



Alexander Sloan
Accountants and Business Advisers

Govan Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2018

Registered Housing Association No. HEP87

FCA Reference No. 1686R(S)

Scottish Charity No. SCO09055

GOVAN HOUSING ASSOCIATION LIMITED

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GOVAN HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2018

MANAGEMENT COMMITTEE

Mr William Pritchard	Chairperson
Mr Thomas McArthur	Vice Chairperson
Miss Georgina Hay	Secretary
Mrs Alice Connelly	
Mr John Hendry	
Mr John Flanagan	Resigned 24 March 2017
Ms Karen Russell	
Mr Gary Maguire MBE	
Mr Colin Quigley	
Ms Alison Martin	

EXECUTIVE OFFICERS / KEY MANAGEMENT PERSONNEL

Fiona McTaggart	Chief Executive
Natalya Macholla	Deputy Chief Executive

REGISTERED OFFICE

35 McKechnie Street
Govan
Glasgow
G51 3AQ

EXTERNAL AUDITORS

Alexander Sloan
Accountants and Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

INTERNAL AUDITORS

Quinn Internal Audit
55 Lady Place
Livingston
EH54 6TB

BANKERS

Royal Bank of Scotland
788 Govan Road
Glasgow
G51 2YL

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers 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.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 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 and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

- 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;
- 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 2014 and the Determination of Accounting Requirements - 2015. 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 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 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.

GOVAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

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; 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 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 relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of 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 key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for 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 Management Committee receive reports from management and from the 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;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2018. No weaknesses were found in the 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.

Donations

During the year the Association made charitable donations amounting to £2,319 (2017 - £500).

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, will be proposed at the Annual General Meeting.

By order of the Management Committee

MISS GEORGINA HAY

Secretary

30 August 2018

GOVAN HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on page 22 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Our Regulatory Framework' and associated Regulatory Advice 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 reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 22 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes 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 within the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

ALEXANDER SLOAN

Accountants and Business Advisers

Statutory Auditors

GLASGOW

Date :



Alexander Sloan

Accountants and Business Advisers

GOVAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Govan Housing Association Limited (the 'Association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Society 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 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.

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 surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other 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 Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee has 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 Management Committee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Management Committee.

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:

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position 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.

GOVAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOVAN HOUSING ASSOCIATION LIMITED CONTINUED

Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 21, the Management Committee 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 Management Committee determines 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 is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 the 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 a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
- Conclude on the appropriateness of the Management Committee 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 Association'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 the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association's audit. We remain solely responsible for our audit opinion.

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.

ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
Date :



Alexander Sloan
Accountants and Business Advisers

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
REVENUE	2		8,050,661		7,835,720
Operating Costs	2		(6,951,831)		(6,333,399)
OPERATING SURPLUS			1,098,830		1,502,321
Gain On Sale Of Housing Stock	7	63,998		26,983	
Interest Receivable and Other Income		8,862		9,169	
Interest Payable and Similar Charges	8	(352,171)		(362,152)	
Other Finance Income / (Charges)	11	(3,147)		(80,155)	
			(282,458)		(406,155)
SURPLUS FOR THE YEAR	9		816,372		1,096,166
Other Comprehensive Income			-		-
TOTAL COMPREHENSIVE INCOME			816,372		1,096,166

The notes on pages 30 to 44 form part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	12 (a)		63,358,946		64,643,209
Other Non-current Assets	12 (b)		1,545,245		1,323,093
			<u>64,904,191</u>		<u>65,966,302</u>
INVESTMENTS					
Investment in subsidiaries	27	1		-	
			1		-
RECEIVABLES: Amounts falling due after more than one year					
	15		275,000		-
CURRENT ASSETS					
Receivables	16	969,208		1,058,662	
Cash at bank and in hand		4,855,603		5,072,294	
		<u>5,824,811</u>		<u>6,130,956</u>	
CREDITORS: Amounts falling due within one year					
	17	(2,359,907)		(2,719,299)	
NET CURRENT ASSETS					
			<u>3,464,904</u>		<u>3,411,657</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			68,644,096		69,377,959
CREDITORS: Amounts falling due after more than one year					
	18		(11,037,937)		(11,499,271)
DEFERRED INCOME					
Social Housing Grants	19	(46,924,600)		(47,983,711)	
Other Grants	19	(638,584)		(668,352)	
			<u>(47,563,184)</u>		<u>(48,652,063)</u>
NET ASSETS					
			<u><u>10,042,975</u></u>		<u><u>9,226,625</u></u>
EQUITY					
Share Capital	20		196		218
Revenue Reserves			10,042,779		9,226,407
			<u>10,042,975</u>		<u>9,226,625</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 30 August 2018.

