

INNISFREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended

31 MARCH 2011

INNISFREE HOUSING ASSOCIATION LIMITED

BOARD

Sinéad McQuillan CHAIR
Peter Kerr TREASURER
Sean Baine
Annette Beckett
David Blackburn
Bernadette Gallagher
Terry Jones
Ruairí McCourt
Anne McLoughlin-Flynn
Antoine Pesenti
Barbara Regnier
George Sheerin
Carole Smith

CHIEF EXECUTIVE

Clare Winstanley

SECRETARY

Liam O'Shaughnessy

BANKERS

Barclays Bank
28 Hampstead High Street
Hampstead
London NW3 1QB

AUDITORS

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

REGISTERED OFFICE

190 Iverson Road
London NW6 2HL

STATUTORY REGISTRATIONS

Industrial and Provident Societies Act
No. 24847

Registered Housing Association
No. LH3829

CONTENTS	Pages
Board Report	4 –10
Statement of Board’s Responsibilities	11
Auditors’ Report on Financial Statements	12-13
Income and Expenditure Account	14
Balance Sheet	15
Cash Flow Statement and related notes	16 – 17
Notes to the Financial Statements	18 – 32

INNISFREE HOUSING ASSOCIATION LIMITED

BOARD REPORT

Principal Activities

The principal activity of Innisfree Housing Association is the provision and management of housing and appropriate support services for people in need. Our main client group is the Irish community many of whose needs continue to be overlooked by major providers.

Review of results

Innisfree's surplus for the year is £ 566,699.

Some of the main achievements in the last year were

- Excellent reviews of our *Supporting People* services
- A spend of £844K on maintaining our properties
- Occupancy rate above 99%, rent collection rate 100%
- Stock condition survey carried out during year
- All properties complying with Decent Homes Standard on 31st March 2011
- Very good progress with our Tenant Involvement Action Plan, notably the formation of the Tenant Scrutiny Panel
- Maintaining high performance on key PIs
- Excellent partnership working with various colleagues in the sector
- The recruitment of a number of talented new board members

Board & Committees

The Board of Management consists of 13 members, one of whom is a tenant. They are listed on page 2. Twelve of them are also fully paid shareholding members of the association. Board members are non-executive and, for legal purposes, are regarded as directors. Geraldine Gordon and John Goodfellow resigned from the Board since the last report. The Board expresses its thanks for their contribution to Innisfree. Sean Baine, Anne McLoughlin-Flynn and Antoine Pesenti joined the Board during the year.

The Board is supported by four sub committees which include a majority of Board members as well as a number of co-optees.

The Finance Committee met on four occasions during 2010-2011. It scrutinises and monitors the financial health of the Association and considers recommendations for new borrowings and investment proposals as well as monitoring treasury functions. The Finance Committee also reviews the annual financial statements prior to Board approval and considers the association's budgets, business plans and long-term financial position.

The Audit & Risk Management Committee met three times during the year. Its main duties are considering the Association's internal controls and advising the Board on the content of its annual statement of internal control, receiving reports on any significant control failures, and overseeing and approving the risk management framework and process.

The Housing Services Committee met four times during the year. It scrutinises performance information on all the main areas of service delivery covered by housing management & maintenance. It reviews policy papers prior to submission to the Board for approval including rent arrears, allocations and anti-social behaviour.

The Staffing and Remuneration Panel met four times during the year. Its main responsibility is to review salaries and remuneration of staff on an annual basis and to advise the Board on employment matters and changes to the establishment. It also has responsibility for board appraisal and recruitment.

INNISFREE HOUSING ASSOCIATION LIMITED

Corporate Governance

Innisfree complies with *Excellence in governance*, the NHF's code for members, revised in July 2010. Innisfree endorses the spirit and intention of the NHF's other Codes for members, *Standards of Conduct* and *Service delivery & accountability* and complies with their guidance in all major respects.

Innisfree was one of only a small number of associations in the country to have a top green light from the Housing Corporation for governance, as indicated in its final HCA. A major review of governance was carried out in 2008 by an external consultant. It found that Innisfree had a:

- skilled and knowledgeable board which is providing strong leadership and effective control of the association in its work with the Irish community in London;
- strong committee system which in a well managed and organised way is ensuring that all aspects of the Association's performance are effectively scrutinised;
- comprehensive and well presented set of governance policies and procedures which comply with the NHF's Codes;
- highly motivated and skilled staff and senior management team providing an excellent service to the board, its committees and the residents of the association.

A further review of governance policies by our solicitors was carried out in June 2010 to ensure that we remain compliant with the law following the demise of Schedule 1 to the Housing Act 1996 and its associated guidance.

