

IRVINE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

Register of Friendly Societies No. SP2459RS

Registered Housing Association No. HAL280

Scottish Charity No. SC042251

IRVINE HOUSING ASSOCIATION LIMITED

YEAR ENDED 31 MARCH 2013

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IRVINE HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT AND ADVISERS

BOARD OF MANAGEMENT: A West, Chairman
C Bell
W Dickson
F Dunlop
C Durkan
K Gatherer
W Johnstone (joined 18/09/2012)
D McEachran
M Miller
C Sharp
R Sturgeon
J Wood

SECRETARY: P Hillard

AUDITOR: KPMG LLP
St James' Square
Manchester
M2 6DS

BANKERS: National Westminster Bank plc
Liverpool City Office
22 Castle Street
Liverpool
L2 0UP

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 2013

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its Report and Audited Financial Statements for the year ended 31 March, 2013.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A strong financial performance for the year ended March 31 2013, resulted in the Association making a surplus of £832,082 compared to a surplus of £514,208 for the previous year. During the year, impairment of £332k was charged to Income & Expenditure as the flats in the Pennyburn estate have been vacated and are awaiting demolition. Costs have been tightly controlled during the year and despite increased investment in staffing, operating costs have increased by less than 1%. The Association incurred no corporation tax charge in the year. An increase to the deficit in the pension fund of £559k has taken the pension fund liability to £1,112k. Overall reserves remain positive at £836k.

During the 2012/13 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.

The 2012/13 financial year has seen Irvine Housing Association continue to deliver promises from the Partnership Agreement with The Riverside Group Limited.

The regeneration of the Pennyburn flats has seen all residents re-housed following extensive consultation within the community. An open day in April 2012 gave the community the opportunity to air their views on the different site configurations and both the internal and external layout of the properties. This event was well attended and the overwhelming view of the project was extremely positive. The demolition of the flats is scheduled for summer 2013 with the rebuild due for completion in the summer 2014.

Significant investment in our properties in Drongan has seen 79 properties receive new roofs, central heating systems and external wall insulation and render. A further 48 properties received energy efficient heating installations. These works cost in the region of £1.9m which has been partially offset by £532k funding received from Npower's Community Energy Saving Programme. Feedback from the community has shown that customers are delighted with the investment in their properties. The possibility of further funding is currently being investigated to enable further investment in the remaining properties.

Further investment has been made in the Association's Community Involvement Team. Three new posts have been created within the team. Each of these posts will individually and collectively work strategically with local partners to address identified service gaps as well as operationally offering practical advice, support and guidance to our customers. Funding of £27k was secured which far exceeded expectations and allowed the team to offer additional services. This funding included a grant from Bank of Scotland Foundation for £10,000.

IRVINE HOUSING ASSOCIATION LIMITED

YEAR ENDED 31 MARCH 2013

REPORT OF THE BOARD OF MANAGEMENT (Continued)

Work will progress on plans for the community IT suite in Dumfries in the course of 2013. Local residents were actively engaged in surveying the local community to obtain details of the type of services they would like the facility to provide. This facility will support the Dumfries community towards digital inclusions, helping them to develop skills and access online services. This will be particularly beneficial in assisting residents to find employment and also in increasing residents' online skills in preparation for Welfare Reform as the government plans to encourage people to apply for universal credit online and manage their claim through an online account.

One of the Association's main benefits from being part of Riverside was the ability to be able to play a continued role in generating new housing supply to meet ongoing housing needs. We were, therefore, delighted to be appointed by North Ayrshire Council and the Scottish Government in January 2012 to be the developer of 56 new homes in Lamash on the Isle of Arran. The development will be mixed tenure with 16 homes being available for shared equity sale and the remaining 40 for social rent. The development benefits from £2.4m of Scottish Government Innovation and Investment Funding topped up by £798,280 from North Ayrshire Council. The site was acquired in June 2012 with work commencing in July 2012. Phase One is due for completion late summer 2013, with Phase Two due for completion summer 2014.

