

GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
YEAR TO 31 MARCH 2011

Financial Services Authority. 1791 R (S)

Registered Housing Association No. HCE 117

Registered Charity No. SC010307

GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
For the year ended 31 March 2011

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GOVANHILL HOUSING ASSOCIATION LIMITED
FINANCIAL AND OPERATIONAL REVIEW
For the year ended 31st March 2011

PAGE 1

KEY FINANCIAL HIGHLIGHTS

	<u>2010/11</u>	<u>As restated</u> <u>2009/10</u>	<u>Change</u>
• Surplus for the year	£507,388	£1,334,041	-62%
• Investment in improving existing tenants homes and also providing new housing	£10,803,469	£4,160,660	+160%
• Financial reserves	£12,929,057	£12,446,665	+4%
• Current ratio	1.76 times	2.96 times	-41%
• Interest cover ratio	12.34 times	14.92 times	-17%

This review will consider the financial and operational performance of Govanhill Housing Association Limited (the Association) and its subsidiary companies, Govanhill Community Development Trust Limited and Great Gardens.

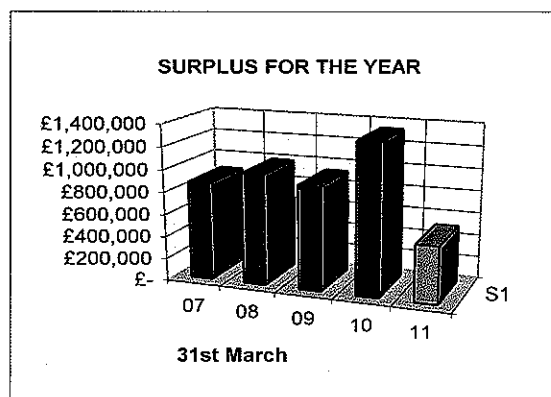
Before delving into our financial results in detail, I would draw the reader's attention to the following two significant changes that occurred during the financial year. An awareness of these changes is necessary to facilitate the reader's understanding of our financial results.

- First, the Association changed its accounting policies by adopting component accounting. This change has been introduced one year ahead of the compliance deadline required by the Statement of Recommended Practice (SORP) Accounting by registered social housing providers. This has required the restatement of the financial results for the comparative financial year 2009/10 and the broad effect has been to increase the surplus, value of housing assets and financial reserves, reported for both 2010/11 and 2009/10.
- Second, the Association completed an acquisition of 706 housing properties from Glasgow Housing Association Limited on 31st January 2011. The overall effect of this acquisition has been to increase the turnover, operating costs and value of housing assets in 2010/11.

GOVANHILL HOUSING ASSOCIATION

SURPLUS FOR THE YEAR - DECREASE 62%

It gives us pleasure to report to our members that the Association made satisfactory operational and financial progress during the year to 31st March 2011. The surplus generated in the year to 31st March 2011 of £507,388 was a significant decrease of 62% on the surplus of £1,334,041 generated in the previous financial year.



The Association's turnover was £6,374,705 during 2010/11, an increase of 12%, compared with the turnover of £5,690,549 in 2009/10.

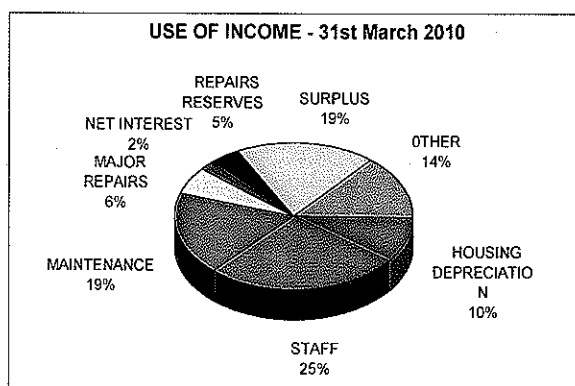
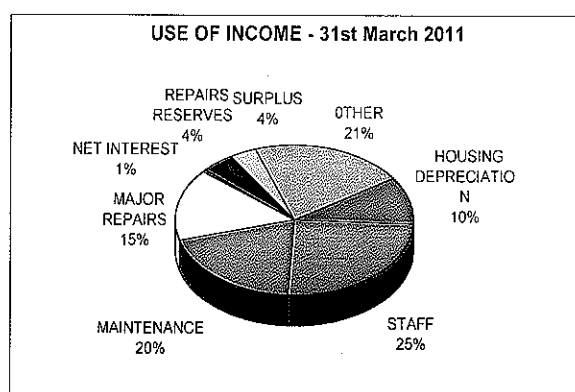
Operating costs increased by 37%, from £4,264,903 in 2009/10 to £5,825,719 in 2010/11. This was largely attributable to a further increase of £618,070 in our major repairs spend, following decisions by the Committee of Management to significantly accelerate the major repairs programme to the benefit of our existing tenants.

To ensure that adequate funds are available to meet our commitment to carry out future major repairs, the Association has set aside £276,591 from its surplus for 2010/11 of £507,388 and has transferred this amount to financial reserves held to fund future major repairs.

The remaining balance increased the Association's revenue reserves to £12,929,057 at 31st March 2011. These revenue reserves are set aside to manage the general risks faced by the Association and they are essential for ensuring the Association's long-term viability and also the security of our tenants' homes.

INCOME AND EXPENDITURE

A breakdown of the use of the Association's income for 2010/11 and 2009/10 is shown on the graphs below.



The Association increased the proportion of its income spent on major repairs of our tenants' homes and also decreased the proportion on income spent on staff costs in the year to 31st March 2011. The increase in other costs reflects one-off costs for the acquisition of the additional housing properties we purchased from Glasgow Housing Association Limited. These changes

resulted in the surplus for the year decreasing as a proportion of income from 19% to 4%.

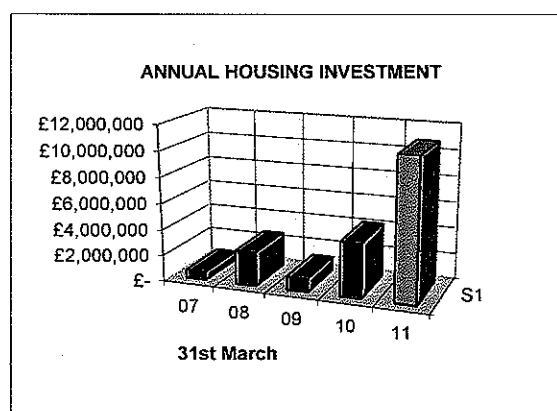
The most significant change was the step-up in major repairs spend from 6% to 15% of income.

The Association is committed to a significant programme of major repairs to improve its older stock. We have budgeted for a significant increase in expenditure in our medium-term and long-term financial projections and this will considerably reduce surpluses built up for this purpose in future years. However, such investment will secure the integrity of our stock and improve the amenity of the houses for the benefit of our tenants and meet the requirement to comply with the Scottish Housing Quality Standard.

BALANCE SHEET - ASSETS AND LIABILITIES

INVESTMENT IN HOUSING - INCREASE 160%

It is pleasing to note that the Association was able to invest £10,803,469 in housing in the year to 31st March 2011, comprising of: stock acquisition; development of additional homes; and capitalised major repairs expenditure on our existing stock. This was an increase of 160% on the investment of £4,160,660 made in 2009/10. However, housing continued to receive a low priority in terms of public sector spend and we were also operating in a very harsh financial climate post the 'credit crunch'.

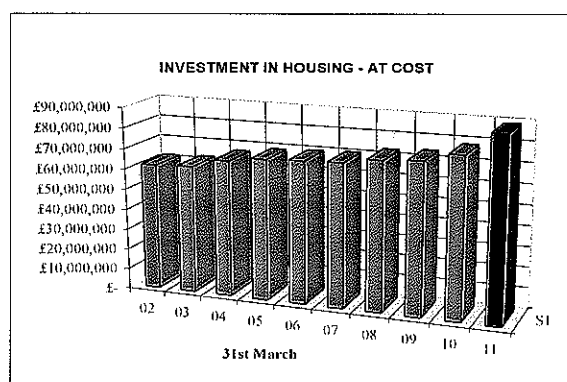


A strong commitment to investment in housing by the Scottish Government and Glasgow City Council is required to eradicate the large number of properties which are still in a sub-tolerable condition within the Govanhill area.

INVESTMENT IN HOUSING - cont.

Despite the pressures of capital funding constraints, the Association was still able to take forward a development programme with the support of Glasgow City Council. During the last financial year the Association concentrated on completing newbuild housing in Bankhall Street and Merrylee and also on developing its proposals for newbuild housing at Cathcart Road.

During the last ten years our investment in providing additional housing properties has increased from £57,730,559 at 31st March 2001 to £88,614,762 at 31st March 2011.



It is also appropriate that we take this opportunity to recognise the support that has been provided to the Association from various funding bodies over many years, in particular Glasgow City Council and the Scottish Government. We look forward to the continued support of all our key partners in future years.

MAJOR REPAIRS AND IMPROVEMENT OF OUR EXISTING TENANTS' HOMES

The Association is committed to a significant programme of major repairs and improvements to our existing tenants' homes in the coming years. We recognise that, as well as investing to provide new homes, it is also essential to continually re-invest in and improve the condition of our existing housing.

This financial year, the Association spent £2,321,552 on its major repairs programme, consisting of: capitalised expenditure of £1,390,744 included in the value of housing assets; and £930,808 which is included as the major repairs expenditure in the Income and

Expenditure Account. This was an increase of 81% on the £1,284,773 spent in the previous year. This involved the replacement of 39 older bathrooms with new installations, 9 new kitchens, 131 new central heating systems, 88 homes with new windows and various other improvement and upgrading works relating to stonework repairs, door entry systems, suspended ceilings, insulation works and roof repairs.

This programme of works will continue to increase significantly in future years to secure the integrity of the stock and meet the requirements of the Scottish Housing Quality Standard by the year 2015.

When the majority of our existing stock was originally improved the grant funding was restricted, on the basis that future major repairs would receive grant funding as this became necessary. As a consequence of changes introduced into the funding regime applied to housing associations and also public expenditure pressures, the Association is now required to fund future major repairs and improvement of its existing stock from its own resources.

