

***GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
YEAR TO 31 MARCH 2014***

Financial Conduct 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 2014

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GOVANHILL HOUSING ASSOCIATION LIMITED
FINANCIAL AND OPERATIONAL REVIEW
For the year ended 31 March 2014

PAGE 1

KEY FINANCIAL HIGHLIGHTS

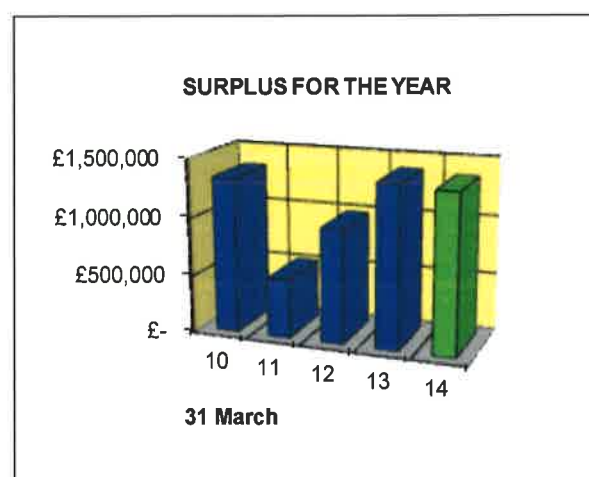
	<u>2013/14</u>	<u>2012/13</u>	<u>Change</u>
• Surplus for the year	£1,356,243	£1,385,715	-2%
• Net investment in improving existing tenants homes and also providing new housing	£5,189,547	£4,541,904	+14%
• Financial reserves	£16,551,934	£15,234,691	+9%
• Current ratio	1.67 times	0.86 times	+94%
• Interest cover ratio	5.57 times	8.64 times	-36%

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 - DECREASE 2%

It gives us pleasure to report to our members that the Association made satisfactory operational and financial progress during the year to 31 March 2014. The surplus generated in the year to 31 March 2014 was £1,356,243.



This was a small decrease of 2% on the surplus of £1,385,715 generated in the previous financial year.

The Association's turnover was £9,485,194 during 2013/14, an increase of 5%, compared with the turnover of £9,032,198 in 2012/13.

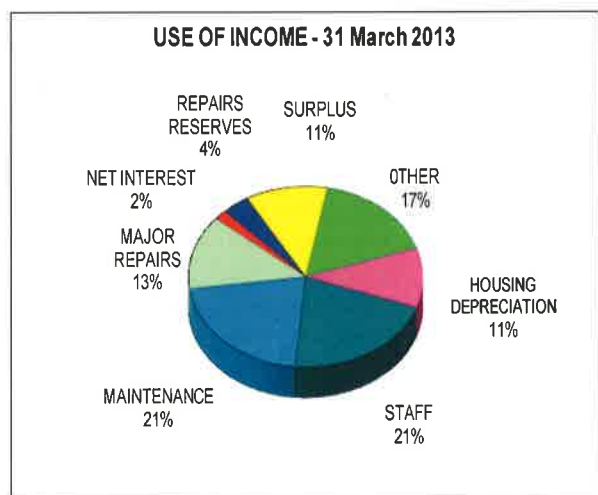
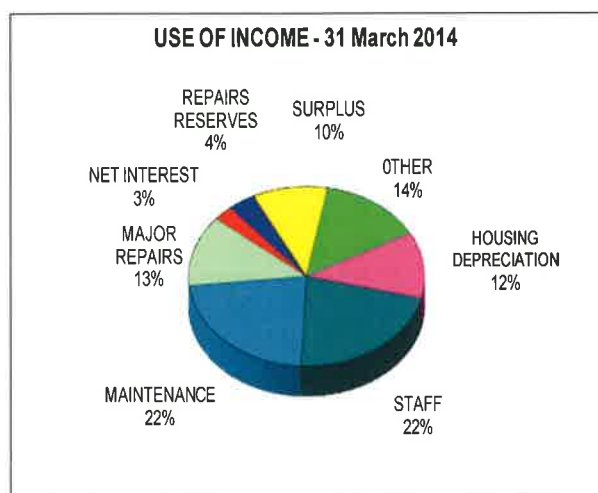
Operating costs increased by 5%, from £7,628,085 in 2012/13 to £8,013,054 in 2013/14.

To ensure that adequate funds are available to meet our commitment to carry out future major repairs, the Association has set aside £328,799 from its surplus for 2013/14 of £1,356,243 and has transferred this amount to financial reserves held to fund future major repairs.

After making all transfers to other financial reserves from its surplus for 2013/14 of £1,356,243, the remaining balance of £995,774 increased the Association's revenue reserves to £10,724,009 at 31 March 2014. 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 2013/14 and 2012/13 2011/12 is shown on the graphs below.



The net effect of these changes was an overall increase in the proportion of the Association's income allocated to operating costs which resulted in the surplus for the year decreasing as a proportion of income from 11% to 10%.

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

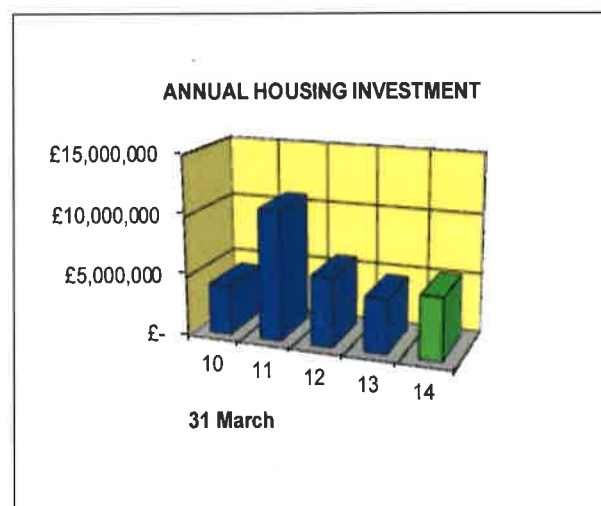
This will reduce surpluses built up for this purpose in future years. However, this investment

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 - INCREASE 14%

The Association was able to invest £5,189,457 in housing in the year to 31 March 2014, comprising of development of additional homes and capitalised major repairs expenditure on our existing stock. This was an increase of 14% on the investment of £4,541,904 made in 2012/13. This reflected housing continuing to receive a low priority in terms of public sector spending and also operating in an ongoing harsh financial climate post the 'credit crunch'.



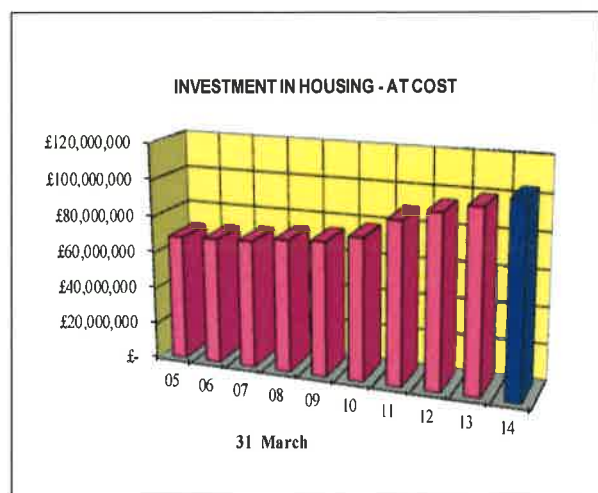
A strong commitment to investment in housing by the Scottish Government and Glasgow City Council is required to eradicate the large number of properties which are still in a sub-tolerable condition within the Govanhill area.

