

# Financial Statements

For the year ended 31 March 2017

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 2017

Irvine Housing Association

## Contents

Board of Management and Advisors	3
Report of the Board	4 - 6
Report of the Independent Auditor	7
Statement of comprehensive income	8
Statement of changes in reserves	9
Statement of financial position	10
Statement of cash flows	11
Notes to the Financial Statements	12 - 28

# Board of Management and advisers

## **Board of Management:**

D McEachran, Chairman  
N Alexander (resigned 30 June 2016)  
C Bell  
M Burgess (appointed 1 July 2016)  
G Darroch  
F Dunlop (resigned 16 August 2016)  
F Garven \*  
W Johnstone (resigned 16 August 2016)  
J Meek (appointed 17 May 2016)  
J Murray  
K Osborne (resigned 21 April 2016)  
A Robertson  
R Sturgeon (resigned 16 August 2016)  
A West (resigned 26 January 2017)  
J Wood

\* Co-opted Board Member

## **Secretary:**

Nicola Thom (Until 1 October 2016)  
Paul Hillard (From 1 October 2016)

## **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, 2017.

## 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, after accounting for exceptional costs of £2.1m which were incurred as a result of exiting the defined benefit pension scheme, we generated an operating surplus of £1.1m in the year. After accounting for interest and property sales, the deficit for the year of £229k has been transferred to reserves. As the pension fund liability has been eradicated we now have overall reserves of £7.3m which 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 cash leakage indicators. 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. Innovation and prioritisation lead to these stretch targets being achieved.

Top 10 KPIs	Result	Target	Variance to Target
% Stock Void	0.27%	0.40%	Target exceeded by 0.13%
Relet Period	6.7	10.0	Target exceeded by 3.3 days
Current Rent Arrears	1.17%	1.75%	Target exceeded by 0.58%
% homes with a valid gas certificate	100.00%	100.00%	Target met
Data Quality	99.93%	99.50%	Target exceeded by 0.43%
Health & Safety Risk Actions	100.00%	100.00%	Target met
First Visits to Tenants	99.36%	98.00%	Target exceeded by 1.36%
First Time Fix (Repairs)	96.97%	85.00%	Target exceeded by 11.97%
CRM 24 hour call back	98.4%	95.0%	Target exceeded by 3.4%
Net Promoter	23.5	21.0	Target exceeded by 2.5

### External funding

We are in the final year 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 more than £650k in cash gains for our communities and customers.

### Organisational Design

A new target Operating Model (TOM) is being developed and will be implemented throughout the Riverside Group. Some features of TOM include maximising the use of shared services; removal of duplication; maximising use of customer Service Centre and emerging digital channels. We believe this will result in a more efficient service and will provide us the flexibility needed to meet future challenges.

This will result in greater efficiency and the financial savings will support our corporate objectives and improve our financial health.

# Report of the board of management (Continued)

## 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.

## Retirement Benefits

During the year, we alleviated any future pension risk by withdrawing from Strathclyde Pension Fund. The resulting cessation payment of £3.4m has been accounted for in the year.

## 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 2010 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



Paul Hillard  
Secretary

21 July 2017

# 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 2017 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), including FRS 102 *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 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 March 2017 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.

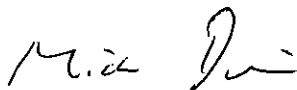
## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us 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.



Mick Davies  
for and on behalf of KPMG LLP, Statutory Auditor

**Chartered Accountants**

**KPMG**

**St Peter's Square**

**Manchester**

**M2 3AE**

25/7/2017

# Statement of comprehensive income

For year ended 31 March 2017

	Note	2017 £000	2016 £000
Turnover	2	9,706	9,589
Operating costs	2,5,17	(8,598)	(6,267)
<b>Operating surplus</b>	2	<b>1,108</b>	3,322
Gain on sale of fixed assets	4	9	56
Interest receivable and other income	6	3	4
Interest and financing cost	7	(1,349)	(1,527)
<b>Surplus before taxation</b>		<b>(229)</b>	1,855
Taxation	9	-	-
<b>Surplus for the year</b>	19	<b>(229)</b>	1,855
<b>Other comprehensive income</b>			
Remeasurement of the net defined benefit liability	17	-	1,614
<b>Total comprehensive income for the year</b>		<b>(229)</b>	3,469

All of the above operations are continuing and comply with Housing SORP 2014 and FRS 102. The notes on pages 12 to 28 form part of these financial statements.



