

***GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018***

Financial Conduct Authority. 1791 R (S)

Registered Housing Association No. 117

Registered Charity No. SC010307

GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
For the year ended 31 March 2018

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The Management Committee presents its report and audited financial statements for the year ended 31 March 2018.

Our Vision is that everyone living in Govanhill and Merrylee should:

- *Enjoy good quality, warm, safe and affordable housing that contributes to their health and wellbeing and to community pride; and*
- *Live in a neighbourhood that is clean and well cared for, with excellent neighbourhood services and opportunities for all.*

Our Strategic Objectives are:

- *To provide good quality, cost-effective housing and services that meet customers' needs, while also raising levels of customer participation, service and satisfaction;*
- *To sustain quality and demand for the Association's existing housing stock, and develop new affordable housing in Govanhill where this can be done in a financially sustainable way;*
- *To contribute to the eradication of sub-standard housing and positive neighbourhood change in Govanhill, achieving long-term solutions that minimise risk to the Association;*
- *To work closely with GCDT and other partners, to deliver wider regeneration activities and services that will benefit the Govanhill and Merrylee communities;*
- *To make sure we have the sound governance and financial management needed to achieve our strategic objectives and plans; and*
- *To make sure our staff are well-trained, valued, receive good support and are motivated to provide the best possible services to our customers.*

Financial Review

Key financial results for the year were:

	% change	Financial Year Ended	
		31-Mar-18	31-Mar-17
Surplus for the year before pension adjustments	(51.30%)	£ 715,602	£ 1,469,529
Investment in improvements to tenants' homes		£ 3,136,772	£ 2,578,438
Investment in building or purchasing new homes		£ 8,062,871	£ 7,357,656
Grants received		£ 6,403,217	£ 7,281,538
New Loans drawn down		£ 5,200,000	£ -
Added to / (funded from) cash reserves		£ 403,574	(£ 2,654,556)
 Average debt per property		 £ 5,732	 £ 4,120
 Current ratio		 150.86%	 107.68%
Interest cover ratio		2.5 times	5.5 times

In the year under review the Association continued its development of 42 flats for affordable rent at 195-201 Victoria Road, and started development of 22 units for affordable rent at 134 Inglefield Street. We also purchased a further 38 flats in South West Govanhill in the project being undertaken in partnership with Glasgow City Council and the Scottish Government. This brings the total number of homes purchased under this project to 222 to the end of March 2018 (2017: 184).

The Association negotiated a new funding package for a total of £8.25m from CAF Bank and Charity Bank in the year. We drew down £3.7m from Barclays and £1.5m from CAF Bank in this financial year. At 31 March 2018 we had a further £7.25m of funding available to draw down in the future. Loans drawn down to the end of March 2018 were a mix of variable and fixed interest rate loans, which we are using to limit our exposure to potential future interest rate increases.

This funding is being used for the new build projects currently underway and the project in South West Govanhill, and will be used to fund the new development of 25 flats at 159 Butterbiggins Road

which is planned to start on site in 2019. At 31 March 2018 our total loan debt outstanding was £15.32m. We owned 2,672 homes, of which 878 (one third of the properties) have been offered to lenders as security. We comfortably met the financial covenant requirements from our lenders in the year ended 31 March 2018.

We continued to maintain our tenants' homes to a high standard during the year, working together with Glasgow City Council to keep our streets and back courts as clean and pest-free as possible. We spent £1.57m on reactive maintenance in the year, compared to £1.50m last year.

In addition to responding to tenants' requests for repairs to the inside of their homes on a day to day basis, we carried out cyclical repairs and maintenance and improvements to our homes' windows, heating systems and the common areas around the homes. We spent a total of £8.16m on our homes in the year, some of which was grant funded (£5.02m on items of expenditure which were not capital in addition to the £3.14m of improvements to homes noted above), compared to £5.67m last year.

*During our business planning work for the coming years, we identified the following **Key Financial Risks** for the Association which we will monitor and mitigate:*

- *Our rent levels and the increasing pressure on all RSLs to consider restricting rent increases to a CPI based measure;*
- *We have a number of hard to let properties; we need to review how we manage these homes;*
- *The implementation of Universal Credit Full Service in September 2018 will most likely result in our tenant arrears increasing and higher bad debt write offs going forward;*
- *There is uncertainty about the likely results of the next triennial valuation of the SHAPS Defined Benefit pension scheme in September 2018 and their potential impact on the Association;*
- *We have budgeted to continue the South West Govanhill acquisition and regeneration programme until 2021/22;*
- *The pace of growth of the Factoring services to owners; and*
- *The cost of improvements to backcourts where they are in mixed ownership.*

Corporate Governance and Risk Management

The Management Committee ("MC") is the Association's governing body. It has a minimum of seven and a maximum of fifteen members, including co-optees. Co-opted members are appointed directly by the MC, if the MC decides that this would be beneficial to broaden the skills, experience or perspectives that the MC can draw upon.

Four sub committees supported the work of the MC during the year (Housing Services, Development, Finance and General Purposes and Audit). The committee structure enables proper scrutiny of the Association's major business areas, while also permitting the MC to focus on its role of providing strategic direction and leadership.

