

IRVINE HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

Register of Friendly Societies No. 2459R(S)

Registered Housing Association No. HAL280

Scottish Charity No. SC042251

IRVINE HOUSING ASSOCIATION LIMITED

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IRVINE HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT AND ADVISERS

BOARD OF MANAGEMENT: T Farrell, Chairman
C Bell (joined April 28, 2011)
W Dickson
F Dunlop
C Durkan
K Gatherer (joined August 17, 2010)
G Lindsay (joined April 28, 2011)
D McEachran (joined April 28, 2011)
M Miller
C Pattinson
C Sharp (joined June 22, 2010)
R Sturgeon
A West

SECRETARY: P Hillard

AUDITOR: Chiene + Tait
Chartered Accountants and Statutory Auditor
61 Dublin Street
EDINBURGH
EH3 6NL

BANKERS: Clydesdale Bank plc
151 High Street
IRVINE
KA12 8AB

SOLICITORS: Harper MacLeod LLP
The Ca'd'oro
45 Gordon Street
GLASGOW
G1 3PE

REGISTERED OFFICE: 44-46 Bank Street
Irvine
Ayrshire
KA12 0LP

IRVINE HOUSING ASSOCIATION LIMITED

YEAR ENDED 31 MARCH 2011

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its Report and Audited Financial Statements for the year ended 31 March, 2011.

PRINCIPAL ACTIVITY

The principal activity of the Association is the provision and management of affordable rented housing.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

For the year ended March 31 2011, the Association has made a surplus of £1,350,000 compared to a surplus of £735,000 for the previous year. Like for like surplus, before exceptional items, was £708,000.

This year has seen the organisation return to having positive reserves, due largely to a strong operating performance and the improved position of the pension fund, although the pension fund remains in deficit. This is despite losing supporting people income during the year and in an increasingly difficult financial climate our ability to maintain this level of performance will be challenged and therefore the Association has progressed partnership negotiations with The Riverside Group as it continues to search for more effective means of delivering, and improving where possible, the level of service our residents have come to expect both now and in the long-term future.

Turnover for the year was £7.3m (2010: £6.8m), increased in part by the addition of new stock at three development sites over the last eighteen months, and providing former home-owners with the opportunity to convert their home to the Association's ownership whilst remaining in their home, under the Mortgage to Rent scheme. Increases in turnover through this means are limited in the future as the reduction in grants for new properties and the cost of borrowing make it financially prohibitive.

The Association has met all of its loan covenants and the Board consider that the results for the year are satisfactory.

The 2010/11 operating year has seen the realisation of benefits coming from the critical business decisions taken in the previous two years.

During the 2010/11 operating year the Association has concentrated on positioning itself to ensure it can continue to grow, and provide top quality services that meet the needs of our customers, in challenging economic times.

This strategy has had several elements. We have continued to ensure that we operate as efficiently as possible both by ensuring value for money in all expenditure and realising available income.

We were delighted when shareholding members voted overwhelmingly in favour of conversion to charitable status in February 2011, and the Association was formally entered on the register of Scottish Charities on 15 April, 2011. Our charitable status will allow us to reduce costs and apply for new funding streams that were not previously available to us.

IRVINE HOUSING ASSOCIATION LIMITED

YEAR ENDED 31 MARCH 2011

REPORT OF THE BOARD OF MANAGEMENT (continued)

We have introduced factoring charges for owner occupiers on estates where we provide landscape maintenance and associated services. While recognising that no household wants a new expense we believe that, in addition to helping the Association's efficiency, the introduction of these charges ensures a more equitable distribution of the costs of these services across all those who benefit from them.

We have also been able to maintain an income stream by providing development services to North Ayrshire Council for their new build housing programme, and the secondment of a member of staff to assist in the development of their older persons housing strategy. We welcomed these opportunities to work in partnership with North Ayrshire Council.

We have also sought to improve service delivery by undertaking a comprehensive review of the way they are delivered. The Customer Service Review has used the feedback we receive from customers to reorganise our operational teams. We have established a generic customer services team who will deal efficiently and effectively with day to day queries from customers across the range of services we provide. This, in turn, will free up our housing staff to spend more time on the estates and to deal with more complex issues. Similarly our technical staff will be able to concentrate more of their resources on ensuring we receive a quality product from our contractors. Finally we have been able to establish a specialised community involvement team that will concentrate on ensuring the high levels of engagement we have achieved over the last year are developed further and look for opportunities for us to develop and invest in initiatives that are to the wider benefit of the communities we serve.

The major project undertaken by the Association during the year, however, has been the pursuit of a constitutional partnership with The Riverside Group. This project has had two strands, firstly, consultation and engagement with stakeholders and secondly, the development of draft rule changes, business plans and agreements to support the Business Case.

The engagement with stakeholders has been a considerable exercise with over 50 individual events undertaken. This has included trips to see Riverside's operation in Merseyside and Carlisle, open days, public meetings and information events. It has been pleasing that so many of the Association's tenants and shareholders have taken part in these events. This increased involvement has led to the Association's shareholding membership increasing by over 140% since the discussions with Riverside were first announced. We have also ensured that all business, local authority and political representative stakeholders have been kept in touch with the progress of the proposed partnership.

