

Company Number SP02382R  
Scottish Charity Number SC031773

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

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**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

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## **ORE VALLEY HOUSING ASSOCIATION LIMITED**

### **MEMBERS, EXECUTIVES AND ADVISERS**

#### **Management Committee**

S McDonald (Chair)  
A Gibb (Secretary)  
A Davidson (resigned 26 February 2016)  
K Pattenden (resigned 3 August 2015)  
T Allan  
T Dougan  
R Eals  
R Gaffney  
M McLintock  
G Rowbotham (appointed 7 June 2016)  
G Smith

#### **Registered Office**

114-116 Station Road  
Cardenden  
Fife  
KY5 0BW

#### **Finance Agents**

Chiene + Tait LLP  
Chartered Accountants  
61 Dublin Street  
Edinburgh  
EH3 6NL

#### **Auditors**

Bird Simpson & Company  
144 Nethergate  
Dundee  
DD1 4EB

#### **Bankers**

Royal Bank of Scotland  
197 Station Road  
Cardenden  
KY5 0BN

#### **Solicitors**

Thorntons  
2 Park Place  
Kirkcaldy  
KY1 1XL

#### **Chief Executive**

A Saunders

#### **Registration Information**

Financial Conduct Authority No: 2382R(S)  
The Scottish Housing Regulator No: 236  
Scottish Charity No: SC031773

## **ORE VALLEY HOUSING ASSOCIATION LIMITED**

### **REPORT of the MANAGEMENT COMMITTEE**

#### **For the year ended 31 March 2016**

The Management Committee present their report and the audited consolidated financial statements for the year ended 31 March 2016.

#### **Principal activities**

The principal activity of the Association is to provide affordable rented housing and related housing services.

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

The Association continues to be an active participant in the Fife Housing Association Alliance along with the three other Fife based Housing Associations. This year we commenced work on site at Cook Square in the centre of Lochgelly which will provide 15 social rented flatted units. This project links to some significant Fife Council projects on adjacent sites and our proposals have been developed in partnership with the Council. It is anticipated that work will be completed during the latter part of 2017.

Ore Valley HA through its subsidiary Ore Valley Enterprises Ltd. will continue to consider alternative approaches to building new houses that could allow us to continue to meet the housing needs and demands of local communities.

The Association completed its annual planned maintenance programme, involving an additional phase of planned kitchen replacement, external paintwork, electrical periodic testing and improvement works along with the replacement of a number of central heating systems and bathrooms. A significant programme of enhanced cavity wall insulation was also completed. A continuing programme of maintenance and improvement will be undertaken in the coming year and beyond. We were able to report that our housing stock met the requirements of the Scottish Housing Quality Standard (SHQS) at March 2016 with a small number of exemptions and abeyances, we will endeavour to ensure that this standard will continue to be met.

In addition to SHQS the Energy Efficiency Standard for Social Housing (EESH) has been introduced by the Scottish Government. All social landlords will be expected to meet the new standard by 2020. Ore Valley HA has commissioned a review of its asset management arrangements and will complete a comprehensive survey of the condition and energy efficiency of its housing stock, it is anticipated that this will be completed during 2016/17.

One of the most significant challenges which the Association continues to face is in relation to Government proposals for welfare reform and we have spent considerable amounts of time contacting and assisting our tenants to prepare for the introduction of various changes to the way benefits are calculated and paid, with the objective of limiting the impacts as far as possible. We were able to create a new post within the organisation to support tenancy sustainment and wellbeing.

For a number of years, Ore Valley Housing Association has been involved in the development of various renewable energy projects. 'Cardenden Heat and Power' is a major project aimed at generating electricity and providing heat and hot water to all householders and public buildings in Cardenden. Technical assistance grant funding from EEEF (via Deutsche Bank) was received to cover the initial investigation and design of the project. A significant amount of time and expense has been incurred in the project to date. At 31 March 2016, the total costs that have not currently been refunded amount to £313k. A claim has been made to Deutsche Bank for the final tranche of the technical assistance grant to cover these costs, although recovery is not certain.

During the course of the year the work on the district heating scheme was discontinued and a more conventional approach to providing efficient heating systems is being pursued. There is interest in developing other projects on the site and these would provide future benefit to the Association which would outweigh the current amount outstanding from EEEF if the technical assistance funding is not received. The Association own the land, have planning permission for the project and have just applied for an extension to the planning permission for a further three years. In addition to income from projects, the land will also be leased providing additional income.

## **ORE VALLEY HOUSING ASSOCIATION LIMITED**

### **REPORT of the MANAGEMENT COMMITTEE**

#### **For the year ended 31 March 2016**

##### **Review of the business and future developments (contd.)**

'Fife Community Wind' is a project designed to develop a number of sites with medium to large scale wind turbines generating electricity and consequently an income to the Association and to Local Communities. The projects are extremely difficult to deliver given multiple challenges relating to changing subsidies, planning restrictions, grid connection issues, fluctuating exchange rates, project cost and viability to name but a few. Work on the wind projects continues and it is anticipated that two projects will be completed during the financial year 2016/17.

During the course of the year the Association completed and implemented a comprehensive review of its rental structure. The new structure will be fully phased in over the next 3-4 years.

During the year the Association's trading subsidiary company (Ore Valley Enterprises Ltd) continued to work on the development and delivery of wider regeneration projects for the benefit of the communities within which we work. Beyond our completed project at Rosewell in Lochore a number of further mid-market rental housing projects are being developed to feasibility stage for further detailed consideration.

Ore Valley Community Initiatives Ltd, a charitable subsidiary of Ore Valley Housing Association, continues to be involved in the consideration of non-housing related projects which will further develop a range of community and social benefit projects.

The subsidiary companies continue to develop new and existing projects on the basis of benefit to the Community, offering strong social return on investment.

##### **Key Performance Indicators**

The Association reports on its performance against a series of indicators laid out in the Scottish Social Housing Charter. Our performance continues to show strong results.

##### **Principal Risks & Uncertainties**

The Association recognises the importance of effective identification, evaluation and management of all key strategic and operational risks, and this is a requirement set out by the Scottish Housing Regulator's Regulatory Standards.

