

**IRVINE HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2014**

**Register of Friendly Societies No. SP2459RS**

**Registered Housing Association No. HAL280**

**Scottish Charity No. SC042251**

# **IRVINE HOUSING ASSOCIATION LIMITED**

**YEAR ENDED 31 MARCH 2014**

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**IRVINE HOUSING ASSOCIATION LIMITED**

**BOARD OF MANAGEMENT AND ADVISERS**

BOARD OF MANAGEMENT: A West, Chairman  
C Bell  
F Dunlop  
F Garven (joined 20/11/2013)  
K Gatherer  
W Johnstone  
D McEachran  
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 2014**

## **REPORT OF THE BOARD OF MANAGEMENT**

The Board presents its Report and Audited Financial Statements for the year ended 31 March, 2014.

### **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 2014, resulted in the Association making a surplus of £1,877,826 compared to a surplus of £832,082 for the previous year. Revenue grants of £1.3m were received during the year. Operating costs have increased by 16% with a significant part of the increase being attributable to additional investment in housing properties. Other costs were tightly controlled and increased by 1%. The Association incurred no corporation tax charge in the year. An increase to the deficit in the pension fund of £328k has taken the pension fund liability to £1,505k. Overall reserves remain positive at £2.4m.

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

During the 2013/14 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 2013/14 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 is ongoing with the development of 22 new homes for affordable rent due for completion in autumn 2014.

The Association will soon conclude a 56 unit development on the Island of Arran. This development will be a mix of homes for affordable rent and for low cost home ownership and is expected to complete in July 2014.

The Association has achieved Scottish Housing Quality Standard (SHQS) a year ahead of the 2015 target. The Scottish Government has now published the Energy Efficiency Standard for Social Housing (EESH) which sets the target for energy efficiency standards to be met by all social housing by 2020. In the coming year the Association will out a review of stock to identify what will be required to achieve the new standards.

The Association, in partnership with ICE Energy, has also been successful in attracting c. £1.5 m. of "green" grant funding, supplemented by £800K of the Association's major repairs funding, to provide new thermally efficient external cladding to 139 properties on the Pennyburn estate.

A second phase of 46 properties in Drongan have been externally clad and re-roofed. This means that in Drongan a total of 125 properties have benefited from this type of work.

## **IRVINE HOUSING ASSOCIATION LIMITED**

**YEAR ENDED 31 MARCH 2014**

### **REPORT OF THE BOARD OF MANAGEMENT (Continued)**

Following the introduction of the Scottish Social Housing Charter in April 2013, we have introduced an enhanced community engagement framework, which ensured that we meet our Charter requirements effectively, and submitted our first Annual Return on the Charter (ARC) timeously at year end. To support the new framework, we have concluded a detailed training programme for our communities, staff and Board members, named "Stepping up to Scrutiny" in partnership with the Scottish Government and the Chartered Institute of Housing. Our approach has been commended by the Scottish Government as best practice within the sector.

The Welfare Reform Act 2012, was introduced by Westminster and came into effect on 1 April 2013. In advance of the reform, we carried out a range of mitigation initiatives to support those in our communities that would be affected, and reduce the risks to our income as a result. We have achieved significant success with the award of Discretionary Housing Payments for our tenants to offset against the reduction in housing benefit as a result of the under occupation charge for additional bedrooms. The net result of this, and other income management initiatives has led to a reduction in rent arrears this year, compared with last, which is a significant achievement throughout this particularly challenging year for those dependent upon welfare support.

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. It was announced in February 2013 that merger discussions with Barony Housing Association were taking place. Discussions have progressed and during the year considerable work has 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.

In February it was announced that the Association had been placed at No.2 on the Sunday Times 100 Best Not-For-Profit Organisations To Work For list, achieving three star accreditation. This meant that the Association retained its place as the highest placed Scottish organisation on the list. This was also the highest position on the list ever achieved by a Scottish organisation.

Mr Paul Hillard also received the award Best Leader of a Not-For-Profit Organisation. This was the first time this award was received by a Scottish organisation, and the first time it was awarded to a housing organisation.

#### **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:

W Dickson (until August 2013)  
C Durkan (until August 2013)  
M Miller (until June 2013)  
C Sharp (until May 2013)

Each member of the Board holds two fully paid shares of £1 in the Association.

