GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
YEAR TO 31 MARCH 2013

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 2013

CONTENTS

KEY FINANCIAL HIGHLIGHTS

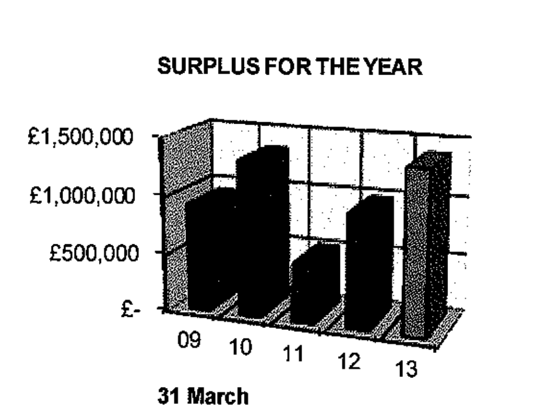
	2012/13	2011/12	Change
• Surplus for the year	£1,385,715	£976,917	+42%
• Net investment in improving existing tenants homes and also providing new housing	£4,541,904	£5,794,421	-22%
• Financial reserves	£15,234,691	£13,841,976	+10%
• Current ratio	0.86 times	1.30 times	-34%
• Interest cover ratio	8.64 times	6.97 times	+24%

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.

SURPLUS FOR THE YEAR - INCREASE 42%

It gives us pleasure to report to our members that the Association made satisfactory operational and financial progress during the year to 31 March 2013. The surplus generated in the year to 31 March 2013 was £1,385,715.



This was a significant increase of 42% on the surplus of £976,917 generated in the previous financial year.

The Association's turnover was £9,032,198 during 2012/13, an increase of 5%, compared with the turnover of £8,620,884 in 2011/12.

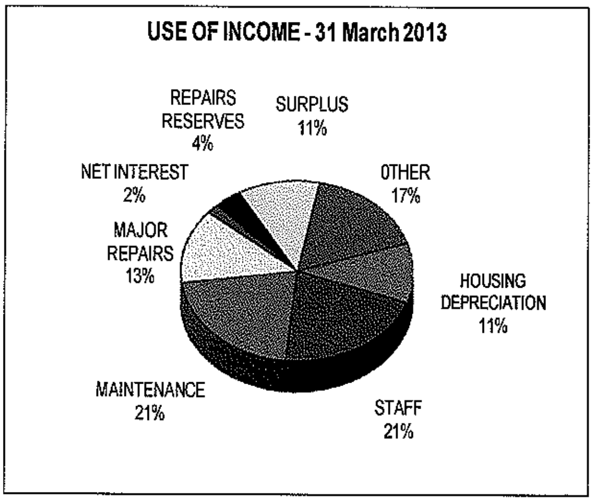
Operating costs increased by 2%, from £7,500,478 in 2011/12 to £7,628,085 in 2012/13. This sub-inflationary increase in operating costs was largely attributable to tight cost control.

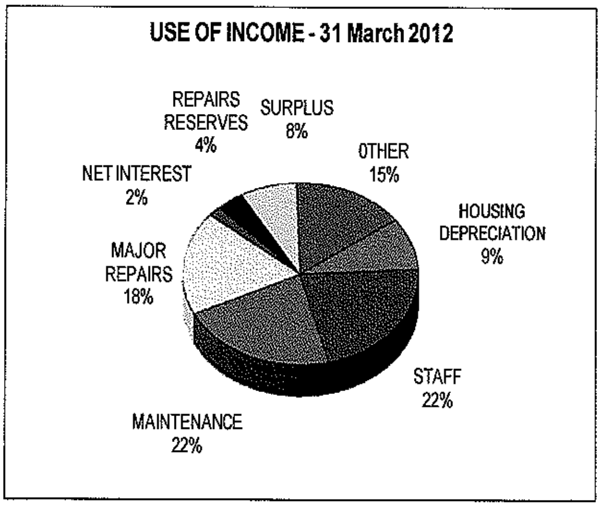
To ensure that adequate funds are available to meet our commitment to carry out future major repairs, the Association has set aside £349,970 from its surplus for 2012/13 of £1,385,715 and has transferred this amount to financial reserves held to fund future major repairs.

The remaining balance increased the Association's revenue reserves to £9,767,235 at 31 March 2013. 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 2012/13 and 2011/12 is shown on the graphs below.





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 8% to 11%.

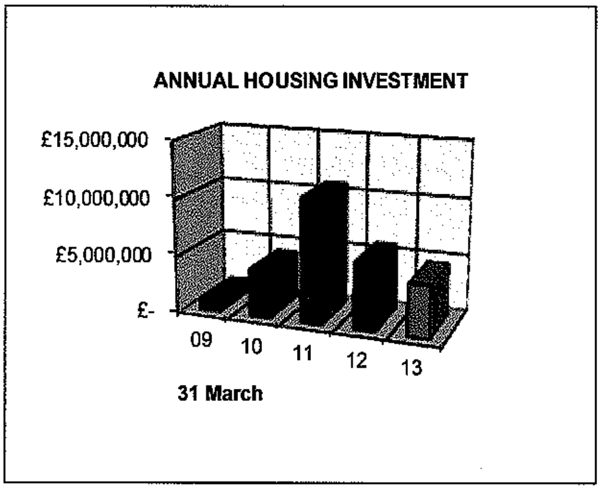
The Association is committed to a significant programme of major repairs to improve its older stock. We have budgeted for a significant increase in expenditure in our medium-term and long-term financial projections.

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 22%

The Association was able to invest £4,541,904 in housing in the year to 31 March 2013, comprising of development of additional homes and capitalised major repairs expenditure on our existing stock. This was a decrease of 22% on the investment of £5,794,421 made in 2011/12. 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'.



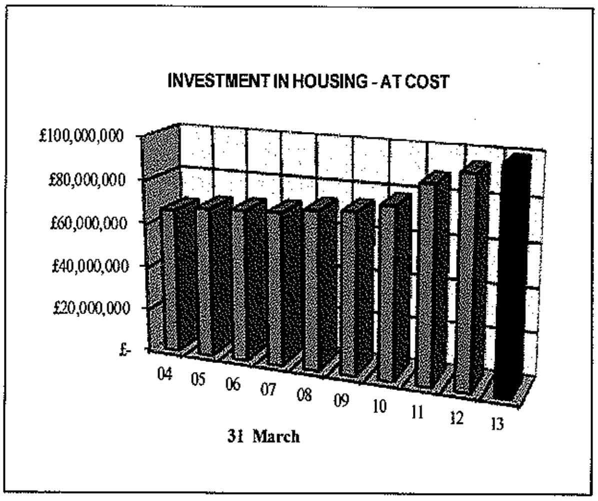
A strong commitment to investment in housing by the Scottish Government and Glasgow City Council is required to eradicate the large number of properties which are still in a sub-tolerable condition within the Govanhill area.