Considerable work has also taken place in ensuring that business case supporting the partnership delivers the increased organisational capacity, combined with the local service delivery and decision making that will meet our stakeholders' aspirations. The Business Case received the in principle consent of funders, and of the Scottish Housing Regulator in mid-June 2011. Following the vote by shareholding members in July 2011 it is anticipated that the Association will join The Riverside Group as a subsidiary organisation by the end of the calendar year.

While this activity has been taking place the Association has continued to invest heavily in its existing stock. During the 2010/11 financial year a total of £1.7m has been spent on major repairs. This has delivered improvements including 63 new security front doors in Dumfries, 187 new energy efficient boilers, the rewiring of 74 homes and 169 new kitchens.

IRVINE HOUSING ASSOCIATION LIMITED

YEAR ENDED 31 MARCH 2011

REPORT OF THE BOARD OF MANAGEMENT (continued)

The Association has also continued to support a range of community based initiatives to help the wider sustainability of the areas where we work. This has included accessing over £195,000 of Scottish Government Wider Role funding. This has supported the 1st Alliance Credit Union in providing banking services for those excluded from more mainstream financial services, The PRYDE initiative for young people in Pennyburn, and Urban Green project in partnership with impact Arts in Drongan and the Working Rite initiative in North Ayrshire. This final initiative has helped 15 young people gain skills and experience and a positive experience of work.

The engagement with our customers and communities has remained high during the year. Our second Annual Tenants Conference was attended by 70 delegates in February of 2011. Engagement and empowerment of staff was also a priority, and we were pleased that the progress we have achieved in this area was recognised by the award of One Star accreditation by Best Companies in 2011.

BOARD OF MANAGEMENT

The current members of the Board of the Association are listed on page 2. The following also served during the year:

- A Hannay (until May 24, 2010)
- Cllr M McDougall (until September 21, 2010)
- A Walker (from May 26, 2010 to August 17, 2010)

Each member of the Board, except co-opted members, holds two fully paid shares of £1 in the Association.

STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Statute requires the Board to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period. In preparing those Financial Statements, the Board is required to:-

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the Financial Statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

IRVINE HOUSING ASSOCIATION LIMITED

YEAR ENDED 31 MARCH 2011

REPORT OF THE BOARD OF MANAGEMENT (continued)

The Board confirms that the Financial Statements comply with the above requirements.

STATEMENT OF THE BOARD OF MANAGEMENT IN RESPECT OF INTERNAL CONTROLS

The Board acknowledges that it is responsible for establishing and maintaining the Association's system of internal controls, and for reviewing the effectiveness of those controls. Such a system can only provide reasonable, and not absolute, assurance against material misstatement or loss or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that strategic objectives will be achieved.

The key features of the system of internal controls which has been established, and which is designed to provide effective internal control, are as described below.

1. The Association's organisational structure embodies clearly defined levels of responsibility and delegation of authorities in relation to internal control. Appropriate policies and procedures in respect of financial management are in place and are set out in the Association's Financial Regulations. The Board retains responsibility for a range of strategic, operational, performance and financial issues.
2. The Association has a robust system of strategic and operational planning, informed by a system of risk management. The system of risk management is participative and informs all activities undertaken by the Association.
3. Experienced and suitably qualified staff are employed by the Association, and their performance is reviewed as part of a comprehensive appraisal process.
4. The Association has an appropriate system of financial reporting in place to enable the Board and senior staff to monitor the key business risks facing the Association. This system of financial reporting includes the preparation of budgets and forecasts, and the preparation of regular financial reports providing relevant and reliable financial information, where significant variances from budgets are appropriately investigated.
5. All significant new initiatives, major commitments and investment projects are subject to appropriate appraisals, review, analysis and authorisation, either by the Board or through relevant Committees of the Board, where authority to consider such matters has been appropriately delegated by the Board.
6. The Board considers reports from senior staff and auditors as relevant to provide reasonable assurance that suitable internal financial control procedures are in place and are being followed. In addition, the Association's Financial Regulations are subject to regular review and updating.

By order of the Board



P Hillard
Secretary
16 August, 2011

IRVINE HOUSING ASSOCIATION LIMITED

YEAR ENDED 31 MARCH 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRVINE HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Irvine Housing Association Limited for the year ended 31 March 2011 set out on pages 9 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 5, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the Report of the Board of Management to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing (Scotland) Act 2001 and The Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

IRVINE HOUSING ASSOCIATION LIMITED

YEAR ENDED 31 MARCH 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRVINE HOUSING ASSOCIATION LIMITED (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion

- a satisfactory system of control over transactions has not been maintained; or
- the information given in the annual report of the Board is inconsistent in any material respect with the financial statements; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Board's statement concerning internal financial control made under "The Code of Audit Practice" contained within the publication "Raising Standards in Housing" which is the guidance issued by the Scottish Federation of Housing Associations. The object of our review is to draw attention to non-compliance with the guidance.

