

**ORKNEY HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 March 2015**

<b>RSL No</b>	<b>HAL 164</b>
<b>Charity No</b>	<b>SC 031734</b>

ORKNEY HOUSING ASSOCIATION  
REPORT AND FINANCIAL STATEMENTS  
for the year ended 31 March 2015

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**Management Committee**

Wendy Baikie  
Philip Cook (co-opted 28.05.14, elected 01.09.14)  
David Dawson (Vice Chair from 1.9.14)  
Winifred Dunnet (Chair until 1.9.14)  
Linda Forbes (filled casual vacancy 25.09.14)  
George Hannah (resigned 01.09.14)  
Fiona Lettice (co-opted 26.11.14)  
Bob Mackenzie  
Stephen Manson (resigned 28.04.14)  
Sheona Macgregor (resigned 17.12.14)  
Stuart Roy Mclvor (co-opted 28.5.14, elected 01.09.14)  
John Rodwell (Chair from 1.9.14)  
John Stockan

**Registered Office**

39a Victoria Street,  
Kirkwall  
KW15 1DN

**Registered Auditors**

Findlay & Company  
Chartered Accountants,  
Registered Auditors,  
11 Dudhope Terrace,  
Dundee  
DD3 6TS

**Bankers**

Royal Bank of Scotland,  
1 Victoria Street,  
Kirkwall.  
KW15 1DP

**Chief Executive and Company Secretary**

Sally Inkster

**Solicitors**

J.E.P. Robertson & Son,  
26 Victoria Street,  
Stromness.  
KW16 3AA

**Company Registration**

2201RS

**Scottish Charity Number**

SC031734

The Management Committee presents its report and the audited financial statements for the year ended 31 March 2015

### **Principal activity**

The principal activity of the Association is the provision of rented and low cost home ownership accommodation.

### **Review of business and future developments**

The Association's key priorities for 2014/15 and beyond are:-

- creating and sustaining communities where people want to live and make a contribution,
- reducing the energy requirements of our activities and those of our residents,
- creating and sustaining a workplace where people want to work and give their best,
- providing assistance for those who have difficulty finding or retaining a safe and comfortable home.

We are continuing to work up projects to support our objectives through our subsidiary OHAL Enterprises. 4 new rented and 2 low cost home ownership homes were completed during the year, and we succeeded in obtaining funding for a further 23 rented and 11 low cost home ownership units, to be completed in 2015 and 2016. We have continued to partner with other agencies to encourage energy efficiency amongst our residents. In order to develop our business and improve our services we will:-

- develop ways of promoting financial inclusion and good money management,
- develop more effective methods of engaging with customers,
- develop improved housing information and advice services,
- prepare an improvement plan for repairs services,
- develop improved communications arrangements.
- develop an asset management strategy

### **Changes in fixed assets**

Details of fixed assets are set out in Note 10.

### **Going Concern**

After reviewing detailed Income and Expenditure and Business Plan projections, and taking account of available bank facilities as well as making such further enquiries as they consider appropriate, the Management Committee is satisfied that the Association has adequate resources to continue to operate for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

### **The Management Committee and Executive Officer**

The Management Committee and Chief Executive of the Association are listed on page 2.

Each elected member of the Management Committee holds one fully paid share of £1 in the Association. The Chief Executive of the Association holds no interest in the Association's share capital and although not having the legal status of director she acts as an executive within the authority delegated by Management Committee.

### **Related Party Transactions**

Any tenant who sits on the Management Committee enters into a tenancy on the Association's normal terms and conditions and cannot use this position to his or her advantage. The same position applies to

any sharing owner in respect of their exclusive occupancy agreement. The Chief Executive is the Chairperson of the board of Women's Aid Orkney.

### **Charitable Status**

Orkney Housing Association Limited was recognised by the Inland Revenue as a Scottish charity from 30 May 2001.

### **Statement of Management Committee's responsibilities**

Housing association legislation requires the Management Committee 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 income and expenditure of the Association for the year ended on that date. In preparing those financial statements the Management Committee is required to:-

- \* Select suitable accounting policies and then apply them consistently;
- \* Make judgements and estimates that are reasonable and prudent;
- \* State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- \* Comply with the disclosures required by the Scottish Housing Regulator's regulatory framework
- \* Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association.