To create the financial reserves necessary to ensure that the condition of the Association's housing stock is adequately maintained will result in an upward pressure on our tenants' rents.

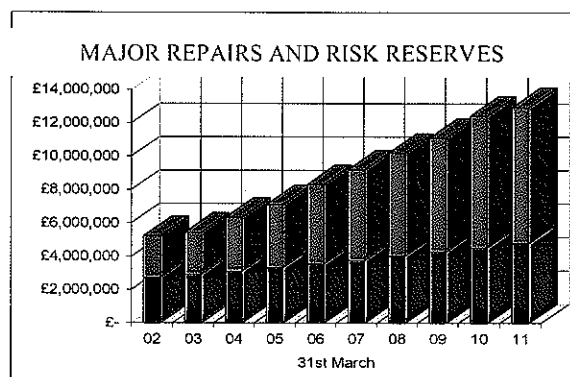
At 31st March 2010 the Association had set aside £4,523,037 of restricted and designated reserves to cover future major repairs expenditure. This was increased further, to £4,799,627 at 31st March 2011, by an additional transfer of £276,590 from the surplus for the financial year of £507,388.

FINANCIAL RESERVES - INCREASE 4%

Financial reserves, consisting of restricted and designated reserves set aside to fund future major repairs and improvement of our housing stock and also revenue reserves set aside to manage the general risks faced by the Association, stood at £12,929,057 at 31st March 2011. This represents an increase of 4%, compared with the financial reserves at 31st March 2010 of £12,446,665.

FINANCIAL RESERVES - INCREASE 4% - cont.

The breakdown between restricted and designated reserves, set aside to fund future major repairs, and revenue reserves, set aside to manage general risks, are shown on the graph below. It will be noted that it has been possible to steadily increase our major repair reserves through careful financial management.



CASHFLOW STATEMENT

CASH AND LIQUIDITY

A net cash inflow from operating activities of £2,362,348 was generated in 2010/11, compared with a net cash inflow from operating activities of £998,356 in 2009/10. The increase in operational cashflows of around £1.4 million reflects:

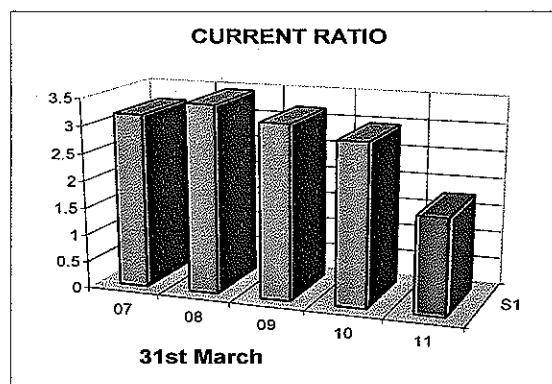
- an operating surplus of £548,986; non-cash depreciation costs of £748,580 ;and
- a significant decrease in debtors, arising from Glasgow City Council repaying grants due to be paid to the Association to fund projects in its development programme of around £1 million.

A decrease in cash generated during 2010/11 of £514,230, compared with a decrease of £848,580 in 2009/10, was mainly due to:

- operational cashflows of £2,362,348; plus
- net additional loans of £2,150,373;
- more than offset by
- our net investment in property assets of £3,395,984; and
- the acquisition of housing stock of £1,589,396.

The Association's current ratio (short-term assets

available to cover short-term liabilities) is a primary measure of short-term viability and fell from 2.96 times cover at 31st March 2010 to 1.76 times cover at 31st March 2011, a decrease of 41% as shown on the graph below.



This ratio was stronger at 31st March 2011 than the Association's internal target. The ratio will reduce in the coming years, as our cash and bank balances are used to fund a significant programme of major repairs and also to minimise the amount of loans raised for our ongoing development programme.

Cash and bank balances less bank overdrafts stood at £3,135,458 at 31st March 2011, compared with £3,649,684 at 31st March 2010, a decrease of 14% during the financial year.

TREASURY MANAGEMENT

CAPITAL STRUCTURE AND OUR DEBT BURDEN

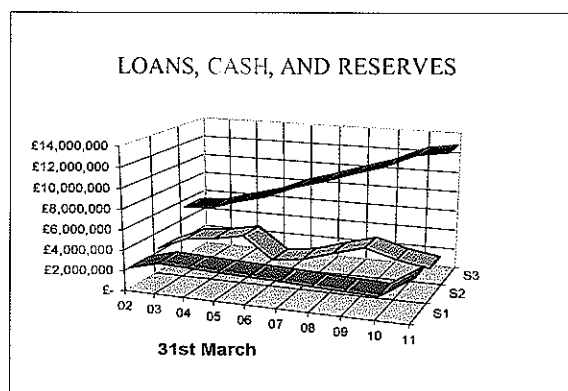
The Association's most significant investments are in property, financed by a capital structure consisting primarily of grants and loans. The Association adopts a conservative policy with regard to its capital structure. Loans are raised as conventional mortgages, secured over the properties being financed, and are generally repayable over 20 years or more.

The proportion of the cost of housing properties financed by loans increased to 5% in 2010/11, from at 3% in 2009/10. The balance is funded by grants which are repayable under certain circumstances, of which the most likely would be a decision to sell properties.

Prudent management of the Association's finances over many years has resulted in the debt burden arising from outstanding loans being minimised, while the cash balances and financial

CAPITAL STRUCTURE AND OUR DEBT BURDEN – cont.

reserves of the Association have been increased as shown on the graph below.



This financial control has been essential in ensuring the long-term viability of the Association and also in protecting our tenants' security.

To minimise our exposure to movements in interest rates the majority of loans are raised at fixed rates of interest.

The Association issued a Funding Prospectus to raise a £15 million loan facility in May 2010. Following a very competitive bidding process, involving a number of UK banks that expressed a very keen interest in funding the Association's future financing requirements, the Association's Committee of Management selected Barclays plc as the preferred lender on 7th July 2010.

The £15 million loan facility was raised to fund:

- the purchase of additional housing stock from Glasgow Housing Association, which will provide local community ownership for the tenants involved in the transfer;
- an increase in our major repairs programme which will significantly improve our existing tenants' homes; and
- the new homes we also plan to build and also the homes we plan to refurbish as part of our development programme.

The £15 million loan facility will fund the Association's financing requirements that were identified in its 30-year Business Plan and also agreed with Barclays plc as part of our Funding Prospectus. We will need to draw on this loan facility over the next 12 years to fund our

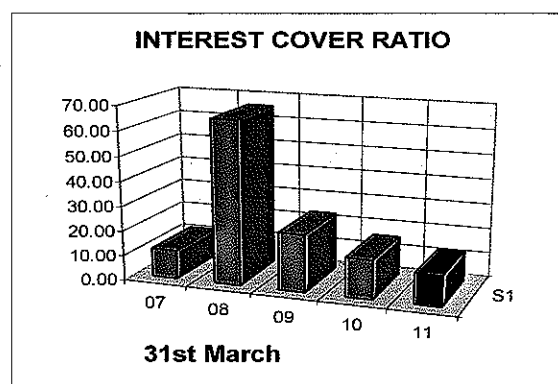
Business Plan objectives. The first tranche of this was drawn down as a variable interest rate loan of £2.8 million on 31st March 2011. After the financial year end, £2.5 million of this draw down was converted into a 10-year fixed rate loan to reduce the Association's exposure to future increases in interest rates.

Approval of the loan facility by Barclays plc required the Association to agree to comply with a number of financial covenants. These financial covenants are set to ensure that the Association maintains financial discipline and adheres to prudent financial management. It is pleasing to report to members that the Association has comfortably met and exceeded all financial covenants set during the financial year to 31st March 2011.

INTEREST COVER RATIO - DECREASE 17%

The interest cover ratio measures the ability of the Association to service its loans, by comparing interest payable with the operating surplus for the year plus interest receivable.

The interest cover ratio decreased by 17% to 12.34 times cover in 2010/11, compared with 14.92 times cover in 2009/10, as shown on the graph below. This ratio is a key measure of the Association's short-term and long-term viability and was stronger than the Association's internal target.



FUTURE PROSPECTS

The Association's financial position is sound and a trend of improvement in its financial and operational performance has been maintained over many years.

FUTURE PROSPECTS - cont.

The Association continues to invest in new housing through its development programme. However, the eradication of below tolerable standard tenemental housing has proved difficult to progress due to changes in housing legislation. Glasgow City Council is currently preparing a strategy for dealing with older private housing in this area. The Association will be a key stakeholder in that process.

Newbuild opportunities remain limited, but we are about to commence the development of the site at the junction of Cathcart Road and Butterbiggins Road, which will provide 35 amenity flats for older tenants.

The major repairs and planned maintenance programmes remain key elements of the Association's strategy to provide warm, comfortable and safe housing to a high quality, and secure the integrity of its stock for the future.

In the absence of grant funding for major repairs, the Association will require to fund the programme from loan finance and its own resources, which will necessitate further consultation and review of the rental structure and measures of affordability. We also expect the annual surplus generated by the Association to decline significantly in future years, in response to the additional major repairs costs envisaged.

The worst point of the recent recession has now passed, but that the recovery from this point will be slow and protracted and will certainly run throughout most of 2011/12. It is also our expectation that public expenditure will be tightly squeezed for a number of years. Together, these indicate the need for financial caution in the year ahead.

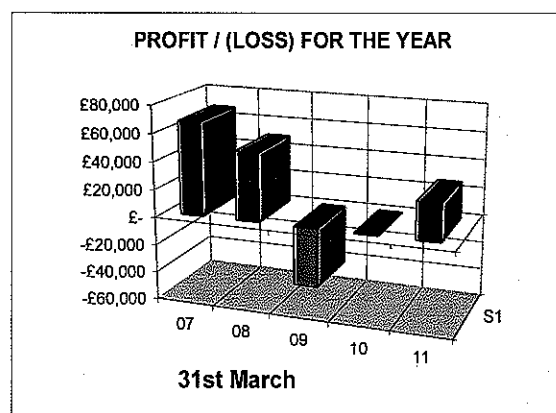
**GOVANHILL COMMUNITY
DEVELOPMENT TRUST LIMITED**

Govanhill Community Development Trust Limited (the Trust) is a 100% owned subsidiary of the Association which is involved in community regeneration within the Govanhill area. The Trust's financial performance is reviewed below.