Board members carry out an annual self-appraisal. This has three purposes: to examine attendance, to assess members' contributions and to ensure that, between them, members have the necessary skills to direct the association. The Staffing & Remuneration Panel has introduced regular meeting reviews to which all members are expected to contribute.

Associations are expected to report annually on:-

- the obligations of board members;
- the required skills, qualities and experience of board members &
- the details of our policy for admitting new shareholders.

These are set out in summary below. More details can be supplied on request.

Board members are expected to act in the best interests of the Association and to adopt the highest standards of probity, integrity and good behaviour when representing Innisfree. They are expected to attend meetings and other functions as required, to read reports and to contribute to the effective control of the Association. They are expected to commit themselves to the shared values on Innisfree.

Board members are also expected to have an understanding of the issues facing Irish immigrants and, collectively, to contribute to the wide knowledge and experience necessary to fulfil the regulator's performance standards.

Shareholding membership is open to residents, partners and those living and working in the communities it serves who have an interest in and commitment to the Association's work and to the needs of the Irish community in London.

INNISFREE HOUSING ASSOCIATION LIMITED

Senior Management Team

This comprises Chief Executive, Finance Director, Director of Housing, Technical Services Director and Office Services Manager. The members of the Senior Management Team act as the executive officers within the authority delegated to them by the Board of Management. Together, they have completed nearly 50 years' service with the Association.

Tenant involvement

Innisfree HA places considerable importance on encouraging our tenants to participate in its work through a range of initiatives. We published our first Tenant Involvement Plan in February 2005 and this plan has been updated five times in consultation with tenants to ensure it remains relevant to their needs. The Plan clearly outlines our commitment to Tenant Involvement including:

- Reserving places for tenants on our Board and Sub Committees
- Appointing "tenant block monitors" to help us monitor cleaning and repair services
- Holding Block Meetings with tenants to discuss issues of interest or concern
- Involving tenants in reviews of services and policies
- Holding focus group meetings to discuss specific issues
- Holding a Supported Housing Tenant Forum
- Carrying out Tenant Surveys
- Holding regular social, Irish focused events
- Holding events for partner agencies to improve liaison and networking for the benefit of tenants.
- Produced Annual Report to Tenants 2010

We established a Tenant Scrutiny Panel a year ago and this is functioning well, with representatives from our general needs properties, sheltered housing and supported housing. The Panel's main remit is to ensure compliance with the TSA's six main Standards, to work with officers to develop a "local offer" and to develop an annual report for tenants.

Equality & Human Rights in service delivery and employment

Innisfree actively promotes equality of opportunity and access in respect of service delivery and employment. The Association regularly reviews its policies, procedures and practices to ensure fairness. Our policies and practices reflect the needs of our primary client group, the Irish community. Evidence shows that Irish people continue to suffer inequality and have unmet needs so we are committed to positive action to redress the imbalance. In this respect, our policy on equality fits around our core mission to address Irish housing and support needs. Staff and Board members are expected to support and positively promote the Association's equality & diversity policy. It is a condition of service for all staff and a requirement for all Board members that they implement this policy.

We are reviewing all our policies to ensure compliance with the Human Rights Act and the Equality Act 2010, in particular to ensure we meet all aspects of the public sector equality duty.

Health & Safety

The Board acknowledges its duty of care to its employees, tenants and residents in respect of all matters relating to health, safety and the environment. A senior member of staff, reporting to the Chief Executive, regularly reviews and updates relevant policies and procedures, supervises risk assessments and ensures that staff are provided with training and support on health & safety issues.

INNISFREE HOUSING ASSOCIATION LIMITED

Insurance

Insurance policies are maintained by the association for members of the Board and the Senior Management Team against liabilities in relation to the Association.

Internal Controls

1 The Board of Innisfree has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

2 The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

3 In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed and is consistent with Turnbull principles as incorporated in Housing Corporation Circular 07/07: *Internal controls assurance*.

4 The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

4.1 Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Association's activities. This is reported regularly to the Board. The senior management team regularly considers significant risks facing the Association and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

4.2 Monitoring and corrective action

A process of control, self-assessment and regular management reporting on control issues provides assurance to management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

4.3 Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Board has adopted, and disseminated to all members and employees, the NHF's Code of Governance reviewed in July 2010. This sets out the Association's position with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection. A complete review of governance was carried out by an independent consultant during 2007/08. A further review was carried out in June 2010.

