

GOVAN HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

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 2011

MANAGEMENT COMMITTEE

Ms A Irvine (Chairperson)
Mrs M O'Neil (Secretary)
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
Mr A Kean

EXECUTIVE OFFICERS

Kenneth Mollins	Chief Executive
Stephen McCabe	Assistant Chief Executive/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 2011

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GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2011

The Committee of Management present their report and audited financial statements for the year ended 31 March 2011.

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 £844,537 (2010 – surplus £559,615) 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 £332,085 (2010 - £285,169). 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 £884,537 (2010 – surplus £559,615) has been dealt with as follows:

	£	£
Surplus for the year		844,537
Transfers from designated reserves:		
Cyclical maintenance reserve	-	
Major repairs sinking fund	-	
		-
Transfer to revenue reserve		844,537

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2011

Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2011 were as follows:

Ms A Irvine (Chairperson)	Mr A Butler
Mrs M O'Neil (Secretary)	Mr R Carabine
Mrs A Frame (resigned 26 May 2010)	Mrs M Porter
Mr M O'Halloran	Councillor J Flanagan
Miss G Hay	Mrs K Russell
Mrs A Connelly	Mrs P Mackay (resigned 29 July 2010)
Mr T Dawson	Mr A Kean

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 2011 was as follows:

Germaine Hahn	Director (resigned May 2010)
Kenneth Mollins	Chief Executive (appointed May 2010)
Stephen McCabe	Assistant Chief Executive/Finance and Administration Manager
Fiona Maguire	Development Manager
Liz Wylie	Housing Manager
Tim Holmes	Maintenance Manager

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 2011

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. No staff appraisals were undertaken in the year 2010/11.

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. The Association prepared an Asset Management strategy in partnership with Currie & Brown Surveyors which will inform the future needs of our housing stock. An action plan has been prepared to implement this strategy which will include updating our stock condition to ensure the long term financial planning reflects our future investment requirements. In addition, the Asset Management strategy also assessed supply and demand statistics to inform the future sustainability of our housing stock.

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. 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 £10.232m (2010 - £5.252m) during the year, of which £7.700m (2010 - £5.066m) 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 £38,637 (2010 - £102,833). Work is continuing to improve this figure.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2011

5 Finance and IT Issues

Govan has a funding package with the Royal Bank of Scotland. Facilities totalling £10.75m are available to be drawn down. At 31 March 2011 the Bank had approved permitted drawings up to a level of £4.56m, of which £3.93m (2010 £2.22m) 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 pages 9 to 10.

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 2011

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 £3.423m to £4.267m (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 2011 the Association had £10.12m (2010 £11.96m) in undrawn loan facilities of which £3.93m (2010 £2.22m) was immediately available for drawing.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2011

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 Chief Executive.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The Association's 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 2011

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



Date: 28 July 2011

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

Date: 28 July 2011



GOVAN HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

31 MARCH 2011

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 2011

(Continued)

The Management have reviewed the system of internal financial control in the Association during the year ended 31 March 2011. 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



Secretary

Date: 28 July 2011

GOVAN HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

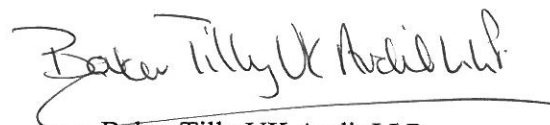
In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 9 and 10 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

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
Statutory Auditors
Chartered Accountants
Glasgow

Date: 02/08/11

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

We have audited the financial statements of Govan Housing Association Limited for the year ended 31 March 2011 on pages 13 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with section 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 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 the Committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 8, the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

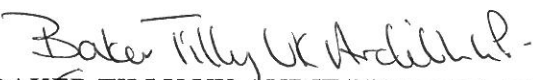
In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.


