



ORKNEY HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

RSL No	HAL 164
Charity No	SC 031734



ORKNEY HOUSING ASSOCIATION

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

	Page
Members, Executive and Advisors	2
Report of the Management Committee	3 - 5
Report of the Auditors	6 - 7
Report by the Auditors on Corporate Governance Matters	8
Income and Expenditure Account	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Financial Statements	12 - 28

Management Committee

Wendy Baikie (Chairperson from 16.09.09)
Ken Harris-Jones (Chairperson to 16.09.09, resigned 16.9.09)
Winifred Dunnett (Vice-chairperson)
Hugh Cameron (resigned 10.03.10)
Jim Elrick
George Hannah
Harvey Johnston (appointed 16.09.09)
Linda Lennie (appointed 16.09.09)
Allan Leslie
Chessa Llewellyn-White
Bob Mackenzie (appointed 16.09.09)
Stephen Manson
Leo Martini-Brown
Stephanie Rushforth
Karen Scholes
Diana Swan (appointed 16.09.09)

Chief Executive and Company Secretary

Sally Inkster

Company Registration

2201RS

Scottish Charity Number

SC 031734

Registered Office

39a Victoria Street,
Kirkwall
KW15 1DN

Registered Auditors

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

Bankers

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

Solicitors

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

REPORT OF THE MANAGEMENT COMMITTEE

for the year ended 31 March 2010

The Management Committee presents its report and the audited financial statements for the year ended 31 March 2010.

Principal activity

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

Review of business and future developments

The Association's key priorities for 2009/10 and beyond were meeting a range of housing needs, improving service delivery, influencing government housing policy and operating in an environmentally responsible manner. During the year 40 new rented and low cost home ownership homes were completed, our website was launched, four new committee members were recruited and we continued to lobby the Scottish Government over levels of HAG subsidy.

Changes in fixed assets

Details of fixed assets are set out in Note 10.

Going Concern

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

The Management Committee and Executive Officer

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

Ken Harris-Jones the Chairperson since 20.09.08, stood down from the Chair and resigned from the Committee on the 16.09.09 due to a change of employment which debarred him from sitting on our Management Committee.

Each elected 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 although not having the legal status of director she acts as executive within the authority delegated by Management Committee.

Related Party Transactions

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

Charitable Status

Orkney Housing Association Limited was recognised by the Inland Revenue as a Scottish charity from 31 May 2001.

Statement of Management Committee's responsibilities

Housing association legislation requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing those financial statements the Management Committee is required to:-

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

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

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

Statement on internal financial controls

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

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

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

- (i) Formal policies and procedures are in place including the documentation of key systems and rules relating to the delegation of authorities which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- (ii) Experienced and suitably qualified staff take responsibility for important business functions.
- (iii) Forecasts and budgets are prepared which allow Management Committee and Executive Officers to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, and significant variances from budgets are investigated as appropriate.

for the year ended 31 March 2010

Statement on internal financial controls (continued)

- (iv) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee.
- (v) The Management Committee reviews reports from the audit sub-committee, from internal management and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.
- (vi) The Audit Sub-Committee reviews internal audit reports based on an internal audit needs assessment and an agreed programme undertaken by an external provider.
- (vii) Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2010 and until 28 July 2010. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

In so far as the Committee are aware:

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

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

Auditors

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

By order of Management Committee



Wendy Baikie
Chairperson

28 July 2010

INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF ORKNEY HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Orkney Housing Association Limited for the year ended 31 March 2010 on pages 9 to 26. 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 section 9 of the Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on pages 4-5, the Association's Management Committee is 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 International Standards on Auditing (UK and Ireland).

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 Industrial and Provident Societies Acts 1965 to 2002, Section 24(1) of the Housing Associations Act 2005, Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007 and Statement of Recommended Practice: "Accounting by Registered Social Landlords 2008". We also report to you if, in our opinion, the Management Committee report is not consistent with the financial statements, if the Association 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 have read the Management Committee report and considered whether it is consistent with the audited financial statements. If we became aware of any apparent mis-statements 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 International Standards on Auditing (UK and Ireland) 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 Officers in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed 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 mis-statement, 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 ORKNEY HOUSING ASSOCIATION LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the Association's affairs as at 31 March 2010 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Section 24(1) of the Housing Associations Act 1985, Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007 and Statement of Recommended Practice: "Accounting by Registered Social Landlords 2008".

