

**GLASGOW SOUTH WEST REGENERATION
AGENCY LIMITED
(formerly Govan Initiative Ltd)**

REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2007

Company number. SC108565

Scottish Charity number: SC023930



**GLASGOW SOUTH WEST REGENERATION
AGENCY LIMITED
(formerly Govan Initiative Ltd)**

(A Company limited by guarantee and not having a share capital)

MEMBERS OF THE COMPANY

Scottish Enterprise Glasgow
Glasgow City Council
Community Planning Partnership appointed 1st April 2007

The following ceased to be members as at 1st April 2007

Govan Community Liaison Forum
Scottish Trade Union Congress
Glasgow South Business Club

REGISTERED OFFICE

Ibrox Business Park
Fairfield House
1 Broomloan Place
Govan
Glasgow
G51 2JR

BANKERS

Lloyds TSB Bank Scotland plc
Corporate
180 West George Street
Glasgow
G2 2NR

SOLICITORS

Burness LLP
120 Bothwell Street
Glasgow
G2 7JL

AUDITORS

Scott Moncreiff
Chartered Accountants
Allan House
25 Bothwell Street
Glasgow
G2 6NL

DIRECTOR OF THE ORGANISATION

Alison Sinclair

COMPANY SECRETARY

Alison Sinclair

**GLASGOW SOUTH WEST REGENERATION
AGENCY LIMITED
(formerly Govan Initiative Ltd)**

**REPORT AND ACCOUNTS
YEAR ENDED 31 MARCH 2007**

CONTENTS	Page
Management committee report	1
Chairman's Statement	8
Auditors' report	9
Statement of Financial Activities	11
Consolidated Profit and Loss Account	12
Consolidated Balance Sheet	13
Company Balance Sheet	14
Consolidated Cash flow statement	15
Notes on the accounts	16

MANAGEMENT COMMITTEE REPORT

The Management Committee submit their eighteenth Report and Accounts covering the year from 1 April 2006 to 31 March 2007

Activities of the Company

Govan Initiative Limited is engaged in developing and managing projects in the fields of business development, training and education, physical development and community and health development which are designed to regenerate the local economy of the Greater Govan Area

The company is recognised by the Inland Revenue as a charity

Governing Document

The organisation is a charitable company limited by guarantee, incorporated on 7th January 1988 and registered as a charity on 30th June 1995. The company was established under a Memorandum of Association which set out its objects and powers and it is governed under its Articles of Association

Results and dividends

The deficit for the year was £51,637 (2006 £2,533 surplus). In accordance with Article IV of the Memorandum of Association, no income or property of the company shall be distributed to the Members, Officers and Servants of the Company and the entire deficit after taxation is carried to the Profit and Loss Account

Management Committee and their interests

The Management Committee during the year were

Members		Nominating Body
John McLaughlin	(Chairman)	Business (GSBC)
Jim Tait	(Vice Chairman)	Independent
Councillor D Gaughan		Glasgow City Council
Baillie S Dornan		Glasgow City Council
Councillor S Butt		Glasgow City Council
John Crawford		Scottish Enterprise Glasgow
Derek Neilson		Govan Community Liaison Forum
Colin Neill		Business (GSBC)

All the committee members resigned from Govan Initiative Limited as at 1st April 2007

The Senior Management Team during the year were

Alison Sinclair	Chief Executive
Tommy Docherty	Acting Assistant Chief Executive Economy & Development
Stephen Barr	Acting Assistant Chief Executive Skills & Learning
Alan Spiers	Acting Assistant Chief Executive Inclusion

Structure

Organisational Structure

The Management Committee (Board) meets four times every year. In addition, some members of the Management Committee sit on two Sub Committees: *Finance and Audit* and *Personnel*. These Sub Group Committees meet as and when required to review financial, resource allocation and Human Resource issues and assist with high level decision making.

The day to day management of the company rests with the Chief Executive who is responsible for ensuring that the company delivers its goals and ensures that its key performance indicators are met. A scheme of delegation is in place whereby the Senior Management Team and Operational Managers assist with the management of the company. Regular management meetings are held with these senior members of staff.

Objectives and Activities

Each year the company sets targets to monitor progress toward delivering the four overarching objectives noted below.

Four overarching objectives

Employability	To improve people's employability and skills to assist them to up and sustain paid employment
Skills & Learning	To encourage people to adopt a culture of learning and to participate regularly in learning activities throughout their lives
Enterprise & Development	To support community enterprises which have social objectives
Inclusion	To place a greater emphasis on creating the right environment and facilities to help local people and organisations flourish

MANAGEMENT COMMITTEE REPORT (cont'd)