PROFIT FOR THE YEAR

It is pleasing to report to our members that the Trust made a profit of £30,247 during the year to 31st March 2011, compared with a loss of £168 in 2009/10. Whilst the profit was satisfactory, its low level reflects the recessionary influences on the commercial property market.

The profit for the year was generated principally from: renting commercial units at the New Bridgegate Church Workspaces, 69 Dixon Road; the Victoria Court Workspaces, 1-9 Hollybrook Place; Samaritan House, 79 Coplaw Street, and Forsyth House, 151 Coplaw Street, Govanhill; rental of intensive supported accommodation for 15 homeless women in partnership with the Glasgow Simon Community; and a range of 'wider action' projects carried out for the benefit of people living in the local Govanhill community.

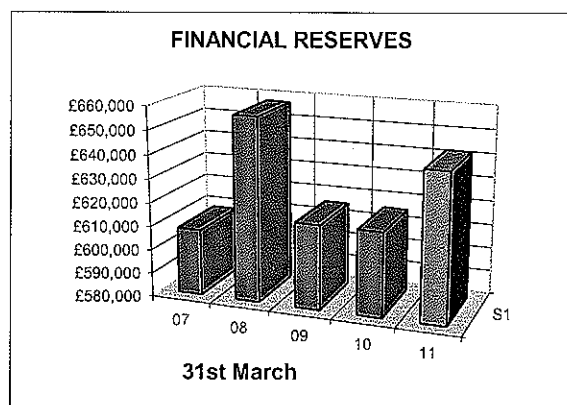


FINANCIAL RESERVES

The Trust has increased its financial reserves over the last five years to £645,597 at 31st March 2011, from £540,589 at 31st March 2006.

FINANCIAL RESERVES – cont.

This has been achieved despite making losses in the two years prior to this financial year, as shown on the graph below.



THE FOCUS OF THE TRUST'S WORK IN 2010/11

Once again, the Trust was able to make a social and economic investment in the community by providing opportunities for local people to improve their own quality of life.

The Trust's partnership with Langside College continued to provide local learning and educational opportunities within the Community Campus at Samaritan House. The Trust also continued to support Great Gardens, a sister subsidiary of the Association, with the provision of office accommodation at its workspace at Victoria Court in Hollybrook Place.

During the last financial year the Trust once more contributed financially to the staffing costs of the Govanhill Law Centre, assisted the Govanhill Family Support Group, and also acted as the

Intermediary Body and Fundholder to the Govanhill & Pollokshields Integration Network.

The Trust continued to provide rent-free office accommodation at Samaritan House for the establishment of a multi-agency 'Hub' so that an improved, coordinated approach to service delivery by statutory and voluntary agencies could be targeted in response to the social issues and concerns raised by local residents.

The Trust was also instrumental in establishing Govanhill Community Action (GoCA), providing a forum for all the community groups to come together, to share experiences, and also to develop a platform for community control and empowerment in the decision-making process.

FUTURE PROSPECTS

The Trust will continue to work in partnership with local residents and organisations to meet the identified needs and priorities of the Govanhill community.

However, in a difficult financial and operational environment, the Trust's ability to re-invest any surplus from its commercial workspaces remains limited for the foreseeable future.

A further small profit is projected for the coming financial year to 31st March 2012, reflecting our expectation that the current recessionary environment, referred to as the 'credit crunch', will continue to impact on the commercial rental property market throughout 2011/12.

In subsequent years profitability is expected to gradually improve. The company is also expected to maintain a satisfactory level of financial

FUTURE PROSPECTS – cont.

strength in future years. This financial strength, together with the experience of the Board of Directors, will provide a sound base for the continuing development of the Trust's regeneration activities.

GREAT GARDENS

Great Gardens is a subsidiary of the Association. It is a social enterprise and is also a charitable company limited by guarantee.

Great Gardens' main objectives are to provide gardening, horticultural, and environmental improvement services for the benefit of people living in the Govanhill area and also to provide training and employment opportunities in connection with these activities. Great Gardens' financial performance is reviewed below.

SURPLUS FOR THE YEAR

Great Gardens made a deficit of £4,206 in the year to 31st March 2011, compared with a deficit of £4,244 in the previous financial year.

BALANCE SHEET

Great Gardens' balance sheet at 31st March 2011 was satisfactory. Its financial reserves decreased to £32,204 and were backed by cash and bank balances, net of overdrafts, of £41,930, while its debtors stood at £1,048 and its creditors stood at £16,634 at the financial year end.

THE FOCUS OF GREAT GARDENS' WORK IN 2011/12

Great Gardens was able to successfully promote itself for commissioning on a further phase of the Govanhill Environmental Initiative developed in response to the issues highlighted from the Govanhill Residents' Survey undertaken by the South East Glasgow Community Planning Partnership.

The company also generated additional income from environmental services provided to residents' groups and private customers during

2010/11. However, the mainstay of the company's commercial contract work was for services provided to the Association.

The Company was able to deliver work experience, training and support to a number of young trainees and volunteers over this period and positively engage with residents and community groups. At the same time, the company was able to address environmental issues and also to undertake positive visual improvements for the Govanhill area.

In recognition of the company's work, Great Gardens won the Community Champions Team Award for the Pollokshields and Southside Central area of Glasgow.

FUTURE PROSPECTS

Great Gardens will continue to develop as a social enterprise company. Having increased its staff complement during the last financial year, it will be a key player in delivering training to trainees as part of the Scottish Government/Glasgow City Council funded initiative to improve backcourts in the south west area of Govanhill. The initiative will also provide employment opportunities for local people.

Great Gardens will build on its recent success at the Gardening Scotland Exhibition where it won three awards: a Gold Medal; Best Show Garden; and Best New Show Garden.

Malcolm MacDonald
Finance Manager
30th June 2011.

**GOVANHILL HOUSING ASSOCIATION LIMITED
MANAGEMENT COMMITTEE MEMBERS, EXECUTIVE OFFICERS
AND ADVISERS**

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For the year ended 31 March 2011

Management Committee

Janice McEwan	(Chairperson)
Robert Farrell	(Treasurer)
Lyn Ewing	(Resigned 20.09.10)
Margaret Montgomery	(Vice Chair)
Ann Scott	
Gina Smith	
Elizabeth Klein	(Secretary)
Henry Rooney	
Mujeeb Ur Rehman	
John McLardie	
Ghazala Hakeem	
Linda Higgins	
Thomas Warren	
Esther Sassaman	(Resigned 8.04.10)
Cathie McCready	
Karen Miller	
Isobel Smith	(Appointed 28.09.10)

Co-opted Committee Members

Rosalind Carruth	(Appointed 3.11.10)
Rehana Faqir	(Appointed 3.11.10)
Gillian Galbraith	(Appointed 3.11.10)

Executive officers

Anne Lear	(Director)
Malcolm MacDonald	(Finance Manager)
Alan McDonald	(Housing Services Manager)
Kenneth MacDougall	(Development Manager)
Anne Robertson	(Corporate Services and HR Manager)

Registered office

Samaritan House
79 Coplaw Street
Glasgow G42 7JG

Auditors

French Duncan LLP
375 West George Street
GLASGOW G2 4LW

Bankers

Bank of Scotland plc
464 Victoria Road
GLASGOW G42 8PB

Solicitors

TC Young & Son
7 West George Street
GLASGOW G2 1BA

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2011

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The management committee has pleasure in presenting their report and the audited accounts for the year ended 31 March 2011.

Principal activities

The principal activity of the Association is the provision of good quality, affordable rented accommodation for those in housing need. The Association's wholly owned subsidiary company, Govanhill Community Development Trust Limited, is principally engaged in the provision of housing, commercial accommodation and other amenities and aims to assist in the economic regeneration of the Govanhill area of Glasgow. GREAT Gardens Limited, the Association's second subsidiary, provides accredited training in gardening and grounds maintenance to young people whilst improving the local environment.

Results

The results for the year showed further significant progress by both the Association and its subsidiary companies and are described in the Financial and Operational Review on pages 1 to 8.

The management committee and executive officers

The management committee and executive officers of the Association are listed on page 9.

Each member of the management committee holds one fully paid share of £1 in the Association. The executive officers of the Association 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.

Review of business and future developments

The Committee are satisfied with the Association's performance during the year. The surplus for the year after taxation was £529,699 (2010 - £1,329,629). Transfers to designated reserves were £335,675 (2010 - £315,170) respectively. The Association's net assets are now £13,501,447 (2010 - £12,996,733).

Related party transactions

Several members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Auditors

A resolution to re-appoint the auditors, French Duncan LLP, will be proposed at the Annual General Meeting.

Statement of disclosure to auditor

- (a) so far as the management committee are aware, there is no relevant audit information of which the Association's auditors are unaware, and*
- (b) they have taken all the steps that they ought to have taken as the management committee in order to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.*

GOVANHILL HOUSING ASSOCIATION LIMITED
CORPORATE GOVERNANCE
For the year ended 31 March 2011

PAGE 11

The Association considers that it has complied with "Raising Standards" guidance on "Internal financial control and financial reporting" contained within "Raising Standards in Housing", published by the Scottish Federation of Housing Associations and endorsed by Communities Scotland.

Internal financial control

The management committee has overall responsibility for the company and group's system of internal financial control and recognise that such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

To discharge this responsibility, the management committee have established an organisation structure with clearly defined levels of responsibility and authority and with appropriate reporting procedures. Included within these key procedures are the following internal financial controls:-

- *the formulation of policies and approval procedures in the areas such as compliance, investment and treasury operations and capital expenditure;*
- *a comprehensive system of budgeting, planning and financial reporting;*
- *formal business risk reviews by management which consider the potential effects of risk and identify potential new risk;*
- *internal audit reviews of the controls and processes from which formal reports are prepared;*
- *an established audit committee which considered significant control issues and receives regular reports from both the internal and external auditors.*

The management committee confirm that a review of the effectiveness of the system of internal financial control was carried out during the year.