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 a further phase of the Employability Initiative and

INVESTMENT IN HOUSING - cont.

other environmental works.

During the last ten years our investment in housing properties has increased from £66,473,631 at 31 March 2004 to £104,140,544 at 31 March 2014.



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 £5,625,878 on its major repairs programme, consisting of: capitalised expenditure of £4,395,850 included in the value of housing

assets; and £1,230,028 which is included as the major repairs expenditure in the Income and Expenditure Account. This involved the replacement of older kitchens and bathrooms, new central heating systems, new windows and various other improvement and upgrading works relating to stonework repairs, door entry systems, suspended ceilings, insulation works and roof replacements.

This significant programme of works will continue next year 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.

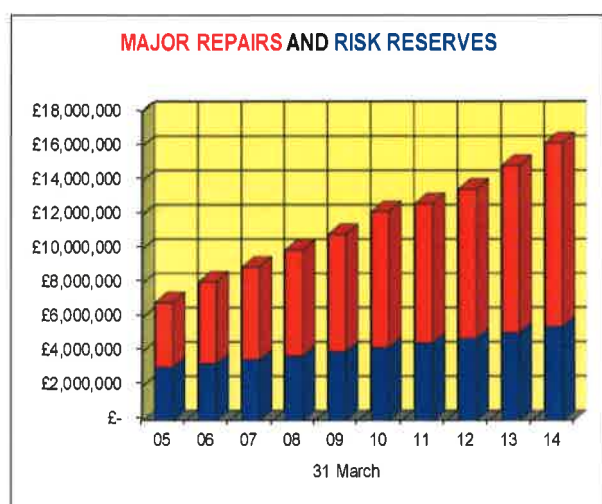
At 31 March 2013 the Association had set aside £5,467,456 of restricted and designated reserves to cover future major repairs expenditure. This was increased further, to £5,827,925 at 31 March 2014, by additional transfers of £360,469 from the surplus for the financial year of £1,356,243.

FINANCIAL RESERVES - INCREASE 9%

Financial reserves, consisting of restricted and designated reserves set aside to fund future major repairs and improvement of our housing stock and also revenue reserves set aside to manage the general risks faced by the Association, stood at £16,551,934 at 31 March 2014. This represents an increase of 9%, compared with

FINANCIAL RESERVES - cont.

the financial reserves at 31 March 2013 of £15,234,691. 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 £1,554,618 was generated in 2013/14, compared with a net cash inflow from operating activities of £2,820,631 in 2012/13. This decrease in the inflow from operating activities of £1,226,013 in 2013/14 reflects:

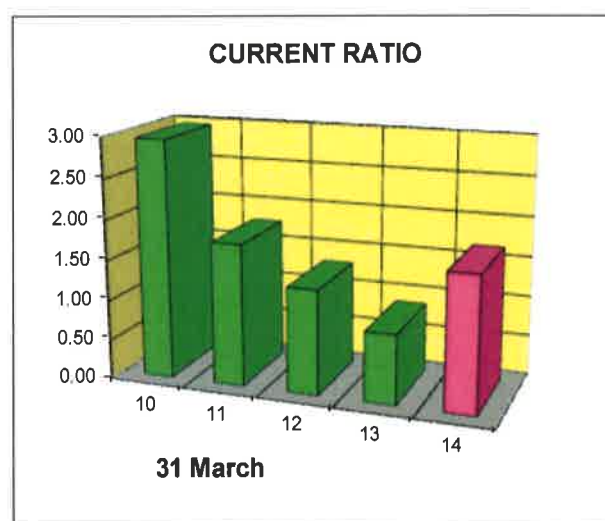
- an operating surplus of £1,472,140 plus non-cash depreciation of £1,315,482; and
- an increase in creditors of £220,556;
which were partially offset by
- an increase in debtors of £1,371,695.

The increase in cash generated during 2013/14 of £2,047,062, compared with a decrease of

£1,360,527 in 2012/13, was mainly attributable to:

- an increase in loans of £5,000,000;
which was partially offset by
- the decrease in the inflow from operating activities of £1,226,013 in 2013/14.

The Association's current ratio (short-term assets available to cover short-term liabilities) is a primary measure of short-term viability and rose from 0.86 cover at 31 March 2014 to 1.67 times cover at 31 March 2014, an increase of 94% as shown on the graph below.



This ratio was higher at 31 March 2014 than the Association's long-term internal target.

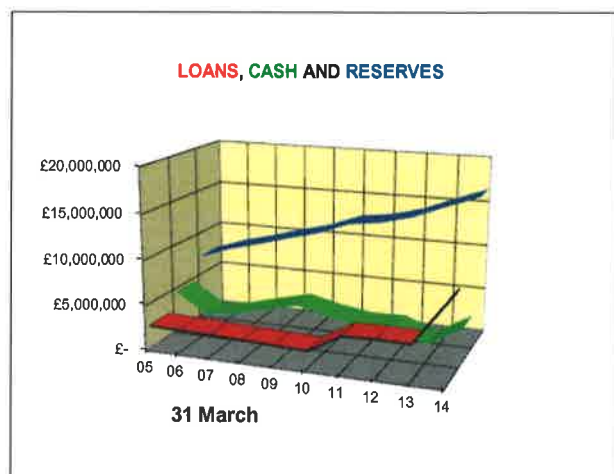
Cash and bank balances less bank overdrafts stood at £3,917,881 at 31 March 2014, compared with £1,870,819 at 31 March 2013, an increase of 109% during the financial year. This increase in cash and bank balances less bank overdrafts during 2013/14 was mainly attributable to the Association making a further draw down from the £15 million loan facility it has in place with Barclays plc. It drew down a further loan of £5 million from the Barclays plc loan facility on 2 May 2013 to fund planned cash outflows arising from its ongoing major repairs programme during the financial year.

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

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

The proportion of the cost of housing properties financed by loans increased to 9% in 2013/14, compared with 4% in 2012/13. 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 4 years to fund our Business Plan objectives. At 31 March 2014 total drawdowns to date against this facility amounted to £7.8 million. 10-year interest rate fixes were arranged for these loans to reduce the Association's exposure to future increases in interest rates.

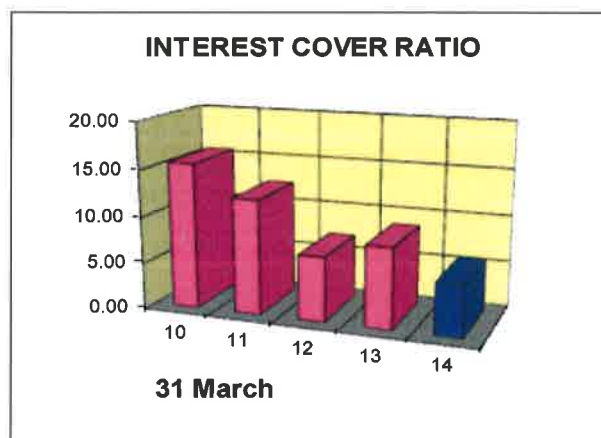
Approval of the loan facility by Barclays plc required the Association to agree to comply with a number of financial covenants. These financial covenants are set to ensure that the Association maintains financial discipline and adheres to prudent financial management.

