

Financial Statements

For the year ended 31 March 2016

Irvine Housing Association Limited

FCA Reference No. 2459RS

Registered Housing Association No. HAL280

Scottish Charity No. SC042251

Financial Statement

For the year end 31 March 2016

Irvine Housing Association

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Board of Management and advisers

Board of Management

A West, Chairman

N Alexander (appointed 17 August 2015)

C Bell

G Darroch (appointed 29 March 2016)

F Dunlop

F Garven *

W Johnstone

D McEachran

P McGregor * (resigned 17 August 2015)

J Murray (appointed 17 August 2015)

K Osborne (appointed 17 August 2015)

A Robertson (appointed 29 March 2016)

R Sturgeon

J Wood

* Co-opted Board Members

Secretary:

N Thom

Auditor:

KPMG LLP

St Peter's Square

Manchester

M2 3AE

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

Report of the board of management

The Board presents its Report and Audited Financial Statements for the year ended 31 March, 2016.

Principle Activity

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

Review of business and future developments

Financial Strength

The Statement of Comprehensive Income which is set out on page eight shows that we generated an operating surplus of £3.3m in the year. After accounting for interest and property sales, the surplus for the year of £1.9m has been added to reserves. The pension fund liability has decreased from £2.6m to £1.3m resulting in overall reserves of £7.5m. This places us in a strong position and means we have capacity to pursue our ambition for growth.

Performance Culture

As displayed in the following table, a strong and cohesive approach to maintaining our exceptional performance led to all of our Key Performance Indicator targets being at very least met – although in most cases exceeded. This is particularly notable within our three cash leakage indicators of % Stock Void, Relet Period and Current Rent Arrears. Our culture within IHA is based on a desire to succeed, staff who take ownership of our services and are proud of our achievements, and recognition that high performing teams should be rewarded. This leads to a highly motivated team, who organise themselves and their priorities to ensure that significant targets are not only met – but surpassed where possible. Every year, based on previous performance, we agree targets that are felt to be challenging. New ways of working, innovation and prioritisation lead to these stretch targets being achieved.

Top 10 KPIs	2015/16 Result	2015/16 Target	Variance to target
% Stock Void	0.09%	Not more than 0.5%	Target exceeded by 0.41%
Relet Period	9.1	Not more than 12 days	Target exceeded by 2.92
Current Rent Arrears	1.73%	Not more than 1.95%	Target exceeded by 0.22%
% homes with a valid gas certificate	100.00%	Not less than 100%	Target met
Data Quality	99.91%	Not less than 99.5%	Target exceeded by 0.41%
Health & Safety Risk Actions Complete	100.00%	Not less than 100%	Target met
First Visits to Tenants	99.51%	Not less than 95%	Target exceeded by 4.51%
First Time Fix (Repairs)	97.8%	Not less than 85%	Target exceeded by 12.8%
CRM 24hours callback	95.2%	Not less than 93%	Target exceeded by 2.16%
Positive Customer Experience	91.5%	Not less than 90%	Target exceeded by 1.45%

External funding

We are currently in year two of our three year funding award of £250,490 from the Big Lottery. This funding is utilised to offer practical support to those requiring Money Advice and Affordable Warmth services throughout our areas of operation. This year alone, this has resulted in almost £800k in cash gains for our communities and customers.

Our People

This year, we concluded the restructure of our Management Team, which has led to a more appropriate and streamlined team of skilled individuals who carry responsibility for a diverse range of our business areas. Driven by our focus on maximising value for money and the most effective utilisation of resources, we have removed outdated posts from within our structure, introduced new posts that strengthen our focus on our vision, and delegated authority appropriately throughout the organisation. This has already proven to be a success and welcomed by our colleagues.

Following the conclusion of our Management Team restructure, we have also concluded phase 1 of our whole organisational restructure. This has resulted in a newly formed Asset Management Team which will offer efficiency, an enhanced customer experience, new services focused on our future investment needs, and a strengthened approach to contractor partnerships. Phase 2 of our organisational restructure will be delivered throughout 2016/17.

Report of the board of management (Continued)

Having achieved No. 2 on the Sunday Times 100 Best Not For Profit Organisations to Work For in 2014, we have this year not only retained our three star status, but increased our overall score within the matrix.