INNISFREE HOUSING ASSOCIATION LIMITED

4.4 *Information and financial reporting systems*

Financial reporting procedures include detailed budgets for the year ahead, cash flow projections and forecasts for subsequent years and a 10 year Business Plan. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

4.5 *Procedures for managing the risk of fraud*

4.5.1 Innisfree has a very full set of policies and procedures which contribute to our approach to safeguarding the Association against all forms of risk, including fraud and corruption. These include:-

- Code of Governance (Accountability Statement)
- Code of Conduct
- Data Protection policy
- Delegated Powers
- Disciplinary Policy
- Financial procedures
- IT Policy
- Recruitment Policy
- Risk Strategy
- Tender procedure
- Treasury Management Policy
- Whistle-blowing (Confidential Reporting) Policy

All policies are reviewed at least every three years, some are reviewed annually. The Code of Conduct, as well as copious guidance from the Tenant Services Authority and its predecessor, the Housing Corporation, sets out plainly the rules for the acceptance of gifts and hospitality as well as the use of approved contractors and consultants.

4.5.2 There are clear terms of reference for the board and all committees. In addition, members have a role description and person specification and all new board members sign an undertaking on election (or re-election) to the board. These are all reviewed regularly. All meetings are formally minuted.

4.5.3 All staff and board members complete a declaration of interest form every year and there is an agenda item at all board and committee meetings to allow anyone to make a declaration of interest in respect of a particular item.

4.5.4 All staff members are subject to checks by the Criminal Records Bureau (CRB) and no-one is employed, even on a temporary basis, without a clear check.

4.5.5 The Association has fidelity insurance to protect against potential fraud.

4.5.6 Outside firms are employed to carry out both External and Internal Audit and their reports are scrutinised carefully by members, with regular monitoring of any outstanding items.

4.5.7 There is clear segregation of duties on areas involving the award of contracts and payments to suppliers and staff.

4.5.8 Proper authorisation procedures are in place, ensuring that transactions are approved by a number of people.

INNISFREE HOUSING ASSOCIATION LIMITED

4.5.9 Independent monitoring and checking of data and documentation takes place.

4.5.10 The Audit & Risk Management Committee meets three times a year and oversees all areas of risk, including reviewing the main areas of risk at every meeting. There is a standing agenda item for the reporting of suspected fraud.

5. The Audit & Risk Management Committee has specific responsibility for overseeing the internal controls and the risk management framework.

6 The internal control framework and the risk management process are subject to regular review by a national firm of accountants (acting as internal auditors) who are responsible for providing independent assurance to the Board.

7 The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the association. This process has been in place throughout the year under review, up to the date of this report, and is reviewed regularly by the Board.

Maintenance and Repairs

All Innisfree properties complied with the Decent Homes Standard on 31st March 2011. Innisfree invested £844,284 during the year on both maintenance and improvements to homes to ensure they remain desirable places for people to live and to increase tenant satisfaction. A stock condition survey was completed during 2010/11.

Risk Management

The Board has a comprehensive corporate strategy for the Association. This strategy document is a vital part of the business planning process. The corporate strategy which runs from 2009 to 2014 was substantially revised during 2008/09.

Senior managers have a clear responsibility for identifying risks in respect of areas in which they operate and for ensuring appropriate procedures are in place to both mitigate and monitor these risks. The Association has a risk management framework and key risks are subject to continuous review by senior managers and by the Audit & Risk Management Committee at each meeting. These were last reviewed in January 2011. The Association's approach to risk was reviewed by our Internal Auditors, Beaver & Struthers, in December 2009 and deemed to be robust.

Treasury

The Board has overall responsibility for treasury matters. The Finance Committee meets four times a year and oversees all areas of treasury management. As an additional measure, the Board has formed a Treasury Management Panel capable of meeting at short notice. It consists of six named members, any three of whom are sufficient for a quorum. This Panel is empowered by the Board to make decisions relating to treasury management such as whether or not to fix interest rates. The Treasury Management Policy has been reviewed and has been made more user-friendly, enabling non finance experts to have a better understanding of the detail.

There were no instances of breach of loan covenants during the year. Innisfree's properties are funded by a combination of Social Housing Grant, Loans and Innisfree's reserves.

INNISFREE HOUSING ASSOCIATION LIMITED

Annual General Meeting

The Association's annual general meeting will be held on 6th September 2011 at the Corrib Rest, 82 Salusbury Road, London NW6 6PA.

Auditors

PKF (UK) LLP, have expressed a willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.