Skills audits and committee member reviews are well-established and help members to reflect on their skills and contribution to the MC and identify what support the Association can provide. A committee training policy is in place with priorities agreed annually following committee reviews.

All MC members must abide by the Association's Code of Conduct. The code is supported by comprehensive governance policies and procedures which are reviewed regularly, to make sure that the Association meets good practice and regulatory standards. A detailed review of our Corporate Governance practices and procedures was undertaken by an external consultant in the year and we have been reassured that our practices are adequate to protect the interests of the Association and its tenants and other stakeholders.

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

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For the year ended 31 March 2018

Management Committee

<i>John McLardie</i>	<i>(Chairperson)</i>
<i>Annie Macfarlane</i>	<i>(Vice Chair)</i>
<i>Elizabeth Klein</i>	<i>(Secretary)</i>
<i>Keith Kintrea</i>	<i>(Treasurer)</i>
<i>Ann Scott</i>	
<i>Henry Rooney</i>	
<i>Mujeeb Ur Rehman</i>	
<i>Ghazala Hakeem</i>	
<i>Isabel Deakin</i>	<i>(Resigned 07/02/18)</i>
<i>Mark Fitzpatrick</i>	<i>(Resigned 20/10/17)</i>
<i>Barbara Robertson</i>	
<i>Jessica Yuill</i>	
<i>James White</i>	
<i>Jacqueline Rogers</i>	<i>(Resigned 15/08/17)</i>
<i>Iain Doherty</i>	<i>(Appointed 07/09/17)</i>
<i>Christina Roche</i>	<i>(Appointed 07/09/17)</i>

Executive officers

<i>Anne Lear</i>	<i>(Director Retired 05/04/18)</i>
<i>John Quinn</i>	<i>(Director Appointed 09/04/18)</i>
<i>Cindy McNeill</i>	<i>(Acting Finance Manager resigned 19/10/2017)</i>
<i>Shannon Watson</i>	<i>(Finance & IT Manager appointed 23/10/17)</i>
<i>Alan McDonald</i>	<i>(Housing Services Manager)</i>
<i>Kenneth MacDougall</i>	<i>(Development Manager)</i>
<i>Alison Kevan</i>	<i>(Corporate Services and HR Manager)</i>

Registered office

*Samaritan House
79 Coplaw Street
Glasgow G42 7JG*

Auditors

*French Duncan LLP
Chartered Accountants and Statutory Auditor
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 2018

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The Management Committee has pleasure in presenting their report and the audited accounts for the year ended 31 March 2018.

Legal status

The Association is a registered social landlord under the Co-operative and Community Benefit Societies Act 2014 and registered by the Financial Conduct Authority. The Association is constituted under its Rule Book. In 2014 the Association changed its rules in compliance with the SFHA Charitable Model Rules (Scotland) 2013. The Association is a registered Scottish Charity with the number SC010307

Principal activities

The principal activity of the Association is the provision of good quality, affordable rented accommodation for those in housing need.

The Management Committee and executive officers

The Management Committee and executive officers of the Association are listed on page 3.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and, although not having the legal status of directors, they act as executives within the authority delegated by the Management Committee.

Review of business and future developments

The Committee are satisfied with the Association's performance during the year. The surplus for the year was £715,602 (2017 - £1,469,529). The Association's net assets are now £27,143,568 (2017 - £26,027,958). A review of the Association's financial and operational activities for the year is summarised on pages 1 and 2.

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.

Auditor

French Duncan LLP have indicated their willingness to continue in office.

Statement of Disclosure to Auditor

The Management Committee must, in determining how amounts are presented within items in the statement of comprehensive income and statement of financial position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practice.

- (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.*

Statement on Internal Financial Control

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- *the reliability of financial information used within the Association, or for publication;*
- *the maintenance of proper accounting records;*
- *the safeguarding of assets against unauthorised use or disposition.*

It is the governing body's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of the Association's systems include ensuring that:

- *formal policies and procedures are in place, including the ongoing documentation of key systems and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;*
- *experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;*
- *forecasts and budgets are prepared which allow the management team and the Management Committee to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and the medium term;*
- *quarterly financial management reports are prepared promptly, providing relevant, reliable and up-to-date financial and other information with significant variances from budget being investigated as appropriate;*
- *Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;*
- *all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;*
- *the Audit Committee receives reports from management and from external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken; and*
- *formal procedures have been established for instituting appropriate action to correct any weakness identified through internal or external audit reports.*

The Management Committee has reviewed the effectiveness of the system of internal control in existence in the Association for the year ended 31 March 2018. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES
For the year ended 31 March 2018

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The Management Committee is responsible for preparing the financial statements in accordance with the Co-operative and Community Benefit Societies Act 2014.