The Management Committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement on internal financial controls**

Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which the Association operates. These controls are designed to give reasonable assurance with respect to:

- (i) The reliability of financial information used within the Association or for publication.
- (ii) The maintenance of proper accounting records, and
- (iii) The safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

for the year ended 31 March 2015

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**Statement on internal financial controls (continued)**

- (i) Formal policies and procedures are in place including the documentation of key systems and rules relating to the delegation of authorities which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- (ii) Experienced and suitably qualified staff take responsibility for important business functions.
- (iii) Forecasts and budgets are prepared which allow Management Committee and Executive Officers to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, and significant variances from budgets are investigated as appropriate.
- (iv) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee.
- (v) The Management Committee reviews reports from the Audit and Risk Management sub-committee, from internal management and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.
- (vi) The Audit and Risk Management Sub-Committee reviews internal audit reports based on an internal audit needs assessment and an agreed programme undertaken by an external provider.
- (vii) Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015 and until 29 July 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

In so far as the Committee are aware:

There is no relevant audit information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware.

The Committee have taken all the steps that they ought to have taken to make themselves aware of such information.

**Auditors**

Findlay & Company have expressed their willingness to continue as the auditors of the Association.

By order of Management Committee

John Rodwell  
Chairperson

29 July 2015

### **Independent Auditor's Report to the Members of Orkney Housing Association Limited**

We have audited the financial statements of Orkney Housing Association Limited for the year ended 31 March 2015 which comprise 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's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefits Society Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the board and the auditor**

As explained more fully in the Report of the Management Committee, set out on pages 3 to 5, the Management Committee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 committee and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Management Committee 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 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefits Society Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the SHR Determination of Accounting Requirements (April 2012).

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ORKNEY HOUSING ASSOCIATION LIMITED (continued)

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

We are required to report to you if, in our opinion:

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

ALEXANDER SQUIRES, C.A. (senior statutory auditor)

For and on behalf of Findlay & Company  
Chartered Accountants and Statutory Auditors  
11 Dudhope Terrace  
Dundee  
DD3 6TS

29 July 2015

# INDEPENDENT AUDITORS' REPORT

## REPORT OF THE AUDITORS TO ORKNEY HOUSING ASSOCIATION LIMITED

### ON CORPORATE GOVERNANCE MATTERS

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In addition to our audit of the financial statements, we have reviewed your statement on pages 4 and 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator.

#### **Basis of opinion**

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

#### **Opinion**

In our opinion the Statement on Internal Financial Control on pages 4 and 5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

ALEXANDER SQUIRES, C.A. (senior statutory auditor)

For and on behalf of Findlay & Company

Chartered Accountants and Statutory Auditors

11 Dudhope Terrace

Dundee

DD3 6TS

29 July 2015

ORKNEY HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2015

		2015	2014
	Notes	£	£
<b>Turnover</b> - continuing activities	2	3,440,796	4,321,156
Less: Operating costs	2	(2,496,200)	(3,200,587)
		-----	-----
Operating surplus - continuing activities		944,596	1,120,569
Gain/(loss) on realisation of assets	24	154,561	40,036
Interest receivable		20,211	18,819
Interest payable	8	(524,347)	(502,674)
		-----	-----
Surplus on continuing activities		595,021	676,750
Taxation	9	-	-
		-----	-----
Surplus for the year		595,021	676,750
		=====	=====

In each of the years ended 31 March 2014 and 31 March 2015 the only gain or loss recognised by the Association was the surplus or deficit for the year. All of the activities undertaken by the Association were continuing activities, and the reported surplus or deficit was determined under the historical cost convention.

The notes on pages 12 to 27 form part of these financial statements.

ORKNEY HOUSING ASSOCIATION LIMITED

BALANCE SHEET

for the year ended 31 March 2015

		2015	2014
<b>Tangible Fixed Assets</b>	<b>Notes</b>	<b>£</b>	<b>£</b>
Housing properties	10	80,033,955	79,379,343
Less: HAG	10	(60,903,203)	(60,651,157)
Other grants	10	(1,784,638)	(1,794,695)
		-----	-----
		17,346,114	16,933,491
Other assets	10	1,528,471	1,553,159
		-----	-----
		18,874,585	18,486,650,
		-----	-----
<b>Fixed Asset Investments</b>			
Investments	11	1	1
Shared Equity Costs	11	1,130,482	1,130,495
Shared Equity Grants	11	(1,130,482)	(1,130,495)
		-----	-----
		1	1
<b>Current Assets</b>			
Investments	12	872,988	864,783
Work-in-progress	13	307,542	28,484
Debtors	14	546,291	657,829
Stock		30,515	4,576
Cash at bank and in hand		2,188,558	2,051,318
		-----	-----
		3,945,894	3,606,990
<b>Creditors: amounts falling due within one year</b>	15	(2,137,459)	(1,420,839)
		-----	-----
Net current assets		1,808,435	2,186,151
		-----	-----
Total assets less current liabilities		20,683,021	20,672,802
<b>Creditors: amounts falling due after more than one year</b>	16	(14,279,491)	(14,864,293)
		-----	-----
<b>Net assets</b>		6,403,530	5,808,509
		=====	=====
<b>Capital and Reserves</b>			
Share capital	18	141	141
Revenue reserve	19	6,403,389	5,808,368
		-----	-----
		6,403,530	5,808,509
		=====	=====