BAKER TILLY UK AUDIT LLP
Statutory Auditor
Breckenridge House
274 Sauchiehall Street
GLASGOW
G2 3EH

Date: 02/08/11

GOVAN HOUSING ASSOCIATION LIMITED

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £	2010 £
Turnover	2	5,026,302	3,337,609
Less : Operating costs	2	<u>4,136,607</u>	<u>2,725,984</u>
Operating Surplus	2	889,695	611,625
Gain on sale of fixed assets	7	43,200	30,636
Interest receivable and other income		28	9
Interest payable and other charges	4	<u>(88,386)</u>	<u>(82,655)</u>
Surplus on ordinary activities before tax		844,537	559,615
Taxation	6	-	-
Surplus for year		<u>844,537</u>	<u>559,615</u>

The results for 2010 and 2011 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 2011

	Notes	2011 £	2010 £
Tangible Fixed Assets			
Housing properties - gross cost less depreciation	9	70,909,782	60,902,673
Less : HAG	9	(61,878,160)	(54,209,450)
		9,031,622	6,693,223
Other Assets	9	355,082	366,720
		9,386,704	7,059,943
Current Assets			
Work in Progress	10	788,002	31,181
Debtors	11	784,884	1,053,151
Cash in hand and in bank		14,049	88,192
		1,586,935	1,172,524
Current Liabilities			
Creditors due within one year	12	(2,391,840)	(1,703,360)
Net Current (Liabilities)		(804,905)	(530,836)
Total Assets Less Current Liabilities		8,581,799	6,529,107
Creditors due after one year	13	(4,314,480)	(3,106,371)
Net Assets		4,267,319	3,422,736
Capital and Reserves			
Share capital	14	155	109
Revenue reserves	8	4,267,164	3,422,627
		4,267,319	3,422,736

These financial statements were approved by the Committee of Management and authorised for issue on
28 July 2011

Committee Member: E. Doreen

Committee Member: K Russell

Secretary: Garyana Hay

GOVAN HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR TO 31 MARCH 2011

	Notes	2011 £	2010 £
Net cash inflow from operating activities	17a	1,054,544	731,377
Returns on investments and servicing of finance			
Interest received		28	9
Interest paid		(88,386)	(82,655)
Net cash (outflow) from returns on investments and servicing of finance		(88,358)	(82,646)
Investing activities			
Cash paid for construction and purchase of housing		(10,232,408)	(5,252,162)
Movement in Work in Progress		(756,821)	43,332
Disposals in year		107,545	67,912
HAG repayments - write-offs in year		(30,831)	(23,893)
Housing association grant received		8,119,083	4,330,624
Other grants received		-	(9,570)
Purchase of other fixed assets		(20,596)	(21,420)
Disposals of other Fixed Assets		-	87,371
Net cash (outflow) from investing activities		(2,814,028)	(777,806)
Net cash (outflow) before financing		(1,847,842)	(129,075)
Financing			
Loan received		1,847,031	283,296
Loan principal repayments		(73,379)	(133,250)
Shares issued		47	8
Net cash inflow from financing		1,773,699	150,054
(Decrease)/Increase in cash and cash equivalents		(74,143)	20,979

Further information is given in note 17.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

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 2011

(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 2011

(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 2011

(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 2011

(Continued)

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

	Note	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £	Operating Surplus/(Deficit) 2010 £
Social lettings	3	3,421,290	2,406,829	1,014,461	878,220
Other activities	3b	1,605,012	1,729,778	(124,766)	(266,595)
Total		<u>5,026,302</u>	<u>4,136,607</u>	<u>889,695</u>	<u>611,625</u>
2010		<u>3,337,609</u>	<u>2,725,984</u>	<u>611,625</u>	

