

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**For the year ended 31 March 2019**



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**FINANCIAL STATEMENTS**

**For the year ended 31 March 2019**

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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  
M McLintock  
G Smith  
A Johnston  
I Muirhead  
J Flynn

### **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  
23/25 Rosslyn Street  
Kirkcaldy  
KY1 3HW

### **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 2019**

The Management Committee present their report and the audited financial statements for the year ended 31 March 2019.

#### **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 have continued our work aimed at delivering a number of future new housing development projects. New homes will contribute towards meeting the housing needs of people living in communities located in Central Fife.

Options for closer alignment with other housing providers will be considered during the coming year.

Ore Valley HA 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. In addition, we continued to roll out the programme to provide showers in all of our properties, we hope to have completed this rollout in the coming financial year.

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) with a small but reducing 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 (ESSH) has been introduced by the Scottish Government. All social landlords will be expected to meet the new standard by the end of 2020. We will ensure that the work required to meet ESSH 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 the continuing rollout of Government proposals for welfare reform and Universal Credit in particular. We have spent considerable amounts of time working with our tenants to who have been affected by these changes. Our objective is to limit the impacts for the Association and it's tenants as far as possible.

The wind turbine at Dundonald near Cardenden is a project which was funded and is being managed through Cardenden Heat and Power Ltd. a wholly owned subsidiary of Ore Valley Housing Association. During the year the wind project company was able to make a significant gift aid contribution to OVHA which is being used to support a range of community initiatives.

During the course of the year, the Association implemented the fourth year of phasing in of the new rental structure, it is hoped that phasing in of any additional increases required will conclude in April 2020.

## **ORE VALLEY HOUSING ASSOCIATION LIMITED**

### **REPORT of the MANAGEMENT COMMITTEE (continued)**

#### **For the year ended 31 March 2019**

#### **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 19 to 20.

#### **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.

## **ORE VALLEY HOUSING ASSOCIATION LIMITED**

### **REPORT of the MANAGEMENT COMMITTEE (continued)**

#### **For the year ended 31 March 2019**

#### **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 2019. 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.

#### **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**

20 August 2019

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

**Opinion**

We have audited the financial statements of Ore Valley Housing Association for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Management Committees use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The Management Committee are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## ORE VALLEY HOUSING ASSOCIATION LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

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

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

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

#### **Responsibilities of the Management Committee**

As explained more fully in the Statement of the Management Committees Responsibilities set out on page 3, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors report.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the company's members, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Murray Dalgety (Senior Statutory Auditor)**

**For and on behalf of**

**Bird Simpson & Co**

**Chartered Accountants and**

**Registered Auditors**

**144 Nethergate**

**Dundee DD1 4EB**

23 August 2019

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

In addition to our audit of the 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**

23 August 2019

ORE VALLEY HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

|  | Notes | 2019<br>£   | 2018<br>£   |
|--|-------|-------------|-------------|
| Turnover                                       | 2     | 3,410,891   | 3,215,842   |
| Operating expenditure                          | 2     | (2,552,868) | (2,574,206) |
| <b>Operating surplus</b>                       |       | 858,023     | 641,636     |
| Interest receivable                            |       | 20,935      | 36,699      |
| Interest and financing costs                   | 8     | (706,424)   | (706,579)   |
| <b>(Deficit)/Surplus before tax</b>            |       | 172,534     | (28,244)    |
| Tax on ordinary activities                     | 9     | -           | -           |
| <b>Surplus</b>                                 |       | 172,534     | (28,244)    |
| Re-measurement caused by pension valuation     |       | (220,824)   | -           |
| <b>Total comprehensive income for the year</b> |       | (48,290)    | (28,244)    |
|  |       | =====       | =====       |

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

The notes on pages 13 to 25 form part of these financial statements.

