

GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
YEAR TO 31 MARCH 2012

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 2012

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GOVANHILL HOUSING ASSOCIATION LIMITED
FINANCIAL AND OPERATIONAL REVIEW
For the year ended 31 March 2012

PAGE 1

KEY FINANCIAL HIGHLIGHTS

	<u>2011/12</u>	<u>2010/11</u>	<u>Change</u>
• Surplus for the year	£976,917	£507,388	+93%
• Net investment in improving existing tenants homes and also providing new housing	£5,794,421	£10,803,469	-46%
• Financial reserves	£13,841,976	£12,929,057	+7%
• Current ratio	1.30 times	1.76 times	-26%
• Interest cover ratio	6.97 times	12.34 times	-44%

GOVANHILL HOUSING ASSOCIATION

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.

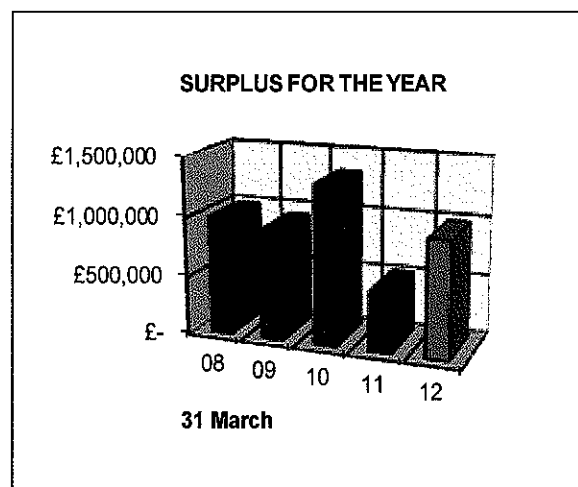
Before delving into our financial results in detail, I would draw the reader's attention to a significant change that occurred during the previous financial year. An awareness of this change is necessary to facilitate the reader's understanding of our financial results and in making a comparison of the results of both the current financial year being reviewed and the previous financial year.

The Association completed an acquisition of 706 housing properties from Glasgow Housing Association Limited on 31 January 2011. The overall effect of this acquisition was to increase the turnover, operating costs and value of housing assets in 2010/11. However, the increase in the turnover and operating costs arising from this stock acquisition only applied for two months in the previous financial year, compared with applying for twelve months in the current financial year.

SURPLUS FOR THE YEAR - INCREASE 93%

It gives us pleasure to report to our members that the Association made satisfactory operational and

financial progress during the year to 31 March 2012. The surplus generated in the year to 31 March 2012 of £976,917 was a significant increase of 93% on the surplus of £507,388 generated in the previous financial year.



The Association's turnover was £8,620,884 during 2011/12, an increase of 35%, compared with the turnover of £6,374,705 in 2010/11.

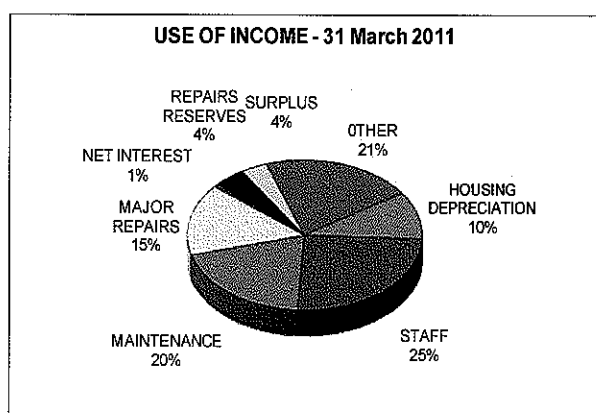
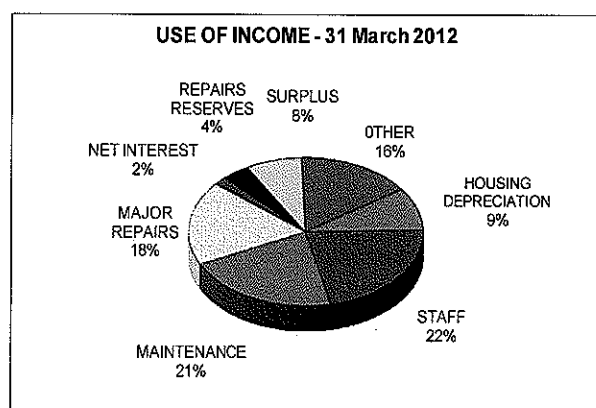
Operating costs increased by 29%, from £5,825,719 in 2010/11 to £7,500,478 in 2011/12. This was largely attributable to a further increase of £611,565 in our major repairs spend, following decisions by the Committee of Management to accelerate significantly the major repairs programme to the benefit 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 £317,859 from its surplus for 2011/12 of £976,917 and has transferred this amount to financial reserves held to fund future major repairs.

The remaining balance increased the Association's revenue reserves to £8,724,490 at 31 March 2012. 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 2011/12 and 2010/11 is shown on the graphs below.



The Association increased the proportion of its income spent on maintenance and major repairs carried out on our tenants' homes and also decreased the proportion on income spent on staff and other costs in the year to 31 March 2012. The net effect of these changes was an overall

reduction in the proportion of the Association's income allocated to operating costs which resulted in the surplus for the year increasing as a proportion of income from 4% to 8%.

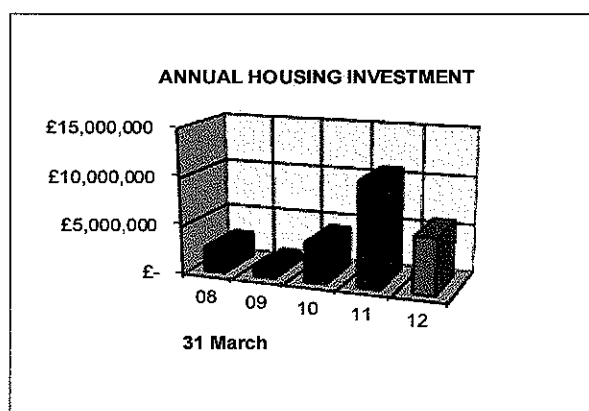
The Association is committed to a significant programme of major repairs to improve its older stock. We have budgeted for a significant increase in expenditure in our medium-term and long-term financial projections.

This will reduce surpluses built up for this purpose in future years. However, this investment will: secure the integrity of our stock; improve the amenity of our homes for our tenants; and ensure compliance with the requirements of the Scottish Housing Quality Standard.

BALANCE SHEET - ASSETS AND LIABILITIES

INVESTMENT IN HOUSING - DECREASE 46%

It is pleasing to note that the Association was able to invest £5,794,421 in housing in the year to 31 March 2012, comprising of development of additional homes and capitalised major repairs expenditure on our existing stock. This was a decrease of 46% on the investment of £10,803,469 made in 2010/11. This reflected housing continuing to receive a low priority in terms of public sector spending and also operating in a very harsh financial climate post the 'credit crunch'.