## **IRVINE HOUSING ASSOCIATION LIMITED**

**YEAR ENDED 31 MARCH 2014**

### **REPORT OF THE BOARD OF MANAGEMENT (Continued)**

#### 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 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

A handwritten signature in cursive script, appearing to read 'Paul Hillard', written in black ink.

P Hillard  
Secretary  
18 June, 2014

## **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<sup>st</sup> March 2014, 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 section 69 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](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

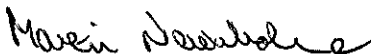
In our opinion the financial statements:

- 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<sup>st</sup> March 2014 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 Registered Social Landlords 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 (Senior Statutory Auditor)**

**for and on behalf of KPMG Audit LLP (Statutory Auditor)**

*Chartered Accountants*

St James' Square

Manchester

M2 6DS

Date 24 June 2014



**IRVINE HOUSING ASSOCIATION LIMITED**  
**INCOME AND EXPENDITURE ACCOUNT**  
**YEAR ENDED 31 MARCH 2014**

	Note	2014	2013
		£	£
<b>Turnover</b>	2	9,672,964	8,161,622
Operating Costs	2	(6,277,224)	(5,421,359)
Operating Costs - Exceptional Items	3, 16	-	(334,073)
<b>Operating Surplus</b>	2	<u>3,395,740</u>	<u>2,406,190</u>
Gain on Sale of Fixed Assets	4	19,354	(8,117)
Interest Receivable and Similar Income	6	2,994	3,449
Interest Payable and Similar Charges	7	(1,537,774)	(1,608,973)
Other Finance Income / (Costs)	19	<u>(5,000)</u>	<u>26,000</u>
<b>Surplus on Ordinary Activities</b>			
<b>before Taxation</b>	8	1,875,314	818,549
Taxation on Ordinary Activities	9	2,512	13,533
<b>Surplus for the Year</b>	20	<u>1,877,826</u>	<u>832,082</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 2014**

	Note	2014 £	2013 £
Surplus for the Year		1,877,826	832,082
Actuarial Gain / (Loss)	19	(328,000)	(559,000)
Total Recognised Surplus / (Deficit) for the Year		<u>1,549,826</u>	<u>273,082</u>
Total surpluses / (deficits) recognised since last annual report		<u>1,549,826</u>	<u>273,082</u>

**RECONCILIATION OF MOVEMENTS IN FUNDS**

**YEAR ENDED 31 MARCH 2014**

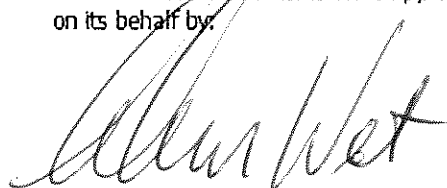
	Note	2014 £	2013 £
Total recognised surplus		1,549,826	273,082
Total funds at 1 April 2013		843,200	570,118
Total Funds at 31 March 2014		<u>2,393,026</u>	<u>843,200</u>

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

**IRVINE HOUSING ASSOCIATION LIMITED**  
**BALANCE SHEET**  
**AS AT 31 MARCH, 2014**

	Note	2014 £	2013 £
<b>TANGIBLE FIXED ASSETS</b>			
Housing Properties			
- gross cost less depreciation	10	68,186,000	62,903,529
less Housing Association Grant		(25,066,110)	(25,066,110)
Other Grants		(2,921,996)	(1,866,403)
		<u>40,197,894</u>	<u>35,971,016</u>
Other tangible fixed assets	10a	256,290	293,482
Fixed asset investments			
Homestake	10	593,713	593,713
Homestake Grant	10	(593,713)	(593,713)
		<u>40,454,184</u>	<u>36,264,498</u>
<b>CURRENT ASSETS</b>			
Stock	22	753,088	320,905
Debtors	11	344,113	1,390,612
Cash at Bank and in hand	12	1,093,156	1,779,259
		<u>2,190,357</u>	<u>3,490,776</u>
<b>CREDITORS:</b>			
Amounts falling due within one year	13	(2,881,962)	(3,692,848)
<b>(DEFICIENCY OF) NET CURRENT ASSETS</b>		<u>(691,605)</u>	<u>(202,072)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		39,762,579	36,062,426
<b>CREDITORS:</b>			
Amounts falling due after more than one year	14	(35,864,176)	(34,106,867)
<b>PENSION LIABILITY</b>	19	(1,505,000)	(1,112,000)
<b>NET ASSETS / (LIABILITIES)</b>		<u>2,393,404</u>	<u>843,559</u>
<b>CAPITAL AND RESERVES</b>			
Share Capital	15	353	359
General Reserve	20	3,890,526	1,947,700
Pension Reserve	20	(1,505,000)	(1,112,000)
Revenue Reserves	20	2,385,526	835,700
Designated Reserves	21	7,524	7,500
		<u>2,393,404</u>	<u>843,559</u>

