

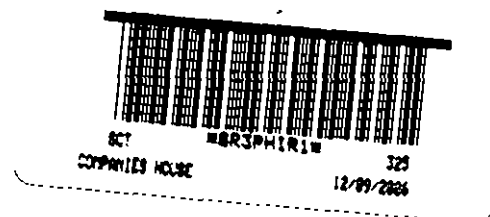
GOVAN INITIATIVE LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2006

Company number: SC108565

Scottish Charity number: SC023930



GOVAN INITIATIVE LIMITED

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

MEMBERS OF THE COMPANY

Scottish Enterprise Glasgow
Glasgow City Council
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

Biggart Baillie
Dalmore House
310 St Vincent Street
Glasgow
G2 5QR

AUDITORS

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

DIRECTOR OF THE ORGANISATION

Damien Yeates

COMPANY SECRETARY

Damien Yeates

GOVAN INITIATIVE LIMITED

**REPORT AND ACCOUNTS
YEAR ENDED 31 MARCH 2006**

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MANAGEMENT COMMITTEE REPORT

The Management Committee submit their seventeenth Report and Accounts covering the year from 1 April 2005 to 31 March 2006.

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.

Results and dividends

The surplus for the year was £2,533 (2005: £334 deficit). 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, and at the date of this report are:

Members:	Nominating Body
John McLaughlin (Chairman)	Business (GSBC)
Jim Tait (Vice Chairman)	Independent
Euphemia McClymont (resigned 24 August 2005)	Govan Community Liaison Forum
Councillor D Gaughan	Glasgow City Council
Baillie S Dorman	Glasgow City Council
Councillor S Butt	Glasgow City Council
Baillie John Flanagan (resigned 25 August 2005)	Glasgow City Council
Alistair McManus	Independent
Stewart McIlwraith	Business (GSBC)
Richard Carabine (resigned 25 August 2005)	Govan Community Liaison Forum
Alan Davidson (resigned 17 August 2005)	Glasgow City Council
Richard Leonard	STUC (non-voting member)
John Crawford	Scottish Enterprise Glasgow
Derek Neilson	Govan Community Liaison Forum
Colin Neill	Business (GSBC)

Under the terms of Clause 33 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 34 specifies the numerical information of the various nominating bodies. Thereafter under Clause 33 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. A special resolution proposing changes to the Memorandum and Articles of association is being presented for consideration at the forthcoming AGM. This resolution is proposing changes to a) the objects clause within the Memorandum of Association to redefine the geographical boundaries under which the company operates; and b) a number of clauses within the Articles of Association rationalising the structure of the Management Committee.

MANAGEMENT COMMITTEE REPORT (cont'd)**Events since the end of the year**

Since 31 March 2006 there have been no events which require to be reported or which necessitate any adjustment to the accounts.

Senior Management Team

Damien Yeates	Chief Executive
Alison Sinclair	Assistant Chief Executive - Partnership and Resources
Julie Riley	Assistant Chief Executive - Business Improvement
Alan Spiers	Assistant Chief Executive – Community Planning

Structure, Governance and Management*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.

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.

Under the terms of Clause 33 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 34 specifies the numerical information for the various nominating bodies. Thereafter under Clause 33 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.

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.

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 Five 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.

MANAGEMENT COMMITTEE REPORT (cont'd)*Organisational Structure*

The Management Committee (Board) meets six times every year. In addition, some members of the Management Committee sit on two Sub Committees - *Finance and Resources* 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 Assistant Chief Executives and Executive Officers assist with the management of the company. Regular management meetings are held with these senior members of staff.

Related Parties

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

Objectives and Activities

The company has four overarching objectives:

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

Achievements and Performance

The key achievements for the period 1 April 2005 to 31 March 2006 are summarised:

- 51 businesses or social economy organisations received training needs analysis
- 226 vacancies were brought in and 183 vacancies filled in small businesses
- 184 social economy groups supported
- 2,958 people were assisted for the first time
- 1,222 people were given integrated information, advice and guidance
- 84 parents were given childcare support
- 243 people were given mentoring, financial assistance or financial health checks to allow them to access childcare support
- 108 children were provided directly with childcare places
- 857 people participated in learning: 337 in vocational training and 520 in community learning
- 398 people were referred to special support agencies
- 20% of company income is earned (rather than received in grants)
- 604 people moved into employment
- 15 community spaces were reclaimed and 75 clean ups carried out
- 96% customer satisfaction - 89% felt they were treated as a valued customer; 93% would recommend GI to others
- 89% employee satisfaction

MANAGEMENT COMMITTEE REPORT (cont'd)**Financial Review***Overview*

The company's incoming resources total for the 2005/06 year was £5.0m against a budget of £5.4m. It achieved an approximate break-even position as budgeted with a net surplus of £2,533. In addition to the above revenue results, the company also spent £5.2m on capital developments and joint ventures during the year— Rowan Business Park, Moorpark II and the Digital Media Academy.