Sinéad McQuillan
Chair

26 July 2011

INNISFREE HOUSING ASSOCIATION LIMITED

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Board is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Industrial and Provident Societies Acts and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period. In preparing these financial statements the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Accounting Requirements for Registered Social Landlords Determination 2006 and any other measures required by the Regulator. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

INNISFREE HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO INNISFREE HOUSING ASSOCIATION

We have audited the financial statements Innisfree Housing Association ("the Association") for the year ended 31 March 2011 which comprise the income and expenditure account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association in accordance with section 9(1) of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the society 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 explained more fully in the statement of the Board's responsibilities, the Board are responsible for the preparation of the 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board's Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

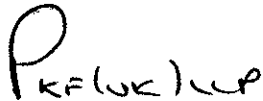
- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

INNISFREE HOUSING ASSOCIATION LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 or the Housing and Regeneration Act 2008 require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Association has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



PKF (UK) LLP
Statutory auditor
London, UK

28 JULY 2011

INNISFREE HOUSING ASSOCIATION LIMITED**INCOME AND EXPENDITURE ACCOUNT for the year ended 31 MARCH 2011**

	Notes	2011 £	2010 £
Turnover	2	3,329,853	3,324,902
Operating costs	2	(2,212,506)	(2,129,682)
		<hr/>	<hr/>
Operating surplus		1,117,347	1,195,220
Other interest receivable and similar income	6	1,955	2,857
Interest payable and similar charges	7	(552,603)	(581,469)
		<hr/>	<hr/>
Surplus for the year	8	566,699	616,608
Income and expenditure account at beginning of the year	15	4,961,589	4,344,981
		<hr/>	<hr/>
Income and expenditure account carried forward		5,528,288	4,961,589
		<hr/>	<hr/>

All the above results were derived from continuing business during the above two years. There are no recognised gains or losses other than the surplus for either period. All amounts are included at historic costs.

INNISFREE HOUSING ASSOCIATION LIMITED

BALANCE SHEET as at 31 MARCH 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible assets:			
Housing properties : cost less depreciation		56,348,776	56,389,099
Social Housing Grant		(38,437,760)	(38,437,760)
	9	17,911,016	17,951,339
Other tangible fixed assets	10	78,577	77,833
		17,989,593	18,029,172
Current assets			
Debtors	11	217,641	245,315
Cash at bank and in hand		1,624,930	1,061,110
		1,842,571	1,306,425
Creditors: Amounts falling due within one year	12	(980,163)	(931,668)
Net current assets		862,408	374,757
Total assets less current liabilities		18,852,001	18,403,929
Creditors: Amounts falling due after more than one year	13	13,323,675	13,442,305
Capital and reserves			
Non equity share capital	14	38	35
Income and expenditure account	15	5,528,288	4,961,589
		5,528,326	4,961,624
		18,852,001	18,403,929

The financial statements were approved by the Board and authorised for issue on 26th July 2011 and signed on their behalf by:

Peter Kerr



Board member

Sinead McQuillan



Board member

Liam O'Shaughnessy



Secretary

INNISFREE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT for the year ended 31 MARCH 2011

	Notes	2011 £	2010 £
Net cash inflow from operating activities	1	1,386,127	1,377,919
Returns on investments and servicing of finance			
Interest received		1,799	2,857
Interest paid		(601,603)	(583,719)
Share capital issued		5	2
Net cash outflow from returns on investments and servicing of finance		(599,799)	(580,860)
Capital expenditure			
Acquisition and construction of housing properties		(62,067)	(8,631,427)
Purchase of other tangible fixed assets		(41,811)	(51,571)
Social Housing Grant received		-	4,062,510
Net cash (outflow) from capital expenditure and financial investment		(103,878)	(4,620,488)
Net cash (outflow)/inflow before management of liquid resources and financing	2	682,450	(3,823,429)
Management of liquid resources			
Decrease in cash on greater than 24 hour deposit	2	-	-
Financing			
Housing loans received		-	-
Housing loans repaid		(118,630)	(104,996)
Net cash (outflow)/inflow from financing	2	(118,630)	(104,996)
(Decrease)/Increase in cash	2	563,820	(3,928,425)

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE CASH FLOW STATEMENT for the year ended 31 MARCH 2011

1. Reconciliation of operating surplus to net cash inflow from operating activities	2011	2010	
	£	£	
Operating surplus	1,117,347	1,195,220	
Depreciation charges	143,455	138,646	
Decrease/(Increase) in debtors	27,830	17,203	
Increase in creditors excluding interest accruals	97,495	26,850	
	<hr/>	<hr/>	
Net cash inflow from operating activities	1,386,127	1,377,919	
	<hr/>	<hr/>	
	31 March	31 March	
	2010	2011	
	£	£	
	Cash flows		
	£	£	
2. Analysis of changes in net debt			
Cash	1,061,110	563,820	1,624,930
Cash deposits not available at 24 hour notice	-	-	-
	<hr/>	<hr/>	<hr/>
Cash at bank and in hand per balance sheet (page 14)	1,061,110	563,820	1,624,930
Debt due after more than one year	(13,442,305)	118,630	(13,323,675)
	<hr/>	<hr/>	<hr/>
Net total	(12,381,195)	682,450	(11,698,745)
	<hr/>	<hr/>	<hr/>

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the accounts of the Association.