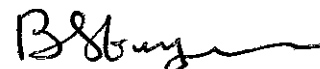
These financial statements were approved by the Board of Management on 18 June 2014, and were signed on its behalf by:



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 2014**

	Note	2014 £	2013 £
<b>Cash inflow from operating activities</b>	27 (a)	<u>5,007,193</u>	<u>3,275,525</u>
<b>Returns on investments and servicing of finance:</b>			
Interest Received		2,994	3,449
Interest Paid		(1,529,225)	(1,632,846)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(1,526,231)</u>	<u>(1,629,397)</u>
<b>Taxation</b>			
UK Corporation Tax paid		16,045	-
Grants received		-	-
<b>Net cash inflow from taxation</b>		<u>16,045</u>	<u>-</u>
<b>Capital Expenditure</b>			
Acquisition of Housing Properties		(4,571,342)	(3,591,819)
Improvement to Housing Properties		(2,551,960)	(1,603,694)
Purchase of Other Tangible Fixed Assets		(60,335)	(8,589)
Sale of Fixed Assets		41,160	237,125
Grant received		1,209,359	2,482,676
<b>Net cash outflow for capital expenditure</b>		<u>(5,933,118)</u>	<u>(2,484,301)</u>
<b>Net cash outflow before financing</b>		<u>(2,436,111)</u>	<u>(838,173)</u>
<b>Financing</b>			
Issue of Share Capital		8	11
Loans Received (net of arrangement fees paid)		3,075,809	2,818,564
Loans Repaid		(1,325,809)	(568,565)
<b>Net cash inflow from financing</b>		<u>1,750,008</u>	<u>2,250,010</u>
<b>Increase/(Decrease) in cash in the year</b>	27 (b)	<u>(686,103)</u>	<u>1,411,837</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 2014**

**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 2014**

**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 2014**

**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 2014**

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

	Turnover £	Operating Costs £	2014 Surplus £	2013 Surplus / (deficit) £
<b>Income &amp; Expenditure from lettings</b>				
Social Lettings	8,305,437	5,836,792	2,468,645	2,467,913
Other Activities	1,367,527	440,432	927,095	(61,723)
<b>Total</b>	<b>9,672,964</b>	<b>6,277,224</b>	<b>3,395,740</b>	<b>2,406,190</b>
2013	8,161,622	5,755,432		2,406,190

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

	General Needs Housing £	Supported Housing £	Shared Ownership Housing £	Other £	2014 Total £	2013 Total £
Rent Receivable net of identifiable service charges	8,147,212	134,518	-	-	8,281,730	7,813,155
Service charges receivable	34,606	11,564	-	-	46,170	41,477
Gross income from rents and service charges	8,181,818	146,082	-	-	8,327,900	7,854,632
LESS: Rent losses from voids	21,305	1,158	-	-	22,463	17,105
<b>Total income from social lettings</b>	<b>8,160,513</b>	<b>144,924</b>	<b>-</b>	<b>-</b>	<b>8,305,437</b>	<b>7,837,527</b>
Management & maintenance administration costs	2,666,736	-	-	-	2,666,736	2,449,085
Service costs - landscape maintenance	438,667	4,780	-	-	443,447	382,310
Service costs - sheltered housing schemes	-	134,820	-	-	134,820	110,145
Planned & cyclical maintenance	1,182,743	18,055	-	-	1,200,798	203,018
Reactive maintenance	644,662	22,974	-	-	667,636	1,094,749
Bad debts - rents & service charges	9,062	(1,155)	-	-	7,907	110,494
Depreciation	696,522	9,304	-	-	705,826	685,740
Impairment of social housing	5,766	3,856	-	-	9,622	334,073
<b>Total expenditure on lettings</b>	<b>5,644,158</b>	<b>192,634</b>	<b>-</b>	<b>-</b>	<b>5,836,792</b>	<b>5,369,614</b>
<b>Operating surplus on letting activities</b>	<b>2,516,355</b>	<b>(47,710)</b>	<b>-</b>	<b>-</b>	<b>2,468,645</b>	<b>2,467,913</b>
Operating surplus from letting activities for 2013	2,504,783	(36,870)	-	-	2,467,913	2,467,913

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £16,065 (2013 £17,697).