The financial statements on pages 9 to 27 were approved by the Management Committee on 29 July 2015 and were signed on its behalf by:

..... Chairperson  
 ..... Committee member  
 ..... Secretary

ORKNEY HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

for the year ended 31 March 2015

	Notes	2015	2014
		£	£
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>			
Operating surplus		944,596	1,120,569
Depreciation charges		271,282	244,846
(Increase)/Decrease in debtors		13,304	5,441
Increase/(Decrease) in creditors		(38,248)	44,843
Increase/(Decrease) in impairment		62,543	34,079
Increase/(Decrease) in bad debt provision		-	6,000
(Increase)/Decrease in stock		(25,939)	(813)
Services equalisation account		(3,228)	4,077
Charge to service provisions		13,140	(665)
		-----	-----
<b>Net cash inflow from operating activities</b>		<b>1,237,450</b>	<b>1,458,377</b>
		-----	-----
<b>CASH FLOW STATEMENT</b>			
	28		
Net cash inflow from operating activities		1,237,450	1,458,377
Returns on investments and servicing of finance		(505,166)	(483,871)
Capital expenditure		(8,754)	(601,738)
Financing		(578,085)	771,263
		-----	-----
<b>Increase/(decrease) in cash</b>		<b>145,445</b>	<b>1,144,031</b>
		=====	=====
<b>Reconciliation of net cash flow to movement in net debt:</b>			
	29		
Increase/(decrease) in cash in the year		145,445	1,144,031
Cash inflow from increase in debt		578,084	(771,273)
		-----	-----
Net debt at 1 April 2014		723,529	372,758
		(12,460,868)	(12,833,626)
		-----	-----
Net debt at 31 March 2015		(11,737,339)	(12,460,868)
		=====	=====

**1. Principal Accounting Policies**

The Financial Statements have been prepared in accordance with applicable accounting standards in the United Kingdom and in accordance with the requirements of the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010 and comply with the SHR Determination of Accounting Requirements (April 2012). A summary of the more important accounting policies, which have been applied consistently is set out below:-

**Turnover**

Turnover represents rental and service charge income, revenue grants receivable from Scottish Ministers and first tranche sales of low cost home ownership properties.

**Mortgages - Housing Properties**

Mortgage loans are advanced by private lenders under the terms of mortgages secured over the Association's housing properties. A programme funding agreement will be secured with a lender to provide loan facilities for future developments. Advances will be drawn down on this facility only in respect of those developments which have been given approval for Affordable Housing Supply Programme grant (previously Housing Association Grant (HAG)) or other funding by the Scottish Government.

**Housing Association Grant**

For schemes developed under Scottish Government approval, AHSP (previously HAG) is paid directly to the Association as required, to meet its liabilities during the development process. HAG is repayable under certain circumstances, primarily following the sale of property. Although HAG was abolished from 31.3.11 the Association continued to receive HAG on schemes approved prior to that date.

Grants for capital expenditure are deducted from the cost of the fixed assets to which they relate as they become receivable. Grants for revenue expenditure are credited to the Income and Expenditure Account as they become receivable.

Grants attributed to individual components are written off to the Income and Expenditure Account when these components are replaced. Component replacement is not deemed to create a relevant event for repayment or recycling purposes. Upon disposal of the associated property, the Association will be required to repay or recycle the grant, and to reflect this, a contingent liability has been disclosed.

**Tangible Fixed Assets - Housing Properties (Note 10)**

Housing properties are stated at cost. The development costs of housing properties funded with traditional HAG or under earlier funding arrangements include the following:-

- i) Cost of acquiring land and buildings
- ii) Development expenditure
- iii) Interest charged on the development loan funds drawn to finance construction.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

**Note 1 (continued)**

**Works to Existing Properties**

Works to existing properties which replace a component which has been treated separately for depreciation purposes, and those works which result in an increase in net rental income over the lives of the properties (thereby enhancing the economic benefits of the assets), are capitalised as improvements. Works to existing properties which do not result in the enhancement of economic benefits are charged to the Income and Expenditure Account.

**Work in Progress/Shared Equity Properties**

**New Supply Shared Equity scheme**

Grants are received from Scottish Ministers for the construction of properties under the New Supply Shared Equity scheme. Whilst under construction, the cost is recorded within current assets and corresponding grants shown in current liabilities. Once sales are made the grants and cost will be released to the Income and Expenditure account.