Opportunities and Growth

We are a strong performing organisation, with a motivated staff team, and have a strong and ambitious vision for growth within our sector. We will seek to achieve this by a variety of means, for example, by building new homes, by acquiring properties or by identifying partnership and merger opportunities with colleagues across the sector.

Our Governance

We have directed a considerable resource toward the modernisation of our Governance arrangements, to not only ensure that we have the appropriate skills and strengths within our Board, but also to ensure that we surpass the Scottish Housing Regulators requirements and have a robust succession plan in place to ensure that our Governance arrangements are strong, innovative and ambitious to drive and achieve our vision.

Board of management

The current members of the Board of the Association, who are also Trustees of the Charity, are listed on page 3.

Each member of the Board holds one fully paid share of £1 in the Association.

Statement of the board's responsibilities in respect of the board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period. In preparing these 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 UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Registered Social Landlords Determination of Accounting Requirements 2014. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation on other jurisdictions.

Statement of the board of management in respect of internal controls

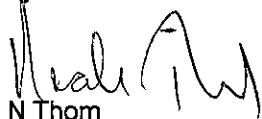
The Board acknowledges that it is responsible for establishing and maintaining the Association's system of internal controls, and for reviewing the effectiveness of those controls. Such a system can only provide reasonable, and not absolute, assurance against material misstatement or loss or eliminate 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.

Report of the board of management (Continued)

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



N Thom
Secretary
26 July, 2016

Report of the independent Auditor

to the members of Irvine Housing Association Limited

We have audited the financial statements of Irvine Housing Association ("the Association") for the year ended 31 March 2016 set out on pages 8 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 68(1) of the Housing (Scotland) Act 2014. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 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 2016 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2014 and the Registered Social Landlords Determination of Accounting Requirements 2014.

Matters on which we are required to report by exception


We have nothing to report in respect of the following:

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

Under the Scottish Housing Regulator Regulatory Advice Note: *Internal Financial Controls and the Regulatory Standards* we are required to report to you if, in our opinion the Statement on Internal Financial Control on pages 5 and 6:

- does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; and
- is materially inconsistent with the knowledge acquired by us in the course of performing our audit.



Ailsa Griffin
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG
St Peter's Square
Manchester
M2 3AE

29 July 2016

Statement of comprehensive income

For year ended 31 March 2016

	Note	2016 £000	2015 £000 (Restated)
Turnover	2	9,589	9,733
Operating costs	2	(6,267)	(6,742)
Operating surplus	2	3,322	2,991
Gain on sale fixed assets	4	56	7
Interest receivable and similar income	6	4	59
Interest payable and similar charges	7	(1,527)	(1,497)
Surplus before taxation	8	1,855	1,560
Taxation	9	-	-
Surplus for the year	19	1,855	1,560
Other comprehensive income			
Remeasurement of the net defined benefit liability	17	1,614	(1,111)
Total comprehensive income for the year		3,469	449

All of the above operations are continuing. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102 (see note 25). The notes on pages 12 to 32 form part of these financial statements.

Statement of changes in reserves

For year ended 31 March 2016

	Share Capital £000	General reserve £000	Pension reserve £000	Total reserves £000	Unrestricted funds £000
Balance at 1 April 2015 (restated)	-	6,665	(2,638)	4,027	4,027
Total comprehensive income for the period	-	2,101	1,368	3,469	3,469
Balance at 31 March 2016	-	8,766	(1,270)	7,496	7,496

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102 (see note 25).