Risk Management covers the whole spectrum of risks and not just those associated with finance, health and safety, business continuity and insurance. It also includes risks associated with service provision, effectiveness and continuity, public image (reputation), compliance with legislation and regulation and environment.

The principal risks facing the Association are:

- Government policy
- Welfare reform
- Business continuity and disaster recovery
- Development and growth
- Financial risk management

##### **Governance**

The Committee of Management are listed on page 1. The Committee of Management meet at least three times a year where they are advised by the Chief Executive and Finance Agents.

The Chief Executive is in charge of the day to day management of the Association, with the support of the management team and the Finance Agents. He advises the Management Committee on strategy. The Management Committee are ultimately in charge of decision making. The financial systems have an additional level of assurance through the accounting support from the Finance Agents.

##### **Changes in fixed assets**

Details of fixed assets are set out in notes 10 to 13 on pages 20 to 22.

## **ORE VALLEY HOUSING ASSOCIATION LIMITED**

### **REPORT of the MANAGEMENT COMMITTEE**

**For the year ended 31 March 2016**

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

The Management Committee and Executive Officers of the Association are listed on page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officer of the Association holds no interest in the Association's share capital and acts as an executive within the authority delegated by the Committee.

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

Housing Association legislation requires the 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 Committee are 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

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

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

1. the reliability of financial information used within the Association or provided for external users;
2. the maintenance of proper accounting records; and
3. the safeguarding of assets against unauthorised use or disposition.

Such systems of internal financial control can only provide reasonable and not absolute assurance against material misstatement or loss.

Key procedures which the Committee has established and which are designed to provide effective financial control include the following:

1. Formal policies and procedures are in place for the appointment of suitably qualified and experienced senior staff members and consultants. These policies and procedures also detail duties and levels of authority for Committee Members, staff and agents.
2. A system of budgetary control is implemented with investigation of variances and reporting to the Committee on a quarterly basis.
3. A strategic plan and medium-term projections have been prepared and approved by the Committee. These will be reviewed annually.
4. The Committee reviews reports from Management Agents and from the auditors to provide reasonable assurance that control procedures are in place and are being followed.
5. All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures at full Committee level.

The Committee has reviewed the effectiveness of the system of internal financial controls in existence for the year ended 31 March 2016. 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.

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**REPORT of the MANAGEMENT COMMITTEE**

**For the year ended 31 March 2016**

**Disclosure of information to auditors**

As far as each of the members of the management committee, at the time the report is approved, are aware:

- there is no relevant information of which the auditors are unaware; and
- the members of the management committee have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant information and to establish that the auditors are aware of the information.

**Auditors**

Following a tender process for audit services, a resolution to re-appoint Bird Simpson & Co as auditors will be proposed at the annual general meeting.

**BY ORDER OF THE COMMITTEE**



**A Gibb  
Secretary**

16 August 2016

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ORE VALLEY HOUSING ASSOCIATION LIMITED**

We have audited the consolidated financial statements of Ore Valley Housing Association Limited for the year ended 31 March 2016 on pages 9 to 30. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with the Association's constitution. Our audit work has been undertaken so that we might state to the Association's members those matters which we are required to state to them in an auditor's report and for no other purposes. 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 directors and auditors**

As described on page 3 the Association's Management Committee are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements 2012. We also report to you if, in our opinion, the committee of management report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the management committee report and considered whether it is consistent with the audited financial statements. If we became aware of any apparent misstatements within the financial statements, we considered the implications for our report. Our responsibilities in this respect do not extend to a consideration of any other information.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.


We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ORE VALLEY HOUSING ASSOCIATION LIMITED (Contd.)**

**Opinion**

- In our opinion the financial statements give a true and fair view of the state of the association's and the group's affairs as at 31 March 2016 and of its deficit for the year then ended and have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements 2012.

  
.....  
**Murray Dalgety (Senior Statutory Auditor)**  
For and on behalf of  
**Bird Simpson & Co**  
Chartered Accountants and  
Registered Auditors  
144 Nethergate  
Dundee DD1 4EB

16<sup>th</sup> August 2016

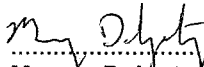
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ORE VALLEY HOUSING ASSOCIATION LIMITED**

In addition to our audit of the consolidated financial statements, we have reviewed the Committee's statement on internal financial controls set out on page 3. The object of our review is to draw attention to any non-compliance with Scottish Homes Guidance Note 2001/10.

We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

With respect to the Committee's statements on internal control on page 3 in our opinion the Committee have provided the disclosures required under Scottish Homes Guidance Note 2001/10 referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain committee members and officers of the Association and examination of relevant documents, in our opinion, the Committee's statement on page 3 appropriately reflects the Association's compliance with the Scottish Homes Guidance Note 2001/10 specified for our review.

  
.....  
**Murray Dalgety (Senior Statutory Auditor)**  
**For and on behalf of**  
**Bird Simpson & Co**  
**Chartered Accountants and**  
**Registered Auditors**  
**144 Nethergate**  
**Dundee DD1 4EB**

16<sup>th</sup> August 2016

ORE VALLEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 £	Group 2015 (Restated) £	2016 £	Association 2015 (Restated) £
<b>Turnover</b>	2	3,507,659	3,613,731	3,228,480	3,393,239
Operating expenditure	2	(2,760,664)	(2,849,349)	(2,439,021)	(2,589,436)
<b>Operating surplus</b>		746,995	764,382	789,459	803,803
Interest receivable		1,077	1,513	42,370	38,559
Interest and financing costs	8	(709,585)	(775,511)	(733,363)	(739,502)
<b>Surplus before tax</b>		38,487	(9,616)	98,466	102,860
Tax on ordinary activities	9	-	-	-	-
<b>Surplus and total comprehensive Income for the year</b>		38,487	(9,616)	98,466	102,860

There were no discontinued operations during the year. As a consequence the results relate wholly to continuing activities.

*Comparative figures have been restated to reflect the adoption of FRS 102 and the Housing SORP 2014.*

The notes on pages 13 to 30 form part of these financial statements.