**Shared Ownership**

Properties constructed for shared ownership are part funded by the Scottish Government. Prior to completion and sale, the estimated cost element relating to the first tranche sales is included in current assets as work-in-progress. When the first tranche is sold this cost element is taken to cost of sales within the Income and Expenditure account, along with any adjustment required relating to the actual percentage sold. Income from first tranche sales is included within turnover.

**Depreciation**

No depreciation is charged on housing properties held under shared ownership because it is felt that the residual values of the properties are sufficiently high that any depreciation charged would be immaterial.

The major components of rented housing properties are depreciated (net of social housing and other grants) over the assets' useful lives as follows:-

Kitchens	-	20 years
Windows	-	33 $\frac{1}{3}$ years
Roofs	-	50 years
Structure (new build)	-	100 years
Structure (rehabilitated properties)	-	80 years

Other fixed assets are depreciated as follows:-

Furniture & Equipment	-	25% per annum reducing balance method
Fixtures & Fittings	-	25% per annum reducing balance method
Handyman Van	-	25% per annum reducing balance method
Handyman Tools	-	25% per annum reducing balance method
Computers Hardware	-	25% per annum straight line method
Aareon software	-	5% per annum straight line method
Other software	-	25% per annum straight line method
Workshop Improvements	-	33 $\frac{1}{3}$ % per annum straight line method
Office Buildings	-	1 $\frac{1}{2}$ % per annum straight line method

**Note 1 (continued)**

A full year's depreciation is charged on these assets in the year of purchase and none in the year of disposal.

**Subsidiary**

The subsidiary OHAL Enterprises CIC is still a dormant company as at 31 March 2015 and accordingly the Association has not prepared consolidated financial accounts.

**2. Particulars of turnover, cost of sales, operating costs and operating surplus or deficit**

	<b>Turnover</b>	<b>Cost of sales</b>	<b>Operating costs</b>	<b>2015 Operating surplus/ deficit</b>	<b>2014 Operating surplus/ deficit</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Social lettings (note 3)	3,057,145	0	2,045,680	1,011,465	1,137,196
Other activities (note 4)	383,651	60,179	390,341	(66,869)	(16,627)
	-----	-----	-----	-----	-----
Total	3,440,796	60,179	2,436,021	944,596	1,120,569
	-----	-----	-----	-----	-----
Total for previous period of account	4,321,156	1,097,177	2,103,410		1,120,569
	=====	=====	=====		=====

**3. Particulars of turnover, operating costs and operating surplus/deficit from social letting activities**

	<b>General Needs £</b>	<b>Shared Ownership £</b>	<b>Supported Housing £</b>	<b>2015 Total £</b>	<b>2014 Total £</b>
Rent receivable net of service charges	2,535,208	335,788	35,518	2,906,514	2,748,572
Service charges	114,066	0	1,970	116,036	112,583
<b>Gross income from rents and service charges</b>	<b>2,649,274</b>	<b>335,788</b>	<b>37,488</b>	<b>3,022,550</b>	<b>2,861,155</b>
Less voids	(7,918)	0	0	(7,918)	(23,989)
<b>Net income from rents and service charges</b>	<b>2,641,356</b>	<b>335,788</b>	<b>37,488</b>	<b>3,014,632</b>	<b>2,837,166</b>
Grants from Scottish Ministers	33,232	0	0	33,232	42,167
Other grants and miscellaneous income	5,486	3,766	29	9,281	22,982
<b>Total income from social lettings</b>	<b>2,680,074</b>	<b>339,554</b>	<b>37,517</b>	<b>3,057,145</b>	<b>2,902,315</b>
<b>Operating costs on social letting activities</b>					
Service costs	113,391	0	2,140	115,531	110,636
Management administration costs	633,177	84,191	3,209	720,577	629,075
Maintenance administration costs	433,463	1,339	3,894	438,696	414,426
Reactive maintenance costs	353,182	3,172	3,020	359,374	341,699
Planned and cyclical maintenance costs	123,048	0	133	123,181	(26,133)
Property improvements & adaptations	62,712	3,166	0	65,878	73,691
Bad debts – rents and service charges	10,696	(14)	0	10,682	15,492
Depreciation of social housing	210,514	0	1,247	211,761	206,233
<b>Total operating costs on social lettings</b>	<b>1,940,183</b>	<b>91,854</b>	<b>13,643</b>	<b>2,045,680</b>	<b>1,765,119</b>
<b>Operating surplus/deficit on social lettings</b>	<b>739,891</b>	<b>247,700</b>	<b>23,874</b>	<b>1,011,465</b>	<b>1,137,196</b>
<b>Operating surplus/deficit on social lettings for previous period of account</b>	<b>848,728</b>	<b>273,395</b>	<b>15,073</b>		<b>1,137,196</b>