The Welfare Reform Act 2012, was introduced by Westminster and starts to come into effect from 1 April 2013. In order to prepare for these changes, we have been working on a number of things and have updated the information and advice we provide to applicants and prospective tenants, in partnership with local landlords, and have discussed changes to allocation policies. We have reviewed our approach to income collection, and changed the way our system is set up so that rent accounts are flagged for action when 10% or more of the weekly rent is unpaid. We also contacted 100% of those identified as affected prior to April 2013 to discuss their options. Throughout the process we have continued to engage with customer through our Count Me In Panel. A significant amount of work has taken place in relation to income collection and preparing for the reduction in housing benefit. This has resulted in a review of Housing Services, with a new structure being identified allowing key members of staff to focus on income collection. Costs across the Association have been reviewed and efficiencies identified in order to increase operating margin and allow for increased debt levels. The likely increase in debt levels has been provided for in the long term business plan by doubling bad debt provisions.

£3m was invested in housing stock throughout the year including the works in Drongan. Other works included 307 new bathrooms and 116 new kitchens.

Our fourth annual tenants conference was attended by over 80 tenants. Topics on the Agenda included the findings of the Governance Review, meeting the needs of the Scottish Social Housing Charter and improving coordination and access to services for the older generation.

The Growth Strategy articulates an aspiration to provide a range of services, in a range of geographic locations in Scotland, where this can be achieved while achieving continued efficiencies. The Association was delighted to announce merger discussions with Barony Housing Association in February 2013. Discussions will continue through the coming year.

IRVINE HOUSING ASSOCIATION LIMITED

YEAR ENDED 31 MARCH 2013

REPORT OF THE BOARD OF MANAGEMENT (Continued)

In February 2013 we were named as one of the Sunday Times Top 100 Not-For-Profit Organisations to Work For 2013. We were awarded two star accreditation and announced in 23rd position on the list of Britain's top employers. This was a major highlight during the year and we were delighted with this recognition of the energy and investment that we put into staff development.

BOARD OF MANAGEMENT

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

T Farrell (until August 2012)
G Lindsay (until December 2012)

Each member of the Board 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 ensure that the Financial Statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

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.

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
19 June, 2013

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 2013 set out on pages 8 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with Part 6 of the Housing (Scotland) Act 2010 and 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 auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 5, the association's 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

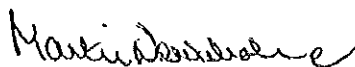
In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31 March and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

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 2003 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.



Martin Newsholme

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St James' Square

Manchester

M2 6DS

Date 4 July 2013

IRVINE HOUSING ASSOCIATION LIMITED
INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 MARCH 2013

	Note	2013	2012
		£	£
Turnover	2	8,161,622	8,384,751
Operating Costs	2	(5,421,359)	(5,382,867)
Operating Costs - Exceptional Items	2, 16	(334,073)	-
Operating Surplus	2	2,406,190	3,001,884
Gain on Sale of Fixed Assets	4	(8,117)	(48,667)
Impairment	10	-	(320,908)
Interest Receivable and Similar Income	6	3,449	625
Interest Payable and Similar Charges	7	(1,608,973)	(1,692,504)
Other Finance Income / (Costs)	19	26,000	64,000
Surplus on Ordinary Activities before Taxation	8	818,549	1,004,430
Taxation on Ordinary Activities	9	13,533	(490,222)
Surplus for the Year	20	<u>832,082</u>	<u>514,208</u>

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 12 to 28 form part of these financial statements.