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 2014.

INTEREST COVER RATIO - DECREASE 36%

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

The interest cover ratio decreased by 36% to 5.57 times cover in 2013/14, compared with 8.64 times cover in 2012/13, as shown on the graph below. This ratio is a key measure of the Association's short-term long-term viability and the ratio was much stronger than the Association's internal target for 2013/14, despite it declining.



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.

However, as a result of further financial appraisal, the Association has taken a decision to develop proposals for new housing on its vacant site at the corner of Victoria Road and Butterbiggins Road. 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 continue to 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.

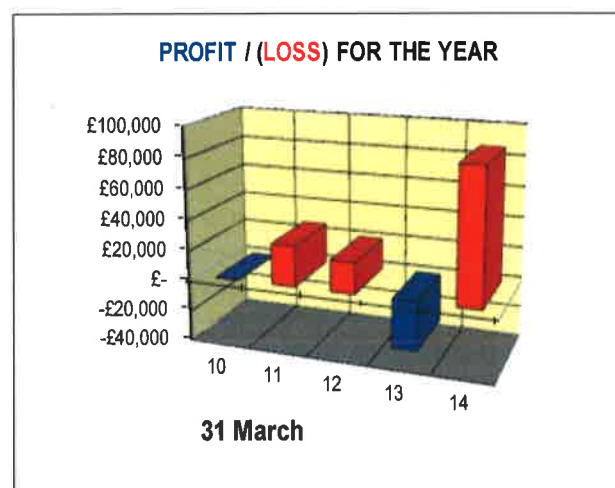
GOVANHILL COMMUNITY DEVELOPMENT TRUST LIMITED

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.

PROFIT FOR THE YEAR

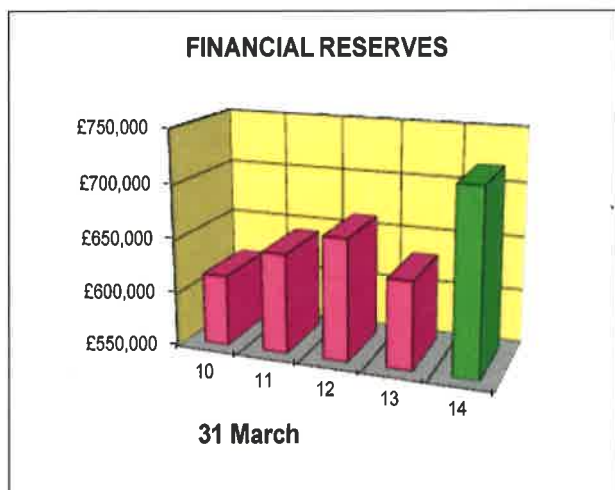
The Trust made a profit of £86,800 during the year to 31 March 2014, compared with a loss of £31,450 in 2012/13. This reflects: a reduction in repairs costs which were required to maintain the standard of our commercial properties during the financial year; an easing of the continuing recessionary influences on the commercial property market; and also success in attracting additional grant income to fund the community based projects it undertakes.

The profit 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 increased over the last five years to £717,311 at 31 March 2014, from £615,518 at 31 March 2009.



led to it being part of a consortium of European partners developing new social enterprise models and learning programmes and is now part of Social Enterprising Europe. The Trust has supported members of the MERGE Group to establish 'Fusion Bites', a new social enterprise offering multicultural cookery and catering services from new premises in Cathcart Road.

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.

THE FOCUS OF THE TRUST'S WORK IN 2013/14

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 a further phase of the Govanhill Backcourt Improvements and Employability Initiative in partnership with others. An additional benefit of the backcourt improvements was the employment opportunity it provided to young trainees to gain new skills and improve their future job prospects.

Last year the Trust was able to continue its support for Sistema Scotland who occupy Forsyth House in Coplaw Street and help them further establish the Big Noise Govanhill centre. The Trust was also able to continue supporting the establishment of Food Train in Govanhill by enabling them to occupy office accommodation at our Govanhill Workspace in Dixon Road.

The Trust's work in promoting and supporting social enterprise and new business start-ups has

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 £104,814 in the year to 31 March 2014, compared with a surplus of £6,399 in the previous financial year. This increase was mainly attributable to its success in attracting additional grant income to fund the community based projects it undertakes.

BALANCE SHEET

GREAT Gardens' balance sheet at 31 March 2014 was satisfactory. Its financial reserves increased to £143,926 and were backed by cash and bank balances, net of overdrafts, of £88,000, while its debtors stood at £68,586 and its creditors stood at £23,543 at the financial year end.

THE FOCUS OF GREAT GARDENS' WORK IN 2013/14

At the end of its sixth operational year, GREAT Gardens was able to successfully promote itself for commissioning on a further phase of the Govanhill Backcourt Improvements and Employability Initiative promoted by Govanhill Housing Association and Govanhill Community Development Trust and funded by the Scottish Government and Glasgow City Council. The company received a grant award for the delivery of training on this initiative. This funding award, together with additional grants and income from its other activities, enabled the company to develop its capacity and sustainability in the short to medium term.

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

FUTURE PROSPECTS

The company seeks to develop its environmental and grounds maintenance programme of work

with Govanhill Housing Association Limited and to actively engage in more similar work on a commercial basis.

The intention is to continue and develop the company as a Third Sector, social enterprise organisation. In 2014/15, GREAT Gardens will continue to deliver training to trainees as part of the Govanhill Backcourt Improvements and Employability Initiative Phase 3, funded by the Scottish Government and Glasgow City Council and in partnership with Govanhill Housing Association, Govanhill Community Development Trust and Jobs & Business Glasgow. This work will see the improvement of further backcourts in the South West of the Govanhill area with the involvement of local unemployed people.

The company has also successfully been appointed to deliver its environmental services and training programme in Castlemilk as part of a further contract award on the Employability Initiative with Cassiltoun Trust in 2014/15.

With the assistance of grant funding from the Scottish Government's People & Communities Fund, GREAT Gardens will work with trainees, volunteers and the local community to develop the Govanhill Community Garden on the vacant site adjacent to Samaritan House.

*Malcolm MacDonald
Finance Manager
6 August 2014*

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

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For the year ended 31 March 2014

Management Committee

John McLardie	(Chairperson)
Annie Macfarlane	(Vice Chair)
Elizabeth Klein	(Secretary)
Janice McEwan	(Treasurer)
Cathie McCreedy	(Resigned 2/10/13)
Margaret Montgomery	(Resigned 11/10/13)
Ann Scott	
Robert Farrell	(Deceased 14/01/14)
Gina Smith	(Deceased 25/06/13)
Henry Rooney	
Mujeeb Ur Rehman	
Ghazala Hakeem	
Linda Higgins	
Rose O'Doherty	(Resigned 5/09/13)
Sophia Kaseke	(Resigned 22/05/13)
Karen Miller	(Resigned 9/12/13)
Afzal Rashid	(Resigned 5/09/13)
Huda Alarashi	
Kate Fulton	(Appointed 5/09/13)
Rowan Smith	(Co-opted 5/02/14; resigned 2/04/14)
Keith Kintrea	(Co-opted 5/02/14)

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
133 Finnieston Street
GLASGOW G3 8HB

Bankers

Bank of Scotland plc
464 Victoria Road
GLASGOW G42 8PB

Solicitors

TC Young LLP
7 West George Street
GLASGOW G2 1BA

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2014

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The management committee has pleasure in presenting their report and the audited accounts for the year ended 31 March 2014.