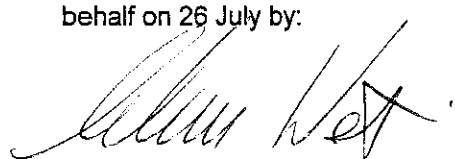
Statement of financial position

For year ended 31 March 2016

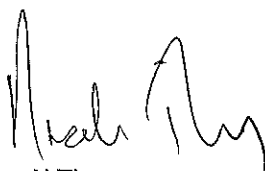
Scottish Charity No. SC042251

	Note	2016 £000	2015 £000 (Restated)
FIXED ASSETS			
Tangible fixed assets			
Housing properties	10a	65,715	66,355
Other tangible fixed assets	10b	238	260
		<hr/>	<hr/>
		65,953	66,615
Investments			
Net investment position - NSSE		690	690
		<hr/>	<hr/>
		66,643	67,305
CURRENT ASSETS			
Debtors	11	406	1,401
Cash and cash equivalents	12	2,175	1,482
		<hr/>	<hr/>
		2,581	2,883
CREDITORS			
Amounts falling due within one year	13	(2,117)	(3,086)
		<hr/>	<hr/>
Net current assets/(liabilities)		464	(203)
Total assets less current liabilities		67,107	67,102
Creditors			
Amounts falling due after more than one year	14	(58,341)	(60,437)
PROVISIONS FOR LIABILITIES			
Pension provision	17	(1,270)	(2,638)
		<hr/>	<hr/>
Total net assets		7,496	4,027
RESERVES			
Share capital	18	-	-
General reserve	19	8,766	6,665
Pension reserve	19	(1,270)	(2,638)
		<hr/>	<hr/>
Income and Expenditure reserves	19	7,496	4,027
		<hr/>	<hr/>
TOTAL RESERVES		7,496	4,027

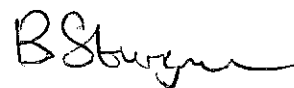
These financial statements were approved by the Board of Management on 28 June 2016, and were signed on its behalf on 26 July by:



A West
CHAIRMAN



N Thom
SECRETARY



BOARD MEMBER

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102 (See note 25). The notes on pages 12 to 32 form part of these financial statements.

Statement of cash flows

For year ended 31 March 2016

	Notes	2016 £000	2015 £000 (Restated)
Net cash inflow from operating activities	24	<u>4,614</u>	<u>3,977</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(948)	(3,392)
Proceeds from sale of tangible fixed assets		216	40
Grants received		-	-
Interest received		4	3
		<u>(728)</u>	<u>(3,349)</u>
Cash flows from financing activities			
Interest paid		(1,443)	(1,489)
New secured loans		227	2,386
Repayment of borrowings		(1,977)	(1,136)
		<u>(3,193)</u>	<u>(239)</u>
Net change in cash and cash equivalents		693	389
Cash and cash equivalents at the beginning of the year		1,482	1,093
Cash and cash equivalents at the end of the year		<u>2,175</u>	<u>1,482</u>

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102 (See note 25). The notes on pages 12 to 32 form part of these financial statements.

Notes to the financial statements

For year ended 31 March 2016

1 Accounting policies

Legal Status

The Association is a public benefit entity, is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with and monitored by the Scottish Housing Regulator.

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 2014 and comply with the Determination of Accounting Requirements 2014. As explained at note 15, 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.

The financial statements have been prepared in compliance with FRS102 as it applies for the first time to the financial statements of the Association for the year ended 31 March 2016.

The Association transitioned from previous UK GAAP to FRS102 as at 1 April 2014. An explanation of how the transition to FRS102 has affected the reported financial position and performance, as well as the exemptions taken on transition, is given in note 25.

Going concern

Irvine Housing Association Limited financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. No significant concerns have been noted and the Board consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements, estimates and assumptions have had the most significant effect in amounts recognised in the financial statements:

- Tangible fixed assets. Tangible assets are depreciated over their useful lives taking into account residual values where appropriate. The estimates of useful life for the different component types and assets are detailed below;
- Impairment of non-financial assets. Reviews for impairment of housing properties are carried out when a trigger has occurred. Following the assessment of impairment no impairment losses were identified in the reporting period;

Turnover

Turnover represents rental and service charge income receivable and certain revenue grants together with other income.

Retirement Benefits

The Association's pension arrangements comprise participation in the Social Housing Pension Scheme (SHPS) and Strathclyde Pension Fund (SPF). The assets of the schemes are held separately from those of the Association.

SHPS is a defined contribution scheme and as such no surplus or deficit is included in the financial statements and the accounting charge for the period is represented by the employer contribution payable.

Notes to the financial statements (continued)

For year ended 31 March 2016

SPF is a defined benefit scheme 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. The contributions are determined by qualified actuaries, on the basis of triennial valuations. In accordance with FRS102, the Association's share of a scheme deficit is recognised in full on the Statement of Financial Position and its share of a surplus is recognised to the extent that the surplus can be recovered.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of housing land and properties comprises purchase price together with incidental costs of acquisition and improvements, including related administration charges.

Housing properties are principally properties available for rent. Cost includes the cost of acquiring the land and buildings, development costs and expenditure incurred in respect of improvements.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to statement of comprehensive income over the term of the lease.