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 at the corner of

INVESTMENT IN HOUSING - cont.

Butterbiggins Road / Cathcart Road and on the Backcourt Improvement Initiative.

During the last ten years our investment in housing properties has increased from £62,279,736 at 31 March 2003 to £98,951,087 at 31 March 2013.



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 £3,753,528 on its major repairs programme, consisting of: capitalised expenditure of £2,540,110 included in the value of housing assets; and £1,213,418 which is included as the major repairs expenditure in the Income and Expenditure Account. This involved the replacement of 85 older kitchens and bathrooms with new installations, 115 new central heating systems, 50 homes with new windows and various other improvement and upgrading works relating to stonework repairs, door entry systems, suspended ceilings, insulation works and roof replacements.

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.

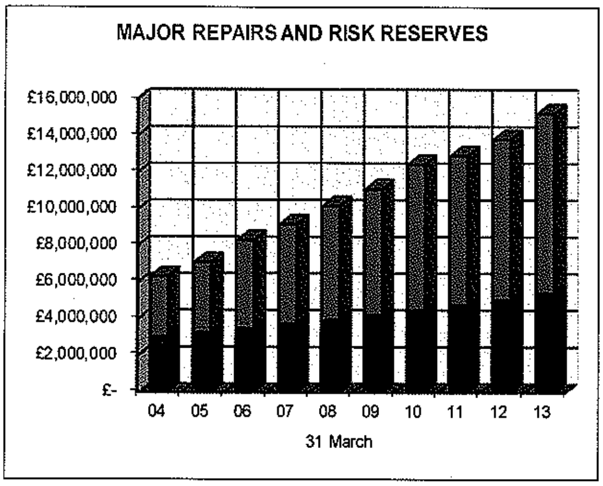
At 31 March 2012 the Association had set aside £5,117,486 of restricted and designated reserves to cover future major repairs expenditure. This was increased further, to £5,467,456 at 31 March 2013, by an additional transfer of £349,970 from the surplus for the financial year of £1,385,715.

FINANCIAL RESERVES - INCREASE 10%

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

FINANCIAL RESERVES - cont.

at £15,234,691 at 31 March 2013. This represents an increase of 10%, compared with the financial reserves at 31 March 2012 of £13,841,976.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

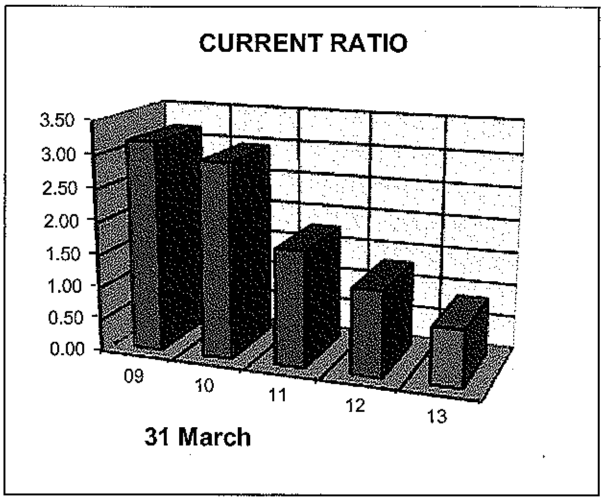
A net cash inflow from operating activities of £2,820,631 was generated in 2012/13, compared with a net cash inflow from operating activities of £2,973,948 in 2011/12. The inflow from operating activities in 2012/13 reflects:

- *an operating surplus of £1,404,113 plus non-cash depreciation of £1,147,966; and*
- *an increase in creditors of £138,057 and a decrease in debtors of £147,844.*

The decrease in cash generated during 2012/13 of £1,360,527, compared with an increase of £95,886 in 2011/12, was mainly attributable to:

- *a decrease in operational cashflows of £153,317;and*
- *an increase in our net investment in property and other fixed assets of £1,296,579.*

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 1.30 times cover at 31 March 2012 to 0.86 times cover at 31 March 2013, a decrease of 34% as shown on the graph below.



This ratio was lower at 31 March 2013 than the Association's long-term internal target. The Association decided to reduce this ratio below its prudent long-term target for two reasons:

- *first, because its current liabilities at 31 March 2013 included creditors not due for many months after the financial year end. This allowed the Association to make interest costs savings by the deferral of loans raised to fund our ongoing development and major repairs programmes; and*
- *second, because the Association has a £15 million loan facility arranged with Barclays plc and can draw down loans in a matters of days, when funds are needed by the Association to meet its cashflow requirements. This allows the Association to restore its current ratio in line with its prudent long-term target very quickly. In fact, this action was taken by the Association after the financial year end, when it drew down £5 million from the Barclays loan facility on 2 May 2013 to fund the forthcoming planned cash outflows arising from its ongoing major repairs programme.*

Cash and bank balances less bank overdrafts stood at £1,870,819 at 31 March 2013, compared

CASH AND LIQUIDITY – cont.

with £3,231,346 at 31 March 2012, a decrease of 42% during the financial year.

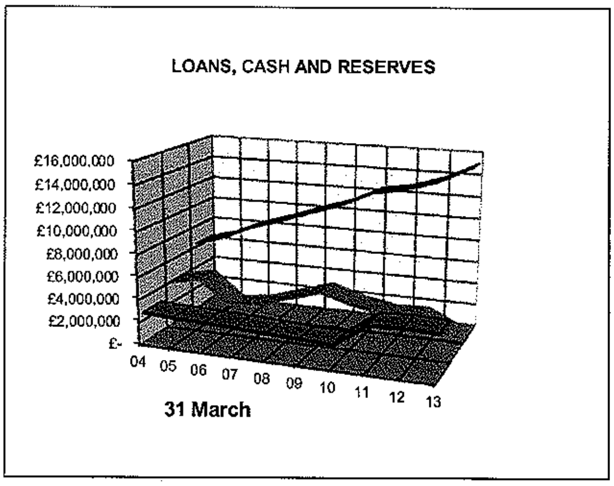
TREASURY MANAGEMENT

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 was 4% in both 2012/13, and 2011/12. 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 financial 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 8 years to fund our Business Plan objectives. At 31 March 2013 total drawdowns to date against this facility amounted to £2.8 million. 10-year interest rate fixes were arranged for these loans to reduce the Association's exposure to future increases in interest rates.