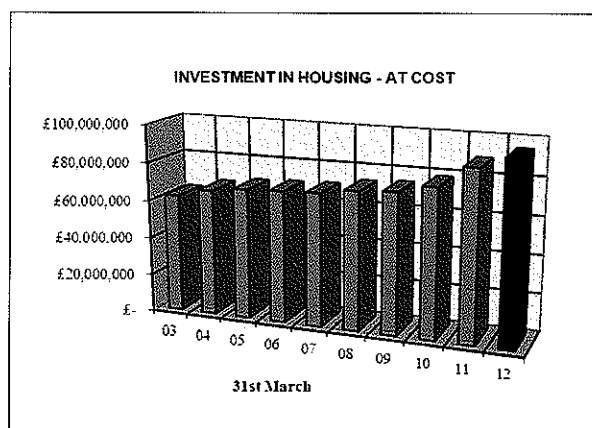


A strong commitment to investment in housing by the Scottish Government and Glasgow City Council is required to eradicate the large number of properties which are still in a sub-tolerable condition within the Govanhill area.

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 Merrylee and also on developing newbuild housing at Cathcart Road.

During the last ten years our investment in providing additional housing properties has increased from £61,646,304 at 31 March 2002 to £94,409,183 at 31 March 2012.



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 £3,106,944 on its major repairs programme, consisting of: capitalised expenditure of £1,564,571 included in the value of housing assets; and £1,542,373 which is included as the

major repairs expenditure in the Income and Expenditure Account. This was an increase of 34% on the £2,321,552 spent in the previous year. This involved the replacement of 40 older kitchens with new installations, 100 new central heating systems, 70 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.

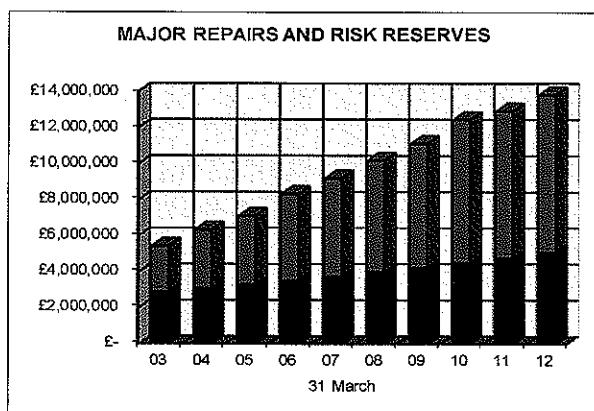
At 31 March 2011 the Association had set aside £4,799,627 of restricted and designated reserves to cover future major repairs expenditure. This was increased further, to £5,117,486 at 31 March 2012, by an additional transfer of £317,859 from the surplus for the financial year of £976,917.

FINANCIAL RESERVES - INCREASE 7%

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 £13,841,976 at 31 March 2012. This represents an increase of 7%, compared with the financial reserves at 31 March 2011 of £12,929,057.

FINANCIAL RESERVES - INCREASE 7% - 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 £2,973,948 was generated in 2011/12, compared with a net cash inflow from operating activities of £2,362,348 in 2010/11. The increase in operational cashflows of around £0.6 million reflects:

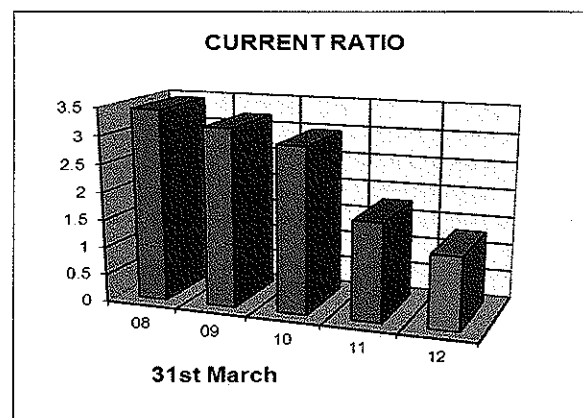
- an operating surplus of £1,120,406 plus non-cash depreciation of £940,371; and
- a significant increase in creditors of around £1.5 million, partially offset by an increase in debtors, of around £0.6 million.

The increase in cash generated during 2011/12 of £95,886, compared with a decrease of £514,230 in 2010/11, was mainly attributable to:

- operational cashflows of £2,973,948; largely offset by
- our net investment in property and other fixed assets of £2,645,692; and
- net interest costs of £160,094.

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 1.76 times cover at 31 March 2011 to 1.30 times cover at 31 March 2012, a decrease of 26% as shown on the graph below.



This ratio was stronger at 31 March 2012 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 £3,231,346 at 31 March 2012, compared with £3,135,458 at 31 March 2011, an increase of 3% during the financial year.

TREASURY MANAGEMENT**CAPITAL STRUCTURE AND OUR DEBT BURDEN**

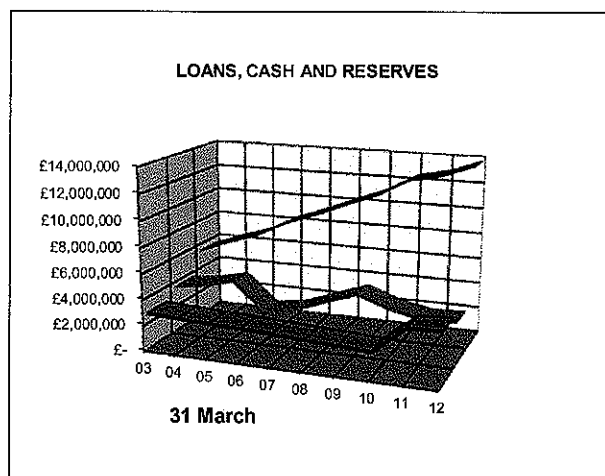
The Association's most significant investments are in property, financed by a capital structure consisting primarily of grants and loans. The Association adopts a conservative policy with regard to its capital structure. Loans are raised as conventional mortgages, secured over the properties being financed,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

The proportion of the cost of housing properties financed by loans decreased to 4% in 2011/12, from 5% in 2010/11. 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 has a £15 million loan facility arranged with Barclays plc. This facility was put in place to fund the Association's financing requirements which were identified in its 30-year Business Plan and agreed with Barclays plc.

We will need to draw on this loan facility over the next 11 years to fund our Business Plan objectives. During the financial year £2.8 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.

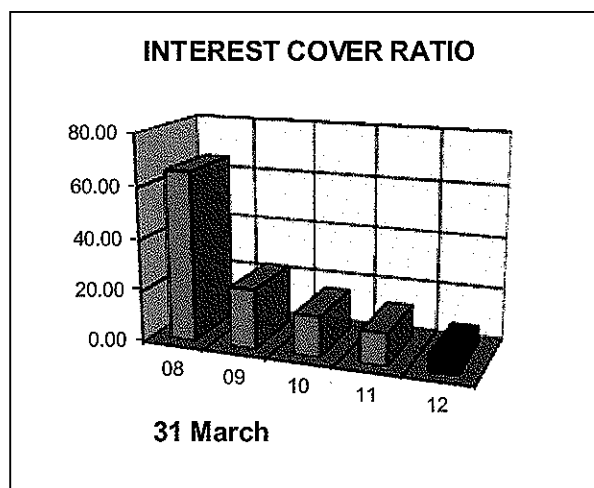
Approval of the loan facility by Barclays plc required the Association to agree to comply with a number of financial covenants. These financial covenants are set to ensure that the Association maintains financial discipline and adheres to prudent financial management.

It is pleasing to report to members that the Association has comfortably met and exceeded all financial covenants set during the financial year to 31 March 2012.

INTEREST COVER RATIO - DECREASE 45%

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 44% to 6.97 times cover in 2011/12, compared with 12.34 times cover in 2010/11, 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.

Due to funding constraints and reducing grant subsidy for the development of new housing, the Association's ability to provide new housing accommodation in the future is limited in the light of other financial priorities.