Chairperson

Vice-Chairperson

Secretary

The notes on pages 30 to 44 form part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018	2017
		£	£
Net cash inflow from operating activities	18	725,077	2,063,642
Investing Activities			
Acquisition and Construction of Properties	(746,541)	(3,080,373)	
Purchase of Other Fixed Assets	(418,937)	(83,945)	
Social Housing Grant Received	831,990	2,447,227	
Investment in subsidiaries	1	-	
Other Grants Received	2,000	-	
Proceeds on Disposal of Properties	32,828	40,274	
Net cash outflow from investing activities		(298,659)	(676,817)
Financing Activities			
Interest Received on Cash and Cash Equivalents	8,862	9,169	
Interest Paid on Loans	(352,171)	(362,152)	
Loan Principal Repayments	(381,804)	(368,867)	
Share Capital Issued	6	6	
Net cash outflow from financing activities		(725,107)	(721,844)
(Decrease) / increase in cash		(298,689)	664,981
Opening Cash & Cash Equivalents		4,990,095	4,325,114
Closing Cash & Cash Equivalents		4,691,406	4,990,095
Cash and Cash equivalents as at 31 March			
Cash		4,855,603	5,072,294
Bank overdraft		(164,197)	(82,199)
		4,691,406	4,990,095

The notes on pages 30 to 44 form part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1 April 2016	212	8,130,241	8,130,453
Issue of Shares	6	-	6
Surplus for the year	-	1,096,166	1,096,166
Balance as at 31 March 2017	218	9,226,407	9,226,625
Balance as at 1 April 2017	218	9,226,407	9,226,625
Issue of Shares	6	-	6
Cancellation of Shares	(28)	-	(28)
Surplus for the year	-	816,372	816,372
Balance as at 31 March 2018	196	10,042,779	10,042,975

The notes on pages 30 to 44 form part of these financial statements.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL 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 - Accounting by Registered Social Landlords 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of the asset to which it relates.

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 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 Association has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme.

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. Contributions to the Defined Contribution Scheme are charged to the Statement of Comprehensive Income as incurred.

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 12. 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.

Component	Useful Economic Life
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

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

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:

Asset Category	Depreciation Rate
Office Premises	2% Straight Line
Furniture and Equipment	25% Reducing Balance
Vehicles	15 - 25% Straight Line
Trailer	15% Straight Line

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

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 period 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.

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover 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 or 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.

Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

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, are disclosed below:

a) 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.

b) 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.

c) Useful life of properties, plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

d) Costs of shared ownership

The Association allocates costs to shared ownership properties on a percentage basis split across the number of properties the Association owns.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

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.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

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

Housing Property Managed By Agents

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Board of Management 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 the schemes in which it manages its housing property for asset management purposes.

c) Financial instrument break clauses

The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

d) Pension Liability

In March 2018 the Association received details from the Pension Trust of the valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feels this is the best available estimate of the past service liability.

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. 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.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING AND OTHER ACTIVITIES

	Notes	2018			2017		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3	7,734,545	6,363,306	1,371,239	7,408,099	5,844,868	1,563,231
Other Activities	4	316,116	588,525	(272,409)	427,621	488,531	(60,910)
Total		8,050,661	6,951,831	1,098,830	7,835,720	6,333,399	1,502,321

