

# Financial Statements

For the year ended 31 March 2018

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 2018

Irvine Housing Association

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# Board of Management and advisers

## **Board of Management:**

D McEachran, Chairman

C Bell

M Burgess

G Darroch

J Galbraith (appointed 15 August 2017)

F Garven \*

R Hill (appointed 19 September 2017)

C McGuinness (appointed 10 May 2018)

J Meek

J Murray

A Robertson (resigned 15 August 2017)

D Thornton (appointed 15 August 2017)

J Wood (resigned 9 May 2018)

\* Co-opted Board Member

## **Secretary:**

Paul Hillard

## **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, 2018.

## Principal activity

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

## Review of business and future developments

### Financial Strength

During the 2017/18 operating year, the Association has worked to increase efficiency to ensure it can continue to grow, and provide high quality services that meet the needs of our customers. The Statement of Comprehensive Income which is set out on page eight shows that an operating surplus of £3.6m was generated in the year. Turnover benefited from the receipt of grant funding in excess of £0.3m while, due to the lack of exceptional items in the year, operating costs are considerably lower than in the 2016/17 financial year. After accounting for interest and property sales, total comprehensive income for the year of £2.5m has been recorded. Overall reserves of £9.8m place us in a strong position and means we have capacity to pursue our ambition for growth.

### Review of activities

Key activities under taken by the Association during the year are noted below.

1. The Association commenced the implementation of a new operating model during 2017. The model will improve our customers experience and deliver increased operating efficiencies. The model is based on the use of self service options or The Riverside Group's customer services centre as the first point of contact for customers. In addition, the use of The Riverside Group's shared services for day to day processing tasks and income collection, enables empowered housing staff to target their resources towards those customers that need greater support and services to sustain their tenancies.
2. Moving to the implementation of the new model has required a number of major enabling projects. These have included a redesign and streamlining of the operational model, the implementation of a new housing IT system and a major learning and development programme.
3. The Association has already gained operational efficiencies from the implementation of the new operating model. Performance and customer service improvements are emerging. The consolidation, embedding and development of the new model will remain a priority for the Association for the coming period.
4. The operating efficiencies from the new model will assist in generating greater capacity in the Association's business plan. This capacity will be used to further improve operating margin, thereby improving long-term risk protection, to ensure long-term rent affordability, removing the need for above inflation rent increases in the plan and to meet the Association's development and growth aspirations.
5. The Association has implemented a new rent policy from April 2018. This policy will restructure the rents charged to customers meaning that they will be set in a way that is that is simple to understand, transparent and consistent. There was significant customer consultation on both the content of the policy and the options for its implementation. The implementation of the rent policy will be phased in order to try to reduce hardship by customers faced with larger increases as a consequence. The Association has also used its tenancy sustainment team, offering money advice and affordable warmth advice, to customers impacted by this process.
6. The Association is also preparing a major new build programme. This has commenced with a start on site with 87 new homes on the site at Tarryholme in Irvine. Further new build opportunities are being pursued across Ayrshire and Dumfries and Galloway.

### Board of management

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

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

# Report of the board of management (Continued)

## 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 FRS 102 *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;
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

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. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 in 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.

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, including in stressed situations, 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.

## Report of the board of management (Continued)

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  
25 July 2018

# Report of the independent Auditor

## to the members of Irvine Housing Association Limited

We have audited the financial statements of Irvine Housing Association Limited ("the association") for the year ended 31 March 2018 which comprise the Statement of comprehensive income, statement of changes in reserves, statement of financial position, statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2018 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The association's Board is responsible for the other information, which comprises the Report of the Board and the Statement on Internal Controls. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on page 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; or
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.
- We have nothing to report in these respects.

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

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.

We have nothing to report in these respects.

### Board's responsibilities

As more fully explained in their statement set out on page 5, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

# Report of the independent Auditor (continued)

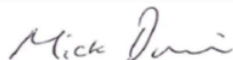
## **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **The purpose of our audit work and to whom we owe our responsibilities**

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 69 of the Housing (Scotland) Act 2010. 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.



