

ORE VALLEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

ORE VALLEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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ORE VALLEY HOUSING ASSOCIATION LIMITED

MEMBERS, EXECUTIVES AND ADVISERS

Management Committee

S McDonald (Chair)
A Gibb (Secretary)
T Allan
T Dougan
R Eals
R Gaffney (resigned 12/07/16)
M McLintock
G Rowbotham (resigned 12/07/16)
G Smith
A Johnston (appointed 07/06/16)
I Muirhead (appointed 12/07/16)

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 2017

The Management Committee present their report and the audited consolidated financial statements for the year ended 31 March 2017.

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. During the year we completed work on site at Cook Square in the centre of Lochgelly providing 15 social rented flatted units. This project links to some significant Fife Council projects on adjacent sites all contributing to the ongoing regeneration of Lochgelly.

Ore Valley Housing Association through its subsidiary Ore Valley Enterprises Ltd. will continue to consider alternative approaches to providing new houses that will 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 nearly 200 central heating systems. In addition, we continued to roll out the programme to provide over bath showers in all of or properties' bathrooms. 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 commenced a review of its asset management arrangements and has, during the year, undertaken a comprehensive survey of the condition and energy efficiency of its housing stock. The initial results are encouraging and work required to meet EESH will be prioritised as we move towards the target date of 2020.

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, our objective is to limit the impacts for the Association and its tenants as far as possible. Universal Credit 'full service' arrangements are due to be rolled out in Fife during December 2017 it is anticipated that this will cause significant challenges and we are actively preparing for those.

For a number of years, Ore Valley Housing Association has been involved in the development of various renewable energy. These projects have been 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. During the course of the year the work on the installation of a medium scale wind turbine at Dundonald near Cardenden was completed and the turbine was commissioned. The project was funded and is being managed through Cardenden Heat and Power Ltd, a wholly owned subsidiary of Ore Valley Housing Association.

During the course of the year the Association implemented the second year of phasing in of the new rental structure, it is likely that further phasing will be required over the next 2-3 years.

ORE VALLEY HOUSING ASSOCIATION LIMITED

REPORT of the MANAGEMENT COMMITTEE (continued)

For the year ended 31 March 2017

Review of the business and future developments (continued)

During the year the Association's trading subsidiary company, Ore Valley Enterprises Ltd, continued to work on the development and mid-market rental housing projects, aimed at addressing housing need and for the benefit of the communities within which we work. During the year additional projects were brought into management at Lochgelly and Keltie. A further project which will be leased from Fife Council in Dysart will be completed during the year ahead.

Ore Valley Community Initiatives Ltd, a charitable subsidiary of Ore Valley Housing Association, continues to be involved in the management of existing projects as well as considering the development of new non-housing related projects which will provide additional community, economic and social benefit.

The subsidiary companies continue to develop, manage and support new and existing projects on the basis of benefit to local communities, 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 12 on pages 20 to 21.

ORE VALLEY HOUSING ASSOCIATION LIMITED

REPORT of the MANAGEMENT COMMITTEE (continued)

For the year ended 31 March 2017

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 2017. 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 (continued)

For the year ended 31 March 2017

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**

29th August 2017

**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 2017 on pages 9 to 27. 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 4 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

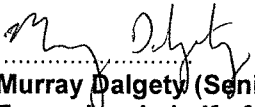
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 (continued)**

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 2017 and of its surplus 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

30th August 2017


**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

30th August 2017

ORE VALLEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 £	Group 2016 £	2017 £	Association 2016 £
Turnover	2	3,364,786	3,507,659	3,065,124	3,228,480
Operating expenditure	2	(2,636,111)	(2,760,664)	(2,277,176)	(2,439,021)
Operating surplus		728,675	746,995	787,948	789,459
Interest receivable		1,087	1,077	44,763	42,370
Interest and financing costs	8	(788,782)	(709,585)	(719,364)	(733,363)
(Deficit)/Surplus before tax		(59,020)	38,487	113,347	98,466
Tax on ordinary activities	9	-	-	-	-
Surplus and total comprehensive Income for the year		(59,020)	38,487	113,347	98,466

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

The notes on pages 13 to 27 form part of these financial statements.