**IRVINE HOUSING ASSOCIATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2014**

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

	2014		2013		
	£		£		
	Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit)	Operating Costs - Bad Debts	Operating Costs - Bad Debts	
	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	
	Grants from Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	
	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	
	Operating Costs	Other Operating Costs	Operating Costs - Bad Debts	Operating Surplus/ (Deficit)	
	Operating Costs	Other Operating Costs	Operating Costs - Bad Debts	Operating Surplus/ (Deficit)	
Wider role activities	-	-	-	-	-
Care and Repair	-	-	-	-	-
Factoring	-	-	65,786	65,786	(76,700)
Development and construction of property activities	-	-	-	-	-
Support activities	-	-	-	-	-
Care activities	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-
Other	226,077	-	17,499	243,576	53
Developments for sale to RSLs	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-
Other Activities	-	-	3,742	1,058,165	1,003,742
Total from other	<u>226,077</u>	<u>1,054,423</u>	<u>87,027</u>	<u>1,367,527</u>	<u>927,095</u>
2013	201,573	27,549	94,973	324,095	(61,723)
			20,605	365,213	(61,723)

**4. Gain on Sale of Fixed Assets**

	2014	2013
Proceeds from sale of housing accommodation	46,500	97,125
Costs of disposal of housing accommodation	(27,146)	(81,358)
Exceptional item	-	-
Proceeds from sale of development property	-	140,000
Costs of disposal of development property	-	(163,884)
	<u>19,354</u>	<u>(8,117)</u>

Exceptional item relates to the sale of 35-41 Bank Street which had previously been held for development.

**IRVINE HOUSING ASSOCIATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2014**

**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

2014	2013
£	£

<b>92,681</b>	<b>96,328</b>
---------------	---------------

<b>92,681</b>	<b>96,328</b>
---------------	---------------

-	-
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<b>1</b>	<b>1</b>
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**5(b). Staff**

Average number of persons employed during the year

2014	2013
No	No
<b>56</b>	<b>55</b>
<b>6</b>	<b>5</b>

Average number of full time equivalents employed during the year

<b>52.37</b>	<b>50.24</b>
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**Staff Costs**

Wages and Salaries

Social Security Costs

Other Pension Costs

FRS17 adjustments

FRS17 exceptional item (note 16)

£	£
<b>1,476,105</b>	<b>1,282,146</b>
<b>109,665</b>	<b>94,049</b>
<b>289,363</b>	<b>227,089</b>
-	<b>(4,000)</b>

<b>1,875,133</b>	<b>1,599,284</b>
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**6. Interest Receivable and Other Income**

Bank Interest Receivable

2014	2013
£	£

<b>2,994</b>	<b>3,449</b>
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<b>2,994</b>	<b>3,449</b>
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**IRVINE HOUSING ASSOCIATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2014**

**7. Interest Payable and Similar Charges**

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

	2014	2013
	£	£
	1,537,774	1,608,973
	<u>1,537,774</u>	<u>1,608,973</u>

**8. Surplus on Ordinary Activities before Taxation**

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

Depreciation on Tangible Fixed Assets	777,467	680,519
Auditor's Remuneration:		
In their capacity of Auditor	17,965	17,442
Hire of Equipment	5,884	8,164

**9. Taxation on Ordinary Activities**

Current tax charge @ 23% (2013 : 26%)  
Prior year adjustment  
Total Current Tax Charge

	2014	2013
	£	£
	-	-
	<u>(2,512)</u>	<u>(13,533)</u>
	<u>(2,512)</u>	<u>(13,533)</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

	1,875,307	818,576
	431,321	196,458
	-	-
	-	-
	-	-
	(431,321)	(196,458)
	(2,512)	(13,533)
	-	-
	-	-
	<u>(2,512)</u>	<u>(13,533)</u>