Statute requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association as at the end of the financial year and of the surplus or deficit of the Association for that period. In preparing those financial statements, 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 financial statements;*
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business; and*
- *Prepare a statement on Internal Financial Control.*

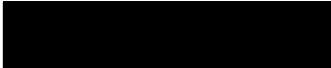
The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, and the Scottish Housing Regulator's Determination of Accounting Requirements December 2014. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must, in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- *There is no relevant audit information (information needed by the Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and*
- *The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.*

BY ORDER OF THE MANAGEMENT COMMITTEE


Elizabeth Klein
Secretary

Date: 

GOVANHILL HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE
OF GOVANHILL HOUSING ASSOCIATION ON CORPORATE GOVERNANCE
MATTERS

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For the year ended 31 March 2018

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



FRENCH DUNCAN LLP

Chartered Accountants and Statutory Auditors
133 Finnieston Street
GLASGOW G3 8HB

Date: 

GOVANHILL HOUSING ASSOCIATION LIMITED **PAGE 8**
INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF
GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2018

Opinion

We have audited the Financial Statements of Govanhill Housing Association Limited for the year ended 31 March 2018 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in reserves and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- *give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;*
- *have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and*
- *have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements December 2014.*

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the housing association in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- *The committee members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or*
- *the committee members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.*

Other Information

The other information comprises the information contained in the trustees' report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact.

We have nothing to report in this regard.

GOVANHILL HOUSING ASSOCIATION LIMITED **PAGE 9**
INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF
GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2018

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 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.*

Responsibilities of Committee Members

As explained more fully in the management committee's responsibilities statement set out on page 6, the committee members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management committee are responsible for assessing the housing association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the committee members either intend to liquidate the housing association or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- *Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the housing association's internal control.*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee members.*
- *Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on*

GOVANHILL HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF
GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2018

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the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the housing association to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This report is made solely to the Association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. 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 auditors' 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.



FRENCH DUNCAN LLP

Chartered Accountants and Statutory Auditors
133 Finnieston Street
GLASGOW G3 8HB

Date:



GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2018

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	Notes	2018 £	2017 £
REVENUE	2	16,182,843	14,421,483
<i>Operating costs</i>	2	(15,252,050)	(13,092,503)
OPERATING SURPLUS	2, 10	930,793	1,328,980
<i>Gain on sale of housing stock</i>	7	132,347	435,510
<i>Release of negative goodwill</i>	15	101,673	163,972
<i>Interest receivable and other similar income</i>		967	1,164
<i>Interest payable and other similar charges</i>	8	(415,020)	(366,269)
<i>Other Finance Charges</i>	9	(35,158)	(93,828)
SURPLUS FOR THE YEAR	24	715,602	1,469,529
OTHER COMPREHENSIVE INCOME			
<i>Actuarial gain / (loss) recognised in the retirement benefit schemes</i>	30	400,000	(241,000)
<i>Remeasurement of pension liability - SHAPS pension adjustment</i>	30	-	1,641,000
TOTAL COMPREHENSIVE INCOME		1,115,602	2,869,529

The results for the year relate wholly to continuing activities.

The notes on pages 15 to 36 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 March 2018

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	Notes	2018 £	2017 £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	13(a)	104,571,781	96,698,423
New Supplied Share Equity Scheme Loan		282,500	282,500
New Supplied Share Equity Scheme Grant		(282,500)	(282,500)
		-	-
Other tangible fixed assets	13(b)	2,774,804	2,889,356
		107,346,585	99,587,779
INVESTMENT	14	100	100
INTANGIBLE FIXED ASSETS			
Negative goodwill	15	(3,461,781)	(3,563,454)
CURRENT ASSETS			
Stock and work in progress	16	4,757	3,811
Debtors	17	1,162,133	1,509,982
Cash at bank and in hand		4,646,634	3,493,123
		5,813,524	5,006,916
CREDITORS: amounts falling due within one year	18	(3,853,659)	(4,650,009)
NET CURRENT ASSETS		1,959,865	356,907
TOTAL ASSETS LESS CURRENT LIABILITIES		105,844,769	96,381,332
CREDITORS: amounts falling due after more than one year	19	(15,440,334)	(11,399,747)
PROVISION FOR LIABILITIES			
Retirement benefit scheme deficit	20	(168,000)	(535,000)
DEFERRED INCOME			
Social Housing Grants	21	(60,265,572)	(55,529,869)
Other Grants	21	(2,827,295)	(2,888,758)
		(63,092,867)	(58,418,627)
NET ASSETS		27,143,568	26,027,958
EQUITY			
Share capital	22	1,306	1,298
Restricted reserves	23	16,900	16,900
Revenue reserve	24	27,125,362	26,009,760
		27,143,568	26,027,958

The financial Statements were approved by the management committee, authorised for issue and signed on its behalf on:

Chairperson

J. McLARDIE

Secretary

E. KLEIN

Treasurer

K. KINTREA

The notes on pages 15 to 36 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 £	2017 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	2,258,967	2,923,460
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(8,062,871)	(7,357,656)
Improvements to housing properties		(3,136,772)	(2,578,438)
Purchase of other fixed assets		(123,433)	(22,034)
Social housing grants received		6,403,217	7,281,538
Proceeds of disposals of housing properties		161,894	546,754
Sales of commercial properties		-	-
Sales of other fixed assets		-	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(4,757,965)	(2,129,836)
NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING		(2,498,998)	793,624
FINANCING ACTIVITIES			
Issue of ordinary share capital		8	19
Loan advances received		5,200,000	-
Interest received		967	1,164
Interest paid		(415,020)	(366,269)
Loan principal repayments		(743,308)	(680,445)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING		4,042,647	(1,045,531)
INCREASE / (DECREASE) IN CASH		1,543,649	(251,907)
OPENING CASH AND CASH EQUIVALENTS		3,102,985	3,354,892
CLOSING CASH AND CASH EQUIVALENTS		4,646,634	3,102,985