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**STATEMENT OF CHANGES IN RESERVES**

**For the year ended 31 March 2019**

|   | <b>Share<br/>Capital</b><br>£ | <b>Revenue<br/>Reserves</b><br>£ | <b>Total<br/>Unrestricted<br/>Funds</b><br>£ |
|---|-------------------------------|----------------------------------|--|
| Balance at 1 April 2018                                 | 77                            | 393,166                          | 393,243                                      |
| Share capital cancelled in year                         | (3)                           | -                                | (3)  |
| Share capital issued in year                            | 1                             | -                                | 1  |
| Surplus from statement of<br>total comprehensive income | -                             | (48,290)                         | (48,290)                                     |
| Balance at 31 March 2019                                | -----<br>75<br>=====          | -----<br>344,876<br>=====        | -----<br>344,951<br>=====                    |
| Balance at 1 April 2017                                 | 78                            | 421,410                          | 421,488                                      |
| Share capital cancelled in year                         | (3)                           | -                                | (3)  |
| Share capital issued in year                            | 2                             | -                                | 2  |
| Surplus from statement of total comprehensive income    | -                             | (28,244)                         | (28,244)                                     |
| Balance at 31 March 2018                                | -----<br>77<br>=====          | -----<br>393,166<br>=====        | -----<br>393,243<br>=====                    |

ORE VALLEY HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

|   | Notes | 2019<br>£    | 2018<br>£    |
|---|-------|--------------|--------------|
| <b>Fixed assets</b>                                     |       |              |              |
| Housing properties                                      | 10    | 31,803,003   | 32,256,827   |
| Other fixed assets                                      | 11    | 851,465      | 998,519      |
| Investments   | 12    | 2            | 2            |
|   |       | -----        | -----        |
|   |       | 32,654,470   | 33,255,348   |
|   |       | -----        | -----        |
| <b>Current assets</b>                                   |       |              |              |
| Debtors (amounts falling due within one year)           | 13    | 830,058      | 618,791      |
| Debtors (amounts falling due after one year)            | 13    | 411,260      | 307,625      |
| Cash and cash equivalents                               |       | 1,667,801    | 2,059,921    |
|   |       | -----        | -----        |
|   |       | 2,909,119    | 2,986,337    |
| <b>Creditors: amounts falling due within one year</b>   | 14    | (1,203,927)  | (1,220,260)  |
|   |       | -----        | -----        |
| <b>Net current assets</b>                               |       | 1,705,192    | 1,766,077    |
|   |       | -----        | -----        |
| <b>Total assets less current liabilities</b>            |       | 34,359,662   | 35,021,425   |
| <b>Creditors: amounts owed after more than one year</b> | 15    | (34,014,711) | (34,628,182) |
|   |       | -----        | -----        |
| <b>Net assets</b>                                       |       | 344,951      | 393,243      |
|   |       | =====        | =====        |
| <b>Capital and reserves</b>                             |       |              |              |
| Share capital (non-equity)                              | 16    | 75           | 77           |
| Revenue reserves  | 17    | 344,876      | 393,166      |
|   |       | -----        | -----        |
|   |       | 344,951      | 393,243      |
|   |       | =====        | =====        |

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

\_\_\_\_\_  
G Smith

Vice Chair

\_\_\_\_\_  
A Gibb

Secretary

\_\_\_\_\_  
T Dougan

Management Committee Member

20 August 2019

The notes on pages 13 to 25 form part of these financial statements.