ORE VALLEY HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2017

Group	Share Capital £	Revaluation Reserves £	Restricted Reserves £	Revenue Reserves £	Total Funds £
Balance at 1 April 2016	79	56,306	1,814,530	(128,643)	1,742,272
Share capital cancelled in year	(3)	-	-	-	(3)
Share capital issued in year	2	-	-	-	2
Surplus from statement of total comprehensive income	-	-	(40,000)	(19,020)	(59,020)
Balance at 31 March 2017	78	56,306	1,774,530	(147,663)	1,683,251
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
Balance at 31 March 2016	79	56,306	1,814,530	(128,643)	1,742,272

Association	Share Capital £	Revenue Reserves £	Total Unrestricted Funds £
Balance at 1 April 2016	79	308,063	308,142
Share capital cancelled in year	(3)	-	(3)
Share capital issued in year	2	-	2
Surplus from statement of total comprehensive income	-	113,347	113,347
Balance at 31 March 2017	78	421,410	421,488
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
Balance at 31 March 2016	79	308,063	308,142

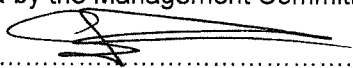
ORE VALLEY HOUSING ASSOCIATION LIMITED

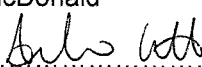
CONSOLIDATED STATEMENT OF FINANCIAL POSITION


As at 31 March 2017

	Notes	2017 £	Group 2016 £	2017 £	Association 2016 £
Fixed assets					
Housing properties	10	32,892,056	32,162,862	32,892,056	32,162,862
Other fixed assets	11	6,104,777	4,092,313	943,220	959,102
Investments	12	-	-	2	2
		38,996,833	36,255,175	33,835,278	33,121,966
Current assets					
Debtors (amounts falling due within one year)	13	956,923	711,253	2,091,290	1,014,933
Debtors (amounts falling due after one year)	13	80,549	25,514	320,935	752,385
Cash and cash equivalents		918,984	883,734	662,922	854,906
		1,956,456	1,620,501	3,075,147	2,622,224
Creditors: amounts falling due within one year	14	(1,341,501)	(1,268,006)	(1,088,784)	(1,172,365)
Net current assets		614,955	352,495	1,986,363	1,449,859
Total assets less current liabilities		39,611,788	36,607,670	35,821,641	34,571,825
Creditors: amounts owed after more than one year	15	(37,928,537)	(34,865,398)	(35,400,153)	(34,263,683)
Net assets		1,683,251	1,742,272	421,488	308,142
Capital and reserves					
Share capital (non-equity)	16	78	79	78	79
Restricted reserves	17	1,774,530	1,814,530	-	-
Revenue reserves	18	(147,663)	(128,643)	421,410	308,063
Revaluation reserves	19	56,306	56,306	-	-
		1,683,251	1,742,272	421,488	308,142

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



 S McDonald Chair


 A Gibb Secretary


 T Dougan Management Committee Member

19th August 2017

The notes on pages 13 to 27 form part of these financial statements.

ORE VALLEY HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 £	Group 2016 £	2017 £	Association 2016 £
Net cash generated from operating activities	540,972	1,242,297	138,108	1,158,349
Cash flows from investing activities				
Purchase of tangible fixed assets	(3,552,118)	(298,930)	(1,466,808)	(297,671)
Grants received	665,959	124,464	665,959	124,464
Interest received	1,087	1,077	44,763	42,370
Cash flows from financing activities				
Interest paid	(788,782)	(709,585)	(719,364)	(733,363)
New Loans	3,568,385	-	1,500,000	-
Repayment of borrowings	(400,252)	(418,693)	(354,641)	(346,581)
Share capital issued	2	5	2	5
Share capital cancelled	(3)	(2)	(3)	(2)
Net change in cash and cash equivalents in year	<u>35,250</u>	<u>(59,367)</u>	<u>(191,984)</u>	<u>(52,429)</u>
Cash and cash equivalents at beginning of year	<u>883,734</u>	<u>943,101</u>	<u>854,906</u>	<u>907,335</u>
Cash and cash equivalents at end of year	<u>918,984</u>	<u>883,734</u>	<u>662,922</u>	<u>854,906</u>
Net cash flow generated from operating activities				
Surplus/(deficit) for the year	(59,020)	38,487	113,347	98,466
Depreciation of tangible fixed assets	810,459	784,441	753,496	727,149
Government grants utilised in the year	(318,893)	(307,698)	(318,893)	(307,698)
Decrease/(increase) in debtors	(324,026)	(61,848)	(644,907)	(122,950)
(Decrease)/increase in creditors	(355,243)	80,407	(439,536)	72,389
Adjustments for investing or financing activities:				
Interest and financing costs	788,782	709,585	719,364	733,363
Interest receivable	(1,087)	(1,077)	(44,763)	(42,370)
Net cash inflow from operating activities	<u>540,972</u>	<u>1,242,297</u>	<u>138,108</u>	<u>1,158,349</u>