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FINDLAY & COMPANY,
STATUTORY AUDITOR,
CHARTERED ACCOUNTANTS,
11 DUDHOPE TERRACE,
DUNDEE.
DD3 6TS

28 July 2010

In addition to our audit of the financial statements, we have reviewed the Management Committee's statement on pages 4-5. The object of our review is to draw attention to any non-compliance with the section on Internal Financial Control within the Scottish Federation of Housing Associations (SFHA) publication "Raising Standards in Housing".

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That 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 procedure.

Opinion

With respect to the Management Committee's statements on internal control on pages 4-5, in our opinion, the Management Committee have provided the disclosures required under the section on Internal Financial Control within the SFHA publication "Raising Standards in Housing" 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 members of the Management Committee and Officers of the Association, and examination of relevant documents, in our opinion the Management Committee statement on pages 4 - 5 appropriately reflects the Association's compliance with the section on Internal Financial Control within the SFHA publication "Raising Standards in Housing" specified for our review.

LC

FINDLAY & COMPANY,
STATUTORY AUDITOR,
CHARTERED ACCOUNTANTS,
11 DUDHOPE TERRACE,
DUNDEE.
DD3 6TS

28 July 2010

ORKNEY HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2010

		2010	2009
	Notes	£	£
Turnover - continuing activities	2	2,543,625	2,788,932
Less: Operating costs	2	(1,832,860)	(2,137,397)
Operating surplus - continuing activities		710,765	651,535
Gain/(loss) on realisation of assets	23	(4,568)	39,972
Interest receivable		47,208	142,620
Interest payable	8	(312,729)	(421,058)
Surplus on continuing activities		440,676	413,069
Exceptional Item	24	(103,251)	-
Taxation	9	-	-
Surplus for the year		337,425	413,069

In each of the years ended 31 March 2009 and 31 March 2010 the only gain or loss recognised by the Association was the surplus or deficit for the year. All of the activities undertaken by the Association were continuing activities, and the reported surplus or deficit was determined under the historical cost convention.

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

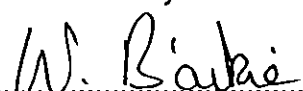
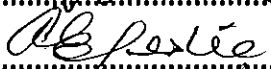
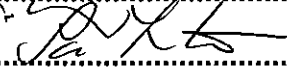
ORKNEY HOUSING ASSOCIATION LIMITED

BALANCE SHEET

for the year ended 31 March 2010

	Notes	2010 £	2009 £
Tangible Fixed Assets			
Housing properties	10	62,755,286	54,313,950
Less: HAG	10	(51,008,709)	(44,712,257)
Other grants	10	(1,793,103)	(1,249,903)
		9,953,474	8,351,790
Other assets	10	259,755	343,480
		10,213,229	8,695,270
Current Assets			
Investments	25	1,533,323	1,800,050
Work-in-progress	11	1,811,762	908,662
Debtors	12	295,162	849,966
Stock		1,223	700
Cash at bank and in hand		1,444,135	744,815
		5,085,605	4,304,193
Creditors: amounts falling due within one year	13	(1,731,713)	(1,970,539)
Net current assets		3,353,892	2,333,654
Total assets less current liabilities		13,567,121	11,028,924
Creditors: amounts falling due after more than one year	14	(9,614,391)	(7,419,584)
Net assets		3,952,730	3,609,340
Capital and Reserves			
Share capital	16	166	166
Designated reserves	17	2,931,192	2,587,802
Revenue reserve	22	1,021,372	1,021,372
		3,952,730	3,609,340

The financial statements on pages 9 to 27 were approved by the Management Committee on 28 July 2010 and were signed on its behalf by:


 Chairperson

 Committee member

 Secretary

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

CASH FLOW STATEMENT

for the year ended 31 March 2010

	Notes	2010 £	2009 £
Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus		710,765	651,535
Depreciation charges		106,604	97,584
(Increase)/Decrease in debtors		589	(20,846)
Increase/(Decrease) in creditors		13,052	(6,361)
(Increase)/Decrease in stock		(523)	800
Services equalisation account		7,881	(8,717)
Charge to service provisions		5,965	4,644
Net cash inflow from operating activities		844,333	718,639
CASH FLOW STATEMENT			
	27		
Net cash inflow from operating activities		844,333	718,639
Returns on investments and servicing of finance		(194,086)	(293,173)
Capital expenditure		(2,437,752)	(1,356,046)
Financing		2,220,097	501,715
Increase/(decrease) in cash		432,592	(428,865)
Reconciliation of net cash flow to movement in net debt:			
	28		
Increase/(decrease) in cash in the year		432,592	(428,865)
Cash inflow from increase in debt		(2,220,097)	(501,709)
Net debt at 1 April 2009		(1,787,505)	(930,574)
		(5,071,158)	(4,140,584)
Net debt at 31 March 2010		(6,858,663)	(5,071,158)

1. Principal Accounting Policies

The Financial Statements have been prepared on the historical cost basis in accordance with the requirements of the Statement of Recommended Practice: Accounting by Registered Social Landlords 2008 and applicable accounting standards, and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies which have been applied consistently is set out below:-

Turnover

Turnover represents rental and service charge income and revenue grants receivable from Scottish Ministers.

Mortgages - Housing Properties

Mortgage loans are advanced by private lenders or the Scottish Government under the terms of mortgages secured over the Association's housing properties. Programme funding agreements have been secured with the Royal Bank of Scotland which provide loan facilities for past and future developments. Advances are drawn down on these facilities only in respect of those developments which have been given approval for Housing Association Grant (HAG) by the Scottish Government.

Housing Association Grant

For schemes developed under Scottish Government approval, HAG is paid directly to the Association as required, to meet its liabilities during the development process. HAG is repayable under certain circumstances, primarily following the sale of property.

Tangible Fixed Assets - Housing Properties (Note 10)

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

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

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

Work in Progress/Shared Equity Properties

New Supply Shared Equity scheme

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

Shared Ownership

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

Depreciation

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

Rented housing properties are depreciated over the asset's useful lives detailed below:-

New build	-	100 years
Rehabilitated properties	-	80 years

Other fixed assets are depreciated as follows:-

Furniture & Equipment	-	25% per annum reducing balance method
Fixtures & Fittings	-	25% per annum reducing balance method
Handyman Van	-	25% per annum reducing balance method
Handyman Tools	-	25% per annum reducing balance method
Computers & Software	-	25% per annum straight line method
District Heating Boiler	-	6¼% per annum straight line method
Office Property	-	1½% per annum straight line method

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

Designated Reserves (Note 17)

(i) Planned maintenance reserve

The planned maintenance reserve funds life cycle maintenance and major repairs and is built-up from transfers from the revenue reserve. The level of the reserve is based on a programme of maintenance and replacement over the life of the properties covering items such as replacement of kitchen units and bathroom units etc. External costs and life cycles are based on published data and from in-house technical expertise. Actual expenditure on planned maintenance and major repairs is reflected in a transfer from designated reserves.

(ii) Service equipment replacement

The reserve is based on the Association's liability to replace service equipment, such as appliances provided in houses built or adapted for particular needs.

(iii) Shared ownership factoring reserve

The reserve is held to fund the reactive and planned maintenance service provided by the Association to owners and shared owners in blocks of flats with common areas.

Pensions

The Association operates a defined benefit pension scheme, the cost of which is written off on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund (Note 20).