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, with special regard to the Statement of Recommended Practice "Accounting by Registered Housing Associations" (updated 2008) and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006 ("the Determination").

Tangible fixed assets and depreciation

Housing properties are stated at cost less SHG less depreciation and less provision for any impairment in value. An impairment review is carried out annually and if any housing property has suffered a diminution in value due to impairment full provision is made. There was no diminution due to impairment in 2009/10.

Freehold and long leasehold housing buildings are depreciated on a straight line basis over 125 years, or over the remaining term of the lease if less than 125 years. Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost less provision for any impairment to that value.

Other fixed assets are included at cost to the Association (i.e. net of any related grants) less depreciation, which is provided on a straight line basis on the net cost over the periods shown below:

Leasehold improvements	over the life of the lease
Computer equipment	25% straight line
Office furniture and equipment	25% straight line
Supported housing furniture and equipment	25% straight line

Social housing grant

Social housing grant (SHG) is recognised when receivable. Where developments have been financed wholly or partly by SHG the cost of those developments has been reduced by the amount of the grant received.

Where SHG is received on items treated as revenue expenditure, eg: elements of major repair expenditure, it is treated as a revenue grant and credited to the income and expenditure account. SHG receivable in excess of the cost to date of schemes in the course of construction is included in current liabilities as SHG in advance.

If housing properties are disposed of, Social Housing Grants are repayable to the Housing Community Agency or held as a creditor pending recycling into another scheme, under most circumstances.

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (Continued)

1 Accounting policies (Continued)

Supporting people grant accounting policy

The turnover includes Supporting People grant income received from administering authorities, plus support charges to individual tenants. The related expenditure is included in operating cost. When accounted for as part of letting activities, the income is shown as 'supporting people' and the related costs are shown as 'support' in expenditure on lettings activities.

Finance costs

Finance costs on a mortgage loan financing a development are capitalised up to the date of practical completion of the scheme. Finance costs are allocated to periods over the term of the debt at a constant rate on the carrying amount.

Cyclical maintenance and internal decorations

The costs of repairs, cyclical maintenance and internal decorations are recognised when work is performed.

Restricted funds

Where funds are received or generated which are held for use limited by restrictions determined by third parties, these are shown as restricted reserves.

Turnover

Turnover comprises rental income, revenue grants, supporting people income and income from service charges. All income is recognised on a receivable basis.

Operating leases

Rental costs under operating leases are charged to the income and expenditure account in equal annual amounts over the period of the lease.

Managed projects

The income collectable and expenditure incurred by Innisfree relating to projects managed by Innisfree but owned by other associations is accounted for by Innisfree.

Major repairs

The Association capitalises expenditure on housing properties which adds commensurately to the value of the property on an existing use basis. All other major repair expenditure is charged to the income and expenditure account.

Taxation

The Association has charitable status and is therefore not subject to Corporation Tax on surpluses derived from charitable activities.

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (Continued)

Pension costs

The Association participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme. Due to the nature of the scheme, the profit and loss account charge for the period under FRS17 represents the employer contribution payable.

2 Turnover and surplus analysis

All turnover and operating costs arose from social housing activities as shown.

	Year ended 31 March 2011		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£	£	£
Social housing activities:			
Lettings	3,041,924	(1,926,552)	1,115,372
Other social housing activities:			
Supporting People contract income	261,968	(259,993)	1,975
Major Repairs			
Social Housing Grant	25,961	(25,961)	-
Total	3,329,853	(2,212,506)	1,117,347
	Year ended 31 March 2010		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£	£	£
Social housing activities:			
Lettings	2,989,561	(1,798,882)	1,190,679
Other social housing activities:			
Supporting People contract income	268,341	(271,075)	(2,734)
Development Income			
Social Housing Grant	67,000	(59,725)	7,275
Total	3,324,902	(2,129,682)	1,195,220