The Association will continue to help facilitate the improvement of older private housing in the area in partnership with Glasgow City Council and will continue to promote environmental backcourt improvements with additional funding from the Scottish Government.

The major repairs and planned maintenance programmes remain key elements of the

FUTURE PROSPECTS - cont.

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 financial crisis has hopefully now passed, but the recovery from this point will be slow and protracted and will run almost certainly throughout most of 2012/13. 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 and beyond.

GOVANHILL COMMUNITY DEVELOPMENT TRUST LIMITED

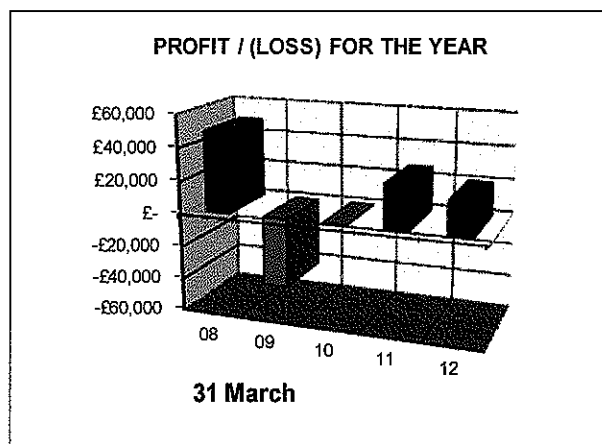
Govanhill Community Development Trust Limited (the Trust) is a 100% owned subsidiary of the Association which is involved in community regeneration within the Govanhill area. The Trust's financial performance is reviewed below.

PROFIT FOR THE YEAR

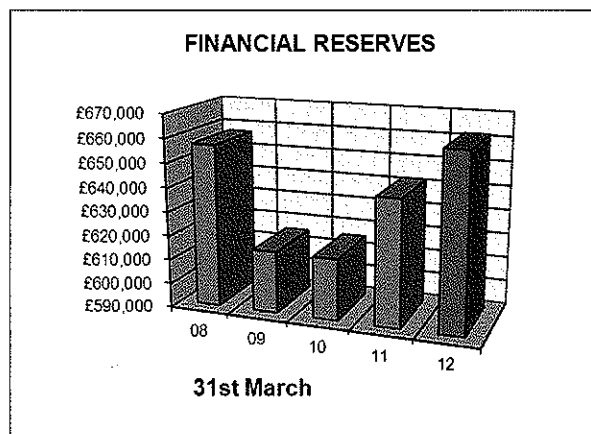
It is pleasing to report to our members that the Trust made a profit of £20,109 during the year to 31 March 2012, compared with a profit of £26,505 in 2010/11. Whilst the profit was satisfactory, its low level reflects the recessionary influences on the commercial property market.

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 £661,961 at 31 March 2012, from £608,024 at 31 March 2007.

**THE FOCUS OF THE TRUST'S WORK IN 2011/12**

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.

During last year, the Trust was instrumental in delivering the Govanhill Backcourt Improvements & Employability Initiative in partnership with others, with the environmental works starting towards the end of the financial year. Additional to the backcourt improvements will be the

THE FOCUS OF THE TRUST'S WORK IN 2011/12 – cont.

employment of 60 trainees who will get the opportunity to gain new skills to improve their future job prospects.

Last year, the Trust also continued to assist the Govanhill Family Support Group and made a financial contribution to the redevelopment of the Queens Park Arena. The Trust also organised a Dragons' Den event and established a Social Enterprise Incubator Unit at Govanhill Workspace to support new business ventures within the community.

The Trust also continued to support GREAT Gardens with the provision of office accommodation at its Victoria Court Workspace and was able to offer office space to Govanhill Law Centre, Crossroads Youth & Community Association and Glasgow's Regeneration Agency at Samaritan House for a variety of services available to the community.

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.

In subsequent years the company is expected to maintain a satisfactory level of financial strength. 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 also 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 surplus of £510 in the year to 31 March 2012, compared with a deficit of £4,206 in the previous financial year.

BALANCE SHEET

GREAT Gardens' balance sheet at 31 March 2012 was satisfactory. Its financial reserves increased to £32,713 and were backed by cash and bank balances, net of overdrafts, of £70,057, while its debtors stood at £7,232 and its creditors stood at £38,228 at the financial year end.

THE FOCUS OF GREAT GARDENS' WORK IN 2011/12

During the financial year, the company received increased earned income from environmental services provided to residents' groups and private customers over the accounting period. However, the mainstay of the company's commercial contract work was for services provided to

**THE FOCUS OF GREAT GARDENS' WORK
IN 2011/12 – cont.**

GREAT Gardens' parent company, Govanhill Housing Association Limited.

In addition, GREAT Gardens was able to successfully promote itself for commissioning on the Govanhill Backcourt Improvements & Employability Initiative promoted by Govanhill Housing Association Limited and Govanhill Community Development Trust Limited and funded by the Scottish Government and Glasgow City Council.

The company was able to deliver work experience, training and support to a significant number of trainees and volunteers over this period and positively engage with residents and community groups, at the same time addressing environmental issues and undertaking positive visual improvements in the Govanhill community.

FUTURE PROSPECTS

GREAT Gardens will continue to develop its capacity and sustainability over the short to medium-term and will be a key player in delivering the training on the Backcourt Improvements & Employability Initiative. GREAT Gardens will build on its success last year at the Gardening Scotland Exhibition where it won three Gold medals, including Best Show Garden and Best New Show Garden.

*Malcolm MacDonald
Finance Manager*

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

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For the year ended 31 March 2012

Management Committee

Janice McEwan	(Chairperson)
Margaret Montgomery	(Vice Chair)
Elizabeth Klein	(Secretary)
Robert Farrell	(Treasurer)
Ann Scott	
Gina Smith	
Henry Rooney	
Mujeeb Ur Rehman	
John McLardie	
Ghazala Hakeem	
Linda Higgins	
Thomas Warren	(Resigned 28.06.11)
Cathie McCready	
Karen Miller	(Resigned 07.11.11)
Isobel Smith	(Resigned 03.08.11)
Rosalind Carruth	(Appointed 08.08.11)
Rose O'Doherty	(Appointed 08.09.11)
Sophia Kaseke	(Appointed 08.09.11)

Co-opted Committee Members

Rehana Faqir	(Resigned 20.06.11)
Gillian Galbraith	(Resigned 14.07.11)

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 LLP
7 West George Street
GLASGOW G2 1BA

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2012

PAGE 10

The management committee has pleasure in presenting their report and the audited accounts for the year ended 31 March 2012.

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, 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 £997,536 (2011 - £529,699). Transfers to designated reserves were £378,717 (2011 - £335,675) respectively. The Association's net assets are now £14,435,002 (2011 - £13,501,447).

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.*

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: and*
- 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 2012

PAGE 12

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

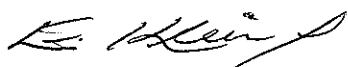
Statute requires the management committee to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association and the group as at the end of the financial year and of the surplus or deficit of the Association for that period. In preparing accounts, the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

Date: 25th July 2012

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

For the year ended 31 March 2012

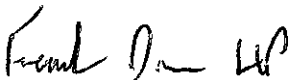
In addition to the audit of the Financial Statements, we have reviewed whether the statement on page 11 reflects the Association's compliance with the disclosure required by the Scottish Federation of Housing Associations – "Raising Standards" guidance on "Internal financial control and financial reporting".