IRVINE HOUSING ASSOCIATION LIMITED

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

YEAR ENDED 31 MARCH 2013

	Note	2013 £	2012 £
Surplus for the Year		832,082	514,208
Actuarial Gain / (Loss)	19	(559,000)	(481,000)
Total Recognised Surplus / (Deficit) for the Year		<u>273,082</u>	<u>33,208</u>

RECONCILIATION OF MOVEMENTS IN FUNDS

YEAR ENDED 31 MARCH 2013

	Note	2013 £	2012 £
Total recognised surplus		273,082	33,208
Total funds at 1 April 2012		<u>570,118</u>	<u>536,910</u>
Total Funds at 31 March 2013		<u>843,200</u>	<u>570,118</u>

The notes on pages 12 to 28 form part of these financial statements.

IRVINE HOUSING ASSOCIATION LIMITED
BALANCE SHEET
AS AT 31 MARCH, 2013

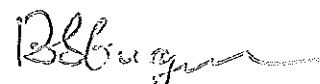
	Note	2013 £	2012 £
TANGIBLE FIXED ASSETS			
Housing Properties			
- gross cost less depreciation	10	62,903,529	57,389,944
less Housing Association Grant		(25,066,110)	(22,460,667)
Other Grants		(1,866,403)	(1,289,924)
		<u>35,971,016</u>	<u>33,639,353</u>
Other tangible fixed assets	10a	293,482	315,085
Fixed asset investments			
Homestake	10	593,713	593,713
Homestake Grant	10	(593,713)	(593,713)
		<u>36,264,498</u>	<u>33,954,438</u>
CURRENT ASSETS			
Stock	22	320,905	-
Debtors	11	1,390,612	427,681
Cash at Bank and in hand	12	1,779,259	367,422
		<u>3,490,776</u>	<u>795,103</u>
CREDITORS:			
Amounts falling due within one year	13	(3,692,848)	(1,746,489)
		<u>(202,072)</u>	<u>(951,386)</u>
(DEFICIENCY OF) NET CURRENT ASSETS		<u>36,062,426</u>	<u>33,003,052</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS:			
Amounts falling due after more than one year	14	(34,106,867)	(31,849,558)
PENSION LIABILITY	19	(1,112,000)	(583,000)
NET ASSETS / (LIABILITIES)		<u><u>843,559</u></u>	<u><u>570,494</u></u>
CAPITAL AND RESERVES			
Share Capital	15	359	376
General Reserve		1,947,700	1,145,618
Pension Reserve		(1,112,000)	(583,000)
Revenue Reserves	20	835,700	562,618
Designated Reserves	21	7,500	7,500
		<u>843,559</u>	<u>570,494</u>

These financial statements were approved by the Board of Management on 19 June 2013, and were signed on its behalf by:


A West
CHAIRMAN


P Hillard
SECRETARY

BOARD MEMBER



The notes on pages 12 to 28 form part of these financial statements.

IRVINE HOUSING ASSOCIATION LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2013

	Note	2013 £	2012 £
Cash inflow from operating activities	27 (a)	<u>3,275,525</u>	<u>3,201,557</u>
Returns on investments and servicing of finance:			
Interest Received		3,449	625
Interest Paid		(1,632,846)	(1,700,513)
Net cash outflow from returns on investments and servicing of finance		<u>(1,629,397)</u>	<u>(1,699,888)</u>
Taxation			
UK Corporation Tax paid		-	(490,222)
Grants received		-	-
Net cash inflow from taxation		<u>-</u>	<u>(490,222)</u>
Capital Expenditure			
Acquisition of Housing Properties		(3,591,819)	(305,317)
Improvement to Housing Properties		(1,603,694)	(1,473,688)
Purchase of Other Tangible Fixed Assets		(8,589)	(104,128)
Sale of Fixed Assets		237,125	0
Grant received		2,482,676	51,406
Net cash outflow for capital expenditure		<u>(2,484,301)</u>	<u>(1,831,727)</u>
Net cash outflow before financing		<u>(838,173)</u>	<u>(820,280)</u>
Financing			
Issue of Share Capital		11	99
Loans Received (net of arrangement fees paid)		2,818,564	7,027,426
Loans Repaid		(568,565)	(6,718,457)
Net cash inflow from financing		<u>2,250,010</u>	<u>309,068</u>
Increase/(Decrease) in cash in the year	27 (b)	<u><u>1,411,837</u></u>	<u><u>(511,212)</u></u>

The notes on pages 12 to 28 form part of these financial statements.

