531	(60,910)	303,568	369,011	(65,443)
<b>Total</b>	<b>7,835,720</b>	<b>6,333,399</b>	<b>1,502,321</b>	<b>7,309,136</b>	<b>5,951,745</b>	<b>1,357,391</b>

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

	General Needs Housing £	Supported Housing £	Shared ownership £	2017 Total £	2016 Total £
<b>Revenue from Lettings</b>					
Rent Receivable Net of Service Charges	5,478,441	67,306	73,131	5,618,878	5,211,828
Service Charges	109,114	107,846	-	216,960	266,601
<b>Gross income from rent and service charges</b>	<b>5,587,555</b>	<b>175,152</b>	<b>73,131</b>	<b>5,835,838</b>	<b>5,478,429</b>
Less: Rent losses from voids	43,258	-	-	43,258	69,264
<b>Net Rents Receivable</b>	<b>5,544,297</b>	<b>175,152</b>	<b>73,131</b>	<b>5,792,580</b>	<b>5,409,165</b>
Grants released from deferred income	1,533,980	-	13,820	1,547,800	1,504,513
Revenue grants from Scottish Ministers	67,719	-	-	67,719	91,890
<b>Total turnover from affordable letting activities</b>	<b>7,145,996</b>	<b>175,152</b>	<b>86,951</b>	<b>7,408,099</b>	<b>7,005,568</b>
<b>Expenditure on affordable letting activities</b>					
Management and maintenance administration costs	1,644,870	6,802	20,118	1,671,790	1,560,997
Service Costs	120,393	70,109	3,321	193,823	222,033
Planned and cyclical maintenance, including major repairs	557,698	-	956	558,654	422,943
Reactive maintenance costs	1,322,354	-	1,808	1,324,162	1,293,853
Bad Debts - rents and service charges	99,169	-	554	99,723	145,069
Depreciation of affordable let properties	1,952,532	28,484	15,700	1,996,716	1,937,839
<b>Operating costs of affordable letting activities</b>	<b>5,697,016</b>	<b>105,395</b>	<b>42,457</b>	<b>5,844,868</b>	<b>5,582,734</b>
<b>Operating surplus on affordable letting activities</b>	<b>1,448,980</b>	<b>69,757</b>	<b>44,494</b>	<b>1,563,231</b>	<b>1,422,834</b>
<b>2016</b>	<b>1,407,445</b>	<b>(15,788)</b>	<b>31,177</b>		



# GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers	Other Revenue Grants	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2017	Operating Surplus / (Deficit) 2016
	£	£	£	£	£	£	£	£
Wider Role Activities	85,703	188,118	-	273,821	-	318,642	(44,821)	(8,461)
Factoring	-	-	142,694	142,694	13,177	152,636	(23,119)	(52,319)
Other Income	-	-	11,106	11,106	-	-	11,106	9,768
Sale of other fixed assets	-	-	-	-	-	-	-	(5,296)
Other Activities	-	-	-	-	-	4,076	(4,076)	(9,135)
<b>Total From Other Activities</b>	<b>85,703</b>	<b>188,118</b>	<b>153,800</b>	<b>427,621</b>	<b>13,177</b>	<b>475,354</b>	<b>(60,910)</b>	<b>(65,443)</b>
<b>2016</b>	<b>199,354</b>	<b>27,210</b>	<b>77,004</b>	<b>303,568</b>	<b>20,950</b>	<b>348,061</b>	<b>(65,443)</b>	

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### 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.