Housing Properties

The Association has undertaken a review of the intended use of all housing properties and has determined that they are held for social benefit.

Depreciation and impairment

Where a housing property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual useful economic life. The estimated individual useful economic life of the components are as follows:

Component	Useful Economic Life
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

Assets that are in the course of construction are held at cost and are not depreciated until reclassified as housing properties completed.

Improvements to property

Expenditure incurred on general repairs to housing properties is charged to the statement of comprehensive income in the year in which it is incurred.

Expenditure on refurbishment or replacement of identified housing property components is capitalised.

Non-component works to existing housing properties are capitalised where they relate to an improvement, which is defined as an increase in the net rental stream or the life of a property.

Notes to the financial statements (continued)

For year ended 31 March 2016

Impairment of non-financial assets

The carrying amount of the Association's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group

of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"),

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of consolidated income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised.

Other Fixed Assets

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

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

Housing Association Grant

Where developments have been financed wholly or partly by Housing Association Grant, the amount of grant received has been included as deferred income and is recognised in Turnover over the estimated useful life of the associated asset structure, under the accruals model. Grant received for items of cost written off in the Statement of Comprehensive Income is included as part of Turnover. Housing Association Grant in respect of housing properties in the course of construction, received in advance of expenditure, is shown as a current liability.

Other Grants

Grants received from other sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as turnover.

Loan Issue Costs and Interest Costs

The cost of raising loans is amortised over the period of the loan.

Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

Capitalisation of Development Overheads

Administration costs relating to development activities are capitalised only to the extent that they are directly attributable to the development process and in bringing the properties into their intended use.

Taxation

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

Notes to the financial statements (continued)

For year ended 31 March 2016

2 Turnover, costs of sales, operating costs and operating surplus

	Turnover	Operating costs	2016 Surplus	2015 Surplus/ Deficit
Income and expenditure from lettings	£000	£000	£000	£000
Social lettings	9,219	5,821	3,398	3,013
Other activities	370	446	(76)	(22)
Total	9,589	6,267	3,322	2,991
2015 (restated)	9,733	6,742		2,991

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102 (See note 25).

Notes to the financial statements (continued)

For year ended 31 March 2016

3a Particulars of Income and expenditure from social lettings

	General Needs Housing £000	Supported Housing £000	2016 Total £000	2015 Total £000
Rent Receivable net of Identifiable service charges	8,763	141	8,904	8,506
Service charges receivable	40	12	52	48
Gross income from rents and Service charges	8,803	153	8,956	8,554
Less: Rent losses from voids	15	-	15	27
Net income from rents and service charges	8,788	153	8,941	8,527
Grants released from deferred income	233	3	236	221
Revenue grants from Scottish Ministers	-	-	-	-
Other revenue grants	42	-	42	-
Total turnover from affordable lettings	9,063	156	9,219	8,748
Management and maintenance admin costs	2,570	-	2,570	2,573
Service costs – landscape	412	-	412	413
Service costs – sheltered housing schemes	-	141	141	145
Planned and cyclical maintenance	710	10	720	738
Reactive maintenance	838	33	871	761
Bad debts – rent and service charges	(16)	-	(16)	52
Depreciation of affordable letting properties	1,111	12	1,123	1,053
Operating costs for affordable letting activities	5,625	196	5,821	5,735
Operating surplus on affordable letting Activities	3,438	(40)	3,398	3,013
Operating surplus from letting activities for 2015	3,075	(62)		3,013

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £19,490 (2015 : £18,833). Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102 (See note 25).

Notes to the financial statements (continued)

For year ended 31 March 2016

3b Turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £000	Other Revenue Grants £000	Other Income £000	Total Turnover £000	Operating Costs Bad Debts £000	Other Operating Costs £000	2016 Operating Surplus/ (Deficit) £000	2015 Operating Surplus/ (Deficit) £000
Factoring	—	—	106	106	43	142	(79)	(75)
Investment Property activities	—	—	—	—	—	—	—	49
Aids and adaptations	159	—	—	159	—	159	—	—
Other activities	—	102	3	105	—	102	3	4
Total from other activities	159	102	109	370	43	403	(76)	(22)
2015	238	97	650	985	30	977		(22)

Other Revenue Grants includes restricted grant of £70,440 from the Big lottery for the provision of money advice and affordable warmth services.