Auditors' review

In addition to their audit of the financial statements, our auditors have reviewed the Management Committee's statement concerning the Association's compliance with the disclosures required by the Scottish Federation of Housing Associations "Raising Standards" guidance on "Internal financial control and financial reporting". Their report is set out on page 13.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES
For the year ended 31 March 2011

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The management committee is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

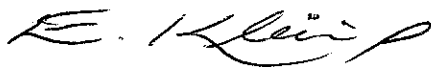
Statute requires the management committee to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the surplus or deficit of the Association for that period. In preparing accounts, the management committee is required to fulfil the following obligations:-

- *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 accounts; and*
- *prepare the accounts on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.*

The management committee confirms that the accounts comply with the above requirements.

The management committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the accounts 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 company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE MANAGEMENT COMMITTEE



Elizabeth Klein
Secretary

30 June 2011

**REPORT OF THE INDEPENDENT AUDITORS TO GOVANHILL HOUSING ASSOCIATION
LIMITED ON CORPORATE GOVERNANCE MATTERS**

For the year ended 31 March 2011

In addition to the audit of the Financial Statements, we have reviewed whether the statement on page 11 reflects the Association's compliance with the disclosure required by the Scottish Federation of Housing Associations – "Raising Standards" guidance on "Internal financial control and financial reporting".

Basis of Opinion

We carried out our review having regard to 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 of Internal Financial Controls on page 11 has provided the disclosures required by the Scottish Federation of Housing Associations "Raising Standards" guidance on "Internal financial control and financial reporting", and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

French Duncan LLP

FRENCH DUNCAN LLP

Chartered Accountants

Statutory Auditor

375 West George Street

GLASGOW G2 4LW

30 June 2011

GOVANHILL HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE
GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2011

PAGE 14

We have audited the Financial Statements of Govanhill Housing Association Limited for the year ended 31 March 2011 on pages 15 to 46. 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 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 management committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 12, 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 arising 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.*



FRENCH DUNCAN LLP

Chartered Accountants

Statutory Auditor

375 West George Street

GLASGOW G2 4LW

30 June 2011

GOVANHILL HOUSING ASSOCIATION LIMITED
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2011

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	Notes	2011 £	As restated 2010 £
TURNOVER	2(a)	6,710,763	6,003,988
Less: Operating costs	2(a)	(6,127,999)	(4,576,499)
Cost of property sales		0	0
OPERATING SURPLUS	2(a), 5	582,764	1,427,489
Gain on disposal of fixed assets		0	0
Other income		0	0
Interest receivable and other similar income	7	3,539	4,525
Interest payable and other similar charges	8	(44,822)	(96,132)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		541,481	1,335,882
Taxation on surplus on ordinary activities	9	(11,782)	(6,253)
SURPLUS FOR THE YEAR	22	529,699	1,329,629

The results for the year relate wholly to continuing activities.

Statement of total recognised surpluses and deficits for the year ended 31 March 2011

Retained surplus for the year		529,699	1,329,629
Actuarial loss recognised in the retirement benefit scheme	18	(25,000)	0
Total recognised gains and losses relating to the year		504,699	1,329,629
Prior year adjustment	23	2,355,441	
Total gains and losses recognised since last annual report		2,860,140	

The notes on pages 21 to 46 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
COMPANY INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2011

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	Notes	2011 £	As restated 2010 £
TURNOVER	2(b)	6,374,705	5,690,549
Less: Operating costs	2(b)	(5,825,719)	(4,264,903)
Cost of property sales		0	0
OPERATING SURPLUS	2(b), 5	548,986	1,425,646
Gain on disposal of fixed assets		0	0
Interest receivable and other similar income	7	3,153	4,234
Interest payable and other similar charges	8	(44,751)	(95,839)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		507,388	1,334,041
Taxation on surplus on ordinary activities	9	0	0
SURPLUS FOR THE YEAR	22	507,388	1,334,041

The results for the year relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2011

Retained surplus for the year		507,388	1,334,041
Actuarial loss recognised in the retirement benefit scheme	18	(25,000)	0
Total recognised gains and losses relating to the year		482,388	1,334,041
Prior year adjustment	23	2,355,441	
Total gains and losses recognised since last annual report		2,837,829	

The notes on pages 21 to 46 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
CONSOLIDATED BALANCE SHEET

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For the year ended 31 March 2011

	Notes	2011 £	As restated 2010 £
TANGIBLE FIXED ASSETS			
Housing properties - gross cost less depreciation		86,391,092	76,239,507
Less: Social housing grant		65,558,317	63,904,622
Other grants		3,752,997	3,752,997
	11(a)	17,079,778	8,581,888
New Supplied Share Equity Scheme Loan		282,500	0
New Supplied Share Equity Scheme Grant		(282,500)	0
		0	0
Other - Gross cost less depreciation		6,267,795	6,349,878
Less: Grants		3,742,661	3,742,661
	11(e)	2,525,134	2,607,217
		19,604,912	11,189,105
INTANGIBLE FIXED ASSETS			
Negative goodwill	13	4,192,482	0
CURRENT ASSETS			
Stock and work in progress	14	158,200	1,737
Debtors	15	530,547	1,475,396
Cash at bank and in hand		3,986,582	4,241,962
		4,675,329	5,719,095
CREDITORS: amounts falling due within one year	16	2,583,136	1,944,283
NET CURRENT ASSETS		2,092,193	3,774,812
TOTAL ASSETS LESS CURRENT LIABILITIES		17,504,623	14,963,917
CREDITORS: amounts falling due after more than one year	17	3,958,588	1,947,078
PROVISIONS FOR LIABILITIES AND CHARGES	18	44,588	20,106
NET ASSETS		13,501,447	12,996,733
CAPITAL AND RESERVES			
Share capital	19	1,202	1,175
Designated reserves	20(a)	5,337,092	5,001,417
Restricted reserves	21	16,900	16,900
Revenue reserve	22	8,146,253	7,977,241
CAPITAL EMPLOYED	24	13,501,447	12,996,733

Approved by members of the management committee on 30 June 2011.

CHAIRPERSON *Janice McEwan*

J. McEWAN

SECRETARY *E. Klein*

E. KLEIN

TREASURER *R. Farrell*

R. FARRELL

The notes on pages 21 to 46 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
COMPANY BALANCE SHEET

PAGE 18

For the year ended 31 March 2011

	Notes	2011 £	As restated 2010 £
TANGIBLE FIXED ASSETS			
Housing properties - gross cost less depreciation		85,618,520	75,466,747
Less: Social housing grant		65,558,317	63,904,622
Other grants		2,987,958	2,987,958
	11(c)	17,072,245	8,574,167
New Supplied Share Equity Scheme Loan		282,500	0
New Supplied Share Equity Scheme Grant		(282,500)	0
		0	0
Other - Gross cost less depreciation		3,088,454	3,157,250
Less: Grants		937,137	937,137
	11(f)	2,151,317	2,220,113
		19,223,562	10,794,280
INVESTMENT	12	100	100
INTANGIBLE FIXED ASSETS			
Negative goodwill	13	4,192,482	0
CURRENT ASSETS			
Stock and work in progress	14	158,100	1,634
Debtors	15	532,402	1,473,937
Cash at bank and in hand		3,628,333	3,931,230
CREDITORS: amounts falling due within one year	16	4,318,835	5,406,801
		2,448,860	1,825,301
NET CURRENT ASSETS		1,869,975	3,581,500
TOTAL ASSETS LESS CURRENT LIABILITIES		16,901,155	14,375,880
CREDITORS: amounts falling due after more than one year	17	3,945,896	1,928,040
PROVISIONS FOR LIABILITIES AND CHARGES	18	25,000	0
NET ASSETS		12,930,259	12,447,840
CAPITAL AND RESERVES			
Share capital	19	1,202	1,175
Designated reserves	20(b)	4,782,727	4,506,137
Restricted reserves	21	16,900	16,900
Revenue reserve	22	8,129,430	7,923,628
CAPITAL EMPLOYED	24	12,930,259	12,447,840

Approved by members of the management committee on 30 June 2011.

CHAIRPERSON *Janice McEwan*

J. McEWAN

SECRETARY *E. Klein*

E. KLEIN

TREASURER *R. Farrell*

R. FARRELL

The notes on pages 21 to 46 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2011

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		2011	As restated 2010
	Notes	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	2,428,532	969,792
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,539	4,525
Interest paid		(44,822)	(96,132)
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(41,283)	(91,607)
TAXATION			
Corporation tax paid		(3,832)	(2,934)
Less: Grants received		0	0
NET CASH (OUTFLOW) ON TAXATION		(3,832)	(2,934)
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(5,021,591)	(4,242,650)
Purchase of other fixed assets		(34,487)	(3,989)
Capital grants received		1,653,695	2,630,899
Sales of housing properties		0	0
Sales of commercial properties		0	0
Sales of other fixed assets		0	0
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(3,402,383)	(1,615,740)
ACQUISITIONS AND DISPOSALS			
Consideration paid to acquire Merrylee LHO and Govanhill LHO		(1,589,396)	0
NET CASH (OUTFLOW) FROM ACQUISITIONS		(1,589,396)	0
NET CASH (OUTFLOW) BEFORE FINANCING		(2,608,362)	(740,489)
FINANCING:			
Issue of ordinary share capital		27	25
Loan advances received		2,800,000	0
Loan principal repayments		(651,324)	(142,910)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING		2,148,703	(142,885)
(DECREASE) IN CASH	26	(459,659)	(883,374)

The notes on pages 21 to 46 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
COMPANY CASH FLOW STATEMENT

PAGE 20

For the year ended 31 March 2011

		2011	As restated 2010
	Notes	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	2,362,348	998,356
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,153	4,234
Interest paid		(44,751)	(95,839)
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(41,598)	(91,605)
TAXATION			
Corporation tax paid		0	0
Less: Grants received		0	0
NET CASH (OUTFLOW) ON TAXATION		0	0
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(5,021,591)	(4,242,650)
Purchase of other fixed assets		(28,088)	(3,989)
Capital grants received		1,653,695	2,630,899
Sales of housing properties		0	0
Sales of commercial properties		0	0
Sales of other fixed assets		0	0
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(3,395,984)	(1,615,740)
ACQUISITIONS AND DISPOSALS			
Consideration paid to acquire Merrylee LHO and Govanhill LHO		(1,589,396)	0
NET CASH (OUTFLOW) FROM ACQUISITIONS		(1,589,396)	0
NET CASH (OUTFLOW) BEFORE FINANCING		(2,664,630)	(708,989)
FINANCING:			
Issue of ordinary share capital	27		25
Loan advances received		2,800,000	0
Loan principal repayments		(649,627)	(139,616)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING		2,150,400	(139,591)
(DECREASE) IN CASH	26	(514,230)	(848,580)

The notes on pages 21 to 46 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
31 March 2011

PAGE 21

1. ACCOUNTING POLICIES

The Association is registered under the Industrial and Provident Societies Act 1965 with the Financial Services Authority. The accounts have been prepared in accordance with applicable Accounting Standards and Statements of Recommended Practice and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The principal accounting policies are set out below.