	2017	2016
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	148,297	83,962
Compensation payable to Officers for loss of Office	-	7,500
Pension contributions made on behalf on Officers with emoluments greater than £60,000	17,011	10,340
Emoluments payable to Chief Executive (excluding pension contributions)	86,525	83,962
Total Amounts paid in respect of key management personnel	183,435	158,828

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	-
£80,001 to £90,000	1	1

#### 6. EMPLOYEE INFORMATION

	2017	2016
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	52	39
The average total number of Employees employed during the year was	53	40
Staff Costs were:	£	£
Wages and Salaries	1,387,380	1,091,695
Social Security Costs	124,782	98,527
Other Pension Costs	123,947	76,450
Temporary, Agency and Seconded Staff	-	69,632
	1,636,109	1,336,304

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN ON SALE OF HOUSING STOCK

	2017	2016
	£	£
Sales Proceeds	40,274	18,000
Cost of Sales	<u>13,291</u>	<u>-</u>
Gain On Sale Of Housing Stock	<u>26,983</u>	<u>18,000</u>

#### 8. INTEREST PAYABLE & SIMILAR CHARGES

	2017	2016
	£	£
On Bank Loans & Overdrafts	<u>362,152</u>	<u>383,553</u>
	<u>362,152</u>	<u>383,553</u>

#### 9. SURPLUS FOR YEAR

	2017	2016
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	2,067,197	2,040,668
Auditors' Remuneration - Audit Services	9,018	9,501
Auditors' Remuneration - Other Services	-	173
Operating Lease Rentals - Other	2,609	2,174
Gain on sale of fixed assets	<u>26,983</u>	<u>23,440</u>

#### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

#### 11. OTHER FINANCE INCOME / CHARGES

	2017	2016
	£	£
Unwinding of Discounted Liabilities	<u>80,155</u>	<u>88,402</u>

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 12. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
<b>COST</b>				
As at 1st April 2016	89,870,087	658,283	784,995	91,313,365
Additions	2,710,410	369,963	-	3,080,373
Disposals	(244,491)	-	-	(244,491)
Schemes Completed	658,283	(658,283)	-	-
As at 31st March 2017	92,994,289	369,963	784,995	94,149,247
<b>DEPRECIATION</b>				
As at 1st April 2016	27,467,906	-	251,198	27,719,104
Charge for Year	1,951,657	-	15,700	1,967,357
Disposals	(180,423)	-	-	(180,423)
As at 31st March 2017	29,239,140	-	266,898	29,506,038
<b>NET BOOK VALUE</b>				
As at 31st March 2017	63,755,149	369,963	518,097	64,643,209
As at 31st March 2016	62,402,181	658,283	533,797	63,594,261

Additions to housing properties include capitalised development administration costs of £nil (2016 - £nil) and capitalised major repair costs to existing properties of £462,586 (2016 - £215,466)

All land and housing properties are held under feudal tenure.

Total expenditure on existing properties in the year amounted to £1,020,283. The amount capitalised is £462,586, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £462,586 and improvement of £nil.

In addition £2,247,823 was spent acquiring properties and developments cost down £658,283 completed releasing these properties to Held for Letting.

The Association's Lenders have standard securities over Housing Property with a carrying value of £16,317,405 (2016 - £16,044,692).

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 12. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Motor Vehicles £	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2016	75,012	1,556,530	311,722	1,943,264
Additions	-	62,191	21,754	83,945
As at 31st March 2017	75,012	1,618,721	333,476	2,027,209
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2016	46,379	369,640	188,257	604,276
Charge for year	5,776	30,329	63,735	99,840
As at 31st March 2017	52,155	399,969	251,992	704,116
<b>NET BOOK VALUE</b>				
As at 31st March 2017	22,857	1,218,752	81,484	1,323,093
As at 31st March 2016	28,633	1,186,890	123,465	1,338,988

#### 12. CAPITAL COMMITMENTS

	2017 £	2016 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	237,722	212,332

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

Following the commission of a specialist architectural report relative to one of the Association's developments the Association have begun legal action against third parties. It is anticipated that the costs of necessary remedial works shall be borne in full by a third party following resolution of the case and are therefore not incorporated above.

#### 13. COMMITMENTS UNDER OPERATING LEASES

	2017 £	2016 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Other		
Not later than one year	2,600	2,609
Later than one year and not later than five years	4,676	5,998

Lease commitments under FRS102 include the timing of the full payment due under the contract.