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

Chartered Accountants

Statutory Auditor

375 West George Street

GLASGOW G2 4LW

Date: 23 July 2012

GOVANHILL HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2012

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We have audited the Financial Statements of Govanhill Housing Association Limited for the year ended 31 March 2012 on pages 15 to 44. 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 is 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 2012 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

Date: 25 July 2012

GOVANHILL HOUSING ASSOCIATION LIMITED
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2012

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	Notes	2012 £	2011 £
TURNOVER	2(a)	8,986,417	6,710,763
Less: Operating costs	2(a)	(7,837,079)	(6,127,999)
Cost of property sales		0	0
OPERATING SURPLUS	2(a), 5	1,149,338	582,764
Gain on disposal of fixed assets		8,605	0
Other income		0	0
Interest receivable and other similar income	7	10,883	3,539
Interest payable and other similar charges	8	(162,294)	(44,822)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		1,006,532	541,481
Taxation on surplus on ordinary activities	9	(8,996)	(11,782)
SURPLUS FOR THE YEAR	22	997,536	529,699

The results for the year relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
For the year ended 31 March 2012

Retained surplus for the year		997,536	529,699
Actuarial loss recognised in the retirement benefit scheme	27	(64,000)	(25,000)
Total recognised surpluses and deficits relating to the year		933,536	504,699

The notes on pages 21 to 44 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
COMPANY INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2012

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	Notes	2012 £	2011 £
TURNOVER	2(b)	8,620,884	6,374,705
Less: Operating costs	2(b)	(7,500,478)	(5,825,719)
Cost of property sales		0	0
OPERATING SURPLUS	2(b), 5	1,120,406	548,986
Gain on disposal of fixed assets		8,605	0
Interest receivable and other similar income	7	10,192	3,153
Interest payable and other similar charges	8	(162,286)	(44,751)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		976,917	507,388
Taxation on surplus on ordinary activities	9	0	0
SURPLUS FOR THE YEAR	22	976,917	507,388

The results for the year relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

For the year ended 31 March 2012

Retained surplus for the year		976,917	507,388
Actuarial loss recognised in the retirement benefit scheme	27	(64,000)	(25,000)
Total recognised surpluses and deficits relating to the year		912,917	482,388

The notes on pages 21 to 44 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
CONSOLIDATED BALANCE SHEET
For the year ended 31 March 2012

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	Notes	2012 £	2011 £
TANGIBLE FIXED ASSETS			
Housing properties - gross cost less depreciation		91,309,686	86,391,092
Less: Social housing grant		68,730,612	65,558,317
Other grants		3,752,997	3,752,997
	11(a)	18,826,077	17,079,778
New Supplied Share Equity Scheme Loan		282,500	282,500
New Supplied Share Equity Scheme Grant		(282,500)	(282,500)
		0	0
Other - Gross cost less depreciation		6,225,053	6,267,795
Less: Grants		3,742,661	3,742,661
	11(e)	2,482,392	2,525,134
		21,308,469	19,604,912
INTANGIBLE FIXED ASSETS			
Negative goodwill	13	4,108,632	4,192,482
CURRENT ASSETS			
Stock and work in progress	14	3,815	158,200
Debtors	15	1,147,161	530,547
Cash at bank and in hand		4,132,156	3,986,582
		5,283,132	4,675,329
CREDITORS: amounts falling due within one year	16	3,872,356	2,583,136
NET CURRENT ASSETS		1,410,776	2,092,193
TOTAL ASSETS LESS CURRENT LIABILITIES		18,610,613	17,504,623
CREDITORS: amounts falling due after more than one year	17	4,080,802	3,958,588
PROVISIONS FOR LIABILITIES AND CHARGES	18	94,809	44,588
NET ASSETS		14,435,002	13,501,447
CAPITAL AND RESERVES			
Share capital	19	1,223	1,202
Designated reserves	20(a)	5,715,809	5,337,092
Restricted reserves	21	16,900	16,900
Revenue reserve	22	8,701,070	8,146,253
CAPITAL EMPLOYED	23	14,435,002	13,501,447

Approved by members of the management committee on: 25th July 2012

CHAIRPERSON *Janine McEwan*

J. McEWAN

SECRETARY *E. Klein*

E. KLEIN

TREASURER *R. Farrell*

R. FARRELL

The notes on pages 21 to 44 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
COMPANY BALANCE SHEET

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For the year ended 31 March 2012

	Notes	2012 £	2011 £
TANGIBLE FIXED ASSETS			
Housing properties - gross cost less depreciation		90,537,302	85,618,520
Less: Social housing grant		68,730,612	65,558,317
Other grants		2,987,958	2,987,958
	11(c)	18,818,732	17,072,245
New Supplied Share Equity Scheme Loan		282,500	282,500
New Supplied Share Equity Scheme Grant		(282,500)	(282,500)
		0	0
Other - Gross cost less depreciation		3,055,893	3,088,454
Less: Grants		937,137	937,137
	11(f)	2,118,756	2,151,317
		20,937,488	19,223,562
INVESTMENT	12	100	100
INTANGIBLE FIXED ASSETS			
Negative goodwill	13	4,108,632	4,192,482
CURRENT ASSETS			
Stock and work in progress	14	3,714	158,100
Debtors	15	1,154,770	532,402
Cash at bank and in hand		3,787,195	3,628,333
		4,945,679	4,318,835
CREDITORS: amounts falling due after more than one year	16	3,799,980	2,448,860
NET CURRENT ASSETS		1,145,699	1,869,975
TOTAL ASSETS LESS CURRENT LIABILITIES		17,974,655	16,901,155
CREDITORS: amounts falling due after more than one year	17	4,054,456	3,945,896
PROVISIONS FOR LIABILITIES AND CHARGES	18	77,000	25,000
NET ASSETS		13,843,199	12,930,259
CAPITAL AND RESERVES			
Share capital	19	1,223	1,202
Designated reserves	20(b)	5,100,586	4,782,727
Restricted reserves	21	16,900	16,900
Revenue reserve	22	8,724,490	8,129,430
CAPITAL EMPLOYED	23	13,843,199	12,930,259

Approved by members of the management committee on: 25th July 2012

CHAIRPERSON *Janice McEwan*

J. McEWAN

SECRETARY *E. Klein*

E. KLEIN

TREASURER *R. Farrell*

R. FARRELL

The notes on pages 21 to 44 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT

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For the year ended 31 March 2012

	Notes	2012 £	2011 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	2,993,666	2,428,532
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2,883	3,539
Interest paid		(162,294)	(44,822)
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(159,411)	(41,283)
TAXATION			
Corporation tax paid		(12,319)	(3,832)
Less: Grants received		0	0
NET CASH (OUTFLOW) ON TAXATION		(12,319)	(3,832)
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(5,799,285)	(5,021,591)
Purchase of other fixed assets		(43,975)	(34,487)
Capital grants received		3,172,295	1,653,695
Sales of housing properties		13,469	0
Sales of commercial properties		0	0
Sales of other fixed assets		0	0
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(2,657,496)	(3,402,383)
ACQUISITIONS AND DISPOSALS			
Consideration paid to acquire Merrylee LHO and Govanhill LHO		0	(1,589,396)
NET CASH (OUTFLOW) FROM ACQUISITIONS		0	(1,589,396)
NET CASH INFLOW / (OUTFLOW) BEFORE FINANCING		164,440	(2,608,362)
FINANCING			
Issue of ordinary share capital		21	27
Loan advances received		0	2,800,000
Loan principal repayments		(72,297)	(651,324)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING		(72,276)	2,148,703
INCREASE / (DECREASE) IN CASH	25	92,164	(459,659)