Achievements and Performance

Performance Indicator	Actual 2006 07
Training Needs Analysis (organisations)	85
Training Needs Analysis (people)	55
Vacancies brought in (WFD and SWW)	277
Jobs created in social economy orgs	35
Jobs safeguarded in social economy orgs	62
Core social economy organisations supported	152
Number of individuals assisted for the first time	5,647
Number of individuals who have previously received assistance	1,167
Number of clients receiving integrated guidance support	2,713
Number of parents who access funding to help them start work (childcare subsidy/financial support)	90
Number of parents receiving mentoring support	195
Number of parents receiving financial health checks	46
Children aged 0 1 accessing a childcare place	17
Children aged 2 3 accessing a childcare place	104
Children aged 3 5 accessing a childcare place	96
Children aged 5 12 accessing a childcare place	82
Children aged 12 16 accessing a an afterschool care place	12
Individuals accessing non certificated training support	765
Individuals achieving a qualification as a direct result of LDC support	173
Instances of Access clients accessing learning centres	4,190
Clients moving into external learning, training or FE	196
Clients into employment (excluding Social Economy clients)	1,120
Earned Income as a % of all income	16%
Environmental clean ups	265
Community spaces reclaimed	33
Customer satisfaction	92%
Employee satisfaction rate	92%
Treated as a valuable customer	99%

MANAGEMENT COMMITTEE REPORT (cont'd)

Financial Review

Overview

The company's incoming resources total for the 2006/07 year was £8m against a budget of £7.5m

66% of the company's income comes from four principal sources: Glasgow City Council, Scottish Enterprise Glasgow, Community Planning Partnership and Europe (ERDF and ESF). About 17% of the company's income is earned: rental income streams and fees for services.

Investment Policy

The Management Committee has, over the life of the company, adopted a policy of prudently investing in commercial property developments in Greater Govan. This has

- Provided an earned income stream which complements the company's revenue grant funding
- Assists in the economic regeneration of Greater Govan by attracting SME's into the area and creating jobs

Reserves Policy

The Management Committee has examined the company's requirements for reserves in the light of the main risks to the organisation. It has established a policy whereby unrestricted funds not committed should be approximately three months of expenditure. The reserves are needed to meet the working capital requirements of the company and the financial obligations in the short term in the event of a significant drop in revenue grant funding. This would allow time for a restructuring of the company's activities and its project and core cost budgets.

Related Parties

As appropriate, the company is guided by local and national policies around the regeneration of local communities.

Risk Management

Where appropriate, procedures have been established to review and mitigate the risks the company faces. External risks including political uncertainties around the continuation of revenue grant funding have led to the development of a Three Year Strategic Plan and the policy of diversifying funding sources as far as possible. Procedures are in place to ensure compliance with the health and safety of staff, clients and visitors to the company's various projects and locations.

Events since the Year End

With effect from 1st April 2007 the company merged with Greater Pollok Development Company to become Glasgow South West Regeneration Agency Limited. This was in response to Glasgow City Councils rationalisation of Glasgow's eight Local Development Companies into five Local Regenerations Agency's, aligning them with the five new Community Health & Care Partnership Areas.

The Assets and Liabilities for Greater Pollok Development Company as at 31st March 2007 are as follows:

Fixed Assets	£261,272
Net Current Liabilities	(£122,125)
Net Assets	£139,147

The audited financial results are as follows: a trade loss of £286,916 and a net cash deficit of £142,477. The board of Glasgow South West Regeneration Agency have agreed to arrange a bank facility to cover this deficit.

The Personnel Sub Group are currently reviewing the terms and conditions of employment for both organisations with the view to agree Glasgow South West Regenerations terms of employment. The board have agreed to take on both terms and conditions until such time. This includes a pension liability for employees of Greater Pollok Development Company.

MANAGEMENT COMMITTEE REPORT (cont'd)

The management committee appointed to govern Glasgow South West Regeneration Agency Ltd as at 1st April 2007 are as follows

Councillor Alistair Watson	(Chairman)	Glasgow City Council
Alan Davidson		Glasgow City Council
Councillor Alex Glass		Glasgow City Council
Peter Watson	(Vice Chair)	Scottish Enterprise Glasgow
John McLaughlin		Scottish Enterprise Glasgow
Alistair McManus		Co opted member
Stewart McIlwraith		Co opted member
Richard Leonard		Co opted member
Ross Micklem		Community Planning Partnership
Heather Alexander		Co opted member

Recruitment and Appointment of Management Committee

The directors of the company are also charity trustees for the purposes of charity law and under the company's Articles of Association, they are known as members of the Management Committee

A special resolution proposing changes to the Memorandum and Articles of association was adopted at the 1st AGM of the organisation

Under the terms of Clause 49 of the Articles of Association, the nominated Members shall remain as Members of the Management Committee for a period of three years provided they are nominated representatives of their nominated bodies. Clause 45 specifies the numerical information for the various nominating bodies. Thereafter under Clause 51 such persons as co opted by the Nominated Members of the Management Committee may be appointed until the date of the Annual General Meeting following the end of the Financial Year of the company following the date of co operation but shall remain eligible for further annual periods of co option without limit

Under the terms of Clause 49 of the Articles of Association the Nominated Members shall remain as Members of the Management Committee for a period of three years provided they are nominated representatives of their nominated bodies. Clause 45 specifies the numerical information of the various nominating bodies. Thereafter under Clause 51 such persons as are co opted by the Nominated Members of the Management Committee may be appointed until the date of the Annual General Meeting following the end of the Financial Year of the Company following the date of co operation but shall remain eligible for further annual periods of co option without limit

Induction and Training for Management Committee Members

A "Directors Manual" has been prepared and this is made available to all new members of the Management Committee. This manual describes the various strategic aims of the company and its activities and sets out the responsibilities and statutory duties of the Management Committee

MANAGEMENT COMMITTEE REPORT (cont'd)

Appointment of the Senior Management Team

A scheme of delegation has been adopted by the management committee whereby the Senior Management Team and Operational Managers assist with the management of the company. Regular management meetings are held with these senior members of staff.