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 £1,547,857 (2013 - £1,360,664). Transfers to designated reserves were £425,032 (2013 - £360,469) respectively. The Group's net assets are now £17,311,557 (2013 - £15,802,693).

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.*

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.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES
For the year ended 31 March 2014

PAGE 12

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

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

- *select suitable accounting policies and then apply them consistently;*
- *make judgements and estimates that are reasonable and prudent;*
- *state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and*
- *prepare the accounts on the going concern basis unless it is inappropriate to presume that the Association and group will continue in business.*

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

The management committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and group and to enable them to ensure that the accounts comply with the Industrial and Provident Societies Act 1965 to 2002, 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



Elizabeth Klein
Secretary

Date: 6 August 2014

GOVANHILL HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2014

PAGE 13

We have audited the Financial Statements of Govanhill Housing Association Limited for the year ended 31 March 2014 on pages 14 to 42. 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 2014 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
133 Finnieston Street
GLASGOW G3 8HB

Date: 14/08/2014.

GOVANHILL HOUSING ASSOCIATION LIMITED
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2014

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	Notes	2014 £	2013 £
TURNOVER	2(a)	10,104,135	9,369,044
<i>Operating costs</i>	2(a)	(8,415,630)	(7,996,264)
OPERATING SURPLUS	2(a), 5	1,688,505	1,372,780
<i>Gain on disposal of fixed assets</i>		145,513	142,099
<i>Other income</i>		0	0
<i>Interest receivable and other similar income</i>	7	4,180	2,797
<i>Interest payable and other similar charges</i>	8	(265,100)	(162,799)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		1,573,098	1,354,877
<i>Taxation on surplus on ordinary activities</i>	9	(25,241)	5,787
SURPLUS FOR THE YEAR	22	1,547,857	1,360,664

The results for the year relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
For the year ended 31 March 2014

<i>Retained surplus for the year</i>		1,547,857	1,360,664
<i>Actuarial (loss) / gain recognised in the retirement benefit scheme</i>	27	(39,000)	7,000
<i>Total recognised surpluses and deficits since last annual report</i>		1,508,857	1,367,664

The notes on pages 20 to 42 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
COMPANY INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2014

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	Notes	2014 £	2013 £
TURNOVER	2(b)	9,485,194	9,032,198
<i>Operating costs</i>	2(b)	(8,013,054)	(7,628,085)
OPERATING SURPLUS	2(b), 5	1,472,140	1,404,113
<i>Gain on disposal of fixed assets</i>		145,513	142,099
<i>Interest receivable and other similar income</i>	7	3,690	2,302
<i>Interest payable and other similar charges</i>	8	(265,100)	(162,799)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		1,356,243	1,385,715
<i>Taxation on surplus on ordinary activities</i>	9	0	0
SURPLUS FOR THE YEAR	22	1,356,243	1,385,715

The results for the year relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
For the year ended 31 March 2014

<i>Retained surplus for the year</i>		1,356,243	1,385,715
<i>Actuarial (loss) / gain recognised in the retirement benefit scheme</i>	27	(39,000)	7,000
<i>Total recognised surpluses and deficits since last annual report</i>		1,317,243	1,392,715

The notes on pages 20 to 42 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
CONSOLIDATED BALANCE SHEET
For the year ended 31 March 2014

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	Notes	2014 £	2013 £
TANGIBLE FIXED ASSETS			
Housing properties - gross cost less depreciation		98,750,230	94,778,587
Less: Social housing grant		70,252,166	69,226,070
Other grants		3,752,997	3,752,997
	11(a)	24,745,067	21,799,520
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		6,124,369	6,168,516
Less: Grants		3,742,661	3,742,661
	11(e)	2,381,708	2,425,855
		27,126,775	24,225,375
INTANGIBLE FIXED ASSETS			
Negative goodwill	13	(3,940,932)	(4,024,782)
CURRENT ASSETS			
Stock and work in progress	14	4,328	2,313
Debtors	15	2,394,864	1,065,737
Cash at bank and in hand		4,835,830	2,533,107
		7,235,022	3,601,157
CREDITORS: amounts falling due within one year	16	4,099,902	3,873,604
NET CURRENT ASSETS / (LIABILITIES)		3,135,120	(272,447)
TOTAL ASSETS LESS CURRENT LIABILITIES		26,320,963	19,928,146
CREDITORS: amounts falling due after more than one year	17	8,813,744	3,972,791
PROVISIONS FOR LIABILITIES AND CHARGES	18	195,662	152,662
NET ASSETS		17,311,557	15,802,693
CAPITAL AND RESERVES			
Share capital	19	1,257	1,250
Designated reserves	20(a)	6,506,099	6,081,067
Restricted reserves	21	26,900	16,900
Revenue reserve	22	10,777,301	9,703,476
CAPITAL EMPLOYED	23	17,311,557	15,802,693

Approved by members of the management committee on:

6 August 2014

CHAIRPERSON

J. McLARDIE

SECRETARY

E. KLEIN

TREASURER

J. McEWAN

The notes on pages 20 to 42 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
COMPANY BALANCE SHEET

PAGE 17

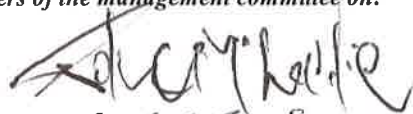
For the year ended 31 March 2014

	Notes	2014 £	2013 £
TANGIBLE FIXED ASSETS			
Housing properties - gross cost less depreciation		97,978,223	94,006,392
Less: Social housing grant		70,252,166	69,226,070
Other grants		2,987,958	2,987,958
	11(c)	24,738,099	21,792,364
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		2,984,238	3,018,665
Less: Grants		937,137	937,137
	11(f)	2,047,101	2,081,528
		26,785,200	23,873,892
INVESTMENT	12	100	100
INTANGIBLE FIXED ASSETS			
Negative goodwill	13	(3,940,932)	(4,024,782)
CURRENT ASSETS			
Stock and work in progress	14	4,228	2,213
Debtors	15	2,378,621	1,006,926
Cash at bank and in hand		4,353,460	2,184,214
		6,736,309	3,193,353
CREDITORS: amounts falling due within one year	16	4,035,742	3,698,831
NET CURRENT ASSETS / (LIABILITIES)		2,700,567	(505,478)
TOTAL ASSETS LESS CURRENT LIABILITIES		25,544,935	19,343,732
CREDITORS: amounts falling due after more than one year	17	8,813,744	3,972,791
PROVISIONS FOR LIABILITIES AND CHARGES	18	178,000	135,000
NET ASSETS		16,553,191	15,235,941
CAPITAL AND RESERVES			
Share capital	19	1,257	1,250
Designated reserves	20(b)	5,811,025	5,450,556
Restricted reserves	21	16,900	16,900
Revenue reserve	22	10,724,009	9,767,235
CAPITAL EMPLOYED	23	16,553,191	15,235,941