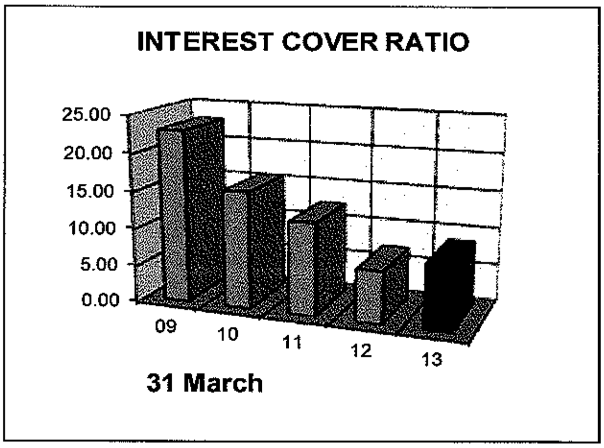
Approval of the loan facility by Barclays plc required the Association to agree to comply with a number of financial covenants. These financial covenants are set to ensure that the Association maintains financial discipline and adheres to prudent financial management.

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 2013.

INTEREST COVER RATIO - INCREASE 24%

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 increased by 24% to 8.64 times cover in 2012/13, compared with 6.97 times cover in 2011/12, 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 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.

It is our belief that worst point of the recent financial crisis has passed now, but the recovery from this point will be slow and protracted. 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.

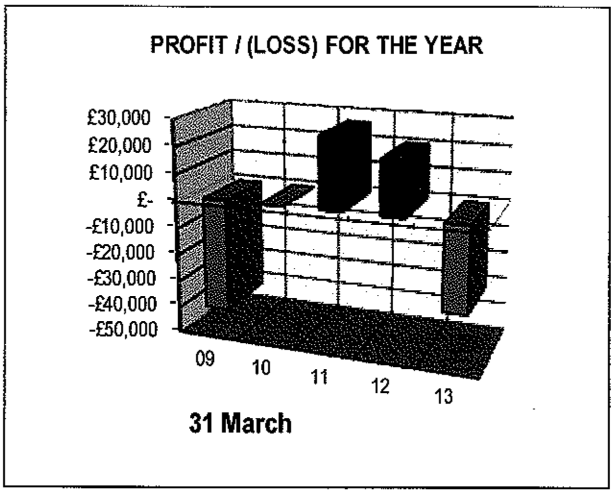
GOVANHILL COMMUNITY DEVELOPMENT TRUST LIMITED

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

LOSS FOR THE YEAR

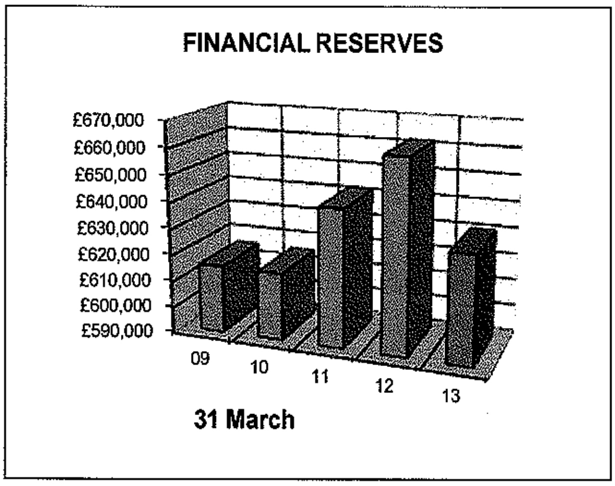
The Trust made a loss of £31,450 during the year to 31 March 2013, compared with a profit of £20,109 in 2011/12. This reflects repairs costs required to maintain the standard of our commercial properties and also continuing recessionary influences on the commercial property market.

The loss for the year was generated principally from: renting commercial units; 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's financial reserves have decreased over the last five years to £630,511 at 31 March 2013, from £657,063 at 31 March 2008.



THE FOCUS OF THE TRUST'S WORK IN 2012/13

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. An additional benefit of the backcourt improvements was the employment opportunity it provided to 75 trainees to gain new skills and improve their future job prospects.

Last year the Trust was able to offer its office/workspace at Forsyth House in Coplaw Street to Sistema Scotland in order to help establish a 'Big Noise' centre in Govanhill. This will provide opportunities for the lives of young children to be transformed through music.

The Trust was also instrumental in encouraging Food Train to locate in the area by providing accommodation at Govanhill Workspace. Elderly people in the area now have the benefit of a shopping service and other household support services including befriending.

As a result of promoting and supporting new business ventures, the Trust is now part of a consortium developing social entrepreneurship learning programmes across the European Union. This will help enable the Trust to develop its Social Enterprise Incubator unit at Govanhill Workspace beyond the initial six month pilot.

The Trust also continued to support 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 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 £6,399 in the year to 31 March 2013, compared with a deficit of £510 in the previous financial year.

BALANCE SHEET

GREAT Gardens' balance sheet at 31 March 2013 was satisfactory. Its financial reserves increased to £39,112 and were backed by cash *and bank balances, net of overdrafts, of £53,434, while its debtors stood at £12,590 and its creditors stood at £36,554 at the financial year end.*

THE FOCUS OF GREAT GARDENS' WORK IN 2012/13

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 GREAT Gardens' parent company, Govanhill Housing Association.

In addition, GREAT Gardens was a key partner in the Govanhill Backcourt Improvements & Employability Initiative promoted by Govanhill Housing Association and Govanhill Community Development Trust.

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 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 next phase of the Backcourt Improvements & Employability Initiative. The company has recently been awarded a contract to deliver environmental services and training as part of an employability initiative in Castlemilk with the Cassiltoun Trust

Malcolm MacDonald
Finance Manager

GOVANHILL HOUSING ASSOCIATION LIMITED
MANAGEMENT COMMITTEE MEMBERS, EXECUTIVE OFFICERS AND ADVISERS
For the year ended 31 March 2013

Management Committee

Janice McEwan	*(Chairperson)*
Margaret Montgomery	*(Vice Chair)*
Elizabeth Klein	*(Secretary)*
Cathie McCready	*(Treasurer)*
Robert Farrell	
Ann Scott	
Gina Smith	
Henry Rooney	
Mujeeb Ur Rehman	
John McLardie	
Ghazala Hakeem	
Linda Higgins	
Rosalind Carruth	*(Resigned 6/09/12)*
Rose O'Doherty	
Sophia Kaseke	
Karen Miller	*(Appointed 6/09/12)*
Afzal Rashid	*(Appointed 6/09/12)*

Co-opted Committee Members

Huda Alarashi	*(Appointed 24/10/12)*
Annie Macfarlane	*(Appointed 24/10/12)*

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

The management committee has pleasure in presenting their report and the audited accounts for the year ended 31 March 2013.

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 Group's performance during the year. The surplus for the year after taxation was £1,362,978 (2012 - £997,536). Transfers to designated reserves were £365,258 (2012 – £378,717) respectively. The Group's net assets are now £15,805,007 (2012 - £14,435,002).

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.