The notes on pages 21 to 44 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
COMPANY CASH FLOW STATEMENT
For the year ended 31 March 2012

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	Notes	2012 £	2011 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	2,973,948	2,362,348
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2,192	3,153
Interest paid		(162,286)	(44,751)
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(160,094)	(41,598)
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		(5,799,285)	(5,021,591)
Purchase of other fixed assets		(32,171)	(28,088)
Capital grants received		3,172,295	1,653,695
Sales of housing properties		13,469	0
Sales of commercial properties		0	0
Sales of other fixed assets		0	0
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(2,645,692)	(3,395,984)
ACQUISITIONS AND DISPOSALS			
Consideration paid to acquire Merrylee LHO and Govanhill LHO		0	(1,589,396)
NET CASH (OUTFLOW) FROM ACQUISITIONS		0	(1,589,396)
NET CASH INFLOW / (OUTFLOW) BEFORE FINANCING		168,162	(2,664,630)
FINANCING			
Issue of ordinary share capital		21	27
Loan advances received		0	2,800,000
Loan principal repayments		(72,297)	(649,627)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING		(72,276)	2,150,400
INCREASE / (DECREASE) IN CASH	25	95,886	(514,230)

The notes on pages 21 to 44 form part of these accounts.

NOTES TO THE ACCOUNTS**For the year ended 31 March 2012****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. 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.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation. A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

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 SHG 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 SHG 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 SHG 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
For the year ended 31 March 2012

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1. ACCOUNTING POLICIES (continued)

Depreciation - housing properties

Properties other than heritable land are depreciated in accordance with FRS15 at rates calculated to reduce the 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

In addition depreciation is provided on housing properties to the extent that development administration costs capitalised are not funded through SHG 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 SHG 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 costs

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, 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

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NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

1. ACCOUNTING POLICIES (continued)

Stock and work in progress

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

- properties being developed for sale under the New Supply Shared Equity Scheme; and
- 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 hostel assets

Amounts included in the rental of hostel properties are 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 27).

At the time of Second Stage Transfer the Association took on employees who are members of the Strathclyde Pension Scheme. In accordance with FRS 17 – 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, is recognised in the total statement of recognised surpluses and deficits.

GOVANHILL HOUSING ASSOCIATION LIMITED

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NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

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

GROUP	2012			2011
	Turnover	Operating costs	Operating surplus / (deficit)	Operating surplus/ (deficit) for previous period
	£	£	£	£
Social lettings	7,987,370	(6,650,352)	1,337,018	837,862
Other activities	871,128	(1,018,054)	(146,926)	(232,039)
Incoming resources from charitable subsidiary	127,919	(168,673)	(40,754)	(23,059)
Total	8,986,417	(7,837,079)	1,149,338	582,764
Total for previous period of account	6,710,763	(6,127,999)	582,764	

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

COMPANY	Note	2012			2011
		Turnover	Operating costs	Operating surplus / (deficit)	Operating surplus/ (deficit) for previous period
		£	£	£	£
Social lettings	3	7,933,389	(6,772,696)	1,160,693	728,451
Other activities	4	687,495	(727,782)	(40,287)	(179,465)
Total		8,620,884	(7,500,478)	1,120,406	548,986
Total for previous period of account		6,374,705	(5,825,719)	548,986	

GOVANHILL HOUSING ASSOCIATION LIMITED

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NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

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

	Company				2012 Total	2011 Total
	General Needs Housing	Supported Housing Accommodation	Shared Ownership Housing	Other Shared Equity Housing		
	£	£	£	£	£	£
Rent receivable net of service charges	7,626,345	226,772	0	7,182	7,860,299	5,673,474
Service charges	144,367	0	0	1,218	145,585	133,609
Gross income from rents and service charges	7,770,712	226,772	0	8,400	8,005,884	5,807,083
Less voids	(101,333)	0	0	0	(101,333)	(53,194)
Net income from rents and service charges	7,669,379	226,772	0	8,400	7,904,551	5,753,889
Grant from the Scottish Ministers	0	0	0	0	0	0
Other revenue grants	28,838	0	0	0	28,838	91,113
Total turnover from social letting activities	7,698,217	226,772	0	8,400	7,933,389	5,845,002
Management and maintenance administration costs	(2,330,945)	(18,788)	0	(6,064)	(2,355,797)	(2,010,960)
Service costs	(143,553)	0	0	(1,593)	(145,146)	(132,068)
Planned and cyclical maintenance including major repairs costs	(2,256,221)	(23,427)	0	0	(2,279,648)	(1,374,897)
Reactive maintenance costs	(1,058,439)	(54,157)	0	(2,710)	(1,115,306)	(871,785)
Bad debts - rents and service charges	(87,203)	0	0	0	(87,203)	(72,638)
Depreciation of social housing	(871,679)	(1,766)	0	0	(873,445)	(654,204)
Impairment of social housing	0	0	0	0	0	0
Release of negative goodwill	83,850	0	0	0	83,850	0
Operating costs for social letting activities	(6,664,191)	(98,138)	0	(10,367)	(6,772,696)	(5,116,551)
Operating surplus or deficit for social lettings	1,034,026	128,634	0	(1,967)	1,160,693	728,451
Operating surplus or deficit for social lettings for previous year	698,128	30,372	0	(49)	728,451	

NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

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

Company					Total Turnover	Operating Costs - Bad debts (write off)/ recovery	Other operating costs	Operating surplus or (deficit)	Operating surplus or (deficit) for previous period of account
	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income					
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	0	0	0	0	0	0	(284)	(284)	(437)
Care and repair of property	0	0	0	0	0	0	0	0	0
Factoring	0	0	0	416,754	416,754	(7,632)	(447,754)	(38,632)	4,914
Development and construction of property activities	0	0	0	0	0	(51,766)	0	(51,766)	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	25,161	0	0	25,161	0	0	25,161	(180,594)
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	182,500	182,500	0	(157,715)	24,785	(7,350)
Other activities									
- Management expenses charged to subsidiary companies	0	0	0	51,678	51,678	0	(51,678)	0	0
- Rental of commercial property	0	0	0	6,778	6,778	0	(10,953)	(4,175)	(7,517)
- Hire of conference hall	0	0	0	4,624	4,624	0	0	4,624	11,519
TOTAL FROM OTHER ACTIVITIES	0	25,161	0	662,334	687,495	(59,398)	(668,384)	(40,287)	(179,465)
TOTAL FROM OTHER ACTIVITIES (2011)	4,537	91,481	0	433,685	529,703	14,719	(723,887)	(179,465)	

NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

5. OPERATING SURPLUS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Operating surplus is stated after charging/(crediting):				
Depreciation	962,542	768,456	940,371	748,580
Repairs: cyclical, major, day to day	3,490,738	2,328,510	3,394,954	2,246,682
Gain on sale of fixed assets	(8,605)	0	(8,605)	0
Auditor's remuneration				
- In their capacity as auditors	18,602	17,227	11,706	11,134
- In respect of other services	1,804	2,125	0	0

6 (a). EMPLOYEES

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Staff costs during the year:				
Wages and salaries	1,695,409	1,484,135	1,486,261	1,333,608
Social security costs (national insurance contributions)	128,611	111,808	121,649	106,074
Other pension costs	260,138	171,365	246,943	161,847
Redundancy costs	0	0	0	0
	2,084,158	1,767,308	1,854,853	1,601,529

	Group		Company	
	Number	Number	Number	Number
The average number of employees during the year was	56	44	47	43

6 (b). DIRECTORS' EMOLUMENTS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Total emoluments				
(including pension contributions and benefits in kind)	321,172	344,047	321,172	344,047
The emoluments (excluding pension contributions) of the highest paid director amount to	68,665	70,740	68,665	70,740
Pension contributions	6,563	10,267	6,563	10,267

Total expenses reimbursed in so far as not chargeable to United Kingdom income tax

Management Committee	1,202	2,185	1,202	2,185
	Number	Number	Number	Number
£60,001 - £70,000	4	4	4	4
£70,001 - £80,000	1	0	1	0
£80,001-£90,000	0	1	0	1

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, 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.