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

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

	General Housing £	Needs £	Shared Ownership £	Supported Housing £	2011 Total £	2010 Total £
Rent receivable net of service charges	3,253,919		44,797	-	3,298,716	3,130,318
Service charges	70,507		18,191	27,877	116,575	103,041
Gross income from rents and service charges	3,324,426		62,988	27,877	3,415,291	3,233,359
Less: voids	(30,548)		(289)	(7,800)	(38,637)	(102,833)
Net income from rents and service charges	3,293,878		62,699	20,077	3,376,654	3,130,526
Grants from Scottish Ministers	44,636		-	-	44,636	49,842
Other revenue grants	-		-	-	-	6,000
Total turnover from social letting activities	3,338,514		62,699	20,077	3,421,290	3,186,368
Management and maintenance administration costs	970,832		7,540	-	978,372	971,962
Service costs	61,337		4,111	20,552	86,000	97,351
Planned and cyclical maintenance including major repairs costs	652,754		2,401	-	655,155	544,276
Reactive maintenance costs	450,919		291	-	451,210	496,760
Bad debts – rents and service charges	77,612		(2,475)	-	75,137	62,598
Depreciation of social housing	159,107		1,848	-	160,955	135,201
Operating costs for social letting activities	2,372,561		13,716	20,552	2,406,829	2,308,148
Operating Surplus for social lettings	965,953		48,983	(475)	1,014,461	878,220
2010	839,396		42,584	(3,760)	878,220	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £22,062 (2010 £21,116).

The total amount of major repairs expenditure incurred in the year was £332,085 (2010 - £285,169). No major repairs were capitalised.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011
(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	182,593	44,493	-	-	227,086	-	244,792	(17,706)	(25,266)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	50,754	50,754	(7,795)	54,746	3,803	6,946
Development and construction of property activities	-	-	-	-	-	26,450	40,940	(67,390)	(204,758)
Support activities	-	-	67,338	-	67,338	-	115,841	(48,503)	(42,737)
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	-	-	-	1,250,216	1,250,216	-	1,250,216	-	-
Other activities	-	-	-	9,618	9,618	-	4,588	5,030	(780)
Total from other activities	182,593	44,493	67,338	1,310,588	1,605,012	18,655	1,711,123	(124,766)	(266,595)
2010	9,335	-	67,339	74,567	151,241	33,016	384,820	(266,595)	

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011
(Continued)

4. Interest payable	2011	2010
	£	£
Total interest incurred	92,408	82,655
Interest capitalised	-	-
Interest charged to work in progress	(4,022)	-
	<u>88,386</u>	<u>82,655</u>
5. Development Administration	2011	2010
	£	£
Total development expenditure	262,851	250,239
Less: Development administration costs	<u>67,391</u>	<u>210,213</u>
	195,460	40,026
Clerk of Works allowance received	(68,128)	(40,026)
Development allowances received	<u>(127,332)</u>	<u>-</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	2011	2010
	£	£
Net sale proceeds	67,650	125,000
Cost of sales	(24,450)	(128,679)
Grants received	-	34,315
	<u>43,200</u>	<u>30,636</u>
8. Revenue Reserve	2011	2010
	£	£
At 1 April 2010	3,422,627	2,863,012
Surplus for year	<u>844,537</u>	<u>559,615</u>
At 31 March 2011	<u>4,267,164</u>	<u>3,422,627</u>

GOVAN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2011
(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 2010	52,365,830	8,863,813	887,361	394,511	193,160	28,417	62,733,092
Additions during year	(114,547)	10,346,955	-	3,827	16,769	-	10,253,004
Transfers	5,940,714	(5,940,714)	-	-	-	-	-
Disposals in year	(22,370)	-	(41,975)	-	-	-	(64,345)
At 31 March 2011	58,169,627	13,270,054	845,386	398,338	209,929	28,417	72,921,751
Housing Association Grant							
At 1 April 2010	44,627,149	8,813,506	768,795	-	-	-	54,209,450
Additions during year	-	7,699,541	-	-	-	-	7,699,541
Transfers	4,076,375	(4,076,375)	-	-	-	-	-
Repaid and abated during year	-	-	(30,831)	-	-	-	(30,831)
At 31 March 2011	48,703,524	12,436,672	737,964	-	-	-	61,878,160
Depreciation							
At 1 April 2010	1,194,329	-	20,002	74,508	153,535	21,325	1,463,699
Provided during year	163,224	-	1,848	7,967	22,332	1,935	197,306
Transfers	-	-	-	-	-	-	-
Disposals during year	(2,238)	-	(1,880)	-	-	-	(4,118)
At 31 March 2011	1,355,315	-	19,970	82,475	175,867	23,260	1,656,887
Net Book Value							
At 31 March 2011	8,110,788	833,382	87,452	315,863	34,062	5,157	9,386,704
At 31 March 2010	6,544,352	50,307	98,564	320,003	39,626	7,092	7,059,943