Basis of opinion

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

Opinion

With respect to the Board's statements on internal financial control, in our opinion the Board has provided the disclosures required by the guidance and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.


CHIENE + TAIT
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

19 August **2011**

IRVINE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 MARCH 2011

	Note	2011	2010
		£	£
Turnover	2	7,270,926	6,789,943
Operating Costs	2	(5,228,087)	(4,647,496)
Operating Costs - Exceptional FRS 17 Item	2, 16, 19	642,000	-
Operating Surplus	2	2,684,839	2,142,447
Gain on Sale of Fixed Assets	4	57,428	49,362
Interest Receivable and Similar Income	6	478	589
Interest Payable and Similar Charges	7	(1,411,794)	(1,447,936)
Other Finance Income / (Costs)	19	19,000	(9,000)
Surplus on Ordinary Activities before Taxation	8	1,349,951	735,462
Taxation on Ordinary Activities	9	-	-
Surplus for the Year	20	1,349,951	735,462
Surplus for the year excluding FRS17 pension adjustments (which includes exceptional item above)	20	713,951	661,462

All of the above operations are continuing.

There is no difference between the surplus on ordinary activities before taxation and the retained surplus for the year as stated above and their historical cost equivalents.

The notes on pages 13 to 33 form part of these financial statements.

IRVINE HOUSING ASSOCIATION LIMITED

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

YEAR ENDED 31 MARCH 2011

	Note	2011	2010
		£	£
Surplus for the Year		1,349,951	735,462
Actuarial Gain / (Loss)	19	711,000	(1,615,000)
Total Recognised Surplus / (Deficit) for the Year		<u>2,060,951</u>	<u>(879,538)</u>

The notes on pages 13 to 33 form part of these financial statements.

IRVINE HOUSING ASSOCIATION LIMITED
BALANCE SHEET
AS AT 31 MARCH 2011

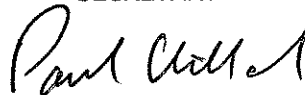
	Note	2011 £	2010 £
TANGIBLE FIXED ASSETS			
Housing Properties			
- gross cost less depreciation	10	56,587,368	54,647,279
less Housing Association Grant		(22,460,667)	(22,337,658)
Other Grants		(1,238,518)	(1,155,842)
		<hr/> 32,888,183	<hr/> 31,153,779
Other tangible fixed assets	10a	332,368	361,600
Fixed asset investments			
Homestake	10	593,713	593,713
Homestake grant	10	(593,713)	(593,713)
		<hr/> 33,220,551	<hr/> 31,515,379
CURRENT ASSETS			
Debtors	11	288,410	316,503
Cash at Bank and in hand	12	878,634	470,744
		<hr/> 1,167,044	<hr/> 787,247
CREDITORS:			
Amounts falling due within one year	13	(1,520,194)	(1,692,225)
		<hr/> (353,150)	<hr/> (904,978)
DEFICIENCY OF NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		32,867,401	30,610,401
CREDITORS:			
Amounts falling due after more than one year	14	(31,534,802)	(29,978,174)
PENSION LIABILITY	19	(194,000)	(1,541,000)
NET ASSETS / (LIABILITIES)		<hr/> 1,138,599	<hr/> (908,773)
CAPITAL AND RESERVES			
Share Capital	15	277	237
General Reserve		807,243	93,292
Pension Reserve		(194,000)	(1,541,000)
Revenue Reserves	20	613,243	(1,447,708)
Designated Reserves	21	7,500	7,500
Negative Goodwill	22	517,579	531,198
		<hr/> 1,138,599	<hr/> (908,773)

These financial statements were approved by the Board of Management on 16 August, 2011, and were signed on its behalf by:

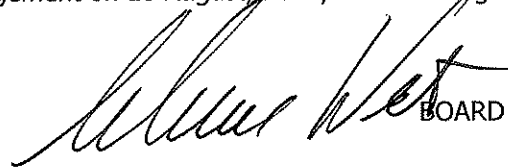
T Farrell
CHAIRMAN



P Hillard
SECRETARY



BOARD MEMBER



The notes on pages 13 to 33 form part of these financial statements.

IRVINE HOUSING ASSOCIATION LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2011

	Note	2011 £	2010 £
Cash inflow from operating activities	23 (a)	3,042,219	2,881,956
Returns on investments and servicing of finance:			
Interest Received		478	589
Interest Paid		(1,339,746)	(1,469,332)
Net cash outflow from returns on investments and servicing of finance		(1,339,268)	(1,468,743)
Taxation			
UK Corporation Tax paid		-	-
Grants received		-	-
Net cash inflow from taxation		-	-
Capital Expenditure			
Acquisition of Housing Properties		(845,592)	(4,133,462)
Improvement to Housing Properties		(2,246,807)	(1,759,353)
Purchase of Other Tangible Fixed Assets		(64,098)	(87,377)
Sale of Fixed Assets		91,768	66,968
Grant received		218,786	2,996,795
Net cash outflow for capital expenditure		(2,845,943)	(2,916,429)
Net cash outflow before financing		(1,142,992)	(1,503,216)
Financing			
Issue of Share Capital		40	72
Loans Received (net of arrangement fees paid)		2,050,842	2,440,189
Loans Repaid		(500,000)	(1,000,000)
Net cash inflow from financing		1,550,882	1,440,261
Increase/(decrease) in cash in the year	23 (b)	407,890	(62,955)

The notes on pages 13 to 33 form part of these financial statements.