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

				2010	2009
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)	Operating surplus/ (deficit)
	£	£	£	£	£
Social lettings (note 3)	1,966,027	-	1,250,873	715,154	656,521
Other activities (note 4)	577,598	419,898	162,089	(4,389)	(4,986)
Total	2,543,625	419,898	1,412,962	710,765	651,535
Total for previous period of account	2,788,932	921,126	1,216,271		651,535

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

	General Needs	Shared Ownership	Supported Housing	2010 Total	2009 Total
	£	£	£	£	£
Rent receivable net of service charges	1,629,144	193,390	29,280	1,851,814	1,660,801
Service charges	83,433	-	1,481	84,914	61,134
Gross income from rents and service charges	1,712,577	193,390	30,761	1,936,728	1,721,935
Less voids	(2,449)	(4,725)	-	(7,174)	(7,512)
Net income from rents and service charges	1,710,128	188,665	30,761	1,929,554	1,714,423
Grants from Scottish Ministers	14,937	-	1,012	15,949	43,966
Other grants and miscellaneous income	18,248	2,241	35	20,524	23,540
Total income from social lettings	1,743,313	190,906	31,808	1,966,027	1,781,929
Operating costs on social letting activities					
Service costs	83,557	-	1,357	84,914	61,134
Management administration costs	404,955	54,263	2,694	461,912	441,265
Maintenance administration costs	225,292	1,795	3,500	230,587	225,162
Reactive maintenance costs	114,448	250	1,778	116,476	136,453
Planned and cyclical maintenance costs	183,572	17,971	140	201,683	100,775
Property improvements & adaptations	34,571	-	920	35,491	44,566
Bad debts – rents and service charges	2,467	-	-	2,467	2,238
Depreciation of social housing	90,353	-	1,129	91,482	80,520
District heating system costs	23,275	2,586	-	25,861	33,295
Total operating costs on social lettings	1,162,490	76,865	11,518	1,250,873	1,125,408
Operating surplus/deficit on social lettings	580,823	114,041	20,290	715,154	656,521
Operating surplus/deficit on social lettings for previous period of account	543,471	95,027	18,023		656,521

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

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

	Grants from Scottish Ministers	Other Income	Total Turnover	Other operating costs	Operating surplus or (deficit)	Operating surplus or (deficit) for previous period of account
	£	£	£	£	£	£
Wider role	123,335	-	123,335	123,884	(549)	(1,869)
Factoring	-	18,048	18,048	18,063	(15)	(298)
Development and Construction of Property	19,148	400,750	419,898	419,898	-	-
Development Administration	15,706	611	16,317	20,142	(3,825)	(2,819)
Other activities	-	-	-	-	-	-
Total from other activities	158,189	419,409	577,598	581,987	(4,389)	(4,986)
Total from other activities for the previous period of account	102,128	904,875	1,007,003	1,011,989		(4,986)

for the year ended 31 March 2010

5. Directors' Emoluments

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

There were no officers with emoluments of £60,000 or more during the period of account.

	2010	2009
The emoluments (excluding pension contributions) of the highest paid director, the Chief Executive	£52,379 =====	£ 50,378 =====

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply. The value of the Association's contributions during the year was £7,891 (2009 - £7,586).

6. Employee Information

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

	2010	2009
Office staff	20	20
Cleaners	1	1
	----- 21 =====	----- 21 =====
Full-time equivalent	18 =====	19 =====

	2010 £	2009 £
Staff costs (including directors' emoluments);		
Wages and salaries	537,570	512,963
Social security costs	38,456	37,001
Pension costs (Note 20)	77,357	73,502
Temporary staff	-	9,281
	----- 653,383 =====	----- 632,747 =====

7. Operating Surplus

	2010	2009
	£	£
Operating surplus is stated after charging:-		
Depreciation	106,604	97,584
Direct repair costs: reactive, planned and cyclical	318,159	237,227
Auditor's remuneration		
- In their capacity as auditors (including expenses)	9,297	9,906
- In their capacity as financial advisers	505	120

8. Interest Payable and similar charges

	2010	2009
	£	£
On loans repayable wholly or partly in more than 5 years	312,729	421,058
Interest capitalised to property costs	14,058	17,104
	<u>326,787</u>	<u>438,162</u>

9. Taxation

The Association was granted charitable status for taxation purposes with effect from 31 May 2001.