ORE VALLEY HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

|  | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| <b>Net cash generated from operating activities</b>        | 936,333     | 2,529,265   |
| <b>Cash flows from investing activities</b>                |             |             |
| Purchase of tangible fixed assets                          | (348,809)   | (212,322)   |
| Receipts from sale of tangible fixed assets                | 108,000     | -           |
| Refund from contractor on underspend                       | -           | 37,095      |
| Grants received  | 15,793      | -           |
| Interest received  | 20,935      | 36,699      |
| <b>Cash flows from financing activities</b>                |             |             |
| Interest paid  | (706,424)   | (706,579)   |
| New Loans  | 34,523      | -           |
| Repayment of borrowings                                    | (452,469)   | (287,158)   |
| Share capital issued                                       | 1           | 2           |
| Share capital cancelled                                    | (3)         | (3)         |
| <b>Net change in cash and cash equivalents in year</b>     | (392,120)   | 1,396,999   |
| <b>Cash and cash equivalents at beginning of year</b>      | 2,059,921   | 662,922     |
| <b>Cash and cash equivalents at end of year</b>            | 1,667,801   | 2,059,921   |
| <b>Net cash flow generated from operating activities</b>   |             |             |
| Surplus/(deficit) for the year                             | (48,290)    | (28,244)    |
| Depreciation and loss on disposal of tangible fixed assets | 841,687     | 755,156     |
| Government grants utilised in the year                     | (361,789)   | (354,696)   |
| Release of other grants                                    | (1,579)     | -           |
| Decrease/(increase) in debtors                             | (314,902)   | 1,485,809   |
| (Decrease)/increase in creditors                           | 135,717     | 1,360       |
| Adjustments for investing or financing activities:         |             |             |
| Interest and financing costs                               | 706,424     | 706,579     |
| Interest receivable  | (20,935)    | (36,699)    |
| <b>Net cash inflow from operating activities</b>           | 936,333     | 2,529,265   |

The notes on pages 13 to 25 form part of these financial statements.

ORE VALLEY HOUSING ASSOCIATION LIMITED

NOTES TO THE STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

|   | At<br>31 March<br>2018<br>£ | Cash<br>Flows<br>£ | Non-Cash<br>Flows<br>£ | At<br>31 March<br>2019<br>£ |
|---|-----------------------------|--------------------|------------------------|-----------------------------|
| <b>Analysis of changes in debt</b>                        |                             |                    |                        |                             |
| Cash at bank and in hand                                  | 2,059,921                   | (392,120)          | -                      | 1,667,801                   |
| Debt due within one year                                  | (442,386)                   | 442,386            | (448,630)              | (448,630)                   |
| Debt due after one year                                   | (14,446,499)                | -                  | 424,190                | (14,022,309)                |
|   | -----                       | -----              | -----                  | -----                       |
|   | (12,828,964)                | 50,266             | (24,440)               | (12,803,138)                |
|   | =====                       | =====              | =====                  | =====                       |
| <b>Reconciliation of net cash to movement in net debt</b> |                             |                    |                        |                             |
|   |                             |                    | <b>2019</b>            | <b>2018</b>                 |
|   |                             |                    | £                      | £                           |
| Increase/(decrease) in cash                               |                             |                    | (392,120)              | 1,396,999                   |
| Loans repaid  |                             |                    | 452,469                | 287,158                     |
| Loans received  |                             |                    | (34,523)               | -                           |
|   |                             |                    | -----                  | -----                       |
| <b>Change in net debt</b>                                 |                             |                    | 25,826                 | 1,684,157                   |
| Net debt at 1 April 2018                                  |                             |                    | (12,828,964)           | (14,513,121)                |
|   |                             |                    | -----                  | -----                       |
| <b>Net debt at 31 March 2019</b>                          |                             |                    | (12,803,138)           | (12,828,964)                |
|   |                             |                    | =====                  | =====                       |

# ORE VALLEY HOUSING ASSOCIATION

## NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 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

Ore Valley Housing Association Limited has Group Accounts Exception under Section 99 of the Co-operative and Community Benefit Societies Act 2014.

#### Turnover

The Association's turnover represents rental income (net of voids) and revenue based grants.

#### 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 2019

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

##### Depreciation and impairment of fixed assets (continued)

Useful economic lives for identified components are as follows:

| <b>Component</b>         | <b>Useful economic life</b> |
|--------------------------|-----------------------------|
| 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 2019

### 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.

#### Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

#### 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.

#### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

### 2. Particulars Turnover, operating costs and operating surplus

|  | Turnover         | Operating Costs  | 2019<br>Operating Surplus | 2018<br>Operating Surplus |
|--|------------------|------------------|---------------------------|---------------------------|
|  | £                | £                | £                         | £                         |
| Affordable letting activities (note 3) | 3,259,599        | 2,432,176        | 827,423                   | 967,633                   |
| Other activities (note 4)              | 151,292          | 120,692          | 30,600                    | (325,997)                 |
| <b>Total 2019</b>                      | <b>3,410,891</b> | <b>2,552,868</b> | <b>858,023</b>            | <b>641,636</b>            |
| <b>Total 2018</b>                      | <b>3,215,842</b> | <b>2,574,206</b> | <b>641,636</b>            |                           |