**IRVINE HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. Tangible Fixed Assets**

	Housing Properties			Sub total £	Homestake £
	Rental £	Under construction £			
<b>Cost</b>					
At 1 April 2013	63,798,374	6,574,459		70,372,833	593,713
Prior year adjustments					
Additions	675,560	5,353,522		6,029,082	
Schemes completed in the year					
Impairment	(9,621)			(9,621)	
Disposals	(32,815)			(32,815)	
At 31 March 2014	<u>64,431,498</u>	<u>11,927,981</u>		<u>76,359,479</u>	<u>593,713</u>
<b>Depreciation</b>					
At 1 April 2013	7,469,304			7,469,304	
Prior year adjustment					
Charge for the year	705,826			705,826	
Disposals	(1,651)			(1,651)	
At 31 March 2014	<u>8,173,479</u>			<u>8,173,479</u>	
<b>Housing Association Grant</b>					
At 1 April 2013	19,227,130	5,838,980		25,066,110	593,713
Received and receivable in the year					
Schemes completed in the year					
On disposals					
At 31 March 2014	<u>19,227,130</u>	<u>5,838,980</u>		<u>25,066,110</u>	<u>593,713</u>
<b>Other Grants</b>					
At 1 April 2013	1,829,235	37,168		1,866,403	
Received and receivable in the year	256,481	802,530		1,059,011	
Schemes completed in the year					
Disposals	(3,418)			(3,418)	
At 31 March 2014	<u>2,082,298</u>	<u>839,698</u>		<u>2,921,996</u>	
<b>Net Book Value at 31 March 2014</b>	<b><u>34,948,591</u></b>	<b><u>5,249,303</u></b>		<b><u>40,197,894</u></b>	
Net Book Value as 31 March 2013	<u>35,272,705</u>	<u>698,311</u>		<u>35,971,016</u>	

Investment in existing Housing Properties, including amount capitalised above, totalled £2,745,261 (2013 : £3,907,720). A number of damaged components were replaced in the year resulting in impairment of £9,621 (2013 : £1,595).

The Association's latest valuation of its housing stock, for funding purposes, at October 2013 was £58.5m. The valuation was carried out on behalf of the Association funders by DTZ.

**IRVINE HOUSING ASSOCIATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**10a. Tangible Fixed Assets (continued)**

	Office Property & Tenant's Improvements	Furniture & Equipment	Plant & Machinery	Total
	£	£	£	£
<b>Cost</b>				
At 1 April 2013	428,926	25,749	119,007	573,682
Prior year adjustment				
Additions	335	27,769	6,343	34,447
Disposals	-	(1,548)	(45,307)	(46,855)
Reclassification	(18,218)	18,218	-	-
At 31 March 2014	411,043	70,188	80,043	561,274
<b>Depreciation</b>				
At 1 April 2013	177,059	10,332	92,809	280,200
Prior year adjustment				
Charge for the year	38,975	8,538	24,126	71,639
Disposals	-	(1,548)	(45,307)	(46,855)
Reclassification / Impairment		-	-	-
At 31 March 2014	216,034	17,322	71,628	304,984
<b>Grant</b>				
At 1 April 2013	-	-	-	-
Disposals	-	-	-	-
At 31 March 2014	-	-	-	-
<b>Net Book Value at 31 March 2014</b>	<b>195,009</b>	<b>52,866</b>	<b>8,415</b>	<b>256,290</b>
Net Book Value as 31 March 2013	251,867	15,417	26,198	293,482

**IRVINE HOUSING ASSOCIATION LIMITED  
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**11. Debtors: amounts due within one year**

	2014	2013
	£	£
Rent Arrears	285,701	436,512
Bad Debt Provision	(354,194)	(325,476)
Other Debtors and Accrued Income	412,606	1,059,145
Housing Association Grant Receivable	-	220,431
Other Grants Receivable	-	-
	<u>344,113</u>	<u>1,390,612</u>

**12. Cash at Bank and in hand**

	2014	2013
	£	£
Cash at Bank and in hand	<u>1,093,156</u>	<u>1,779,259</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 2014 the Association had £12.5 million (2013 : £14.25 million) in undrawn loan facilities.

