

**GOVAN HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**Financial Services Authority No. 1686 R (S)**

**Registered Housing Association No. HEP 87**

**Charity No. SC 009055**

**BAKER TILLY UK AUDIT LLP**  
**Chartered Accountants**

**Glasgow**

# GOVAN HOUSING ASSOCIATION LIMITED

## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

31 MARCH 2012

### MANAGEMENT COMMITTEE

Ms A Irvine (Chairperson)  
Miss G Hay (Secretary)  
Mrs M O'Neil  
Mr T Dawson  
Mr J Hendry  
Mr R Carabine

Councillor J Flanagan  
Mrs A Connelly  
Mrs K Russell  
Mrs M McDermott  
Mr W Pritchard

### EXECUTIVE OFFICERS

Kenneth Mollins	Chief Executive
Stephen McCabe	Assistant Chief Executive/Finance and Administration Manager
Fiona Maguire	Development Manager
Liz Wylie	Housing Manager
Tim Holmes	Maintenance Manager

### REGISTERED OFFICE

35 McKechnie Street  
Govan  
Glasgow  
G51 3AQ

### AUDITORS

BAKER TILLY UK AUDIT LLP  
BRECKENRIDGE HOUSE  
274 SAUCHIEHALL STREET  
GLASGOW  
G2 3EH

### BANKERS

ROYAL BANK OF SCOTLAND  
788 GOVAN ROAD  
GLASGOW  
G51 2YL

### SOLICITORS

TC YOUNG  
7 WEST GEORGE STREET  
GLASGOW  
G2 1BA

### Registration Particulars:

Financial Services Authority

Industrial and Provident Societies Act 1965  
Registered Number 1686 R (S)

Scottish Housing Regulator

Housing Scotland Act 2001  
Registered Number HEP 87

Scottish Charities

Charity and Trustee Investment Act (Scotland) 2005  
Scottish Charity Number SC 009055

# GOVAN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

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# GOVAN HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2012

The Committee of Management present their report and audited financial statements for the year ended 31 March 2012.

### Principal activity

The principal activity of Govan Housing Association (Govan) is the development, management and maintenance of housing for people in housing need.

Govan is registered with the Financial Services Authority as an Industrial and Provident Society Association, The Office of the Scottish Charities Regulator (OSCR) as a charity and The Scottish Housing Regulator as a Registered Social Landlord.

### Business review

Govan made a surplus of £743,729 (2011 – surplus restated £924,809) during the year. Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment. The 2011 comparative figures have been restated. This is further explained in Section 6 of the Operational Report of the Committee of Management and in Note 25 to the financial statements.

Govan is in a reasonable financial position with revolving loan facilities available to it on demand. Govan continues to have a substantial major repair investment programme with further major repairs due in a substantial proportion of properties over the next few years.

### Surplus for the year and transfers

The results for the year are shown in the Income and Expenditure Account on page 13. The surplus made in the year of £743,729 (2011 – surplus restated £924,809) has been dealt with as follows:

	£
Surplus for the year	743,729

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# GOVAN HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2012

### Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2012 were as follows:

Ms A Irvine (Chairperson)	Mrs M Porter (resigned 9 Sept 11)
Miss G Hay (Secretary) (appointed 2 Sept 11)	Councillor J Flanagan
Mrs M O'Neil (Secretary) (resigned 2 Sept 11)	Mrs K Russell
Mr M O'Halloran (resigned 29 Aug 11)	Mr A Kean (removed 29 Jul 11)
Mrs A Connelly	Mr W Pritchard (co-opted 26 Jan 12)
Mr T Dawson	Ms A Ewing (co-opted 28 Apr 11 removed 30 Mar 12)
Mr A Butler (resigned 5 Dec 11)	Mrs M McDermott (appointed 2 Sept 11)
Mr R Carabine	Mr J Hendry (co-opted 24 Nov 11)

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

### Executive Team

The Executive Team of Govan during the year to 31 March 2012 was as follows:

Kenneth Mollins	Chief Executive
Stephen McCabe	Assistant Chief Executive/Finance and Administration Manager
Fiona Maguire	Development Manager
Liz Wylie	Housing Manager
Tim Holmes	Maintenance Manager

The Chief Executive tendered his resignation on 2 May 2012 and will leave his post on 3 August 2012.

### Operational Review

#### 1 Corporate Governance

Govan has a Committee of Management who are elected by the members of the Association. (See above for details). It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Committee of Management are unpaid.

The Executive Team of Govan (as listed above) are responsible for achieving the strategy set, and undertaking the operational activities in line with the policies set.

Our governing body is our Committee of Management, which is responsible to the wider membership. Committee of Management members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

This report details issues that have arisen during the year relating to the main activities undertaken by Govan.

# GOVAN HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2012

### **2 Corporate Issues**

Tenant involvement and participation is a major part of Govan's aims and objectives and we continue to review how Govan involves tenants in its activities. In the year, we have completed a Resident Satisfaction Survey to hear tenant and owner-occupiers' views of our service, agreed and funded an action plan for participation with our Registered Tenants Organisations and communication details of our services and related issues through our newsletter and website.