**4. Particulars of turnover, operating costs and operating surplus/deficit from other activities**

	<b>Grants from Scottish Ministers</b>	<b>Other Income</b>	<b>Total Turnover</b>	<b>Other operating costs</b>	<b>Operating surplus or deficit</b>	<b>Operating surplus or deficit for previous period of account</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Wider role	5,240	-	5,240	20,573	(15,333)	(1,969)
Factoring	-	30,959	30,959	32,140	(1,181)	(783)
Care and Repair Services	28,695	226,768	255,463	251,999	3,464	(1,883)
Development and Construction of Property	-	57,500	57,500	60,179	(2,679)	19,049
Development Administration	658	1,272	1,930	3,123	(1,193)	(1,520)
Other Agency/ Management services	-	19,299	19,299	18,759	540	4,164
Impairment of other assets	-	-	-	62,543	(62,543)	(34,079)
Other activities	-	13,260	13,260	1,204	12,056	394
<b>Total from other activities</b>	<b>34,593</b>	<b>349,058</b>	<b>383,651</b>	<b>450,520</b>	<b>(66,869)</b>	<b>(16,627)</b>
<b>Total from other activities for the previous period of account</b>	<b>52,565</b>	<b>1,366,276</b>	<b>1,418,841</b>	<b>1,435,468</b>	<b>(16,627)</b>	

**5. Directors' Emoluments**

The directors are defined as (a) the Management Committee, who can only receive expenses and, in certain circumstances, compensation for loss of earnings, and (b) the Chief Executive, who throughout the year was the Association's Secretary. The amounts paid were:

	<b>2015</b>	<b>2014</b>
The emoluments (excluding pension contributions) of the highest paid director, the Chief Executive	67,085	65,577

There was one officer with emoluments of £60,000 or more during the period of account.

5. **Directors' Emoluments** (continued)

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply. The value of the Association's contributions during the year was £8,097 (2014 - £6,177).

6. **Employee Information**

The average monthly number of persons employed during the year was:

	<b>2015</b>	<b>2014</b>
Office staff	32	31
Cleaners	1	1
	-----	-----
	33	32
	=====	=====
Full-time equivalent	30	29
	=====	=====
	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Staff costs (including directors' emoluments);		
Wages and salaries	985,434	917,428
Social security costs	74,901	71,176
Pension costs (Note 22)	204,152	141,049
Temporary staff	13,781	-
	-----	-----
	1,278,268	1,129,653
	=====	=====

Pension costs in 2014/15 includes £96,620 (2014 - £64,087) lump sum contributions towards past service deficit.

7. **Operating Surplus**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Operating surplus is stated after charging:-		
Depreciation	271,282	244,846
Direct repair costs: reactive, planned and cyclical	365,386	201,078
Auditor's remuneration		
- In their capacity as auditors (including expenses)	14,178	10,596
- In their capacity as financial advisers	208	480

8. **Interest Payable and similar charges**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
On loans repayable wholly or partly in more than 5 years	524,532	502,674
Interest capitalised to property costs	-	23,889
	-----	-----
	524,532	526,563
	=====	=====

9. **Taxation**

The Association was granted charitable status for taxation purposes with effect from 30 May 2001.

10. **Tangible Fixed Assets**

Housing Properties	Completed		Under Construction		Total £
	Rented £	SO £	Rented £	SO £	
<b>Gross Cost</b>					
At 1 April 2014	63,599,254	14,758,065	2,573,204	85,136	81,015,659
Schemes completed	523,472	280,578	(523,472)	(280,578)	-
Additions	94,514	-	691,241	506,763	1,292,518
Disposals	(34,626)	(399,133)	-	-	(433,759)
<b>At 31 March 2015</b>	<b>64,182,614</b>	<b>14,639,510</b>	<b>2,740,973</b>	<b>311,321</b>	<b>81,874,418</b>
<b>Depreciation</b>					
At 1 April 2014	(1,636,316)	-	-	-	(1,636,316)
Disposals	7,614	-	-	-	7,614
Charge for year	(211,761)	-	-	-	(211,761)
<b>At 31 March 2015</b>	<b>1,840,463</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,840,463</b>
<b>HAG</b>					
At 1 April 2014	46,538,949	11,474,049	2,531,683	106,476	60,651,157
Schemes completed	19,980	-	(19,980)	-	-
Additions	272,707	50,219	177,306	124,729	624,961
Disposals	(25,383)	(347,532)	-	-	(372,915)
<b>At 31 March 2015</b>	<b>46,806,253</b>	<b>11,176,736</b>	<b>2,689,009</b>	<b>231,205</b>	<b>60,903,203</b>
<b>Other Grants</b>					
At 1 April 2014	1,659,832	134,863	-	-	1,794,695
Schemes completed	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	(1,629)	(8,428)	-	-	(10,057)
<b>At 31 March 2015</b>	<b>1,658,203</b>	<b>126,435</b>	<b>-</b>	<b>-</b>	<b>1,784,638</b>
<b>Net book value at:</b>					
<b>31 March 2015</b>	<b>13,877,695</b>	<b>3,336,339</b>	<b>51,964</b>	<b>80,116</b>	<b>17,346,114</b>
<b>31 March 2014</b>	<b>13,764,157</b>	<b>3,149,153</b>	<b>41,521</b>	<b>(21,340)</b>	<b>16,933,491</b>