The notes on pages 15 to 36 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
For the year ended 31 March 2018

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	<i>Share Capital</i> £	<i>Restricted Reserve</i> £	<i>Revenue Reserve</i> £	<i>Total</i> £
<i>Balance as at 1 April 2017</i>	1,298	16,900	26,009,760	26,027,958
<i>Issue of Shares</i>	8	-	-	8
<i>Surplus for the year</i>	-	-	715,602	715,602
<i>Other comprehensive income</i>	-	-	400,000	400,000
<i>Balance as at 31 March 2018</i>	<u>1,306</u>	<u>16,900</u>	<u>27,125,362</u>	<u>27,143,568</u>

	<i>Share Capital</i> £	<i>Restricted Reserve</i> £	<i>Revenue Reserve</i> £	<i>Total</i> £
<i>Balance as at 1 April 2016</i>	1,279	16,900	23,140,231	23,158,410
<i>Issue of Shares</i>	19	-	-	19
<i>Surplus for the year</i>	-	-	1,469,529	1,469,529
<i>Other comprehensive income</i>	-	-	1,400,000	1,400,000
<i>Balance as at 31 March 2017</i>	<u>1,298</u>	<u>16,900</u>	<u>26,009,760</u>	<u>26,027,958</u>

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

PAGE 15

1. ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers 2014 and comply with the requirements of the Determination of Accounting Requirements (December 2014) issued by the Scottish Housing Regulator.

The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see below).

The following principal accounting policies have been applied:

Going Concern

The financial statements have been prepared on a going concern basis after consideration of the future prospects of the Association, its long term financial forecasts and the certainty of cash flow from rental of social housing stock.

Revenue

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

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

At the time of Second Stage Transfer the Association took on employees who are members of the Strathclyde Pension Scheme. In accordance with FRS 102, 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 Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond.

Mortgages

Mortgage loans are advanced 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.

Stock and work in progress

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

- *stocks of postage, stationery and maintenance materials.*

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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

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1. ACCOUNTING POLICIES (continued)

Valuation of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 13. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
<i>Kitchens</i>	<i>15 years</i>
<i>Bathrooms</i>	<i>20 years</i>
<i>Central Heating</i>	<i>20 years</i>
<i>External Windows</i>	<i>30 years</i>
<i>Door entry systems</i>	<i>15 years</i>
<i>Lifts</i>	<i>30 years</i>
<i>Roofs</i>	<i>50 years</i>
<i>Structure</i>	<i>50 years</i>

Depreciation and Impairment of Other Non-Current Assets

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

<i>Office Premises</i>	<i>- 2% Straight Line</i>
<i>Computer Equipment</i>	<i>- 33 ⅓% Straight Line</i>
<i>Office Equipment</i>	<i>- 20%-33 ⅓% Straight Line</i>
<i>Hostel Equipment</i>	<i>- 20% Straight Line</i>
<i>Motor Vehicles</i>	<i>- 20% Straight Line</i>

The carrying value of non-current assets is reviewed for impairment at the end of each reporting year.

Social Housing Grant and Other Grants in Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same year as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

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1. ACCOUNTING POLICIES (continued)

Sales of Housing Properties

First tranche Shared Ownership disposals are credited to revenue on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals of housing property under the Right to Buy scheme are treated as non-current asset disposals and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

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 Statement of Comprehensive Income in equal instalments over a period of 50 years.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying the Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

Obligations under SHAPS and Strathclyde Pension Fund Schemes

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

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1. ACCOUNTING POLICIES (continued)

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) Identification of Cash Generating Units

The Association considers its cash-generating units to be 2,672 for asset management purposes.

Financial Instruments – Basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

2. PARTICULARS OF REVENUE, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT)

		2018		
	Note	Revenue £	Operating costs £	Operating surplus / (deficit) £
Affordable letting activities	3	14,574,740	(13,586,237)	988,503
Other activities	4	1,608,103	(1,665,813)	(57,710)
Total		16,182,843	(15,252,050)	930,793

		2017		
	Note	Revenue £	Operating costs £	Operating surplus/ (deficit) £
Affordable letting activities	3	12,511,889	(11,224,993)	1,286,896
Other activities	4	1,909,594	(1,867,510)	42,084
Total		14,421,483	(13,092,503)	1,328,980