**ORE VALLEY HOUSING ASSOCIATION**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2019**

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

|  | <b>General Needs<br/>Housing and Total</b> |             |
|--|--|-------------|
|  | <b>2019</b>                                | <b>2018</b> |
|  | <b>£</b>                                   | <b>£</b>    |
| <b>Income from lettings</b>  |  |             |
| Rent receivable net of service charges                                       | 2,891,904                                  | 2,791,114   |
| Service charges receivable   | -  | -           |
|  | -----                                      | -----       |
| <b>Gross income from rents and service charges</b>                           | 2,891,904                                  | 2,791,114   |
| Less: Voids  | (8,913)                                    | (10,598)    |
|  | -----                                      | -----       |
| <b>Net income from rents and service charges</b>                             | 2,882,991                                  | 2,780,516   |
| <br>   |  |             |
| Grants released from deferred income   | 361,789                                    | 354,696     |
| Other revenue grants   | 14,819                                     | 25,181      |
|  | -----                                      | -----       |
| <b>Total turnover from affordable letting activities</b>                     | 3,259,599                                  | 3,160,393   |
| <br>   |  |             |
| <b>Expenditure on letting activities</b>                                     |  |             |
| Management and maintenance admin costs                                       | 1,017,628                                  | 921,004     |
| Service costs  | 2,493                                      | 4,306       |
| Planned and cyclical maintenance including major repairs costs               | 382,039                                    | 281,749     |
| Reactive maintenance costs   | 269,485                                    | 233,062     |
| Bad debts – rents and service charges  | 17,526                                     | 17,241      |
| Depreciation and loss on disposal of affordable housing properties           | 743,005                                    | 735,398     |
|  | -----                                      | -----       |
| <b>Operating costs for affordable letting activities</b>                     | 2,432,176                                  | 2,192,760   |
|  | -----                                      | -----       |
| <b>Operating surplus for affordable letting activities</b>                   | 827,423                                    | 967,633     |
|  | =====                                      | =====       |
| <b>Operating surplus for affordable letting activities for previous year</b> | 967,633                                    |             |
|  | =====                                      |             |

There is no other accommodation except for General Needs Housing.

|                               | <b>2019</b> | <b>2018</b> |
|-------------------------------|-------------|-------------|
|                               | <b>No.</b>  | <b>No.</b>  |
| Number of homes in management | 674         | 674         |
|                               | =====       | =====       |

ORE VALLEY HOUSING ASSOCIATION

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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

|   | Grants from<br>Scottish<br>Ministers<br>£ | Other revenue<br>grants<br>£ | Supporting<br>people<br>income<br>£ | Other<br>income<br>£ | Total<br>turnover<br>£ | Operating<br>costs -<br>bad debts<br>£ | Other<br>operating<br>costs<br>£ | Operating<br>surplus<br>or deficit<br>2019<br>£ | Operating<br>surplus<br>or deficit<br>2018<br>£ |
|---|---|------------------------------|-------------------------------------|----------------------|------------------------|--|----------------------------------|---|---|
| Wider role activities undertaken to support<br>the community, other than the provision,<br>construction improvements and<br>management of housing | -   | 12,046                       | -                                   | -                    | 12,046                 | -                                      | 120,692                          | (108,646)                                       | (381,446)                                       |
| Other activities  | -   | -                            | -                                   | 139,246              | 139,246                | -                                      | -                                | 139,246   | 55,449  |
| <b>Total from other activities 2019</b>   | -   | 12,046                       | -                                   | 139,246              | 151,292                | -                                      | 120,692                          | 30,600  | (325,997)                                       |
| <b>Total from other activities 2018</b>   | -   | -                            | -                                   | 55,449               | 55,449                 | -                                      | 381,446                          | (325,997)                                       |   |