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

3 Income and expenditure from lettings

	General needs housing £	Supported housing £	2011 Total £	2010 Total £
Income from lettings				
Rent receivable	2,495,860	245,467	2,741,327	2,702,591
Service charges receivable	158,305	80,642	238,947	220,126
Charges for support services	-	48,387	48,387	47,248
Net rental Income	2,654,165	374,496	3,028,661	2,969,965
Other income	12,373	890	13,263	19,596
Total turnover from social housing lettings	2,666,538	375,386	3,041,924	2,989,561
Expenditure on letting activities				
Management	589,359	170,385	759,744	651,747
Services	140,298	55,792	196,090	219,667
Support services	-	47,593	47,593	45,659
Routine maintenance	363,992	24,308	388,300	380,057
Planned maintenance	389,359	40,664	430,023	374,926
Rent losses from bad debts	(3,092)	(252)	(3,344)	18,726
Depreciation of housing properties	100,458	1,931	102,389	101,892
Other	5,757	-	5,757	6,198
Total expenditure on social housing lettings	1,586,131	340,421	1,926,552	1,798,882
Operating surplus on social housing lettings before interest	1,080,407	34,965	1,115,372	1,190,679
Rent losses from voids	(12,860)	(15,280)	(28,140)	(29,216)

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the YEAR ENDED 31 MARCH 2011 (Continued)

4 Emoluments of the Chief Executive and senior management team

	2011	2010
	£	£
The emoluments of the Chief Executive and senior management team were:		
Gross salary	279,264	267,690
Social security costs	26,659	25,535
Employer's pension contributions	36,969	36,868
	<hr/>	<hr/>
	342,892	330,093
	<hr/>	<hr/>
	£	£
Highest paid director		
Aggregate emoluments	73,570	72,468
Company pension contributions	11,267	10,218
	<hr/>	<hr/>
	84,837	82,686
	<hr/>	<hr/>
	£	£
The total expenses reimbursed to the Board not chargeable to United Kingdom income tax was:	1,146	1,101
	<hr/>	<hr/>

The chief executive is a member of the company pension scheme, on standard terms.

5 Employee information

The average monthly number of persons (excluding Board members) employed during the year was:

	2011	2010
	No.	No.
Office staff (full time equivalents)	19	19
	<hr/>	<hr/>
Total number	23	23
	<hr/>	<hr/>

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (Continued)

5	Employee information (continued)	2011	2010
		£	£
	Staff costs (including the Chief Executive)		
	Wages and salaries	666,868	654,899
	Social security	57,400	56,928
	Pension costs	69,804	64,193
		<hr/>	<hr/>
		794,072	776,020
		<hr/>	<hr/>
6	Other interest receivable and similar income	2011	2010
		£	£
	Bank interest receivable	1,955	2,857
		<hr/>	<hr/>
7	Interest payable and similar charges	2011	2010
		£	£
	On housing loans repayable in more than five years	534,603	565,600
	Other interest payable (to partner Housing Associations)	18,000	15,869
		<hr/>	<hr/>
		552,603	581,469
		<hr/>	<hr/>
8	Surplus for the year	2011	2010
		£	£
	The surplus is stated after charging:		
	Depreciation of tangible fixed assets		
	- housing properties	102,389	101,892
	- other fixed assets	41,066	36,754
	Auditors' remuneration (including VAT)		
	- as auditors	14,580	13,600
	Operating lease charges	47,500	47,500
		<hr/>	<hr/>

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (Continued)

9 Housing properties	Freehold housing properties held for letting £	Long leasehold housing properties £	Total £
Cost			
At 1 April 2010	36,640,438	20,291,007	56,931,445
Additions	62,066	-	62,066
At 31 March 2011	36,702,504	20,291,007	56,993,511
Social Housing Grant			
At 1 April 2010	24,495,387	13,942,373	38,437,760
Additions	-	-	-
At 31 March 2011	24,495,387	13,942,373	38,437,760
Depreciation			
As at 1 April 2010	381,921	160,425	542,346
Charge for the year	65,722	36,667	102,389
At 31 March 2011	447,643	197,092	644,735
Net book value			
At 31 March 2011	11,759,474	6,151,542	17,911,016
At 31 March 2010	11,763,130	6,188,209	17,951,339

Cost of housing properties includes £nil (2010: £nil) of capitalised interest. Development administration costs of £nil (2010: £nil) have been capitalised during the period.