**Mick Davies**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
1 St Peter's Square  
Manchester  
M2 3AE

7 August 2018



# Statement of comprehensive income

For year ended 31 March 2018

	Note	2018 £000	2017 £000
Turnover	2	9,933	9,706
Operating costs	2,5,17	(6,309)	(8,598)
<b>Operating surplus</b>	2	<b>3,624</b>	<b>1,108</b>
Gain on sale of fixed assets	4	181	9
Interest receivable and other income	6	1	3
Interest and financing cost	7	(1,335)	(1,349)
<b>Surplus before taxation</b>		<b>2,471</b>	<b>(229)</b>
Taxation	9	-	-
<b>Surplus for the year</b>	19	<b>2,471</b>	<b>(229)</b>
Total comprehensive income for the year		<b>2,471</b>	<b>(229)</b>

All of the above operations are continuing and comply with Housing SORP 2014 and FRS 102. The notes on pages 13 to 29 form part of these financial statements.

# Statement of changes in reserves

For year ended 31 March 2018

	Income and Expenditure Reserves				
	Share Capital £000	General reserve £000	Pension reserve £000	Total reserves £000	Unrestricted funds £000
Balance at 1 April 2017	-	7,267	-	7,267	7,267
Surplus from statement of comprehensive income	-	2,471	-	2,471	2,471
<b>Balance at 31 March 2018</b>	<b>-</b>	<b>9,738</b>	<b>-</b>	<b>9,738</b>	<b>9,738</b>

	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)
<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 2018

	Note	2018 £000	2017 £000
<b>FIXED ASSETS</b>			
<b>Tangible fixed assets</b>			
Housing properties	10a	64,581	64,646
Other tangible fixed assets	10b	102	167
		<hr/>	<hr/>
		64,683	64,813
Investments			
Net investment position - NSSE		690	690
		<hr/>	<hr/>
		65,373	65,503
<b>CURRENT ASSETS</b>			
Debtors	11	808	460
Cash and cash equivalents	12	1,968	1,891
		<hr/>	<hr/>
		2,776	2,351
<b>CREDITORS</b>			
Amounts falling due within one year	13	(3,433)	(2,749)
		<hr/>	<hr/>
<b>Net current assets/(liabilities)</b>		(657)	(398)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		64,716	65,105
<b>Creditors</b>			
Amounts falling due after more than one year	14	(54,978)	(57,838)
		<hr/>	<hr/>
<b>Total net assets</b>		9,738	7,267
		<hr/>	<hr/>
<b>RESERVES</b>			
General reserve	19	9,738	7,267
		<hr/>	<hr/>
Income and Expenditure reserves	19	9,738	7,267
		<hr/>	<hr/>
<b>TOTAL RESERVES</b>		9,738	7,267
		<hr/>	<hr/>

These financial statements were approved by the Board of Management on 27 June 2018, and were signed on its behalf by on 25 July 2018 by:



D McEachran  
CHAIRMAN



P Hillard  
SECRETARY



BOARD MEMBER

# Statement of cash flows

For year ended 31 March 2018

	Notes	2018 £000	2017 £000
<b>Net cash inflow from operating activities</b>	24	<b>4,719</b>	<b>4,470</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(1,025)	(461)
Proceeds from sale of tangible fixed assets		218	41
Interest received		1	3
		<b>(806)</b>	<b>(417)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(1,336)	(1,337)
New secured loans		-	379
Repayment of borrowings		(2,500)	(3,379)
		<b>(3,836)</b>	<b>(4,337)</b>
<b>Net change in cash and cash equivalents</b>		<b>77</b>	<b>(284)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,891</b>	<b>2,175</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>1,968</b>	<b>1,891</b>

# Notes to the financial statements

For year ended 31 March 2018

## 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

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 2018

## 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 2018

## 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 2018

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

	Turnover	Operating costs	2018 Surplus	2017 Surplus
<b>Income and expenditure from lettings</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Social lettings	9,582	5,866	3,716	1,147
Other activities	351	443	(92)	(39)
<b>Total</b>	<b>9,933</b>	<b>6,309</b>	<b>3,624</b>	<b>1,108</b>
2017	9,706	8,598	1,108	