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

1. PRINCIPAL ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards and the Statement of Recommended Practice (SORP): Accounting by Registered Social Landlords 2008 and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. However, compliance with the SORP requires departure from the requirements of Financial Reporting Standard (FRS) 10, 'Goodwill and Intangible Assets', in relation to negative goodwill and an explanation of the result of the departure is given in the 'Negative Goodwill' policy below. As explained at note 17, the accounts of Thistle Housing Services Limited have not been consolidated with those of the Association, as the Board considers this would be of no real value to the members of the Association in view of the insignificant amounts involved. This is in accordance with the requirements of FRS 2 and the Industrial and Provident Societies Act 1968. A summary of the more important accounting policies is set out below.

Negative Goodwill

Negative Goodwill arising on transfers of engagements represents the excess of the fair value of the identifiable net assets acquired over the fair value of the consideration given and is taken immediately to reserves. This is in accordance with the SORP but not in accordance with FRS 10 which requires that negative goodwill is shown as a negative asset on the balance sheet. The Board is of the opinion that the treatment required by FRS 10 would not present a true and fair view of the Association's net assets because the substance of each transaction is a transfer of a business for no consideration rather than a purchase in the conventional manner. If the negative goodwill had been treated as a negative asset as required by FRS 10 then the Association's net assets would have been reduced by £517,579 (2010: £531,198). Negative goodwill is amortised to the income and expenditure account over the same period for which depreciation is charged on the housing properties acquired.

Turnover

Turnover represents rental and other income receivable.

Housing Properties

Housing properties are stated at cost less accumulated depreciation. Interest payable relating to capital projects is capitalised within Fixed Assets and depreciated in accordance with FRS 15. Depreciation is charged on a straight line balance basis over the expected useful economic lives of housing properties to write off the cost at an annual rate of 2%. Components and works to existing properties that result in an enhancement of economic benefit are depreciated over their useful economic lives. Any works that do not result in an enhancement of economic benefits are charged to the income and expenditure account in the year incurred.

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Other Fixed Assets

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

Furniture & Equipment	20.00%
Plant & Machinery	33.33%
Office Property	6% to 10%

Housing Association Grant

Where developments have been financed wholly or partly by Housing Association Grant, the cost of those developments has been reduced by the amount of the grant received. Housing Association Grant in respect of housing properties in the course of construction, received in advance of expenditure, is shown as a current liability. Housing Association Grant in respect of major repairs which are of a revenue nature is credited to the income and expenditure account. Housing Association Grant received in respect of Homestake becomes repayable on disposal of properties. Where Housing Association Grant becomes repayable, it is shown as a current liability.

Other Grants

Where developments have been financed wholly or partly by other grants, the cost of those developments has been reduced by the amount of grant received. Other grants of a revenue nature are credited to the income and expenditure account when receivable.

Finance Costs

Arrangement fees in relation to the Bank Loans are charged to Income and Expenditure over the term of the facility. The unexpired portion is carried forward within the loan balance.

Pensions

The Association participates in the Strathclyde Pension Fund administered by Glasgow City Council. Payments are made to the independently administered scheme in accordance with periodic calculations by qualified actuaries. The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme in accordance with Financial Reporting Standard 17: Retirement Benefits and recognises the retirement benefits as the benefits are earned and not when they are due to be paid. The contributions are determined by qualified actuaries, on the basis of triennial valuations. In accordance with FRS17, the Association's share of a scheme deficit is recognised in full on the Balance Sheet and its share of a surplus is recognised to the extent that the surplus can be recovered.

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

Designated Reserves

The "Harbourside in Bloom" Reserve is a sum of money received from Irvine Development Corporation, the interest received on which is used to fund prizes in the Association's annual "Harbourside in Bloom" competition.