The Senior Management Committee are as follows:

Alison Sinclair	Chief Executive
Tommy Docherty	Head of Enterprise & Development
Stephen Barr	Head of Skills & Learning
Nelson Telfor	Head of Inclusion
Rosh Campbell	Acting Head of Employability
Chanel McIsaac	Finance Controller
Muriel Russell	HR & Business Improvement Executive

Plans for Future Periods

The company will continue to engage in the economic and social regeneration of South West and will do this either directly or in partnership with its strategic partners.

Responsibilities of the Management Committee

Company law 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 company as at the Balance Sheet date and of its incoming resources and application of resources, including income and expenditure, for the financial year. In preparing those financial statements, the Management Committee are required to follow best practice and

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent, and
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue on that basis.

The Management Committee is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements comply with the Company's Act 1985. The Management Committee is also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Members of the Management Committee, who are directors for the purpose of company law and trustees for the purpose of charity law, who served during the year and up to the date of this report are set out on Page 1.

In accordance with company law, as the company's directors, we certify that

- So far as we are aware, there is no relevant audit information of which the company's auditors are unaware, and
- As a directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

MANAGEMENT COMMITTEE REPORT (cont'd)

Auditors

Scott Moncrieff, Chartered Accountants, were re appointed as the company's auditors during the year and have expressed their willingness to continue in that capacity

Disclosure of information to auditors

As far as each of the directors at the time the report is approved are aware

- a) there is no relevant information of which the company's auditors are unaware and,
- b) the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of the information

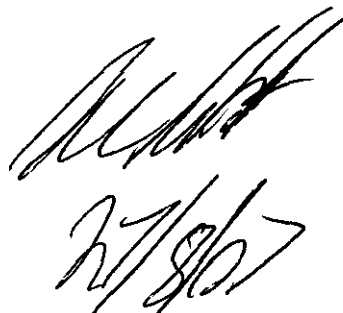
General

The Management Committee wishes to express thanks to all those who provided support and assistance during the period under review, over and above the financial contributions recorded in the Accounts

On behalf of the Management Committee

Councillor Alistair Watson
(Chairman)

Date



27/8/07

CHAIRMAN'S STATEMENT

During the course of the last year, the company has undergone some of the most dramatic changes in its history. Having expanded into the new areas of Penilee, North Pollock and Cardonald in April 2006, our geographical coverage increased yet again in April 2007 when we merged with Greater Pollok Development Company to become Glasgow South West Regeneration Agency, covering the entire South West Area. This move was part of the reorganisation of the Local Development Company Network from 8 companies to 5, the result of which being that 5 new Local Regeneration Agencies were born. For the first time now the Regeneration Agencies cover the entire city of Glasgow, where the LDC's previously covered only 40% of the area.

With the creation of the new Company, came the necessity for a new Board, and I am delighted to have taken on the role of Chair for the Glasgow South West Regeneration Agency, having served previously on the Board of Govan Initiative some years ago. I have an understanding of the excellent work that the LDC network has been involved in across Glasgow over the past 21 years, and I look forward to assisting GSWRA in going on to achieve bigger and better things for South West Glasgow over the coming years.

I have been joined on the Board of GSWRA by an excellent range of dedicated professionals, all of whom share my drive and commitment to take the Company forward in this new era. Some of the Board have previously served on the Boards of both GI & GPDC and therefore bring with them years of relevant experience. I am delighted also that John McLaughlin, previous Chair of Govan Initiative has transferred onto the new Board, as the longest serving member of the GI Board. John brings with him a wealth of experience and contacts which will be beneficial to the new Company.

Staff from both GI and GPDC have been a great inspiration over the past year. Through what has obviously been a difficult, and uncertain time for them, they have remained committed to their roles and to meeting the needs of our various client groups, and I commend them for this. Collectively last year, staff from GI and GPDC were successful in supporting over 1,760 people into jobs. Under the direction of the new Chief Executive, Alison Sinclair, I am sure they will see that they have an important role to play in maximising the future potential for residents of South West Glasgow.

Alongside these internal changes, the external environment in which we operate had also undergone significant change. A new administration came into power following the elections in May this year, resulting in some fairly major changes to the political environment, the Community Planning and Community Health Care Partnerships are now firmly embedded within the cities structures but further change is imminent with the advent of Cities Strategy.