Notes to the financial statements (continued)

For year ended 31 March 2016

4 Profit/ (loss) on sale of fixed assets

	2016 £000	2015 £000
Proceeds from sale of housing accommodation	216	43
Costs of disposal of housing accommodation	(160)	(36)
	<u>56</u>	<u>7</u>

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

	2016 £000	2015 £000
Emoluments of the Managing Director	79	78
Employers pension contributions for the Managing Director	14	14
Total emoluments of the Managing Director	<u>93</u>	<u>92</u>
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	<u>79</u>	<u>146</u>

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

£60,000 to £69,999	-	1
£70,000 to £79,999	1	1
£80,000 to £89,999	-	-
£90,000 to £99,999	-	-
	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

For year ended 31 March 2016

5 b Staff

	2016 Number	2015 Number
Average number of persons employed during this year		
Permanent	50	55
Temporary	8	5
	<hr/>	<hr/>
Average number of full time equivalents employed during the year	47.6	51
	<hr/>	<hr/>

Staff Cost

	£000	£000
Wages and Salaries	1,424	1,476
Social Security Costs	91	102
Other Pension Costs	378	340
	<hr/>	<hr/>
	1,893	1,918
	<hr/>	<hr/>

6 Interest receivable and similar income

	2016 £000	2015 £000
Bank interest receivable	4	3
Net returns less interest costs in respect of pension schemes	-	56
	<hr/>	<hr/>
	4	59
	<hr/>	<hr/>

7 Interest payable and similar charges

	2016 £000	2015 £000
On Bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	1,438	1,497
Net interest expense on net defined benefit liabilities	89	-
	<hr/>	<hr/>
	1,527	1,497
	<hr/>	<hr/>

Notes to the financial statements (continued)

For year ended 31 March 2016

8 Surplus on ordinary activities before taxation

	2016 £000	2015 £000
Surplus on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on tangible fixed assets	1,187	1,112
Auditors' remuneration:		
In their capacity of auditor	19	18
In respect of other services	-	-
Hire of equipment	8	6
	<hr/>	<hr/>

9 Tax on surplus on ordinary activities

	2016 £000	2015 £000 (Restated)
Current tax charge	-	-
Prior year adjustments	-	-
Total current tax charge	-	-
	<hr/>	<hr/>
Reconciliation of current tax charge	-	-
	<hr/>	<hr/>
Factors affecting the tax charge for the year		
Total comprehensive income for the year	1,855	1,607
Expected tax charge	371	338
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	(371)	(338)
Prior year adjustment	-	-
Unrelieved tax losses	-	-
Other short term timing differences	-	-
Actual tax charge for the year	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>

Notes to the financial statements (continued)

For year ended 31 March 2016

10a Tangible fixed assets

Housing Properties

	Rental £000	Under Construction £000	Total £000
Cost			
At 1 April 2015 – as previously reported	70,758	6,410	77,168
Additions	500	187	687
Schemes completed in the year	3,081	(3,081)	-
Disposals	(248)	-	(248)
	<hr/>	<hr/>	<hr/>
At 31 March 2016	74,091	3,516	77,607
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2015 – as previously reported	10,545	-	10,545
Prior year adjustment (note 25)	268	-	268
	<hr/>	<hr/>	<hr/>
At 1 April 2015 – restated	10,813	-	10,813
Charge for the year	1,122	-	1,122
Disposals	(43)	-	(43)
	<hr/>	<hr/>	<hr/>
At 31 March 2016	11,892	-	11,892
	<hr/>	<hr/>	<hr/>
Net book value at 31 March 2016	62,199	3,516	65,715
	<hr/>	<hr/>	<hr/>
Net book value at 31 March 2015 (restated)	59,945	6,410	66,355
	<hr/>	<hr/>	<hr/>

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

Notes to the financial statements (continued)

For year ended 31 March 2016

10b Tangible fixed assets (continued)

	Office Property & Tenant's Improvements £000	Furniture & Equipment £000	Plant & Machinery £000	Total £000
Cost				
At 1 April 2015 – as previously reported	458	64	39	561
Prior year adjustments	-	-	(15)	(15)
Additions	14	1	27	42
Disposals	-	(3)	(6)	(9)
At 31 March 2016	472	62	45	579
Depreciation				
At 1 April 2015 – as previously reported	255	22	24	301
Prior year adjustment	-	-	(15)	(15)
Charge for the year	45	12	7	64
Disposals	-	(3)	(6)	(9)
At 31 March 2016	300	31	10	341
Net Book Value at 31 March 2016	172	31	35	238
Net Book Value as 31 March 2015	203	42	15	260

