



ORKNEY HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2016

RSL No	HAL 164
Charity No	SC 031734

ORKNEY HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 March 2016

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Management Committee

Wendy Baikie
Philip Cook
David Dawson (Vice Chair)
Winifred Dunnet (resigned 23.9.15)
Linda Forbes
Elaine Grieve (appointed 23.9.15)
Fiona Lettice
Bob Mackenzie (resigned 23.9.15)
Stuart Roy McIvor
John Rodwell (Chair)
John Stockan
William Wallace (co-opted 27.1.16)

Chief Executive

Sally Inkster (until 30.09.15)
Craig Spence (from 1.10.15)

Company Secretary

Sally Inkster (until 5.10.15)
Craig Spence (from 5.10.15)

Company Registration

2201RS

Scottish Charity Number

SC031734

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 2016

The Management Committee presents its report and the audited financial statements for the year ended 31 March 2016

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 2015/16 and beyond are to:-

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

6 new rented and 7 low cost home ownership homes were completed during the year, and we succeeded in obtaining funding for a further 47 rented and 10 low cost home ownership units, to be completed in 2016 and 2017. We have continued to partner with other agencies to encourage energy efficiency amongst our residents and we continued to work up projects to support our objectives through our subsidiary OHAL Enterprises. In order to develop our business and improve our services we will focus on:-

- Investing in new and existing housing stock,
- Improving communications and customer engagement,
- Providing advice and information (on energy, housing and money management),
- Developing a new staff structure and undertaking a review of pension provision.

Changes in Fixed Assets

Details of fixed assets are set out in Note 10.

Going Concern

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

The Management Committee and Executive Officer

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

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

Related Party Transactions

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

Charitable Status

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

Statement of Management Committee's Responsibilities

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

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

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

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

Statement on Internal Financial Controls

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

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

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

REPORT OF THE MANAGEMENT COMMITTEE (continued)

for the year ended 31 March 2016

Statement on Internal Financial Controls (continued)

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

Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016 and until 27 July 2016. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

In so far as the Committee are aware:

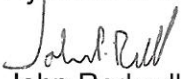
There is no relevant audit information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware.

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

Auditors

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

By order of Management Committee


John Rodwell
Chairperson

27 July 2016

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

We have audited the financial statements of Orkney Housing Association Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, Financial Position, Changes in Reserve, Cash Flows and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law, the Scottish Housing Regulator's Determination of Accounting Requirements April 2014 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of the board and the auditor

As explained more fully in the Report of the Management Committee, set out on pages 3 to 5, the Management Committee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the committee and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Management Committee to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefits Society Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the SHR Determination of Accounting Requirements 2014.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ORKNEY HOUSING ASSOCIATION LIMITED (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.



ALEXANDER SQUIRES, C.A. (senior statutory auditor)
For and on behalf of Findlay & Company
Chartered Accountants and Statutory Auditors
11 Dudhope Terrace
Dundee
DD3 6TS

27 July 2016

INDEPENDENT AUDITORS' REPORT

REPORT OF THE AUDITORS TO ORKNEY HOUSING ASSOCIATION LIMITED

ON CORPORATE GOVERNANCE MATTERS

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

Basis of opinion

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

Opinion

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

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



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

For and on behalf of Findlay & Company

Chartered Accountants and Statutory Auditors

11 Dudhope Terrace

Dundee

DD3 6TS

27 July 2016

ORKNEY HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

		2016	2015
	Notes	£	restated £
Turnover - continuing activities	2	4,581,379	4,044,184
Less: Operating costs	2	(3,548,233)	(3,083,448)
Operating surplus - continuing activities		1,033,146	960,736
Gain/(loss) on disposal of fixed assets	25	33,638	154,491
Interest receivable		18,588	20,211
Interest and financing costs	8	(519,189)	(564,347)
Surplus before tax		566,183	571,091
Taxation	9	-	-
Surplus for the year		566,183	571,091

In each of the years ended 31 March 2015 and 31 March 2016 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 13 to 29 form part of these financial statements.