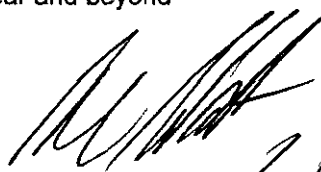
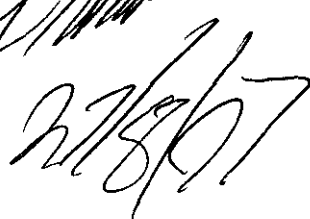
In July 2006, Stephen Purcell, Leader of Glasgow City Council, announced that Glasgow had been successful in its bid to become one of 3 cities in Scotland to be granted by the Department of Work and Pensions the opportunity to look more flexibly at how the City's unemployed people are supported. Over the past year a consortium across the city has been developing a new model for delivery under Cities Strategy, and will shortly unveil a new business plan for 'Glasgow Works'. GSWRA will watch with interest the development of Glasgow Works, and through our strategic planning process this summer will ensure that the company is well placed to contribute to and benefit from this new delivery model for the city.

Budgetary control has been a challenge in the past year, with the merger of two companies necessitating the bringing together of two completely different structures and two different operating systems. Again through the dedication and professionalism of our finance team and through the application of robust financial processes and controls the merged company is fit for purpose and ready to take on the challenges of the coming year.

As always a vote of thanks to the many partners who have continued to support the company over the past year is appropriate. As the new Chair of GSWRA I am very grateful for this support and I look forward to continuing successful relationships into the coming year and beyond.

Councillor Alistair Watson
Chairman

Date

AUDITORS' REPORT

TO THE MEMBERS OF GOVAN INITIATIVE LIMITED

We have audited the financial statements of Govan Initiative Limited for the year ended 31 March 2007 set out on pages 11 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

AUDITORS' REPORT (cont'd)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its incoming resources and application of resources, including its income and expenditure, in the year,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



SCOTT MONCRIEFF

Chartered Accountants
Registered Auditor

Allan House
25 Bothwell Street
Glasgow G2 6NL

Date 27/8/07

STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2007

	Notes	Unrestricted Funds £	Restricted Funds £	Designated Reserve £	2007 Total Funds £	(Restated) 2006 Total Funds £
Incoming resources						
Incoming resources from generated funds						
Voluntary income		261,100	7,169,157		7,430,257	3,906,808
Investment income	3	915,638			915,638	661,334
Incoming resources from charitable activities						
	3	392,262			392,262	400,485
Total incoming resources		<u>1,569,000</u>	<u>7,169,157</u>		<u>8,738,157</u>	<u>4,968,627</u>
Resources expended						
Costs of generating funds						
Costs of generating voluntary income	27	588,999	6,444,991		7,033,990	4,038,623
Charitable activities						
	28	1,014,634		69,980	1,084,614	984,030
Governance costs						
	29	17,004			17,004	15,543
Total resources expended		<u>1,620,637</u>	<u>6,444,991</u>	<u>69,980</u>	<u>8,135,608</u>	<u>5,038,196</u>
Net movement in funds	17	(51,637)	724,166	(69,980)	602,549	(69,569)
Total funds brought forward	17	<u>191,090</u>	<u>428,502</u>	<u>2,374,537</u>	<u>2,994,129</u>	<u>3,063,698</u>
Total funds carried forward		<u>139,453</u>	<u>1,152,668</u>	<u>2,304,557</u>	<u>3,596,678</u>	<u>2,994,129</u>

The notes on pages 16 to 29 form part of these accounts

CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2007

	Note	2007 £	2006 £
Turnover	2	6,706,091	3,906,808
Other operating income	3	1,307,900	1,061,819
		<u>8,013,991</u>	<u>4,968,627</u>
Administrative expenses		8,013,889	4,912,870
SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST		102	55,757
Interest payable	4	51,739	53,224
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(51,637)</u>	<u>2,533</u>
TAX ON ORDINARY ACTIVITIES	7		
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION	17	<u>(51,637)</u>	<u>2,533</u>

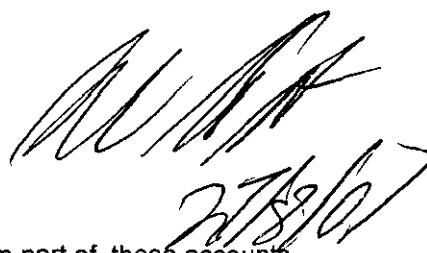
All disclosures relate only to continuing operations All recognised gains and losses are included in the Profit and Loss Account

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2007

	Note	2007 £	(Restated) 2006 £
FIXED ASSETS			
Tangible assets	8	9,608,145	7,454,771
Investments	9	308,126	308,126
		<u>9,916,271</u>	<u>7,762,897</u>
CURRENT ASSETS			
Stocks		15,350	19,150
Loans	10		
Debtors	11	2,125,384	2,623,006
Cash		4,293	1,525
		<u>2,145,027</u>	<u>2,643,681</u>
CREDITORS Amounts falling due within one year	12	945,906	1,443,899
NET CURRENT ASSETS		<u>1,199,121</u>	<u>1,199,782</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,115,392</u>	<u>8,962,679</u>
CREDITORS Amounts falling due after more than one year	15	2,457,334	2,322,468
DEFERRED CAPITAL GRANTS	16	4,960,194	3,544,896
NET ASSETS		<u>3,697,864</u>	<u>3,095,315</u>
RESERVES			
Unrestricted Fund	17	139,453	191,090
Designated Reserves	18	2,304,557	2,374,537
		<u>2,444,010</u>	<u>2,565,627</u>
Restricted Reserve	19	1,253,854	529,688
		<u>3,697,864</u>	<u>3,095,315</u>