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 2019**

| <b>5. Surplus on ordinary activities before taxation</b>        | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | £           | £           |
| Surplus on ordinary activities before taxation is stated after: |             |             |
| Depreciation and loss on disposal                               | 773,788     | 755,156     |
| Auditors' remuneration for audit services (incl VAT)            | 4,228       | 4,106       |
|   | =====       | =====       |

**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>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | £           | £           |
| Total emoluments (including pension contributions of £6,590 (2018: £6,420)) | 73,845      | 71,939      |
|   | =====       | =====       |
| Total expenses reimbursed to Committee Members and the Chief Executive      | 443         | 679         |
|   | =====       | =====       |

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.

| <b>7. Employee information</b>          | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | £           | £           |
| Staff costs (including Chief Executive) |             |             |
| Wages and salaries                      | 532,350     | 474,257     |
| Social security costs                   | 52,791      | 46,955      |
| Pension costs                           | 41,347      | 32,920      |
|   | -----       | -----       |
|   | 626,488     | 554,132     |
|   | =====       | =====       |

|  |       |       |
|--|-------|-------|
| The average number of persons (full time equivalents) employed by the Association during the during the year | 18    | 18    |
|  | ===== | ===== |

| <b>8. Interest and financing costs</b>   | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
|  | £           | £           |
| Interest payable on loans                | 697,424     | 703,579     |
| Net interest payable – pension liability | 9,000       | 3,000       |
|  | -----       | -----       |
|  | 706,424     | 706,579     |
|  | =====       | =====       |

ORE VALLEY HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

| 9. Taxation on ordinary Activities |                 |                     | 2019         | 2018         |
|------------------------------------|-----------------|---------------------|--------------|--------------|
|                                    |                 |                     | £            | £            |
| Current year corporation tax       |                 |                     | -            | -            |
|                                    |                 |                     | =====        | =====        |
| <b>10. Tangible fixed assets</b>   | <b>Held for</b> | <b>Under</b>        | <b>Total</b> | <b>Total</b> |
|                                    | <b>Letting</b>  | <b>Construction</b> | <b>2019</b>  | <b>2018</b>  |
|                                    | £               | £                   | £            | £            |
| <b>Housing Properties</b>          |                 |                     |              |              |
| Cost                               |                 |                     |              |              |
| As at 1 April 2018                 | 39,524,380      | 48,421              | 39,572,801   | 39,513,057   |
| Additions                          | 239,381         | 49,800              | 289,181      | 100,170      |
| Transfer                           | -               | -                   | -            | -            |
| Disposals                          | (87,119)        | -                   | (87,119)     | (40,426)     |
|                                    | -----           | -----               | -----        | -----        |
| At 31 March 2019                   | 39,676,642      | 98,221              | 39,774,863   | 39,572,801   |
|                                    | -----           | -----               | -----        | -----        |
| Depreciation                       |                 |                     |              |              |
| As at 1 April 2018                 | 7,315,974       | -                   | 7,315,974    | 6,621,001    |
| Charge for year                    | 725,359         | -                   | 725,359      | 721,674      |
| On disposals                       | (69,473)        | -                   | (69,473)     | (26,701)     |
|                                    | -----           | -----               | -----        | -----        |
| At 31 March 2019                   | 7,971,860       | -                   | 7,971,860    | 7,315,974    |
|                                    | -----           | -----               | -----        | -----        |
| <b>Net book value</b>              |                 |                     |              |              |
| At 31 March 2019                   | 31,704,782      | 98,221              | 31,803,003   | 32,256,827   |
|                                    | =====           | =====               | =====        | =====        |
| At 31 March 2018                   | 32,208,406      | 48,421              | 32,256,827   |              |
|                                    | =====           | =====               | =====        |              |