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**STATEMENT OF CHANGES IN RESERVES**

**For the year ended 31 March 2016**

**Group**

	Share Capital £	Revaluation Reserves £	Restricted Reserves £	Revenue Reserves £	Total Funds £
Balance at 1 April 2015 (restated)	76	56,306	1,854,530	(207,130)	1,978,147
Share capital cancelled in year	(2)	-	-	-	(2)
Share capital issued in year	5	-	-	-	5
Surplus from statement of total comprehensive income	-	-	(40,000)	78,487	38,487
<b>Balance at 31 March 2016</b>	<b>79</b>	<b>56,306</b>	<b>1,814,530</b>	<b>(128,643)</b>	<b>1,742,272</b>
Balance at 1 April 2014	75	56,306	1,892,959	(235,943)	1,713,397
Share capital cancelled in year	(1)	-	-	-	(1)
Share capital issued in year	2	-	-	-	2
Surplus from statement of total comprehensive income	-	-	(38,429)	28,813	(9,616)
<b>Balance at 31 March 2015</b>	<b>76</b>	<b>56,306</b>	<b>1,854,530</b>	<b>(207,130)</b>	<b>1,703,782</b>

**Association**

	Share Capital £	Revenue Reserves £	Total Unrestricted Funds £
Balance at 1 April 2015 (restated)	76	209,597	209,673
Share capital cancelled in year	(2)	-	(2)
Share capital issued in year	5	-	5
Surplus from statement of total comprehensive income	-	98,466	98,466
<b>Balance at 31 March 2016</b>	<b>79</b>	<b>308,063</b>	<b>308,142</b>
Balance at 1 April 2014	75	106,737	106,812
Share capital cancelled in year	(1)	-	(1)
Share capital issued in year	2	-	2
Surplus from statement of total comprehensive income	-	102,860	102,860
<b>Balance at 31 March 2015</b>	<b>76</b>	<b>209,597</b>	<b>209,673</b>

*Comparative figures have been restated to reflect the adoption of FRS 102 and the Housing SORP 2014.*

ORE VALLEY HOUSING ASSOCIATION LIMITED

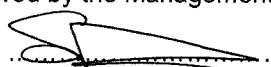
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

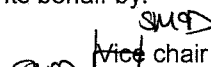
As at 31 March 2016

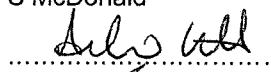
	Notes	2016 £	Group 2015 (Restated) £	2016 £	Association 2015 (Restated) £
<b>Fixed assets</b>					
Housing properties	10	32,162,862	32,573,165	32,162,862	32,573,165
Other fixed assets	11 & 12	4,092,313	4,168,077	959,102	978,834
Investments	13	-	-	2	2
		<u>36,255,175</u>	<u>36,741,242</u>	<u>33,121,966</u>	<u>33,552,001</u>
<b>Current assets</b>					
Debtors (amounts falling due within one year)	14	711,253	642,839	1,014,933	877,931
Debtors (amounts falling due after one year)	14	25,514	31,242	752,385	766,438
Cash and cash equivalents		883,734	943,101	854,906	907,335
		<u>1,620,501</u>	<u>1,617,182</u>	<u>2,622,224</u>	<u>2,551,704</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(1,268,006)</u>	<u>(1,116,304)</u>	<u>(1,172,365)</u>	<u>(1,048,098)</u>
<b>Net current assets</b>		<u>352,495</u>	<u>500,878</u>	<u>1,449,859</u>	<u>1,503,606</u>
<b>Total assets less current liabilities</b>		<u>36,607,670</u>	<u>37,242,120</u>	<u>34,571,825</u>	<u>35,055,607</u>
<b>Creditors: amounts owed after more than one year</b>	16	<u>(34,865,398)</u>	<u>(35,538,338)</u>	<u>(34,263,683)</u>	<u>(34,845,934)</u>
<b>Net assets</b>		<u>1,742,272</u>	<u>1,703,782</u>	<u>308,142</u>	<u>209,673</u>
<b>Capital and reserves</b>					
Share capital (non-equity)	17	79	76	79	76
Restricted reserves	18	1,814,530	1,854,530	-	-
Revenue reserves	19	(128,643)	(207,130)	308,063	209,597
Revaluation reserves	20	56,306	56,306	-	-
		<u>1,742,272</u>	<u>1,703,782</u>	<u>308,142</u>	<u>209,673</u>

Comparative figures have been restated to reflect the adoption of FRS 102 and the Housing SORP 2014.

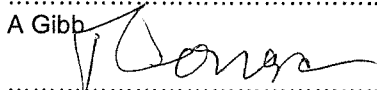
Approved by the Management Committee and signed on its behalf by:

  
S McDonald

  
SUD Vice chair

  
A Gibb

Secretary

  
T Dougan

Management Committee Member

16 August 2016

The notes on pages 13 to 30 form part of these financial statements.

ORE VALLEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016	Group 2015 (Restated)	2016	Association 2015 (Restated)
	£	£	£	£
<b>Net cash generated from operating activities</b>	1,242,297	1,146,385	1,158,349	1,081,911
<b>Cash flows from investing activities</b>				
Purchase of tangible fixed assets	(298,930)	(329,493)	(297,671)	(328,364)
Proceeds from sale of tangible fixed assets	-	2,284	-	2,284
Grants received	124,464	8,213	124,464	8,213
Interest received	1,077	1,513	42,370	38,559
<b>Cash flows from financing activities</b>				
Interest paid	(709,585)	(775,511)	(733,363)	(739,502)
Repayment of borrowings	(418,693)	(346,897)	(346,581)	(334,558)
Share capital issued	5	2	5	2
Share capital cancelled	(2)	(1)	(2)	(1)
<b>Net change in cash and cash equivalents in year</b>	<b>(59,367)</b>	<b>(293,505)</b>	<b>(52,429)</b>	<b>(271,456)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>943,101</b>	<b>1,236,606</b>	<b>907,335</b>	<b>1,178,791</b>
<b>Cash and cash equivalents at end of year</b>	<b>883,734</b>	<b>943,101</b>	<b>854,906</b>	<b>907,335</b>

	2016	Group 2015 (Restated)	2016	Association 2015 (Restated)
	£	£	£	£
<b>Net cash generated from operating activities</b>				
Surplus for the year	38,487	(9,616)	98,466	102,860
Adjustment for non-cash items				
Depreciation of tangible fixed assets	784,441	770,988	727,149	712,747
Decrease/(increase) in stock	-	108	-	-
Decrease/(increase) in debtors	(61,848)	(154,738)	(122,950)	(217,295)
(Decrease)/increase in creditors	80,407	76,275	72,389	93,286
Adjustments for investing or financing activities:				
(Gain)/loss on disposal of fixed assets	-	(2,284)	-	(2,284)
Government grants utilised in the year	(307,698)	(308,346)	(307,698)	(308,346)
Interest and financing costs	709,585	775,511	733,363	739,502
Interest receivable	(1,077)	(1,513)	(42,370)	(38,559)
<b>Net cash inflow from operating activities</b>	<b>1,242,297</b>	<b>1,146,385</b>	<b>1,158,349</b>	<b>1,081,911</b>

The notes on pages 13 to 30 form part of these financial statements.