CORPORATE GOVERNANCE

For the year ended 31 March 2013

The Association considers that it has complied with 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 the Scottish Housing Regulator.

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 in Housing" guidance on "Internal financial control and financial reporting". Their report is set out on page 13.

STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES
For the year ended 31 March 2013

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, Part 6 of the Housing (Scotland) Act 2010, the Statement of Recommended Practice – Accounting by registered social housing providers issued in 2010, and the Scottish Housing Regulator's Determination of Accounting Requirements April 2012. 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

E. Klein

Elizabeth Klein
Secretary

Date: 7 August 2013

REPORT OF THE INDEPENDENT AUDITORS TO GOVANHILL HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS
For the year ended 31 March 2013

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 in Housing" 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 in Housing" 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: 08|08|2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2013

We have audited the Financial Statements of Govanhill Housing Association Limited for the year ended 31 March 2013 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 2013 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, Part 6 of the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements April 2012.*

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: 08|08|2013.

GOVANHILL HOUSING ASSOCIATION LIMITED
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2013

	Notes	2013 £	2012 £
TURNOVER	2(a)	9,369,044	8,986,417
Operating costs	2(a)	(7,996,264)	(7,837,079)
OPERATING SURPLUS	2(a), 5	1,372,780	1,149,338
Gain on disposal of fixed assets		142,099	8,605
Other income		0	0
Interest receivable and other similar income	7	2,797	10,883
Interest payable and other similar charges	8	(162,799)	(162,294)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		1,354,877	1,006,532
Taxation on surplus on ordinary activities	9	8,101	(8,996)
SURPLUS FOR THE YEAR	22	1,362,978	997,536

The results for the year relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
For the year ended 31 March 2013

Retained surplus for the year		1,362,978	997,536
Actuarial gain / (loss) recognised in the retirement benefit scheme	27	7,000	(64,000)
Total recognised surpluses and deficits since last annual report		1,369,978	933,536

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 2013

	Notes	2013 £	2012 £
TURNOVER	2(b)	9,032,198	8,620,884
Operating costs	2(b)	(7,628,085)	(7,500,478)
OPERATING SURPLUS	2(b), 5	1,404,113	1,120,406
Gain on disposal of fixed assets		142,099	8,605
Interest receivable and other similar income	7	2,302	10,192
Interest payable and other similar charges	8	(162,799)	(162,286)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		1,385,715	976,917
Taxation on surplus on ordinary activities	9	0	0
SURPLUS FOR THE YEAR	22	1,385,715	976,917

The results for the year relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
For the year ended 31 March 2013

	Notes	2013 £	2012 £
Retained surplus for the year		1,385,715	976,917
Actuarial gain / (loss) recognised in the retirement benefit scheme	27	7,000	(64,000)
Total recognised surpluses and deficits since last annual report		1,392,715	912,917

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 2013

	Notes	2013 £	2012 £
TANGIBLE FIXED ASSETS			
Housing properties - gross cost less depreciation		94,778,587	91,309,686
Less: Social housing grant		69,226,070	68,730,612
Other grants		3,752,997	3,752,997
	11(a)	21,799,520	18,826,077
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		6,168,516	6,225,053
Less: Grants		3,742,661	3,742,661
	11(e)	2,425,855	2,482,392
		24,225,375	21,308,469
INTANGIBLE FIXED ASSETS			
Negative goodwill	13	(4,024,782)	(4,108,632)
CURRENT ASSETS			
Stock and work in progress	14	2,313	3,815
Debtors	15	1,068,198	1,147,161
Cash at bank and in hand		2,533,107	4,132,156
		3,603,618	5,283,132
CREDITORS: amounts falling due within one year	16	3,873,604	3,872,356
NET CURRENT (LIABILITIES) / ASSETS		(269,986)	1,410,776
TOTAL ASSETS LESS CURRENT LIABILITIES		19,930,607	18,610,613
CREDITORS: amounts falling due after more than one year	17	3,972,791	4,080,802
PROVISIONS FOR LIABILITIES AND CHARGES	18	152,809	94,809
NET ASSETS		15,805,007	14,435,002
CAPITAL AND RESERVES			
Share capital	19	1,250	1,223
Designated reserves	20(a)	6,081,067	5,715,809
Restricted reserves	21	16,900	16,900
Revenue reserve	22	9,705,790	8,701,070
CAPITAL EMPLOYED	23	15,805,007	14,435,002

Approved by members of the management committee on: 7 AUGUST 2013

CHAIRPERSON James McEwan — **J. McEWAN**

SECRETARY E. Klein — **E. KLEIN**

TREASURER C McCready — **C. McCREADY**

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

GOVANHILL HOUSING ASSOCIATION LIMITED

COMPANY BALANCE SHEET

For the year ended 31 March 2013

	Notes	2013 £	2012 £
TANGIBLE FIXED ASSETS			
Housing properties - gross cost less depreciation		94,006,392	90,537,302
Less: Social housing grant		69,226,070	68,730,612
Other grants		2,987,958	2,987,958
	11(c)	21,792,364	18,818,732
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		3,018,665	3,055,893
Less: Grants		937,137	937,137
	11(f)	2,081,528	2,118,756
		23,873,892	20,937,488
INVESTMENT	12	100	100
INTANGIBLE FIXED ASSETS			
Negative goodwill	13	(4,024,782)	(4,108,632)
CURRENT ASSETS			
Stock and work in progress	14	2,213	3,714
Debtors	15	1,006,926	1,154,770
Cash at bank and in hand		2,184,214	3,787,195
		3,193,353	4,945,679
CREDITORS: *amounts falling due within one year*	16	3,698,831	3,799,980
NET CURRENT (LIABILITIES) / ASSETS		(505,478)	1,145,699
TOTAL ASSETS LESS CURRENT LIABILITIES		19,343,732	17,974,655
CREDITORS: *amounts falling due after more than one year*	17	3,972,791	4,054,456
PROVISIONS FOR LIABILITIES AND CHARGES	18	135,000	77,000
NET ASSETS		15,235,941	13,843,199
CAPITAL AND RESERVES			
Share capital	19	1,250	1,223
Designated reserves	20(b)	5,450,556	5,100,586
Restricted reserves	21	16,900	16,900
Revenue reserve	22	9,767,235	8,724,490
CAPITAL EMPLOYED	23	15,235,941	13,843,199

Approved by members of the management committee on: 7 August 2013

CHAIRPERSON Jamie McEwan ***J. McEWAN***

SECRETARY E. Klein ***E. KLEIN***

TREASURER Cllr McCready ***C. McCREADY***

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

GOVANHILL HOUSING ASSOCIATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2013