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013**

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 2010 and comply with the Determination of Accounting Requirements 2012. 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.

Turnover

Turnover represents rental and other income receivable.

Housing Properties

Housing properties are stated at cost less accumulated depreciation. Components and works to existing properties that result in an enhancement of economic benefit are depreciated over their useful economic lives. Useful economic lives for components are as follows:

Component	UEL
Structure	100 years
Kitchens	20 years
Bathrooms	30 years
Heating Systems	30 years
Boilers	15 years
Windows	25 years
External Doors	25 years
Roofs	60 years
Render	20 years

Any works that do not result in an enhancement of economic benefits are charged to the income and expenditure account in the year incurred. Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion.

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%

IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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 received.

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.

Related party transaction

The Association is a wholly owned subsidiary of The Riverside Group Ltd and is included in the consolidated financial statements of The Riverside Group Ltd, which are publicly available. The Association is exempt under the terms of FRS8 "Related Party Disclosures" from disclosing related party transactions with entities that are part of the Group.

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.

Leases

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

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013**

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

Taxation

The Association is a registered charity and is not therefore liable for corporation tax on its charitable activities.

IRVINE HOUSING ASSOCIATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR YEAR ENDED 31 MARCH 2013

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

	Turnover £	Operating Costs £	2013 Surplus £	2012 Surplus / (deficit) £
Income & Expenditure from lettings				
Social Lettings	7,837,527	5,369,614	2,467,913	2,555,619
Other Activities	324,095	385,818	(61,723)	446,265
Total	<u>8,161,622</u>	<u>5,755,432</u>	<u>2,406,190</u>	<u>3,001,884</u>
2012	8,384,751	5,382,867		<u>3,001,884</u>

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

	General Needs Housing £	Supported Housing £	Shared Ownership Housing £	Other £	2013 Total £	2012 Total £
Rent Receivable net of identifiable service charges	7,690,284	122,871	-	-	7,813,155	7,555,782
Service charges receivable	30,576	10,901	-	-	41,477	40,305
Gross income from rents and service charges	<u>7,720,860</u>	<u>133,772</u>	-	-	<u>7,854,632</u>	<u>7,596,087</u>
LESS: Rent losses from voids	16,050	1,055	-	-	17,105	14,674
Total income from social lettings	<u>7,704,810</u>	<u>132,717</u>	-	-	<u>7,837,527</u>	<u>7,581,413</u>
Management & maintenance administration costs	2,449,085	-	-	-	2,449,085	2,394,276
Service costs - landscape maintenance	353,903	28,407	-	-	382,310	252,661
Service costs - sheltered housing schemes	-	110,145	-	-	110,145	118,084
Planned & cyclical maintenance	199,237	3,781	-	-	203,018	531,329
Reactive maintenance	1,078,251	16,498	-	-	1,094,749	994,838
Bad debts - rents & service charges	108,933	1,561	-	-	110,494	-
Depreciation	676,545	9,195	-	-	685,740	734,606
Impairment of social housing	334,073	-	-	-	334,073	-
Total expenditure on lettings	<u>5,200,027</u>	<u>169,587</u>	-	-	<u>5,369,614</u>	<u>5,025,794</u>
Operating surplus on letting activities	<u>2,504,783</u>	<u>(36,870)</u>	-	-	<u>2,467,913</u>	<u>2,555,619</u>
Operating surplus from letting activities for 2012	<u>2,576,892</u>	<u>(21,273)</u>	-	-	<u>2,555,619</u>	<u>2,555,619</u>

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £17,697 (2012 £16,699).

IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013

5. Employee Information

5(a). Directors' Emoluments

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

J Wood is an employee of the parent undertaking, The Riverside Group Ltd, and the costs are borne by the parent.