Notes to the financial statements (continued)

For year ended 31 March 2016

11 Debtors: amounts due within one year

	2016 £000	2015 £000
Rent Arrears	277	358
Bad Debt Provision	(360)	(423)
Other Debtors and Accrued Income	489	1,402
Housing Association Grant Receivable	-	64
	<u>406</u>	<u>1,401</u>

12 Cash and cash equivalents

	2016 £000	2015 £000 (Restated)
Short term money markets deposits	1,714	1,100
Cash at bank and in hand	461	382
	<u>2,175</u>	<u>1,482</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 2016 the Association had £13 million (2015 : £11.25m) in undrawn loan facilities.

Notes to the financial statements (continued)

For year ended 31 March 2016

13 Creditors: amounts falling due within one year

	2016 £000	2015 £000 (Restated)
Sundry Creditors	331	423
Rents in Advance	211	189
Accruals and Deferred Income	1,360	1,939
Other Taxes	40	100
Funding in advance	7	21
Amounts due to group undertakings	168	414
	<hr/>	<hr/>
	2,117	3,086
	<hr/>	<hr/>

14 Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
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	35,379	37,121
	<hr/>	<hr/>
	35,379	37,121
Deferred Income – Grants	22,962	23,316
	<hr/>	<hr/>
	58,341	60,437
	<hr/>	<hr/>

The above figures includes a loan of £9.5 million from the Riverside Group Ltd. The above figures contain £121,206 of capitalised finance costs (2015 : £128,515). These are charged to income and expenditure over the term of the facility. The amount charged in 2016 was £7,309 (2015 : £7,309).

15 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 2016.

Notes to the financial statements (continued)

For year ended 31 March 2016

16 Related Party Transactions

The Riverside Group Ltd provides loan funding to the Association. Payments of £1.75m were made to The Riverside Group Ltd during the year and as disclosed at note 14, the balance outstanding to the Riverside Group Ltd at the year end was £9.5m (2015 : £11.25m).

During the year purchases from Thistle Housing Services Limited amounted to £nil (2015 : £nil). The balance outstanding to Thistle Housing Services Limited at the year end was £183 (2015 : £183). During the year sales to Thistle Housing Services Limited amounted to £nil (2015 : £nil). The balance outstanding from Thistle Housing Services Limited at the year end was £nil (2015 : £nil).

Various members of the Board and their relatives are tenants of the Association. Aggregate transactions in the year totalled £19,600. All of these transactions have been carried out on the terms applicable to all tenants and no rent payments were outstanding at year end.

17 Pension Cost

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, 2014. 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 £13,949m and the value of the past service liabilities was £14,788m, leaving a deficit of assets of £839m. The assets therefore were sufficient to cover 94.3% 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 2016, 2017 and 2018.

A comprehensive report for FRS102 purposes has been produced and the following assumptions have been used.

	2016	2015	2014
Inflation / Pension Increase Rate	2.20%	2.50%	2.80%
Salary Increase Rate	4.20%	4.40%	5.10%
Discount Rate	3.60%	3.30%	4.30%

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.5% p.a. for males and 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at the age of 65 are as follows:

	2016	2015	2014
Life expectancy male non-pensioner	24.8	24.8	23.3
Life expectancy female non-pensioner	26.2	26.2	25.3
Life expectancy male pensioner	22.1	22.1	21.0
Life expectancy	23.6	23.6	23.4

Notes to the financial statements (continued)

For year ended 31 March 2016

17 Pension cost (continued)

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

	2016 £000	2015 £000	2014 £000
Market Value			
Equities	6,188	6,116	5,377
Bonds	1,375	1,060	849
Property	1,032	897	495
Cash	-	82	354
	<hr/>	<hr/>	<hr/>
Total market value of assets	8,595	8,155	7,075
	<hr/>	<hr/>	<hr/>

	2016	2015	2014
Expected long term return			
Equities	3.60%	3.30%	6.60%
Bonds	3.60%	3.30%	3.70%
Property	3.60%	3.30%	4.80%
Cash	3.60%	3.30%	3.70%