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

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3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing	Supported Social Housing Accommodation	Shared Ownership Housing	Other Shared Equity Housing	2018 Total	2017 Total
	£	£	£	£	£	£
Revenue from lettings						
Rent receivable net of identifiable service charges	10,258,954	396,206	-	6,782	10,661,942	10,187,795
Service charges receivable	209,160	15,676	-	974	225,810	217,107
Gross rents receivable	10,468,114	411,882	-	7,756	10,887,752	10,404,902
Less rent losses from voids	(377,901)	(1,335)	-	-	(379,236)	(273,032)
Net rents receivable	10,090,213	410,547	-	7,756	10,508,516	10,131,870
Amortisation of Social Housing & Other Grants	1,706,801	-	-	-	1,706,801	1,636,290
Revenue grants from local authorities and other agencies	2,359,423	-	-	-	2,359,423	743,729
Other Revenue grants	-	-	-	-	-	-
Total income from social letting	14,156,437	410,547	-	7,756	14,574,740	12,511,889
Expenditure on social letting activities						
Management and maintenance administration costs	(3,361,757)	(28,313)	-	(5,242)	(3,395,312)	(3,322,025)
Service costs	(209,614)	-	-	(974)	(210,588)	(197,810)
Planned and cyclical maintenance including major repairs	(4,941,543)	(76,118)	-	-	(5,017,661)	(3,090,883)
Reactive maintenance	(1,495,841)	(76,090)	-	(2,435)	(1,574,366)	(1,504,097)
Bad debts - rents and service charges	(91,572)	-	-	-	(91,572)	(13,862)
Depreciation of social housing	(3,296,738)	-	-	-	(3,296,738)	(3,096,316)
Impairment of affordable let properties	-	-	-	-	-	-
Operating costs of social letting	(13,397,065)	(180,521)	-	(8,651)	(13,586,237)	(11,224,993)
Operating surplus / (deficit) on social letting activities	759,372	230,026	-	(895)	988,503	1,286,896
2017	1,044,391	243,438	-	(933)	1,286,896	

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

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

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover £	Operating Costs - Bad debts (write off)/ recovery £	Other operating costs £	Operating surplus or (deficit) 2018 £	Operating surplus or (deficit) 2017 £
<i>Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing</i>	624,934	-	-	-	624,934	-	(629,993)	(5,059)	(20,927)
<i>Care and repair</i>	-	-	-	-	-	-	-	-	-
<i>Investment property activities</i>	-	-	-	-	-	-	-	-	-
<i>Factoring</i>	-	-	-	906,771	906,771	16,093	(989,705)	(66,841)	(43,128)
<i>Uncapitalised development administration costs</i>	-	-	-	-	-	-	-	-	11,555
<i>Support activities</i>	-	-	-	-	-	-	-	-	-
<i>Care activities</i>	-	-	-	-	-	-	-	-	-
<i>Contracted out services undertaken for registered social landlords</i>	-	-	-	-	-	-	-	-	-
<i>Contracted out services undertaken for other organisations</i>	-	-	-	-	-	-	-	-	-
<i>Developments for sale to registered social landlords</i>	-	-	-	-	-	-	-	-	-
<i>Developments and improvements for sale to other organisations</i>	-	-	-	-	-	-	-	-	-
<i>Amortisation of grant on other tangible assets</i>	-	-	-	20,627	20,627	-	-	20,627	108,275
<i>Other activities</i>									
<i>- Management expenses charged to subsidiary companies</i>	-	-	-	42,978	42,978	-	(42,978)	-	-
<i>- Rental of commercial property</i>	-	-	-	10,103	10,103	-	(19,230)	(9,127)	(16,088)
<i>- Hire of conference hall</i>	-	-	-	2,690	2,690	-	-	2,690	2,377
<i>- Sale of other fixed assets</i>	-	-	-	-	-	-	-	-	-
<i>- Donation received</i>	-	-	-	-	-	-	-	-	20
TOTAL FROM OTHER ACTIVITIES	624,934	-	-	983,169	1,608,103	16,093	(1,681,906)	(57,710)	42,084
TOTAL FROM OTHER ACTIVITIES FOR 2017	816,481	35,425	-	1,057,688	1,909,594	(25,325)	(1,842,185)	42,084	

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

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5. BOARD MEMBERS AND OFFICERS EMOLUMENTS

The officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, the executive officers and employees of the Association reporting directly to the chief executive or the Management Committee.

No emoluments have been paid to any member of the Management Committee. (2017: None)

4 officers of the Association received emoluments greater than £60,000.

	2018 £	2017 £
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	273,540	354,289
Pension contributions paid on behalf of officers with emoluments greater than £60,000	34,466	23,031
Emoluments payable to the director (excluding pension contributions)	80,928	78,223
Pension contributions paid on behalf of the director	10,197	9,621
	Number	Number
Total number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:	2018	2017
£60,001 - £70,000	3	3
£70,001 - £80,000	-	1
£80,001 - £90,000	1	1
Total expenses reimbursed in so far as not chargeable to United Kingdom income tax:		
Management Committee	716	662

6. EMPLOYEE INFORMATION

	2018 £	2017 £
Staff costs during the year:		
Wages and salaries	2,326,282	2,267,533
Social security costs	236,398	222,800
Other pension costs	266,216	271,960
	2,828,896	2,762,293
	Number	Number
The average number of full time equivalent persons employed during the year was	67	64
The average total number of employees employed during the year was	76	77

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

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7. GAIN ON SALE OF HOUSING STOCK

	2018	2017
	£	£
Net proceeds of disposals of housing properties	161,894	546,754
Net book value of housing property disposals	(29,547)	(111,244)
Gain on sale of housing stock	132,347	435,510

8. INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	2018	2017
	£	£
Bank loans and overdrafts	415,020	366,269
Other loans repayable within five years	-	-
	415,020	366,269