| 11. Tangible fixed assets | Land & Buildings | Computer Equipment | Office Equipment | Motor Vehicles | Total     |
|---------------------------|------------------|--------------------|------------------|----------------|-----------|
|                           | £                | £                  | £                | £              | £         |
| <b>Other fixed assets</b> |                  |                    |                  |                |           |
| Cost or valuation:        |                  |                    |                  |                |           |
| As at 1 April 2018        | 1,148,772        | 84,208             | 17,606           | 15,838         | 1,266,424 |
| Additions during year     | -                | 4,381              | 18,951           | 36,296         | 59,628    |
| Disposals                 | (175,899)        | -                  | -                | -              | (175,899) |
|                           | -----            | -----              | -----            | -----          | -----     |
| At 31 March 2019          | 972,873          | 88,589             | 36,557           | 52,134         | 1,150,153 |
|                           | -----            | -----              | -----            | -----          | -----     |
| Depreciation              |                  |                    |                  |                |           |
| As at 1 April 2018        | 162,817          | 74,024             | 15,226           | 15,838         | 267,905   |
| Charge for year           | 17,500           | 3,310              | 3,358            | 6,615          | 30,783    |
| Disposals                 | -                | -                  | -                | -              | -         |
|                           | -----            | -----              | -----            | -----          | -----     |
| At 31 March 2019          | 180,317          | 77,334             | 18,584           | 22,453         | 298,688   |
|                           | -----            | -----              | -----            | -----          | -----     |
| <b>Net book value</b>     |                  |                    |                  |                |           |
| At 31 March 2019          | 792,556          | 11,255             | 17,973           | 29,681         | 851,465   |
|                           | =====            | =====              | =====            | =====          | =====     |
| At 31 March 2018          | 985,955          | 10,184             | 2,381            | -              | 998,519   |
|                           | =====            | =====              | =====            | =====          | =====     |

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2019**

| <b>12. Investments</b> | <b>2019</b> | <b>2018</b> |
|------------------------|-------------|-------------|
|                        | £           | £           |
| <b>Cost</b>            |             |             |
| As at 1 April 2018     | 2           | 2           |
| Additions during year  | -           | -           |
|                        | -----       | -----       |
| At 31 March 2019       | 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. Cardenden Heat and Power Limited has two 100% owned subsidiaries, Ore Valley Energy Limited and Ore Valley Heating 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>Aggregate capital and reserves</b>               | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | £           | £           |
| Ore Valley Community Initiatives Limited            | 1,489,714   | 1,511,286   |
| Ore Valley Enterprises Limited                      | (201,663)   | (226,797)   |
| Cardenden Heat and Power Limited (as at 31/12/2018) | (9,851)     | (32,129)    |
| Ore Valley Energy Limited (as at 31/12/2018)        | 18,506      | 28,258      |
| Ore Valley Heating Limited (as at 31/12/2018)       | (55,273)    | (38,944)    |
|   | =====       | =====       |

| <b>Profit/(loss) for the year</b>                                   | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | £           | £           |
| Ore Valley Community Initiatives Limited                            | (21,572)    | (38,810)    |
| Ore Valley Enterprises Limited                                      | 25,134      | (9,575)     |
| Cardenden Heat and Power Limited (for the period ending 31/12/2018) | 22,278      | (13,811)    |
| Ore Valley Energy Limited (for the period ended 31/12/2018)         | 15,248      | 28,257      |
| Ore Valley Heating Limited (for the period ended 31/12/2018)        | (16,329)    | (38,945)    |
|   | =====       | =====       |

| <b>13. Debtors</b>                 | <b>2019</b> | <b>2018</b> |
|------------------------------------|-------------|-------------|
|                                    | £           | £           |
| <b>Due within one year</b>         |             |             |
| Amounts owed by group undertakings | 482,717     | 485,546     |
| Other debtors and prepayments      | 247,920     | 45,873      |
| Rental debtors                     | 173,251     | 155,810     |
| Provision for doubtful debts       | (73,830)    | (68,438)    |
|                                    | -----       | -----       |
|                                    | 830,058     | 618,791     |
|                                    | =====       | =====       |
| <b>Due after one year</b>          |             |             |
| Amounts owed by group undertakings | 366,515     | 257,455     |
| Other debtors                      | 44,745      | 50,170      |
|                                    | -----       | -----       |
|                                    | 411,260     | 307,625     |
|                                    | =====       | =====       |

Included in 'Amounts owed by group undertakings' of the Association is the two loans of £393,831 due from Ore Valley Community Initiatives Limited of which £366,515 is due after one year.