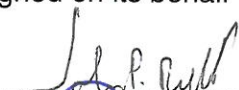
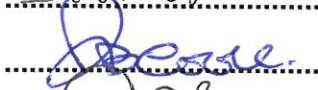
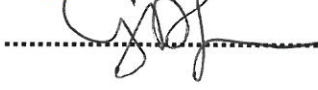
ORKNEY HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2016

		2016	2015
		£	restated £
Tangible Fixed Assets	Notes		
Housing properties	10	78,051,581	73,540,012
Other assets	10	1,318,262	1,328,471
		-----	-----
		79,369,843	74,868,483
		-----	-----
Fixed Asset Investments			
Investments	11	200,001	200,001
Shared Equity Costs	11	1,270,745	1,130,482
Shared Equity Grants	11	(1,270,745)	(1,130,482)
		-----	-----
		200,001	200,001
Current Assets			
Investments	12	2,883,391	872,988
Work-in-progress	13	503,008	307,675
Trade and other debtors	14	1,256,870	546,291
Stock		33,285	30,515
Cash at bank and in hand		1,875,341	2,188,558
		-----	-----
		6,551,895	3,946,027
Creditors: amounts falling due within one year	16	(2,810,406)	(2,200,992)
		-----	-----
Net current assets		3,741,489	1,745,035
		-----	-----
Total assets less current liabilities		83,311,333	76,813,519
Creditors: amounts falling due after more than one year			
Long term loans	17	(16,776,544)	(14,279,491)
Deferred income – capital grants	18	(59,348,323)	(55,836,863)
Pension deficit creditor		(1,070,000)	(1,146,882)
		-----	-----
Net assets		6,116,466	5,550,283
		=====	=====
Capital and Reserves			
Share capital	19	141	141
Revenue reserve	20	6,116,325	5,550,142
		-----	-----
		6,116,466	5,550,283
		=====	=====

The financial statements on pages 9 to 29 were approved by the Management Committee on 27 July 2016 and were signed on its behalf by:

 Chairperson
 Committee member
 Secretary

ORKNEY HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2016

	Share Capital	Income & Expenditure Reserve	Revaluation Reserve	Total
	£	£	£	£
At 1 April 2014 as previously stated	141	6,403,389	-	6,403,530
Changes on transition to FRS 102 (note 29)	-	(1,424,338)	-	(1,424,338)
At 1 April 2014 as restated	141	4,979,051	-	4,979,192
Surplus / (deficit) for the year	-	484,091	-	484,091
Revaluation of tangible fixed assets	-	-	-	-
Remeasurement gain / (loss) on defined benefit pension plan	-	87,000	-	87,000
Total comprehensive income	-	571,091	-	571,091
Share capital cancelled	(9)	-	-	(9)
Share capital issued	9	-	-	9
At 31 March 2015 and 1 April 2015	141	5,550,142	-	5,550,283
Surplus / (deficit) for the year	-	571,183	-	571,183
Remeasurement gain / (loss) on defined benefit pension plan	-	(5,000)	-	(5,000)
Revaluation of tangible fixed assets	-	-	-	-
Total comprehensive income	-	566,183	-	566,183
Share capital cancelled	(4)	-	-	(4)
Share capital issued	4	-	-	4
At 31 March 2016	141	6,116,325	-	6,116,466

ORKNEY HOUSING ASSOCIATION LIMITED

STATEMENT OF CASHFLOWS

for the year ended 31 March 2016

	Notes	2016 £	2015 restated £
Net cash generated from operating activities (see below)		1,239,043	1,237,450
Cash flow from investing activities			
Purchase of tangible fixed assets		(5,290,173)	(1,248,030)
Proceeds from sale of tangible fixed assets		350,321	440,329
Grants received (net)		3,366,668	798,947
Interest received		17,734	19,181
Cash flow from financing activities			
Interest paid		(490,950)	(524,347)
New secured loans		3,072,035	-
Repayment of borrowings		(567,492)	(578,085)
Net change in cash and cash equivalents		1,697,186	145,445
Cash and cash equivalents at beginning of year		3,061,546	2,916,101
Cash and cash equivalents at end of year		4,758,732	3,061,546
Cash inflow from operating activities			
Surplus for the year		566,183	571,091
Adjustments for non-cash items:			
Depreciation/amortisation charges		235,346	216,817
(Increase)/Decrease in stock		(2,770)	(25,939)
(Increase)/Decrease in trade debtors		63,366	13,304
Increase/(Decrease) in trade and other creditors		3,529	7,077
Pension costs less contributions payable		(96,697)	(7,000)
Carrying amount of fixed asset disposals		233,640	296,671
Increase/(Decrease) in impairment		-	62,543
Proceeds from sale of fixed assets		(267,278)	(451,162)
Interest payable		519,189	564,347
Interest receivable		(18,588)	(20,211)
Services equalisation account		(4,406)	(3,228)
Charge to service provisions		7,529	13,140
Net cash inflow from operating activities		1,239,043	1,237,450

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

1. **Principal Accounting Policies**

The Financial Statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for social housing providers 2014 (SORP 2014) and the Scottish Housing Regulator's Determination of Accounting Requirements 2014.