Basis of accounting

The accounts are prepared on the historical cost basis of accounting.

Basis of consolidation

The accounts consolidate the accounts of Govanhill Housing Association Limited and its subsidiary companies Govanhill Community Development Trust Limited and GREAT Gardens Limited. All accounts are made up to 31 March.

Turnover

Turnover represents rental and service charge income receivable, fees receivable, income from the sale of properties, fees and revenue based grants receivable from the Scottish Government, local authorities and other agencies.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's surpluses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Mortgages

Mortgage loans are advances by local authorities, the Scottish Government or private lending institutions under the terms of 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 Social Housing Grant by the Scottish Government..

Social Housing Grant (SHG)

Where Social Housing Grant or other capital grant has been received towards the cost of developments, the cost of these developments has been reduced by the amounts of the grant receivable. This amount is shown separately on the balance sheet. Where SHG has been received in respect of revenue expenditure, it is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates. SHG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

Other grants

Grants have been received from various bodies to fund the development of properties and are repayable under certain circumstances.

Tangible fixed assets - housing properties

Housing properties are stated at cost less Social Housing Grant and other grant and less accumulated depreciation. The development cost of housing properties include the cost of acquiring land and buildings and development expenditure including administration costs. These costs are either termed "qualifying costs" by the Scottish Government for approved social housing grant schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves. Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion. All costs 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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
31 March 2011

PAGE 22

1. ACCOUNTING POLICIES (continued)

Depreciation - housing properties

The Association adopted component accounting during the financial year. Properties other than heritable land are depreciated in accordance with FRS15 at rates calculated to reduce net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Heritable land is not depreciated. The estimated useful lives of the assets and components is shown in the table below.

	Depreciation Period (Years)
Kitchens	15
Bathrooms	20
External Windows	30
Central Heating	20
Door Entry Systems	15
Lifts	30
Structure	50

The Year to March 2011 represents the first full year of implementation of component accounting (prior to this only three components – land, building and grant were recognised.)

In addition depreciation is provided on housing properties to the extent that development administration costs capitalised are not funded through Social Housing Grant as, in the opinion of the management committee, the value of properties does not reflect the excess administration costs incurred.

Tangible fixed assets - other properties

Other properties are stated at cost less Social Housing Grant and other grants.

Depreciation - other properties

Depreciation is charged on a straight line basis over the expected useful economic lives of the properties at the annual rate of 2%

Development Administration

Development administration costs relating to development activities are capitalised based on the time spent by staff on this activity.

Capitalisation of interest

Interest incurred on financing a development is capitalised up to the date of completion of the scheme.

Tangible fixed assets - other fixed assets

Computer and office and hostel equipment are depreciated at rates estimated to write off the cost less residual value over their estimated useful lives as follows:

Computer equipment	-	33 ^{1/3} % straight line
Office equipment	-	20% - 33 ^{1/3} % straight line
Hostel equipment	-	20% straight line

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS

PAGE 23

31 March 2011

1. ACCOUNTING POLICIES (continued)

Stock & work in progress

Stock & work in progress comprises the costs to balance sheet date of:

Properties being developed for sale under the New Supply Shared Equity Scheme;

Other stocks of postage, stationery and maintenance materials.

Designated reserves

Major repairs reserves

The Association maintains its housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. Provision is made for such future repair expenditure and the actual costs of repairs is charged to this reserve.

Cyclical repairs and maintenance reserve

This reserve is based on the Association's liability to maintain housing properties in accordance with a planned programme of works. The reserve represents amounts set aside in respect of future costs and will be released to revenue as required.

Reserve for future replacement of hostels assets

Amounts included in the rental of hostel properties is being set aside to provide for the replacement of hostel assets originally funded by grants from various bodies which will require to be replaced as the useful lives of the assets expire.

Restricted Reserves

Other

This reserve was created from charitable donations to finance hostel assets and will be used for the replacement of these assets, at the discretion of the management committee, as the need arises.

Pensions

The Association provides a pension scheme, through The Pensions Trust – the Scottish Housing Associations' Pension Scheme, for the benefit of its employees. The funds of the scheme are administered by independent trustees and are separate from the Association. Independent actuaries complete valuations at least every three years and, in accordance with their recommendations, annual contributions are paid to the scheme so as to secure the benefits set out in the rules. The costs of these are charged against surpluses on a systematic basis over the service lives of the employees. (Note 29).

At the time of Second Stage Transfer the Association took on employees who are members of Strathclyde Pension Scheme. In accordance with FRS 1 – Retirement Benefits, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the income and expenditure account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions are recognised in the total statement of recognised gains and losses.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
31 March 2011

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2(a). PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT)

GROUP	2011			As restated 2010
	Turnover	Operating costs	Operating surplus / (deficit)	Operating surplus/ (deficit) for previous period
	£	£	£	£
Social lettings	5,894,759	(5,056,897)	837,862	1,455,713
Other activities	720,565	(952,604)	(232,039)	(16,405)
Incoming resources from charitable subsidiary	95,439	(118,498)	(23,059)	(11,819)
Total	6,710,763	(6,127,999)	582,764	1,427,489
Total for previous period of account	6,003,988	(4,576,499)	1,427,489	

2(b). PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT)

COMPANY	Note	2011			As restated 2010
		Turnover	Operating costs	Operating surplus / (deficit)	Operating surplus/ (deficit) for previous period
		£	£	£	£
Social lettings	3	5,845,002	(5,116,551)	728,451	1,383,916
Other activities	4	529,703	(709,168)	(179,465)	41,730
Total		6,374,705	(5,825,719)	548,986	1,425,646
Total for previous period of account		5,690,549	(4,264,903)	1,425,646	

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
31 March 2011

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3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT) FROM SOCIAL LETTING ACTIVITIES

<i>Company</i>	<i>General Needs Housing</i>	<i>Supported Housing Accommodation</i>	<i>Shared Ownership Housing</i>	<i>Other Shared Equity Housing</i>	<i>2011 Total</i>	<i>As restated 2010 Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
<i>Rent receivable net of service charges</i>	5,482,183	184,566	0	6,725	5,673,474	5,095,786
<i>Service charges</i>	131,367	0	0	2,242	133,609	130,112
<i>Gross income from rents and service charges</i>	5,613,550	184,566	0	8,967	5,807,083	5,225,898
<i>Less voids</i>	(53,194)	0	0	0	(53,194)	(46,805)
<i>Net income from rents and service charges</i>	5,560,356	184,566	0	8,967	5,753,889	5,179,093
<i>Grant from the Scottish Ministers</i>	0	0	0	0	0	0
<i>Other revenue grants</i>	91,113	0	0	0	91,113	44,996
<i>Total turnover from social letting activities</i>	<u>5,651,469</u>	<u>184,566</u>	<u>0</u>	<u>8,967</u>	<u>5,845,002</u>	<u>5,224,089</u>
<i>Management and maintenance administration costs</i>	(1,978,151)	(27,506)	0	(5,303)	(2,010,960)	(1,719,043)
<i>Service costs</i>	(130,492)	0	0	(1,576)	(132,068)	(128,418)
<i>Planned and cyclical maintenance including major repairs costs</i>	(1,313,946)	(60,951)	0	0	(1,374,897)	(699,664)
<i>Reactive maintenance costs</i>	(806,418)	(63,230)	0	(2,137)	(871,785)	(698,363)
<i>Bad debts - rents and service charges</i>	(72,638)	0	0	0	(72,638)	(25,536)
<i>Depreciation of social housing</i>	(651,697)	(2,507)	0	0	(654,204)	(569,149)
<i>Impairment of social housing</i>	0	0	0	0	0	0
<i>Operating costs for social letting activities</i>	<u>(4,953,341)</u>	<u>(154,194)</u>	<u>0</u>	<u>(9,016)</u>	<u>(5,116,551)</u>	<u>(3,840,173)</u>
<i>Operating surplus or deficit for social lettings</i>	<u>698,128</u>	<u>30,372</u>	<u>0</u>	<u>(49)</u>	<u>728,451</u>	<u>1,383,916</u>
<i>Operating surplus or deficit for social letting for previous year</i>	<u>1,333,469</u>	<u>49,196</u>	<u>0</u>	<u>1,251</u>	<u>1,383,916</u>	

NOTES TO THE ACCOUNTS

31 March 2011

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT)
FROM OTHER ACTIVITIES

Company

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating Costs - Bad debts recovery	Other operating costs	Operating surplus or (deficit)	Operating surplus or (deficit) for previous period of account
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	4,537	0	0	0	4,537	0	(4,974)	(437)	(129)
Care and repair of property	0	0	0	0	0	0	0	0	0
Factoring	0	0	0	288,159	288,159	14,719	(297,964)	4,914	13,682
Development and construction of property activities	0	0	0	0	0	0	0	0	0
Support activities	0	0	0	0	0	0	0	0	0
Care activities	0	0	0	0	0	0	0	0	0
Agency/management services for registered social landlords	0	91,481	0	0	91,481	0	(272,075)	(180,594)	29,914
Other agency/management services	0	0	0	0	0	0	0	0	0
Developments for sale to registered social landlords	0	0	0	0	0	0	0	0	0
Developments and improvements for sale to non registered social landlords	0	0	0	70,000	70,000	0	(77,350)	(7,350)	0
Other activities									
- Management expenses charged to subsidiary companies	0	0	0	57,271	57,271	0	(57,271)	0	0
- Rental of commercial property	0	0	0	6,736	6,736	0	(14,253)	(7,517)	(13,177)
- Hire of conference hall	0	0	0	11,519	11,519	0	0	11,519	11,440
TOTAL FROM OTHER ACTIVITIES	4,537	91,481	0	433,685	529,703	14,719	(723,887)	(179,465)	41,730
TOTAL FROM OTHER ACTIVITIES (2010)	14,912	98,792	0	352,756	466,460	(8,975)	(415,755)	41,730	