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2019**

| <b>14. Creditors: Amounts falling due within one year</b> | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | £           | £           |
| Other creditors   | 288,545     | 323,084     |
| Taxation and social security                              | 20,877      | 15,129      |
| Prepayment of rent  | 84,085      | 77,871      |
| Bank loans  | 448,630     | 442,386     |
| Deferred Housing Association Grant                        | 361,790     | 361,790     |
|   | -----       | -----       |
|   | 1,203,927   | 1,220,260   |
|   | =====       | =====       |

| <b>15. Creditors: Amounts falling due after one year</b> | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
|  | £           | £           |
| Bank loans   | 14,022,309  | 14,446,499  |
| Deferred Housing Association Grant                       | 19,653,894  | 20,015,683  |
| Pension deficit contributions                            | 338,508     | 166,000     |
|  | -----       | -----       |
|  | 34,014,711  | 34,628,182  |
|  | =====       | =====       |

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

Loans totalling £9,349,774 at 31 March 2019 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 6.87%. At the balance sheet date, there was an interest free loan of £32,093.

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

|   | <b>Association</b> |             |
|---|--------------------|-------------|
|   | <b>2019</b>        | <b>2018</b> |
|   | £                  | £           |
| <b>Loan instalments are due as follows:</b> |                    |             |
| Within one year                             | 448,630            | 442,386     |
| Between one and two years                   | 464,719            | 442,882     |
| Between two and five years                  | 1,747,871          | 1,728,893   |
| After more than five years                  | 11,809,720         | 12,274,724  |
|   | -----              | -----       |
|   | 14,470,939         | 14,888,885  |
|   | =====              | =====       |
|   | <b>2019</b>        | <b>2018</b> |
|   | £                  | £           |
| <b>Deferred Housing Association Grant</b>   |                    |             |
| Due within one year                         | 361,790            | 361,790     |
| Due between one and two years               | 361,790            | 361,790     |
| Due between three and five years            | 1,345,831          | 1,345,831   |
| Due after 5 years                           | 17,946,273         | 18,308,062  |
|   | -----              | -----       |
|   | 20,015,684         | 20,377,473  |
|   |                    |             |
| Less: included in current liabilities above | 361,790            | (361,790)   |
|   | -----              | -----       |
|   | 19,653,894         | 20,015,683  |
|   | =====              | =====       |

# ORE VALLEY HOUSING ASSOCIATION LIMITED

## NOTES to the FINANCIAL STATEMENTS (continued)

### For the year ended 31 March 2019

| <b>16. Share capital (not equity)</b> | <b>2019</b> | <b>2018</b> |
|---------------------------------------|-------------|-------------|
|                                       | £           | £           |
| Allotted, issued and fully paid       |             |             |
| At 1 April 2018                       | 77          | 78          |
| Issued in year                        | 1           | 2           |
|                                       | -----       | -----       |
| Cancelled in the year                 | 78          | 80          |
|                                       | 3           | 3           |
|                                       | -----       | -----       |
| At 31 March 2019                      | 75          | 77          |
|                                       | =====       | =====       |

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.

| <b>17. Revenue reserves</b> | <b>2019</b> | <b>2018</b> |
|-----------------------------|-------------|-------------|
|                             | £           | £           |
| At 1 April 2018             | 393,166     | 421,410     |
| Surplus/(loss) for year     | (48,290)    | (28,244)    |
|                             | -----       | -----       |
| At 31 March 2019            | 344,876     | 393,166     |
|                             | =====       | =====       |

### **18. 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 150 non-associated employers. The scheme is a defined benefit scheme in the UK.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the Association is potentially liable for other participating employers' 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.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2019**

**18. Pensions (continued)**

**Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)**

|   | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | <b>£</b>    | <b>£</b>    |
| Fair value of plan assets                   | 2,028,000   | 1,878,000   |
| Present value of defined benefit obligation | (2,424,000) | (2,240,000) |
|   | -----       | -----       |
| Surplus/(Deficit) in plan                   | (396,000)   | (362,000)   |
|   | =====       | =====       |