Development administration costs capitalised amounted to £195,460 (2010: £40,026) for which Development and Clerk of Works allowances amounting to £195,460 (2010: £40,026) 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 (2010: £nil).

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 2011

(Continued)

10. Work in Progress	2011	2010
	£	£
Cost of developing Shared Equity properties	3,240,341	1,520,571
Grant received to develop properties	(2,452,339)	(1,489,390)
	<u>788,002</u>	<u>31,181</u>
11. Debtors	2011	2010
Amounts falling due within one year:	£	£
Gross rents in arrears	229,372	197,021
Less bad debt provision	(130,569)	(128,049)
	<u>98,803</u>	<u>68,972</u>
HAG receivable	360,563	780,105
Other debtors	57,160	93,813
Prepayments and accrued income	268,358	110,261
	<u>784,884</u>	<u>1,053,151</u>
Debtors due after one year included above:		
Other debtors	<u>4,734</u>	<u>6,203</u>
12. Creditors due within one year	2011	2010
	£	£
Loans	606,324	40,780
Trade creditors	971,046	749,000
Taxation and social security	81	-
Other creditors	413,420	316,463
Accruals and deferred income	148,145	346,708
Rents in advance	252,824	250,409
	<u>2,391,840</u>	<u>1,703,360</u>
13. Creditors due outwith one year		
Loans	<u>4,314,480</u>	<u>3,106,371</u>
Loans are secured by specific charges on the association's properties. Loans are repayable at rates of interest of 0.75% to 5.18% (2010 0.75% to 13%), in instalments due as follows:		
Under one year	606,324	40,780
Between one and two years	98,168	69,603
Between two and five years	208,285	94,971
In five years or more	4,008,027	2,941,797
	<u>4,920,804</u>	<u>3,147,151</u>

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

	2010	2009
	£	£
14. Share Capital		
Shares of £1 fully paid and issued at 1 April 2010	109	102
Shares issued during year	47	8
Shares cancelled during year	(1)	(1)
Shares issued at 31 March 2011	<u>155</u>	<u>109</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.

	2011	2010
	£	£
15. Employees		
Staff costs during year:		
Wages and salaries	1,021,105	956,321
Social security costs	81,408	73,507
Other pension costs	103,970	103,654
	<u>1,206,483</u>	<u>1,133,482</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	9.6	9.0
Housing Staff	26.2	23.1
	<u>35.8</u>	<u>32.1</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 (2010 - £60,000 per year).

	£	£
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	<u>69,147</u>	<u>66,524</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>47,831</u>	<u>57,687</u>

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

15. Employees (continued)

The Association's pensions contributions for the Chief Executive and previous Director in the year amounted to £8,813 (2010 £8,837).

There were no directors (2010 – Nil) whose emoluments, excluding pension contributions, were over £60,000 (2010 £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 £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. 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 £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

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 2011

(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 2010. As of this date the estimated employer debt for Govan Housing Association Limited was £4,594,257.

The SFHA Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the State Pension scheme. The Scheme offers five benefit structures to employers, namely:

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any given time. An open benefit structure is one which new entrants are able to join.