# Notes to the financial statements (continued)

For year ended 31 March 2018

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

	General Needs Housing £000	Supported Housing £000	2018 Total £000	2017 Total £000
Rent Receivable net of Identifiable service charges	9,132	153	9,285	9,047
Service charges receivable	42	13	55	53
Gross income from rents and Service charges	9,174	166	9,340	9,100
Rent losses from voids	(10)	(1)	(11)	(10)
<b>Net income from rents and service charges</b>	<b>9,164</b>	<b>165</b>	<b>9,329</b>	<b>9,090</b>
Grants released from deferred income	209	1	210	211
Other revenue grants	43	-	43	43
<b>Total turnover from affordable lettings</b>	<b>9,416</b>	<b>166</b>	<b>9,582</b>	<b>9,344</b>
Management and maintenance admin costs	2,555	35	2,590	4,608
Service costs – landscape	352	-	352	416
Service costs – sheltered housing schemes	-	127	127	112
Planned and cyclical maintenance	761	6	767	717
Reactive maintenance	818	13	831	789
Bad debts – rent and service charges	47	-	47	(14)
Depreciation of affordable letting properties	1,140	12	1,152	1,125
Impairment of affordable letting properties	-	-	-	444
<b>Operating costs for affordable letting activities</b>	<b>5,673</b>	<b>193</b>	<b>5,866</b>	<b>8,197</b>
<b>Operating surplus on affordable letting Activities</b>	<b>3,743</b>	<b>(27)</b>	<b>3,716</b>	<b>1,147</b>
Operating surplus from letting activities for 2017	1,134	13	1,147	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £20.5k (2017 : £20.0k).

# Notes to the financial statements (continued)

For year ended 31 March 2018

## 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	2018 Operating Surplus/ (Deficit) £000	2017 Operating Surplus / (Deficit) £000
Factoring	-	-	74	74	19	111	(56)	(42)
Aids and adaptations	202	-	-	202	-	313	(111)	-
Other activities	-	72	3	75	-	-	75	3
<b>Total from other activities</b>	<b>202</b>	<b>72</b>	<b>77</b>	<b>351</b>	<b>19</b>	<b>424</b>	<b>(92)</b>	<b>(39)</b>
<b>Total from 2017</b>	<b>153</b>	<b>128</b>	<b>81</b>	<b>362</b>	<b>10</b>	<b>391</b>	<b>(39)</b>	

# Notes to the financial statements (continued)

For year ended 31 March 2018

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

	2018 £000	2017 £000
Proceeds from sale of housing accommodation	219	41
Costs of disposal of housing accommodation	(38)	(32)
	<u>181</u>	<u>9</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

	2018 £000	2017 £000
Emoluments of the Managing Director	97	48
Employers pension contributions for the Managing Director	10	8
	<u>107</u>	<u>56</u>
Total emoluments of the Managing Director		
	<u>107</u>	<u>56</u>
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	159	75
	<u>159</u>	<u>75</u>

The number of staff whose emoluments (excluding pension contributions) were within the following ranges was:

£60,000 to £69,999	1	-
£70,000 to £79,999	-	1
£80,000 to £89,999	-	-
£90,000 to £100,000	1	-
	<u>1</u>	<u>-</u>

	2018 £000	2017 £000
Aggregate consideration payable to third parties for services of key management personnel	34	86
Aggregate compensation payable to staff for loss of office	179	18
	<u>179</u>	<u>18</u>

## Notes to the financial statements (continued)

For year ended 31 March 2018

### 5 b Staff

	2018 Number	2017 Number
Average number of persons employed during this year		
Permanent	42	49
Temporary	2	6
Average number of full time equivalents employed during the year	39.33	46.7
<b>Staff Cost</b>		
	£000	£000
Wages and Salaries	1,398	1,467
Social Security Costs	122	127
Other Pension Costs	110	2,368
	1,630	3,962