Emoluments of the Managing Director
(excluding pension contributions)

Aggregate emoluments payable to officers

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

£80,000 to £89,999
£90,000 to £99,999

	2013	2012
	£	£
Emoluments of the Managing Director		
(excluding pension contributions)		
Aggregate emoluments payable to officers	96,328	91,999
The number of directors whose emoluments (excluding pension contributions) paid or receivable within the following ranges was :		
£80,000 to £89,999	-	-
£90,000 to £99,999	1	1

5(b). Staff

Average number of persons employed during the year

Average number of full time equivalents employed during the year

Staff Costs

Wages and Salaries
Social Security Costs
Other Pension Costs
FRS17 adjustments

	2013	2012
	No	No
Average number of persons employed during the year	55	58
Average number of full time equivalents employed during the year	5	3
Staff Costs		
Wages and Salaries		
Social Security Costs		
Other Pension Costs		
FRS17 adjustments		
	50.24	51.11

6. Interest Receivable and Other Income

Bank Interest Receivable

	2013	2012
	£	£
Bank Interest Receivable	3,449	625
	3,449	625

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013**

7. Interest Payable and Similar Charges

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

	2013	2012
	£	£
	1,608,973	1,692,504
	<u>1,608,973</u>	<u>1,692,504</u>

8. Surplus on Ordinary Activities before Taxation

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

Depreciation on Tangible Fixed Assets
Auditor's Remuneration:
In their capacity of Auditor
In respect of Other Services
Amortisation of Negative Goodwill
Hire of Equipment

	2013	2012
	£	£
	680,519	407,697
	17,442	20,400
	-	5,700
	-	-
	<u>8,164</u>	<u>8,363</u>

9. Taxation on Ordinary Activities

Current tax charge @ 26% (2012 : 26%)
Prior year adjustment
Total Current Tax Charge

	2013	2012
	£	£
	-	-
	<u>(13,533)</u>	<u>490,222</u>
	<u>(13,533)</u>	<u>490,222</u>

FRS19 reconciliation of current tax charge

Factors affecting the tax charge for the year

Surplus on activities before tax
Expected tax charge
Expenses not deductible for tax purposes
Capital allowances for the period in excess of depreciation
Adjustments relating to prior periods
Profits exempt from tax due to charitable exemption
Prior year adjustment
Unrelieved tax losses
Other short term timing differences
Actual tax charge for the year

	818,576	1,004,430
	196,458	261,151
	-	-
	-	-
	-	-
	<u>(196,458)</u>	<u>(261,151)</u>
	<u>(13,533)</u>	<u>490,222</u>
	-	-
	-	-
	<u>(13,533)</u>	<u>1,494,652</u>

IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013

10. Tangible Fixed Assets

	Housing Properties		Sub total	Homestake
	Rental	Under construction		
	£	£	£	£
Cost				
At 1 April 2012	60,396,871	3,830,197	64,227,068	593,713
Additions	3,815,583	2,894,262	6,709,845	-
Schemes completed in the year	-	-	-	-
Impairment	(334,073)	-	(334,073)	-
Disposals	(80,007)	(150,000)	(230,007)	-
At 31 March 2013	<u>63,798,374</u>	<u>6,574,459</u>	<u>70,372,833</u>	<u>593,713</u>
Depreciation				
At 1 April 2012	6,837,124	-	6,837,124	-
Charge for the year	632,972	-	632,972	-
Disposals	(792)	-	(792)	-
At 31 March 2013	<u>7,469,304</u>	<u>-</u>	<u>7,469,304</u>	<u>-</u>
Housing Association Grant				
At 1 April 2012	19,061,687	3,398,980	22,460,667	593,713
Received and receivable in the year	214,000	2,440,000	2,654,000	-
Schemes completed in the year	-	-	-	-
On disposals	(48,557)	-	(48,557)	-
At 31 March 2013	<u>19,227,130</u>	<u>5,838,980</u>	<u>25,066,110</u>	<u>593,713</u>
Other Grants				
At 1 April 2012	1,254,226	35,698	1,289,924	-
Received and receivable in the year	575,009	1,470	576,479	-
Schemes completed in the year	-	-	-	-
At 31 March 2013	<u>1,829,235</u>	<u>37,168</u>	<u>1,866,403</u>	<u>-</u>
Net Book Value at 31 March 2013	<u>35,272,705</u>	<u>698,311</u>	<u>35,971,016</u>	<u>-</u>
Net Book Value as 31 March 2012	<u>33,243,834</u>	<u>395,519</u>	<u>33,639,353</u>	<u>-</u>