Capitalisation of Development Overheads

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

Development Interest

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

Taxation

The Association pays corporation tax on all of its taxable surpluses. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations and periods different from those in which they are included in the accounts. One of the timing differences relates to the repairs and maintenance undertaken on housing properties. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

2. Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus

Income & Expenditure from lettings	Turnover £	Operating		2011 Surplus / (Deficit) £	2010 Surplus / (deficit) £
		Costs £			
Social Lettings *	7,092,107	4,406,706		2,685,401	2,154,353
Other Activities	178,819	179,381		(562)	(11,906)
Total	7,270,926	4,586,087		2,684,839	2,142,447
2010	6,789,943	4,647,496			2,142,447

* Operating costs include an exceptional credit (see note 16)

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

3(a). Particulars of Income and Expenditure from Social Lettings

	2011		2010	
	£	£	£	£
	General Needs Housing	Supported Housing	Shared Ownership Housing	Other
	£	£	£	£
				Total
Rent Receivable net of identifiable service charges	6,974,781	110,172	-	7,084,953
Service charges receivable	28,073	9,786	-	37,859
Gross income from rents and service charges	7,002,854	119,958	-	7,122,812
LESS: Rent losses from voids	29,848	857	-	30,705
Total income from social lettings	6,973,006	119,101	-	7,092,107
Management & maintenance administration costs *	1,714,626	-	-	1,714,626
Service costs - landscape maintenance	309,446	-	-	309,446
Service costs - sheltered housing schemes	-	114,744	-	114,744
Planned & cyclical maintenance	376,508	-	-	376,508
Reactive maintenance	863,133	-	-	863,133
Bad debts - rents & service charges	47,469	-	-	47,469
Depreciation	980,780	-	-	980,780
Impairment of social housing	-	-	-	-
Total expenditure on lettings	4,291,962	114,744	-	4,406,706
Operating surplus on letting activities	2,681,044	4,357	-	2,685,401
Operating surplus from letting activities for 2010	2,151,050	3,303	-	2,154,353
				<u>2,154,353</u>
				<u>2,154,353</u>

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £16,979 (2010 £16,391).

* Management and maintenance costs include an exceptional credit (see note 16)

IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011

3(b). Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from other Activities

	Grants from Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs - Bad Debts	Other Operating Costs	Operating Surplus/ (Deficit)	2011 £	2010 £
Wider role activities	68,612	-	-	-	68,612	-	68,612	-	-	-
Care and Repair	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	32,687	32,687	28,140	32,687	(28,140)	(28,140)	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	(29,956)
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	57,479	57,479	-	49,942	7,537	7,537	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-
Other Activities	-	-	-	20,041	20,041	-	-	20,041	20,041	18,050
Total from other activities	68,612	-	-	110,207	178,819	28,140	151,241	(562)	(562)	(11,906)
2010	38,126	-	-	30,221	68,347	-	80,253	(11,906)	2011	2010

4. Gain on Sale of Fixed Assets

Gains on sale of housing accommodation

57,428	49,362
57,428	49,362

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

5. Employee Information

5(a). Directors' Emoluments

No member of the Board received any emoluments during the year.

Emoluments of the Chief Executive
(excluding pension contributions)

	2011	2010
	£	£
	<u>81,155</u>	<u>79,650</u>
	<u>81,155</u>	<u>79,650</u>

Aggregate emoluments payable to officers

The number of directors whose emoluments (excluding pension contributions)
paid or receivable within the following ranges was :

£70,000 to £79,999
£80,000 to £89,999

	-	1
	<u>1</u>	<u>-</u>

5(b). Staff

Average number of persons employed during the year

	2011	2010
	No	No
Permanent	59	59
Temporary	<u>4</u>	<u>4</u>
	<u>49.8</u>	<u>51.5</u>

Average number of full time equivalents employed during the year

Staff Costs

Wages and Salaries
Social Security Costs
Other Pension Costs
FRS17 adjustments
FRS17 exceptional item (note 16)

	£	£
	1,338,954	1,253,394
	94,994	93,413
	242,144	223,257
	25,000	(83,000)
	<u>(642,000)</u>	<u>-</u>
	<u>1,059,092</u>	<u>1,487,064</u>

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

6. Interest Receivable and Other Income

Bank Interest Receivable	2011	2010
	£	£
	478	589
	478	589

7. Interest Payable and Similar Charges

On Bank Loans, Overdrafts and Other Loans:
Repayable wholly or partly in more than five years

	2011	2010
	£	£
	1,411,794	1,447,936
	1,411,794	1,447,936

8. Surplus on Ordinary Activities before Taxation

Surplus on Ordinary Activities before Taxation is stated after charging / (crediting):

Depreciation on Tangible Fixed Assets	2011	2010
	£	£
	980,781	823,410
Auditor's Remuneration: In their capacity of Auditor	13,800	14,746
In respect of Other Services	-	881
Amortisation of Negative Goodwill	(13,619)	(13,623)
Hire of Equipment	7,574	8,557

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

9. Taxation on Ordinary Activities

	2011	2010
	£	£
Taxation on surplus on ordinary activities	-	-
United Kingdom corporation taxation @ 28% (2010 : 28%) (Over)/under provision for corporation tax in prior years	-	-
Tax on profit on ordinary activities	-	-

FRS19 reconciliation of current tax charge

Factors affecting the tax charge for the year

Surplus on activities before tax	1,349,951	735,462
Expected tax charge	377,987	205,929
Expenses not deductible for tax purposes	5,491	4,315
Capital allowances for the period in excess of depreciation	(259,526)	(157,692)
Adjustments relating to prior periods	-	-
Marginal relief	-	-
Chargeable gains	-	-
Unrelieved tax losses	53,970	(32,556)
Other short term timing differences	(177,922)	(19,996)
Actual tax charge for the year	-	-

As demonstrated above, no current corporation tax charge arises at 31 March, 2011; however, a deferred tax charge of £374,490 existed due to capital allowances claimed being in excess of depreciation charges and other timing differences. No provision for this deferred tax charge has been made as the Association was registered as a Scottish Charity on 15 April, 2011 and the charges will now not crystallise.