The financial statements were authorised for issue by the management committee members on 16th August 2007 and are signed on their behalf by

COUNCILLOR ALISTAIR WATSON
CHAIRMAN OF MANAGEMENT COMMITTEE



The notes on pages 16 to 29 form part of these accounts

COMPANY BALANCE SHEET
AT 31 MARCH 2007

	Note	2007 £	(Restated) 2006 £
FIXED ASSETS			
Tangible assets	8	9,608,145	7,454,771
Investments	9	308,130	308,130
		<u>9,916,275</u>	<u>7,762,901</u>
CURRENT ASSETS			
Stocks		15,350	19,150
Debtors	11	2,121,545	2,623,006
Cash at bank and on hand		4,293	1,525
		<u>2,141,188</u>	<u>2,643,681</u>
CREDITORS Amounts falling due within one year	12	1,043,257	1,545,089
NET CURRENT ASSETS		<u>1,097,931</u>	<u>1,098,592</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,014,206</u>	<u>8,861,493</u>
CREDITORS Amounts falling due after more than one year	15	2,457,334	2,322,468
DEFERRED CAPITAL GRANTS	16	4,960,194	3,544,896
NET ASSETS		<u>3,596,678</u>	<u>2,994,129</u>
RESERVES			
Unrestricted Fund	17	139,453	191,090
Designated Reserves	18	2,304,557	2,374,537
Restricted Reserves	19	1,152,668	428,502
		<u>3,596,678</u>	<u>2,994,129</u>

The financial statements were authorised for issue by the management committee members on 16th August 2007 and are signed on their behalf by

COUNCILLOR ALISTAIR WATSON
CHAIRMAN OF MANAGEMENT COMMITTEE



The notes on pages 16 to 29 form part of these accounts

**CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2007**

	Note	2007 £	2006 £
Net cash outflow from operating activities	20	1,029,431	(551,850)
Returns on investments and servicing of finance	21	(51,739)	(53,224)
Capital expenditure	21	(2,446,031)	(4,230,248)
Acquisitions and disposals	21	0	(218,126)
Grant received	21	1,539,820	3,491,297
Net cash inflow/(outflow) before financing		71,481	(1,562,151)
Financing	21	121,821	1,562,297
Net cash flow	22	<u>193,302</u>	<u>146</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash		193,302	146
Loan received		(196,690)	(1,619,158)
Loan repayments		74,869	56,861
Net debt at 1 April 2006	22	<u>(2,616,978)</u>	<u>(1,054,827)</u>
Net debt at 31 March 2007	22	<u>(2,545,497)</u>	<u>(2,616,978)</u>

The notes on pages 16 to 29 form part of these accounts

NOTES ON THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

1 Accounting Policies

Basis of consolidation and accounting convention

The consolidated accounts incorporate the accounts of Govan Initiative Limited and its subsidiary undertakings made up to 31 March 2007. No profit and loss account is presented for Govan Initiative Limited as permitted by s230 of the Companies Act 1985. The accounts have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Statement of Recommended Practice – Accounting and Reporting by Charities (2005).

Operating leases

Rentals paid under operating leases are charged to the profit and loss account as incurred. The obligation to pay future rentals on operating leases is shown by way of a note to the accounts.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off costs or valuation, less estimated residual value, of each asset evenly over its useful life, as follows:

Office furniture and equipment	over 4 to 6 years
Motor vehicles	over 4 years
Project capital purchases	over term of project
Leasehold improvements	over 50 years or term of lease
Buildings	over 50 years

Investments

Investments are shown at cost less provision for permanent diminution in value.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred capital grants

Grants received and receivable are credited to a deferral account and are released to the Profit and Loss Account over the life of the asset for the first 5 years. After 5 years, the credit is transferred to designated, as at this point no liability exists.

Pension scheme

The company makes contributions to various personal pension arrangements for employees, up to a maximum of 6% of remuneration.

Funds

Restricted funds are funds which have specific terms and conditions which have to be satisfied and these funds remain restricted until all the related conditions have been satisfied.

Unrestricted funds are expendable at the discretion of the Directors in the furtherance of the Charity's objectives. Designated funds are earmarked by the Directors and are unrestricted.

**NOTES ON THE ACCOUNTS
YEAR ENDED 31 MARCH 2007**

1. Accounting Policies (cont'd)

Incoming resources

All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Voluntary income is received by way of grants and is included in full in the Statement of Financial Activities when receivable. Grants, where entitlement is not conditional on the delivery of a specific performance by the charity, are recognised when the charity becomes unconditionally entitled to the grant.
- Investment income is included when receivable.
- Incoming resources from charitable activities are accounted for in the period that the service has been provided.

Resources expended

Expenditure is recognised on an accruals basis as a liability incurred. Expenditure includes VAT which cannot be recovered, and is reported as part of the expenditure to which it relates.

- Costs of generating voluntary income comprise those administration costs incurred in performing services that entitles the charity to grants or other voluntary income.
- Charitable expenditure comprises those costs incurred in the delivery of activities directed at the achievement of the aims and objectives of the charity.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity.