Investment in existing Housing Properties, including amount capitalised above, totalled £3,907,720 (2012 : £2,954,829). A number of damaged components were replaced in the year resulting in impairment of £1,595. The flats in the Pennyburn estate have been impaired down to zero as they await demolition. This impairment has resulted in a charge of £334k.

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 2013
10a. Tangible Fixed Assets (continued)

	Office Property & Tenant's Improvements	Furniture & Equipment	Plant & Machinery	Total
	£	£	£	£
Cost				
At 1 April 2012	410,708	17,484	178,687	606,879
Additions	18,218	12,353	6,049	36,620
Disposals	-	-	(65,729)	(65,729)
Reclassification	-	(4,088)	-	(4,088)
At 31 March 2013	428,926	25,749	119,007	573,682
Depreciation				
At 1 April 2012	191,298	7,316	93,180	291,794
Charge for the year	29,864	3,016	60,137	93,017
Disposals	-	-	(60,508)	(60,508)
Reclassification / Impairment	(44,103)	-	-	(44,103)
At 31 March 2013	177,059	10,332	92,809	280,200
Grant				
At 1 April 2012	-	-	-	-
Disposals	-	-	-	-
At 31 March 2013	-	-	-	-
Net Book Value at 31 March 2013	251,867	15,417	26,198	293,482
Net Book Value as 31 March 2012	219,410	10,168	85,507	315,085

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013**

11. Debtors: amounts due within one year

	2013 £	2012 £
Rent Arrears	436,512	172,599
Bad Debt Provision	(325,476)	(117,556)
Other Debtors and Accrued Income	1,059,145	322,659
Housing Association Grant Receivable	220,431	-
Other Grants Receivable	-	49,979
	<u>1,390,612</u>	<u>427,681</u>

12. Cash at Bank and in hand

	2013 £	2012 £
Cash at Bank and in hand	<u>1,779,259</u>	<u>367,422</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 2013 the Association had £14.25 million (2012 : £16.5 million) in undrawn loan facilities.

13. Creditors : Amounts falling due within one year

	2013 £	2012 £
Sundry Creditors	340,999	380,890
Rents in Advance	111,327	80,063
Accruals and Deferred Income	2,792,073	1,184,345
Other Taxes	142,509	40,507
Funding in advance	79,431	60,501
Amounts due to group undertakings	226,509	183
	<u>3,692,848</u>	<u>1,746,489</u>

IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013

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

	2013	2012
	£	£

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:

two years or more but less than five years	-	-
five years or more	34,106,867	31,849,558
	34,106,867	31,849,558

The above figures includes a loan of £8.25m from The Riverside Group Ltd.

The above figure contains £143,133 of capitalised finance costs (2012 : £150,442). These are charged to income and expenditure over the term of the facility. The amount charged in 2013 was £7,309 (2012 : £5,786).

15. Share Capital

	2013	2012
	£	£

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

At 1 April	376	277
Issued during year	11	113
Cancelled	(28)	(14)
At 31 March	359	376

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.

16. Exceptional Items

	2013	2012
	£'000	£'000
Impairment	334,073	-
	334,073	-

£332k of the impairment relates to the Pennyburn flats which are vacant awaiting demolition with the remaining £2k attributable to the early disposal of components.

**IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013**

17. Investment in Subsidiary Undertaking

On 23 October 1997 Irvine Housing Association Limited acquired the entire ordinary share capital of Thistle Housing 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 2013.

18. Related Party Transactions

During the year purchases from Thistle Housing Services Limited amounted to £nil (2011:£nil). The balance outstanding to Thistle Housing Services Limited at the year end was £183 (2012: £183). During the year sales to Thistle Housing Services Limited amounted to £nil (2012 : £nil). The balance outstanding from Thistle Housing Services Limited at the year end was £nil (2012 : £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.

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 took 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 £11,322m and the value of the past service liabilities was £11,642m, leaving a deficit of assets of £320m. The assets therefore were sufficient to cover 97.3% of the benefits which had accrued to members after allowing for future increases in earnings.

The actuary recommended future employer contribution rates of 19.3% for the years to 31 March 2013, 2014 and 2015.

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

	2013	2012
Inflation / Pension Increase Rate	2.80%	2.50%
Salary Increase Rate	5.10%	4.80%
Expected Return on Assets	5.20%	5.80%
Discount Rate	4.50%	4.80%

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with 80% of the Medium Cohort lagged for 10 years and a 1% p.a. underpin for males and a 0.75% p.a. underpin for females from 2011. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Current Pensioners	Male	Female
Future Pensioners	21.0 years	23.4 years
	23.3 years	25.3 years

IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013

19. Pension Costs (continued)

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

	31 March 2013	31 March 2012
	£000	£000
Equities	4,859	4,131
Bonds	895	590
Property	448	376
Cash	192	268
Total market value of assets	6,394	5,365

	2013	2012
	£000	£000
Fair value of employee assets	6,394	5,365
Present value of scheme liabilities	(7,506)	(5,948)
Net Pension Deficit	(1,112)	(583)

Analysis of amount charged to operating profit

Current Service Costs	205	213
Interest Cost	291	300
Expected return on employers assets	(317)	(364)
Past service (gain) / cost	6	-
Losses / (gains) on curtailment and settlements	-	21
Total operating charge	185	170

Analysis of the amount credited to other finance income

Expected return on employers assets	317	364
Interest on pension scheme liabilities	(291)	(300)
Net return / (cost)	26	64
Net revenue account credit / (cost)	159	106

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

Actuarial gain / (loss) in pension plan	(559)	(481)
Effect of non-recognition of plan surplus in previous year	-	-
Actuarial gain / (loss) recognised in STRSD	(559)	(481)

IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013

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

	2013	2012	2010
	£'000	£'000	£'000
(Deficit) / surplus at beginning of year	(583)	(194)	(194)
Current service cost	(205)	(213)	(213)
Employer contributions	215	262	262
Past service gains / (costs)	(6)	-	-
Curtailments and settlements	26	(21)	(21)
Net return on assets	64	64	64
Actuarial gain / (loss)	(559)	(481)	(481)
Deficit at end of year	<u>(1,112)</u>	<u>(583)</u>	<u>(583)</u>

History of Experience Gains and Losses

Difference between the expected and actual return on assets

Fair value of employer's assets (£'000)

Experience gains / (losses) on employer's assets (£'000)

Present value of funded liabilities (£'000)

Surplus / (deficit) (£'000)

	2013	2012	2011	2010
	6,394	5,365	5,146	4,548
	494	(415)	33	998
	(7,506)	(5,948)	(5,340)	(6,060)
	(1,112)	(583)	(194)	(1,512)

The total pension cost for the Association was £223,089 (2012 : £249,296) This includes £27,070 (2012 : £26,381) outstanding contributions at the balance sheet date. The contribution rate payable by the Association was 19.3% (2012 : 19.3%) of pensionable salaries.

The Managing Director 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 Managing Director in the year amounted to £16,042 (2012 : £15,869). The Association's contributions for the other Directors in the year amounted to £22,735 (2012 : £22,154).