ORE VALLEY HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

<b>Group</b>	<b>At 1 April 2015 £</b>	<b>Cash Flows £</b>	<b>Non Cash Flows £</b>	<b>At 31 March 2016 £</b>
<b>Analysis of changes in debt</b>				
Cash at bank and in hand	943,101	(59,367)	-	883,734
Debt due within one year	(373,387)	373,387	(387,529)	(387,529)
Debt due after one year	(14,723,312)	441,538	-	(14,281,774)
	<u>(14,153,598)</u>	<u>775,558</u>	<u>(387,529)</u>	<u>(13,794,272)</u>
	=====	=====	=====	=====
<b>Association</b>	<b>At 1 April 2015 £</b>	<b>Cash Flows £</b>	<b>Non Cash Flows £</b>	<b>At 31 March 2016 £</b>
<b>Analysis of changes in debt</b>				
Cash at bank and in hand	907,335	(52,429)	-	854,906
Debt due within one year	(346,356)	346,356	(360,498)	(360,498)
Debt due after one year	(14,030,908)	224	360,498	(13,670,186)
	<u>(13,469,929)</u>	<u>294,151</u>	<u>-</u>	<u>(13,175,778)</u>
	=====	=====	=====	=====
<b>Reconciliation of net cash to movement in net debt</b>	<b>2016 £</b>	<b>Group 2015 £</b>	<b>Association 2016 £</b>	<b>2015 £</b>
Decrease in cash	(59,367)	(293,505)	(52,429)	(271,456)
Loans repaid	418,693	346,897	346,580	334,559
<b>Change in net debt</b>	<u>359,326</u>	<u>53,392</u>	<u>294,151</u>	<u>63,103</u>
Net debt at 31 March 2015	<u>(14,153,598)</u>	<u>(14,206,990)</u>	<u>(13,469,929)</u>	<u>(13,533,032)</u>
<b>Net debt at 1 April 2016</b>	<u>(13,794,272)</u>	<u>(14,153,598)</u>	<u>(13,175,778)</u>	<u>(13,469,929)</u>
	=====	=====	=====	=====

## **ORE VALLEY HOUSING ASSOCIATION**

### **NOTES to the FINANCIAL STATEMENTS For the year ended 31 March 2016**

#### **1. Principal Accounting Policies**

The financial statements have been prepared for the first time in accordance with Financial Reporting Standard 102 (FRS102), the Statement of Recommended Practice for social housing providers "Housing SORP 2014 and the Determination of Accounting Requirements 2014". The transition to FRS 102 and SORP 2014 has resulted in a number of changes in accounting policies to those used previously.

#### **Legal Status**

Ore Valley Housing Association Limited is registered under the Co-operative and Community Benefit Societies Act 2014 No.2382RS and is a registered Scottish charity No.SC031773. Ore Valley Housing Association Limited is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2010. The principal activity of the Association is the provision of social housing and thus the Association is considered a public benefit entity. The registered office is 114-116 Station Road, Cardenden, KY8 0BW.

The principal accounting policies of the Association are set out below.

#### **Basis of Accounting**

The Financial Statements are prepared on the historical cost basis of accounting.

#### **Consolidation**

The group financial statements consolidate the financial statements of Ore Valley Housing Association Limited and its subsidiaries, Ore Valley Enterprises Limited, Fife HARCA Limited and Cardenden Heat and Power Limited, made up to 31 March 2016.

#### **Turnover**

The Association's turnover represents rental income (net of voids) and revenue based grants. Group turnover represents rental income, revenue based grants and income generated from furniture recycling and redistribution.

#### **Tangible Fixed Assets – Housing Properties**

Housing properties including developments in progress are stated at cost less aggregate depreciation.

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.

#### **Social Housing Grant**

Social Housing Grant (SHG) is receivable in respect of qualifying development costs as determined by Communities Scotland from time to time. SHG is repayable under certain circumstances, primarily following the sale of a property but will normally be restricted to the net proceeds of sale.

Capital grants are accounted for using the accrual model and are recognised in income on a systematic basis over the useful life of the related housing asset. The Association uses the useful lives of all housing components on a pro-rata basis to calculate the annual amortisation.

Other social housing grants received in respect of revenue expenditure are credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

#### **Depreciation and impairment of fixed assets**

##### **a. Housing properties**

Depreciation is provided on a straight line basis over the estimated useful economic lives of component categories.



## ORE VALLEY HOUSING ASSOCIATION

### NOTES to the FINANCIAL STATEMENTS (Contd.)

#### For the year ended 31 March 2016

#### 1. Principal Accounting Policies (Contd.)

##### Depreciation and impairment of fixed assets (Contd.)

Useful economic lives for identified components are as follows:

Component	Useful economic life
Structure	- 75 years
Roof	- 50 years
Windows and doors	- 25 years
Bathrooms	- 30 years
Kitchens	- 20 years
Boilers	- 15 years
Pipework and radiators	- 15 years
Electrical systems	- 30 years
External wall insulation	- 30 years

In the case of properties with an expected useful economic life of more than 50 years, impairment reviews are carried out on an annual basis in accordance with section 27 of FRS102. Where impairment reduces the economic value of a group of properties to an amount less than the net book value, the impairment is charged to the Statement of Comprehensive Income. Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost less residual value of such assets over their expected useful life as follows:

Land	- nil
Properties	- 2% per annum - straight line
Office equipment	- 20% per annum - straight line
Computer equipment	- 20% per annum - straight line
Fixtures & fittings	- 20% per annum - straight line
Motor vehicles	- 20% per annum - straight line

Assets in the course of construction are not depreciated.