GOVANHILL HOUSING ASSOCIATION LIMITED

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NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

7. INTEREST RECEIVABLE AND OTHER SIMILAR INCOME

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Interest receivable on deposits	2,883	3,539	2,192	3,153
FRS 17 finance charge	8,000	0	8,000	0
	10,883	3,539	10,192	3,153

8. INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank loans and overdrafts repayable within five years	111	345	103	305
Other loans repayable within five years	0	0	0	0
Other loans repayable wholly or partly in more than five years	162,183	44,477	162,183	44,446
	162,294	44,822	162,286	44,751

9. TAXATION

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
UK corporation tax: Current Year at 20% (2011 - 21%)	10,759	12,300	0	0
Adjustment for prior years	16	0	0	0
Deferred taxation (note 17)	(1,779)	(518)	0	0
	8,996	11,782	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	
	2012	2011	2012	2011
	Number	Number	Number	Number
The number of units of accommodation in management at the year end was:				
General needs - new build	173	160	173	160
- rehabilitation	2,126	2,156	2,126	2,156
Supported housing	116	83	101	68
Shared ownership	6	6	6	6
	2,421	2,405	2,406	2,390

GOVANHILL HOUSING ASSOCIATION LIMITED

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NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

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	2012 Total
	£	£	£	£
COST				
At start of year	83,768,893	5,341,848	278,476	89,389,217
Additions	2,525,458	3,273,827	0	5,799,285
Disposals	(4,864)	0	0	(4,864)
Transfers to stock	0	0	0	0
Schemes completed in the year	4,702,843	(4,702,843)	0	0
At end of year	90,992,330	3,912,832	278,476	95,183,638
DEPRECIATION				
At start of year	2,909,365	0	88,760	2,998,125
Charged during year	875,827	0	0	875,827
Eliminated on disposal	0	0	0	0
At end of year	3,785,192	0	88,760	3,873,952
SOCIAL HOUSING GRANT				
At start of year	62,122,793	3,305,375	130,149	65,558,317
Additions	427,175	2,745,120	0	3,172,295
Disposals	0	0	0	0
Transfers to stock	0	0	0	0
Schemes completed in the year	2,798,187	(2,798,187)	0	0
At end of year	65,348,155	3,252,308	130,149	68,730,612
OTHER GRANTS				
At start of year	3,752,997	0	0	3,752,997
Additions	0	0	0	0
Transfers	0	0	0	0
Schemes completed in the year	0	0	0	0
At end of year	3,752,997	0	0	3,752,997
NET BOOK VALUE				
At end of year	18,105,986	660,524	59,567	18,826,077
At start of year	14,983,738	2,036,473	59,567	17,079,778

Development administration costs capitalised amounted to £296,490 (2011 - £285,143) for which Social Housing Grants amounting to £2,884 (2011 - £7,858) 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 of valuation.

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).	2012 £	2011 £
Housing properties comprise:		
Heritable	18,826,077	17,079,778

GOVANHILL HOUSING ASSOCIATION LIMITED

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NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

11(c). TANGIBLE FIXED ASSETS

COMPANY	Housing Properties		Shared equity properties		2012 Total £
	Housing properties held for letting £	Housing properties in the course of construction £	held for letting £		
COST					
At start of year	82,994,438	5,341,848	278,476		88,614,762
Additions	2,525,458	3,273,827	0		5,799,285
Disposals	(4,864)	0	0		(4,864)
Transfers to stock	0	0	0		0
Schemes completed in the year	4,702,843	(4,702,843)	0		0
At end of year	90,217,875	3,912,832	278,476		94,409,183
DEPRECIATION					
At start of year	2,907,482	0	88,760		2,996,242
Charged during year	875,639	0	0		875,639
Eliminated on disposal	0	0	0		0
At end of year	3,783,121	0	88,760		3,871,881
SOCIAL HOUSING GRANT					
At start of year	62,122,793	3,305,375	130,149		65,558,317
Additions	427,175	2,745,120	0		3,172,295
Disposals	0	0	0		0
Transfers to stock	0	0	0		0
Schemes completed in the year	2,798,187	(2,798,187)	0		0
At end of year	65,348,155	3,252,308	130,149		68,730,612
OTHER GRANTS					
At start of year	2,987,958	0	0		2,987,958
Additions	0	0	0		0
Transfers	0	0	0		0
Schemes completed in the year	0	0	0		0
At end of year	2,987,958	0	0		2,987,958
NET BOOK VALUE					
At end of year	18,098,641	660,524	59,567		18,818,732
At start of year	14,976,205	2,036,473	59,567		17,072,245

Development administration costs capitalised amounted to £296,490 (2011 - £285,143) for which Social Housing Grants amounting to £2,884 (2011 - £7,858) 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 of valuation.

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).	2012 £	2011 £
Housing properties comprise:		
Heritable	18,818,732	17,072,245

NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

11(e). TANGIBLE FIXED ASSETS

Other Fixed Assets	Heritable office property	Computer and office equipment	Hostels equipment	Commercial premises	2012 Total
GROUP	£	£	£	£	£
COST					
At start of year	3,521,150	298,860	70,435	2,998,408	6,888,853
Transfers	0	0	0	0	0
Additions	0	40,123	3,852	0	43,975
Disposals	0	0	0	0	0
At end of year	3,521,150	338,983	74,287	2,998,408	6,932,828
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	272,086	260,545	25,035	63,392	621,058
Charged during year	47,161	27,316	1,766	10,474	86,717
Eliminated on disposal	0	0	0	0	0
At end of year	319,247	287,861	26,801	73,866	707,775
NET BOOK VALUE					
At end of year	2,342,206	51,122	9,152	79,912	2,482,392
At start of year	2,389,367	38,315	7,066	90,386	2,525,134

11(f). COMPANY

COST					
At start of year	3,217,739	232,842	30,423	81,990	3,562,994
Transfers	0	0	0	0	0
Additions	0	28,319	3,852	0	32,171
Disposals	0	0	0	0	0
At end of year	3,217,739	261,161	34,275	81,990	3,595,165
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	235,804	215,197	23,357	182	474,540
Charged during year	47,161	15,714	1,766	91	64,732
Disposals	0	0	0	0	0
At end of year	282,965	230,911	25,123	273	539,272
NET BOOK VALUE					
At end of year	2,075,077	30,250	9,152	4,277	2,118,756
At start of year	2,122,238	17,645	7,066	4,368	2,151,317

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 2012 £	2011 £	Company 2012 £	2011 £
Commercial premises comprise:				
Heritable	79,912	90,386	4,277	4,368

GOVANHILL HOUSING ASSOCIATION LIMITED

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NOTES TO THE ACCOUNTS*For the year ended 31 March 2012***12. INVESTMENT**

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
<i>At start of year</i>	0	0	100	100
<i>New investment</i>	0	0	0	0
<i>At end of year</i>	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 a charitable company limited by guarantee, registered in Scotland and controlled by the Management Committee of Govanhill Housing Association.