9. OTHER FINANCE CHARGES

	2018	2017
	£	£
Unwinding of discounted liabilities	35,158	93,828

10. OPERATING SURPLUS FOR THE YEAR

	2018	2017
	£	£
Surplus is stated after charging / (crediting):		
Depreciation of tangible owned fixed assets	3,534,723	3,391,414
Auditors' remuneration - audit services	13,000	12,590
- other services	-	600
Amortisation of Capital Grants	(1,728,975)	(1,745,656)

11. TAXATION

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

12. HOUSING STOCK

	2018	2017
	Number	Number
The number of units of accommodation in management at the year end was:		
General needs - new build	208	208
- rehabilitation	2,361	2,325
Supported housing	99	99
Shared equity	4	4
	2,672	2,636

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 31 March 2018

13(a). NON CURRENT ASSETS

Housing Properties

	<i>Housing properties held for letting</i>	<i>Housing properties in the course of construction</i>	<i>Shared equity properties held for letting</i>	<i>2018 Total</i>
	£	£	£	£
COST				
<i>At start of year</i>	127,546,548	1,740,204	187,681	129,474,433
<i>Additions</i>	6,431,636	4,768,007	-	11,199,643
<i>Disposals</i>	(32,903)	-	-	(32,903)
<i>Transfers to stock</i>	-	-	-	-
<i>Schemes completed in the year</i>	-	-	-	-
<i>At end of year</i>	133,945,281	6,508,211	187,681	140,641,173
DEPRECIATION				
<i>At start of year</i>	32,588,329	-	187,681	32,776,010
<i>Charged during year</i>	3,296,738	-	-	3,296,738
<i>Eliminated on disposal</i>	(3,356)	-	-	(3,356)
<i>At end of year</i>	35,881,711	-	187,681	36,069,392
NET BOOK VALUE				
<i>At end of year</i>	98,063,570	6,508,211	-	104,571,781
<i>At start of year</i>	94,958,219	1,740,204	-	96,698,423

Development administration costs capitalised in the year amounted to £534,376 (2017 - £520,284) for which Social Housing Grants amounting to £86,107 (2017 - £3,146) were received in the year.

Capitalised major repairs costs in the year amounted to £3,136,772 (2017 - £2,578,438)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

13(b). NON CURRENT ASSETS

<i>Other Tangible Assets</i>	<i>Heritable office property £</i>	<i>Computer and office equipment £</i>	<i>Hostels equipment £</i>	<i>Commercial premises £</i>	<i>2018 Total £</i>
COST					
<i>At start of year</i>	3,425,433	764,953	34,275	81,990	4,306,651
<i>Transfers</i>	-	-	-	-	-
<i>Additions</i>	-	123,433	-	-	123,433
<i>Disposals</i>	-	-	-	-	-
<i>At end of year</i>	3,425,433	888,386	34,275	81,990	4,430,084
DEPRECIATION					
<i>At start of year</i>	778,367	591,535	34,275	13,118	1,417,295
<i>Charged during year</i>	68,509	167,836	-	1,640	237,985
<i>Disposals</i>	-	-	-	-	-
<i>At end of year</i>	846,876	759,371	34,275	14,758	1,655,280
NET BOOK VALUE					
<i>At end of year</i>	2,578,557	129,015	-	67,232	2,774,804
<i>At start of year</i>	2,647,066	173,418	-	68,872	2,889,356

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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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14. INVESTMENT

	2018	2017
	£	£
At start of year	100	100
New investment	-	-
At end of year	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. GREAT Gardens a charitable company limited by guarantee, registered in Scotland and controlled by the Management Committee of Govanhill Housing Association Limited ceased trading during the year under review.

The results and net assets of the subsidiary company at 31 March 2018 are as follows:

	2018	2017
	£	£
Govanhill Community Development Trust Limited:		
(Loss) for the year after tax	(62,168)	(18,725)
Net Assets	831,679	893,847

15. NEGATIVE GOODWILL

	2018	2017
	£	£
At start of year	3,563,454	3,727,426
Amortised in the year	(101,673)	(163,972)
At end of year	3,461,781	3,563,454

16. STOCK AND WORK IN PROGRESS

	2018	2017
	£	£
Postage, stationery and maintenance stock	4,757	3,811

17. DEBTORS

	2018	2017
	£	£
Amounts falling due within one year:		
Rental debtors - housing benefit	84,840	77,066
- other	388,822	390,491
Less: provision for bad debts	(292,943)	(276,294)
Amounts due by subsidiary companies	21,694	43,636
Capital grants receivable	342,119	788,719
Corporation tax	-	-
Other debtors	312,208	191,258
Prepayments and accrued income	305,393	295,106
	1,162,133	1,509,982

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Housing loans (note 19a)	779,838	681,731
Liability for past service contribution arrangements	307,000	282,000
Amounts due to subsidiary company	8,421	17,334
Bank overdraft	-	390,140
Trade payables	1,559,009	1,991,558
Other taxation and social security costs	61,115	57,027
Social Housing Grant repayable	62,555	62,555
Other creditors	363,374	351,193
Accruals and deferred income	201,351	243,139
Rent deposits	-	-
Rent in advance	424,135	478,487
Factoring in advance	83,877	36,414
Pensions creditor	2,984	58,431
	<u>3,853,659</u>	<u>4,650,009</u>

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

	2018 £	2017 £
Housing loans	14,536,334	10,177,747
Liability for past service contribution arrangements	904,000	1,222,000
	<u>15,440,334</u>	<u>11,399,747</u>

Included within housing loans is £84,750 of monies held on behalf of sharing owners who participated in the shared equity scheme.