# Statement of changes in reserves

For year ended 31 March 2017

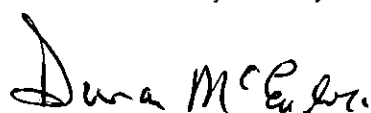
	Income and Expenditure Reserves				
	Share Capital £000	General reserve £000	Pension reserve £000	Total reserves £000	Unrestricted funds £000
Balance at 1 April 2016	-	8,766	(1,270)	7,496	7,496
Surplus from statement of comprehensive income	-	(1,499)	1,270	(229)	(229)
Shares issued during the year	-	-	-	-	-
Shares cancelled during the year	-	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>-</b>	<b>7,267</b>	<b>-</b>	<b>7,267</b>	<b>7,267</b>

# Statement of financial position

For year ended 31 March 2017

	Note	2017 £000	2016 £000
<b>FIXED ASSETS</b>			
<b>Tangible fixed assets</b>			
Housing properties	10a	64,646	65,715
Other tangible fixed assets	10b	167	238
		<hr/>	<hr/>
		64,813	65,953
Investments			
Net investment position - NSSE		690	690
		<hr/>	<hr/>
		65,503	66,643
<b>CURRENT ASSETS</b>			
Debtors	11	460	406
Cash and cash equivalents	12	1,891	2,175
		<hr/>	<hr/>
		2,351	2,581
<b>CREDITORS</b>			
Amounts falling due within one year	13	(2,749)	(2,117)
		<hr/>	<hr/>
<b>Net current assets/(liabilities)</b>		<b>(398)</b>	464
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		65,105	67,107
<b>Creditors</b>			
Amounts falling due after more than one year	14	(57,838)	(58,341)
<b>PROVISIONS FOR LIABILITIES</b>			
Pension provision	17	-	(1,270)
		<hr/>	<hr/>
<b>Total net assets</b>		<b>7,267</b>	7,496
<b>RESERVES</b>			
Share capital	18	-	-
General reserve	19	7,267	8,766
Pension reserve	19	-	(1,270)
		<hr/>	<hr/>
Income and Expenditure reserves	19	7,267	7,496
		<hr/>	<hr/>
<b>TOTAL RESERVES</b>		<b>7,267</b>	7,496

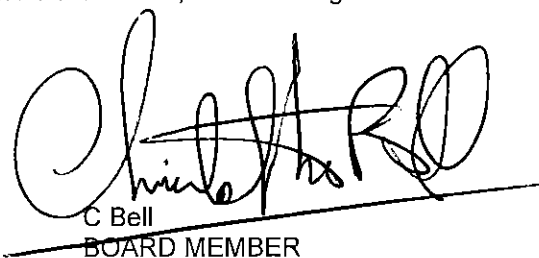
These financial statements were approved by the Board of Management on 20 June 2017, and were signed on its behalf on 21 July 2017 by:



D McEachran  
CHAIRMAN



P Hillard  
SECRETARY



C Bell  
BOARD MEMBER

# Statement of cash flows

For year ended 31 March 2017

	Notes	2017 £000	2016 £000
<b>Net cash inflow from operating activities</b>	24	<b>4,470</b>	4,614
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(461)	(948)
Proceeds from sale of tangible fixed assets		41	216
Grants received		-	-
Interest received		3	4
		<b>(417)</b>	(728)
<b>Cash flows from financing activities</b>			
Interest paid		(1,337)	(1,443)
New secured loans		379	227
Repayment of borrowings		(3,379)	(1,977)
Shares issues		-	-
		<b>(4,337)</b>	(3,193)
<b>Net change in cash and cash equivalents</b>		<b>(284)</b>	693
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,175</b>	1,482
<b>Cash and cash equivalents at the end of the year</b>		<b>1,891</b>	2,175