for the year ended 31 March 2010

10. Tangible Fixed Assets

Housing Properties

	Completed		Under Construction		Total
	Rented £	SO £	Rented £	SO £	£
Gross Cost					
At 1 April 2009	38,391,294	6,748,078	7,461,536	2,161,072	54,761,980
Schemes completed	2,399,714	762,247	(2,400,781)	(761,180)	-
Additions	1,936,567	1,079,331	4,602,029	2,344,009	9,943,934
Disposals	(12,584)	(496,015)	-	-	(508,599)
CI work-in-progress	-	-	-	(920,519)	(920,519)
At 31 March 2010	42,714,991	8,093,641	9,662,784	2,823,382	63,294,798
Depreciation					
At 1 April 2009	448,030	-	-	-	448,030
Charge for year	91,482	-	-	-	91,482
At 31 March 2010	539,512	-	-	-	539,512
HAG					
At 1 April 2009	29,084,186	6,235,324	7,076,907	2,315,840	44,712,257
Schemes completed	2,174,125	933,691	(2,174,125)	(933,691)	-
Additions	882,513	307,077	3,735,025	1,428,579	6,128,600
Disposals	-	(56,742)	-	-	(56,742)
At 31 March 2010	32,140,824	7,419,350	8,637,807	2,810,728	51,008,709
Other Grants					
At 1 April 2009	1,180,962	68,941	-	-	1,249,903
Schemes completed	-	-	-	-	-
Additions	1,400	-	520,538	35,150	557,088
Disposals	-	(13,888)	-	-	(13,888)
At 31 March 2010	1,182,362	55,053	520,538	35,150	1,793,103
Net book value at:					
31 March 2010	8,852,293	619,238	504,439	(22,496)	9,953,474
31 March 2009	7,678,116	443,813	384,629	(154,768)	8,351,790

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

10. Tangible Fixed Assets (continued)

Development administration costs capitalised amounted to £122,648 (2009 - £111,527), for which HAG of £304,741 (2009 - £139,911) was receivable in the year. Interest costs capitalised amounted to £14,058 (2009 - £17,104).

Total expenditure on works to existing properties amounted to £404,604 during the year (2009 - £281,792), of which £50,955 was capitalised (2009 - nil).

Other Assets

	Office & Buildings £	Office Fixtures & Fittings, Furniture & Equipment £	Total £
Cost			
At 1 April 2009	316,751	163,159	479,910
Additions	26,838	7,524	34,362
Written off	(103,251)	-	(103,251)
Disposals	-	(8,407)	(8,407)
At 31 March 2010	240,338	162,276	402,614
Depreciation			
At 1 April 2009	12,160	124,270	136,430
Charge for year	1,520	13,262	14,782
Adjustment re disposals	-	(8,353)	(8,353)
At 31 March 2010	13,680	129,179	142,859
Net book value			
At 31 March 2010	226,658	33,097	259,755
At 31 March 2009	304,591	38,889	343,480

11. Work-in-progress

	2010 £	2009 £
New Supply Shared Equity	891,243	654,935
Shared Ownership	920,519	253,727
	1,811,762	908,662

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

12. Debtors

	2010 £	2009 £
Rent arrears	43,628	35,890
Interest receivable	5,481	74,569
HAG receivable	63,103	626,657
Capital accrual	70,300	-
Services equalisation account	-	178
Other debtors	112,650	112,672
	-----	-----
	295,162	849,966
	=====	=====

13. Creditors: amounts due within one year

	2010 £	2009 £
Rent in advance	11,121	14,776
Interest payable	13,143	10,849
Loan instalments due and payable - housing	216,703	192,145
Loan instalments due and payable - non-housing	5,026	4,294
Capital expenditure	291,494	296,753
Capital grants received in advance	331,482	767,274
Shared equity grants on work in progress	715,903	565,064
PAYE/NIC's	-	12,391
Other creditors and accruals	139,138	106,993
Services equalisation account	7,703	-
	-----	-----
	1,731,713	1,970,539
	=====	=====

14. Creditors: amounts due outwith one year

	2010 £	2009 £
Housing loans	9,575,971	7374,780
Non-housing loans	38,420	44,804
	-----	-----
	9,614,391	7,419,584
	=====	=====

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

	2010 £	2009 £
Within one year	221,729	196,439
Between one and two years	298,435	204,739
Between two and five years	1,157,562	662,689
In five years or more	8,158,394	6,552,156
	-----	-----
	9,836,120	7,616,023
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