10. **Tangible Fixed Assets** (continued)

Development administration costs capitalised amounted to £46,489 (2014 - £51,604), for which HAG of £11,486 (2014 - £47,483) was receivable in the year. Interest costs capitalised amounted to nil (2014 - £23,889).

Total expenditure on works to existing properties amounted to £522,612 during the year (2014 - £389,752), of which £94,514 was capitalised (2014 - £114,983).

	<b>Office Buildings</b>	<b>Office fixtures, fittings, furniture &amp; equipment</b>	<b>Handymen vans and tools etc</b>	<b>Total</b>
	£	£	£	£
<b>Cost</b>				
At 1 April 2014	1,320,279	386,430	67,244	1,773,953
Additions	2,933	63,426	32,535	98,894
Disposals		0	(17,021)	(17,021)
Written off		(42,085)	(543)	(42,628)
Impairment	(62,543)			(62,543)
Disposals				0
<b>At 31 March 2015</b>	<b>1,260,669</b>	<b>407,771</b>	<b>82,215</b>	<b>1,750,655</b>
<b>Depreciation</b>				
At 1 April 2014	49,740	127,897	35,951	213,588
Charge for year	11,509	31,434	16,577	59,520
Adjustment re disposals		(42,066)	(13,928)	(55,994)
<b>At 31 March 2015</b>	<b>61,249</b>	<b>117,265</b>	<b>38,600</b>	<b>217,114</b>
<b>Grants</b>				
At 1 April 2014	-	2,288	4,919	7,207
Received in year	-	-	-	0
Amortisation		(907)	(1,230)	(2,137)
<b>At 31 March 2015</b>	<b>0</b>	<b>1,381</b>	<b>3,689</b>	<b>5,070</b>
<b>Net book value</b>				
At 31 March 2015	1,199,420	289,125	39,926	1,528,471
At 31 March 2014	1,270,539	256,503	26,117	1,553,159

The impairment charge relates to 46 Victoria Street, which has been revalued to £241,442 value in use.

**11. Fixed Asset Investments**

		<u>Shared Equity</u>	<u>Subsidiary</u>	<u>Total</u>
		£	£	£
Cost:	At 1 April 2014	1,130,495	1	1,130,496
	Additions	(13)		(13)
		-----	--	-----
	At 31 March 2015	1,130,482		1,130,482
		=====	=	=====
Grants:	At 1 April 2014	1,130,495	-	1,130,495
	Additions	(13)	-	(13)
		-----	-	-----
	At 31 March 2015	1,130,482	-	1,130,482
		=====	-	=====
Net Book value at 31 March 2014 and 2015		-	1	1
		=====	=====	=====

The wholly owned subsidiary OHAL Enterprises CIC was dormant during the year to 31.3.15.

**12. Investments**

Investments at 31.3.15 totalled £0.873m (2014 - £0.865m) comprising four time deposit facilities at a fixed rate and maturity after fixed terms of 3 and 12 months. Investments purchased or rolled over during the year amounted to £1.07m (2014 - £1.24m).

**13. Work-in-progress**

	<b>Shared Ownership</b>	<b>Shared Equity etc</b>	<b>Total</b>
Opening WIP	28,378	106	28,484
Additions	77,936	203,663	281,599
Transfers (to)/from FA Invest	-	-	-
Disposals	(2,541)	-	(2,541)
	-----	-----	-----
	103,773	203,769	307,542
	=====	=====	=====

**14. Debtors**

	<b>2015</b>	<b>2014</b>
	£	£
Rent arrears	88,650	73,793
Interest receivable	3,117	2,087
Scottish Government grant receivable	99,694	277,468
Other grants receivable	87,033	89,533
Other debtors and prepayments	267,797	214,948
	-----	-----
	546,291	657,829
	=====	=====

Other debtors are stated net of a provision for bad debts of £4,500.