## 6 Interest receivable and other income

	2018 £000	2017 £000
Bank interest receivable	1	3
	1	3

## 7 Interest payable and similar charges

	2018 £000	2017 £000
On Bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	1,335	1,349
	1,335	1,349

# Notes to the financial statements (continued)

For year ended 31 March 2018

## 8 Surplus on ordinary activities before taxation

	2018 £000	2017 £000
<b>Surplus on ordinary activities before taxation is stated after charging/(crediting):</b>		
Depreciation on tangible fixed assets	1,220	1,195
Auditors' remuneration:		
In their capacity of auditor	19	19
Hire of equipment	-	5
	<hr/>	<hr/>

## 9 Tax on surplus on ordinary activities

	2018 £000	2017 £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	2,470	(229)
Expected tax charge	469	(46)
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	(469)	46
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 2018

## 10a Tangible fixed assets

### Housing Properties

	Rental £000	Under Construction £000	Total £000
<b>Cost</b>			
At 1 April 2017	74,245	3,396	77,641
Additions	1,046	235	1,281
Disposals	(322)	-	(322)
Reclassification	-	(2)	(2)
<b>At 31 March 2018</b>	<b>74,969</b>	<b>3,629</b>	<b>78,598</b>
<b>Depreciation</b>			
At 1 April 2017	12,995	-	12,995
Charge for the year	1,137	-	1,137
Disposals	(115)	-	(115)
<b>At 31 March 2018</b>	<b>14,017</b>	<b>-</b>	<b>14,017</b>
<b>Net book value at 31 March 2018</b>	<b>60,952</b>	<b>3,628</b>	<b>64,581</b>
Net book value at 31 March 2017	61,250	3,396	64,646

Improvements to existing properties consist of £1m (2017 : £655k) capitalised costs in addition to £524k (2017 : £343k) non-capital improvements which have been charged to the statement of comprehensive income.

## Notes to the financial statements (continued)

For year ended 31 March 2018

### 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 2017	473	62	41	576
Additions	-	-	1	1
Disposals	-	(29)	(18)	(47)
<b>At 31 March 2018</b>	<b>473</b>	<b>33</b>	<b>24</b>	<b>530</b>
<b>Depreciation</b>				
At 1 April 2017	345	41	23	409
Charge for the year	44	12	10	66
Disposals	-	(29)	(18)	(47)
<b>At 31 March 2018</b>	<b>389</b>	<b>24</b>	<b>15</b>	<b>428</b>
<b>Net Book Value at 31 March 2018</b>	<b>84</b>	<b>9</b>	<b>9</b>	<b>102</b>
Net Book Value as 31 March 2017	128	21	18	167

# Notes to the financial statements (continued)

For year ended 31 March 2018

## 11 Debtors: amounts due within one year

	2018 £000	2017 £000
Rent Arrears	521	273
Bad Debt Provision	(342)	(301)
Other Debtors and Accrued Income	629	488
	<hr/> 808	<hr/> 460

## 12 Cash and cash equivalents

	2018 £000	2017 £000
Short term money markets deposits	1,626	1,539
Cash at bank and in hand	342	352
	<hr/> 1,968	<hr/> 1,891

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 2018 the Association has £18.5m (2016 : £16m) of undrawn loan facilities.

## 13 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Sundry Creditors	102	617
Rents in Advance	435	244
Accruals and Deferred Income	2,896	1,852
Other Taxes	8	2
Funding in advance	-	5
Amounts due to group undertakings	(8)	29
	<hr/> 3,433	<hr/> 2,749



# Notes to the financial statements (continued)

For year ended 31 March 2018

## 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

	2018 £000	2017 £000
two years or more but less than five years	-	-
five years or more	29,893	32,386
	<hr/> 29,893	<hr/> 32,386
Pension Cessation Cost	2,618	2,618
Deferred Income – Grants	22,467	22,834
	<hr/> 54,798	<hr/> 57,838

The above figures includes a loan of £4m from The Riverside Group Ltd. The above figures contain £107k of capitalised finance costs (2017 : £114k). These are charged to income and expenditure over the term of the facility. The amount charged in 2018 was £7k (2017 : £7k).