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2017 £	2016 £
Arrears of Rent & Service Charges	306,548	322,977
Less: Provision for Doubtful Debts	(156,120)	(145,690)
	<u>150,428</u>	<u>177,287</u>
Social Housing Grant Receivable	531,507	245,535
Other Receivables	376,727	254,521
	<u>1,058,662</u>	<u>677,342</u>

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

	2017 £	2016 £
Bank Overdrafts (secured)	82,199	92,131
Housing Loans	377,913	368,867
Trade Payables	396,916	331,563
Rent in Advance	506,727	425,929
Other Taxation and Social Security	-	28,780
Other Payables	462,677	460,107
Liability for Past Service Contributions	246,656	236,693
Accruals and Deferred Income	646,211	405,180
	<u>2,719,299</u>	<u>2,349,250</u>

At the balance sheet date there were pension contributions outstanding of £36,674 (2016 £35,376).

#### 16. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2017 £	2016 £
Liability for Past Service Contributions	1,006,753	1,173,254
Housing Loans	<u>10,492,518</u>	<u>10,870,431</u>
	<u>11,499,271</u>	<u>12,043,685</u>
<b>Housing Loans</b>		
Amounts due within one year	377,913	368,867
Amounts due in one year or more but less than two years	384,979	377,922
Amounts due in two years or more but less than five years	1,193,653	773,710
Amounts due in more than five years	8,908,886	9,718,799
	<u>10,870,431</u>	<u>11,239,298</u>
Less: Amount shown in Current Liabilities	377,913	368,867
	<u>10,492,518</u>	<u>10,870,431</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	246,656	236,693
Amounts due in one year or more but less than two years	254,056	246,656
Amounts due in two years or more but less than five years	752,697	785,261
Amounts due in more than five years	-	141,337
	<u>1,253,409</u>	<u>1,409,947</u>
Less: Amount shown in Current Liabilities	246,656	236,693
	<u>1,006,753</u>	<u>1,173,254</u>

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

Lender	Effective Interest Rate	Maturity	Variable / Fixed
RBS	4.96%	2024	Fixed
RBS	LIBOR + 1.7%	2041	Variable
RBS	Base + 0.2%	2043	Variable
RBS	5.12%	2022	Fixed
RBS	LIBOR + 0.2%	2043	Variable
RBS	4.84%	2041	Fixed
RBS	4.88%	2041	Fixed

A total of 382 properties are secured by RBS with a NBV of £16,317,405. (2016 - £16,044,692)

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 1.06% (2016 - 3.58%)

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 19. SHARE CAPITAL

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

	£
At 1st April 2016	212
Issued in year	6
Cancelled in year	-
At 31st March 2017	<u>218</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:-

	2017 No.	2016 No.
General Needs - Built by Association	476	477
General Needs - Purchased by Association	1,068	1,047
<b>Shared Ownership</b>	23	23
<b>Supported Housing</b>	24	24
	<u>1,591</u>	<u>1,571</u>

Housing Units owned by the Association but managed by another body:

Name of Provider	Number of Units	
	2017	2016
	£	£
Loretto Care	11	11
Key Housing Association	1	1
Talbot Association	1	1

# GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. STATEMENT OF CASH FLOWS

	2017 £	2016 £
<b>Reconciliation of operating surplus to balance as at 31 March 2017</b>		
Operating Surplus	1,502,321	1,357,391
Depreciation	2,096,559	2,009,858
Change in properties developed for resale	-	586,957
Amortisation of Capital Grants	(1,564,169)	(1,504,513)
Change in debtors	(95,348)	435,380
Change in creditors	204,434	37,877
Gain on sale of other fixed assets	-	5,440
Unwinding of Discount on Pension Liability	(80,155)	(88,402)
Share Capital Written Off	-	(8)
Net cash inflow from Operating Activities	<u>2,063,643</u>	<u>2,839,980</u>