The notes on pages 13 to 27 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 2017

Group	At 1 April 2016 £	Cash Flows £	Non Cash Flows £	At 31 March 2017 £
Analysis of changes in debt				
Cash at bank and in hand	883,734	35,250	-	918,984
Debt due within one year	(406,105)	297,684	(407,654)	(516,075)
Debt due after one year	(14,271,901)	(3,478,540)	420,377	(17,330,064)
	-----	-----	-----	-----
	(13,794,272)	(3,122,285)	12,723	(16,927,155)
	=====	=====	=====	=====
Association				
Analysis of changes in debt				
Cash at bank and in hand	854,906	(191,984)	-	662,922
Debt due within one year	(360,498)	360,498	(374,363)	(374,363)
Debt due after one year	(13,670,186)	(1,500,000)	368,506	(14,801,680)
	-----	-----	-----	-----
	(13,175,778)	(1,331,486)	(5,857)	(14,513,121)
	=====	=====	=====	=====
Reconciliation of net cash to movement in net debt				
	2017 £	Group 2016 £	2017 £	Association 2016 £
Increase/(decrease) in cash	35,250	(59,367)	(191,984)	(52,429)
Loans repaid	400,252	418,693	354,641	346,580
Loans received	(3,568,385)	-	(1,500,000)	-
	-----	-----	-----	-----
Change in net debt	(3,132,883)	359,326	(1,337,343)	294,151
Net debt at 1 April 2016	(13,794,272)	(14,153,598)	(13,175,778)	(13,469,929)
	-----	-----	-----	-----
Net debt at 31 March 2017	(16,927,155)	(13,794,272)	(14,513,121)	(13,175,778)
	=====	=====	=====	=====

ORE VALLEY HOUSING ASSOCIATION

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. Principal Accounting Policies

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014.

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.

The Financial Statements have been presented in Pound Sterling as this is the functional and presentational currency of the Company.

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 2017.

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 (continued)

For the year ended 31 March 2017

1. Principal Accounting Policies (continued)

Depreciation and impairment of fixed assets (continued)

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 (continued)

For the year ended 31 March 2017

1. Principal Accounting Policies (continued)

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.

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 (continued)

For the year ended 31 March 2017

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

	Turnover £	Operating Costs £	2017 Operating Surplus £	2016 Operating Surplus £
Affordable letting activities (note 3)	3,010,487	1,990,995	1,019,492	770,999
Other activities (note 4)	54,637	286,181	(231,544)	18,460
Total 2017	3,065,124	2,277,176	787,948	789,459
Total 2016	3,228,480	2,439,021	789,459	

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

	General Needs Housing and Total	
	2017 £	2016 £
Income from lettings		
Rent receivable net of service charges	2,675,183	2,583,316
Service charges receivable	-	-
Gross income from rents and service charges	2,675,183	2,583,316
Less: Voids	(9,634)	(10,702)
Net income from rents and service charges	2,665,549	2,572,614
Grants released from deferred income	318,893	307,698
Other revenue grants	26,045	146,848
Total turnover from affordable letting activities	3,010,487	3,027,160
Expenditure on letting activities		
Management and maintenance admin costs	674,040	816,475
Service costs	5,005	3,929
Planned and cyclical maintenance including major repairs costs	311,629	420,948
Reactive maintenance costs	262,800	292,262
Bad debts – rents and service charges	3,227	16,212
Depreciation of affordable housing properties	734,294	706,335
Operating costs for affordable letting activities	1,990,995	2,256,161
Operating surplus for affordable letting activities	1,019,492	770,999
Operating surplus for affordable letting activities for previous year	770,999	
There is no other accommodation except for General Needs Housing.		
	2017 No.	2016 No.
Number of homes in management	674	659