**Reconciliation of opening and closing balances of the defined benefit obligation**

|  | <b>2019</b> |
|--|-------------|
|  | <b>£</b>    |
| Defined benefit obligation at start of period              | (2,240,000) |
| Expenses   | (2,000)     |
| Interest expense   | (58,000)    |
| Actuarial gains due to scheme experience                   | 39,000      |
| Actuarial losses due to changes in demographic assumptions | (6,000)     |
| Actuarial losses due to changes in financial assumptions   | (168,000)   |
| Benefits paid and expenses                                 | 11,000      |
|  | -----       |
| Defined benefit obligation at end of period                | (2,424,000) |
|  | =====       |

**Reconciliation of opening and closing balances of the fair value of plan assets**

|  | <b>2019</b> |
|--|-------------|
|  | <b>£</b>    |
| Fair value of plan assets at start of period                                     | 1,878,000   |
| Interest income  | 49,000      |
| Experience on plan assets (excluding amounts included in interest income) - gain | 55,000      |
| Contributions by the employer  | 57,000      |
| Benefits paid and expenses   | (11,000)    |
|  | -----       |
| Fair value of plan assets at end of period                                       | 2,028,000   |
|  | =====       |

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £104,000.

**Defined benefit costs recognised in statement of comprehensive income**

|   | <b>2019</b> |
|---|-------------|
|   | <b>£</b>    |
| Expenses  | (2,000)     |
| Net interest expense  | (9,000)     |
|   | -----       |
| Defined benefit costs recognised in statement of comprehensive income | (11,000)    |
|   | =====       |

**ORE VALLEY HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2019**

**18. Pensions (continued)**

**Defined benefit costs recognised in other comprehensive income**

|   | <b>2019</b> |
|---|-------------|
|   | <b>£</b>    |
| Experience on plan assets (excluding amounts included in net interest cost) – gain                                      | 55,000      |
| Experience gains and losses arising on the plan liabilities – gain  | 39,000      |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - loss | (6,000)     |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss) | (168,000)   |
|   | -----       |
| Total amount recognised in other comprehensive income - (loss)  | (80,000)    |
|   | =====       |

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the 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 2018. As of this date the estimated employer debt for Ore Valley Housing Association Limited was £2,024,099.

## ORE VALLEY HOUSING ASSOCIATION LIMITED

### NOTES to the FINANCIAL STATEMENTS (continued)

#### For the year ended 31 March 2019

#### 19. 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 2019, there was an amount due from Ore Valley Enterprises Limited of £205,014 (2018: £226,465), and £4,714 (2018: £7,577) of interest was charged on the inter-company current account during the year at a commercial rate.

At 31 March 2019, £250,387 (2018: £241,684) was due from Ore Valley Community Initiatives Limited, and £5,440 (2018: £7,889) of interest was charged on the inter-company current account during the year at a commercial rate.

Also, at 31 March 2019 there was a loan of £249,664 (2018: £264,840) due from Ore Valley Community Initiatives Limited. The loan is to be repaid by 31 March 2033 and interest is charged at Bank of England base rate with a margin of 1.25% and is secured over the Miners Institute.

Also, during the year a new loan of £150,000 was approved to Ore Valley Community Initiatives Limited to allow them to refinance existing loans. The loan is a 10 year loan and interest is charged at Bank of England base rate with a margin of 1.50%. £144,167 was outstanding at 31 March 2019.

Ore Valley Community Initiatives Limited rented a room in the business centre to the Association at a cost of £3,826 (2018: £1,148). Ore Valley Housing Association also rented a space in the Miners Institute at a cost of £7,029 (2018: £6,378). Nothing was outstanding at the year-end.

At 31 March 2019, £0 (2018: £13) was due from Ore Valley Heating Limited on the inter-company current account.

At 31 March 2019, £0 (2018: £10,000) 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.

Committee members G Smith and J Flynn are also directors of Ore Valley Enterprises Limited and Ore Valley Community Initiatives Limited.