	Notes	2013 £	2012 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	2,841,699	2,993,666
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2,797	2,883
Interest paid		(162,799)	(162,294)
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(160,002)	(159,411)
TAXATION			
Corporation tax paid		(10,759)	(12,319)
NET CASH (OUTFLOW) ON TAXATION		(10,759)	(12,319)
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(4,560,424)	(5,799,285)
Purchase of other fixed assets		(40,493)	(43,975)
Capital grants received		495,458	3,172,295
Sales of housing properties		160,305	13,469
Sales of commercial properties		0	0
Sales of other fixed assets		0	0
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(3,945,154)	(2,657,496)
NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING		(1,274,216)	164,440
FINANCING			
Issue of ordinary share capital		27	21
Loan advances received		0	0
Loan principal repayments		(78,417)	(72,297)
NET CASH (OUTFLOW) FROM FINANCING		(78,390)	(72,276)
(DECREASE) / INCREASE IN CASH	25	(1,352,606)	92,164

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 2013

	Notes	2013 £	2012 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	2,820,631	2,973,948
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2,302	2,192
Interest paid		(162,799)	(162,286)
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(160,497)	(160,094)
TAXATION			
Corporation tax paid		0	0
NET CASH (OUTFLOW) ON TAXATION		0	0
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(4,560,424)	(5,799,285)
Purchase of other fixed assets		(37,610)	(32,171)
Capital grants received		495,458	3,172,295
Sales of housing properties		160,305	13,469
Sales of commercial properties		0	0
Sales of other fixed assets		0	0
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(3,942,271)	(2,645,692)
NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING		(1,282,137)	168,162
FINANCING			
Issue of ordinary share capital		27	21
Loan advances received		0	0
Loan principal repayments		(78,417)	(72,297)
NET CASH (OUTFLOW) FROM FINANCING		(78,390)	(72,276)
(DECREASE) / INCREASE IN CASH	25	(1,360,527)	95,886

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

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 Scottish Housing Regulator's Determination of Accounting Requirements April 2012. 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 31March.

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.

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*
Roofs	*50*
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*

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 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.

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

GROUP	2013 Turnover £	Operating costs £	Operating surplus / (deficit) £	2012 Operating surplus/ (deficit) for previous period £
Social lettings	8,513,435	(6,901,226)	1,612,209	1,337,018
Other activities	773,941	(966,018)	(192,077)	(146,926)
Incoming resources from charitable subsidiary	81,668	(129,020)	(47,352)	(40,754)
Total	9,369,044	(7,996,264)	1,372,780	1,149,338
Total for previous period of account	8,986,417	(7,837,079)	1,149,338	

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

COMPANY	Note	2013 Turnover £	Operating costs £	Operating surplus / (deficit) £	2012 Operating surplus/ (deficit) for previous period £
Social lettings	3	8,456,713	(6,990,501)	1,466,212	1,160,693
Other activities	4	575,485	(637,584)	(62,099)	(40,287)
Total		9,032,198	(7,628,085)	1,404,113	1,120,406
Total for previous period of account		8,620,884	(7,500,478)	1,120,406	

NOTES TO THE ACCOUNTS

For the year ended 31 March 2013

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

Company

	General Needs Housing	Supported Housing Accommodation	Shared Ownership Housing	Other Shared Equity Housing	2013 Total	2012 Total
	£	£	£	£	£	£
Rent receivable net of service charges	8,109,852	281,678	0	8,846	8,400,376	7,860,299
Service charges	170,230	0	0	1,112	171,342	145,585
Gross income from rents and service charges	8,280,082	281,678	0	9,958	8,571,718	8,005,884
Less voids	(124,737)	(4,297)	0	0	(129,034)	(101,333)
Net income from rents and service charges	8,155,345	277,381	0	9,958	8,442,684	7,904,551
Grants from Scottish Ministers	0	0	0	0	0	0
Other revenue grants	14,029	0	0	0	14,029	28,838
Total turnover from social letting activities	8,169,374	277,381	0	9,958	8,456,713	7,933,389
Management and maintenance administration costs	(2,405,435)	(22,101)	0	(5,984)	(2,433,520)	(2,355,797)
Service costs	(169,017)	0	0	(1,112)	(170,129)	(145,146)
Planned and cyclical maintenance including major repairs costs	(2,144,164)	(49,955)	0	0	(2,194,119)	(2,279,648)
Reactive maintenance costs	(932,852)	(45,770)	0	(2,375)	(980,997)	(1,115,306)
Bad debts - rents and service charges	(220,690)	0	0	0	(220,690)	(87,203)
Depreciation of social housing	(1,062,862)	(1,767)	0	(10,267)	(1,074,896)	(873,445)
Impairment of social housing	0	0	0	0	0	0
Release of negative goodwill	83,850	0	0	0	83,850	83,850
Operating costs for social letting activities	(6,851,170)	(119,593)	0	(19,738)	(6,990,501)	(6,772,696)
Operating surplus or deficit for social lettings	1,318,204	157,788	0	(9,780)	1,466,212	1,160,693
Operating surplus or deficit for social lettings for previous year	1,034,026	128,634	0	(1,967)	1,160,693	

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

Company

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover £	Operating Costs - Bad debts (write off)/ recovery £	Other operating costs £	Operating surplus or (deficit) £	Operating surplus or (deficit) for previous period of account £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	0	0	0	0	0	0	(165)	(165)	(284)
Care and repair of property	0	0	0	0	0	0	0	0	0
Factoring	0	0	0	516,548	516,548	(18,087)	(564,103)	(65,642)	(38,632)
Development and construction of property activities	0	0	0	0	0	1,305	0	1,305	(51,766)
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	0	0	0	0	0	0	0	25,161
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	0	0	0	0	0	24,785
Other activities									
- Management expenses charged to subsidiary companies	0	0	0	44,828	44,828	0	(44,828)	0	0
- Rental of commercial property	0	0	0	6,023	6,023	0	(11,706)	(5,683)	(4,175)
- Hire of conference hall	0	0	0	7,398	7,398	0	0	7,398	4,624
- Sale of other fixed assets	0	0	0	688	688	0	0	688	0
TOTAL FROM OTHER ACTIVITIES	0	0	0	575,485	575,485	(16,782)	(620,802)	(62,099)	(40,287)
TOTAL FROM OTHER ACTIVITIES (2012)	0	25,161	0	662,334	687,495	(59,398)	(668,384)	(40,287)	

5. OPERATING SURPLUS

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Operating surplus is stated after charging/(crediting):				
Depreciation	1,170,347	962,542	1,147,966	940,371
Repairs: cyclical, major, day to day	3,302,662	3,490,738	3,175,116	3,394,954
Gain on sale of fixed assets	(142,787)	(8,605)	(142,787)	(8,605)
Auditor's remuneration				
- In their capacity as auditors	19,949	18,602	11,320	11,706
- In respect of other services	1,876	1,804	0	0

6 (a). EMPLOYEES

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Staff costs during the year:				
Wages and salaries	1,713,628	1,695,409	1,537,962	1,486,261
Social security costs (national insurance contributions)	135,748	128,611	129,026	121,649
Other pension costs	265,148	260,138	250,231	246,943
Redundancy costs	0	0	0	0
	2,114,524	2,084,158	1,917,219	1,854,853

Included in other pensions costs are: Past service deficit payments of £122,297 (2012 - £113,208).