Fair value of the schemes assets at 31 March 2016

	2016 £000	2015 £000	2014 £000
Fair value of employee assets	8,595	8,155	7,075
Present value of scheme liabilities	(9,865)	(10,793)	(8,580)
	<hr/>	<hr/>	<hr/>
Net pension deficit	1,270	(2,638)	(1,505)
	<hr/>	<hr/>	<hr/>

	2016 £000	2015 £000	2014 £000
Analysis of amount charged to operating profit			
Current service costs	411	347	297
Past service (gain)/cost	-	-	-
	<hr/>	<hr/>	<hr/>
Total operating charge	411	347	297
	<hr/>	<hr/>	<hr/>

	2016 £000	2015 £000	2014 £000
Analysis of amount credited to interest receivable / (payable)			
Expected return on employee assets	273	432	339
Interest on pension scheme liabilities	(362)	(376)	(344)
	<hr/>	<hr/>	<hr/>
Net return/(cost)	(89)	56	(5)
	<hr/>	<hr/>	<hr/>

Notes to the financial statements (continued)

For year ended 31 March 2016

17 Pension cost (continued)

	2016 £000	2015 £000	2014 £000
Movement in surplus/(deficit) during the year			
(Deficit)/surplus at beginning of year	(2,638)	(1,505)	(1,112)
Current service cost	(411)	(347)	(297)
Employer contributions	254	269	237
Return on assets	(89)	(66)	(5)
Actuarial gain/(loss)	1,614	(989)	(328)
	<hr/>	<hr/>	<hr/>
Deficit at end of year	1,270	(2,638)	(1,505)

	2016 £000	2015 £000	2014 £000	2013 £000
History of experience gains and losses				
Difference between the expected and actual return on assets	-	-	-	-
Fair value of employers assets	8,595	8,155	7,075	6,394
Experience (losses)/gains on employers assets	(58)	384	100	494
Present value of funded liabilities	(9,865)	(10,793)	(8,580)	(7,506)
Deficit	(1,270)	(2,638)	(1,505)	(1,112)

	2016 £000	2015 £000
Movement in fair value of plan assets		
Fair value of assets at beginning of year	8,155	7,075
Interest income on plan assets	273	310
Plan participants' contributions	86	82
Employer contributions	254	269
Benefits paid	(115)	(87)
Return on assets	(58)	506
	<hr/>	<hr/>
Fair value of assets at end of year	8,595	8,155

The Association also contributes to a defined contribution scheme. The defined contribution scheme is the vehicle used for Auto Enrolment. The scheme is split into two separate sections with auto enrolment contribution rates currently set at employer 4%, employee 1% and enhanced rates of employer 12% and employee 6%.

The total pension cost for the Association was £378,165 (2015 : £339,792). This includes £27,984 (2015 : £27,589) outstanding contributions at the balance sheet date. The contribution rate payable by the Association was 19.3% (2015 : 19.1%) 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 they have no other pension arrangements to which the Association contributes. The Association's contributions for the Managing Director in the year amounted to £13,988 (2015 : £13,630). The Association's contributions for the other Directors in the year amounted to £nil (2015 : £12,584).

Notes to the financial statements (continued)

For year ended 31 March 2016

18 Share capital

Shares of £1 each, allotted, issued and fully paid	2016 £	2015 £
At 1 April	256	353
Issued during the year	3	9
Cancelled	(77)	(106)
	<hr/>	<hr/>
At 31 March	182	256

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends on a winding up.

19 Income and expenditure reserve

	General Reserve £000	Pension Reserve £000	2016 Total £000	2015 Total £000
At 1 April 2015	5,520	(2,633)	2,882	2,386
Prior year adjustments	1,145	-	1,145	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2015 (restated)	6,665	(2,638)	4,027	2,386
Surplus for the year	2,101	(246)	1,855	1,607
Actuarial gain/(loss) (note 17)	-	1,614	1,614	(1,111)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	8,766	(1,270)	7,496	(2,882)

The Association has positive general reserves; however, as the Association is required to include its share of Strathclyde Pension Fund deficit on the statement of financial position under Financial Reporting Standard 102, 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.