Approved by members of the management committee on:

6 August 2014

CHAIRPERSON



J. McLARDIE

SECRETARY



E. KLEIN

TREASURER



J. McEWAN

The notes on pages 20 to 42 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2014

PAGE 18

	Notes	2014 £	2013 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	1,688,253	2,841,699
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		4,180	2,797
Interest paid		(265,100)	(162,799)
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(260,920)	(160,002)
TAXATION			
Corporation tax recovered / (paid)		5,797	(10,759)
NET CASH INFLOW / (OUTFLOW) ON TAXATION		5,797	(10,759)
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(900,515)	(2,020,314)
Improvements to housing properties		(4,395,850)	(2,540,110)
Purchase of other fixed assets		(51,128)	(40,493)
Capital grants received		1,026,096	495,458
Sales of housing properties		233,675	160,305
Sales of commercial properties		0	0
Sales of other fixed assets		0	0
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(4,087,722)	(3,945,154)
NET CASH (OUTFLOW) BEFORE FINANCING		(2,654,592)	(1,274,216)
FINANCING			
Issue of ordinary share capital		7	27
Loan advances received		5,000,000	0
Loan principal repayments		(164,876)	(78,417)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING		4,835,131	(78,390)
INCREASE / (DECREASE) IN CASH	25	2,180,539	(1,352,606)

The notes on pages 20 to 42 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
COMPANY CASH FLOW STATEMENT
For the year ended 31 March 2014

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	Notes	2014 £	2013 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	1,554,618	2,820,631
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,690	2,302
Interest paid		(265,100)	(162,799)
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(261,410)	(160,497)
TAXATION			
Corporation tax paid		0	0
NET CASH (OUTFLOW) ON TAXATION		0	0
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(900,515)	(2,020,314)
Improvements to housing properties		(4,395,850)	(2,540,110)
Purchase of other fixed assets		(44,683)	(37,610)
Capital grants received		1,026,096	495,458
Sales of housing properties		233,675	160,305
Sales of commercial properties		0	0
Sales of other fixed assets		0	0
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(4,081,277)	(3,942,271)
NET CASH (OUTFLOW) BEFORE FINANCING		(2,788,069)	(1,282,137)
FINANCING			
Issue of ordinary share capital		7	27
Loan advances received		5,000,000	0
Loan principal repayments		(164,876)	(78,417)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING		4,835,131	(78,390)
INCREASE / (DECREASE) IN CASH	25	2,047,062	(1,360,527)

The notes on pages 20 to 42 form part of these accounts.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

PAGE 20

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 31 March.

Turnover

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

Taxation

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

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

Mortgages

Mortgage loans are advances by local authorities, the Scottish Government or private lending institutions under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Social Housing Grant by the Scottish Government.

Social Housing Grant (SHG)

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

Other grants

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

Tangible fixed assets - housing properties

Housing properties are stated at cost less SHG and other grant and less accumulated depreciation. The development and improvement cost of housing properties include the cost of acquiring land and buildings and development expenditure including administration costs. These costs are either termed "qualifying costs" by the Scottish Government for approved SHG schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves. Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

PAGE 21

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.

	<i>Depreciation Period (Years)</i>
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 and improvement of properties are capitalised based on the time spent by staff on this activity.

Capitalisation of interest

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

Tangible fixed assets - other fixed assets

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

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

PAGE 22

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.

Goodwill

Negative goodwill arose on the acquisition of housing assets and the related rent arrears from Glasgow Housing Association as part of a Second Stage Transfer. The fair value of the assets acquired exceeded the consideration paid by the Association. Negative goodwill is written back to the Income & Expenditure Account in equal instalments over a period of 50 years.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

PAGE 23

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

GROUP	2014			2013
	Turnover	Operating costs	Operating surplus / (deficit)	Operating surplus/ (deficit) for previous period
	£	£	£	£
<i>Social lettings</i>	8,996,517	(7,295,356)	1,701,161	1,612,209
<i>Other activities</i>	874,293	(937,753)	(63,460)	(192,077)
<i>Incoming resources from charitable subsidiary</i>	233,325	(182,521)	50,804	(47,352)
Total	10,104,135	(8,415,630)	1,688,505	1,372,780
<i>Total for previous period of account</i>	<i>9,369,044</i>	<i>(7,996,264)</i>	<i>1,372,780</i>	

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

COMPANY	Note	2014			2013
		Turnover	Operating costs	Operating surplus / (deficit)	Operating surplus/ (deficit) for previous period
		£	£	£	£
<i>Social lettings</i>	3	8,937,527	(7,416,351)	1,521,176	1,466,212
<i>Other activities</i>	4	547,667	(596,703)	(49,036)	(62,099)
Total		9,485,194	(8,013,054)	1,472,140	1,404,113
<i>Total for previous period of account</i>		<i>9,032,198</i>	<i>(7,628,085)</i>	<i>1,404,113</i>	

NOTES TO THE ACCOUNTS

For the year ended 31 March 2014

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	2014 Total	2013 Total
	£	£	£	£	£	£
Rent receivable net of service charges	8,583,826	287,693	0	9,215	8,880,734	8,400,376
Service charges	184,898	8,352	0	1,133	194,383	171,342
Gross income from rents and service charges	8,768,724	296,045	0	10,348	9,075,117	8,571,718
Less voids	(169,634)	0	0	0	(169,634)	(129,034)
Net income from rents and service charges	8,599,090	296,045	0	10,348	8,905,483	8,442,684
Grants from Scottish Ministers	0	0	0	0	0	0
Other revenue grants	32,044	0	0	0	32,044	14,029
Total turnover from social letting activities	8,631,134	296,045	0	10,348	8,937,527	8,456,713
Management and maintenance						
administration costs	(2,598,353)	(33,220)	0	(6,685)	(2,638,258)	(2,433,520)
Service costs	(182,993)	0	0	(1,133)	(184,126)	(170,129)
Planned and cyclical maintenance including						
major repairs costs	(2,275,654)	(85,410)	0	0	(2,361,064)	(2,194,119)
Reactive maintenance costs	(997,580)	(55,099)	0	(2,674)	(1,055,353)	(980,997)
Bad debts - rents and service charges	(20,950)	0	0	0	(20,950)	(220,690)
Depreciation of social housing	(1,226,476)	(4,078)	0	(9,896)	(1,240,450)	(1,074,896)
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	(7,218,156)	(177,807)	0	(20,388)	(7,416,351)	(6,990,501)
Operating surplus or (deficit) for social lettings	1,412,978	118,238	0	(10,040)	1,521,176	1,466,212
Operating surplus or (deficit) for social lettings for previous year	1,318,204	157,788	0	(9,780)	1,466,212	