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

6 (b). DIRECTORS' EMOLUMENTS

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Total emoluments				
(including pension contributions and benefits in kind)	338,719	321,172	338,719	321,172
The emoluments (excluding pension contributions)				
of the highest paid director amount to	71,244	68,665	71,244	68,665
Pension contributions	6,839	6,563	6,839	6,563
Total expenses reimbursed in so far as not chargeable				
to United Kingdom income tax				
Management Committee	2,172	1,202	2,172	1,202

	Number	Number	Number	Number
£60,001 - £70,000	4	4	4	4
£70,001 - £80,000	1	1	1	1
£80,001-£90,000	0	0	0	0

The Association is managed by a voluntary committee who act as directors of the Association. The subsidiary companies, Govanhill Community Development Trust Limited and GREAT Gardens, 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.

7. INTEREST RECEIVABLE AND OTHER SIMILAR INCOME

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Interest receivable on deposits	2,797	2,883	2,302	2,192
FRS 17 finance charge	0	8,000	0	8,000
	2,797	10,883	2,302	10,192

8. INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Bank loans and overdrafts repayable within five years	3	111	3	103
Other loans repayable within five years	0	0	0	0
Other loans repayable wholly or partly in more than five years	162,796	162,183	162,796	162,183
	162,799	162,294	162,799	162,286

9. TAXATION

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
UK corporation tax: Current Year at 20% (2012 - 20%)	(8,101)	10,759	0	0
Adjustment for prior years	0	16	0	0
Deferred taxation (note 18)	0	(1,779)	0	0
	(8,101)	8,996	0	0

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

10. HOUSING STOCK

	Group 2013 Number	Group 2012 Number	Company 2013 Number	Company 2012 Number
The number of units of accomodation in management at the year end was:				
General needs - new build	208	173	208	173
- rehabilitation	2,149	2,126	2,149	2,126
Supported housing	92	116	77	101
Shared ownership	6	6	6	6
	2,455	2,421	2,440	2,406

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 £	2013 Total £
COST				
At start of year	90,992,330	3,912,832	278,476	95,183,638
Additions	2,819,868	1,740,556	0	4,560,424
Disposals	(18,520)	0	0	(18,520)
Transfers to stock	0	0	0	0
Schemes completed in the year	5,166,624	(5,166,624)	0	0
At end of year	98,960,302	486,764	278,476	99,725,542
DEPRECIATION				
At start of year	3,785,192	0	88,760	3,873,952
Charged during year	1,063,050	0	10,267	1,073,317
Eliminated on disposal	(314)	0	0	(314)
At end of year	4,847,928	0	99,027	4,946,955
SOCIAL HOUSING GRANT				
At start of year	65,348,155	3,252,308	130,149	68,730,612
Additions	347,081	148,377	0	495,458
Disposals	0	0	0	0
Transfers to stock	0	0	0	0
Schemes completed in the year	3,400,685	(3,400,685)	0	0
At end of year	69,095,921	0	130,149	69,226,070
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	21,263,456	486,764	49,300	21,799,520
At start of year	18,105,986	660,524	59,567	18,826,077

Development administration costs capitalised amounted to £360,899 (2012 - £296,490) for which Social Housing Grants amounting to £0 (2012 - £2,884) 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 charged on these properties. Other grants received are repayable under certain circumstances.

11(b).	2013 £	2012 £
Housing properties comprise:		
Heritable	21,799,520	18,826,077

NOTES TO THE ACCOUNTS

For the year ended 31 March 2013

11(c). TANGIBLE FIXED ASSETS

Housing Properties

COMPANY	Housing properties held for letting £	Housing properties in the course of construction £	Shared equity properties held for letting £	2013 Total £
COST				
At start of year	90,217,875	3,912,832	278,476	94,409,183
Additions	2,819,868	1,740,556	0	4,560,424
Disposals	(18,520)	0	0	(18,520)
Transfers to stock	0	0	0	0
Schemes completed in the year	5,166,624	(5,166,624)	0	0
At end of year	98,185,847	486,764	278,476	98,951,087
DEPRECIATION				
At start of year	3,783,121	0	88,760	3,871,881
Charged during year	1,062,861	0	10,267	1,073,128
Eliminated on disposal	(314)	0	0	(314)
At end of year	4,845,668	0	99,027	4,944,695
SOCIAL HOUSING GRANT				
At start of year	65,348,155	3,252,308	130,149	68,730,612
Additions	347,081	148,377	0	495,458
Disposals	0	0	0	0
Transfers to stock	0	0	0	0
Schemes completed in the year	3,400,685	(3,400,685)	0	0
At end of year	69,095,921	0	130,149	69,226,070
OTHER GRANTS				
At start of year	2,987,958	0	0	2,987,958
Additions	0	0	0	0
Transfers	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	21,256,300	486,764	49,300	21,792,364
At start of year	18,098,641	660,524	59,567	18,818,732

Development administration costs capitalised amounted to £360,899 (2012 - £296,490) for which Social Housing Grants amounting to £0 (2012 - £2,884) 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 charged on these properties. Other grants received are repayable under certain circumstances.

11(d).

	2013 £	2012 £
Housing properties comprise:		
Heritable	21,792,364	18,818,732

11(e). TANGIBLE FIXED ASSETS

Other Fixed Assets GROUP	Heritable office property £	Computer and office equipment £	Hostels equipment £	Commercial premises £	2013 Total £
COST					
At start of year	3,521,150	338,983	74,287	2,998,408	6,932,828
Transfers	0	0	0	0	0
Additions	0	40,493	0	0	40,493
Disposals	0	(7,270)	0	0	(7,270)
At end of year	3,521,150	372,206	74,287	2,998,408	6,966,051
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	319,247	287,861	26,801	73,866	707,775
Charged during year	47,161	37,626	1,767	10,476	97,030
Eliminated on disposal	0	(7,270)	0	0	(7,270)
At end of year	366,408	318,217	28,568	84,342	797,535
NET BOOK VALUE					
At end of year	2,295,045	53,989	7,385	69,436	2,425,855
At start of year	2,342,206	51,122	9,152	79,912	2,482,392

11(f). COMPANY

COST					
At start of year	3,217,739	261,161	34,275	81,990	3,595,165
Transfers	0	0	0	0	0
Additions	0	37,610	0	0	37,610
Disposals	0	(7,270)	0	0	(7,270)
At end of year	3,217,739	291,501	34,275	81,990	3,625,505
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	282,965	230,911	25,123	273	539,272
Charged during year	47,161	25,819	1,767	91	74,838
Disposals	0	(7,270)	0	0	(7,270)
At end of year	330,126	249,460	26,890	364	606,840
NET BOOK VALUE					
At end of year	2,027,916	42,041	7,385	4,186	2,081,528
At start of year	2,075,077	30,250	9,152	4,277	2,118,756

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 charged on these properties.