Basis of Accounting

Orkney Housing Association Limited meets the definition of a public benefit entity under FRS 102.

A summary of the more important accounting policies, which have been applied consistently is set out below:-

Turnover

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

Mortgages - Housing Properties

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

Housing Association Grant

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

Grants for capital expenditure are disclosed as deferred income and amortised over the useful lives of the components to which they relate (see below). Grants for revenue expenditure are credited to the Statement of Comprehensive Income as they become receivable.

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

Tangible Fixed Assets - Housing Properties (Note 10)

Housing properties are stated at cost. The development costs of housing properties funded with AHSP, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

Note 1 (continued)**Works to Existing Properties**

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

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 Statement of Comprehensive Income.

Shared Ownership

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

Depreciation

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

The major components of rented housing properties are depreciated over their useful lives as follows:-

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

Other fixed assets are depreciated as follows:-

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

Note 1 (continued)**Subsidiary**

The subsidiary OHAL Enterprises CIC is still a dormant company as at 31 March 2016 and accordingly the Association has not prepared consolidated financial accounts.

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

	Turnover	Cost of sales	Operating costs	2016 Operating surplus/ deficit	2015 Operating surplus/ deficit restated
	£	£	£	£	£
Social lettings (note 3)	3,762,105	-	2,726,033	1,036,072	1,033,830
Other activities (note 4)	819,274	490,275	331,925	(2,926)	(73,094)
Total	4,581,379	490,275	3,057,958	1,033,146	960,736
Total for previous period of account	4,044,184	60,179	3,023,269		960,736
	=====	=====	=====		=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

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

	General Needs	Shared Ownership	Supported Housing	2016 Total	2015 Total restated
	£	£	£	£	£
Rent receivable net of service charges	2,630,246	339,563	36,421	3,006,230	2,906,514
Service charges	133,013	0	2,841	135,854	116,036
Gross income from rents and service charges	2,763,259	339,563	39,262	3,142,084	3,022,550
Less voids	(11,816)	(400)	(711)	(12,927)	(7,918)
Net income from rents and service charges	2,751,443	339,163	38,551	3,129,157	3,014,632
Grants from Scottish Ministers	34,307	-	-	34,307	33,232
Other grants and miscellaneous income	6,408	1,045	51	7,504	3,181
Grants released from deferred income	585,440	-	5,697	591,137	609,488
Total income from social lettings	3,377,598	340,208	44,299	3,762,105	3,660,533
Operating costs on social letting activities					
Service costs	132,658	-	1,968	134,626	115,531
Management administration costs	617,645	89,590	2,711	709,946	734,843
Maintenance administration costs	375,990	753	3,497	380,240	450,430
Reactive maintenance costs	373,587	3,422	3,874	380,883	359,374
Planned and cyclical maintenance costs	195,489	453	1,222	197,164	123,181
Property improvements & adaptations	139,452	5,824	-	145,276	65,878
Bad debts – rents and service charges	13,815	(8)	-	13,807	10,682
Depreciation of social housing	757,206	-	6,885	764,091	766,784
Total operating costs on social lettings	2,605,842	100,034	20,157	2,726,033	2,626,703
Operating surplus/deficit on social lettings	771,756	240,174	24,142	1,036,072	1,033,830
Operating surplus/deficit on social lettings for previous period of account	768,639	241,555	23,636		1,033,830

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 restated
	£	£	£	£	£	£
Wider role	2,807	-	2,807	16,262	(13,455)	(15,333)
Factoring	-	30,017	30,017	31,044	(1,027)	(1,181)
Care and Repair Services	28,695	236,094	264,789	262,046	2,743	(2,193)
Development and Construction of Property	-	495,250	495,250	490,275	4,975	(2,679)
Development Administration	-	809	809	4,177	(3,368)	(1,250)
Other Agency/ Management services	-	16,683	16,683	16,361	322	360
Impairment of other assets	-	-	-	-	-	(62,543)
Other activities	-	8,919	8,919	2,035	6,884	11,725
Total from other activities	31,502	787,772	819,274	822,200	(2,926)	(73,094)
Total from other activities for the previous period of account	34,593	349,058	383,651	456,745	(73,094)	

5. Key Management Personnel Emoluments

As per the Scottish Housing Regulator's Determination of Accounting Requirements 2014, disclosure of key management personnel's emoluments exceeding £60,000 per annum is required.