##### Works to existing housing properties

Where works to existing housing properties enhance the economic benefit of owning the properties, the cost of such works is capitalised. An enhancement of economic benefits will be recognised where the works will result in increased rental income, a reduction in maintenance costs or an extension of the expected useful life of the properties.

The cost of all other works to existing housing properties is written off to the Income and Expenditure Account in the year in which it is incurred.

##### Capitalisation of development overheads

Costs which are directly attributable to bringing housing properties into working condition are included in housing properties cost. Directly attributable costs include direct labour costs of the Association and the incremental costs which would have been avoided only if the property had not been constructed or acquired. All other development overheads are written off to the Income and Expenditure Account.

##### Development interest

Interest on borrowings specifically financing a development programme is capitalised to the extent that it accrues in respect of the period during which development activities are in progress. All other interest is written off to the Income and Expenditure Account in the period in which it accrues.

## ORE VALLEY HOUSING ASSOCIATION

### NOTES to the FINANCIAL STATEMENTS (Contd.)

#### For the year ended 31 March 2016

#### 1. Principal Accounting Policies (Contd.)

##### **Sale of Housing Properties**

The surplus or deficit on the disposal of housing properties is shown as the difference between net proceeds and net book value. The net book value is reduced by the amount of any Housing Association Grant which does not require to be repaid.

##### **Grants**

Grants are recognised in the period in which they are received. Any grants received for the purchase of specific fixed assets are recognised over the estimated useful economic life of the asset.

##### **Designated Reserves**

This comprises the following reserves:

##### **a) Future cyclical repairs and maintenance**

The objective of this reserve is to ensure that the Association has adequate funds to maintain its properties in accordance with a planned programme of works. Following the introduction of component accounting, the Association has taken the decision that the reserve is no longer required and the balance has been transferred to the revenue reserves.

##### **b) Major Repairs**

This reserve is maintained in order to ensure that the Association will have adequate funds for the replacement of major component parts when they reach the end of their expected useful life. Following the introduction of component accounting, the Association has taken the decision that the reserve is no longer required and transferred the balance to the revenue reserves.

##### **Pensions**

The Association operates a defined benefits Pension Scheme, the costs of which are expressed on an accruals basis. The assets of the Scheme are held separately from those of the Association in an independently administered Fund.

##### **Taxation**

The Association has obtained charitable status and no liability to tax has accrued to date. Ore Valley Enterprises Limited, a subsidiary, is liable to tax.

##### **Going concern**

The financial statements have been prepared on the going concern basis. The Board have assessed the Association's ability to continue as a going concern and have reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

ORE VALLEY HOUSING ASSOCIATION

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2016

2. Particulars Turnover, operating costs and operating surplus - Association

	2016	2015
	Operating	Operating
	Costs	Surplus
Turnover	Surplus	(Restated)
£	£	£
Affordable letting activities (note 3)	3,027,160	770,999
Other activities (note 4)	201,320	18,460
<b>Total 2016</b>	<b>3,228,480</b>	<b>789,459</b>
<b>Total 2015</b>	<b>3,393,239</b>	<b>803,803</b>

3. Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities - Association

	General Needs Housing and Total 2016	2015 (Restated)
	£	£
<b>Income from lettings</b>		
Rent receivable net of service charges	2,583,316	2,509,375
Service charges receivable	-	-
<b>Gross income from rents and service charges</b>	<b>2,583,316</b>	<b>2,509,375</b>
Less: Voids	(10,702)	(12,132)
<b>Net income from rents and service charges</b>	<b>2,572,614</b>	<b>2,497,243</b>
Grants released from deferred income	307,698	308,346
Other revenue grants	146,848	33,152
<b>Total turnover from affordable letting activities</b>	<b>3,027,160</b>	<b>2,838,741</b>
<b>Expenditure on letting activities</b>		
Management and maintenance admin costs	816,475	870,818
Service costs	3,929	3,997
Planned and cyclical maintenance including major repairs costs	420,948	311,685
Reactive maintenance costs	292,262	221,055
Bad debts – rents and service charges	16,212	10,451
Depreciation of affordable housing properties	706,335	687,956
<b>Operating costs for affordable letting activities</b>	<b>2,256,161</b>	<b>2,105,962</b>
<b>Operating surplus for affordable letting activities</b>	<b>770,999</b>	<b>732,779</b>
<b>Operating surplus for affordable letting activities for previous year (restated)</b>	<b>732,779</b>	
There is no other accommodation except for General Needs Housing.		
	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Number of homes in management	659	659

ORE VALLEY HOUSING ASSOCIATION

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2016

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

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs - bad debts £	Other operating costs £	Operating surplus or deficit 2016 £	Operating surplus or deficit 2015 £
Wider role activities undertaken to support the community, other than the provision, construction improvements and management of housing	-	130,000	-	-	130,000	-	182,860	(52,860)	(61,025)
Other activities	-	-	-	71,320	71,320	-	-	71,320	132,049
<b>Total from other activities 2016</b>	-	130,000	-	71,320	201,320	-	182,860	18,460	71,024
<b>Total from other activities 2015</b>	-	422,449	-	132,049	554,498	-	483,474	71,024	-

There were no other activities other than the activities shown above.

**ORE VALLEY HOUSING ASSOCIATION**

**NOTES to the FINANCIAL STATEMENTS (Contd.)**

**For the year ended 31 March 2016**

<b>5. Surplus on ordinary activities before taxation</b>	<b>2016</b>	<b>Group 2015 (Restated)</b>	<b>2016</b>	<b>Association 2015 (Restated)</b>
	£	£	£	£
Surplus on ordinary activities before taxation is stated after:-				
Depreciation	784,441	770,988	727,149	712,747
Auditors' remuneration for audit services (incl VAT)	6,365	6,180	3,986	3,870
	=====	=====	=====	=====

**6. Officers' emoluments**

An officer of an Association is defined by the Registered Housing Association (Accounting Requirements) (Scotland) Order 2007 as the Chief Executive and any other person reporting directly to the Chief Executive or directly to the Board and whose total emoluments exceed £60,000 per year.