11(g).	Group 2013 £	2012 £	Company 2013 £	2012 £
Commercial premises comprise:				
Heritable	69,436	79,912	4,186	4,277

12. INVESTMENT

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
At start of year	0	0	100	100
New investment	0	0	0	0
At end of year	0	0	100	100

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

13. NEGATIVE GOODWILL

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
At start of year	4,108,632	4,192,482	4,108,632	4,192,482
Amortised in the year	(83,850)	(83,850)	(83,850)	(83,850)
At end of year	4,024,782	4,108,632	4,024,782	4,108,632

14. STOCK AND WORK IN PROGRESS

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
NEW SUPPLY SHARED EQUITY				
Completed stock:				
At start of year	0	156,275	0	156,275
Cost transfer from other assets	0	0	0	0
Transferred from incomplete stock	0	0	0	0
Disposal / write down of cost of sales	0	(156,275)	0	(156,275)
NSSE Property at end of year	0	0	0	0
OTHER STOCK				
Postage, stationery and maintenance stock	2,313	3,815	2,213	3,714
At end of year	2,313	3,815	2,213	3,714

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 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Amounts falling due within one year:				
Rental debtors - housing benefit	11,288	84,708	11,288	84,708
- other	459,350	357,574	457,350	356,911
Less: provision for bad debts	(351,074)	(205,858)	(351,074)	(205,858)
Amounts due by subsidiary companies	0	0	64,224	28,377
Capital grants receivable	264,189	525,991	164,189	525,991
Corporation tax	8,101	0	0	0
Other debtors	562,450	204,372	560,636	196,581
Prepayments and accrued income	113,894	180,374	100,313	168,060
	1,068,198	1,147,161	1,006,926	1,154,770

Technical arrears at 31 March 2013 were £51,221 (2012 - £101,322).

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Housing loans (note 17a)	76,214	72,966	76,214	72,966
Non-housing loans	0	0	0	0
Amounts due to subsidiary company	0	0	65,829	38,264
Bank overdraft	313,395	559,838	313,395	555,849
Trade creditors	1,256,892	1,185,291	1,142,269	1,170,182
Corporation tax	0	10,759	0	0
Other taxation and social security costs	62,355	46,355	57,808	41,875
Social Housing Grant in advance	39,381	39,381	39,381	39,381
Other creditors	1,115,215	971,238	1,066,399	942,102
Accruals and deferred income	562,787	594,068	545,594	581,260
Rent deposits	15,637	14,055	0	0
Rent in advance	409,452	362,807	369,666	342,503
Factoring in advance	22,276	15,598	22,276	15,598
	3,873,604	3,872,356	3,698,831	3,799,980

Included within accruals and deferred income is an amount due of £29,633 (2012 - £nil) in respect of pension contributions. Also included within accruals and deferred income is an amount due to The Scottish Government of £nil (2012 - £7,879).

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

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Housing loans	3,972,791	4,054,456	3,972,791	4,054,456
Non-housing loans	0	0	0	0
Deferred Income	0	26,346	0	0
	3,972,791	4,080,802	3,972,791	4,054,456

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 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
In one year or less (note 16)	76,214	72,966	76,214	72,966
Between one and two years	77,021	73,599	77,021	73,599
Between two and five years	237,030	225,465	237,030	225,465
In five years or more	3,658,740	3,755,391	3,658,740	3,755,391
	4,049,005	4,127,421	4,049,005	4,127,421

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Deferred taxation	17,809	17,809	0	0
Retirement benefit scheme deficit	135,000	77,000	135,000	77,000
	152,809	94,809	135,000	77,000

19. SHARE CAPITAL	***2013***	***2012***
	£	***£***
Shares of £1 each fully paid and issued:		
At start of year	*410*	*415*
Shares issued during year	*27*	*21*
Shares forfeited during year	*(21)*	*(26)*
At end of year	*416*	*410*
Forfeited shares:		
At start of year	*813*	*787*
Transferred from share capital during year	*21*	*26*
At end of year	*834*	*813*
Total share capital:		
At start of year	*1,223*	*1,202*
At end of year	*1,250*	*1,223*

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. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

20(a). DESIGNATED RESERVES

GROUP	***Reserve for future major works to properties***	***Reserve for future cyclical maintenance properties***	***Reserve for future replacement of assets***	***2013 Total***
	£	***£***	***£***	***£***
At start of year	*5,137,830*	*0*	*577,979*	*5,715,809*
Transfer from income and expenditure account	*327,609*	*0*	*37,649*	*365,258*
Transfer to restricted reserves	*0*	*0*	*0*	*0*
At end of year	*5,465,439*	*0*	*615,628*	*6,081,067*

20(b). DESIGNATED RESERVES

COMPANY	***Reserve for future major works to properties***	***Reserve for future cyclical maintenance properties***	***Reserve for future replacement of assets***	***2013 Total***
	£	***£***	***£***	***£***
At start of year	*4,591,253*	*0*	*509,333*	*5,100,586*
Transfer from income and expenditure account	*319,222*	*0*	*30,748*	*349,970*
Transfer to revenue reserves	*0*	*0*	*0*	*0*
At end of year	*4,910,475*	*0*	*540,081*	*5,450,556*

21. RESTRICTED RESERVES

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
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
	2013	2013
	£	£
At beginning of year	8,701,070	8,724,490
Retained surplus for the year	1,362,978	1,385,715
Actuarial loss recognised in the retirement benefit scheme	7,000	7,000
Transfer to designated reserves	(365,258)	(349,970)
Transfer from designated reserves	0	0
At end of year	9,705,790	9,767,235

23. STATEMENT OF RECONCILIATION OF MOVEMENTS IN CAPITAL EMPLOYED

	Group	Company
	2013	2013
	£	£
Opening capital employed	14,435,002	13,843,199
Shares issued during year	27	27
Retained surplus for the year	1,362,978	1,385,715
Actuarial loss recognised in the retirement benefit scheme	7,000	7,000
Closing capital employed	15,805,007	15,235,941