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Supported Housing £	Shared Ownership £	2018 Total £	2017 Total £
Revenue from Lettings					
Rent receivable net of service charges	5,873,903	68,259	72,216	6,014,378	5,618,878
Service charges receivable	23,524	107,846	-	131,370	216,960
Gross income from rent and service charges	5,897,427	176,105	72,216	6,145,748	5,835,838
Less: Rent losses from voids	37,183	-	-	37,183	43,258
Net Rents Receivable	5,860,244	176,105	72,216	6,108,565	5,792,580
Grants released from deferred income	1,547,966	-	13,820	1,561,786	1,547,800
Revenue grants from Scottish Ministers	64,194	-	-	64,194	67,719
Total turnover from affordable letting activities	7,472,404	176,105	86,036	7,734,545	7,408,099
Expenditure on affordable letting activities					
Management and maintenance administration costs	2,082,150	29,615	27,815	2,139,580	1,671,790
Service Costs	130,419	75,704	6,611	212,734	193,823
Planned and cyclical maintenance, including major repairs	524,398	-	-	524,398	558,654
Reactive maintenance costs	1,374,774	-	1,162	1,375,936	1,324,162
Bad Debts - rents and service charges	97,929	-	3,305	101,234	99,723
Depreciation of affordable let properties	1,993,724	-	15,700	2,009,424	1,996,716
Operating costs of affordable letting activities	6,203,394	105,319	54,593	6,363,306	5,844,868
Operating surplus on affordable letting activities	1,269,010	70,786	31,443	1,371,239	1,563,231
2017	1,448,980	69,757	44,494		

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2018	Operating Surplus / (Deficit) 2017
	£	£	£	£	£	£	£
Wider role activities	95,113	-	95,113	-	167,104	(71,991)	(44,821)
Factoring	-	147,708	147,708	7,779	191,259	(51,330)	(23,119)
Other Income	-	11,518	11,518	-	-	11,518	11,106
Sale of other fixed assets	300	-	300	-	32,025	(31,725)	-
Other activities	-	61,477	61,477	-	190,358	(128,881)	(4,076)
Total From Other Activities	95,413	220,703	316,116	7,779	580,746	(272,409)	(60,910)
2017	85,703	153,800	427,621	13,177	475,354	(60,910)	

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)

Pension contributions made on behalf on Officers with emoluments greater than £60,000

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

2018	2017
£	£
154,571	148,297
19,834	17,011
88,715	86,525
193,843	183,435

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	1
£80,001 to £90,000	1	1

6. EMPLOYEE INFORMATION

The average monthly number of full time equivalent persons employed during the year was:

The average total number of Employees employed during the year was:

Staff Costs were:

Wages and Salaries
Social Security Costs
Other Pension Costs

2018	2017
No.	No.
36	52
38	53
£	£
1,222,107	1,387,380
121,695	124,782
115,133	123,947
1,458,935	1,636,109

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2018	2017
	£	£
Sales Proceeds	32,828	40,274
Cost of Sales	(31,170)	13,291
Gain On Sale Of Housing Stock	<u>63,998</u>	<u>26,983</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2018	2017
	£	£
On Bank Loans & Overdrafts	352,171	362,152
	<u>352,171</u>	<u>362,152</u>

9. SURPLUS FOR THE YEAR

	2018	2017
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	2,142,275	2,067,197
Auditors' Remuneration - Audit Services	9,540	9,018
Auditors' Remuneration - Other Services	2,160	-
Operating Lease Rentals - Other	6,229	2,609
Gain on sale of fixed assets	<u>(63,998)</u>	<u>(26,983)</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

11. OTHER FINANCE INCOME / CHARGES

	2018	2017
	£	£
Unwinding of Discounted Liabilities	<u>3,147</u>	<u>80,155</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
COST				
As at 1 April 2017	92,994,289	369,963	784,995	94,149,247
Additions	632,870	113,671	-	746,541
Disposals	(274,719)	(10,163)	-	(284,882)
Schemes Completed	319,951	(319,951)	-	-
As at 31 March 2018	<u>93,672,391</u>	<u>153,520</u>	<u>784,995</u>	<u>94,610,906</u>
DEPRECIATION				
As at 1 April 2017	29,239,140	-	266,898	29,506,038
Charge for Year	1,969,292	-	15,700	1,984,992
Disposals	(239,070)	-	-	(239,070)
As at 31 March 2018	<u>30,969,362</u>	<u>-</u>	<u>282,598</u>	<u>31,251,960</u>
NET BOOK VALUE				
As at 31 March 2018	<u>62,703,029</u>	<u>153,520</u>	<u>502,397</u>	<u>63,358,946</u>
As at 31 March 2017	<u>63,755,149</u>	<u>369,963</u>	<u>518,097</u>	<u>64,643,209</u>

Additions to housing properties include capitalised development administration costs of nil (2017 - nil) and capitalised major repair costs to existing properties of £469,185 (2017 - £462,586).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £2,646,875 (2017 - £1,020,283). The amount capitalised is £746,541 (2017 - £462,586) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £469,185 (2017 - £462,586) and improvement of £277,356 (2017 - £0).