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

10. Tangible Fixed Assets

	Housing Properties		Under construction	Total	Homestake
	Rental		£	£	£
Cost					
At 1 April 2010	54,271,231		6,065,255	60,336,486	593,713
Additions	2,080,960		801,010	2,881,970	-
Schemes completed in the year	3,040,254		(3,040,254)	-	-
Disposals	(82,897)		-	(82,897)	-
At 31 March 2011	<u>59,309,548</u>		<u>3,826,011</u>	<u>63,135,559</u>	<u>593,713</u>
Depreciation					
At 1 April 2010	5,689,207		-	5,689,207	-
Charge for the year	858,984		-	858,984	-
At 31 March 2011	<u>6,548,191</u>		<u>-</u>	<u>6,548,191</u>	<u>-</u>
Housing Association Grant					
At 1 April 2010	17,072,066		5,265,592	22,337,658	593,713
Received and receivable in the year	171,566		-	171,566	-
Schemes completed in the year	1,866,612		(1,866,612)	-	-
On disposals	(48,557)		-	(48,557)	-
At 31 March 2011	<u>19,061,687</u>		<u>3,398,980</u>	<u>22,460,667</u>	<u>593,713</u>
Other Grants					
At 1 April 2010	1,128,874		26,968	1,155,842	-
Received and receivable in the year	82,676		-	82,676	-
At 31 March 2011	<u>1,211,550</u>		<u>26,968</u>	<u>1,238,518</u>	<u>-</u>
Net Book Value at 31 March 2011	<u>32,488,120</u>		<u>400,063</u>	<u>32,888,183</u>	<u>-</u>
Net Book Value as 31 March 2010	<u>30,381,084</u>		<u>772,695</u>	<u>31,153,779</u>	<u>-</u>

Investment in existing Housing Properties, including amount capitalised above, totalled £1,716,534 (2010: £1,599,521). The Association's latest valuation of its housing stock, for funding purposes, at August 2008 was £39.5m. The valuation was carried out on behalf of the Association's funders by DTZ.

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

10a.

	Leasehold Office Property & Tenant's Improvements £	Furniture & Equipment £	Plant & Machinery £	Total £
Cost				
At 1 April 2010	390,609	502,587	526,353	1,419,549
Additions	-	2,835	89,729	92,564
At 31 March 2011	390,609	505,422	616,082	1,512,113
Depreciation				
At 1 April 2010	116,315	493,382	385,258	994,955
Charge for the year	36,374	3,915	81,507	121,796
At 31 March 2011	152,689	497,297	466,765	1,116,751
Grant				
At 1 April 2010	-	-	62,994	62,994
At 31 March 2011	-	-	62,994	62,994
Net Book Value at 31 March 2011	237,920	8,125	86,323	332,368
Net Book Value at 31 March 2010	274,294	9,205	78,101	361,600

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

11. Debtors: amounts due within one year

	2011	2010
	£	£
Rent Arrears	143,301	164,201
Bad Debt Provision	(122,457)	(102,015)
Sundry Debtors and Accrued Income	267,566	227,349
Other Grants Receivable	-	26,968
	<u>288,410</u>	<u>316,503</u>

12. Cash at Bank and in hand

	2011	2010
	£	£
Cash at Bank and in hand	<u>878,634</u>	<u>470,744</u>

The Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2011 the Association had £1.8 million (2010: £3.3 million) in undrawn loan facilities.

13. Creditors : Amounts falling due within one year

	2011	2010
	£	£
Sundry Creditors	701,026	823,483
Rents in Advance	97,668	106,405
Accruals and Deferred Income	516,682	714,446
Other Taxes	31,395	29,514
Funding in advance	173,240	18,194
Amounts due to group undertakings	183	183
	<u>1,520,194</u>	<u>1,692,225</u>

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

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

Housing Loans

Loans are secured by standard securities over the Association's Housing Properties and are repayable at varying rates of interest other than by instalments as follows:

revolving credit facility available until 2013
five years or more

	2011	2010
	£	£
	700,000	1,200,000
	30,834,802	28,778,174
	<u>31,534,802</u>	<u>29,978,174</u>

The above figure contains £156,229 of capitalised finance costs (2010: £162,015). These are charged to income and expenditure over the term of the facility. The amount charged in 2011 was £5,786 (2010: £5,786).

15. Share Capital

Shares of £1 each, Allotted, Issued and Fully Paid

At 1 April

Issued during year

Cancelled

At 31 March

	2011	2010
	£	£
	237	158
	92	92
	(52)	(13)
	<u>277</u>	<u>237</u>

Each member of the Association holds one share of £1 in the Association. Board members hold one additional share of £1 in the Association. These shares carry no rights to dividends on a winding up. Each member has a right to vote at members' meetings.