Govan is committed to involving staff in the decision making through the development and review of our Internal Management Plan, which includes the creation of Departmental Objectives that details the main tasks and targets in their work. There is effective communication with staff to keep them updated on organisational and departmental issues.

### **Performance Management**

We have made good progress in performance across the Association. There is a direct correlation between staff attendance and performance and the quality and effectiveness of our service. There is effective management of staff through individual progress meetings, staff appraisals and staff training and development plans.

There are good systems for reporting performance to the Committee and tenants. We are preparing for the implementation of the Scottish Housing Charter.

### **Best use of resources**

We undertake an annual assessment of the main risks to ensure we can maintain a high quality service, whilst ensuring the financial viability and sustainability of the Association. A significant risk is the sustainability of our traditional tenement properties, which was reflected in the Asset Management Strategy prepared by Currie and Brown in 2010. We are implementing the action plan from this Strategy where we have completed a review of the Stock Condition Survey, which has identified the work to protect this investment; our compliance with the Scottish Housing Standard; and our tenants aspirations for improvements to their home. This information will inform the review of the Business Plan in 2012, which will aim to identify resources to undertake improvements to meet the aspirations of current and prospective tenants to these properties.

### **Services**

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in our work. We continue to have a programme of major and cyclical repairs to maintain our housing stock and enhance the living conditions for our tenants. We undertake a number of services in the upkeep and maintenance to our properties, these are recharges to tenants and owner-occupiers.

We continue to support tenants and their families where they have medical and specific needs by installing adaptations, which is financially supported by Glasgow City Council.

# **GOVAN HOUSING ASSOCIATION LIMITED**

## **REPORT OF COMMITTEE OF MANAGEMENT**

**31 MARCH 2012**

### **3 Development Issues**

We continue to undertake new build housing development, which meet the increasing demand for housing in the Govan area, but also contribute to the regeneration of Govan by the Central Govan Action Plan and its partners. We have spent £9.173m (2011 - £10.232m) during the year, of which £3.523m (2011 – £7.700m) was funded by grants received from Glasgow City Council (Housing Association Grant).

We continue to deliver Community Benefit in maximizing employment and training opportunities through our repair and development contracts. We have extended our work in employability where we have provided a further 16 work experience placements through the Scottish Government's Community Jobs Initiative, as well as created 3 modern apprentices.

### **4 Housing Issues**

We strive to maximize rent as our main source of income, which enables us to fund our services and loan repayments. This is achieved through our effective management of rent arrears where we support tenants, but also take formal action where there is continual non-payment of rent. The non-technical arrears balance at the year-end was 4.15% as a percentage of the annual debit. The turnover of properties was circa 15% in the year and we undertook to minimize lost rent through re-letting these properties at an early stage. Void lost rent equates to 1.25% for our mainstream properties.

### **5 Finance and IT Issues**

Govan has a funding package with the Royal Bank of Scotland. Facilities totalling £10.71m are available to be drawn down. At 31 March 2012 the Bank had approved permitted drawings up to a level of £7.00m, of which £3.75m (2011 £3.93m) is still undrawn.

### **6. Component Accounting**

Govan has adopted Component Accounting into its financial statements this year in compliance with the SORP 2010. Major Components (Note 1) of our buildings are identified and depreciated over specific economic life spans. Their replacement is then capitalised in the accounts as they occur. There are resulting prior year adjustments shown to the relevant notes to the accounts and detailed in Note 25.

### **7. Other Areas**

#### **Risk Management Policy**

The Committee have, with advice from their internal auditors, a formal risk management process to assess business risks and implement risk management strategies. This involved identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Association's current internal controls.

#### **Investment Appraisal**

Capital expenditure is regulated by budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Committee. Reviews are carried out during the development period, to monitor expenditure and performance.

# **GOVAN HOUSING ASSOCIATION LIMITED**

## **REPORT OF COMMITTEE OF MANAGEMENT**

**31 MARCH 2012**

### **Internal Financial Control**

The Committee of Management is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Committee of Management has established with a view to providing effective internal financial control are listed on pages 9 to 10.

### **Management Structure**

The Committee of Management has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.

### **General Reserves Policy**

The Committee members have reviewed the reserves of Govan. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. During the year the Association's general reserve increased from a restated £3,381,015 to £4,124,744 (see note 8).

### **Sales of housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs, first tranche sales, 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 and the grants removed from the financial statements.

### **Maintenance policies**

The Association seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, included works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. In line with the SORP 2010, replacements to building components (as identified in Note 1) are capitalised in the accounts as they occur. All other major repairs are charged to the Income and Expenditure account.

### **Treasury Management**

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2012 the Association had £10.71m (2011 £10.12m) in undrawn loan facilities of which £3.75m (2011 £3.93m) was immediately available for drawing.