# Notes to the financial statements

For year ended 31 March 2017

## 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.

### 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.

### Turnover

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

### Retirement Benefits

During the year, the Association alleviated any future pension risk by withdrawing from Strathclyde Pension Fund and giving employees the option of joining Social Housing Pension Scheme (SHPS). The assets of the scheme 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 2017

## 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 2017

## 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 group 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 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 2017

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

	Turnover	Operating costs	2017 Surplus	2016 Surplus/ Deficit
<b>Income and expenditure from lettings</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Social lettings	9,344	8,197	1,147	3,398
Other activities	362	401	(39)	(76)
Total	<u>9,706</u>	<u>8,598</u>	<u>1,108</u>	<u>3,322</u>
<b>2016</b>	<b><u>9,589</u></b>	<b><u>6,267</u></b>		<b><u>3,322</u></b>

# Notes to the financial statements (continued)

For year ended 31 March 2017

## 3a Particulars of Income and expenditure from social lettings

	General Needs Housing £000	Supported Housing £000	2017 Total £000	2016 Total £000
Rent Receivable net of Identifiable service charges	8,900	147	9,047	8,904
Service charges receivable	41	12	53	52
Gross income from rents and Service charges	8,941	159	9,100	8,956
LESS: Rent losses from voids	10	-	10	15
<b>Net income from rents and service charges</b>	<b>8,931</b>	159	<b>9,090</b>	8,941
<b>Grants released from deferred income</b>	<b>210</b>	1	<b>211</b>	236
<b>Revenue grants from Scottish Ministers</b>	-	-	-	-
<b>Other revenue grants</b>	<b>43</b>	-	<b>43</b>	42
<b>Total turnover from affordable lettings</b>	<b>9,184</b>	160	<b>9,344</b>	9,219
Management and maintenance admin costs	4,608	-	4,608	2,570
Service costs – landscape	416	-	416	412
Service costs – sheltered housing schemes	-	112	112	141
Planned and cyclical maintenance	711	6	717	720
Reactive maintenance	772	17	789	871
Bad debts – rent and service charges	(14)	-	(14)	(16)
Depreciation of affordable letting properties	1,113	12	1,125	1,123
Impairment of affordable letting properties	444	-	444	-
<b>Operating costs for affordable letting activities</b>	<b>8,050</b>	<b>147</b>	<b>8,197</b>	5,821
<b>Operating surplus on affordable letting Activities</b>	<b>1,134</b>	<b>13</b>	<b>1,147</b>	3,398
Operating surplus from letting activities for 2016	3,438	(40)		3,398

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £19,974 (2016 : £19,490).



## Notes to the financial statements (continued)

For year ended 31 March 2017

### 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	2017 Operating Surplus/ (Deficit) £000	2016 Operating Surplus / (Deficit) £000
Factoring	-	-	78	78	10	110	(42)	(79)
Investment Property activities	-	-	-	-	-	-	-	-
Aids and adaptations	153	-	-	153	-	153	-	-
Other activities	-	128	3	131	-	128	3	3
Total from other activities	153	128	81	362	10	391	(39)	(76)
2016	159	102	109	370	43	403		(76)

Other Revenue Grants includes restricted grant of £106,064 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 2017

## 4 Profit/ (loss) on sale of fixed assets

	2017 £000	2016 £000
Proceeds from sale of housing accommodation	41	216
Costs of disposal of housing accommodation	(32)	(160)
	<hr/> 9	<hr/> 56

## 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

	2017 £000	2016 £000
Emoluments of the Managing Director	48	79
Employers pension contributions for the Managing Director	8	14
Total emoluments of the Managing Director	<hr/> 56	<hr/> 93
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	<hr/> 75	<hr/> 79