No emoluments were paid to any Member of the Committee of Management and the emoluments of the Chief Executive were:

	<b>2016</b>	<b>2015</b>
	£	£
Total emoluments (including pension contributions of £3,486)(2015: £3,364))	62,439	60,277
	=====	=====
Total expenses reimbursed to Committee Members and the Chief Executive	1,248	930
	=====	=====

The Chief Executive is an ordinary member of the Association's pension scheme described in note 23. No enhanced or special terms apply and he has no other pension arrangements to which the Association contributes.

There are no staff costs within the subsidiary companies.

**7. Employee information**

	<b>2016</b>	<b>2015</b>
	£	£
Staff costs (including Chief Executive)		
Wages and salaries	419,366	445,980
Social security costs	34,860	35,885
Pension costs	13,575	15,042
	-----	-----
	467,801	496,907
	=====	=====

The average number of persons (full time equivalents) employed by the Association during the during the year:

16	17
=====	=====

<b>8. Interest and financing costs</b>	<b>2016</b>	<b>Group 2015</b>	<b>2016</b>	<b>Association 2015</b>
	£	£	£	£
Interest payable on bank loans	709,585	775,511	733,363	739,502
	=====	=====	=====	=====

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Contd.)**

**For the year ended 31 March 2016**

9. Taxation on ordinary Activities	2016	Group	Association	
	£	2015	2016	2015
		£	£	£
Current year corporation tax	-	-	-	-
	=====	=====	=====	=====

10. Tangible fixed assets – Association and Group	Held for	Under	Total	Total
	Letting	Construction	2016	2015
	£	£	£	£
<b>Housing properties</b>				
Cost				
As at 1 April 2015 (Restated)	37,824,643	126,142	37,950,785	37,773,676
Additions	161,143	135,446	296,589	192,465
Disposals	(47,053)	-	(47,053)	(15,356)
	-----	-----	-----	-----
At 31 March 2016	37,938,733	261,588	38,200,321	37,950,785
	-----	-----	-----	-----
Depreciation				
As at 1 April 2015 (Restated)	5,377,620	-	5,377,620	4,704,725
Charge for year	688,244	-	688,244	683,249
On disposals	(28,405)	-	(28,405)	(10,354)
	-----	-----	-----	-----
At 31 March 2016	6,037,459	-	6,037,459	5,377,620
	-----	-----	-----	-----
<b>Net book value</b>				
At 31 March 2016	31,901,274	261,588	32,162,862	32,573,165
	=====	=====	=====	=====
At 31 March 2015 (Restated)	32,447,023	126,142	32,573,165	
	=====	=====	=====	

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Contd.)**

**For the year ended 31 March 2016**

**11. Tangible fixed assets – Group**

**Other fixed assets**

	Land & Buildings £	Computer Equipment £	Office Equipment £	Fixtures & fittings £	Motor Vehicles £	Total £
Cost or valuation:						
As at 1 April 2015	4,513,910	77,821	15,029	3,658	15,838	4,626,256
Additions during year	-	1,382	-	959	-	2,341
Revaluation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>4,513,910</b>	<b>79,203</b>	<b>15,029</b>	<b>4,617</b>	<b>15,838</b>	<b>4,628,597</b>
Depreciation						
As at 1 April 2015	355,327	69,437	15,029	2,548	15,838	458,179
Charge for year	72,203	5,004	-	899	-	78,106
Disposals	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>427,530</b>	<b>74,441</b>	<b>15,029</b>	<b>3,447</b>	<b>15,838</b>	<b>536,285</b>
<b>Net book value</b>						
At 31 March 2016	4,086,380	4,762	-	1,170	-	4,092,312
At 31 March 2015	4,158,583	8,384	-	1,110	-	4,168,077

**12. Tangible fixed assets – Association**

**Other fixed assets**

	Land & Buildings £	Computer Equipment £	Office Equipment £	Motor Vehicles £	Total £
Cost or valuation:					
As at 1 April 2015	1,085,198	70,900	15,029	15,838	1,186,965
Additions during year	-	1,082	-	-	1,082
Disposals	-	-	-	-	-
<b>At 31 March 2016</b>	<b>1,085,198</b>	<b>71,982</b>	<b>15,029</b>	<b>15,838</b>	<b>1,188,047</b>
Depreciation					
As at 1 April 2015	113,917	63,347	15,029	15,838	208,131
Charge for year	16,229	4,585	-	-	20,814
Disposals	-	-	-	-	-
<b>At 31 March 2016</b>	<b>130,146</b>	<b>67,932</b>	<b>15,029</b>	<b>15,838</b>	<b>228,945</b>
<b>Net book value</b>					
At 31 March 2016	955,052	4,050	-	-	959,102
At 31 March 2015	971,281	7,553	-	-	978,834

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Contd.)**

**For the year ended 31 March 2016**

<b>13. Investments</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
As at 1 April 2015	2	2
Additions during year	-	-
	-----	-----
At 31 March 2016	2	2
	=====	=====

Ore Valley Housing Association Limited owns one share which is 100% of the share capital of Ore Valley Enterprises Limited and one share which is 100% of the share capital of Cardenden Heat and Power Limited. The Association also owns 100% of Ore Valley Community Initiatives Limited, a company limited by guarantee and therefore the investment is shown at nil cost.

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Aggregate capital and reserves</b>		
Ore Valley Enterprises Limited	(165,531)	(107,021)
Ore Valley Community Initiatives Limited	1,624,422	1,626,369
Cardenden Heat and Power Limited	(101)	(29)
	=====	=====
<b>Profit/(loss) for the year</b>		
Ore Valley Enterprises Limited	(58,510)	(35,993)
Ore Valley Community Initiatives Limited	(1,947)	(77,003)
Cardenden Heat and Power Limited	(72)	(30)
	=====	=====

<b>14. Debtors</b>	<b>2016</b>	<b>Group</b>	<b>Association</b>	
	<b>£</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>	<b>£</b>
<b>Due within one year</b>				
Trade debtors	9,384	12,163	-	-
Amounts owed by group undertakings	-	-	323,986	265,125
Other debtors and prepayments	645,130	572,710	632,905	554,840
Rental debtors	111,177	112,185	111,177	112,185
Provision for doubtful debts	(54,438)	(54,219)	(53,135)	(54,219)
	-----	-----	-----	-----
	711,253	642,839	1,014,933	877,931
	=====	=====	=====	=====
<b>Due after one year</b>				
Amounts owed by group undertakings	-	-	726,871	735,196
Other debtors	25,514	31,242	25,514	31,242
	-----	-----	-----	-----
	25,514	31,242	752,385	766,438
	=====	=====	=====	=====

Included in 'Amounts owed by group undertakings' of the Association is the inter-company loan of £278,564 due from Ore Valley Community Initiatives Limited of which £271,871 is due after one year.