# **GOVAN HOUSING ASSOCIATION LIMITED**

## **REPORT OF COMMITTEE OF MANAGEMENT**

**31 MARCH 2012**

### **Employee Involvement and Health & Safety**

The Association encourages employee involvement in all major initiatives.

### **Quality and Integrity of Personnel**

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Chief Executive.

### **Credit Payment Policy**

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The Association's average payment period is thirty days.

### **Budgetary Process**

Each year the Committee of Management approves the annual budget and rolling five-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of Management of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

### **Rental Income**

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The point's value is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the Housing Movement.

### **Disabled Employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

# GOVAN HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2012

### **Future developments**

There is reduced public funding to support new build housing developments and we have to consider the investment priorities for our traditional tenement properties. Our review of the Business Plan will identify resources for future investment in our existing stock base and for the continuation of our development programme.

### **Auditors**

Following a competitive exercise during the year, the Committee of Management will be recommending the appointment of Alexander Sloan Chartered Accounts as Auditor to the Association at the forthcoming Annual General Meeting.

On behalf of the Committee of Management

Georgina Hay

Secretary

Date: .....

# GOVAN HOUSING ASSOCIATION LIMITED

## STATEMENT OF MANAGEMENT COMMITTEE RESPONSIBILITIES

Statute requires the Management Committee to prepare financial statements for each financial year, which give a true and fair view of affairs of the Association and of the surplus or deficit for that period. In preparing those financial statements, the Management Committee are required to fulfil the following obligations:

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

The Management Committee confirm that the financial statements comply with the requirements.

The Management Committee are 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 Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

By order of the Committee of Management

Georgina Hay

Secretary

Date: .....

# **GOVAN HOUSING ASSOCIATION LIMITED**

## **COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL**

**31 MARCH 2012**

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments 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; and
- The safeguarding of assets (against unauthorised use or disposition).

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material mis-statement or loss. Key elements include ensuring that:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, 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.
- Forecasts and budgets are prepared regularly which allow the Committee and staff to monitor the key business risks and financial objectives and progress towards the financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variance from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Committee review reports from management and from both internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

**GOVAN HOUSING ASSOCIATION LIMITED**

**COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL**

**31 MARCH 2012**

**(Continued)**

The Management have reviewed the system of internal financial control in the Association during the year ended 31 March 2012. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of the Committee of Management

Georgina Hay

Secretary

Date: .....

**GOVAN HOUSING ASSOCIATION LIMITED**

**AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS**

**Corporate Governance**

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 9 and 10 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

**Basis of Opinion**

We carried out a review in accordance with Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

**Opinion**

In our opinion the Statement on Internal Financial Control on pages 9 and 10 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP  
Statutory Auditors  
Chartered Accountants  
Glasgow

Date: .....

# GOVAN HOUSING ASSOCIATION LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

### GOVAN HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Govan Housing Association Limited for the year ended 31 March 2012 on pages 13 to 37. 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 and 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 the Committee and auditor**

As explained more fully in the Committee's Responsibilities Statement set out on page 8, the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

#### **Matters 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.

BAKER TILLY UK AUDIT LLP  
Statutory Auditor  
Breckenridge House  
274 Sauchiehall Street  
GLASGOW  
G2 3EH

Date: .....

**GOVAN HOUSING ASSOCIATION LIMITED**

**INCOME & EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	2012	2011
		£	As restated £
<b>Turnover</b>	2	6,386,396	5,026,302
<b>Less : Operating costs</b>	2	<u>5,345,455</u>	<u>4,056,335</u>
<b>Operating Surplus</b>	2	1,040,941	969,967
<b>(Loss)/Gain on disposal of fixed assets</b>	7	(8,267)	43,200
<b>Interest receivable and other similar income</b>		46	28
<b>Interest payable and other similar charges</b>	4	<u>(288,991)</u>	<u>(88,386)</u>
<b>Surplus on ordinary activities before tax</b>		743,729	924,809
<b>Taxation</b>	6	-	-
<b>Surplus for year</b>	8	<u><u>743,729</u></u>	<u><u>924,809</u></u>

The results for 2011 and 2012 relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR ENDING 31 MARCH 2012**

	2012	2011
	£	As restated £
Surplus for the year	743,729	924,809
Prior period adjustment (note 25)	(886,150)	-
Total surpluses and deficits recognised since last reporting period	<u><u>(142,421)</u></u>	<u><u>924,809</u></u>