13. NEGATIVE GOODWILL

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
<i>At start of year</i>	4,192,482	0	4,192,482	0
<i>Arising from Second Stage Transfer in the year</i>	0	4,192,482	0	4,192,482
<i>Amortised in the year</i>	(83,850)	0	(83,850)	0
<i>At end of year</i>	4,108,632	4,192,482	4,108,632	4,192,482

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For the year ended 31 March 2012

14. STOCK AND WORK IN PROGRESS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
NEW SUPPLY SHARED EQUITY				
<i>Incomplete stock:</i>				
At start of year	0	0	0	0
Cost transfer from other assets	0	702,665	0	702,665
Grants transfer from other assets	0	(469,519)	0	(469,519)
Transfers to completed stock	0	(233,146)	0	(233,146)
At end of year	0	0	0	0
NEW SUPPLY SHARED EQUITY				
<i>Completed stock:</i>				
At start of year	156,275	0	156,275	0
Cost transfer from other assets	0	0	0	0
Transferred from incomplete stock	0	233,146	0	233,146
Disposal / write down of cost of sales	(156,275)	(76,871)	(156,275)	(76,871)
NSSE Property at end of year	0	156,275	0	156,275
OTHER STOCK				
Postage, stationery and maintenance stock	3,815	1,925	3,714	1,825
At 31 March 2012	3,815	158,200	3,714	158,100

The Association participates in the Scottish Government's New Supply Shared 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	
	2012	2011	2012	2011
	£	£	£	£
<i>Amounts falling due within one year:</i>				
Rental debtors - housing benefit	84,708	55,677	84,708	55,677
- other	357,574	320,738	356,911	316,845
Less: provision for bad debts	(205,858)	(180,074)	(205,858)	(180,074)
Amounts due by subsidiary companies	0	0	28,377	17,885
Capital grants receivable	525,991	55,154	525,991	55,154
Corporation tax	0	0	0	0
Other debtors	204,372	67,884	196,581	66,160
Prepayments and accrued income	180,374	211,168	168,060	200,755
	1,147,161	530,547	1,154,770	532,402

Technical arrears at 31 March 2012 were £101,322 (2011 - £67,414).

NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Housing loans (note 17a)	72,966	253,823	72,966	253,823
Non-housing loans	0	0	0	0
Amounts due to subsidiary company	0	0	38,264	27,811
Bank overdraft	559,838	506,429	555,849	492,875
Trade creditors	1,185,291	518,977	1,170,182	481,005
Corporation tax	10,759	12,300	0	0
Other taxation and social security costs	46,355	45,449	41,875	41,156
Social Housing Grant in advance	39,381	39,381	39,381	39,381
Other creditors	971,238	624,985	942,102	586,093
Accruals and deferred income	594,068	212,931	581,260	204,692
Rent deposits	14,055	12,099	0	0
Rent in advance	362,807	345,782	342,503	311,044
Factoring in advance	15,598	10,980	15,598	10,980
	<u>3,872,356</u>	<u>2,583,136</u>	<u>3,799,980</u>	<u>2,448,860</u>

Included within accruals and deferred income is an amount due of £29,633 (2011 - £nil) in respect of pension contributions.

Also included within accruals and deferred income is an amount due to The Scottish Government of £nil (2011 - £7,879).

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Housing loans	4,054,456	3,945,896	4,054,456	3,945,896
Non-housing loans	0	0	0	0
Deferred Income	26,346	12,692	0	0
	<u>4,080,802</u>	<u>3,958,588</u>	<u>4,054,456</u>	<u>3,945,896</u>

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	
	2012	2011	2012	2011
	£	£	£	£
In one year or less (note 15)	72,966	253,823	72,966	253,823
Between one and two years	73,599	254,382	73,599	254,382
Between two and five years	225,465	1,267,278	225,465	1,267,278
In five years or more	3,755,391	2,424,236	3,755,391	2,424,236
	<u>4,127,421</u>	<u>4,199,719</u>	<u>4,127,421</u>	<u>4,199,719</u>

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Deferred taxation	17,809	19,588	0	0
Retirement benefit scheme deficit	77,000	25,000	77,000	25,000
	<u>94,809</u>	<u>44,588</u>	<u>77,000</u>	<u>25,000</u>

NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

19. SHARE CAPITAL	2012	2011
	£	£
Shares of £1 each fully paid and issued:		
At start of year	415	422
Shares issued during year	21	27
Shares forfeited during year	(26)	(34)
At end of year	410	415
Forfeited shares:		
At start of year	787	753
Transferred from share capital during year	26	34
At end of year	813	787
Total share capital:		
At start of year	1,202	1,175
At end of year	1,223	1,202

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	Reserve for future major works to properties £	Reserve for future cyclical maintenance properties £	Reserve for future replacement of assets £	2012 Total £
At start of year	4,805,791	0	531,301	5,337,092
Transfer from income and expenditure account	332,039	0	46,678	378,717
Transfer to restricted reserves	0	0	0	0
At end of year	5,137,830	0	577,979	5,715,809

20(b). DESIGNATED RESERVES

COMPANY	Reserve for future major works to properties £	Reserve for future cyclical maintenance properties £	Reserve for future replacement of assets £	2012 Total £
At start of year	4,313,373	0	469,354	4,782,727
Transfer from income and expenditure account	277,880	0	39,979	317,859
Transfer to revenue reserves	0	0	0	0
At end of year	4,591,253	0	509,333	5,100,586

GOVANHILL HOUSING ASSOCIATION LIMITED

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NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

21. RESTRICTED RESERVES	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
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

22. REVENUE RESERVE	Group	Company
	2012	2012
	£	£
At beginning of year	8,146,251	8,129,432
Retained surplus for the year	997,536	976,917
Actuarial loss recognised in the retirement benefit scheme	(64,000)	(64,000)
Transfer to designated reserves	(378,717)	(317,859)
Transfer from designated reserves	0	0
At end of year	8,701,070	8,724,490

23. STATEMENT OF RECONCILIATION OF MOVEMENTS IN CAPITAL EMPLOYED	Group	Company
	2012	2012
	£	£
Opening capital employed	13,501,445	12,930,261
Shares issued during year	21	21
Retained surplus for the year	997,536	976,917
Actuarial loss recognised in the retirement benefit scheme	(64,000)	(64,000)
Closing capital employed	14,435,002	13,843,199

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For the year ended 31 March 2012

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

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Operating surplus	1,149,338	582,752	1,120,406	548,986
Depreciation charges	962,543	768,455	940,371	748,580
Release of negative goodwill	(83,850)	0	(83,850)	0
Decrease / (Increase) in stock	154,386	(156,466)	154,386	(156,466)
(Increase) / Decrease in debtors	(616,614)	944,849	(622,368)	941,535
Increase in creditors	1,431,863	288,942	1,469,003	279,713
FRS 17 salary adjustment	(4,000)	0	(4,000)	0
Net cash inflow / (outflow) from operating activities	2,993,666	2,428,532	2,973,948	2,362,348