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

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

	2017 £000	2016 £000
Aggregate consideration payable to third parties for services of key management personnel	86	-
Aggregate compensation payable to officers for loss of office	18	-
	<hr/>	<hr/>

# Notes to the financial statements (continued)

For year ended 31 March 2017

## 5 b Staff

	2017 Number	2016 Number
Average number of persons employed during this year		
Permanent	49	50
Temporary	6	8
Average number of full time equivalents employed during the year	<u>46.7</u>	<u>47.6</u>

## Staff Cost

	£000	£000
Wages and Salaries	1,467	1,424
Social Security Costs	127	91
Other Pension Costs	2,368	378
	<u>3,962</u>	<u>1,893</u>

## 6 Interest receivable and other income

	2017 £000	2016 £000
Bank interest receivable	3	4
Net returns less interest costs in respect of pension schemes	-	-
	<u>3</u>	<u>4</u>

## 7 Interest payable and similar charges

	2017 £000	2016 £000
On Bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	1,349	1,438
Net returns less interest costs in respect of pension schemes	-	89
	<u>1,349</u>	<u>1,527</u>

# Notes to the financial statements (continued)

For year ended 31 March 2017

## 8 Surplus on ordinary activities before taxation

	2017 £000	2016 £000
<b>Surplus on ordinary activities before taxation is stated after charging/(crediting):</b>		
Depreciation on tangible fixed assets	1,195	1,187
Auditors' remuneration:		
In their capacity of auditor	19	19
In respect of other services	-	-
Hire of equipment	5	8
	<hr/>	<hr/>

## 9 Tax on surplus on ordinary activities

	2017 £000	2016 £000
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	(229)	1,855
Expected tax charge	(46)	371
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	46	(371)
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 2017

## 10a Tangible fixed assets

	Housing Properties		
	Rental £000	Under Construction £000	Total £000
<b>Cost</b>			
At 1 April 2016	74,091	3,516	77,607
Additions	526	5	531
Schemes completed in the year	-	-	-
Impairment	(444)	-	(444)
Disposals	(53)	-	(53)
Reclassification	125	(125)	-
<b>At 31 March 2017</b>	<b>74,245</b>	<b>3,396</b>	<b>77,641</b>
Depreciation			
At 1 April 2016	11,892	-	11,892
Charge for the year	1,119	-	1,119
Disposals	(16)	-	(16)
<b>At 31 March 2017</b>	<b>12,995</b>	<b>-</b>	<b>12,995</b>
<b>Net book value at 31 March 2017</b>	<b>61,250</b>	<b>3,396</b>	<b>64,646</b>
Net book value at 31 March 2016	62,199	3,516	65,715

Improvements to existing properties consist of £655k (2015:£657) capitalised costs in addition to £343k (2015:£170k) non-capital improvements which have been charged to the statement of comprehensive income. The impairment loss recognised in the year relates to six properties where the carrying value prior to the impairment was £614k. This is the sole impairment loss recognised in the accounts.

## Notes to the financial statements (continued)

For year ended 31 March 2017

### 10b Tangible fixed assets (continued)

	Office Property & Tenant's Improvements £000	Furniture & Equipment £000	Plant & Machinery £000	Total £000
<b>Cost</b>				
At 1 April 2016	472	62	45	579
Additions	1	2	(4)	(1)
Disposals	-	(2)	-	(2)
<b>At 31 March 2017</b>	<b>473</b>	<b>62</b>	<b>41</b>	<b>576</b>
<b>Depreciation</b>				
At 1 April 2016	300	31	10	341
Charge for the year	45	12	13	70
Disposals	-	(2)	-	(2)
<b>At 31 March 2017</b>	<b>345</b>	<b>41</b>	<b>23</b>	<b>409</b>
<b>Net Book Value at 31 March 2017</b>	<b>128</b>	<b>21</b>	<b>18</b>	<b>167</b>
Net Book Value as 31 March 2016	172	31	35	238