**GOVAN HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET**

**AS AT 31 MARCH 2012**

	Notes	2012 £	2011 As restated £
<b>Tangible Fixed Assets</b>			
Housing properties - gross cost less depreciation	9	77,649,498	69,136,246
Less : HAG	9	<u>(64,387,603)</u>	<u>(60,990,773)</u>
		13,261,895	8,145,473
Other Assets	9	<u>356,538</u>	<u>355,082</u>
		<u>13,618,433</u>	<u>8,500,555</u>
<b>Current Assets</b>			
Work in Progress	10	1,129,995	788,002
Debtors	11	527,534	784,884
Cash in hand and in bank		<u>127,326</u>	<u>76,489</u>
		1,784,855	1,649,375
<b>Current Liabilities</b>			
Creditors due within one year	12	<u>(1,958,108)</u>	<u>(2,454,280)</u>
<b>Net Current Liabilities</b>		<u>(173,253)</u>	<u>(804,905)</u>
<b>Total Assets Less Current Liabilities</b>		13,445,180	7,695,650
Creditors due after one year	13	<u>(9,320,195)</u>	<u>(4,314,480)</u>
Net Assets		<u>4,124,985</u>	<u>3,381,170</u>
<b>Capital and Reserves</b>			
<b>Share capital</b>	14	241	155
<b>Revenue reserves</b>	8	<u>4,124,744</u>	<u>3,381,015</u>
		<u>4,124,985</u>	<u>3,381,170</u>

These financial statements were approved by the Committee of Management and authorised for issue on .....

Committee Member: .....

Committee Member: .....

Secretary: .....

**GOVAN HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**YEAR TO 31 MARCH 2012**

	Notes	2012	2011
		£	As restated £
<b>Net cash inflow from operating activities</b>	17a	1,109,393	1,333,388
Returns on investments and servicing of finance			
Interest received		46	28
Interest paid		<u>(288,991)</u>	<u>(88,386)</u>
<b>Net cash (outflow) from returns on investments and servicing of finance</b>		<u>(288,945)</u>	<u>(88,358)</u>
<b>Investing activities</b>			
Cash paid for construction and purchase of housing		(9,134,862)	(10,511,252)
Movement in Work in Progress		(341,993)	(756,821)
Disposals in year		298,345	107,545
HAG repayments - write-offs in year		(125,808)	(30,831)
Housing association grant received		3,883,201	8,119,083
Purchase of other fixed assets		<u>(38,528)</u>	<u>(20,596)</u>
<b>Net cash (outflow) from investing activities</b>		<u>(5,459,645)</u>	<u>(3,092,872)</u>
<b>Net cash (outflow) before financing</b>		(4,639,197)	(1,847,842)
<b>Financing</b>			
Loan received		4,618,693	1,847,031
Loan principal repayments		(92,297)	(73,379)
Shares issued		<u>103</u>	<u>47</u>
<b>Net cash inflow from financing</b>		<u>4,526,499</u>	<u>1,773,699</u>
<b>(Decrease) in cash and cash equivalents</b>		<u>(112,698)</u>	<u>(74,143)</u>

Further information is given in note 17.

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

### 1. Accounting Policies

#### (a) Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs (b) to (q) below. The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlord Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Housing Providers, Update 2010".

#### (b) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 9 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

#### (c) Mortgages

Mortgage loans are advanced by private lenders or under the terms of the 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 Housing Association Grant by Glasgow City Council.

#### (d) Housing Association Grants

Housing Association Grants (HAG) are made by Glasgow City Council and are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost (note 1(f)) of the scheme in accordance with instructions issued from time to time by The Scottish Government. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

#### (e) Housing Association Grant - Acquisition and Development Allowances receivable

Acquisition and Development Allowances are determined by Glasgow City Council and are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development Allowances become available in instalments according to the progress of work on the scheme. These Allowances are credited to development costs when they are receivable.

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

(f) **Fixed assets - Housing land and buildings** (note 9)

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

These costs are either termed "qualifying costs" by Glasgow City Council for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

Development costs are capitalised to the extent that they are attributable to specific schemes and where such costs are not felt to be excessive.

If expenditure does not qualify for HAG, it is nevertheless capitalised.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the scheme will not be developed to completion.

Interest on the loan financing the development is capitalised up to the relevant date of completion.

(g) **Improvements**

In previous years, Improvements were only capitalised where these resulted in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property.

Works to existing properties, which failed to meet the above criteria, were charged to the income and expenditure account.

The adoption of Component Accounting during the year represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be Land, Structure, Roofs, Windows, Kitchens, Bathrooms and Central Heating. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in Note 1(h)(i). The new accounting policy is compliant with the SORP 2010.

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

(h) **Depreciation**

(i) **Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation.

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 50 years
Roof	Over 50 years
Windows	Over 30 years
Kitchen	Over 15 years
Bathroom	Over 20 years
Central Heating	Over 15 years

(ii) **Other fixed assets**

The Association's assets are written off evenly over their expected useful lives as follows:

Office Premises	-	2%
Equipment	-	25%
Vehicles	-	15%

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(i) **Impairment of fixed assets**

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

(j) **Work in Progress**

Work in Progress represents net sums spent to date on Shared Equity properties. No element of profit is included in the valuation of work in progress.

(k) **Apportionment of management expenses**

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in these accounts.