19(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:

	2018 £	2017 £
In one year or less (note 18)	779,838	681,731
Between one and two years	779,838	636,001
Between two and five years	2,512,293	1,916,009
In five years or more	11,244,203	7,625,737
	<u>15,316,172</u>	<u>10,859,478</u>

20. PROVISION FOR LIABILITIES

	2018 £	2017 £
Retirement benefit scheme deficit - SPF	168,000	535,000

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NOTES TO THE FINANCIAL STATEMENTS
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21.DEFERRED INCOME

	2018	2017
	£	£
<i>Social Housing Grants</i>		
Balance at start of year	55,529,869	49,949,830
Additions in year	6,403,217	7,281,538
Released/Repaid as a result of property disposal	-	-
Amortisation in year	(1,667,512)	(1,701,499)
Balance at end of year	60,265,572	55,529,869
<i>Other Grants</i>		
Balance at start of year	2,888,758	2,932,915
Additions in year	-	-
Released/Repaid as a result of property disposal	-	-
Amortisation in year	(61,463)	(44,157)
Balance at end of year	2,827,295	2,888,758
This is expected to be released to the Statement of Comprehensive Income as follows:		
Amounts due within one year	1,728,975	1,728,975
Amounts due in one year or more	61,363,892	56,689,652
	63,092,867	58,418,627

22. SHARE CAPITAL

	2018	2017
	£	£
<i>Shares of £1 each fully paid and issued:</i>		
At start of year	365	375
Shares issued during year	8	19
Shares forfeited during year	(22)	(29)
At end of year	351	365
<i>Forfeited shares:</i>		
At start of year	933	904
Transferred from share capital during year	22	29
At end of year	955	933
<i>Total share capital:</i>		
At start of year	1,298	1,279
At end of year	1,306	1,298

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.

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23. RESTRICTED RESERVES

	2018 £	2017 £
OTHER		
Charitable reserve at start of year	16,900	16,900
Transferred in year	-	-
Donations received	-	-
Charitable reserve at end of year	<u>16,900</u>	<u>16,900</u>

24. REVENUE RESERVE

	2018 £
At beginning of year	26,009,760
Retained surplus for the year	715,602
Actuarial gain recognised in the retirement benefit scheme	400,000
At end of year	<u>27,125,362</u>

25. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to balance as at 31 March

	2018 £	2017 £
Operating surplus	930,793	1,328,980
Depreciation charges	3,534,723	3,391,414
Amortisation of grants	(1,728,975)	(1,745,656)
(Increase) / decrease in stock	(946)	28
Decrease / (increase) in debtors	347,849	(405,067)
(Decrease) / increase in creditors	(529,319)	599,589
Unwinding of discount on pension liability	(35,158)	(93,828)
Movement in pension liability	(260,000)	(152,000)
Net cash inflow from operating activities	<u>2,258,967</u>	<u>2,923,460</u>

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26. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102.

The related party relationships of the members of the Management Committee are summarised as:

- Members are tenants of the Association
- Members are factored owners
- Management Committee members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Committee member has a connection is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members are as follows:

Rent received from tenants on the Committee:	£33,537
At the year end total rent arrears owed by the tenant members of the Committee were:	£nil
Charges received from factored owners on the Committee:	£1,326
At the year end total factors arrears owed by the owner members of the Committee were:	£342

Transactions between the Association and its subsidiaries are as follows:

	2018 £		2017 £	
	<u>Purchases</u>	<u>Sales</u>	<u>Purchases</u>	<u>Sales</u>
Govanhill Community Development Trust Limited	78,074	51,755	97,924	61,914
GREAT Gardens Limited	3,139	-	74,379	27,333
	<u>Amounts due to:</u>	<u>Amounts due by:</u>	<u>Amounts due to:</u>	<u>Amounts due by:</u>
Govanhill Community Development Trust Limited	8,421	21,694	-	13,032
GREAT Gardens Limited	-	-	2,552	13,270

All transactions were carried out on an arms length, commercial basis.

GREAT Gardens ceased trading during the year under review.

27. DETAILS OF ASSOCIATION

The Association is a Registered Community Benefit Society registered within the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is Glasgow.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing in Glasgow.

28. GROUP ACCOUNTS EXEMPTION

From the period commencing 1 April 2015 the Association gained exemption from the Financial Conduct Authority for providing Group Accounts. This was obtained under Section 99 of the Co-operative and Community Benefit Societies Act 2014 and had the agreement of the Auditor.