**IRVINE HOUSING ASSOCIATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR YEAR ENDED 31 MARCH 2013**

20. Revenue Reserve

	2013	2012
	Total	
	£	£
At 1 April 2012	562,618	529,410
Surplus for the year	832,082	514,208
Actuarial Gain / (Loss) (note19)	(559,000)	(481,000)
At 31 March 2013	<u>835,700</u>	<u>562,618</u>
	<u>1,947,700</u>	
	<u>(1,112,000)</u>	
	<u>835,700</u>	

The Association has positive general reserves. The Association is required to include its share of Strathclyde Pension Fund deficit on the balance sheet under Financial Reporting Standard 17 resulting in a negative pension reserve. 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

	2013	2012
	Reserve	Total
	£	£
At 1 April 2012	7,500	7,500
Transfer from income and expenditure account	-	-
At 31 March 2013	<u>7,500</u>	<u>7,500</u>

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

22. Stock / WIP

	2013	2012
	£	£
Shared Equity properties under construction	320,905	-
	<u>320,905</u>	<u>-</u>

IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013

23. 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
 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
 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.

	2013	2012
	2,147	2,147
	41	41
	<u>2,188</u>	<u>2,188</u>
	2,152	2,147
	41	41
	<u>2,193</u>	<u>2,188</u>
	40	8

24. Financial Commitments

At 31 March 2012, 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

	2013	2013	2012	2012
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
	-	-	-	2,020
	9,450	-	9,450	0
	69,854	-	69,854	-
	<u>79,304</u>	-	<u>79,304</u>	<u>2,020</u>

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

25. Capital Commitments

Future Capital Expenditure
 Authorised and contracted
 Authorised but not yet contracted

	2013	2012
	£	£
	6,281,375	-
	<u>2,559,650</u>	<u>12,400,000</u>

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

26. Ultimate Parent Undertaking and Controlling Party

The ultimate parent undertaking and controlling party is The Riverside Group Ltd, registered in England as a charitable Industrial & Provident Society (Reg. No. 30938R) and Registered Provider of Social Housing Reg. No. L4552). A copy of the Group financial statements can be obtained from The Riverside Group Ltd, 2 Estuary Boulevard, Estuary Commerce Park, Liverpool, L24 8RF.

IRVINE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 MARCH 2013

27. Notes to the Cash Flow Statement

	2013	2012
	£	£
a) Reconciliation of operating surplus to net cash inflow from operating activities		
Operating Surplus	2,406,190	3,001,884
Depreciation & Impairment	1,019,812	734,606
Pension - FRS17 adjustment	4,000	28,000
Amortisation of loan costs	7,309	5,786
(Increase) / Decrease in debtors	(90,175)	(139,271)
Increase / (Decrease) in creditors	(71,611)	(429,449)
Net cash inflow from operating activities	<u>3,275,525</u>	<u>3,201,556</u>

b) Analysis of net debt

	at 1 April 2012	Non cash movement	Cash Flow	at 31 March 2013
	£	£	£	£
Cash at Bank and in hand	367,422	-	1,411,837	1,779,259
Debt due after one year	(31,849,558)	(7,309)	(2,250,000)	(34,106,867)
Total	<u>(31,482,136)</u>	<u>(7,309)</u>	<u>(838,163)</u>	<u>(32,327,608)</u>

c) Reconciliation of net cash flow to movement in net debt

	2013	2012
	£	£
Increase/(decrease) in cash in the year	1,411,837	(511,212)
Cash inflow from increase in debt	(2,250,000)	(308,970)
Non cash movement - write off of arrangement fee relating to loans repaid	(7,309)	(5,786)
Movement in net debt in the year	<u>(845,472)</u>	<u>(825,968)</u>
Net debt at 1 April 2012	<u>(31,482,136)</u>	<u>(30,656,168)</u>
Net debt at 31 March 2013	<u>(32,327,608)</u>	<u>(31,482,136)</u>