Approximately half of the company's income comes from three principal sources - Glasgow City Council, Scottish Enterprise Glasgow and Europe (ERDF and ESF). About 20% 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.

Plans for Future Periods

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

MANAGEMENT COMMITTEE REPORT (cont'd)**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 enable them 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

Auditors

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

This report has been prepared in accordance with the 'Statement of Recommended Practice: Accounting and Reporting by Charities' (issued in March 2005).

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.

MANAGEMENT COMMITTEE REPORT (cont'd)

Risk Management

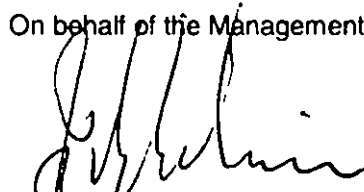
The committee regularly review the risks to which the organisation is exposed and take appropriate steps to manage the risk profile of the company.

Reserves policy

The committee reviews the company's reserves on a regular basis. This review encompasses the nature of the income and expenditure streams and of the reserves. The company has profit and loss reserves, which represents "free funds". These funds are not designated for specific purposes.

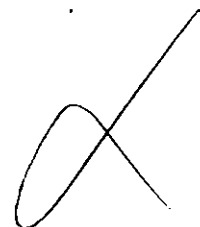
Details of the movements in reserves are given in the notes to the financial statements.

On behalf of the Management Committee



JOHN McLAUGHLIN
(Chairman)

Date: 17 August 2006



CHAIRMAN'S STATEMENT

This year, the 20th anniversary since the inception of Govan Initiative Ltd, was marked by the expansion of our services in to the new areas of Penilee, North Pollock and Cardonald and a major increase in our property development activities. The expansion of our services is set against a burgeoning city economy and a city wide drive to improve the impact and effectiveness of public service delivery.

Since 2000, the city of Glasgow has reversed the long-term decline in its working age population, with 20,000 more working age people now living in the city. Jobs growth has continued in parallel, with the employment base now standing at 423,000. This has had a positive impact on hidden unemployment. Glasgow's broader economy also retains particular strengths – it was rated the 2nd best city in the UK to do business by OMIS in 2005, and Buchanan Street was rated the 7th best shopping destination in the world. Further, Glasgow's importance to the broader City-region was underscored by the 2006 Scottish Executive Regeneration Statement with developments along the Clyde Waterfront are expected to create between 30,000 and 45,000 jobs over the next decade.

Nonetheless, there remain a number of challenges for the city. As the consultation for the new Glasgow Economic Strategy outlined, this will require a step-change in thinking and delivery by those committed to Glasgow's development. Substantial issues remain around boosting productivity and fostering new businesses and industries; addressing the polarisation in skills (28% of the Glasgow working age population holding degrees but a fifth lack any qualifications); and tackling the 1300 hectares of vacant and derelict land that remain within Glasgow's boundaries. Cutting across all of these issues there is the need to provide support to 'the other 100,000' – the large number of people on 'inactive' welfare benefits – that will help them to move back into employment. Sheffield Hallam University estimate that up to 39,000 of city residents currently on sickness benefits might, with the right support and in the right circumstances, move back into employment.

Govan Initiative Ltd has continued its work to ensure that the opportunities of economic prosperity do translate into measurable benefits for the people of Greater Govan. During the last 12 months, Govan Initiative provided services to nearly 3,000 individuals and 200 social economy groups and businesses. Our 'people' services provided 108 childcare places to allow parents to access work and learning; 1200 information, advice and guidance sessions; and 850 learning places tailored to fit the needs of individuals. As a result, over 600 people gained employment. Our 'place' services filled 180 vacancies in local organisations, reclaimed 15 community spaces and levered in £8.25m in investment, to create 66,000 sq ft of new business premises and learning facilities for the area. Throughout this, the Company maintained a high level of customer satisfaction (96%) and ensured robust financial controls.