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

	2011 £'000	2010 £'000
16. Exceptional Items		
Past service pension gain - FRS17 adjustment to staff costs	642	-
	<u>642</u>	<u>-</u>

As more fully explained in note 19, the FRS17 adjustment in respect of past service costs is a credit of £642,000 resulting from the change from RPI to the currently lower CPI assumption in respect of future pension payment increases.

17. Investment in Subsidiary Undertaking

On 23 October 1997 Irvine Housing Association Limited acquired the entire ordinary share capital of Thistle Services Limited for no consideration. Thistle Housing Services Limited traded as lessors of property and equipment. The results of Irvine Housing Association Limited and Thistle Housing Services Limited have not been consolidated as the Board considers this to be of no real value due to the insignificant amounts involved. Thistle Housing Services Limited did not trade in the year to 31 March 2011

18. Related Party Transactions

During the year purchases from Thistle Housing Services Limited amounted to £nil (2010:£nil). The balance outstanding to Thistle Housing Services Limited at the year end was £183 (2010: £183). During the year sales to Thistle Housing Services Limited amounted to £nil (2010: £nil). The balance outstanding from Thistle Housing Services Limited at the year end was £nil (2010: £nil).

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

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

19. Pension Costs

The Association is an admitted body to the Strathclyde Pension Fund which is a defined benefit pension scheme providing benefits based on final pensionable salary. The latest formal actuarial valuation of the scheme is taking place at 31 March 2011. At the date of the last formal valuation, the market value of the assets of the scheme, which are held in a separately administered fund, was £9,493m and the value of the past service liabilities was £9,979m, leaving a deficit of assets of £486m. The assets therefore were sufficient to cover 95% of the benefits which had accrued to members after allowing for future increases in earnings. The actuary recommended future employer contribution rates of 17.3%, 18.2% and 19.3% for the years to 31 March 2010, 2011 and 2012 respectively. The formal valuation at 31 March 2011, when complete will result in these rates being reviewed.

A comprehensive report for FRS17 purposes has been produced and the following assumptions have been used.

	2011	2010
Inflation / Pension Increase Rate (2011: CPI, 2010: RPI)	2.80%	3.80%
Salary Increase Rate	5.10%	5.30%
Expected Return on Assets	6.90%	7.20%
Discount Rate	5.50%	5.50%

Mortality

Life expectancy is based on the PFA92 and PMA92 tables.

Based on these assumptions, the average future life expectancies at age 65 are as follows:

Current Pensioners	Male	Female
Future Pensioners	20.6 years	23.9
	22.6 years	26.0

The Association's share of assets in the scheme and expected rate of return were:

	31 March 2011	31 March 2010
Equities	7.50%	7.80%
Bonds	4.90%	5.00%
Property	5.50%	5.80%
Cash	4.60%	4.80%
Total market value of assets	£000 3,962	£000 3,503
	669	591
	309	318
	206	136
	<u>5,146</u>	<u>4,548</u>

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

19. Pension Costs (continued)

	2011	2010
	£000	£000
Fair value of employee assets	5,146	4,548
Present value of scheme liabilities	5,340	6,060
Net Pension Deficit	<u>(194)</u>	<u>(1,512)</u>
Effect of non-recognition of pension surplus in previous year	-	(29)
Net pension deficit recognised on balance sheet	<u>(194)</u>	<u>(1,541)</u>

Analysis of amount charged to operating profit

Current Service Costs	251	98
Interest Cost	317	218
Expected return on employers assets	(336)	(209)
Past service (gain) / cost *	(642)	24
Losses / (gains) on curtailment and settlements	-	-
Total operating charge	<u>(410)</u>	<u>131</u>

* This gain is in respect of the changes to the pension increases introduced in the Chancellor's budget statement that future pension increases will be linked to the Consumer Price Index (CPI) and not the previously used Retail Price Index (RPI).

Analysis of the amount credited to other finance income

Expected return on employers assets	336	209
Interest on pension scheme liabilities	(317)	(218)
Net return / (cost)	<u>19</u>	<u>(9)</u>
Net revenue account credit / (cost)	<u>(429)</u>	<u>140</u>

Analysis of the amount recognised in Statement of Total Recognised Surpluses and Deficits (STRSD)

Actuarial gain / (loss) in pension plan	682	(1,615)
Effect of non-recognition of plan surplus in previous years	29	-
Actuarial gain / (loss) recognised in STRSD	<u>711</u>	<u>(1,615)</u>

IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011

19. Pension Costs (continued)
Movement in surplus / (deficit) during the year

	2011	2010
	£'000	£'000
(Deficit) / surplus at beginning of year	(1,541)	-
Current service cost	(251)	(98)
Employer contributions	226	205
Past service gains / (costs)	642	(24)
Curtailments and settlements	-	-
Net return on assets	19	(9)
Actuarial gain / (loss)	711	(1,615)
Deficit at end of year	<u>(194)</u>	<u>(1,541)</u>

History of Experience Gains and Losses

	2011	2010	2009	2008
	£	£	£	£
Fair value of employer's assets (£'000)	5,146	4,548	3,108	3,714
Present value of funded liabilities (£'000)	(5,340)	(6,060)	(3,079)	(3,148)
Surplus / (deficit) (£'000)	(194)	(1,512)	29	566
Experience gains / (losses) of employer's assets (£'000)	33	998	(1,146)	(373)

The total pension cost for the Association was £242,143 (2010 : £140,257) This includes £25,485 (2010 : £25,047) outstanding contributions at the balance sheet date. The contribution rate payable by the Association was 18.2% (2010: 17.3%) of pensionable salaries.