15. **Creditors: amounts due within one year**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Rent in advance	23,556	30,950
HAG repayable	173,032	61,068
Loan instalments due and payable - housing	519,394	512,676
Capital expenditure	533,507	148,006
Capital grants received in advance	120,490	131,792
Shared equity grants on work in progress	199,457	-
Taxation and social security creditor	29,841	22,692
Care and Repair working capital	87,999	114,993
Shared ownership factoring sinking fund	87,124	105,403
Services equalisation account	13,425	16,653
Other deferred income	72,900	79,000
Other creditors and accruals	276,734	197,605
	-----	-----
	2,137,459	1,420,838
	=====	=====

16. **Creditors: amounts due outwith one year**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Housing loans	14,279,491	14,864,293
	=====	=====

Loans are secured by specific charges on the Association's properties and repayable at varying rates of interest in instalments due as follows:-

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Within one year	519,394	512,676
Between one and two years	560,910	551,636
Between two and five years	1,755,988	1,727,034
In five years or more	11,962,593	12,585,623
	-----	-----
	14,798,885	15,376,969
	=====	=====

17. **Rents**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Gross arrears	96,150	81,293
Provision for bad debts	(7,500)	(7,500)
	-----	-----
Net arrears	88,650	73,793
	=====	=====

for the year ended 31 March 2015

**18. Share Capital**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
At 1 April 2014	141	151
Issued in year	9	1
Cancelled in year	(9)	(11)
	-----	-----
At 31 March 2015	141	141
	=====	=====

Each member of the Associations holds one share of £1 in the Association. These shares carry no rights to dividend or distribution on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

**19. Reconciliation of movement in revenue reserve**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Revenue reserve brought forward	5,808,368	5,131,618
Surplus for the year	595,021	676,750
	-----	-----
Revenue reserve carried forward	6,403,389	5,808,368
	=====	=====

**20. Capital commitments**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Capital expenditure which has been contracted for but has not been provided for in the financial statements	-	-
	=====	=====
Capital expenditure which has been authorised but not contracted for or provided for in the financial statements	2,583,664	3,165,080
	=====	=====

The amount contracted for at 31 March 2015 will be funded from capital grant, low cost home ownership sales and loans.

## 21. **Contingent Liabilities**

### Pension Scheme liabilities

The Association has been advised by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the scheme as at 30 September 2014. As of this date, the estimated employer debt for Orkney Housing Association was £3,457,034 (2014 - £2,515,900).

The Association has no current plans to withdraw from the Pension Scheme. It has however paid the buy-out debt and withdrawn from the SHAPS Growth Plan, thereby avoiding any future liability.

### Grants written off

At 31 March 2015, the Association has disposed of components which had received £219,230 (2014 £193,847) of grant funding. Although the disposal of these components has not given rise to a relevant event for the purposes of repayment or recycling the grant (as the Association retains the property asset), it does have a potential future obligation to repay or recycle such grant once the property is disposed of.

As the timing of any future disposal is uncertain, in accordance with Financial Reporting Standard 12 – Provisions, Contingent Liabilities and Contingent Assets, no provision has been recognised in these financial statements.

## 22. **Pensions**

### SHAPS Pension Scheme

The Association participates in the Scottish Housing Associations' Pension Scheme (the "Scheme"). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared to liabilities of £304 million, equivalent to a past service funding level of 56.4%.

**22. Pensions (continued)**

The Scheme Actuary has prepared an Actuarial Report which provides an approximate update on the funding position of the Scheme as at 30 September 2014. 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 £539 million and indicated an decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations Pension Scheme are:

2012 Valuation Assumptions	% pa
Investment return pre-retirement	5.3
Investment return post-retirement – Non-pensioners	3.4
Investment return post-retirement – Pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases	
- pension accrued pre 6 April 2005 in excess of GMP	2.0
- pension accrued post 6 April 2005	
(for leavers before 1 October 1993 pension increases are 5% pa)	1.7
Rate of price inflation	2.6

During the accounting period the Association paid contributions at the rate of 12.3% of pensionable salaries for employees on the final salary scheme and 11.2% for employees on the CARE 60<sup>th</sup> scheme. Member contributions were at 12.3% and 11.2% respectively.

As at the balance sheet date there were 31 active members of the Scheme employed by Orkney Housing Association Ltd. The annual pensionable payroll in respect of these members was £909,111. The Association continues to offer membership of the Scheme to its employees.