NOTES TO THE ACCOUNTS

For the year ended 31 March 2014

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	0	0	(165)
Care and repair of property	0	0	0	0	0	0	0	0	0
Factoring	0	0	0	480,681	480,681	595	(549,633)	(68,357)	(65,642)
Development and construction of property activities	0	0	0	0	0	16,853	0	16,853	1,305
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	0
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	0
Other activities									
- Management expenses charged to subsidiary companies	0	0	0	47,923	47,923	0	(47,923)	0	0
- Rental of commercial property	0	0	0	6,379	6,379	0	(16,595)	(10,216)	(5,683)
- Hire of conference hall	0	0	0	12,684	12,684	0	0	12,684	7,398
- Sale of other fixed assets	0	0	0	0	0	0	0	0	688
TOTAL FROM OTHER ACTIVITIES	0	0	0	547,667	547,667	17,448	(614,151)	(49,036)	(62,099)
TOTAL FROM OTHER ACTIVITIES (2013)	0	0	0	575,485	575,485	(16,782)	(620,802)	(62,099)	

NOTES TO THE ACCOUNTS

For the year ended 31 March 2014

5. OPERATING SURPLUS

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Operating surplus is stated after charging/(crediting):				
Depreciation	1,331,835	1,170,347	1,315,482	1,147,966
Repairs: cyclical, major, day to day	3,528,657	3,302,662	3,416,417	3,175,116
Gain on sale of fixed assets	(145,513)	(142,787)	(145,513)	(142,787)
Auditor's remuneration				
- In their capacity as auditors	17,999	19,949	12,068	11,320
- In respect of other services	1,808	1,804	0	0

6 (a). EMPLOYEES

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Staff costs during the year:				
Wages and salaries	1,937,851	1,713,628	1,674,340	1,537,962
Social security costs (national insurance contributions)	147,609	135,748	139,106	129,026
Other pension costs	292,173	265,148	274,833	250,231
Redundancy costs	0	0	0	0
	2,377,633	2,114,524	2,088,279	1,917,219

Included in other pensions costs are: Past service deficit payments of £125,658 (2013 - £122,297).

	Group		Company	
	Number	Number	Number	Number
The average number of employees during the year was	63	56	50	47

6 (b). DIRECTORS' EMOLUMENTS

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Total emoluments				
(including pension contributions and benefits in kind)	347,424	338,719	347,424	338,719
The emoluments (excluding pension contributions)				
of the highest paid director amount to	74,894	71,244	74,894	71,244
Pension contributions of the highest paid director amount to	7,160	6,839	7,160	6,839

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

Management Committee	1,652	2,172	1,652	2,172
	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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2014

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7. INTEREST RECEIVABLE AND OTHER SIMILAR INCOME

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Interest receivable on deposits	4,180	2,797	3,690	2,302
FRS 17 finance charge	0	0	0	0
	4,180	2,797	3,690	2,302

8. INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bank loans and overdrafts repayable within five years	4	3	4	3
Other loans repayable within five years	0	0	0	0
Other loans repayable wholly or partly in more than five years	265,096	162,796	265,096	162,796
	265,100	162,799	265,100	162,799

9. TAXATION

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
UK corporation tax: Current Year at 20% (2013 - 20%)	25,398	(5,640)	0	0
Adjustment for prior years	(157)	0	0	0
Deferred taxation (note 18)	0	(147)	0	0
	25,241	(5,787)	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		Company	
	2014	2013	2014	2013
	Number	Number	Number	Number
The number of units of accommodation in management at the year end was:				
General needs - new build	208	208	208	208
- rehabilitation	2,155	2,149	2,155	2,149
Supported housing	82	92	67	77
Shared ownership	5	6	5	6
	2,450	2,455	2,435	2,440

NOTES TO THE ACCOUNTS

For the year ended 31 March 2014

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	2014 Total
	£	£	£	£
COST				
At start of year	98,960,302	486,764	278,476	99,725,542
Additions	5,272,506	23,859	0	5,296,365
Disposals	(65,939)	0	(40,969)	(106,908)
Transfers to stock	0	0	0	0
Schemes completed in the year	0	0	0	0
At end of year	104,166,869	510,623	237,507	104,914,999
DEPRECIATION				
At start of year	4,847,928	0	99,027	4,946,955
Charged during year	1,226,664	0	9,896	1,236,560
Eliminated on disposal	(2,242)	0	(16,504)	(18,746)
At end of year	6,072,350	0	92,419	6,164,769
SOCIAL HOUSING GRANT				
At start of year	69,095,921	0	130,149	69,226,070
Additions	538,316	506,936	0	1,045,252
Disposals	0	0	(19,156)	(19,156)
Transfers to stock	0	0	0	0
Schemes completed in the year	0	0	0	0
At end of year	69,634,237	506,936	110,993	70,252,166
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	24,707,285	3,687	34,095	24,745,067
At start of year	21,263,456	486,764	49,300	21,799,520

Development administration costs capitalised amounted to £361,949 (2013 - £360,899) for which Social Housing Grants amounting to £0 (2013 - £0) 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).	2014 £	2013 £
Housing properties comprise:		
Heritable	24,745,067	21,799,520

NOTES TO THE ACCOUNTS

For the year ended 31 March 2014

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	2014 Total
	£	£	£	£
COST				
At start of year	98,185,847	486,764	278,476	98,951,087
Additions	5,272,506	23,859	0	5,296,365
Disposals	(65,939)	0	(40,969)	(106,908)
Transfers to stock	0	0	0	0
Schemes completed in the year	0	0	0	0
At end of year	103,392,414	510,623	237,507	104,140,544
DEPRECIATION				
At start of year	4,845,668	0	99,027	4,944,695
Charged during year	1,226,476	0	9,896	1,236,372
Eliminated on disposal	(2,242)	0	(16,504)	(18,746)
At end of year	6,069,902	0	92,419	6,162,321
SOCIAL HOUSING GRANT				
At start of year	69,095,921	0	130,149	69,226,070
Additions	538,316	506,936	0	1,045,252
Disposals	0	0	(19,156)	(19,156)
Transfers to stock	0	0	0	0
Schemes completed in the year	0	0	0	0
At end of year	69,634,237	506,936	110,993	70,252,166
OTHER GRANTS				
At start of year	2,987,958	0	0	2,987,958
Additions	0	0	0	0
Transfers	0	0	0	0
Schemes completed in the year	0	0	0	0
At end of year	2,987,958	0	0	2,987,958
NET BOOK VALUE				
At end of year	24,700,317	3,687	34,095	24,738,099
At start of year	21,256,300	486,764	49,300	21,792,364

Development administration costs capitalised amounted to £361,949 (2013 - £360,899) for which Social Housing Grants amounting to £0 (2013 - £0) 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).	2014	2013
	£	£
Housing properties comprise:		
Heritable	24,738,099	21,792,364