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (Continued)

10 Other fixed assets

	Leasehold improvements £	Computer equipment £	Office furniture and equipment £	Housing furniture and equipment £	Total £
Cost					
At 1 April 2010	18,257	73,202	116,844	90,720	299,023
Additions	2,065	9,019	3,102	27,624	41,810
Disposals	-	(7,419)	(653)	(1,074)	(9,146)
At 31 March 2011	20,322	74,802	119,293	117,270	331,687
Grant					
At 1 April 2010	-	-	6,900	20,749	27,649
At 31 March 2011	-	-	6,900	20,749	27,649
Depreciation					
At 1 April 2010	15,816	61,123	83,001	33,601	193,641
Charge for year	2,320	8,618	9,470	20,658	41,066
Disposals	-	(7,419)	(653)	(1,074)	(9,146)
At 31 March 2011	18,136	62,322	91,818	53,185	225,461
Net book value					
At 31 March 2011	2,186	12,480	20,575	43,336	78,577
At 31 March 2010	2,441	12,079	26,943	36,370	77,833

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (Continued)

11	Debtors	2011	2010
		£	£
	Rental debtors	190,337	207,804
	Less provision for bad debts	(60,000)	(73,000)
		<hr/>	<hr/>
		130,337	134,804
	Other debtors	6,573	11,297
	Prepayments and accrued income	80,731	99,214
		<hr/>	<hr/>
		217,641	245,315
		<hr/>	<hr/>
12	Creditors: Amounts falling due within one year	2011	2010
		£	£
	Other creditors	157,170	79,928
	Tax and Social Security	16,350	-
	Rent in advance	50,627	53,733
	Accruals and deferred income	618,968	661,959
	Loans repayable	137,048	136,048
		<hr/>	<hr/>
		980,163	931,668
		<hr/>	<hr/>
13	Creditors: Amounts falling due after more than one year	2011	2010
		£	£
	By instalments in less than five years	681,960	677,960
	By instalments in five years or more	9,656,931	9,780,648
	Otherwise than by instalments	2,984,784	2,983,697
		<hr/>	<hr/>
		13,323,675	13,442,305
		<hr/>	<hr/>
		£	£
	Sources of finance		
	The Housing Finance Corporation Limited	2,984,784	2,983,697
	Orchardbrook Limited	728,505	744,420
	Dexia Public Finance Bank	9,747,434	9,850,235
		<hr/>	<hr/>
		13,460,723	13,578,352
		<hr/>	<hr/>

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (Continued)

13 Creditors: Amounts falling due after more than one year (Continued)

Orchardbrook Limited loans are secured by fixed charges on the Association's housing properties and are repayable in instalments at rates of interest varying from 9.34% to 11.5%. The loan will be fully repaid by 2026.

The loan from the Housing Finance Corporation Limited ("THFC") consists of £3,000,000 debenture stock bearing interest at 9.625% on this nominal value. It is repayable in full in 2025. The loan is stated at the value of the net proceeds of the issue. The finance cost charged in these accounts attributable to the loan includes an appropriate proportion of these costs amortised over the life of the loan.

Dexia Public Finance Bank loans are secured by fixed charges on the Association's housing properties and are repayable in instalments at rates of interest varying from 0.94% to 5.25%. The loan will be fully repaid by 2033. The loan is stated at the value of the net proceeds of the loan. The finance cost charged in these accounts attributable to the loan includes an appropriate proportion of these costs amortised over the life of the loan.

14 Non equity share capital	Shares (of £1 each)
	£
At 1 April 2010	35
Repaid during year	(2)
Issued	5
	<hr/>
At 31 March 2011	38
	<hr/>

The shares have limited rights. They carry no entitlement to dividend, they are not repayable and do not participate in a winding up. They carry the following voting rights: to approve the financial statements and to appoint members of the Board and the auditors.

15 Reserves	Income and expenditure account
	£
Balance at 1 April 2010	4,961,589
Surplus for the year	566,699
	<hr/>
Balance at 31 March 2011	5,528,288
	<hr/>

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (Continued)

16 Capital commitments	2011 £	2010 £
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	900,000	-
Capital expenditure that has been authorised by the Board of Management and that has been contracted for	-	-

These commitments relate to properties already in management, where purchase has been approved by the Board.

SHG of £1,701,886 (2010 nil) is anticipated to be receivable with respect to these commitments.

The expected total private finance required to receive the completed units in management described in note 19 is £ 0.9 million over the next twelve months. This will be paid from Association's cash balance of £1.625m.

17 Operating leases

The Association's office premises are held under a non-cancellable operating lease. At 31 March 2010 the Association had an annual commitment under the lease of £47,500 (2010: £47,500) expiring in September 2012. Currently there are negotiations in progress to extend the lease to September 2017 and verbal agreement has been reached on the terms of the lease.