Govan Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2010 and the career average revalued earnings with a 1/70th accrual rate from 1 April 2011. The same benefit structure will be in place 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 21 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 2011

(Continued)

15. Employees Pensions (continued)

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

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement – Non pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

Mortality Tables	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)	% p.a.
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions*	10.4

(*expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculation the additional contributions).

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.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

15. Employees Pensions (continued)

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.

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%. As at the balance sheet date one active member of the plan was enrolled by Govan Housing Association. 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 on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The plan is a multi-employer scheme where the plan assets are comingled for investment purposes and benefits are paid from the total plan assets. 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%.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

15. Employees Pensions (continued)

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.

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.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

15. Employees Pensions (continued)

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 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 2010. As of this date the estimated employer debt for Govan Housing Association Limited was £31,264.

16. Auditors' Remuneration

	2011 £	2010 £
The remuneration of the auditors (including expenses and VAT for the year)	8,436	7,936
Remuneration of the auditors in respect of services other than those of external auditors from entities related to Baker Tilly UK Audit LLP	3,407	299
	<u>11,843</u>	<u>8,235</u>

17. Notes to the Cash Flow Statement

(a) Reconciliation of surplus to net cash inflow from operating activities	2011 £	2010 £
Operating surplus for year	889,695	611,625
Depreciation/loss on disposals	193,188	76,732
(Increase)/decrease in debtors	(151,275)	339,716
Increase/(Decrease) in creditors	122,957	(296,695)
Shares cancelled	(1)	(1)
Net cash inflow from operating activities	<u>1,054,864</u>	<u>731,377</u>

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

17. Notes to the Cash Flow Statement (continued)

(b) Reconciliation of net cash flow to movement in net debt	2011 £	2010 £
(Decrease)/Increase in cash for the year	(74,143)	20,979
Loans received	(1,847,031)	(283,296)
Loan repayments	<u>73,379</u>	<u>133,250</u>
Change in net debt	(1,847,795)	(129,067)
Net debt as at 1 April 2010	<u>(3,058,959)</u>	<u>(2,929,892)</u>
Net debt as at 31 March 2011	<u>(4,906,754)</u>	<u>(3,058,959)</u>

(c) Analysis of Changes in net debt

	As at 1 April 2010 £	Cash Flow £	Other Changes £	As at 31 March 2011 £
Cash at bank and in hand	88,192	(74,143)	-	14,049
Debt due within one year	(40,780)	40,780	(606,323)	(606,323)
Debt due after one year	<u>(3,106,371)</u>	<u>(1,814,437)</u>	<u>606,323</u>	<u>(4,314,450)</u>
	<u>(3,058,959)</u>	<u>(1,847,795)</u>	<u>-</u>	<u>(4,906,754)</u>

18. Capital Commitments

	2011 £	2010 £
Expenditure authorised by the Committee of Management contracted less certified	<u>12,482,483</u>	<u>16,020,376</u>

Of the amount contracted for at 31 March 2011 £12,482,483 (2010: £16,020,376) 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 2011, the Association had not breached these provisions.

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

19. Contingent Liabilities (continued)

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 2010. As of this date the estimated employer debt for Govan Housing Association was £4,594,257. The Association has no current plans to withdraw from the scheme.

At 31 March 2011 the Association had no other contingent liabilities (2010 -£Nil).

20. Housing Stock

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

	2011	2010
	£	£
General needs housing	1,255	1,189
Supported housing accommodation	27	24
Shared ownership accommodation	25	26
	<u>1,307</u>	<u>1,239</u>

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.

Councillors

Mr. J Flanagan is a councillor with Glasgow City Council. Any transactions with Glasgow City Council are made at arm's length on normal commercial terms and Mr. J Flanagan cannot use his position to his advantage.

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 (2010 - £Nil). The number of units under management was as follows.

	No	No
At 1 April 2010	15	15
Movement in year	-	-
At 31 March 2011	<u>15</u>	<u>15</u>

GOVAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

(Continued)

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%	-	7	(62)