**13. Creditors : Amounts falling due within one year**

	2014	2013
	£	£
Sundry Creditors	402,374	340,999
Rents in Advance	159,544	111,327
Accruals and Deferred Income	1,024,262	2,792,073
Other Taxes	1,712	142,509
Funding in advance	35,181	79,431
Amounts due to group undertakings	1,258,889	226,509
	<u>2,881,962</u>	<u>3,692,848</u>

**IRVINE HOUSING ASSOCIATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2014**

**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:

two years or more but less than five years  
five years or more

	2014	2013
	£	£
	-	-
	<b>35,864,176</b>	34,106,867
	<b><u>35,864,176</u></b>	<u>34,106,867</u>

The above figures includes a loan of £10m from The Riverside Group Ltd.

The above figure contains £135,824 of capitalised finance costs (2013 : £143,133). These are charged to income and expenditure over the term of the facility. The amount charged in 2014 was £7,309 (2013 : £7,309).

**15. Share Capital**

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

	2014	2013
	£	£
At 1 April	<b>359</b>	376
Issued during year	<b>8</b>	11
Cancelled	<b>(14)</b>	(28)
At 31 March	<b><u>353</u></b>	<u>359</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.

**16. Exceptional Items**

Impairment

	2014	2013
	£'000	£'000
	-	<b>334,073</b>
	<b><u>-</u></b>	<u>334,073</u>

The impairment charge in 2013 related to the Pennyburn flats which were vacant awaiting demolition.

**IRVINE HOUSING ASSOCIATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**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 2014.

**18. Related Party Transactions**

During the year purchases from Thistle Housing Services Limited amounted to £nil (2013: £nil). The balance outstanding to Thistle Housing Services Limited at the year end was £183 (2013: £183). During the year sales to Thistle Housing Services Limited amounted to £nil (2013 : £nil). The balance outstanding from Thistle Housing Services Limited at the year end was £nil (2013 : £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.

	<b>2014</b>	<b>2013</b>
Inflation / Pension Increase Rate	<b>2.80%</b>	2.80%
Salary Increase Rate	<b>5.10%</b>	5.10%
Expected Return on Assets	<b>6.00%</b>	5.20%
Discount Rate	<b>4.30%</b>	4.50%

**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:

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



**IRVINE HOUSING ASSOCIATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**19. Pension Costs (continued)**

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

	31 March 2014		31 March 2013	
	£000		£000	
Equities	6.60%	5,377	5.70%	4,859
Bonds	3.70%	849	3.40%	895
Property	4.80%	495	3.90%	448
Cash	3.70%	354	3.00%	192
Total market value of assets		<u>7,075</u>		<u>6,394</u>

	2014	2013
	£000	£000
Fair value of employee assets	<b>7,075</b>	6,394
Present value of scheme liabilities	<b>(8,580)</b>	(7,506)

Net Pension Deficit	<u><b>(1,505)</b></u>	<u>(1,112)</u>
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**Analysis of amount charged to operating profit**

Current Service Costs	297	205
Interest Cost	344	291
Expected return on employers assets	<b>(339)</b>	(317)
Past service (gain) / cost	-	6
Losses / (gains) on curtailment and settlements	-	-
Total operating charge	<u><b>302</b></u>	<u>185</u>

**Analysis of the amount credited to other finance income**

Expected return on employers assets	339	317
Interest on pension scheme liabilities	<b>(344)</b>	(291)
Net return / (cost)	<u><b>(5)</b></u>	<u>26</u>
Net revenue account credit / (cost)	<u><b>307</b></u>	<u>159</u>

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

Actuarial gain / (loss) in pension plan	<b>(328)</b>	(559)
Effect of non-recognition of plan surplus in previous year	-	-
Actuarial gain / (loss) recognised in STRSD	<u><b>(328)</b></u>	<u>(559)</u>

**IRVINE HOUSING ASSOCIATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**19. Pension Costs (continued)**

**Movement in surplus / (deficit) during the year**

	2014	2013
	£'000	£'000
(Deficit) / surplus at beginning of year	<b>(1,112)</b>	<b>(583)</b>
Current service cost	<b>(297)</b>	<b>(205)</b>
Employer contributions	<b>237</b>	<b>215</b>
Past service gains / (costs)	-	<b>(6)</b>
Curtailments and settlements	-	
Net return on assets	<b>(5)</b>	<b>26</b>
Actuarial gain / (loss)	<b>(328)</b>	<b>(559)</b>
Deficit at end of year	<b>(1,505)</b>	<b>(1,112)</b>