ORE VALLEY HOUSING ASSOCIATION

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

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

	Grants from Scottish Ministers £	Other Supporting revenue grants £	Other Supporting people income £	Other income £	Total turnover £	Operating costs - bad debts £	Other operating costs £	Operating surplus or deficit 2017 £	Operating surplus or deficit 2016 £
Wider role activities undertaken to support the community, other than the provision, construction improvements and management of housing	-	-	-	-	54,637	-	286,181	(286,181)	(52,860)
Other activities	-	-	-	54,637	54,637	-	-	54,637	71,320
Total from other activities 2017	-	-	-	54,637	54,637	-	286,181	(231,544)	18,460
Total from other activities 2016	-	130,000	-	71,320	201,320	-	182,860	18,460	-

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

ORE VALLEY HOUSING ASSOCIATION

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

5. Surplus on ordinary activities before taxation

	2017 £	Group 2016 £	2017 £	Association 2016 £
Surplus on ordinary activities before taxation is stated after:				
Depreciation	806,299	784,441	753,496	727,149
Auditors' remuneration for audit services (incl VAT)	6,389	6,365	3,986	3,986
	=====	=====	=====	=====

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:

	2017 £	2016 £
Total emoluments (including pension contributions of £4,271 (2016: £3,486))	68,600	62,439
	=====	=====
Total expenses reimbursed to Committee Members and the Chief Executive	538	1,248
	=====	=====

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

	2017 £	2016 £
Staff costs (including Chief Executive)		
Wages and salaries	435,361	419,366
Social security costs	42,813	34,860
Pension costs	17,872	13,575
	-----	-----
	496,046	467,801
	=====	=====

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

18	16
=====	=====

8. Interest and financing costs

	2017 £	Group 2016 £	2017 £	Association 2016 £
Interest payable on loans	776,782	709,585	707,364	733,363
Unwinding of discount factor	12,000	-	12,000	-
	-----	-----	-----	-----
	788,782	709,585	719,364	733,363
	=====	=====	=====	=====

ORE VALLEY HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

9. Taxation on ordinary Activities	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Current year corporation tax	-	-	-	-
	=====	=====	=====	=====
10. Tangible fixed assets	Held for	Under	Total	Total
	Letting	Construction	2017	2016
	£	£	£	£
Association and Group Housing properties				
Cost				
As at 1 April 2016	37,938,733	261,588	38,200,321	37,950,785
Additions	123,258	1,340,230	1,463,488	296,589
Transfer	1,553,397	(1,553,397)	-	-
Disposals	(150,752)	-	(150,752)	(47,053)
At 31 March 2017	39,464,636	48,421	39,513,057	38,200,321
Depreciation				
As at 1 April 2016	6,037,459	-	6,037,459	5,377,620
Charge for year	691,977	-	691,977	688,244
On disposals	(108,435)	-	(108,435)	(28,405)
At 31 March 2017	6,621,001	-	6,621,001	6,037,459
Net book value				
At 31 March 2017	32,843,635	48,421	32,892,056	32,162,862
	=====	=====	=====	=====
At 31 March 2016	31,901,274	261,588	32,162,862	
	=====	=====	=====	

11. Tangible fixed assets – Group

	Land & Buildings	Equipment & Machinery	Office & Computer Equipment	Fixtures & fittings	Motor Vehicles	Total
	£	£	£	£	£	£
Other fixed assets						
Cost or valuation:						
As at 1 April 2016	4,513,910	-	94,232	4,617	15,838	4,628,597
Additions during year	-	2,085,310	3,320	-	-	2,088,630
Revaluation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2017	4,513,910	2,085,310	97,552	4,617	15,838	6,717,227
Depreciation						
As at 1 April 2016	427,530	-	89,470	3,447	15,838	536,285
Charge for year	72,203	-	3,392	570	-	76,165
Disposals	-	-	-	-	-	-
At 31 March 2017	499,733	-	92,862	4,017	15,838	612,450
Net book value						
At 31 March 2017	4,014,177	2,085,310	4,690	600	-	6,104,777
	=====	=====	=====	=====	=====	=====
At 31 March 2016	4,086,380	-	4,762	1,170	-	4,092,312
	=====	=====	=====	=====	=====	=====