Our commitment to excellence and sound budgetary control remains unparalleled. Following our success in achieving the Scottish Business Excellence Award 2005 we made a formal submission to the European Business Excellence Awards 2006. Our staff should once again be commended for their commitment to our goals, and for the professional way in which they exercise their duties. With this continued commitment, I am confident that we will continue to serve the area well and to maximise opportunities for local people.

We could not do any of this without the support of our partners though, and for this I offer a sincere and heart felt thanks.


John McLaughlin MBE
Chairman

Date: 17 August 2006



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 2006 set out on pages 10 to 25. 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 2006 and of its incoming resources and application of resources, including its income and expenditure, in the year; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.
- 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: 17 August 2006

STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2006

	Unrestricted Funds £	Restricted Funds £	2006 Total Funds £	2005 Total Funds £
Incoming resources				
Incoming resources from generated funds				
- Voluntary income	253,201	3,809,379	4,062,580	4,866,011
- Investment income	-	683	683	1,430
Incoming resources from charitable activities	905,364	-	905,364	777,840
Total incoming resources	<u>1,158,565</u>	<u>3,810,062</u>	<u>4,968,627</u>	<u>5,645,281</u>
Resources expended				
Costs of generating funds				
- Costs of generating voluntary income	338,012	3,262,742	3,600,754	4,619,049
Charitable activities	802,477	547,320	1,349,797	1,011,023
Governance costs	15,543	-	15,543	15,543
Total resources expended	<u>1,156,032</u>	<u>3,810,062</u>	<u>4,966,094</u>	<u>5,645,615</u>
Net movement in funds	2,533	-	2,533	(334)
Total funds brought forward	<u>188,557</u>	<u>-</u>	<u>188,557</u>	<u>188,891</u>
Total funds carried forward	<u>191,090</u>	<u>-</u>	<u>191,090</u>	<u>188,557</u>

The notes on pages 15 to 25 form part of these accounts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2006

	Note	2006 £	2005 £
Turnover	2	3,906,808	4,835,553
Other operating income	3	1,061,819	809,728
		<u>4,968,627</u>	<u>5,645,281</u>
Administrative expenses		4,912,870	5,588,144
SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST		<u>55,757</u>	<u>57,137</u>
Interest payable	4	53,224	57,471
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,533</u>	<u>(334)</u>
TAX ON ORDINARY ACTIVITIES	7	-	-
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES AFTER TAXATION	17	<u>2,533</u>	<u>(334)</u>

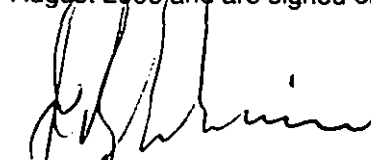
All disclosures relate only to continuing operations. All recognised gains and losses are included in the Profit and Loss Account.

The notes on pages 15 to 25 form part of these accounts.

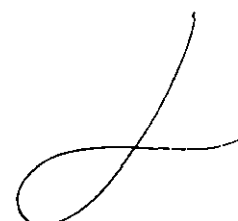
**CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2006**

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	8	7,454,771	3,404,708
Investments	9	308,126	90,000
		<u>7,762,897</u>	<u>3,494,708</u>
CURRENT ASSETS			
Stocks		19,150	21,350
Loans	10	-	1,825
Debtors	11	2,623,006	1,778,279
Cash		1,525	1,562
		<u>2,643,681</u>	<u>1,803,016</u>
CREDITORS: Amounts falling due within one year	12	1,872,401	1,729,416
NET CURRENT ASSETS		<u>771,280</u>	<u>73,600</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,534,177</u>	<u>3,568,308</u>
CREDITORS: Amounts falling due after more than one year	15	2,322,468	763,277
DEFERRED CAPITAL GRANTS	16	5,919,433	2,515,136
NET ASSETS		<u>292,276</u>	<u>289,895</u>
RESERVES			
Profit and loss account	17	191,090	188,557
Business Development Fund Reserve	17&18	101,186	101,338
		<u>292,276</u>	<u>289,895</u>

The financial statements were authorised for issue by the management committee members on 17 August 2006 and are signed on their behalf by:



JOHN McLAUGHLIN MBE
CHAIRMAN OF MANAGEMENT COMMITTEE



The notes on pages 15 to 25 form part of these accounts.