## 18. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Properties £	Total £
<b>Social Housing Grants</b>				
Balance as at 1st April 2016	69,376,960	658,283	690,982	70,726,225
Additions in the year	2,315,785	358,265	-	2,674,050
Eliminated on disposal components and property	(114,302)	-	-	(114,302)
Balance as at 31st March 2017	<u>72,236,726</u>	<u>358,265</u>	<u>690,982</u>	<u>73,285,973</u>
<b>Amortisation</b>				
Balance as at 1st April 2016	23,626,235	-	221,112	23,847,347
Amortisation in year	1,533,981	-	13,822	1,547,803
Eliminated on disposal	(92,887)	-	-	(92,887)
Balance as at 31st March 2017	<u>25,067,329</u>	<u>-</u>	<u>234,934</u>	<u>25,302,263</u>
<b>Net book value</b>				
Balance as at 31st March 2017	<u>47,169,397</u>	<u>358,265</u>	<u>456,048</u>	<u>47,983,710</u>
Balance as at 31st March 2016	<u>45,750,725</u>	<u>658,283</u>	<u>469,870</u>	<u>46,878,878</u>
<b>Other Grants</b>				
Balance as at 1st April 2016	861,196	-	-	861,196
Additions in the year	59,149	-	-	59,149
Balance as at 31st March 2017	<u>920,345</u>	<u>-</u>	<u>-</u>	<u>920,345</u>
<b>Amortisation</b>				
Balance as at 1st April 2016	235,626	-	-	235,626
Amortisation in year	16,366	-	-	16,366
Balance as at 31st March 2017	<u>251,992</u>	<u>-</u>	<u>-</u>	<u>251,992</u>
<b>Net book value</b>				
Balance as at 31st March 2017	<u>668,353</u>	<u>-</u>	<u>-</u>	<u>668,353</u>
Balance as at 31st March 2016	<u>625,570</u>	<u>-</u>	<u>-</u>	<u>625,570</u>
<b>Total grants net book value as at 31 March 2017</b>	<u>47,837,750</u>	<u>358,265</u>	<u>456,048</u>	<u>48,652,063</u>

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

	2017 £	2016 £
Amounts due within one year	1,564,169	1,504,513
Amounts due after more than one year	47,087,894	45,999,935
	<u>48,652,063</u>	<u>47,504,448</u>



# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 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 position to their advantage.

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

Transactions with governing body members (and their close family) were as follows:

	<b>2017</b>	2016
	£	£
Rent and factoring received from Tenants on the Committee and their close family members	21,090	28,504
Factoring Charges received from owners on the Committee	0	402
At the year end total rent arrears and factoring owed by the tenant members of the Committee (and their close family ) were £65. (2016 - £50)		
Members of the Committee who are tenants	6	6

#### 22. 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 35 McKechnie Street, Govan, Glasgow.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Govan.

#### 23. GOVERNING BODY MEMBER EMOLUMENTS

Management Committee members received £5,307 in the year by way of reimbursement of expenses (2016 - £3,718). No remuneration is paid to Management Committee members in respect of their duties in the Association.

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### General

Govan 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.

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%.

Based on the provisional valuation the Scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals the Association will make payments of £246,656 from 1 April 2017. Payments are expected to increase by 3% per annum and continue until February 2022.

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. The liability of the withdrawing employer is re-apportioned amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers 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 £1,207,041 (2016 - £1,409,947). 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 1.06% (2016 - 3.58%).

The Association made payments totalling £236,693 (2016: £246,816) to the pension deficit scheme during the year.

#### 25. POST BALANCE SHEET EVENTS

As detailed in the Management Committee's Report (Page 14) the Association has established a subsidiary company, Govan Home Team C.I.C (company number SC558776, incorporated on 27 February 2017).

This followed an options appraisal which the Association had carried out, which determined that transferring the DLO to a subsidiary would create several benefits.

The newly wholly owned subsidiary has Govan Housing Association as its only shareholder. Although operating at arm's length with an independent Board, the Association will retain control of the subsidiary through effective governance processes and systems, and an independence agreement that sets out how the parent and subsidiary will work together to enable the DLO subsidiary to meet its agreed aims and objectives.

Work on the migration of services to the subsidiary will progress during 2017/18.