NOTES TO THE ACCOUNTS

For the year ended 31 March 2014

11(e). TANGIBLE FIXED ASSETS

<i>Other Fixed Assets</i>	<i>Heritable office property</i>	<i>Computer and office equipment</i>	<i>Hostels equipment</i>	<i>Commercial premises</i>	<i>2014 Total</i>
GROUP	£	£	£	£	£
COST					
At start of year	3,521,150	372,206	74,287	2,998,408	6,966,051
Transfers	0	0	0	0	0
Additions	14,718	36,410	0	0	51,128
Disposals	0	0	0	0	0
At end of year	3,535,868	408,616	74,287	2,998,408	7,017,179
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	366,408	318,217	28,568	84,342	797,535
Charged during year	47,455	33,266	4,078	10,476	95,275
Eliminated on disposal	0	0	0	0	0
At end of year	413,863	351,483	32,646	94,818	892,810
NET BOOK VALUE					
At end of year	2,262,308	57,133	3,307	58,960	2,381,708
At start of year	2,295,045	53,989	7,385	69,436	2,425,855
11(f). COMPANY					
COST					
At start of year	3,217,739	291,501	34,275	81,990	3,625,505
Transfers	0	0	0	0	0
Additions	14,718	29,965	0	0	44,683
Disposals	0	0	0	0	0
At end of year	3,232,457	321,466	34,275	81,990	3,670,188
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	330,126	249,460	26,890	364	606,840
Charged during year	47,455	27,486	4,078	91	79,110
Disposals	0	0	0	0	0
At end of year	377,581	276,946	30,968	455	685,950
NET BOOK VALUE					
At end of year	1,995,179	44,520	3,307	4,095	2,047,101
At start of year	2,027,916	42,041	7,385	4,186	2,081,528

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 2014	2013	Company 2014	2013
	£	£	£	£
Commercial premises comprise:				
Heritable	58,960	69,436	4,095	4,186

NOTES TO THE ACCOUNTS

For the year ended 31 March 2014

12. INVESTMENT

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
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	
	2014	2013	2014	2013
	£	£	£	£
At start of year	4,024,782	4,108,632	4,024,782	4,108,632
Amortised in the year	(83,850)	(83,850)	(83,850)	(83,850)
At end of year	3,940,932	4,024,782	3,940,932	4,024,782

14. STOCK AND WORK IN PROGRESS

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Postage, stationery and maintenance stock	4,328	2,313	4,228	2,213
At end of year	4,328	2,313	4,228	2,213

15. DEBTORS

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Amounts falling due within one year:				
Rental debtors - housing benefit	42,890	11,288	42,890	11,288
- other	436,987	459,350	436,039	457,350
Less: provision for bad debts	(306,824)	(351,074)	(306,824)	(351,074)
Amounts due by subsidiary companies	0	0	15,892	64,224
Capital grants receivable	1,337,943	264,189	1,337,943	164,189
Corporation tax	0	5,640	0	0
Other debtors	672,413	562,450	652,527	560,636
Prepayments and accrued income	211,455	113,894	200,154	100,313
	2,394,864	1,065,737	2,378,621	1,006,926

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For the year ended 31 March 2014

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Housing loans (note 17a)	70,385	76,214	70,385	76,214
Non-housing loans	0	0	0	0
Amounts due to subsidiary company	0	0	26,989	65,829
Bank overdraft	435,579	313,395	435,579	313,395
Trade creditors	1,442,003	1,256,892	1,472,469	1,142,269
Corporation tax	25,398	0	0	0
Other taxation and social security costs	97,569	62,355	92,124	57,808
Social Housing Grant in advance	58,537	39,381	58,537	39,381
Other creditors	1,100,834	1,115,215	1,071,971	1,066,399
Accruals and deferred income	384,643	562,787	375,513	545,594
Rent deposits	14,224	15,637	0	0
Rent in advance	442,359	409,452	403,804	369,666
Factoring in advance	28,371	22,276	28,371	22,276
	4,099,902	3,873,604	4,035,742	3,698,831

Included within accruals and deferred income is an amount due of £37,558 (2013 - £29,633) in respect of pension contributions. Also included within accruals and deferred income is an amount due to The Scottish Government of £19,156 (2013 - £0).

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

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Housing loans	8,813,744	3,972,791	8,813,744	3,972,791
Non-housing loans	0	0	0	0
Deferred Income	0	0	0	0
	8,813,744	3,972,791	8,813,744	3,972,791

Included within housing loans is £107,250 of monies held on behalf of sharing owners who participated in the shared equity property.

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

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
In one year or less (note 16)	70,385	76,214	70,385	76,214
Between one and two years	174,444	77,021	174,444	77,021
Between two and five years	1,459,882	237,030	1,459,882	237,030
In five years or more	7,179,418	3,658,740	7,179,418	3,658,740
	8,884,129	4,049,005	8,884,129	4,049,005

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Deferred taxation	17,662	17,662	0	0
Retirement benefit scheme deficit	178,000	135,000	178,000	135,000
	195,662	152,662	178,000	135,000

NOTES TO THE ACCOUNTS

For the year ended 31 March 2014

19. SHARE CAPITAL	2014	2013
	£	£
Shares of £1 each fully paid and issued:		
At start of year	416	410
Shares issued during year	6	27
Shares forfeited during year	(34)	(21)
At end of year	388	416
Forfeited shares:		
At start of year	834	813
Transferred from share capital during year	35	21
At end of year	869	834
Total share capital:		
At start of year	1,250	1,223
At end of year	1,257	1,250

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 £	2014 Total £
At start of year	5,465,439	0	615,628	6,081,067
Transfer from income and expenditure account	386,255	0	38,777	425,032
Transfer to restricted reserves	0	0	0	0
At end of year	5,851,694	0	654,405	6,506,099

20(b). DESIGNATED RESERVES

COMPANY	Reserve for future major works to properties £	Reserve for future cyclical maintenance properties £	Reserve for future replacement of assets £	2014 Total £
At start of year	4,910,475	0	540,081	5,450,556
Transfer from income and expenditure account	328,799	0	31,670	360,469
Transfer to revenue reserves	0	0	0	0
At end of year	5,239,274	0	571,751	5,811,025

NOTES TO THE ACCOUNTS

For the year ended 31 March 2014

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
21. RESTRICTED RESERVES				
OTHER				
Charitable reserve at start of year	16,900	16,900	16,900	16,900
Transferred in year	10,000	0	0	0
Donations received	0	0	0	0
Charitable reserve at end of year	26,900	16,900	16,900	16,900

	Group	Company
	2014	2014
	£	£
22. REVENUE RESERVE		
At beginning of year	9,703,476	9,767,235
Retained surplus for the year	1,547,857	1,356,243
Actuarial loss recognised in the retirement benefit scheme	(39,000)	(39,000)
Transfer to designated reserves	(425,032)	(360,469)
Transfer from designated reserves	0	0
Transfer to restricted reserves	(10,000)	0
At end of year	10,777,301	10,724,009

	Group	Company
	2014	2014
	£	£
23. STATEMENT OF RECONCILIATION OF MOVEMENTS IN CAPITAL EMPLOYED		
Opening capital employed	15,802,693	15,235,941
Shares issued during year	7	7
Retained surplus for the year	1,547,857	1,356,243
Actuarial loss recognised in the retirement benefit scheme	(39,000)	(39,000)
Closing capital employed	17,311,557	16,553,191

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

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Operating surplus	1,688,505	1,372,780	1,472,140	1,404,113
Depreciation charges	1,331,835	1,170,348	1,315,482	1,147,966
Release of negative goodwill	(83,850)	(83,850)	(83,850)	(83,850)
(Increase) / decrease in stock	(2,015)	1,501	(2,015)	1,501
(Increase) / decrease in debtors	(1,372,599)	76,731	(1,371,695)	147,844
Increase in creditors	122,377	239,189	220,556	138,057
FRS 17 salary adjustment	4,000	65,000	4,000	65,000
Net cash inflow from operating activities	1,688,253	2,841,699	1,554,618	2,820,631