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5. OPERATING SURPLUS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<i>Operating surplus is stated after charging:</i>				
Depreciation	768,456	252,354	748,580	232,079
Repairs: cyclical, major, day to day	2,328,510	1,452,234	2,246,682	1,398,027
<i>Auditor's remuneration</i>				
- In their capacity as auditors	17,227	13,692	11,134	9,277
- In respect of other services	2,125	2,981	0	0

6 (a). EMPLOYEES

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<i>Staff costs during the year:</i>				
Wages and salaries	1,484,135	1,386,710	1,333,608	1,246,347
Social security costs (national insurance contributions)	111,808	105,895	106,074	99,351
Other pension costs	171,365	164,420	161,847	154,692
Redundancy costs	0	0	0	0
	1,767,308	1,657,025	1,601,529	1,500,390

	Group		Company	
	Number	Number	Number	Number
<i>The average number of employees during the year was</i>	50	44	43	39

6 (b). DIRECTORS' EMOLUMENTS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<i>Total emoluments</i>				
(including pension contributions and benefits in kind)	344,047	321,164	344,047	321,164
<i>The emoluments (excluding pension contributions)</i>				
<i>of the highest paid director amount to</i>	70,740	65,476	70,740	65,476
<i>Pension contributions</i>	10,267	10,041	10,267	10,041
<i>Total expenses reimbursed in so far as not chargeable to United Kingdom income tax</i>				
<i>Management Committee</i>	2,185	2,447	2,185	2,447
	Number	Number	Number	Number
£60,001 - £70,000	4	4	4	4
£70,001 - £80,000	0	1	0	1
£80,001 - £90,000	1	0	1	0

The Association is managed by a voluntary committee who act as directors of the Association. The subsidiary companies, Govanhill Community Development Trust Limited and GREAT Gardens Limited, are also managed by voluntary boards of directors. No emoluments were paid to any member of the management committee or board of directors during the year. In addition the Director and any other person who reports directly to the Director or the Management Committee whose total emoluments exceed £60,000 per year is also similarly classed.

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7. INTEREST RECEIVABLE AND OTHER SIMILAR INCOME

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<i>Interest receivable</i>	3,539	4,525	3,153	4,234

8. INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<i>Bank loans and overdrafts repayable within five years</i>	345	218	305	169
<i>Other loans repayable within five years</i>	0	0	0	0
<i>Other loans repayable wholly or partly in more than five years</i>	44,477	95,914	44,446	95,670
	44,822	96,132	44,751	95,839

9. TAXATION

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<i>UK corporation tax: Current Year at 21% (2009 - 21%)</i>	12,300	3,832	0	0
<i>Adjustment for prior years</i>	0	2,934	0	0
<i>Deferred taxation (note 17)</i>	(518)	(513)	0	0
	11,782	6,253	0	0

The Association's charitable status exempts it from taxation. Its subsidiary company, Govanhill Community Development Trust Limited, is subject to taxation.

10. HOUSING STOCK

	Group		Company	
	2011	2010	2011	2010
	Number	Number	Number	Number
<i>The number of units of accomodation in management at the year end was:</i>				
<i>General needs - new build</i>	160	146	160	146
<i>- rehabilitation</i>	2,156	1,449	2,156	1,449
<i>Supported housing</i>	83	66	68	51
<i>Shared ownership</i>	6	6	6	6
	2,405	1,667	2,390	1,652

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11(a). TANGIBLE FIXED ASSETS
Housing Properties

GROUP	Housing properties held for letting	Housing properties in the course of construction	Shared equity properties held for letting	2011 Total
	£	£	£	£
COST				
At start of year as restated	72,928,966	5,378,306	278,476	78,585,748
Additions	7,491,636	4,014,498	0	11,506,134
Disposals	0	0	0	0
Transfers to stock	0	(702,665)	0	(702,665)
Schemes completed in the year	3,348,291	(3,348,291)	0	0
At end of year	83,768,893	5,341,848	278,476	89,389,217
DEPRECIATION				
At start of year as restated	2,267,748	0	78,493	2,346,241
Charged during year	641,617	0	10,267	651,884
Eliminated on disposal	0	0	0	0
At end of year	2,909,365	0	88,760	2,998,125
SOCIAL HOUSING GRANT				
At start of year as restated	59,161,439	4,613,034	130,149	63,904,622
Additions	0	2,123,214	0	2,123,214
Disposals	0	0	0	0
Transfers to stock	0	(469,519)	0	(469,519)
Schemes completed in the year	2,961,354	(2,961,354)	0	0
At end of year	62,122,793	3,305,375	130,149	65,558,317
OTHER GRANTS				
At start of year	3,742,997	10,000	0	3,752,997
Additions	0	0	0	0
Transfers	0	0	0	0
Schemes completed in the year	10,000	(10,000)	0	0
At end of year	3,752,997	0	0	3,752,997
NET BOOK VALUE				
At end of year	14,983,738	2,036,473	59,567	17,079,778
At start of year	7,756,782	755,272	69,834	8,581,888

Development administration costs capitalised amounted to £285,143 (2010 - £283,087) for which Social Housing Grants amounting to £7,858 (2010 - £44,460) were received in the year.

The properties acquired at Second Stage transfer on 31 January 2011 were included at fair value using the EUV-SH basis at valuation. No depreciation has been provided for the two months to 31 March 2011 as no significant movement in the valuations has occurred.

The Association would not be able to sell the properties at these values without also repaying Social Housing Grant from the proceeds of sale, but Social Housing Grant would be subordinated behind any private loans charges on these properties. Other grants received are repayable under certain circumstances.

11(b).

	2011 £	2010 £
Housing properties comprise:		
Heritable	17,079,778	8,581,888

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11(c). TANGIBLE FIXED ASSETS

Housing Properties

COMPANY	Housing properties held for letting	Housing properties in the course of construction	Shared equity properties held for letting	As restated 2011 Total
	£	£	£	£
COST				
<i>At start of year as restated</i>	72,154,511	5,378,306	278,476	77,811,293
<i>Additions</i>	7,491,636	4,014,498	0	11,506,134
<i>Disposals</i>	0	0	0	0
<i>Transfers to stock</i>	0	(702,665)	0	(702,665)
<i>Schemes completed in the year</i>	3,348,291	(3,348,291)	0	0
At end of year	82,994,438	5,341,848	278,476	88,614,762
DEPRECIATION				
<i>At start of year as restated</i>	2,266,053	0	78,493	2,344,546
<i>Charged during year</i>	641,429	0	10,267	651,696
<i>Eliminated on disposal</i>	0	0	0	0
At end of year	2,907,482	0	88,760	2,996,242
SOCIAL HOUSING GRANT				
<i>At start of year as restated</i>	59,161,439	4,613,034	130,149	63,904,622
<i>Additions</i>	0	2,123,214	0	2,123,214
<i>Disposals</i>	0	0	0	0
<i>Transfers to stock</i>	0	(469,519)	0	(469,519)
<i>Schemes completed in the year</i>	2,961,354	(2,961,354)	0	0
At end of year	62,122,793	3,305,375	130,149	65,558,317
OTHER GRANTS				
<i>At start of year</i>	2,977,958	10,000	0	2,987,958
<i>Additions</i>	0	0	0	0
<i>Transfers</i>	0	0	0	0
<i>Schemes completed in the year</i>	10,000	(10,000)	0	0
At end of year	2,987,958	0	0	2,987,958
NET BOOK VALUE				
At end of year	14,976,205	2,036,473	59,567	17,072,245
At start of year	7,749,061	755,272	69,834	8,574,167

Development administration costs capitalised amounted to £285,143 (2010 - £283,087) for which Social Housing Grants amounting to £7,858 (2010 - £44,460) were received in the year.

The properties acquired at Second Stage transfer on 31 January 2011 were included at fair value using the EUV-SH basis at valuation. No depreciation has been provided for the two months to 31 March 2011 as no significant movement in the valuations has occurred.

The Association would not be able to sell the properties at these values without also repaying Social Housing Grant from the proceeds of sale, but Social Housing Grant would be subordinated behind any private loans charges on these properties. Other grants received are repayable under certain circumstances.

11(d).

	2011	2010
	£	£
Housing properties comprise:		
Heritable	17,072,245	8,574,167

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11(e). TANGIBLE FIXED ASSETS

Other Fixed Assets	Heritable	Computer	Hostels	Commercial	2011
GROUP	office	and office	equipment	premises	Total
	property	equipment	equipment	premises	Total
	£	£	£	£	£
COST					
At start of year	3,521,150	273,205	61,603	2,998,408	6,854,366
Transfers	0	0	0	0	0
Additions	0	25,655	8,832	0	34,487
Disposals	0	0	0	0	0
At end of year	3,521,150	298,860	70,435	2,998,408	6,888,853
GRANTS					
At start of year	859,697	0	38,334	2,844,630	3,742,661
Disposals	0	0	0	0	0
Transfers	0	0	0	0	0
Additions	0	0	0	0	0
At end of year	859,697	0	38,334	2,844,630	3,742,661
DEPRECIATION					
At start of year	224,925	204,118	22,529	52,916	504,488
Charged during year	47,161	56,427	2,506	10,476	116,570
Eliminated on disposal	0	0	0	0	0
At end of year	272,086	260,545	25,035	63,392	621,058
NET BOOK VALUE					
At end of year	2,389,367	38,315	7,066	90,386	2,525,134
At start of year	2,436,528	69,087	740	100,862	2,607,217

11(f). COMPANY

COST					
At start of year	3,217,739	213,586	21,591	81,990	3,534,906
Transfers	0	0	0	0	0
Additions	0	19,256	8,832	0	28,088
Disposals	0	0	0	0	0
At end of year	3,217,739	232,842	30,423	81,990	3,562,994
GRANTS					
At start of year	859,697	0	0	77,440	937,137
Disposals	0	0	0	0	0
Transfers	0	0	0	0	0
Additions	0	0	0	0	0
At end of year	859,697	0	0	77,440	937,137
DEPRECIATION					
At start of year	188,643	168,071	20,851	91	377,656
Charged during year	47,161	47,126	2,506	91	96,884
Disposals	0	0	0	0	0
At end of year	235,804	215,197	23,357	182	474,540
NET BOOK VALUE					
At end of year	2,122,238	17,645	7,066	4,368	2,151,317
At start of year	2,169,399	45,515	740	4,459	2,220,113

Grants received to fund the acquisition and development of commercial premises are repayable in certain circumstances. Where this arises from the sale of properties repayment of the grant would be subordinated behind any private loan charges on these properties.