15. Rents

	2010 £	2009 £
Gross arrears	45,128	37,390
Provision for bad debts	(1,500)	(1,500)
Net arrears	43,628 =====	35,890 =====

16. Share Capital

	2010 £	2009 £
At 1 April 2009	166	161
Issued in year	3	12
Cancelled in year	(3)	(7)
At 31 March 2010	166 =====	166 =====

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

17. Designated Reserves

	At 31 March 2009 £	Written- down to Revenue £	TF (to)/from Revenue Reserve £	Annual Charge to Service Costs £	At 31 March 2010 £
Planned maintenance reserve	2,502,580	-	335,013	-	2,837,593
Services equipment replacement reserve	9,966	-	154	(767)	9,353
Shared ownership factoring reserve	75,256	-	2,258	6,732	84,246
	2,587,802 =====	- =====	337,425 =====	5,965 =====	2,931,192 =====

Planned maintenance reserve includes cyclical repairs and major repairs. These are detailed within the designated reserves accounting policy (Note 1).

18. Capital commitments

	2010 £	2009 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	7,636,868 =====	6,797,741 =====

The amount contracted for at 31 March 2010 will be funded from grants approved by the Scottish Government, financed from private loans or met from the Association's reserves.

19. Contingent Liabilities**Pension Scheme liabilities**

The Association has been advised by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the scheme as at 30 September 2009. As of this date, the estimated employer debt for Orkney Housing Association was £1,901,834 (2009 - £866,061).

The Association has also been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Plan as at 30 September 2009. As at 30.9.09 the employer debt for Orkney Housing Association was estimated at £35,114 (30.9.08 - £31,109), however the Pensions Trust have also intimated that the figure at 31 March 2010 is likely to have decreased by approximately 38%.

The Association has no current plans to withdraw from either the Pension Scheme or the Growth Plan.

20. Pensions**SFHA Standard Employers Pension Scheme**

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

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

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the

for the year ended 31 March 2010

20. Pensions (continued)

Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared to liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Association has elected to retain the final salary with a 1/60th accrual rate benefit structure for active members. During the accounting period the Association paid contributions at the rate of 15.4% of pensionable salaries and member contributions were at 7.2%.

As at the balance sheet date there were 19 active members of the Scheme employed by Orkney Housing Association Ltd. The annual pensionable payroll in respect of these members was £504,006. The Association continues to offer membership of the Scheme to its employees.

Since the contribution rates payable to the Scheme have been determined with reference to the last full actuarial valuation, the following notes relate to the formal actuarial valuation as at 30 September 2006:

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

	% pa
Investment return pre-retirement	7.2
Investment return post-retirement	4.9
Rate of salary increases	4.6
Rate of pension increases	
- pension accrued pre 6 April 2005	2.6
- pension accrued from 6 April 2005	2.25
(for leavers before 1 October 1993 pension increases are 5% pa)	
Rate of price inflation	2.6

Following a change of legislation in September 2005 there is a potential debt on the employer which could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the 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.

The Association 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 of 30 September 2009. As of this date, the estimated employer debt for Orkney Housing Association was £1,901,834.

20. Pensions (continued)

Growth Plan

The Association also participates in the Pension Trust's Growth Plan. The plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

There were no member contributions during the period, and as at the balance sheet date none of the Association's employees were active members of the Plan. The Association continues to offer membership of the Plan to its employees.

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

The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation for the scheme was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £742 million, and the Scheme's Technical Provisions (ie past service liabilities) were £771 million. The valuation therefore indicated a shortfall of assets compared to liabilities of £29 million, equivalent to a funding level of 96%.

20. Pensions (continued)

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
Investment return pre retirement	7.6
Investment return post retirement:	
- Activities/Deferreds	5.1
- Pensioners	5.6
Bonuses on accrued benefits	0.0
Real rate of inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement return assumptions, such that there is a 60% expectation that the return will be in excess of that assumed, and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2009. The Market value of the Plan's assets at that date was £765 million and the Plan's Technical Provisions (i.e. past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £55 million, equivalent to a funding level of 93%.