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012  
(Continued)

(l) **Lease obligations**

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

(m) **Value added tax**

The Association is not registered for VAT as its taxable supplies are below the registration threshold. As the vast majority of the Association's income is exempt, expenditure is shown inclusive of VAT.

(n) **Pensions**

The Association participates in the centralised SFHA Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by 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.

The expected cost to the Association of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

(o) **Turnover**

Turnover represents rental income receivable from tenants, development administration and other income.

(p) **Sale of Housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

(q) **Consolidation**

The Association and its subsidiary undertaking comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

**GOVAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2012**

**(Continued)**

**2. Particulars of turnover, operating costs and operating surplus or deficit**

	<b>Note</b>	<b>Turnover £</b>	<b>Operating Costs £</b>	<b>Operating Surplus/ (Deficit) £</b>	<b>Operating Surplus/(Deficit) As restated 2011 £</b>
<b>Social lettings</b>	3	3,938,940	2,749,355	1,189,585	1,094,733
<b>Other activities</b>	3b	2,447,456	2,596,100	(148,644)	(124,766)
<b>Total</b>		<u>6,386,396</u>	<u>5,345,455</u>	<u>1,040,941</u>	<u>969,967</u>
As restated - 2011		<u>5,026,302</u>	<u>4,056,335</u>	<u>969,967</u>	

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2012**  
(Continued)

### 3. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities

	General Housing	Shared Ownership	Supported Housing	2012 Total	2011 As restated Total
	£	£	£	£	£
Rent receivable net of service charges	3,780,178	46,402	-	3,826,580	3,298,716
Service charges	86,803	17,134	66,456	170,393	116,575
Gross income from rents and service charges	3,866,981	63,536	66,456	3,996,973	3,415,291
<b>Less: voids</b>	(61,889)	-	(23,934)	(85,823)	(38,637)
<b>Net income from rents and service charges</b>	3,805,092	63,536	42,522	3,911,150	3,376,654
Grants from Scottish Ministers	24,663	-	-	24,663	44,636
Other revenue grants	-	-	-	-	-
Other income	3,127	-	-	3,127	-
<b>Total turnover from social letting activities</b>	3,832,882	63,536	42,522	3,938,940	3,421,290
Management and maintenance administration costs	1,087,828	7,926	-	1,095,754	978,372
Service costs	78,679	4,083	48,727	131,489	86,000
Planned and cyclical maintenance including major repairs costs	467,203	2,523	-	469,726	376,311
Reactive maintenance costs	534,103	647	-	534,750	451,210
Bad debts – rents and service charges	74,319	(47)	-	74,272	75,137
Depreciation of social housing	441,534	1,830	-	443,364	359,527
<b>Operating costs for social letting activities</b>	2,683,666	16,962	48,727	2,749,355	2,326,557
<b>Operating Surplus for social lettings</b>	1,149,216	46,574	(6,205)	1,189,585	1,094,733
<b>As restated- 2011</b>	1,046,225	48,983	(475)	1,094,733	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £22,581 (2011 £22,062).



# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012  
(Continued)

### 3b – 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	<b>Total Turnover</b>	Operating costs – bad debts	Other operating costs	<b>Operating surplus or deficit</b>	Operating surplus or deficit for previous period of account
	£	£	£	£	£	£	£	£	£
Wider action/wider role	58,869	72,535	-	-	131,404	-	160,473	(29,069)	(1,706)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	54,376	54,376	(2,034)	68,514	(12,104)	3,803
Development and construction of property activities	28,681	-	-	20	28,701	(1,600)	116,610	(86,309)	(67,390)
Support activities	-	-	67,490	-	67,490	-	91,103	(23,613)	(48,503)
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	1,572	1,572	-	1,572	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords (NSSE)	-	-	-	2,156,887	2,156,887	-	2,156,887	-	-
Other activities	-	-	-	7,026	7,026	-	4,575	2,451	5,030
<b>Total from other activities</b>	<b>87,550</b>	<b>72,535</b>	<b>67,490</b>	<b>2,219,881</b>	<b>2,447,456</b>	<b>(3,634)</b>	<b>2,599,734</b>	<b>(148,644)</b>	<b>(124,766)</b>
<b>2011</b>	<b>182,593</b>	<b>44,493</b>	<b>67,338</b>	<b>1,310,588</b>	<b>1,605,012</b>	<b>18,655</b>	<b>1,711,123</b>	<b>(124,766)</b>	