ORE VALLEY HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

11. Tangible fixed assets – Association

	Land & Buildings £	Computer Equipment £	Office Equipment £	Motor Vehicles £	Total £
Other fixed assets					
Cost or valuation:					
As at 1 April 2016	1,085,198	71,982	15,029	15,838	1,188,047
Additions during year	-	3,320	-	-	3,320
Disposals	-	-	-	-	-
At 31 March 2017	1,085,198	75,302	15,029	15,838	1,191,367
Depreciation					
As at 1 April 2016	130,146	67,932	15,029	15,838	228,945
Charge for year	16,228	2,973	-	-	19,202
Disposals	-	-	-	-	-
At 31 March 2017	146,374	70,906	15,029	15,838	248,147
Net book value					
At 31 March 2017	938,824	4,396	-	-	943,220
At 31 March 2016	955,052	4,050	-	-	959,102

12. Investments

	2017 £	2016 £
Cost		
As at 1 April 2016	2	2
Additions during year	-	-
At 31 March 2017	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.

	2017 £	2016 £
Aggregate capital and reserves		
Ore Valley Enterprises Limited	(217,222)	(165,531)
Ore Valley Community Initiatives Limited	1,550,096	1,624,422
Cardenden Heat and Power Limited	(47,001)	(101)
Profit/(loss) for the year		
Ore Valley Enterprises Limited	(51,691)	(58,510)
Ore Valley Community Initiatives Limited	(74,326)	(1,947)
Cardenden Heat and Power Limited	(46,900)	(72)

ORE VALLEY HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

13. Debtors	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Due within one year				
Trade debtors	-	9,384	-	-
Amounts owed by group undertakings	-	-	1,195,485	323,986
Other debtors and prepayments	878,853	645,130	817,735	632,905
Rental debtors	134,432	111,177	134,432	111,177
Provision for doubtful debts	(56,362)	(54,438)	(56,362)	(53,135)
	=====	=====	=====	=====
	956,923	711,253	2,091,290	1,014,933
Due after one year				
Amounts owed by group undertakings	-	-	264,840	726,871
Other debtors	80,549	25,514	56,095	25,514
	=====	=====	=====	=====
	80,549	25,514	320,935	752,385

Included in 'Amounts owed by group undertakings' of the Association is the inter-company loan of £271,871 due from Ore Valley Community Initiatives Limited of which £264,840 is due after one year.

Included within other debtors are amounts totalling £653,695 in respect of costs incurred on projects which will be recovered on completion of these projects. These may not be received within one year.

14. Creditors: Amounts falling due within one year	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Other creditors	381,989	468,259	270,985	419,920
Taxation and social security	11,450	12,053	11,450	12,053
Prepayment of rent	77,290	73,589	77,290	71,894
Bank loans	516,076	406,105	374,363	360,498
Deferred Housing Association Grant	354,696	308,000	354,696	308,000
	=====	=====	=====	=====
	1,341,501	1,268,006	1,088,784	1,172,365

15. Creditors: Amounts falling due after one year	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Bank loans	17,330,064	14,271,901	14,801,680	13,670,186
Deferred Housing Association Grant	20,377,473	20,077,103	20,377,473	20,077,103
Pension deficit contributions	221,000	516,394	221,000	516,394
	=====	=====	=====	=====
	37,928,537	34,865,398	35,400,153	34,263,683

The property loans are repayable in instalments over a period ranging up to 30 years.

Loans totalling £9,880,647 at 31 March 2017 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 (continued)

For the year ended 31 March 2017

15. Creditors: Amounts falling due after one year (continued)

	2017	Group	2017	Association
	£	2016	£	2016
		£		£
Loan instalments are due as follows:				
Within one year	516,075	406,105	374,363	360,498
Between one and two years	712,598	521,014	383,098	468,848
Between two and five years	2,369,273	1,653,178	1,744,492	1,475,145
After more than five years	14,114,659	12,097,709	12,674,090	11,726,193
	-----	-----	-----	-----
	17,712,605	14,678,006	15,176,043	14,030,684
	=====	=====	=====	=====
			2017	2016
			£	£
Deferred Housing Association Grant				
Due within one year			354,696	308,000
Due between one and two years			356,000	308,000
Due between three and five years			1,068,000	924,000
Due after 5 years			18,953,473	18,845,102
			-----	-----
			20,732,169	20,385,102
			-----	-----
Less: included in current liabilities above			(354,696)	(308,000)
			-----	-----
			20,377,473	20,077,103
			=====	=====

	2017	Group	2017	Association
	£	2016	£	2016
		£		£
16. Share capital (not equity)				
Allotted, issued and fully paid				
At 1 April 2016	79	76	79	76
Issued in year	2	5	2	5
	-----	-----	-----	-----
	81	81	81	81
Cancelled in the year	3	2	3	2
	-----	-----	-----	-----
At 31 March 2017	78	79	78	79
	=====	=====	=====	=====

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.