2 Turnover	2007 £	2006 £
Turnover represents the amounts received and receivable from members and other sponsors		
European Commission	2,159,284	1,195,852
Glasgow City Council	1,821,889	1,405,354
Scottish Enterprise Glasgow	632,182	363,668
Other partnership funding	565,546	661,239
Community Planning Partnership	949,803	280,695
Communities Scotland	155,989	
Housing Associations	81,428	
Childcare Works	152,126	
Future Builders	187,844	
	<u>6,706,091</u>	<u>3,906,808</u>
3. Other operating income		
Interest on loans and current accounts		683
Rental and Service Charge	706,371	660,651
Nursery Fees	392,262	244,713
Project Specific earned income	209,267	155,772
	<u>1,307,900</u>	<u>1,061,819</u>

NOTES ON THE ACCOUNTS
YEAR ENDED 31 MARCH 2007

	2007 £	2006 £
4. Interest payable		
Term loan	<u>51,739</u>	<u>53,224</u>
5. Operating surplus		
Stated after charging or (crediting)		
Staff costs (note 6)	386,960	379,915
Depreciation	292,668	180,185
Operating lease rentals on		
Property	126,782	103,718
Equipment	16,403	16,666
Auditors remuneration		
for audit services	11,000	11,000
for non audit services	5,800	5,565
Capital grants released (note 16)	<u>(194,502)</u>	<u>(87,000)</u>
6. Staff costs		
Direct wages and salaries	2,949,371	2,557,280
Social security costs	272,548	234,166
Pension costs	40,674	43,375
	<u>3,262,593</u>	<u>2,834,821</u>
Deduct recovered through projects	<u>2,875,633</u>	<u>2,454,906</u>
	<u>386,960</u>	<u>379,915</u>

No fees or other emoluments were paid directly, or indirectly, to any Member of the Management Committee

The average weekly number of persons employed by the company during the year was

	2007 Number	2006 Number
Administrative	15	16
Projects	<u>154</u>	<u>134</u>

In addition, the salaries of certain members of staff were carried directly on payrolls outwith the company, and either re charged or provided as a contribution in kind

NOTES ON THE ACCOUNTS (cont'd)
YEAR ENDED 31 MARCH 2007

Tax on surplus on ordinary activities

There is no liability to taxation as the company has obtained exemption under Section 505 of the Income and Corporation Taxes Act 1988 with effect from 30 June 1997. The Scottish Charity number for the company is SC023930.

8.

Fixed Assets

Group	Buildings £	Leasehold Improvements £	Office Furniture & Equipment £	Properties in Development £	IT Network £	Vehicle £	Total £
<i>Cost</i>							
At 1 April 2006	2,918,396	1,044,842	1,073,011	4,170,076	548,202		9,754,527
Additions	2,263,494	3,588	20,429		70,091	88,429	2,446,031
Disposals							
Reclassification	4,170,076			(4,170,076)			
Reclassification	(13,000)				13,000		
At 31 March 2007	9,338,966	1,048,430	1,093,440		631,293	88,429	12,200,558
<i>Depreciation</i>							
At 1 April 2006	640,924	224,612	1,033,770		400,450		2,299,756
Charge for year	151,277	39,161	21,987		75,074	5,158	292,657
Reclassification	(260)				260		
At 31 March 2007	791,941	263,773	1,055,757		475,784	5,158	2,592,413
<i>Net Book Value</i>							
At 31 March 2007	8,547,025	784,657	37,683		155,509	83,271	9,608,145
At 31 March 2006	2,277,472	820,230	39,241	4,170,076	147,752	0	7,454,771

Company

All of the fixed assets of the group are also those of the company except for office furniture and equipment with a cost of £31,580 and accumulated depreciation of £31,580 giving a net book value of £Nil.

NOTES ON THE ACCOUNTS (cont'd)
YEAR ENDED 31 MARCH 2007

9. Investments £

Group

At 1 April 2006 and at 31 March 2007 joint venture 308,126

Company

At 1 April 2006 and at 31 March 2007 joint venture 308,130

Shares in subsidiary undertakings

Details of subsidiary undertaking

Name of Company	Nature of business	Proportion of shares held Ordinary
Electronic Adaptor Concerns Limited	Dormant	100%
Express Surveillance Solutions Ltd	Dormant	100%
GI Telesales Limited	Provision of sales and marketing services	100%
GI Enterprise Limited	Developing and managing projects in the local community	

GI Enterprise Ltd does not have a share capital. It is a company limited by guarantee, Govan Initiative is the only member of this company.

The above subsidiaries are registered in Scotland. All of these companies have been included in these consolidated accounts.