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

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities, the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed, and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre retirement and 5.1% per annum post retirement (actives and deferred) and 5.6% per annum post retirement (pensioners).

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer which could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

20. Pensions (continued)

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (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 Plan. 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 Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 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 Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2009. As of this date the estimated employer debt for Orkney Housing Association was £35,114. The Pensions Trust have also intimated however that the figure at 31 March 2010 is likely to have decreased by approximately 38%.

21. Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965, registered with the Scottish Housing Regulator and governed by the Housing (Scotland) Act 2001.

22. Reconciliation of movement in revenue reserve

	2010 £	2009 £
Revenue reserve brought forward	1,021,372	961,015
Surplus for the year	337,425	413,069
Transfer from/(to) designated reserves	(337,425)	(352,712)
Revenue reserve carried forward	1,021,372	1,021,372

23. Gain/Loss on Sale of Assets

	Shared Ownership £	Land £	Other Assets £	Total 2010 £	Total 2009 £
Income	48,750	-	600	49,350	95,000
Legal Expenses	989	1,234	-	2,223	1,332
Cost of Sale	50,836	-	655	51,491	53,111
Other Costs	204	-	-	204	585
Gain/Loss on Disposal of Assets	(3,279)	(1,234)	(55)	(4,568)	39,972

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

24. Exceptional Item

During the year the decision was taken to abandon the new-build office project at 46 Victoria Street. This decision was taken after a full risk assessment was carried out which concluded that it would be financially and economically better for the Association to extend its current premises instead. A review of costs incurred to date was carried out and those which will have no future economic benefit (mainly consultants' fees) have been written off as abortive costs. Costs incurred which have improved or enhanced the building remain capitalised.

25. Investments

Investments at 31.3.10 totalled £1.53m (2009 - £1.8m) comprising five time deposit facilities at a fixed rate and maturity after a fixed term of one to nine months, a fixed rate bond with the Royal Bank of Scotland, a capital reserve account with the Dunfermline Building Society and a balance in an Santander business reserve account. Investments purchased/rolled over during the year amounted to £2.2m (2009 - £2.5m).

26. Housing Stock

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

		Units under Development		Units in Management	
		2010	2009	2010	2009
Housing for Rent:	General needs housing	119	139	548	520
	Supported housing	12	12	9	9
	Communal use	-	-	2	2
		-----	-----	-----	-----
		131	151	559	531
		-----	-----	-----	-----
Shared Ownership accommodation		34	42	120	110
New Supply Shared Equity		18	21	-	-
		-----	-----	-----	-----
Total		183	214	679	641
		=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

NOTES TO THE CASH FLOW STATEMENT

	2010 £	2009 £
27. Gross cash flows		
Returns on investments and servicing of finance:		
Interest received	116,296	128,087
Interest paid	(310,382)	(421,260)
	-----	-----
	(194,086)	(293,173)
	=====	=====
Capital investment and financial investment:		
Payments to acquire tangible fixed assets	(9,498,647)	(7,420,382)
Receipts from sales of tangible fixed assets	47,165	93,083
HAG received	7,090,421	5,918,229
Other grants received	-	164,553
Purchase of other fixed assets	(44,526)	(28,582)
HAG repaid	(32,765)	(82,947)
Receipts from sales of other fixed assets	600	-
	-----	-----
	(2,437,752)	(1,356,046)
	=====	=====
Financing:		
Loans received	2,456,250	750,677
Loans repaid	(236,153)	(248,967)
Issue of ordinary share capital	3	12
Shares cancelled	(3)	(7)
	-----	-----
	2,220,097	501,715
	=====	=====

28. Analysis of Changes in Net Debt

	At 31 March 2009 £	Cash Flows £	At 31 March 2010 £
Cash in hand	150	-	150
Short-term investments	2,592,777	548,830	3,141,607
Bank	(48,062)	(116,238)	(164,300)
Debt due within 1 year	(196,439)	(25,290)	(221,729)
Debt due after 1 year	(7,419,584)	(2,194,807)	(9,614,391)
	-----	-----	-----
	(5,071,158)	(1,787,505)	(6,858,663)
	=====	=====	=====