**History of Experience Gains and Losses**

	2014	2013	2012	2011
Difference between the expected and actual return on assets				
Fair value of employer's assets (£'000)	<b>7,075</b>	6,394	5,365	5,146
Experience gains / (losses) on employer's assets (£'000)	<b>100</b>	494	(415)	33
Present value of funded liabilities (£'000)	<b>(8,580)</b>	(7,506)	(5,948)	(5,340)
Surplus / (deficit) (£'000)	<b>(1,505)</b>	(1,112)	(583)	(194)

The total pension cost for the Association was £289,363 (2013 : £223,089) This includes £nil (2013 : £27,070) outstanding contributions at the balance sheet date. The contribution rate payable by the Association was 19.3% (2013 : 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 £16,202 (2013 : £16,042). The Association's contributions for the other Directors in the year amounted to £15,735 (2013 : £22,735).

**IRVINE HOUSING ASSOCIATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**20. Revenue Reserve**

	2014		2013
	General Reserve	Pension Reserve	Total
	£	£	£
At 1 April 2013	1,947,700	(1,112,000)	835,700
Surplus for the year	1,942,826	(65,000)	1,877,826
Actuarial Gain / (Loss) (note19)	-	(328,000)	(328,000)
At 31 March 2014	<b>3,890,526</b>	<b>(1,505,000)</b>	<b>2,385,526</b>
			562,618
			832,082
			(559,000)
			835,700

The Association has positive *general* reserves; however, as the Association is required to include its share of 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 2013	7,524	7,500
Transfer from income and expenditure account	-	-
At 31 March 2014	<b>7,524</b>	<b>7,500</b>

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

**22. Stock / WIP**

	2014	2013
	£	£
Shared Equity properties under construction	<b>753,088</b>	320,905
	<b>753,088</b>	<b>320,905</b>

**IRVINE HOUSING ASSOCIATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2014**

**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.

	2014	2013
	2,152	2,147
	41	41
	<u>2,193</u>	<u>2,188</u>
	2,116	2,152
	41	41
	<u>2,157</u>	<u>2,193</u>
	62	40

**24. Financial Commitments**

At 31 March 2014, 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

	2014	2013	
Land and Buildings	Other	Land and Buildings	Other
£	£	£	£
9,450	-	-	-
69,854	5,285	9,450	-
-	-	69,854	-
<u>79,304</u>	<u>5,285</u>	<u>79,304</u>	<u>-</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

	2014	2013
£	£	£
7,473,012	6,281,375	
-	<u>2,559,660</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  
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**27. Notes to the Cash Flow Statement**

- a) Reconciliation of operating surplus to net cash inflow from operating activities

	2014	2013
	£	£
Operating Surplus	3,395,740	2,406,190
Depreciation & Impairment	787,089	1,019,812
Pension - FRS17 adjustment	6,000	4,000
Amortisation of loan costs	7,309	7,309
(Increase) / Decrease in debtors	235,838	(90,175)
Increase / (Decrease) in creditors	521,217	(71,611)
Net cash inflow from operating activities	<u>5,007,193</u>	<u>3,275,525</u>

- b) Analysis of net debt

	at 1 April 2013	Non cash movement	Cash Flow at 31 March 2014
	£	£	£
Cash at Bank and in hand	1,779,259	-	(686,103)
Debt due after one year	(34,106,867)	(7,309)	(1,750,000)
Total	<u>(32,327,608)</u>	<u>(7,309)</u>	<u>(34,771,020)</u>

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

	2014	2013
	£	£
Increase/(decrease) in cash in the year	(686,103)	1,411,837
Cash inflow from increase in debt	(1,750,000)	(2,250,000)
Non cash movement - write off of arrangement fee relating to loans repaid	(7,309)	(7,309)
Movement in net debt in the year	<u>(2,443,412)</u>	<u>(845,472)</u>
Net debt at 1 April 2013	<u>(32,327,608)</u>	<u>(31,482,136)</u>
Net debt at 31 March 2014	<u>(34,771,020)</u>	<u>(32,327,608)</u>