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:

	2016	2015
The emoluments (excluding pension contributions) of the highest paid director, the Chief Executive	72,683	67,085

The emoluments paid to the two Chief Executives in 2016 totalled 13 months as a result of a handover period in October 2015.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply. The value of the Association's contributions during the year was £8,395 (2015 - £8,097).

6. **Employee Information**

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

	2016	2015
Office staff	34	32
Cleaners	1	1
	-----	-----
	35	33
	=====	=====
Full-time equivalent	33	30
	=====	=====
	2016	2015
	£	restated £
Staff costs (including directors' emoluments);		
Wages and salaries	989,702	1,027,050
Social security costs	74,271	74,901
Pension costs (Note 23)	107,689	197,835
Temporary staff	25,640	13,781
	-----	-----
	1,197,302	1,313,567
	=====	=====

Pension costs in 2015/16 includes £ 96,117 (2015 - £93,317) lump sum contributions towards past service deficit.

7. **Operating Surplus**

	2016	2015
	£	restated £
Operating surplus is stated after charging/(crediting):-		
Depreciation	826,483	826,305
Amortisation	(591,137)	(609,488)
Direct repair costs: reactive, planned and cyclical	425,599	365,386
Auditor's remuneration		
- In their capacity as auditors (including expenses)	7,399	14,178
- In their capacity as financial advisers	252	208

8. **Interest and financing costs**

	2016	2015
	£	£
On loans repayable wholly or partly in more than 5 years	493,189	524,347
Interest expense on pension deficit payments	26,000	40,000
	-----	-----
	519,189	564,347
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

9. Taxation

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

10. Tangible Fixed Assets

Housing Properties	Completed		Under Construction		Total £
	Rented £	SO £	Rented £	SO £	
Gross Cost					
At 1.4.15 restated	64,183,317	14,640,030	2,741,542	311,718	81,876,607
Schemes completed	985,678	1,162,752	(985,678)	(1,162,752)	-
Additions	122,333	-	4,442,308	1,233,722	5,798,363
Disposals	(75,204)	(458,036)	-	-	(533,240)
At 31 March 2016	65,216,124	15,344,746	6,198,172	382,688	87,141,730
	=====	=====	=====	=====	=====
Depreciation					
At 1.4.15 restated	8,336,595	-	-	-	8,336,595
Disposals	(10,536)	-	-	-	(10,536)
Charge for year	764,090				764,090
At 31 March 2016	9,090,149	-	-	-	9,090,149
	=====	=====	=====	=====	=====
Net book value at:					
31 March 2016	56,125,975	15,344,746	6,198,172	382,688	78,051,581
	=====	=====	=====	=====	=====
31 March 2015	55,846,722	14,640,030	2,741,542	311,718	73,540,012
	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

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

Development administration costs capitalised amounted to £51,754 (2015 - £48,806 restated), for which HAG of £0 (2015 - £11,486) was receivable in the year. Interest costs capitalised amounted to £5,269 (2015 - nil).

Total expenditure on works to existing properties amounted to £688,395 during the year (2015 - £522,612), of which £122,333 was capitalised (2015 - £94,514).

	Office Buildings £	Office fixtures, fittings, furniture & equipment £	Handymen vans and tools etc £	Total £
Cost				
At 1 April 2015	1,060,669	407,771	82,215	1,550,655
Additions	1,308	26,708	23,094	51,110
Disposals		-	-	-
Written off		(31,515)	-	(31,515)
Impairment	-		-	-
Disposals				
At 31 March 2016	1,061,977	402,964	105,309	1,570,250
Depreciation				
At 1 April 2015	61,249	117,265	38,600	217,114
Charge for year	11,678	33,264	17,450	62,392
Adjustment re disposals		(31,059)		(31,059)
At 31 March 2016	72,927	119,470	56,050	248,447
Grants				
At 1 April 2015	0	1,381	3,689	5,070
Received in year		-	-	-
Amortisation		(607)	(922)	(1,529)
At 31 March 2016	0	774	2,767	3,541
Net book value				
At 31 March 2016	989,050	282,720	46,492	1,318,262
At 31 March 2015	999,420	289,125	39,926	1,328,471