Included within other debtors are amounts totalling £546,632 in respect of costs incurred on projects which will be recovered on completion of these projects. These may not be received within one year.



**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Contd.)**

**For the year ended 31 March 2016**

15. Creditors: Amounts falling due within one year	2016	Group 2015 (Restated)	2016	Association 2015 (Restated)
	£	£	£	£
Other creditors	468,259	351,587	419,920	320,596
Taxation and social security	12,053	16,376	12,053	16,376
Prepayment of rent	73,589	67,256	71,894	57,072
Bank loans	406,105	373,387	360,498	346,356
Deferred Housing Association Grant	308,000	307,698	308,000	307,698
	<u>1,268,006</u>	<u>1,116,304</u>	<u>1,172,365</u>	<u>1,048,098</u>

16. Creditors: Amounts falling due after one year	2016	Group 2015 (Restated)	2016	Association 2015 (Restated)
	£	£	£	£
Bank loans	14,271,901	14,723,312	13,670,186	14,030,908
Deferred Housing Association Grant	20,077,103	20,261,187	20,077,103	20,261,187
Pension deficit contributions	516,394	553,839	516,394	553,839
	<u>34,865,398</u>	<u>35,538,338</u>	<u>34,263,683</u>	<u>34,845,934</u>

The property loans are repayable in instalments over a period ranging up to 30 years. A small office loan is repayable over 15 years.

Loans totalling £10,119,633 at 31 March 2016 carry interest at rates fixed for periods of up to 30 years. All other loans carry interest at a variable rate. At the balance sheet date the loans were at rates between 0.95% and 7.47%.

All loans are secured over the housing properties owned by the Association.

ORE VALLEY HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2016

16. Creditors: Amounts falling due after one year (Contd.)

Loan instalments are due as follows:	Group		Association	
	2016	2015	2016	2015
	£	£	£	£
Within one year	406,105	373,387	360,498	346,356
Between one and two years	521,014	557,393	468,848	358,888
Between two and five years	1,653,178	1,600,054	1,475,145	1,506,717
After more than five years	12,097,709	12,565,865	11,726,193	12,165,303
	14,678,006	15,096,699	14,030,684	14,377,264
	=====	=====	=====	=====

Deferred Housing Association Grant

	2016	2015
	£	£
Due within one year	308,000	307,698
Due between one and two years	308,000	308,000
Due between three and five years	924,000	924,000
Due after 5 years	18,845,102	19,029,187
	20,385,102	20,568,885
	-----	-----
Less: included in current liabilities above	(308,000)	(307,698)
	20,077,103	20,261,187
	=====	=====

17. Share capital (not equity)	Group		Association	
	2016	2015	2016	2015
	£	£	£	£
Allotted, issued and fully paid				
At 1 April 2015	76	75	76	75
Issued in year	5	2	5	2
	81	77	81	77
Cancelled in the year	2	1	2	1
	79	76	79	76
	=====	=====	=====	=====

Each member of the Association holds one share and all shares carry equal voting rights. Under the rules of the Association, members are not entitled to dividends nor can they participate in any distribution on the winding up of the Association.

18. Restricted reserves	Group		Association	
	2016	2015	2016	2015
	£	£	£	£
At 1 April 2015	1,854,530	1,892,959	-	-
Receivable in year	-	6,678	-	-
Expended in year including transfers	(40,000)	(45,107)	-	-
	1,814,530	1,854,530	-	-
	=====	=====	=====	=====

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Contd.)**

**For the year ended 31 March 2016**

<b>19. Revenue reserves</b>	<b>2016</b>	<b>Group</b>	<b>2016</b>	<b>Association</b>
	<b>£</b>	<b>2015</b>	<b>£</b>	<b>2015</b>
		<b>£</b>		<b>£</b>
At 1 April 2015	(207,130)	(235,943)	209,597	106,737
Surplus/(deficit) for year	78,487	28,813	98,466	102,860
	-----	-----	-----	-----
At 31 March 2016	(128,643)	(207,130)	308,063	209,597
	=====	=====	=====	=====

<b>20. Revaluation reserves</b>	<b>2016</b>	<b>Group</b>	<b>2016</b>	<b>Association</b>
	<b>£</b>	<b>2015</b>	<b>£</b>	<b>2015</b>
		<b>£</b>		<b>£</b>
At 1 April 2015	56,306	56,306	-	-
Revaluation of fixed assets	-	-	-	-
	-----	-----	-----	-----
At 31 March 2016	56,306	56,306	-	-
	=====	=====	=====	=====

**21. Pensions**

**The Pensions Trust – Scottish Housing Associations’ Pension Scheme (SHAPS)**

Ore Valley Housing Association participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a “last-man standing arrangement”. Therefore the Association is potentially liable for the other participating employer’s obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

**Deficit contributions**

From 1 April 2014 to 30 September 2027: £26,304,000 per annum (payable monthly and increasing by 3% each 1 April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate noted below. The unwinding of the discount rate is recognised as a finance cost.

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Contd.)**

**For the year ended 31 March 2016**

**21. Pensions (Contd.)**

<b>Present value of provision</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Present value of provision	566,000	602,000
	=====	=====
<b>Reconciliation of opening and closing provisions</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Provision at start of period	602,000	586,000
Unwinding of discount factor	13,000	19,000
Deficit contribution paid	(47,000)	(45,000)
Remeasurements – impact of any change in assumptions	(2,000)	42,000
	-----	-----
Provision at end of period	566,000	602,000
	=====	=====
<b>Income and expenditure impact</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Interest expense	13,000	19,000
Remeasurements – impact of any change in assumptions	(2,000)	42,000
	=====	=====
<b>Assumptions</b>	<b>2016</b>	<b>2015</b>
	<b>% pa</b>	<b>% pa</b>
Rate of discount	2.29	2.22
	=====	=====

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

**Employer debt regulations**

Following a change in legislation in September 2005 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 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.