11(g).	Group	2010	Company	2010
	2011	2010	2011	2010
	£	£	£	£
Commercial premises comprise:				
Heritable	90,386	100,862	4,368	4,459

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12. INVESTMENT

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
At start of year	0	0	100	100
New investment	0	0	0	0
At end of year	0	0	100	100

This represents: a 100% shareholding Govanhill Housing Association Limited has in its subsidiary company, Govanhill Community Development Trust Limited, a company registered in Scotland; and GREAT Gardens Limited a private company limited by guarantee, registered in Scotland and controlled by the Management Committee of Govanhill Housing Association.

13. NEGATIVE GOODWILL

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
At start of year	0	0	0	0
Arising from Second Stage Transfer in the year	4,192,482	0	4,192,482	0
Amortised in the year	0	0	0	0
At end of year	4,192,482	0	4,192,482	0

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14. STOCK AND WORK IN PROGRESS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
NEW SUPPLY SHARED EQUITY				
<i>Incomplete stock:</i>				
At start of year	0	0	0	0
Cost transfer from other assets	702,665	0	702,665	0
Grants transfer from other assets	(469,519)	0	(469,519)	0
Transfers to completed stock	(233,146)	0	(233,146)	0
At end of year	0	0	0	0
NEW SUPPLY SHARED EQUITY				
<i>Completed stock:</i>				
At start of year	0	0	0	0
Cost transfer from other assets	0	0	0	0
Transferred from incomplete stock	233,146	0	233,146	0
Write down of cost of sales	(76,871)	0	(76,871)	0
NSSE Property at end of year	156,275	0	156,275	0
OTHER STOCK				
Postage, stationery and maintenance stock	1,925	1,737	1,825	1,634
At 31 March 2011	158,200	1,737	158,100	1,634

The Association participates in the Scottish Government's New Supplied Share Equity Scheme (NSSE) with the aim of providing assistance to those on lower incomes to own their own home. Grants are made available to equity sharing owners to reduce the purchase cost to an affordable level. A standard security is taken over the property in favour of the Scottish Government and no rent or interest is receivable from the equity sharing owner.

15. DEBTORS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<i>Amounts falling due within one year:</i>				
Rental debtors - housing benefit	55,677	177,833	55,677	177,833
- other	320,738	141,255	316,845	141,255
Less: provision for bad debts	(180,074)	(177,965)	(180,074)	(177,965)
Amounts due by subsidiary companies	0	0	17,885	26,596
Capital grants receivable	55,154	1,114,877	55,154	1,114,877
Corporation tax	0	0	0	0
Other debtors	67,884	92,358	66,160	78,828
Prepayments and accrued income	211,168	127,038	200,755	112,513
	530,547	1,475,396	532,402	1,473,937

Technical Arrears at 31 March 2011 were £67,414 (2010 - £65,985).

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16. CREDITORS DUE WITHIN ONE YEAR

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Housing loans (Note 17a)	253,823	121,306	253,823	121,306
Non-housing loans (Note 17a)	0	1,697	0	0
Amounts due to subsidiary company	0	0	27,811	0
Bank overdraft	506,429	302,153	492,875	281,546
Trade creditors	518,977	539,731	481,005	530,436
Corporation tax	12,300	3,832	0	0
Other taxation and social security costs	45,449	41,242	41,156	38,283
Social Housing Grant in advance	39,381	39,381	39,381	39,381
Other creditors	624,985	336,967	586,093	309,708
Accruals and deferred income	212,931	238,912	204,692	229,454
Rent deposits	12,099	10,426	0	0
Rent in advance	345,782	297,362	311,044	263,913
Factoring in advance	10,980	11,274	10,980	11,274
	2,583,136	1,944,283	2,448,860	1,825,301

Included within trade creditors is an amount due of nil (2010 - nil) in respect of pension contributions. Also included within accruals and deferred income is an amount due to The Scottish Government of £7,879 (2010 - £61,472)

17. CREDITORS DUE OUTWITH ONE YEAR

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Housing loans	3,945,896	1,928,040	3,945,896	1,928,040
Non-housing loans	0	0	0	0
Deferred Income	12,692	19,038	0	0
	3,958,588	1,947,078	3,945,896	1,928,040

Included within housing loans is £125,750 of monies held on behalf of sharing owners who participated in the shared equity property.

17(a). Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest on instalments due as follows:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
In one year or less (Note 15)	253,823	123,003	253,823	121,306
Between one and two years	254,382	127,051	254,382	127,051
Between two and five years	1,267,278	401,351	1,267,278	401,351
In five years or more	2,424,236	1,399,637	2,424,236	1,399,637
	4,199,719	2,051,042	4,199,719	2,049,345

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Deferred taxation	19,588	20,106	0	0
Retirement benefit scheme deficit	25,000	0	25,000	0
	44,588	20,106	25,000	0

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19. SHARE CAPITAL	2011	2010
	£	£
<i>Shares of £1 each fully paid and issued:</i>		
<i>At start of year</i>	422	401
<i>Shares issued during year</i>	27	34
<i>Shares forfeited during year</i>	(34)	(13)
<i>At end of year</i>	415	422
<i>Forfeited shares:</i>		
<i>At start of year</i>	753	740
<i>Transferred from share capital during year</i>	34	13
<i>At end of year</i>	787	753
<i>Total share capital:</i>		
<i>At start of year</i>	1,175	1,141
<i>At end of year</i>	1,202	1,175

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends or distributions on a winding up. Each member has a right to vote at members' meetings.

20(a). DESIGNATED RESERVES

GROUP	<i>Reserve for future major works to properties</i>	<i>Reserve for future cyclical maintenance properties</i>	<i>Reserve for future replacement of assets</i>	2011 Total
	£	£	£	£
<i>At start of year</i>	4,515,435	0	485,982	5,001,417
<i>Transfer from income and expenditure account</i>	290,356	0	45,319	335,675
<i>Transfer to restricted reserves</i>	0	0	0	0
<i>At end of year</i>	4,805,791	0	531,301	5,337,092

20(b). DESIGNATED RESERVES

COMPANY	<i>Reserve for future major works to properties</i>	<i>Reserve for future cyclical maintenance properties</i>	<i>Reserve for future replacement of assets</i>	2011 Total
	£	£	£	£
<i>At start of year</i>	4,075,597	0	430,540	4,506,137
<i>Transfer from income and expenditure account</i>	237,776	0	38,814	276,590
<i>Transfer to revenue reserves</i>	0	0	0	0
<i>At end of year</i>	4,313,373	0	469,354	4,782,727

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	Group		Company	
21. RESTRICTED RESERVES	2011	2010	2011	2010
	£	£	£	£
OTHER				
Charitable reserve at start of year	16,900	16,900	16,900	16,900
Transferred in year	0	0	0	0
Donations received	0	0	0	0
Charitable reserve at end of year	16,900	16,900	16,900	16,900

	Group	Company
22. REVENUE RESERVE	2011	2011
	£	£
At beginning of year as previously stated	5,621,813	5,568,192
Prior year adjustment	2,355,441	2,355,441
At beginning of year as restated	7,977,254	7,923,633
Retained surplus for the year	529,675	507,388
Actuarial loss recognised in the retirement benefit scheme	(25,000)	(25,000)
Transfer to designated reserves	(335,676)	(276,591)
Transfer from designated reserves	0	0
At end of year	8,146,253	8,129,430

23. PRIOR YEAR ADJUSTMENT

As described in Note 1 (Accounting Policies) the company adopted component accounting during the year under review. This resulted in a restatement of previous years' results whereby costs which had previously been written off to major repairs were capitalised as a component of the property and depreciated over their useful lives. Grants which had previously been credited to revenue were also capitalised. The 2010 surplus was increased by £818,151 and similarly Housing Assets were increased by the same amount. The total adjustment comprised the seven years to 31 March 2004 and an increase to reserves and assets of £2,355,441

	Group	Company
24. STATEMENT OF RECONCILIATION OF MOVEMENTS IN CAPITAL EMPLOYED	2011	2011
	£	£
Opening capital employed as previously stated	10,641,280	10,092,403
Prior year adjustment	2,355,441	2,355,441
Shares issued during year	27	27
Retained surplus for the year	529,699	507,388
Actuarial loss recognised in the retirement benefit scheme	(25,000)	(25,000)
Closing capital employed	13,501,447	12,930,259

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**25. RECONCILIATION OF OPERATING SURPLUS TO NET CASH
INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES**

	Group	As restated	Company	As restated
	2011	2010	2011	2010
	£	£	£	£
Operating surplus	582,752	1,427,489	548,986	1,425,646
Depreciation charges	768,455	406,239	748,580	385,964
Amortisation of income	0	0	0	0
(Increase) / decrease in stock	(156,466)	838	(156,466)	850
Decrease / (increase) in debtors	944,849	(1,006,578)	941,535	(1,010,308)
Increase in creditors	288,942	141,804	279,713	196,204
Net cash inflow / (outflow) from operating activities	2,428,532	969,792	2,362,348	998,356