# Notes to the financial statements (continued)

For year ended 31 March 2017

## 11 Debtors: amounts due within one year

	2017 £000	2016 £000
Rent Arrears	273	277
Bad Debt Provision	(301)	(360)
Other Debtors and Accrued Income	488	489
Housing Association Grant Receivable	-	-
	<hr/>	<hr/>
	460	406
	<hr/>	<hr/>

## 12 Cash and cash equivalents

	2017 £000	2016 £000
Short term money markets deposits	1,539	1,714
Cash at bank and in hand	352	461
	<hr/>	<hr/>
Cash at bank and in hand	1,891	2,175
	<hr/>	<hr/>

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 2017 the Association had £16 million (2016 : £13m) in undrawn loan facilities.

## 13 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Sundry Creditors	617	331
Rents in Advance	244	211
Accruals and Deferred Income	1,852	1,360
Other Taxes	2	40
Funding in advance	5	7
Amounts due to group undertakings	29	168
	<hr/>	<hr/>
	2,749	2,117
	<hr/>	<hr/>

# Notes to the financial statements (continued)

For year ended 31 March 2017

## 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

	2017 £000	2016 £000
two years or more but less than five years	-	-
five years or more	32,386	35,379
	<hr/>	<hr/>
	32,386	35,379
Pension Cessation Cost	2,618	-
Deferred Income – Grants	22,834	22,962
	<hr/>	<hr/>
	57,838	58,341
	<hr/>	<hr/>

The above figures includes a loan of £6.5 million from the Riverside Group Ltd. The above figures contain £113,897 of capitalised finance costs (2016 : £121,206). These are charged to income and expenditure over the term of the facility. The amount charged in 2017 was £7,309 (2016 : £7,309).

## 14b Deferred Income

	2017 £000	2016 £000
Grant at start of year	25,665	25,665
Received in year	84	-
Disposals	(1)	-
	<hr/>	<hr/>
	25,748	25,665
Amortisation at start of year	(2,703)	(2,482)
Released to income	(211)	(221)
Released to disposal	-	-
	<hr/>	<hr/>
	(2,914)	(2,703)
	<hr/>	<hr/>

## 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 2017.



# Notes to the financial statements (continued)

For year ended 31 March 2017

## 16 Related Party Transactions

The Riverside Group Ltd provides loan funding to the Association. Payments of £3m were made to The Riverside Group Ltd during the year and as disclosed in note 14, the balance outstanding to the Riverside Group Ltd at the year end was £6.5m (2015 : £9.5m)

During the year purchases from Thistle Housing Services Limited amounted to £nil (2016 : £nil). The balance outstanding to Thistle Housing Services Limited at the year end was £183 (2016 : £183). During the year sales to Thistle Housing Services Limited amounted to £nil (2016 : £nil). The balance outstanding from Thistle Housing Services Limited at the year end was £nil (2016 : £nil).

Various members of the Board and their relatives are tenants of the Association. Aggregate transactions in the year totalled £16k. 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

Until 31 March 2017, the association was an admitted body to the Strathclyde Pension Fund which is a defined benefit pensions scheme providing benefits on a final pensionable salary with the contribution rate payable by the Association set at 19.3% (2016 : 19.3%) of pensionable salaries. The admission agreement terminated on 31 March resulting in an exit cost of £3.368m. The pension liability of £1.27m which had been reported in 2016 has now been removed.

The Managing Director of the Association was an ordinary member of the pension scheme detailed above. No enhanced or special terms applied to membership and they had no other pension arrangements to which the Association contributes. The Association's contributions for the Managing Director in the year amounted to £8,450 (2016 : £13,988). The Association's contributions for the other Directors in the year amounted to £24,057 (2016 : £nil).