COMPANY BALANCE SHEET
AT 31 MARCH 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	8	7,454,771	3,404,708
Investments	9	308,130	90,004
		<u>7,762,901</u>	<u>3,494,712</u>
CURRENT ASSETS			
Stocks		19,150	21,350
Debtors	11	2,623,006	1,778,279
Cash at bank and on hand		1,525	1,562
		<u>2,643,681</u>	<u>1,801,191</u>
CREDITORS: Amounts falling due within one year	12	1,973,591	1,828,933
NET CURRENT ASSETS		<u>670,090</u>	<u>(27,742)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,432,991</u>	<u>3,466,970</u>
CREDITORS: Amounts falling due after more than one year	15	2,322,468	763,277
DEFERRED CAPITAL GRANTS	16	5,919,433	2,515,136
NET ASSETS		<u>191,090</u>	<u>188,557</u>
RESERVES			
Profit and loss account	17	<u>191,090</u>	<u>188,557</u>

The financial statements were authorised for issue by the management committee members on 17 August 2006 and are signed on their behalf by:


JOHN McLAUGHLIN MBE
CHAIRMAN OF MANAGEMENT COMMITTEE



The notes on pages 15 to 25 form part of these accounts.

**CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2006**

	Note	2006 £	2005 £
Net cash outflow from operating activities	19	(551,850)	(23,486)
Returns on investments and servicing of finance	20	(53,224)	(57,471)
Capital expenditure	20	(4,230,248)	(90,131)
Acquisitions and disposals	20	(218,126)	-
Grant received	20	3,491,297	29,835
Net cash outflow before financing		(1,562,151)	(141,253)
Financing	20	1,562,297	(53,288)
Net cash flow	21	<u>146</u>	<u>(194,541)</u>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash		146	(194,541)
Loan received		(1,619,158)	-
Loan repayments		56,861	53,288
Net debt at 1 April 2005	21	<u>(1,054,827)</u>	<u>(913,574)</u>
Net debt at 31 March 2006	21	<u>(2,616,978)</u>	<u>(1,054,827)</u>

The notes on pages 15 to 25 form part of these accounts.

**NOTES ON THE ACCOUNTS
YEAR ENDED 31 MARCH 2006****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 2006. 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.

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.

Pension scheme

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

**NOTES ON THE ACCOUNTS
YEAR ENDED 31 MARCH 2006**

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	2006 £	2005 £
Turnover represents the amounts received and receivable from members and other sponsors:-		
European Commission	1,195,852	1,078,493
Glasgow City Council	1,405,354	2,005,356
Scottish Enterprise Glasgow	363,668	1,063,317
Scottish Enterprise National	-	34,000
Other partnership funding	661,239	407,025
Social inclusion partnership	280,695	247,362
	<u>3,906,808</u>	<u>4,835,553</u>

3. Other operating income

Interest on loans and current accounts	683	1,430
Rental income	660,651	641,989
Fees - Nurseries	176,386	135,851
Govan Works	6,241	-
GEYA Pals	62,086	-
Other income sources	155,772	30,458
	<u>1,061,819</u>	<u>809,728</u>

NOTES ON THE ACCOUNTS
YEAR ENDED 31 MARCH 2006

	2006 £	2005 £
4. Interest payable		
Term loan	53,224	57,471
	<u>53,224</u>	<u>57,471</u>
5. Operating surplus		
Stated after charging or (crediting):		
Staff costs (note 6)	379,915	483,827
Depreciation	180,185	176,958
Operating lease rentals on:		
Property	103,718	79,607
Equipment	16,666	11,794
Auditors remuneration:		
- for audit services	11,000	10,423
- for non-audit services	5,565	5,000
Capital grants released (note 16)	(87,000)	(94,800)
	<u>379,915</u>	<u>483,827</u>
6. Staff costs		
Direct wages and salaries	2,557,280	2,220,420
Social security costs	234,166	200,330
Pension costs	43,375	43,767
	<u>2,834,821</u>	<u>2,464,517</u>
Deduct recovered through projects	2,454,906	1,980,690
	<u>379,915</u>	<u>483,827</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:

	2006 Number	2005 Number
Administrative	16	17
Projects	134	119
	<u>150</u>	<u>136</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 2006