**26. RECONCILIATION OF NET CASH FLOW
TO MOVEMENT IN DEBT / NET FUNDS**

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
(Decrease) in cash during the year	(459,659)	(883,374)	(514,230)	(848,580)
Loan advances received	(2,800,000)	0	(2,800,000)	0
Loan principal repayments	651,324	142,910	649,627	139,616
Change in debt	(2,608,335)	(740,464)	(2,664,603)	(708,964)
Net funds at start of year	1,888,767	2,629,221	1,600,339	2,309,293
Debt / net funds at end of year	(719,568)	1,888,757	(1,064,264)	1,600,329

27(a). ANALYSIS OF CHANGES IN DEBT / NET FUNDS

GROUP	2010	Cash flows	Other changes	2011
	£	£	£	£
Cash at bank and in hand	4,241,962	(255,380)	0	3,986,582
Bank overdrafts	(302,153)	(204,276)	0	(506,429)
	3,939,809	(459,656)	0	3,480,153
Debt due within one year	(123,003)	123,003	(253,823)	(253,823)
Debt due after one year	(1,928,039)	(2,271,680)	253,823	(3,945,896)
	1,888,767	(2,608,333)	0	(719,566)

27(b). ANALYSIS OF CHANGES IN DEBT / NET FUNDS

COMPANY	2010	Cash flows	Other changes	2011
	£	£	£	£
Cash at bank and in hand	3,931,230	(302,897)	0	3,628,333
Bank overdrafts	(281,546)	(211,329)	0	(492,875)
	3,649,684	(514,226)	0	3,135,458
Debt due within one year	(121,306)	121,306	(253,823)	(253,823)
Debt due after one year	(1,928,039)	(2,271,680)	253,823	(3,945,896)
	1,600,339	(2,664,600)	0	(1,064,261)

GOVANHILL HOUSING ASSOCIATION LIMITED

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NOTES TO THE ACCOUNTS**31 March 2011****28 SECOND STAGE TRANSFER**

On 31 January 2011 the Association acquired housing assets and the related rent arrears from Glasgow Housing Association Limited as part of a Second Stage Transfer. The Association acquired 706 housing units that were managed by Govanhill LHO and Merrylee LHO. The identifiable assets and liabilities have been incorporated in the balance sheet of the Association at their fair value on acquisition.

Analysis of Acquisition:

	<u>Book Value</u>	<u>Adjustment to Fair Value</u>	<u>Fair Value</u>
Housing Properties	1,572,518	4,192,482	5,765,000
Debtors - Rent Arrears	16,878	0	16,878
	<u>1,589,396</u>	<u>4,192,482</u>	<u>5,781,878</u>
Consideration at fair value			<u>1,589,396</u>
Negative goodwill arising on acquisition			<u>4,192,482</u>

Adjustments:

Housing property has been recognised at its fair value, being its value using the EUV-SH basis at acquisition. No depreciation has been provided for the period 31 January 2011 to 31 March 2011 as there has been no significant change in the values in that period. Consequently, there has been no release to revenue from negative goodwill in the period.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
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29. PENSION COSTS

Govanhill Housing Association ("the Company") participates in the Scottish Housing Associations' Pension 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 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 3 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 2009 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 an increase 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%.

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.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the 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.

The Company 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 Govanhill Housing Association was £6,592,604.

The 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:-

1. Final Salary with a 1/60 accrual rate
2. Career average revalued earnings with a 1/60 accrual rate.
3. Career average revalued earnings with a 1/70 accrual rate.
4. Career average revalued earnings with a 1/80 accrual rate.
5. Career average revalued earnings with a 1/120 accrual rate, contracted in.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
31 March 2011

29. PENSION COSTS (continued)

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

The Company has elected to operate the final salary with a 1/60 accrual rate benefit structure for active members as at 1 April 2010 and the final salary with a 1/60 accrual rate benefit structure for new entrants from 1 April 2010.

During the accounting period the Company paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 33 active members of the Scheme employed by the Company. The annual pensionable payroll in respect of these members was £1,022,811.

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

2009 Valuation Assumptions:

	% pa
- Investment return pre retirement	7.4
- Investment return post retirement – non-pensioners	4.6
- Investment return – pensioners	4.8
- Rate of salary increases	4.5
- Rate of pension increases	
pension accrued pre 6 April 2005	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0.

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners.

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

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):	%pa
- Final Salary 1/60	19.2
- Career average revalued earnings 1/60	17.1
- Career average revalued earnings 1/70	14.9
- Career average revalued earnings 1/80	13.2

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29. PENSION COSTS (continued)

Contribution Rates for Future Service (payable from 1 April 2011):	% pa
Career average revalued earnings 1/120	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 calculating the additional contributions.)

The Company participates in the Pensions Trust's Growth Plan ("the Growth Plan"). The Growth Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.

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

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

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Growth 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.

The Company paid contributions at the rate of 0% during the accounting period. Members paid contributions at the rate of 11% during the accounting period.

As at the balance sheet date there was 1 active member of the Growth Plan employed by the Company. The Company continues to offer membership of the Growth 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 Growth Plan is a multi-employer scheme where the plan assets are co-mingled for investment purposes and benefits are paid from the total Growth Plan assets. Accordingly, due to the nature of the Growth 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 Growth Plan was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Growth Plan's assets at the valuation date was £742 million and the Growth Plan's

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
31 March 2011

29. PENSION COSTS (continued)

Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

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

	% pa
- Investment return pre retirement	7.6
- Investment return post retirement	
Actives/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 the 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 2010. The market value of the Growth Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95%.

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 Growth 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).

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, as is required by legislation.

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

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
31 March 2011

29. PENSION COSTS (continued)

The debt for the Growth Plan as a whole is calculated by comparing the liabilities for the Growth Plan (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 Growth 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 Growth Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Growth Plans' 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 Growth Plan liabilities, Growth 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.

The Company has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Growth Plan as at 30th September 2010. As of this date the estimated employer debt for Govanhill Housing Association was £27,855.

Strathclyde Pension Fund

As a result of the second stage transfer, 7 employees were transferred from Glasgow Housing Association Limited to Govanhill Housing Association Limited on 31 January 2011. Of these 7 employees, 6 are members of the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended. The first formal valuation of the Strathclyde Pension Fund was carried out at 31 March 2011.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 17 calculations are as follows:

<i>Assumptions as at:</i>	31 March 2011
<i>Price increases</i>	2.8%
<i>Salary increases</i>	5.1%
<i>Expected return on assets</i>	6.9%
<i>Discount rate</i>	5.5%

Mortality

Life expectancy is based on the PFA92 and PMA92 year of birth tables, with future improvements projected in line with CMIB's medium cohort and a 1% underpin from 2008. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
<i>Current pensioners</i>	20.6 years	23.9 years
<i>Future pensioners</i>	22.6 years	25.0 years

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
31 March 2011

29. PENSION COSTS (continued)

Scheme Assets

The assets in the scheme and the expected rate of return were:

	Long term rate of return 31 March 2011	Value at 31 March 2011 £
Equalities	7.5%	512,000
Government securities	4.9%	86,000
Property	5.5%	40,000
Cash	4.6%	27,000
Total		665,000
 Present value of scheme liabilities		 (690,000)
 Net pension liability		 (25,000)

Reconciliation of defined benefit obligation

Year ended:	31 March 2011 £
Opening defined benefit obligation	718,000
Current service cost	5,000
Interest cost	6,000
Contributions by members	2,000
Actuarial losses / (gains)	(41,000)
Past service costs / (gains)	-
Liabilities extinguished on settlements	-
Liabilities assumed in a business combination	-
Exchange differences	-
Estimated unfunded benefits paid	-
Estimated benefits paid	-
Closing defined benefit obligation	690,000

Reconciliation of fair value of employer assets

Year ended:	31 March 2011 £
Opening fair value of employer assets	644,000
Expected return on assets	7,000
Contributions by members	2,000
Contributions by the employer	6,000
Contributions in respect of unfunded benefits	-
Actuarial gains / (losses)	6,000
Assets distributed on settlements	-
Assets acquired in a business combination	-
Exchange differences	-
Estimated unfunded benefits paid	-
Estimated benefits paid	-
Closing fair value of employer assets	665,000
Net pension liability	(25,000)

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NOTES TO THE ACCOUNTS
31 March 2011

29. PENSION COSTS (continued)

Analysis of amounts included in Income & Expenditure Account

	2011
	£
Current service cost	5,000
Interest cost	6,000
Expected return on employers assets	(7,000)
Past service cost	-
Losses / (gains) on curtailments and settlements	-
Charge to staff costs	<u>4,000</u>

Analysis of amount recognised in Statement of Total Recognised Gains and Losses

	2011
	£
Actuarial (loss) recognised in statement of recognised gains and losses	<u>(25,000)</u>

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NOTES TO THE ACCOUNTS

31 March 2011

30. CAPITAL COMMITMENTS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<i>Expenditure contracted less certified</i>	<u>1,120,000</u>	<u>480,000</u>	<u>1,120,000</u>	<u>480,000</u>
<i>Funded by:</i>				
<i>Social Housing Grant</i>	237,000	250,000	237,000	250,000
<i>Glasgow City Council Private Sector Housing Grant</i>	0	0	0	0
<i>Reserves</i>	<u>883,000</u>	<u>230,000</u>	<u>883,000</u>	<u>230,000</u>
	<u>1,120,000</u>	<u>480,000</u>	<u>1,120,000</u>	<u>480,000</u>
<i>Expenditure authorised by the management committee not contracted for</i>	<u>8,443,000</u>	<u>935,000</u>	<u>8,443,000</u>	<u>5,901,000</u>
<i>Funded by:</i>				
<i>Social Housing Grant</i>	2,535,000	1,576,000	2,535,000	1,576,000
<i>Glasgow City Council Private Sector Housing Grant</i>	250,000	0	250,000	0
<i>Reserves</i>	<u>5,658,000</u>	<u>4,325,000</u>	<u>5,658,000</u>	<u>4,325,000</u>
	<u>8,443,000</u>	<u>5,901,000</u>	<u>8,443,000</u>	<u>5,901,000</u>

31. RELATED PARTIES

Several members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.