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

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Increase/(Decrease) in cash during the year	92,164	(459,659)	95,886	(514,230)
Loan advances received	0	(2,800,000)	0	(2,800,000)
Loan principal repayments	72,297	651,324	72,297	649,627
Change in debt	164,461	(2,608,335)	168,183	(2,664,603)
Net funds at start of year	(719,566)	1,888,767	(1,064,261)	1,600,339
Debt / net funds at end of year	(555,105)	(719,568)	(896,078)	(1,064,264)

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

GROUP	2011	Cash flows	Other changes	2012
	£	£	£	£
Cash at bank and in hand	3,986,582	145,574	0	4,132,156
Bank overdrafts	(506,429)	(53,409)	0	(559,838)
	3,480,153	92,165	0	3,572,318
Debt due within one year	(253,823)	253,823	(72,966)	(72,966)
Debt due after one year	(3,945,896)	(181,525)	72,966	(4,054,455)
	(719,566)	164,463	0	(555,103)

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

COMPANY	2011	Cash flows	Other changes	2012
	£	£	£	£
Cash at bank and in hand	3,628,333	158,862	0	3,787,195
Bank overdrafts	(492,875)	(62,974)	0	(555,849)
	3,135,458	95,888	0	3,231,346
Debt due within one year	(253,823)	253,823	(72,966)	(72,966)
Debt due after one year	(3,945,896)	(181,525)	72,966	(4,054,455)
	(1,064,261)	168,186	0	(896,075)

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2012

27. PENSION COSTS

Govanhill Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension scheme.

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

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 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 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

The Scheme offers five benefit structures to employers, namely:

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

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

Govanhill Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit option for active members as at 31st March 2012.

During the accounting period Govanhill Housing Association Limited paid contributions at the rate of 9.6% of pensionable salaries for future service. Member contributions were paid at a rate of 9.6% for future service.

As at the balance sheet date there were 32 active members of the Scheme employed by Govanhill Housing Association Limited. The annual pensionable payroll in respect of these members was £1,067,762.

Govanhill Housing Association Limited continues to offer membership of the Scheme to its employees.

GOVANHILL HOUSING ASSOCIATION LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 March 2012****27. PENSION COSTS (continued)**

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

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

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

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

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Govanhill Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for Govanhill Housing Association Limited was £7,871,992.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2012

27. PENSION COSTS (continued)

Govanhill Housing Association Limited participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the 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 Plan or by the purchase of an annuity.

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

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

The rules of the 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 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.

Govanhill Housing Association Limited 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 Plan employed by Govanhill Housing Association Limited. Govanhill Housing Association Limited continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 were completed in 2009 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

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

	% p.a.
Rate of return pre retirement	7.6
Rate of return post retirement:	
Active/Deferred	5.1
Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2012

27. PENSION COSTS (continued)

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 preliminary triennial valuation results as at 30 September 2011 were received in March 2012 but, as the valuation will not be finalised until later this year, this disclosure note must still refer to the 2008 valuation results as the last completed valuation.

The Scheme Actuary's preliminary results for 30 September 2011 show that the Plan's assets at that date were £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

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.

The Pensions 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.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a 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 Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Govanhill Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2011. As of this date the estimated employer debt for Govanhill Housing Association Limited was £28,231. The Scheme's Actuary has also advised that the amount of the employer debt on withdrawal liability for Glasgow Housing Association Limited as at 31 March 2012 is estimated to have increased to £30,772.

Strathclyde Pension Fund

As a result of 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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2012

27. PENSION COSTS (continued)

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

Assumptions as at:	31 March 2012
Price increases	2.5%
Salary increases	4.8% *
Expected return on assets	5.8%
Discount rate	4.8%

* Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter.

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with 80% of the Medium Cohort lagged for 10 years and a 1% p.a. underpin for males and a 0.75% p.a. underpin for females from 2011. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.0 years	23.4 years
Future pensioners	23.3 years	25.3 years

Scheme Assets

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

	Long term rate of return 31 March 2012	Value at 31 March 2012 £
Equities	6.3%	624,000
Bonds	3.9%	89,000
Property	4.4%	57,000
Cash	3.5%	40,000
Total		810,000
Present value of scheme liabilities		(887,000)
Net pension liability		(77,000)

Reconciliation of defined benefit obligation

Year ended:	31 March 2012 £
Opening defined benefit obligation	690,000
Current service cost	31,000
Interest cost	39,000
Contributions by members	10,000
Actuarial losses / (gains)	119,000
Past service costs / (gains)	-
Liabilities extinguished on settlements	-
Liabilities assumed in a business combination	-
Exchange differences	-
Estimated unfunded benefits paid	-
Estimated benefits paid	(2,000)
Closing defined benefit obligation	887,000

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2012

27. PENSION COSTS (continued)

Reconciliation of fair value of employer assets

<i>Year ended:</i>	31 March 2012
	£
Opening fair value of employer assets	665,000
Expected return on assets	47,000
Contributions by members	10,000
Contributions by the employer	35,000
Contributions in respect of unfunded benefits	-
Actuarial gains / (losses)	55,000
Assets distributed on settlements	-
Assets acquired in a business combination	-
Exchange differences	-
Estimated unfunded benefits paid	-
Estimated benefits paid	(2,000)
Closing fair value of employer assets	<u>810,000</u>
Net pension liability	<u>(77,000)</u>

Analysis of amounts included in Income & Expenditure Account

	2012
	£
Current service cost	31,000
Interest cost	39,000
Expected return on employers assets	(47,000)
Past service cost	-
Losses / (gains) on curtailments and settlements	-
Charge to staff costs	<u>23,000</u>

Analysis of amount recognised in Statement of Total Recognised Surpluses and Deficits

	2012
	£
Actuarial (loss) recognised in statement of recognised surpluses and deficits	<u>(64,000)</u>

GOVANHILL HOUSING ASSOCIATION LIMITED

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NOTES TO THE ACCOUNTS*For the year ended 31 March 2012***28. CAPITAL COMMITMENTS**

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
<i>Expenditure contracted less certified</i>	<u>3,168,000</u>	<u>1,120,000</u>	<u>2,543,000</u>	<u>1,120,000</u>
<i>Funded by:</i>				
<i>Social Housing Grant</i>	936,000	237,000	561,000	237,000
<i>Glasgow City Council Private Sector Housing Grant</i>	279,000	0	29,000	0
<i>Reserves</i>	<u>1,953,000</u>	<u>883,000</u>	<u>1,953,000</u>	<u>883,000</u>
	<u>3,168,000</u>	<u>1,120,000</u>	<u>2,543,000</u>	<u>1,120,000</u>
<i>Expenditure authorised by the management committee not contracted for</i>	<u>5,290,000</u>	<u>8,443,000</u>	<u>5,290,000</u>	<u>8,443,000</u>
<i>Funded by:</i>				
<i>Social Housing Grant</i>	40,000	2,535,000	40,000	2,535,000
<i>Glasgow City Council Private Sector Housing Grant</i>	400,000	250,000	400,000	250,000
<i>Reserves</i>	<u>4,850,000</u>	<u>5,658,000</u>	<u>4,850,000</u>	<u>5,658,000</u>
	<u>5,290,000</u>	<u>8,443,000</u>	<u>5,290,000</u>	<u>8,443,000</u>

29. 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.