The Chief Executive of the Association is an ordinary member of the pension scheme detailed above. No enhanced or special terms apply to membership and he has no other pension arrangements to which the Association contributes. The Association's contributions for the Chief Executive in the year amounted to £14,376 (2010: £13,530). The Association's contributions for the other Directors in the year amounted to £20,629 (2010: £17,930).

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

	2011		2010
	General Reserve	Pension Reserve	Total
At 1 April 2010	93,292	(1,541,000)	(568,170)
Surplus for the year	713,951	636,000	735,462
Actuarial Gain / (Loss) (note19)	-	711,000	(1,615,000)
At 31 March 2011	807,243	(194,000)	(1,447,708)

The Association has positive *general* reserves; however, as the Association is required to include its share of the Strathclyde Pension Fund deficit on the balance sheet under Financial Reporting Standard 17, a negative pension reserve arises. The Association's share of the pension fund's deficit will be funded with on-going contributions over the coming years and does not represent an immediate cash requirement.

21. Designated Reserves

	"Harbourside in Bloom" Reserve	Total
At 1 April 2010	£ 7,500	£ 7,500
At 31 March 2011	7,500	7,500

Interest earned on this cash-backed reserve is used to fund prizes at local events.

22. Negative Goodwill

	2011		2010
	£		£
At 1 April 2010	531,198		544,821
Amortisation	(13,619)		(13,623)
At 31 March 2011	517,579		531,198

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

23. Notes to the Cash Flow Statement

a) Reconciliation of operating surplus to net cash inflow from operating activities					
Operating Surplus				2011	2010
Depreciation				£	£
Amortisation of negative goodwill				2,684,839	2,142,447
Pension - FRS17 adjustment				980,780	823,410
Amortisation of loan costs				(13,619)	(13,623)
Decrease in debtors				(617,000)	(83,000)
Increase / (decrease) in creditors				5,786	5,786
				1,123	34,048
				310	(27,112)
Net cash inflow from operating activities				3,042,219	2,881,956
b) Analysis of net debt					
Cash at Bank and in hand	at 1 April 2010	Non cash movement	Cash Flow		at 31 March 2011
	£	£	£		£
	470,744	-	407,890		878,634
Debt due after one year	(29,978,174)	(5,786)	(1,550,842)		(31,534,802)
Total	(29,507,430)	(5,786)	(1,142,952)		(30,656,168)
				2011	2010
c) Reconciliation of net cash flow to movement in net debt				£	£
Increase/(decrease) in cash in the year				407,890	(62,955)
Cash inflow from increase in debt				(1,550,842)	(1,440,189)
Non cash movement - write off of arrangement fee relating to loans repaid				(5,786)	(5,786)
Movement in net debt in the year				(1,148,738)	(1,508,930)
Net debt at 1 April 2010				(29,507,430)	(27,998,500)
Net debt at 31 March 2011				(30,656,168)	(29,507,430)

IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011

24. Housing Stock

The number of units of general needs accommodation in management at the beginning of the year
 The number of units of supported housing accommodation in management at the beginning of the year

	2011	2010
	2,123	2,098
	41	41
	2,164	2,139

The total number of units in management at the beginning of the year

The number of units of general needs accommodation in management at the end of the year
 The number of units of supported housing accommodation in management at the end of the year

	2,147	2,123
	41	41
	2,188	2,164

The total number of units in management at the end of the year

The number of properties under construction at the year end was
 Land held for development has been funded by Housing Association Grant.

	8	22
--	----------	----

25. Financial Commitments

At 31 March 2011, the Association had annual commitments under operating leases as follows:

Operating leases which expire:

Within one year

Within 2 to 5 years

After 5 years

	2011	2011	2010	2010
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
	-	-	-	-
	-	8,625	-	7,621
	84,554	-	66,529	-
	84,554	8,625	66,529	7,621

Land and Buildings Lease may be cancelled after five years. Operating leases may be cancelled at the lessee's request.

26. Capital Commitments

Future Capital Expenditure

Authorised and contracted

Authorised but not yet contracted

	2011	2010
	£	£
	-	1,010,756
	3,500,000	3,500,000

It is expected these commitments will be funded by HAG and Private Finance.

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2011**

27. Post balance sheet events

Subsequent to the year end the shareholding membership approved the recommendation to a constitutional partnership with the Riverside Housing Group.