## 14a Deferred Income

	2018 £000	2017 £000
Grant at start of year	25,748	25,665
Received in year	-	84
Disposals	(177)	(1)
	<hr/> 25,571	<hr/> 25,748
Amortisation at start of year	(2,914)	(2,703)
Released to income	(210)	(211)
Released to disposal	20	-
	<hr/> (3,104)	<hr/> (2,914)

# Notes to the financial statements (continued)

For year ended 31 March 2018

## 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 2018.

## 16 Related Party Transactions

The Riverside Group Ltd provides loan funding to the Association. Payments of £2.5m 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 £4m (2017 : £6.5m)

During the year purchases from Thistle Housing Services Limited amounted to £nil (2017 : £nil). The balance outstanding to Thistle Housing Services Limited at the year end was £183 (2017 : £183). During the year sales to Thistle Housing Services Limited amounted to £nil (2017 : £nil). The balance outstanding from Thistle Housing Services Limited at the year end was £nil (2017 : £nil).

Various members of the Board and their relatives are tenants of the Association. Aggregate transactions in the year totalled £12.4k. 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 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 Strathclyde Pension Fund 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 was £110k (2017 : £2,368k).

# Notes to the financial statements (continued)

For year ended 31 March 2018

## 18 Share capital

Shares of £1 each, allotted, issued and fully paid	2018 £	2017 £
At 1 April	171	182
Issued during the year	3	2
Cancelled	(42)	(13)
At 31 March	132	171

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	2018 Total £000	2017 Total £000
At 1 April 2017	7,267	7,267	7,496
Surplus for the year	2,471	2,471	(229)
Actuarial gain/(loss)	-	-	-
At 31 March 2018	9,738	9,738	7,267

## 20 Housing stock

	2018	2017
The number of units of general needs accommodation in management at the beginning of the year	2,168	2,170
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	2,209	2,211
The number of units of general needs accommodation in management at the end of the year	2,160	2,168
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	2,201	2,209
The number of properties under construction at the year end was	-	-

Land held for development has been funded by Housing Association Grant

# Notes to the financial statements (continued)

For year ended 31 March 2018

## 21 Financial commitments

At 31 March 2018, the Association had total commitments under operating leases as follows

	2018 Land and Building £000	2018 Other £000	2017 Land and Building £000	2017 Other £000
Operating leases which expire				
Within one year	4	2	62	-
Within 2 to 5 years	4	-	13	7
	<u>8</u>	<u>2</u>	<u>75</u>	<u>7</u>

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

## 22 Capital commitments

	2018 £000	2017 £000
Future Capital Expenditure		
Authorised and contracted	13,339	-
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 2018

## 24 Notes to the cash flow statement

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

	2018 £000	2017 £000
Operating Surplus	3,624	1,108
Depreciation & Impairment	1,220	1,639
Amortisation of grant	(210)	(211)
Pension – FRS17 adjustment	-	(1270)
(Increase) / Decrease in debtors	(589)	(76)
Increase / (Decrease) in creditors	674	3,280
	<hr/>	<hr/>
Net cash inflow from operating activities	4,719	4,470

### Analysis of net debt

	At 1 April 2017 £000	Non Cash Movement £000	Cash Flow £000	At 31 March 2018 £000
Cash at Bank and in hand	1,891	-	77	1,968
Debt due after one year	(32,386)	7	2,486	(29,893)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(30,495)	7	2,563	(27,925)

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

	2018 £000	2017 £000
Increase/(decrease) in cash in the year	77	(284)
Cash inflow from increase in debt	2,486	2,986
Non cash movement - write off of arrangement fee relating to loans	7	7
	<hr/>	<hr/>
Movement in net debt in the year	2,570	2,709
	<hr/>	<hr/>
Net debt at 1 April 2017	(30,495)	(33,204)
	<hr/>	<hr/>
Net debt at 31 March 2018	(27,925)	(30,495)