Following a change of legislation in September 2005 there is a potential debt on the employer which 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 buy-out 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 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 employment with all the employers). The leaving employer's 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 amounts of debt can therefore be volatile over time.

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as of 30 September 2014. As of this date, the estimated employer debt for Orkney Housing Association was £3,457,034.

**23. Legislative provisions**

The Association is incorporated under the Industrial and Provident Societies Act 1965, registered with the Scottish Housing Regulator and governed by the Housing (Scotland) Act 2010.

**24. Gain/Loss on Sale of Assets**

	<b>Shared Ownership</b>	<b>Land</b>	<b>Other Assets</b>	<b>Total 2015</b>	<b>Total 2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Income	456,125	-	4,616	460,741	388,750
Legal Expenses	(7,997)	-	-	(7,997)	(7,427)
Cost of Sale	(292,727)	-	(3,874)	(296,601)	(340,217)
Other Costs	(1,582)	-	-	(1,582)	(1,070)
	-----	-----	-----	-----	-----
Gain/(Loss) on Disposal of Assets	153,819	-	742	154,561	40,036
	=====	=====	=====	=====	=====

**25. Housing Stock**

The number of units of housing under development and in management at 31 March was:-

	<b>Units under Development</b>		<b>Units in Management</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Housing for Rent: General needs housing	23	11	691	687
Supported housing	-	-	8	8
Communal use	-	-	2	2
	-----	-----	-----	-----
	23	11	701	697
	-----	-----	-----	-----
Shared Ownership accommodation	11	9	164	167
New Supply Shared Equity	7	3	-	-
	-----	-----	-----	-----
Total	41	23	865	864
	=====	=====	=====	=====

**26. Subsidiary Information**

Details of the investment in which the Association holds more than 10% of the nominal value of any class of share capital are as follows:-

<b>Name of Company</b>	<b>Country of Registration or incorporation</b>	<b>Date of Incorporation</b>	<b>Proportion of Voting Rights</b>	<b>Nature of Business</b>
OHAL Enterprises C.I.C.	United Kingdom	08/02/2012	Wholly Controlled	Dormant since incorporation

**27. Related Parties**

Sally Inkster, Chief Executive and Company Secretary of the Association, is also a director of Women's Aid Orkney, a tenant of the Association. During the year, Women's Aid Orkney have been charged rent of £16,247 (2014 - £15,592) and services charges of £897 (2014 - £1,013). As at the year-end Women's Aid are due £0 (2014 - £0) to the Association. All transactions have been carried out on normal commercial terms.

Craig Spence, Director of Operations is also a board member of Highlands and Islands Enterprise. Grant funding of £1,042 from HIE towards the cost of employing an intern was accrued at 31.3.15.

Sandy Dennison, the Finance Services Manager is also a director of Orkney Citizens Advice Bureau, which was given a donation of £4,250 by the Association during the year.

Any tenant who sits on the Management Committee enters into a tenancy on the Association's normal terms and conditions and cannot use this position to his or her advantage. The same position applies to any sharing owner in respect of their exclusive occupancy agreement.

**NOTES TO THE CASH FLOW STATEMENT**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>28. Gross cash flows</b>		
Returns on investments and servicing of finance:		
Interest received	19,181	18,803
Interest paid	(524,347)	(502,674)
	-----	-----
	(505,166)	(483,871)
	=====	=====
Capital investment and financial investment:		
Payments to acquire tangible fixed assets	(1,143,045)	(766,436)
Receipts from sales of tangible fixed assets	440,329	308,224
SG grant received	991,547	200,349
Other grants received	2,500	12,347
Purchase of other fixed assets	(104,985)	(236,466)
HAG repaid	(195,100)	(119,756)
Receipts from sales of other fixed assets	0	0
	-----	-----
	(8,754)	(601,738)
	=====	=====
Financing:		
Loans received	-	1,350,000
Loans repaid	(578,085)	(578,727)
Issue of ordinary share capital	9	1
Shares cancelled	(9)	(11)
	-----	-----
	(578,085)	771,263
	=====	=====

**29. Analysis of Changes in Net Debt**

	<b>At 31 March</b>	<b>Cash</b>	<b>At 31 March</b>
	<b>2014</b>	<b>Flows</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash in hand	250	-	250
Short-term investments	2,640,349	338,451	2,978,800
Bank	275,502	(193,006)	82,496
Debt due within 1 year	(512,676)	(6,718)	(519,394)
Debt due after 1 year	(14,864,293)	584,802	(14,279,491)
	-----	-----	-----
	(12,460,868)	723,529	(11,737,339)
	=====	=====	=====