18 Pension scheme

Innisfree participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. Employer participation in the scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The scheme operated a single benefit structure, final salary with a 1/60th accrual rate to March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with 1/60th Accrual
- Final salary with 1/70th accrual
- Career average revalued earnings with a 1/60th accrual rate

From April 2010 there are a further two benefit structures available, namely:

- Final Salary with a 1/80th accrual
- Career average revalued earnings (CARE) with a 1/80th accrual rate

A defined contribution benefit structure will be made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can operate only one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 (Continued)

18 Pension scheme (continued)

Innisfree Housing Association Limited has elected to operate the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1st April 2007. Innisfree Housing Association has elected to continue to operate the final salary scheme with a 1/60th accrual rate for active members of the scheme prior to 31st March 2007. This does not reflect any benefit structure changes made from April 2011.

The Trustee commissions an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension's obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at an individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pensions benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the year to March 2011 Innisfree paid contributions at the rate of 7.8% to 4.9%. Member contributions were at a rate of 10.0%. At the balance sheet date there were 13 active members of the scheme employed by Innisfree. The annual pensionable payroll in respect of these members was £ 491,340. The Association closed membership of the career average revalued earnings with a 1/60th accrual rate benefit structure to new members on 1st April 2011. New members are now offered membership of the SHPS defined contribution scheme with effect from 1st April 2011.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of the underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with liabilities of £663 million, equivalent to a past service funding level of 69.7%. The financial assumptions underlying the valuation as at 30th September 2008 were as follows:

	% pa
Valuation Discount Rates	
- Investment return pre retirement	7.8
- Investment return non pensioner post retirement	6.2
- Investment return pensioner post retirement	5.6
- Pensionable earnings growth	4.7
- Price inflation	3.2
Pension Increases	
- Pre88 GMP	0.0
- Post 88 GMP	2.8
- Excess over GMP	3.0

Expenses for death in service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st March 2011 (continued)

18 Pension scheme (continued)

The Valuation was carried out using the following demographic assumptions

Mortality pre retirement - PA92 Year of Birth, long cohort projection, minimum improvement 1% pa.

Mortality post retirement -90% SIPA Year of Birth, Long cohort projection, minimum improvement 1%pa.

The long-term joint contribution rates required from April 2010 from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60 th accrual rate	17.8
Final Salary with a 1/70 th Accrual rate	15.4
Career average revalued earnings With a 1/60 th accrual rate	14.9
Final Salary with a 1/80 th accrual rate	13.5
Career average revalued earnings (CARE) with a 1/80 th accrual rate	11.9

If an actuarial valuation reveals a shortfall of assets compared to liabilities the trustees must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries increasing each year in line with salary growth assumptions from 1st April 2010 to 30th September 2020 dropping to 3.1% from 1st October 2020 to 30th September 2023. Pensionable earnings at 30th September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

With effect from 1st April 2010 the employer and employee contribution rates for Innisfree will be 15.3% and 10.0% in respect of the existing Final salary with a 1/60th accrual benefit structure.

With effect from 1st April 2010 the employer and employee contribution rates for Innisfree in respect of the Career average revalued earnings with a 1/60th accrual benefit structure (for employees who become members of the scheme on or after 1st April 2007) is 12.4% and 10.0% respectively.

Employers who participate in the scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate). Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3% to reflect the higher costs of a closed arrangement. A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

Employers joining the scheme after 1st October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1st April that falls 18 months after the valuation date.

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st March 2011 (continued)

18 Pension Scheme (continued)

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the schemes liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan). The Regulator is currently in the process of reviewing the recovery plan for SHPS in respect of the September 2008 actuarial valuation. A response from the regulator is expected in due course.

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80%.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed the assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to the employment with all currently participating employers). The leaving employers debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme Liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amount of the debt can therefore be volatile over time.

Innisfree has been notified by the Pensions Trust of an estimated potential employer debt on withdrawal from the Social Housing Pension Scheme of £1,683,000 based on the financial position of the scheme as at 31st March 2011. Currently Innisfree has no intention of withdrawing from the SHPS scheme.

INNISFREE HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2011 (continued)

19 Analysis of accommodation

	Units under management		Units in development	
	2011	2010	2011	2010
Housing accommodation:				
Owned and managed	454	454	12	-
Managed not owned	11	11	-	-
Supported housing owned and managed	73	73	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	538	538	12	-
	<hr/>	<hr/>	<hr/>	<hr/>

Transfer of the completed units to Innisfree is expected, but the partner Association has made no binding commitment to transfer the units and Innisfree has no obligation to receive the units.

20 Related party disclosures

Geraldine Gordon and Bernadette Gallagher were members of the Board of Innisfree Housing Association during the year. Geraldine Gordon resigned from the board in September 2010. They are tenants of the Association. Both assured tenancies predate their membership of the Board and are on normal terms and conditions.

21 Incorporation

The Association is registered with the Tenant Services Authority. It is incorporated under the Industrial and Provident Societies Act 1965 in England.