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

<b>4. Interest payable and other similar charges</b>	<b>2012</b>	<b>2011</b>
	£	£
Total interest incurred	296,773	92,408
Interest capitalised	-	-
Interest charged to work in progress	(7,782)	(4,022)
	<u>288,991</u>	<u>88,386</u>
<b>5. Development Administration</b>	<b>2012</b>	<b>2011</b>
	£	£
Total development expenditure	221,164	262,851
Less: Development administration costs	(115,010)	(67,391)
	<u>106,154</u>	<u>195,460</u>
Clerk of Works allowance received	(52,879)	(68,128)
Development allowances received	(53,275)	(127,332)
	<u>-</u>	<u>-</u>
<b>6. Corporate Taxation</b>		
The Association has charitable status and is not liable for tax on its exempt activities.		
<b>7. (Loss)/Gain on disposal of fixed assets – property</b>	<b>2012</b>	<b>2011</b>
	£	£
Net sale proceeds	42,000	67,650
Cost of sales	(4,006)	(24,450)
Loss on disposal of components	(46,261)	-
	<u>(8,267)</u>	<u>43,200</u>
<b>8. Revenue Reserve</b>		
	<b>2012</b>	<b>2011 as</b>
	£	<b>restated</b>
		£
At 1 April 2011 as originally reported	4,267,164	2,456,206
Prior Year Adjustment (Note 25)	(886,149)	-
At 1 April 2011 as restated	<u>3,381,015</u>	<u>2,456,206</u>
Surplus for year	743,729	924,809
At 31 March 2012	<u>4,124,744</u>	<u>3,381,015</u>

**GOVAN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT 31 MARCH 2012**  
**(Continued)**

**9 Tangible Fixed Assets**

	<b>Housing Properties Held for Letting</b>	<b>Housing Properties in course of construction</b>	<b>Completed Shared Ownership Properties</b>	<b>Office Premises</b>	<b>Equipment</b>	<b>Vehicles</b>	<b>Total</b>
<b>Cost</b>	£	£	£	£	£	£	£
At 1 April 2011	58,169,627	13,270,054	845,386	398,338	209,929	28,417	72,921,751
Prior Period Adjustment (Note 25)	237,848	-	-	-	-	-	237,848
As re-stated	58,407,475	13,270,054	845,386	398,338	209,929	28,417	73,159,599
Additions during year	316,160	8,818,702	-	-	14,918	23,610	9,173,390
Disposals during the year	(292,482)	-	(14,130)	-	-	-	(306,612)
Transfers	14,506,824	(14,506,824)	-	-	-	-	-
At 31 March 2012	72,937,977	7,581,932	831,256	398,338	224,847	52,027	82,026,377
<b>Housing Association Grant</b>							
At 1 April 2011	48,703,524	12,436,672	737,964	-	-	-	61,878,160
Prior Period Adjustment (Note 25)	(887,387)	-	-	-	-	-	(887,387)
As re-stated	47,816,137	12,436,672	737,964	-	-	-	60,990,773
Additions during year	62,557	3,460,081	-	-	-	-	3,522,638
Transfers	10,261,753	(10,261,753)	-	-	-	-	-
Repaid and abated during year	-	-	(10,379)	-	-	-	(10,379)
Disposals during the year	(115,429)	-	-	-	-	-	(115,429)
At 31 March 2012	58,025,018	5,635,000	727,585	-	-	-	64,387,603
<b>Depreciation</b>							
At 1 April 2011	1,355,314	-	19,970	82,475	175,867	23,260	1,656,886
Prior Period Adjustment (Note 25)	2,011,385	-	-	-	-	-	2,011,385
As re-stated	3,366,699	-	19,970	82,475	175,867	23,260	3,668,271
Provided during year	441,534	-	1,830	7,967	23,629	5,476	480,436
Transfers	-	-	-	-	-	-	-
Disposals during year	(127,669)	-	(697)	-	-	-	(128,366)
At 31 March 2012	3,680,564	-	21,103	90,442	199,496	28,736	4,020,341
<b>Net Book Value</b>							
At 31 March 2012	11,232,395	1,946,932	82,568	307,896	25,351	23,291	13,618,433
At 31 March 2011 As restated	7,224,639	833,382	87,452	315,863	34,062	5,157	8,500,555

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 9. Fixed Assets (Continued)

Development administration costs capitalised amounted to £106,154 (2011: £195,460) for which Development and Clerk of Works allowances amounting to £106,154 (2011: £195,460) were received in the year. The net amount of these costs, in line with policy, was then fully depreciated. Interest capitalised during the year amounted to £nil (2011: £nil).

None of the Association's land or properties was held under a lease.

### 10. Work in Progress

	2012	2011
	£	£
Cost of developing Shared Equity properties	3,907,451	3,240,341
Grant received to develop properties	(2,777,456)	(2,452,339)
	1,129,995	788,002

### 11. Debtors

	2012	2011
	£	£
Amounts falling due within one year:		
Gross rents in arrears	253,500	229,372
Less bad debt provision	(151,742)	(130,569)
	101,758	98,803
HAG receivable	-	360,563
Other debtors	238,234	57,160
Prepayments and accrued income	187,542	268,358
	527,534	784,884

#### Debtors due after one year included above:

Other debtors	3,265	4,734
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### 12. Creditors due within one year