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

	Group 2013	Group 2012	Company 2013	Company 2012
	£	£	£	£
Operating surplus	1,372,780	1,149,338	1,404,113	1,120,406
Depreciation charges	1,170,348	962,543	1,147,966	940,371
Release of negative goodwill	(83,850)	(83,850)	(83,850)	(83,850)
Decrease in stock	1,501	154,386	1,501	154,386
Decrease / (increase) in debtors	76,731	(616,614)	147,844	(622,368)
Increase in creditors	239,189	1,431,863	138,057	1,469,003
FRS 17 salary adjustment	65,000	(4,000)	65,000	(4,000)
Net cash inflow from operating activities	2,841,699	2,993,666	2,820,631	2,973,948

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

	Group 2013	Group 2012	Company 2013	Company 2012
	£	£	£	£
(Decrease) / increase in cash during the year	(1,352,606)	92,164	(1,360,527)	95,886
Loan advances received	0	0	0	0
Loan principal repayments	78,417	72,297	78,417	72,297
Change in (debt) / net funds	(1,274,189)	164,461	(1,282,110)	168,183
Debt at start of year	(555,103)	(719,566)	(896,075)	(1,064,261)
Debt at end of year	(1,829,292)	(555,105)	(2,178,185)	(896,078)

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

GROUP	2012	Cash flows	Other changes	2013
	£	£	£	£
Cash at bank and in hand	4,132,156	(1,599,049)	0	2,533,107
Bank overdrafts	(559,838)	246,443	0	(313,395)
	3,572,318	(1,352,606)	0	2,219,712
Debt due within one year	(72,966)	72,966	(76,214)	(76,214)
Debt due after one year	(4,054,455)	5,450	76,214	(3,972,791)
	(555,103)	(1,274,190)	0	(1,829,293)

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

COMPANY	2012	Cash flows	Other changes	2013
	£	£	£	£
Cash at bank and in hand	3,787,195	(1,602,981)	0	2,184,214
Bank overdrafts	(555,849)	242,454	0	(313,395)
	3,231,346	(1,360,527)	0	1,870,819
Debt due within one year	(72,966)	72,966	(76,214)	(76,214)
Debt due after one year	(4,054,455)	5,450	76,214	(3,972,791)
	(896,075)	(1,282,111)	0	(2,178,186)

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2013

27. *PENSION COSTS*

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

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

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

The last formal valuation of the Scheme was performed as at 30 September 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 31 March 2013.

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

As at the balance sheet date there were 33 active members of the Scheme employed by Govanhill Housing Association Limited. The annual pensionable payroll in respect of these members was £1,058,873.

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 2013
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 (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement*
Pensioners	*SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement*

Contribution Rates for Future Service (payable from 1 April 2011)	*%*
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 2012. As of this date the estimated employer debt for Govanhill Housing Association Limited was £7,235,470.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2013

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 2011 were completed in 2012 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 £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%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% p.a.
Rate of return pre retirement	*4.9*
Rate of return post retirement:	
Active/Deferred	*4.2*
Pensioners	*4.2*
Bonuses on accrued benefits	*0.0*
Rate of price inflation (RPI)	*2.9*
Rate of price inflation (CPI)	*2.4*

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2013

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 Scheme Actuary has prepared a funding position update 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

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 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, 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.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

Owing to this situation, we have included 2 figures/calculations, namely:

- *The cost of withdrawal if we include Series 3 liabilities in the calculation*
- *The cost of withdrawal if we exclude Series 3 liabilities from the calculation*

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2013

27. PENSION COSTS (continued)

Govanhill Housing Association 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 2012. As of this date the estimated employer debt for Govanhill Housing Association was £34,849 including Series 3 liabilities and £42,886 excluding Series 3 liabilities.

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.

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 2013***
Pension increase rate	*2.8%*
Salary increases	*5.1% **
Expected return on assets	*5.2%*
Discount rate	*4.5%*

** 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 2013	***Value at 31 March 2013***
		£
Equities	*5.7%*	*680,000*
Bonds	*3.4%*	*125,000*
Property	*3.9%*	*63,000*
Cash	*3.0%*	*27,000*
Total		*895,000*
Present value of scheme liabilities		*(1,030,000)*
Net pension liability		*(135,000)*

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2013

27. PENSION COSTS (continued)

Reconciliation of defined benefit obligation

Year ended:	***31 March 2013***
	£
Opening defined benefit obligation	*887,000*
Current service cost	*27,000*
Interest cost	*42,000*
Contributions by members	*8,000*
Actuarial losses / (gains)	*137,000*
Past service costs / (gains)	-
Liabilities extinguished on settlements	-
Liabilities assumed in a business combination	-
Exchange differences	-
Estimated unfunded benefits paid	-
Estimated benefits paid	*(71,000)*
Closing defined benefit obligation	*1,030,000*

Reconciliation of fair value of employer assets

Year ended:	***31 March 2013***
	£
Opening fair value of employer assets	*810,000*
Expected return on assets	*46,000*
Contributions by members	*8,000*
Contributions by the employer	*30,000*
Contributions in respect of unfunded benefits	-
Actuarial gains / (losses)	*72,000*
Assets distributed on settlements	-
Assets acquired in a business combination	-
Exchange differences	-
Estimated unfunded benefits paid	-
Estimated benefits paid	*(71,000)*
Closing fair value of employer assets	*895,000*
Net pension liability	*(135,000)*

Analysis of amounts included in Income & Expenditure Account

	2013
	£
Current service cost	*27,000*
Interest cost	*42,000*
Expected return on employers assets	*(46,000)*
Past service cost	-
Losses / (gains) on curtailments and settlements	-
Charge to staff costs	*23,000*

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

	2013
	£
Actuarial gain recognised in statement of recognised surpluses and deficits	*7,000*

During the accounting period Govanhill Housing Association Limited paid contributions at the rate of 19.4% of pensionable salaries. Member contributions were paid at a rate of between 5.8% and 6.7%.

28. CAPITAL COMMITMENTS

	Group 2013	2012	Company 2013	2012
	£	£	£	£
Expenditure contracted less certified	4,740,000	3,168,000	4,740,000	2,543,000
Funded by:				
Social Housing Grant	0	936,000	0	561,000
Other Grants & Contributions	365,000	279,000	365,000	29,000
Reserves	4,375,000	1,953,000	4,375,000	1,953,000
	4,740,000	3,168,000	4,740,000	2,543,000
Expenditure authorised by the management committee not contracted for	4,282,000	5,290,000	4,282,000	5,290,000
Funded by:				
Social Housing Grant	1,050,000	40,000	1,050,000	40,000
Other Grants & Contributions	1,410,000	400,000	1,410,000	400,000
Reserves	1,822,000	4,850,000	1,822,000	4,850,000
	4,282,000	5,290,000	4,282,000	5,290,000

Included within capital commitments is both capital and revenue expenditure contracted for at 31 March 2013.

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.