Shares in Joint Venture

Details of Joint Venture

Name	Nature of Business	Proportion of shares held Ordinary
Modular Developments Limited	Acquisition and development of site at Woodville Street, Glasgow	50%
Govan Digital Media Centre Limited	Acquisition and development of site at Brand Street, Glasgow	33%
Moorpark Joint Venture LLP	Acquisition and development of office building at Moorpark, Glasgow	50%

NOTES ON THE ACCOUNTS (CONT'D)
YEAR ENDED 31 MARCH 2007

10 Loans

Group

Loans are advanced to local businesses from the Business Development Fund

	2007 £	2006 £
Outstanding at 1 April 2006		1,825
Repaid during year		(1,825)
Outstanding at 31 March 2007		

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
11 Debtors				
Trade Debtors	1,037,242	350,733	1,033,403	350,733
Prepayments	157,850	178,195	157,850	178,195
Other debtors	930,292	1,857,218	902,717	1,857,218
VAT Reclaim		236,860	27,575	236,860
	<u>2,125,384</u>	<u>2,623,006</u>	<u>2,121,545</u>	<u>2,623,006</u>

12 Creditors Amounts falling due within one year

Bank overdraft	17,587	208,121	138,816	330,750
Trade creditors	250,274	187,204	250,274	187,204
Bank term loan (notes 13 and 15)	74,869	87,914	74,869	87,914
Other taxation and social security costs	82,220	63,795	82,220	63,795
Other creditors and accruals	212,446	190,086	193,107	170,047
Funds received in advance (note 14)	185,199	706,779	180,660	705,379
VAT	123,311		123,311	
	<u>945,906</u>	<u>1,443,899</u>	<u>1,043,257</u>	<u>1,545,089</u>

NOTES ON THE ACCOUNTS (cont'd)
YEAR ENDED 31 MARCH 2007

13 Bank borrowings

All bank borrowings are secured by a bond and floating charge over all assets of the company. In addition, the bank has First Standard Security over Moorpark Industrial Estate (except unit 1) and Brand Street, Business Centre.

14. Funds Received in Advance

Where funds have been received for the purposes of core activities and relate either to capital expenditure not expended by the end of the financial year or to revenue expenditure for periods falling outwith the financial year, these funds have been accounted for as funds in advance.

	2007 £	(Restated) 2006 £
Project balances	185,199	706,779

15. Creditors: Amounts falling due after more than one year

Group and company

	2007 £	2006 £
Bank term loan	657,334	703,310
Development loan	1,800,000	1,619,158
	2,457,334	2,322,468

The bank term loan is repayable in equal monthly instalments over 12 years. Interest on the loan will be charged at 2% per annum over the Bank's Base Rate.

	2007 £	2006 £
The bank term loan is repayable as follows		
In one year or less	74,869	87,914
Between one and two years	79,628	87,914
Between two and five years	267,437	263,741
In five years or more	310,269	351,655
	732,203	791,224

The development loan is to be transferred to a term loan on completion of the Craighton Road development. The term loan will be repayable over 15 years and will have an interest only period of up to 2 years from the initial drawdown.

NOTES ON THE ACCOUNTS (cont'd)
YEAR ENDED 31 MARCH 2007

16. Deferred Capital Grants

Group and company

Where capital grants have been received, or have been claimed, these grants are treated as deferred and are released over the expected life of the assets concerned, or the length of the project if shorter

	2007 £	2006 £
The movements during the year were		
Balance at 1 April 2006	3,544,896	140,593
Received in the year	1,665,516	3,491,297
Released to Profit and Loss Account	(180,238)	(14,892)
Transfer to Designated Reserve	(69,980)	(72,102)
Released to Balance Sheet		
Balance at 31 March 2007	<u>4,960,194</u>	<u>3,544,896</u>
The balance comprises		
Community Internet Project	4,859	5,831
Nurseries	10,793	11,715
Rowan Business Park	4,540,139	3,050,168
Digital Media Centre	30,522	218,126
Moorpark Phase II	202,123	202,123
Other projects	88,488	56,933
Vehicles	83,270	
	<u>4,960,194</u>	<u>3,544,896</u>

17. Statement of reconciliation of unrestricted reserves

	Profit and Loss Account £
Balance at 1 April 2006	191,090
Movement in year	<u>(51,637)</u>
Balance at 31 March 2007	<u>139,453</u>

NOTES ON THE ACCOUNTS (cont'd)
YEAR ENDED 31 MARCH 2007

18. Statement of reconciliation of designated reserves	Group Designated Reserve £	Company Designated Reserve £
Balance at 1 April 2006	2,374,537	2,374,537
Movement in year	(69,980)	(69,980)
Balance at 31 March 2007	<u>2,304,557</u>	<u>2,304,557</u>
19. Statement of reconciliation of restricted reserves	Group Restricted Reserve £	Company Restricted Reserve £
Balance at 1 April 2006	529,688	428,502
Movement in year	724,166	724,166
Balance at 31 March 2007	<u>1,253,854</u>	<u>1,152,668</u>
20. Reconciliation of operating surplus to net cash outflow from operating activities	2007 £	2006 £
Operating surplus	102	55,757
Depreciation of tangible fixed assets	292,657	180,185
Decrease in stocks	3,800	2,200
Decrease in debtors	497,622	(842,902)
Increase in creditors	429,752	140,062
Release of deferred capital grants	(194,502)	(87,000)
Subscription	0	(260)
Credit for debt previously written off	0	108
Net cash outflow from operating activities	<u>1,029,431</u>	<u>(551,850)</u>