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29. CAPITAL COMMITMENTS

	2018 £	2017 £
<i>Expenditure contracted less certified</i>	<u>2,868,000</u>	<u>6,112,000</u>
<i>Funded by:</i>		
<i>Social Housing Grant</i>	-	1,330,000
<i>Other grants and contributions</i>	-	29,000
<i>Reserves</i>	<u>2,868,000</u>	<u>4,753,000</u>
	<u>2,868,000</u>	<u>6,112,000</u>
 <i>Expenditure authorised by the management committee not contracted for</i>		
	<u>11,837,000</u>	<u>13,160,000</u>
 <i>Funded by:</i>		
<i>Social Housing Grant</i>	7,750,000	8,250,000
<i>Other grants and contributions</i>	270,000	165,000
<i>Reserves</i>	<u>3,817,000</u>	<u>4,745,000</u>
	<u>11,837,000</u>	<u>13,160,000</u>

Included within capital commitments is both capital and revenue expenditure contracted for at 31 March 2018.

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30. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

Govanhill Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the Scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers 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 year under FRS102 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £616 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £197 million, equivalent to a past service funding level of 76%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2017. 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 £852 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £129 million, equivalent to a past service funding level of 87%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is re-apportioned amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £1,211,000 (2017 - £1,504,000). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 1.51%.

The Association made payments totalling £508,812 (2017: £475,490) to the pension scheme, inclusive of deficit payments of £296,000, during the year. In 2017 the reduction in the deficit repayment period resulted in an adjustment to Other Comprehensive Income of £1,641,000.

During the accounting period Govanhill Housing Association Limited paid contributions at the rate of 12.6% of pensionable salaries. Member contributions were paid at a rate of 12.5%.

As at the balance sheet date there were 50 active members of the Scheme employed by Govanhill Housing Association Limited. The annual pensionable payroll in respect of these members was £1,646,898.

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

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30. RETIREMENT BENEFIT OBLIGATIONS (continued)

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 TPT Retirement Solutions 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 2017. As of this date the estimated employer debt for Govanhill Housing Association Limited was £8,905,205.

The Pensions Trust Growth Plan

Govanhill Housing Association Limited participates in TPT Retirement Solutions Growth Plan (the Plan). The Plan is funded and 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 an average rate of 20.3% during the accounting period.

As at the balance sheet date there were 4 active members 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 FRS102 represents the employer contribution payable.

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30. RETIREMENT BENEFIT OBLIGATIONS (continued)

The annual update as at 30 September 2017 was completed in April 2018. 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 £795 million and the Plan's Technical Provisions (i.e. past service liabilities) were £926 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £131 million, equivalent to a funding level of 85.8%.

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). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan.

Govanhill Housing Association has been notified by TPT Retirement Solutions of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2017. As of this date the estimated employer debt for Govanhill Housing Association was £27,182.

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, 5 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 102 calculations are as follows:

	31 March 2018	31 March 2017
Assumptions as at:		
Pension increase rate	2.4%	2.4%
Salary increases	3.6%	4.4%
Expected return on assets	2.7 %	2.6 %
Discount rate	2.7%	2.6%

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.5% p.a. for males and a 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.4 years	23.7 years
Future pensioners	23.4 years	25.8 years

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30. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scheme Assets

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

	Long term rate of return 31 March 2018	Value at 31 March 2018 £	Value at 31 March 2017 £
Equities	2.6%	1,072,000	1,015,000
Bonds	2.6%	276,000	167,000
Property	2.6%	168,000	139,000
Cash	2.6%	15,000	69,000
Total		1,531,000	1,390,000
 Present value of scheme liabilities		 (1,699,000)	 (1,925,000)
 Net pension liability		 (168,000)	 (535,000)

Reconciliation of defined benefit obligation

Year ended:	31 March 2018 £	31 March 2017 £
Opening defined benefit obligation	1,925,000	1,395,000
Current service cost	49,000	32,000
Interest cost	50,000	49,000
Contributions by members	9,000	9,000
Actuarial losses / (gains)	(308,000)	462,000
Past service costs / (gains)	-	-
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(26,000)	(22,000)
Closing defined benefit obligation	1,699,000	1,925,000

Reconciliation of fair value of employer assets

Year ended:	31 March 2018 £	31 March 2017 £
Opening fair value of employer assets	1,390,000	1,112,000
Expected return on assets	92,000	221,000
Contributions by members	9,000	9,000
Contributions by the employer	30,000	31,000
Contributions in respect of unfunded benefits	-	-
Actuarial gains / (losses)	-	-
Assets distributed on settlements	-	-
Interest Income on plan assets	36,000	39,000
Exchange differences	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(26,000)	(22,000)
Closing fair value of employer assets	1,531,000	1,390,000
 Net pension liability	 (168,000)	 (535,000)

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30. RETIREMENT BENEFIT OBLIGATIONS (continued)

Analysis of amounts included in Statement of Comprehensive Income

	2018	2017
	£	£
Current service cost	49,000	32,000
Interest cost	50,000	49,000
Expected return on employers assets	92,000	221,000
Past service cost	-	-
Losses / (gains) on curtailments and settlements	-	-
Charge to staff cost	191,000	302,000

Analysis of amount recognised in Statement of Comprehensive Income - Other Comprehensive Income

	2018	2017
	£	£
Actuarial (loss) / gain recognised in other comprehensive income	400,000	(241,000)

During the accounting period Govanhill Housing Association Limited paid contributions at a rate of 18.05% of pensionable salaries. Member contributions were paid at a rate of between 5.5% and 7.0%.