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Contd.)**

**For the year ended 31 March 2016**

**21. Pensions (Contd.)**

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 currently participating 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.

Ore Valley Housing Association Limited has been notified 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 2015. As of this date the estimated employer debt for Ore Valley Housing Association Limited was £2,023,068.

As the Association continues to offer membership of The Scheme to its employees, it regards crystallisation of the buy-out debt as being remote and therefore no provision is required.

<b>22. Capital commitments – Group and Association</b>	<b>2016</b>	<b>Group</b>	<b>Association</b>
	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Capital expenditure that has been contracted for but not provided for in the financial statements	1,155,263	-	1,155,263
	=====	=====	=====
Capital expenditure authorised but not contracted for	-	-	-
	=====	=====	=====

**23. Commitments under operating leases**

As 31 March 2016, the total future minimum lease payments under non-cancellable operating leases were as follows:-:

	<b>2016</b>	<b>Group</b>	<b>Association</b>
	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Operating lease which expires:			
Between two and five years	3,069	4,092	3,069
After more than 5 years	143,000	111,692	-
	-----	-----	-----
	146,069	115,784	3,069
	=====	=====	=====

## ORE VALLEY HOUSING ASSOCIATION LIMITED

### NOTES to the FINANCIAL STATEMENTS (Contd.)

#### For the year ended 31 March 2016

#### 24. Related party transactions

Some members of the Management Committee are also tenants of the Association. Their tenancies are all on the same terms as for other tenants and no advantage can be gained from their position.

At 31 March 2016, there was an amount due from Ore Valley Enterprises Limited of £144,462 (2015: £108,108), and £5,050 of interest was charged on the inter-company current account during the year at a commercial rate.

Also, at the 31 March 2016 the balance on the inter-company loan account was £455,000 (2015: £455,000), and £16,328 of interest was charged during the year at a commercial rate. The inter-company loan account is secured over the investment properties held at Rosewell Drive and Loanhead Avenue.

The Association provided management services to Ore Valley Enterprises Limited during the year totalling £nil (2015: £10,517) including VAT.

At 31 March 2016, £172,831 (2015: £150,720) was due from Ore Valley Community Initiatives Limited, and £5,891 of interest was charged on the inter-company current account during the year at a commercial rate.

Also, at 31 March 2016 there was a loan of £278,564 (2015: £286,493) due from Ore Valley Community Initiatives Limited. The loan is to be repaid by 31 March 2039 at a fixed interest rate of 4.95% per annum and is secured over the Miners Institute.

The Association provided management services to Ore Valley Community Initiatives Limited during the year totalling £nil (2015: £20,728).

Ore Valley Community Initiatives Limited rented a room in the business centre to the Association at a cost of £16,308 (2015: £3,532) and provided other services of £567 (2015: £260) on arm's length basis. At the 31 March 2016, £472 (2015: £nil) was due to Ore Valley Community Initiatives Limited.

Chief Executive, A W W Saunders is also a director of Ore Valley Enterprises Limited, Ore Valley Community Initiatives Limited and Cardenden Heat and Power Limited.

## ORE VALLEY HOUSING ASSOCIATION LIMITED

### NOTES to the FINANCIAL STATEMENTS (Contd.)

#### For the year ended 31 March 2016

#### 25. Transition to FRS 102

The Association has adopted Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for social housing providers (SORP 2014) for the year ended 31 March 2016. This has led to a number of changes in accounting policy, judgements and estimates and necessitates the prior year comparative amounts to be restated using these new policies in order that they give a comparable view of the prior year position.

The following changes to accounting policies and estimates have been applied:

In accordance with FRS 102 the Association does not present an Income and Expenditure Account as was presented in the financial statements to 31 March 2015 as items that previously appeared in these statements are now included in the Statement of Comprehensive Income.

As permitted by FRS 102 the Association has renamed the Balance Sheet as the Statement of Financial Position.

As prescribed by FRS 102 the Association now prepares a Statement of Changes in Capital and Reserves whereas in the financial statements to 31 March 2015 capital and reserves were analysed as part of the notes to the financial statements.

Housing Association Grant (HAG) is now recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structure.

Pension past service deficit liability is now recognised in the financial statements.

The date of transition is 1 April 2014.

#### Group

##### Restated Statement of Comprehensive Income

	£
Surplus per signed financial statements for year ended 31 March 2015	(27,728)
Effect of adjustment to amortised deferred capital grants	308,599
Effect of adjustment to depreciation charge	(274,487)
Effect of adjustment to pension past service deficit liability	(16,000)
<b>Restated Surplus for the year ended 31 March 2015</b>	<b>(9,616)</b>

##### Restated Statement of Financial Position

	£
Capital and reserves as at 31 March 2015 per signed financial Statements	1,999,345
Effect of adjustment to amortised deferred capital grants over the lives of the applicable assets to date	2,537,784
Effect of adjustment to increase depreciation charge both during the current financial year and at 1 April 2014	(2,231,347)
Effect of adjustment to pension past service deficit liability	(602,000)
<b>Restated Capital and Reserves as at 31 March 2015</b>	<b>(1,703,782)</b>

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (Contd.)**

**For the year ended 31 March 2016**

**Association**

**Restated Statement of Comprehensive Income**

	£
Surplus per signed financial statements for year ended 31 March 2015	84,748
Effect of adjustment to amortised deferred capital grants	308,599
Effect of adjustment to depreciation charge	(274,487)
Effect of adjustment to pension past service deficit liability	(16,000)
<b>Restated Surplus for the year ended 31 March 2015</b>	<b>102,860</b>

**Restated Statement of Financial Position**

	£
Capital and reserves as at 31 March 2015 per signed financial Statements	505,236
Effect of adjustment to amortised deferred capital grants over the lives of the applicable assets to date	2,537,784
Effect of adjustment to increase depreciation charge both during the current financial year and at 1 April 2014	(2,231,347)
Effect of adjustment to pension past service deficit liability	(602,000)
<b>Restated Capital and Reserves as at 31 March 2015</b>	<b>209,673</b>