	2012	2011
	£	£
Loans (Note 13)	127,005	606,324
Trade creditors	771,752	971,046
Taxation and social security	22	81
Other creditors	415,040	413,420
Accruals and deferred income	125,748	148,145
Rents in advance	292,566	252,824
Bank overdrafts	225,975	62,440
	1,958,108	2,454,280

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 13. Creditors due outwith one year

<b>Loans</b>	9,320,195	4,314,480
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Loans are secured by specific charges on the association's properties. Loans are repayable at rates of interest of 0.75% to 5.18% (2011 0.75% to 5.18%), in installments due as follows:

Under one year	127,005	606,324
Between one and two years	1,125,985	98,168
Between two and five years	284,192	208,285
In five years or more	7,910,018	4,008,027
	9,447,200	4,920,804

### 14. Share Capital

	2012	2011
	£	£
Shares of £1 fully paid and issued at 1 April 2011	155	109
Shares issued during year	103	47
Shares cancelled during year	(17)	(1)
Shares issued at 31 March 2012	241	155

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend 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.

### 15. Employees

#### Staff costs during year:

	2012	2011
	£	£
Wages and salaries	1,056,579	1,021,105
Social security costs	84,058	81,408
Other pension costs	137,834	103,970
	1,278,471	1,206,483

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 15. Employees (continued)

The average full time equivalent number of persons employed by the Association during the year were as follows:

	No	No
Finance and Administrative staff	10.3	9.6
Housing Staff	27.5	26.2
	<u>37.8</u>	<u>35.8</u>

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments including pension contributions exceed £60,000 per year (2011 - £60,000 per year).

	£	£
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	<u>63,954</u>	<u>69,147</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>58,379</u>	<u>47,831</u>

The Association's pensions contributions for the Chief Executive in the year amounted to £5,575 (2011 £8,813).

There were no other directors (2011 – Nil) whose emoluments, excluding pension contributions, were over £60,000 (2011: £60,000).

No member of the Committee of Management received any emoluments in respect of their services to the Association.

### Pension Fund

#### General

Govan Housing Association Limited participates in the SFHA 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.

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 15. Employees Pensions (continued)

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

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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.

Govan Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for Govan Housing Association Limited was £5,352,254.

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 15. Employees Pensions (continued)

The SFHA Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the State Pension scheme. The Scheme offers five benefit structures to employers, namely:

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

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

Govan Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2010 and the career average revalued earnings with a 1/70<sup>th</sup> accrual rate from 1 April 2011. The same benefit structure will be in place for any new entrants.

During the accounting period Govan Housing Association Limited paid contributions at the rate of 14.0% of pensionable salaries. Member contributions were 7.0%.

As at the balance sheet date there were 21 active members of the Scheme employed by Govan Housing Association Limited. Govan Housing Association Limited continues to offer membership of the Scheme to its employees.

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

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

<b>Mortality Tables</b>	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement



# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 15. Employees Pensions (continued)

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

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

Govan Housing Association Limited participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.

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

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the 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 Growth 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 Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 15. Employees Pensions (continued)

Govan Housing Association Limited paid no contributions to the Growth Plan during the accounting period. One employee paid contributions at the rate of 3%. As at the balance sheet date one active member of the plan was enrolled by Govan Housing Association. Govan Housing Association 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 plan assets are comingled for investment purposes and benefits are paid from the total plan assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

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

	<b>%pa</b>
- Investment return pre retirement	7.6
- Investment return post retirement	
Active/deferreds	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2009. The market value of the Plan's assets at that date was £765 million and the Plan's Technical Provisions (i.e. past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £55 million, equivalent to a funding level of 93%.

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.

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 15. Employees Pensions (continued)

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in-line with the 'best estimate' assumptions. 'Best estimate' means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

A copy of the recovery plan must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009.

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

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. 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 buyout basis i.e. the cost of security 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 pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total 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.

Govan Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2011. As of this date the estimated employer debt for Govan Housing Association Limited was £33,123.

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 15. Employees Pensions (continued)

Govan Housing Association has been notified by the Pension Trust of the Scottish Housing Association Pension Scheme (SHAPS) that past service deficit contributions payable for the year to 31 March 2013 is £79,522.

### 16. Auditors' Remuneration

	2012 £	2011 £
The remuneration of the auditors (including expenses and VAT for the year)	9,672	8,436
Remuneration of the auditors in respect of services other than those of external auditors from entities related to Baker Tilly UK Audit LLP	3,250	3,407
	12,922	11,843

### 17. Notes to the Cash Flow Statement

(a) Reconciliation of surplus to net cash inflow from operating activities	2012 £	2011 As restated £
Operating surplus for year	1,040,941	969,967
Depreciation/loss on disposals	352,070	391,760
(Increase) in debtors	(103,213)	(151,275)
(Decrease)/Increase in creditors	(180,388)	122,937
Shares cancelled	(17)	(1)
Net cash inflow from operating activities	1,109,393	1,333,388
(b) Reconciliation of net cash flow to movement in net debt	2012 £	2011 £
Increase/(Decrease) in cash for the year	50,837	(74,143)
Decrease on bank overdraft for the year	(163,535)	-
Loans received	(4,618,694)	(1,847,031)
Loan repayments	92,297	73,379
Change in net debt	(4,639,095)	(1,847,795)
Net debt as at 1 April 2011	(4,906,754)	(3,058,959)
Net debt as at 31 March 2012	(9,545,849)	(4,906,754)