NOTES ON THE ACCOUNTS (cont'd)
YEAR ENDED 31 MARCH 2007

21. Gross cash flows	2007 £	2006 £
Interest paid	51,739	53,224
Payment to acquire tangible fixed assets	2,446,031	4,230,248
Investment in joint venture	0	218,126
Capital grants received (net)	1,539,820	3,491,297
Financing		
Loan repayments	(74,869)	(56,861)
Loan received	196,690	1,619,158
	121,821	1,562,297

22 Analysis of changes in net funds	At 1 April 2006 £	Cash flow £	At 31 March 2007 £
Cash in hand	1,525	2,768	4,293
Bank overdraft	(208,121)	190,534	(17,587)
	(206,596)	193,302	(21,881)
Bank loan	(2,410,382)	(121,821)	(2,532,203)
Net Debt	(2,616,978)	71,481	(2,545,497)

23 Capital commitments	2007 £	2006 £
Authorised and contracted for	2,584,453	2,008,969

23 Operating lease commitments				
The company had annual commitments under non cancellable leases as set out below				
	2007		2006	
	Property £	Other £	Property £	Other £
Operating leases which expire				
Within one year	74,446	16,403	79,153	16,666
In the second to fifth years inclusive				
After five years	24,765		24,565	
	99,211	16,403	103,718	16,666

NOTES ON THE ACCOUNTS (cont'd)
YEAR ENDED 31 MARCH 2007

25. Directors' interests

Due to the nature of the company's operations and the composition of its Board of Directors, it is inevitable that transactions will take place with companies or other organisations in which a Director may have an interest. All transactions involving companies or organisations in which a Director may have an interest are conducted at arms length and in accordance with normal project and programme rules. Directors are not permitted to participate in discussions or decisions on transactions involving their related businesses.

The company works in partnership with a number of public and other bodies with whom many joint projects have been undertaken during the year. The following persons who were directors held official positions with such bodies:

<u>Director</u>	<u>Organisation</u>	<u>Position held</u>
Councillor D Gaughan	Glasgow City Council	Councillor
Baillie S Dornan	Glasgow City Council	Councillor
Councillor S Butt	Glasgow City Council	Councillor
John Crawford	Scottish Enterprise Glasgow	Senior Executive
Derek Neilson	Govan Community Liaison Forum	Officer

In relation to non public bodies the following persons who were directors held the following official positions with such bodies:

<u>Director</u>	<u>Organisation</u>	<u>Position held</u>
John McLaughlin	Skylight International Ltd	2% shareholder and director
	Mini Chairs	Sole Partner
Stewart McIlwraith	Modular Property Holdings Ltd	100% shareholder and director
	Modular Developments Ltd	20% shareholder and director
	Jigsaw Development Ltd	33% shareholder and director
	Ibrox Business Park Ltd	100% shareholder and director
	C2C	25% shareholder and director
Colin Neill	Diageo	Officer
Jim Tait	Harmony Row Youth Club Ltd	Director
	IT Campaigns	50% shareholder and director
	Harmony Row Youth Club Ltd	Honary President
	Tait Communications	50% shareholder and Partner
	Modular Holdings	Director
	Digital Media	Director
	The Middleton Greeves Consultancy Ltd	50% shareholder and director

Four directors of the company failed to make returns regarding their interests in other organisations

26. Controlling party

No individual or company has a dominant influence over the company

NOTES ON THE ACCOUNTS (cont'd)
YEAR ENDED 31 MARCH 2007

27. Costs for generating voluntary income

	Unrestricted Funds £	Restricted Funds £	Designated Reserve £	2007 Total Funds £	2006 Total Funds £
Salaries	386,960	2,254,133		2,641,093	379,915
Overheads and direct delivery costs	202,039	4,190,858		4,392,897	3,658,708
	<u>588,999</u>	<u>6,444,991</u>		<u>7,033,990</u>	<u>4,038,623</u>

28 Charitable activities

	Unrestricted Funds £	Restricted Funds £	Designated Reserve £	2007 Total Funds £	2006 Total Funds £
Salaries	621,500			621,500	601,078
Overheads and direct delivery costs	393,134		69,980	463,114	382,952
	<u>1,014,634</u>		<u>69,980</u>	<u>1,084,614</u>	<u>984,030</u>

29. Governance costs

	Unrestricted Funds £	Restricted Funds £	Designated Reserve £	2007 Total Funds £	2006 Total Funds £
Audit and professional fee	17,004			17,004	15,543
	<u>17,004</u>			<u>17,004</u>	<u>15,543</u>

COMPANY PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2007

	Note	2007 £	2006 £
Turnover		6,107,121	3,896,266
Other operating income		1,900,882	1,061,769
		<u>8,008,003</u>	<u>4,958,035</u>
Administrative expenses		8,007,901	4,902,278
		<u>102</u>	<u>55,757</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST AND EXCEPTIONAL ITEM			
Interest payable		51,739	53,224
		<u>(51,637)</u>	<u>2,533</u>
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION			
TAX ON ORDINARY ACTIVITIES	7		
		<u>(51,637)</u>	<u>2,533</u>
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION	17		
		<u><u>(51,637)</u></u>	<u><u>2,533</u></u>

All disclosures relate only to continuing operations. All recognised gains and losses are included in the Profit and Loss Account.