	2017	Group	2017	Association
	£	2016	£	2016
		£		£
17. Restricted reserves				
At 1 April 2016	1,814,530	1,854,530	-	-
Receivable in year	-	-	-	-
Expended in year including transfers	(40,000)	(40,000)	-	-
	-----	-----	-----	-----
At 31 March 2017	1,774,530	1,814,530	-	-
	=====	=====	=====	=====

ORE VALLEY HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

18. Revenue reserves	2017	Group	Association	
	£	2016	2017	2016
		£	£	£
At 1 April 2016	(128,643)	(207,130)	308,063	209,597
Surplus/(loss) for year	(19,020)	78,487	113,347	98,466
	-----	-----	-----	-----
At 31 March 2017	(147,663)	(128,643)	421,410	308,063
	=====	=====	=====	=====

19. Revaluation reserves	2017	Group	Association	
	£	2016	2017	2016
		£	£	£
At 1 April 2016	56,306	56,306	-	-
Revaluation of fixed assets	-	-	-	-
	-----	-----	-----	-----
At 31 March 2017	56,306	56,306	-	-
	=====	=====	=====	=====

20. 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 Trustee has asked the participating employers to pay additional contributions 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)

20. Pensions (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m liabilities of £814m and a deficit of £198m. 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 2017 to 28 February 2022:	£25,735,902 per annum (payable monthly and increasing by 3% each 1 April)
From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly and increasing by 3% each 1 April)
From 1 April 2017 to 31 October 2026:	£1,239,033 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.

	2017 £	2016 £
Present value of provision	275,000 =====	566,000 =====
Reconciliation of opening and closing provisions		
Provision at start of period	566,000	602,000
Unwinding of discount factor	12,000	13,000
Deficit contribution paid	(48,000)	(47,000)
Remeasurements – impact of any change in assumptions	8,000	(2,000)
Remeasurements – amendments to the contribution schedule	(263,000)	-
	-----	-----
Provision at end of period	275,000 =====	566,000 =====
Income and expenditure impact		
Interest expense	12,000	13,000
Remeasurements – impact of any change in assumptions	8,000	(2,000)
Remeasurements – amendments to the contribution schedule	(263,000)	-
	=====	=====
Assumptions		
	2017 % pa	2016 % pa
Rate of discount	1.06 =====	2.29 =====

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 (continued)

For the year ended 31 March 2017

20. Pensions (continued)

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.

21. Capital commitments – Group and Association	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
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	-	-	-	-
	=====	=====	=====	=====

22. Commitments under operating leases

As 31 March 2017, the total future minimum lease payments under non-cancellable operating leases were as follows:

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Operating leases which expire:				
Not later than 1 year	194,949	143,000	-	-
Between two and five years	779,796	572,000	-	3,069
After more than 5 years	1,606,000	1,749,00	-	-
	-----	-----	-----	-----
	2,580,745	2,464,000	-	3,069
	=====	=====	=====	=====

23. 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 2017, there was an amount due from Ore Valley Enterprises Limited of £212,838 (2016: £144,462), and £6,860 of interest was charged on the inter-company current account during the year at a commercial rate.

Also, at the 31 March 2017 the balance on the inter-company loan account was £455,000 (2016: £455,000), and £16,369 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.

At 31 March 2017, £210,918 (2016: £172,831) was due from Ore Valley Community Initiatives Limited, and £6,790 of interest was charged on the inter-company current account during the year at a commercial rate.

ORE VALLEY HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

23. Related party transactions (continued)

Also, at 31 March 2017 there was a loan of £271,871 (2016: £278,564) 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.

Ore Valley Community Initiatives Limited rented a room in the business centre to the Association at a cost of £NIL (2016: £16,308) and provided other services of £NIL (2016: £567) on arm's length basis. At the 31 March 2017, £NIL (2016: £472) was due to Ore Valley Community Initiatives Limited.

At 31 March 2017, £264,221 (2016: £nil) was due from Ore Valley Heating Limited on the inter-company current account.

At 31 March 2017, £45,477 (2016: £nil) was due from Ore Valley Energy Limited on the inter-company current account.

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