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2012**

**(Continued)**

**17. Notes to the Cash Flow Statement (contd)**

(c) Analysis of Changes in net debt

	As at 1 April 2011	Cash Flow	Other Changes	As at 31 March 2012
	£	£	£	£
Cash at bank and in hand	76,489	50,837	-	127,326
Bank overdrafts	(62,440)	(163,535)	-	(225,975)
Debt due within one year	(606,323)	606,323	(127,005)	(127,005)
Debt due after one year	(4,314,480)	(5,132,720)	127,005	(9,320,195)
	<u>(4,906,754)</u>	<u>(4,639,095)</u>	<u>-</u>	<u>(9,545,849)</u>

**18. Capital Commitments**

	<b>2012</b>	<b>2011</b>
	£	£
Expenditure authorised by the Committee of Management contracted less certified	<u>6,195,674</u>	<u>12,482,483</u>

Of the amount contracted for at 31 March 2012 £6,195,674 (2011: £12,482,483) has received grant approval from Glasgow City Council.

**19. Contingent Liabilities**

Housing Association Grant allocated to components (as detailed in Note 1 (h) (i)) that have subsequently been replaced by the Association are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31 March 2012 was £780,373 (2011: £664,944).

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 20. Housing Stock

The number of units in Management at 31 March was as follows:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
General needs housing	1,356	1,255
Supported housing accommodation	27	27
Shared ownership accommodation	25	25
	1,408	1,307

### 21. Related parties

Various members of the Committee and their relatives are tenants of the Association. All of these transactions have been carried out on the terms applicable to all tenants.

#### Councillors

Mr. J Flanagan is a councillor with Glasgow City Council. Any transactions with Glasgow City Council are made at arm's length on normal commercial terms and Mr. J Flanagan cannot use his position to his advantage.

Councillor Flanagan ceased to be a Councillor on 2 May 2012.

### 22. Management of Association stock by other bodies

Various bodies manage stock on behalf of the Association. The amount of supporting housing grant received in the year was £nil (2011 - £Nil). The number of units under management was as follows:

	<b>No</b>	<b>No</b>
At 1 April 2011	15	15
Movement in year	-	-
At 31 March 2012	15	15

### 23. Subsidiary Company

The Association has a subsidiary company South Clyde Housing Limited. This company is intended to handle the activities that the Association cannot undertake due to its charitable status. The company is a company limited by guarantee and is registered in Scotland. The Financial Services Authority has granted exemption from preparing group financial statements.

The subsidiary's results for the year and level of reserves was as follows:

<b>Company</b>	<b>Capital and Holding</b>	<b>Turnover £</b>	<b>Surplus/(deficit) For period £</b>	<b>Capital and reserves £</b>
South Clyde Housing Ltd	100%	-	7	(55)

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 24. Reconciliation of Funds

	2012 £	2011 as restated £
At 1 April 2011 as originally reported	4,267,319	2,456,315
Prior Year Adjustment (Note 25)	(886,149)	-
At 1 April 2011 as restated	<u>3,381,170</u>	<u>2,456,315</u>
Surplus for year	743,729	924,809
New Shares Issued	103	47
Shares Cancelled	(17)	(1)
Net Change in Funds	<u>743,815</u>	<u>924,855</u>
At 31 March 2012	<u><u>4,124,985</u></u>	<u><u>3,381,170</u></u>

### 25. Prior Period Adjustment- Component Accounting

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment.

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their useful economic life. This has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge being recognised. In total this has led to an adjustment as at 31 March 2010 of a reduction of fixed assets of £966,422. This is represented by a reduction to fixed asset cost of £40,995 (this is net of the write off of £701,120 relating to environmental works previously capitalised that is no longer considered a component for the Association offset against previously written off major repairs of £660,125 which have now been capitalised), Major Repairs HAG written off £887,387 (of which £697,850 is a write off relating to the environmental works no longer capitalised and £189,537 relating to replaced components) and total increased depreciation of £1,812,813.

# GOVAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

### 25. Prior Period Adjustment- Component Accounting (contd)

The effect of this change on the comparative year's figures of 2011 has been to:

	£
Increase depreciation charge	(198,572)
Decrease major works charged against income	<u>278,844</u>
Increase in the surplus for the year	<u>80,272</u>

In addition the effect upon the balance sheet has been to:

Increase fixed asset cost	237,848
Decrease fixed asset HAG	887,387
Increase fixed asset depreciation	<u>(2,011,385)</u>
Net movement in the balance sheet - decrease	<u>(886,150)</u>