The depreciation charge on housing properties as shown above differs from that per Note 3 due to accelerated depreciation on component replacements.

The Association's Lenders have standard securities over Housing Property with a carrying value of £16,194,137 (2017 - £16,317,405).

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

(b) Other Tangible Ass	Office Premises £	Furniture & Equipment £	Commercial Property £	Motor Vehicles £	Total £
COST					
As at 1 April 2017	581,341	333,476	1,037,381	75,012	2,027,210
Additions	107,509	40,379	-	271,049	418,937
Eliminated on Disposals	-	(2,586)	(16,739)	(73,314)	(92,639)
As at 31 March 2018	<u>688,850</u>	<u>371,269</u>	<u>1,020,642</u>	<u>272,747</u>	<u>2,353,508</u>
AGGREGATE DEPRECIATION					
As at 1 April 2017	108,864	251,993	291,105	52,155	704,117
Charge for year	13,777	57,121	18,368	68,017	157,283
Eliminated on Disposals	-	(1,666)	(335)	(51,136)	(53,137)
As at 31 March 2018	<u>122,641</u>	<u>307,448</u>	<u>309,138</u>	<u>69,036</u>	<u>808,263</u>
NET BOOK VALUE					
As at 31 March 2018	<u>566,209</u>	<u>63,821</u>	<u>711,504</u>	<u>203,711</u>	<u>1,545,245</u>
As at 31 March 2017	<u>472,477</u>	<u>81,483</u>	<u>746,276</u>	<u>22,857</u>	<u>1,323,093</u>

13. CAPITAL COMMITMENTS

	2018 £	2017 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	138,045	237,722

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

Following the commission of a specialist architectural report relative to one of the Association's developments the Association have begun legal action against third parties. It is anticipated that the costs of necessary remedial works shall be borne in full by a third party following resolution of the case and are therefore not incorporated above.

14. COMMITMENTS UNDER OPERATING LEASES

	2018 £	2017 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Other		
Not later than one year	6,229	2,600
Later than one year and not later than five years	17,801	4,676

15. RECEIVABLES AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £	2017 £
Loan to subsidiary	275,000	-

The loan to the subsidiary company attracts interest of 3.5% and is due for final repayment by 31 March 2022.

16. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Arrears of Rent & Service Charges	350,876	306,548
Less: Provision for Doubtful Debts	(215,284)	(156,120)
	<u>135,592</u>	<u>150,428</u>
Social Housing Grant Receivable	208,339	531,507
Other Receivables	275,493	376,727
Amounts Due from Group Undertakings	349,784	-
	<u>969,208</u>	<u>1,058,662</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Bank Overdrafts (secured)	164,197	82,199
Housing Loans	381,804	377,913
Motor Vehicle Leases	40,004	-
Trade Payables	44,263	396,916
Rent Received in Advance	587,006	506,727
Other Taxation and Social Security	44,107	-
Other Payables	478,623	462,677
Liability for Past Service Contributions	254,056	246,656
Accruals and Deferred Income	365,847	646,211
	<u>2,359,907</u>	<u>2,719,299</u>

At the balance sheet date there were pension contributions outstanding of £36,783 (2017 - £36,674).

18. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £	2017 £
Liability for Past Service Contributions	755,844	1,006,753
Motor Vehicle Leases	174,602	-
Housing Loans	10,107,491	10,492,518
	<u>11,037,937</u>	<u>11,499,271</u>
Housing Loans		
Amounts due within one year	381,804	377,913
Amounts due in one year or more but less than two years	388,735	384,979
Amounts due in two years or more but less than five years	1,230,350	1,198,653
Amounts due in more than five years	8,488,406	8,908,886
	<u>10,489,295</u>	<u>10,870,431</u>
Less: Amount shown in Current Liabilities	381,804	377,913
	<u>10,107,491</u>	<u>10,492,518</u>
Motor Vehicle Leases		
Amounts due within one year	40,004	-
Amounts due in one year or more but less than two years	40,004	-
Amounts due in two years or more but less than five years	134,598	-
	<u>214,606</u>	<u>-</u>
Less: Amount shown in Current Liabilities	40,004	-
	<u>174,602</u>	<u>-</u>
Liability for Past Service Contributions		
Amounts due within one year	254,056	246,656
Amounts due in one year or more but less than two years	261,677	254,056
Amounts due in two years or more but less than five years	494,167	752,697
	<u>1,009,900</u>	<u>1,253,409</u>
Less: Amount shown in Current Liabilities	254,056	246,656
	<u>755,844</u>	<u>1,006,753</u>

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Effective Interest Rate	Maturity (Year)	Variable / Fixed
RBS	5.0%	2024	Fixed
RBS	LIBOR + 1.7%	2041	Variable
RBS	Base + 0.2%	2043	Variable
RBS	5.1%	2022	Fixed
RBS	LIBOR + 0.2%	2043	Variable
RBS	4.8%	2041	Fixed
RBS	4.9%	2041	Fixed

A total of 392 properties are secured by RBS with a NBV of £16,194,137 (2017: 382 properties, NBV of £16,317,405).

All of the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans.

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.51% (2017 - 1.06%).

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to net cash inflow from operating activities

	2018 £	2017 £
Operating Surplus	1,098,830	1,502,321
Depreciation	2,159,961	2,096,559
Amortisation of Capital Grants	(1,500,237)	(1,564,169)
Change in debtors	(233,714)	(95,348)
Change in creditors	(521,588)	204,434
Unwinding of Discount on Pension Liability	(3,147)	(80,155)
Change in loan to subsidiary	(275,000)	-
Share Capital Written Off	(28)	-
	<u>725,077</u>	<u>2,063,642</u>
Net cash inflow from operating activities	<u>725,077</u>	<u>2,063,642</u>

19. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Other Fixed Assets £	Total £
Social Housing Grants					
As at 1 April 2017	72,236,726	358,265	690,982	-	73,285,973
Additions in the year	414,926	93,896	-	-	508,822
Eliminated on disposal of components and property	(83,464)	-	-	-	(83,464)
Transferred	319,952	(319,952)	-	-	-
As at 31 March 2018	<u>72,888,140</u>	<u>132,209</u>	<u>690,982</u>	<u>-</u>	<u>73,711,331</u>
Amortisation					
As at 1 April 2017	25,067,328	-	234,934	-	25,302,262
Amortisation charge in the year	1,548,286	-	13,820	-	1,562,106
Disposed of in the year	(77,637)	-	-	-	(77,637)
As at 31 March 2018	<u>26,537,977</u>	<u>-</u>	<u>248,754</u>	<u>-</u>	<u>26,786,731</u>
Net book value					
As at 31 March 2018	<u>46,350,163</u>	<u>132,209</u>	<u>442,228</u>	<u>-</u>	<u>46,924,600</u>
As at 31 March 2017	<u>47,169,398</u>	<u>358,265</u>	<u>456,048</u>	<u>-</u>	<u>47,983,711</u>
Other Grants					
As at 1 April 2017	-	-	-	920,345	920,345
Additions in the year	-	-	-	2,000	2,000
Eliminated on disposal of components and property	-	-	-	(16,000)	(16,000)
As at 31 March 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>906,345</u>	<u>906,345</u>
Amortisation					
As at 1 April 2017	-	-	-	251,993	251,993
Amortisation charge in the year	-	-	-	16,088	16,088
Disposed of in the year	-	-	-	(320)	(320)
As at 31 March 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,761</u>	<u>267,761</u>
Net book value					
As at 31 March 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>638,584</u>	<u>638,584</u>
As at 31 March 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>668,352</u>	<u>668,352</u>
Total grants net book value as at 31 March 2018	<u>46,350,163</u>	<u>132,209</u>	<u>442,228</u>	<u>638,584</u>	<u>47,563,184</u>
Total grants net book value as at 31 March 2017	<u>47,169,398</u>	<u>358,265</u>	<u>456,048</u>	<u>668,352</u>	<u>48,652,063</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2018 £	2017 £
Amounts due within one year	1,561,786	1,564,169
Amounts due in one year or more	46,001,398	47,087,894
	<u>47,563,184</u>	<u>48,652,063</u>

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	2018	2017
	£	£
As at 1 April 2017	218	212
Issued in year	6	6
Cancelled in year	(28)	-
At 31 March 2018	<u>196</u>	<u>218</u>

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.