7. 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 £	Total £
<i>Cost:</i>					
At 1 April 2005	2,903,068	1,043,742	1,577,469	-	5,524,279
Additions	15,328	1,100	43,744	4,170,076	4,230,248
Disposals	-	-	-	-	-
At 31 March 2006	2,918,396	1,044,842	1,621,213	4,170,076	9,754,527
<i>Depreciation:</i>					
At 1 April 2005	582,169	185,510	1,351,892	-	2,119,571
Charge for year	58,755	39,102	82,328	-	180,185
Eliminated on disposal	-	-	-	-	-
At 31 March 2006	640,924	224,612	1,434,220	-	2,299,756
<i>Net Book Value:</i>					
At 31 March 2006	2,277,472	820,230	186,993	4,170,076	7,454,771
At 31 March 2005	2,320,899	858,232	225,577	-	3,404,708

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 2006

9. Investments

£

Group

At 1 April 2005 - joint venture	90,000
Addition in year – joint venture	218,126
	<hr/>
At 31 March 2006 - joint venture	308,126
	<hr/>

Company

At 1 April 2005 - joint venture	90,000
Addition in year - joint venture	218,126
	<hr/>
At 31 March 2006 - joint venture	308,126
At 1 April 2005 and 31 March 2006 - subsidiaries	4
	<hr/>
Total at 31 March 2006	308,130
	<hr/>

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 2006

10. Loans**Group**

Loans are advanced to local businesses from the Business Development Fund.

	2006 £	2005 £
Outstanding at 1 April 2005	1,825	15,772
Repaid during year	(1,825)	(13,947)
Outstanding at 31 March 2006	<u>-</u>	<u>1,825</u>

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
11. Debtors				
Trade Debtors	350,733	829,836	350,733	829,836
Prepayments	178,195	197,096	178,195	197,096
Other debtors	1,857,218	662,771	1,857,218	662,771
VAT Reclaim	236,860	88,576	236,860	88,576
	<u>2,623,006</u>	<u>1,778,279</u>	<u>2,623,006</u>	<u>1,778,279</u>

12. Creditors: Amounts falling due within one year

Bank overdraft	208,121	208,304	330,750	339,802
Trade creditors	187,204	92,032	187,204	92,032
Bank term loan (notes 13 and 15)	87,914	84,808	87,914	84,808
Other taxation and social security costs	63,795	52,576	63,795	52,576
Other creditors and accruals	190,086	250,097	170,047	229,358
Funds received in advance (note 14)	1,135,281	1,041,599	1,133,881	1,030,357
	<u>1,872,401</u>	<u>1,729,416</u>	<u>1,973,591</u>	<u>1,828,933</u>

NOTES ON THE ACCOUNTS (cont'd)
YEAR ENDED 31 MARCH 2006

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 or projects 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.

	2006 £	2005 £
Project balances	<u>427,802</u>	<u>902,283</u>

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

Group and company

	2006 £	2005 £
Bank term loan	703,310	763,277
Development loan	<u>1,619,158</u>	<u>-</u>
	<u>2,322,468</u>	<u>763,277</u>

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.

	2006 £	2005 £
The bank term loan is repayable as follows:		
In one year or less	87,914	84,808
Between one and two years	87,914	84,808
Between two and five years	263,741	254,425
In five years or more	<u>351,655</u>	<u>424,044</u>
	<u>791,224</u>	<u>848,085</u>

The development loan is to be transferred to a term loan on completion of the Craigton 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 2006

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.

	2006 £	2005 £
The movements during the year were:		
Balance at 1 April 2005	2,515,136	2,580,101
Received in the year	3,491,297	29,835
Released to Profit and Loss Account	(87,000)	(94,800)
	<u>5,919,433</u>	<u>2,515,136</u>
Balance at 31 March 2006	<u>5,919,433</u>	<u>2,515,136</u>
The balance comprises:		
Hills Trust	578,111	608,575
Festival Business Centre	1,001,551	1,022,974
Govan Town Hall	328,002	336,030
Moorpark Business Centre	466,873	477,873
Community Internet Project	5,831	6,998
Nurseries	11,715	14,058
Rowan Business Park	3,050,168	-
Digital Media Centre	218,126	-
Moorpark Phase II	202,123	-
Other projects	56,933	48,628
	<u>5,919,433</u>	<u>2,515,136</u>

17. Statement of reconciliation of reserves

	Group Business Development Reserve £	Profit and Loss Account £	Company Profit and Loss Account £
Balance at 1 April 2005	101,338	188,557	188,557
Surplus in year	-	2,533	2,533
Movement in year	(152)	-	-
	<u>101,186</u>	<u>191,090</u>	<u>191,090</u>
Balance at 31 March 2006	<u>101,186</u>	<u>191,090</u>	<u>191,090</u>

NOTES ON THE ACCOUNTS (cont'd)
YEAR ENDED 31 MARCH 2006

18. Business Development Fund Reserve

The movements in this Reserve are set out in note 17. The fund is used specifically to finance loans to local businesses.