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

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Increase / (decrease) in cash during the year	2,180,539	(1,352,606)	2,047,062	(1,360,527)
Loan advances received	(5,000,000)	0	(5,000,000)	0
Loan principal repayments	164,876	78,417	164,876	78,417
Change in (debt) / net funds	(2,654,585)	(1,274,189)	(2,788,062)	(1,282,110)
Debt at start of year	(1,829,293)	(555,103)	(2,178,186)	(896,075)
Debt at end of year	(4,483,878)	(1,829,292)	(4,966,248)	(2,178,185)

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

GROUP	2013	Cash flows	Other changes	2014
	£	£	£	£
Cash at bank and in hand	2,533,107	2,302,723	0	4,835,830
Bank overdrafts	(313,395)	(122,184)	0	(435,579)
	2,219,712	2,180,539	0	4,400,251
Debt due within one year	(76,214)	76,214	(70,385)	(70,385)
Debt due after one year	(3,972,791)	(4,911,338)	70,385	(8,813,744)
	(1,829,293)	(2,654,585)	0	(4,483,878)

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

COMPANY	2013	Cash flows	Other changes	2014
	£	£	£	£
Cash at bank and in hand	2,184,214	2,169,246	0	4,353,460
Bank overdrafts	(313,395)	(122,184)	0	(435,579)
	1,870,819	2,047,062	0	3,917,881
Debt due within one year	(76,214)	76,214	(70,385)	(70,385)
Debt due after one year	(3,972,791)	(4,911,338)	70,385	(8,813,744)
	(2,178,186)	(2,788,062)	0	(4,966,248)

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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 2012 by a professionally qualified Actuary using the Projected Unit Credit Method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63.0%.

The Scheme offers six 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.*
- *Defined Contribution (DC) option.*

An employer can elect to operate different defined benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months prior notice.

Govanhill Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit option for active and new members as at 31 March 2014.

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 38 active members of the Scheme employed by Govanhill Housing Association Limited. The annual pensionable payroll in respect of these members was £1,273,932.

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

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27. PENSION COSTS (continued)

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

<i>2012 Valuation Assumptions</i>	<i>% p.a.</i>
<i>Investment return pre retirement</i>	<i>5.3</i>
<i>Investment return post retirement - Non-pensioners</i>	<i>3.4</i>
<i>Investment return post retirement – Pensioners</i>	<i>3.4</i>
<i>Rate of salary increases</i>	<i>4.1</i>
<i>Rate of pension increases</i>	
<i>- Pension accrued pre 6 April 2005 in excess of GMP</i>	<i>2.0</i>
<i>- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)</i>	<i>1.7</i>
<i>Rate of price inflation</i>	<i>2.6</i>

<i>Mortality Tables</i>	
<i>Non-pensioners</i>	<i>44% of S1PMA (males) and S1PFA (females) projected using CMI 2011 with a long term improvement 1.50% p.a. for males and 1.25% p.a. improvement for females.</i>
<i>Pensioners</i>	<i>90% of S1PMA (males) and S1PFA (females) projected using CMI 2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females.</i>

<i>Contribution Rates for Future Service (payable from 1 April 2014)</i>	<i>%</i>
<i>Final salary 1/60ths</i>	<i>24.6</i>
<i>Career average revalued earnings 1/60ths</i>	<i>22.4</i>
<i>Career average revalued earnings 1/70ths</i>	<i>19.2</i>
<i>Career average revalued earnings 1/80ths</i>	<i>16.9</i>
<i>Career average revalued earnings 1/120ths</i>	<i>11.4</i>

Additional deficit contributions are payable from 1 April 2014 and will be increasing by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be 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 2013. As of this date the estimated employer debt for Govanhill Housing Association Limited was £6,731,876.

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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

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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.

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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 2014
Pension increase rate	2.8%
Salary increases	5.1% *
Expected return on assets	6.0%
Discount rate	4.3%

* 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 2014	Value at 31 March 2014 £
Equities	6.6%	724,000
Bonds	3.7%	115,000
Property	4.8%	67,000
Cash	3.7%	48,000
Total		954,000
Present value of scheme liabilities		(1,132,000)
Net pension liability		(178,000)

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27. PENSION COSTS (continued)

Reconciliation of defined benefit obligation

Year ended:	31 March 2014
	£
Opening defined benefit obligation	1,030,000
Current service cost	36,000
Interest cost	46,000
Contributions by members	9,000
Actuarial losses / (gains)	52,000
Past service costs / (gains)	-
Liabilities extinguished on settlements	-
Liabilities assumed in a business combination	-
Exchange differences	-
Estimated unfunded benefits paid	-
Estimated benefits paid	(41,000)
Closing defined benefit obligation	1,132,000

Reconciliation of fair value of employer assets

Year ended:	31 March 2014
	£
Opening fair value of employer assets	895,000
Expected return on assets	47,000
Contributions by members	9,000
Contributions by the employer	31,000
Contributions in respect of unfunded benefits	-
Actuarial gains / (losses)	13,000
Assets distributed on settlements	-
Assets acquired in a business combination	-
Exchange differences	-
Estimated unfunded benefits paid	-
Estimated benefits paid	(41,000)
Closing fair value of employer assets	954,000
Net pension liability	(178,000)

Analysis of amounts included in Income & Expenditure Account

	2014
	£
Current service cost	36,000
Interest cost	46,000
Expected return on employers assets	(47,000)
Past service cost	-
Losses / (gains) on curtailments and settlements	-
Charge to staff costs	35,000

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

	2014
	£
Actuarial gain recognised in statement of recognised surpluses and deficits	39,000

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%.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2014

28. CAPITAL COMMITMENTS

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
<i>Expenditure contracted less certified</i>	<u>525,000</u>	<u>4,740,000</u>	<u>240,000</u>	<u>4,740,000</u>
<i>Funded by:</i>				
<i>Social Housing Grant</i>	0	0	0	0
<i>Other grants and contributions</i>	360,000	365,000	75,000	365,000
<i>Reserves</i>	<u>165,000</u>	<u>4,375,000</u>	<u>165,000</u>	<u>4,375,000</u>
	<u>525,000</u>	<u>4,740,000</u>	<u>240,000</u>	<u>4,740,000</u>
<i>Expenditure authorised by the management committee not contracted for</i>				
	<u>9,052,000</u>	<u>4,282,000</u>	<u>8,380,000</u>	<u>4,282,000</u>
<i>Funded by:</i>				
<i>Social Housing Grant</i>	2,032,000	1,050,000	1,390,000	1,050,000
<i>Other grants and contributions</i>	925,000	1,410,000	895,000	1,410,000
<i>Reserves</i>	<u>6,095,000</u>	<u>1,822,000</u>	<u>6,095,000</u>	<u>1,822,000</u>
	<u>9,052,000</u>	<u>4,282,000</u>	<u>8,380,000</u>	<u>4,282,000</u>

Included within capital commitments is both capital and revenue expenditure contracted for at 31 March 2014.

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.