21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2018	2017
	No.	No.
General Needs - Built by Association	476	476
General Needs - Purchased by Association	1,072	1,068
Shared Ownership	23	23
Supported Housing	24	24
	<u>1,595</u>	<u>1,591</u>

Housing units owned by the Association but managed by another body:

Name of Organisation	Number of Units	
	2018	2017
	No.	No.
Loretto Care	11	11
Key Housing Association	1	1
Talbot Association	1	1

22. RELATED PARTY TRANSACTIONS

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

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

The 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 with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members (and their close family) were as follows:

	2018	2017
	£	£
Rent received from tenants on the Management Committee and their close family members	<u>15,484</u>	<u>21,090</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £754 (2017 - £65).

Members of the Management Committee who are tenants	<u>4</u>	<u>6</u>
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Note 27 provides further information on transactions with the Association's wholly owned subsidiary - Govan Home Team C.I.C.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. DETAILS OF ASSOCIATION

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

The Association's principal place of business is 35 McKechnie Street, Govan , Glasgow .

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

25. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £2,272 (2017 - £5,307) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. INVESTMENTS

Investments in Subsidiaries	2018 £	2017 £
Cost		
As at 1 April and 31 March	1	-
NBV		
As at 31 March 2018	1	-
As at 1 April 2017	1	-

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a 100% owned subsidiary named Govan Home Team C.I.C. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

During the year, the Association was charged £1,293,347 (2017 - £nil) for work undertaken by the subsidiary company, including planned, reactive and cyclical maintenance. Included within this amount was £13,284 (2017 - £nil) in relation to grants applicable to the company.

The Association recharged operating costs met by the Association on behalf of the subsidiary. These included leased motor vehicles, wages and salaries, materials and other overheads totalling £1,453,396 (2017 - £nil).

The parent Association recharged leasehold improvements totalling £371,450 in respect of costs which were met on behalf of the subsidiary for the fit out at Edminston Drive, £371,450 of which has been capitalised as Leasehold Improvements in the balance sheet of the subsidiary.

The parent Association made a 50% grant contribution towards the cost of the leasehold improvements in the subsidiary company, Govan Home Team C.I.C.

The subsidiary has an outstanding loan with the Association totalling £275,000 of which interest is being charged at 3.5% per annum. Applicable interest for the period ended 31 March 2018 has been accrued (£4,010) through the intercompany debtor.

In addition to the loan balance, the subsidiary owed the Association £349,784, represented by an intercompany debtor. This is shown within current debtors (note 16).

The Association acts as a guarantor on the subsidiary's lease of 246 Edminston Drive, Glasgow

The aggregate amount of capital and reserves and the results of Govan Home Team C.I.C for the year ended 31 March 2018 were as follows:

	2018 £	2017 £
Capital & Reserves	24,651	-
Surplus for the year	24,650	-

GOVAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. RETIREMENT BENEFIT OBLIGATIONS

General

Govan Housing Association Limited participated 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 period under FRS102 represents the employer contribution payable.

The last 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 £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

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 employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

Based on the September 2015 valuation, the scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals the Association will make payments of £254,056 from 1 April 2018 (2017 - £236,693). Payments are expected to increase by 3% per annum and continue until February 2022.

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 statement of financial position date the present value of this obligation was £1,009,900 (2017 - £1,253,409). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.51% (2017 - 1.06%).

The Association made payments totalling £361,789 (2017: £360,640) to the past service deficit and the defined contribution scheme during the year. The payment towards the past service deficit liability was £246,656 (2017: £236,693) and the payments towards the defined contribution scheme were £115,133 (2017 - £123,947)