The Association also contributed to a defined contribution scheme during the accounting period. The defined contribution scheme is administered by Social Housing pension Scheme (SHPS) and was used as the vehicle 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%. Employees who were members of SPF have been given the opportunity to join SHPS on flexible contribution rates at 8% to 12% employer and 4% to 6% employee.

The total pension cost for the Association including the cost of exiting Strathclyde Pension Fund was £2,367,549 (2016 : £378,165). This includes £18,743 (2016 : £27,984) outstanding contributions at the balance sheet date.

# Notes to the financial statements (continued)

For year ended 31 March 2017

## 18 Share capital

Shares of £1 each, allotted, issued and fully paid	2017 £	2016 £
At 1 April	182	256
Issued during the year	2	3
Cancelled	(13)	(77)
At 31 March	<u>171</u>	<u>182</u>

Each member of the Association holds one 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.

## 19 Income and expenditure reserve

	General Reserve	Pension Reserve	2017 Total £000	2016 Total £000
At 1 April 2016	8,766	(1,270)	7,496	4,027
Surplus for the year	(1,499)	1,270	(229)	1,855
Actuarial gain/(loss)	-	-	-	1,614
At 31 March 2017	<u>7,267</u>	<u>-</u>	<u>7,267</u>	<u>7,496</u>

## 20 Housing stock

	2017	2016
The number of units of general needs accommodation in management at the beginning of the year	2,170	2,163
The number of units of supported housing accommodation in management at the beginning of the year	<u>41</u>	<u>41</u>
The total number of units in management at the beginning of the year	<u>2,211</u>	<u>2,204</u>
The number of units of general needs accommodation in management at the end of the year	2,168	2,170
The number of units of supported housing accommodation in management at the end of the year	<u>41</u>	<u>41</u>
The total number of units in management at the end of the year	<u>2,209</u>	<u>2,211</u>
The number of properties under construction at the year end was	<u>-</u>	<u>-</u>

Land held for development has been funded by Housing Association Grant

# Notes to the financial statements (continued)

For year ended 31 March 2017

## 21 Financial commitments

At 31 March 2017, the Association had total commitments under operating leases as follows

	2017 Land and Building £000	2017 Other £000	2016 Land and Building £000	2016 Other £000
Operating leases which expire				
Within one year	62	-	3	-
Within 2 to 5 years	13	7	129	13
After 5 years			-	-
	<u>75</u>	<u>7</u>	<u>132</u>	<u>13</u>

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

## 22 Capital commitments

	2017 £000	2016 £000
Future Capital Expenditure		
Authorised and contracted	-	-
Authorised but not yet contracted	13,670	-

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 2017

## 24 Notes to the cash flow statement

### Reconciliation of operating surplus to net cash inflow from operating activities

	2017 £000	2016 £000
Operating Surplus	1,108	3,322
Depreciation & Impairment	1,639	1,187
Amortisation of grant	(211)	(236)
Pension – FRS17 adjustment	(1270)	157
Amortisation of loan costs	-	-
(Increase) / Decrease in debtors	(76)	20
Increase / (Decrease) in creditors	3,280	164
	<hr/>	<hr/>
Net cash inflow from operating activities	4,470	4,614

### Analysis of net debt

	At 1 April 2016 £000	Non Cash Movement £000	Cash Flow £000	At 31 March 2017 £000
Cash at Bank and in hand	2,175	-	(284)	1,891
Debt due after one year	(35,379)	7	2,986	(32,386)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(33,204)	7	2,702	(30,495)

### Reconciliation of net cash flow to movement in net debt

	2017 £000	2016 £000
Increase/(decrease) in cash in the year	(284)	1,793
Cash inflow from increase in debt	2,986	1,736
Non cash movement - write off of arrangement fee relating to loans	7	7
	<hr/>	<hr/>
Movement in net debt in the year	2,709	3,536
	<hr/>	<hr/>
Net debt at 1 April 2016	(33,204)	(36,740)
	<hr/>	<hr/>
Net debt at 31 March 2017	(30,495)	(33,204)