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

11. Fixed Asset Investments

		<u>Subsidiary</u>	<u>Shared</u>	<u>Investment</u>	<u>Total</u>
		<u>£</u>	<u>Equity</u>	<u>Property</u>	<u>£</u>
Cost:	At 1 April 2015		1,130,482	200,000	1,330,482
	Additions		140,263	-	
		--	-----	-----	-----
	At 31 March 2016	1	1,270,745	200,000	1,470,746
		=	=====	=====	=====
Grants:	At 1 April 2015	-	1,130,482	-	1,130,482
	Additions		140,263	-	140,263
			-----	-----	-----
	At 31 March 2016		1,270,745	-	1,270,745
			=====	=====	=====
Net Book value at 31 March 2015 and 2016		1	0	200,000	200,001
		=====	=====	=====	=====

The wholly owned subsidiary OHAL Enterprises CIC was dormant during the year to 31.3.16.

12. Investments

Investments at 31.3.16 totalled £2.883m (2015 - £0.873m) comprising eight time deposit facilities at a fixed rate and maturity after fixed terms of 3 and 12 months. Investments purchased or rolled over during the year amounted to £3.29m (2015 - £1.07m).

13. Work-in-progress

	<u>Shared</u>	<u>Shared</u>	<u>Total</u>
	<u>Ownership</u>	<u>Equity etc</u>	
Opening WIP (restated)	103,773	203,902	307,675
Additions	124,295	377,699	501,994
Transfers (to)/from Fixed Asset Investments	-	(140,263)	(140,263)
Disposals	(103,576)	(62,822)	(166,398)
	-----	-----	-----
	124,492	378,516	503,008
	=====	=====	=====

14. Debtors

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Rent arrears	92,683	88,650
Interest receivable	3,971	3,117
Scottish Government grant receivable	964,646	99,694
Other grants receivable	80,070	87,033
Other debtors and prepayments	115,500	267,797
	-----	-----
	1,256,870	546,291
	=====	=====

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

15. Rents

	2016 £	2015 £
Gross arrears	100,183	96,150
Provision for bad debts	(7,500)	(7,500)
Net arrears	92,683	88,650

16. Creditors: amounts due within one year

	2016 £	2015 restated £
Rent in advance	20,147	23,556
HAG repayable	-	173,032
Loan instalments due and payable - housing	526,884	519,394
Capital expenditure	1,232,201	533,507
Capital grants received in advance	114,106	119,190
Shared equity grants on work in progress	271,092	199,457
Pension deficit creditor	99,000	96,117
Taxation and social security creditor	31,981	29,841
Care and Repair working capital	82,886	87,999
Shared ownership factoring sinking fund	94,654	87,124
Services equalisation account	9,019	13,425
Other creditors and accruals	328,436	318,350
	2,810,406	2,200,992

17. Creditors: amounts due outwith one year

	2016 £	2015 £
Housing loans	16,776,544	14,279,491

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

	2016 £	2015 £
Within one year	526,884	519,394
Between one and two years	569,832	560,910
Between two and five years	1,785,008	1,755,988
In five years or more	14,421,704	11,962,593
	17,303,428	14,798,885

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

18. Deferred income – Capital Grants

	Scottish Government Grants		Completed		Under Construction		Total £
	Rented £	SO £	Rented £	SO £			
At 1.4.15 restated	46,799,815	11,176,736	2,689,009	231,205			60,896,765
Schemes completed	156,205	231,205	(156,205)	(231,205)			-
Additions	623,730	(26,004)	3,317,718	430,403			4,345,847
Disposals	(61,369)	(171,618)	-	-			(232,987)
At 31 March 2016	47,518,381	11,210,319	5,850,522	430,403			65,009,625
Other Grants							
At 1.4.15 restated	1,658,050	126,436	-	-			1,784,486
Written down	(3,046)	(3,917)	-	-			(6,963)
Disposals	(3,300)	-	-	-			(3,300)
At 31 March 2016	1,651,704	122,519	-	-			1,774,223
Amortisation							
At 1.4.15 restated	6,844,388	-	-	-			6,844,388
Charge for year	591,137	-	-	-			591,137
At 31 March 2016	7,435,525	-	-	-			7,435,525
Net book value at:							
31 March 2016	41,734,560	11,332,838	5,850,522	430,403			59,348,323
31 March 2015	41,613,477	11,303,172	2,689,009	231,205			55,836,863