Notes to the financial statements (continued)

For year ended 31 March 2016

20 Housing stock

	2016	2015
The number of units of general needs accommodation in management at the beginning of the year	2,163	2,116
The number of units of supported housing accommodation in management at the beginning of the year	41	41
The total number of units in management at the beginning of the year	2,204	2,157
The number of units of general needs accommodation in management at the end of the year	2,170	2,163
The number of units of supported housing accommodation in management at the end of the year	41	41
The total number of units in management at the end of the year	2,211	2,204
The number of properties under construction at the year end was	-	15

Land held for development has been funded by Housing Association Grant

21 Financial commitments

At 31 March 2016, the Association had total commitments under operating leases as follows

	2016 Land and Building £000	2016 Other £000	2015 Land and Building £000	2015 Other £000
Operating leases which expire				
Within one year	3	-	3	-
Within 2 to 5 years	129	13	199	18
After 5 years	-	-	-	-
	<u>132</u>	<u>13</u>	<u>202</u>	<u>18</u>

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

Notes to the financial statements (continued)

For year ended 31 March 2016

22 Capital commitments

	2016 £000	2015 £000
Future Capital Expenditure		
Authorised and contracted	-	177,831
Authorised but not yet contracted	-	-

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

23 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.

Notes to the financial statements (continued)

For year ended 31 March 2016

24 Notes to the cash flow statement

Reconciliation of operating surplus to net cash inflow from operating activities

	2016 £000	2015 £000 (Restated)
Operating Surplus	3,322	2,991
Depreciation & Impairment	1,187	1,110
Amortisation of grant	(236)	(221)
Pension – FRS102 adjustment	157	78
Amortisation of loan costs	-	7
(Increase) / Decrease in debtors	20	(33)
Increase / (Decrease) in creditors	164	45
Net cash inflow from operating activities	4,614	3,977

Analysis of net debt

	At 1 April 2015 £000	Non Cash Movement £000	Cash Flow £000	At 31 March 2016 £000
Cash at Bank and in hand	382	-	1,793	2,175
Debt due after one year	(37,121)	7	1,735	(35,379)
Total	(36,739)	7	3,528	(33,204)

Reconciliation of net cash flow to movement in net debt

	2016 £000	2015 £000
Increase/(decrease) in cash in the year	1,793	(711)
Cash inflow from increase in debt	1,736	(1,250)
Non cash movement - write off of arrangement fee relating to loans	7	(7)
Movement in net debt in the year	3,536	(1,968)
Net debt at 1 April 2015	(36,740)	(34,772)
Net debt at 31 March 2016	(33,204)	(36,740)

Notes to the financial statements (continued)

For year ended 31 March 2016

25 Prior year adjustments

		Reported Reserves as at 1 April 2014 Statements £000	Total recognised surplus year ended 31 March 2015 £000	Reserves as at 1 April 2015 £000
As previously stated under former UK GAAP		2,393	496	2,889
Total adjustments				
Increase in depreciation of housing properties	a	(1,589)	(268)	(1,857)
Increase in amortisation of grants relating to housing properties	b	2,029	221	2,250
Adjustment for non-government grant to reserves	c	745	-	745
Adjustment for grant to reserves	d	871	-	871
Adjustment for costs to reserves	e	(871)	-	(871)
		<hr/>	<hr/>	<hr/>
As stated in accordance with FRS102		3,578	449	4,027
		<hr/>	<hr/>	<hr/>
		1,185	(47)	1,138
		<hr/>	<hr/>	<hr/>

- a. The capital grant previously deducted from the cost of fixed assets is treated as creditors where the fixed assets are carried at cost. The effect compared to current UK GAAP is an increase to the carrying cost of housing properties resulting in an increase in the depreciation at transition of £1.6m and a decrease of surplus for the year ended 31 March 2015 of £268k.
- b. The government capital grant previously deducted from carrying cost of housing properties is treated as a deferred capital grant creditor and released to the statement of comprehensive income over the useful life of the associated assets. The effect compared to current UK GAAP is an increase in income recognised on transition of £2m and £221k increase in surplus for the year ended 31 March 2015.
- c. The grant received from non-government sources is recognised in the statement of comprehensive income when the performance conditions are met. The effect compared to current UK GAAP is to increase reserves at transition by £745k.
- d. Grant received for improvements is recognised in the statement of comprehensive income when the performance conditions are met. The effect compared to current UK GAAP is to increase reserves at transition by £871k.
- e. Cost of grant funded improvements is recognised in the statement of comprehensive income. The effect compared to current UK GAAP is to decrease reserves at transition by £871k.