19. Reconciliation of operating surplus to net cash inflow from operating activities	2006 £	2005 £
Operating surplus	55,757	57,137
Depreciation of tangible fixed assets	180,185	176,958
Decrease in stocks	2,200	2,300
Increase in debtors	(842,902)	(979,200)
Increase in creditors	140,062	813,674
Release of deferred capital grants	(87,000)	(94,800)
Subscription	(260)	-
Credit for debt previously written off	108	445
Net cash outflow from operating activities	(551,850)	(23,486)
20. Gross cash flows		
Interest paid	53,224	57,471
Payment to acquire tangible fixed assets	4,230,248	90,131
Investment in joint venture	218,126	-
Capital grants received (net)	3,491,297	29,835
Financing		
Loan repayments	(56,861)	(53,288)
Loan received	1,619,158	-
	1,562,297	(53,288)

NOTES ON THE ACCOUNTS (cont'd)
YEAR ENDED 31 MARCH 2006

	At 1 April 2005 £	Cash flow £	At 31 March 2006 £
21. Analysis of changes in net funds			
Cash in hand	1,562	(37)	1,525
Bank overdraft	(208,304)	183	(208,121)
	<u>(206,742)</u>	<u>146</u>	<u>(206,596)</u>
Bank loan	(848,085)	(1,562,297)	(2,410,382)
Net Debt	<u>(1,054,827)</u>	<u>(1,562,151)</u>	<u>(2,616,978)</u>

	2006 £	2005 £
22. Capital commitments		
Authorised and contracted for	<u>2,008,969</u>	<u>1,212,828</u>

23. Operating lease commitments

The company had annual commitments under non-cancellable leases as set out below:

	2006		2005	
	Property £	Other £	Property £	Other £
Operating leases which expire:				
Within one year	79,153	16,666	54,842	11,794
In the second to fifth years inclusive	-	-	-	-
After five years	<u>24,565</u>	<u>-</u>	<u>24,765</u>	<u>-</u>
	<u>103,718</u>	<u>16,666</u>	<u>79,607</u>	<u>11,794</u>

24. 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.

NOTES ON THE ACCOUNTS (cont'd)
YEAR ENDED 31 MARCH 2006

24. Directors' interests (cont'd)

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 McLaughlin	GI Surveillance	Director
John Crawford	Scottish Enterprise Glasgow	Senior Executive
Richard Carabine	Govan Workspace	Member of Company
	Govan Community Council	Chairperson
	Govan Housing Association	Community Member

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	Director
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
	S McIlwraith Metal Processors Ltd	Director
Jim Tait	Harmony Row Youth Club Ltd	Director

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

25. Controlling party

No individual or company has a dominant influence over the company.

26. Contingent liability

At a recent VAT inspection, HM Revenue and Customs have raised some questions on the computation of VAT due. These discussions are at an early stage and it is believed that no liability exists for the period to 31 March 2006.

27. Related party transactions

Included in other debtors as at 31 March 2006 is £868,855 due from Moorpark Joint Venture LLP. The balance is due within 30 days of execution of the limited liability partnership agreements.

COMPANY PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2006

	Note	2006 £	2005 £
Turnover		3,896,266	4,835,428
Other operating income		<u>1,061,769</u>	<u>809,028</u>
		4,958,035	5,644,456
Administrative expenses		<u>4,902,278</u>	<u>5,587,319</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST AND EXCEPTIONAL ITEM		55,757	57,137
Interest payable		<u>53,224</u>	<u>57,471</u>
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION		2,533	(334)
TAX ON ORDINARY ACTIVITIES	7	<u>-</u>	<u>-</u>
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES AFTER TAXATION	17	<u>2,533</u>	<u>(334)</u>

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