19. Share Capital

	2016 £	2015 £
At 1 April 2015	141	141
Issued in year	4	9
Cancelled in year	(4)	(9)
At 31 March 2016	141	141

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

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

	2016	2015 restated
	£	£
Revenue reserve brought forward	5,550,142	4,979,051
Surplus for the year	566,183	571,091
	-----	-----
Revenue reserve carried forward	6,116,325	5,550,142
	=====	=====

21. **Capital commitments**

	2016	2015
	£	£
Capital expenditure which has been contracted for but has not been provided for in the financial statements	5,233,753	2,384,869
	=====	=====
Capital expenditure which has been authorised but not contracted for or provided for in the financial statements	101,459	198,795
	=====	=====

The amount contracted for at 31 March 2016 will be funded from capital grant, low cost home ownership sales and loans.

22. **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 2015. As of this date, the estimated employer debt for Orkney Housing Association was £4,335,488 (2015 - £3,457,034).

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

Grants written off

At 31 March 2016, the Association has disposed of components which had received £280,598 (2015 - £219,230) of grant funding. Although the disposal of these components has not given rise to a relevant event for the purposes of repayment or recycling the grant (as the Association retains the property asset), it does have a potential future obligation to repay or recycle such grant once the property is disposed of.

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

23. Pensions

SHAPS Pension Scheme

The Association participates in the Scottish Housing Associations' Pension Scheme (the "scheme"). The Scheme is a defined benefit scheme in the UK.

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

The scheme is subject to the funding legislation outlined in the Pensions Act 2014 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing' arrangement. Therefore, the Association is potentially liable for 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.

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

Deficit Contributions

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

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

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

Present Values of Provision

	2016 (£000s)	2015 (£000s)	2014 (£000s)
Present value of provision	1,169	1,244	1,210

23. Pensions (continued)**Reconciliation of Opening and Closing Provisions**

	2016 (£000s)	2015 (£000s)
Provision at start of period	1,244	1,210
Unwinding of the discount factor (interest expense)	26	40
Deficit contribution paid	(96)	(93)
Remeasurements - impact of any change in assumptions	(5)	87
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	1,169	1,244

Income and Expenditure Impact

	2016 (£000s)	2015 (£000s)
Interest expense	26	40
Remeasurements – impact of any change in assumptions	(5)	87
Remeasurements – amendments to the contribution schedule	-	-

Assumptions

	2016 % per annum	2015 % per annum
Rate of discount	2.29	2.22

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

24. Legislative Provisions

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

25. Gain/(Loss) on Disposal of Fixed Assets

	Shared Ownership	Land	Other Assets	Total 2016	Total 2015 restated
	£	£	£	£	£
Income	268,750	2,200	-	270,950	460,741
Legal Expenses	(2,090)	-	-	(2,090)	(7,997)
Cost of Sale	(233,186)	-	(454)	(233,640)	(296,601)
Other Costs	(1,582)	-	-	(1,582)	(1,652)
	-----	-----	-----	-----	-----
Gain/(Loss) on Disposal of Assets	31,892	2,200	(454)	33,638	154,491
	=====	=====	=====	=====	=====

26. Housing Stock

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

		Units under Development		Units in Management	
		2016	2015	2016	2015
Housing for Rent:	General needs housing	59	23	697	691
	Supported housing	-	-	8	8
	Communal use	-	-	2	2
		-----	-----	-----	-----
		59	23	707	701
		-----	-----	-----	-----
Shared Ownership accommodation		6	11	169	164
New Supply Shared Equity		4	7	-	-
		-----	-----	-----	-----
Total		69	41	876	865
		=====	=====	=====	=====

27. Subsidiary Information

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

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

28. Related Parties

Sally Inkster, Chief Executive and Company Secretary of the Association until 30.9.15 and 5.10.15 respectively, was also a director of Women's Aid Orkney, a tenant of the Association. During the year, Women's Aid Orkney have been charged rent of £17,155 (2015 - £16,247) and services charges of £385 (2015 - £897), and made a donation of £4,250 towards the employment of a MARAC post. As at the year-end Women's Aid are due £0 (2015 - £0) to the Association. All transactions have been carried out on normal commercial terms.

Craig Spence, Director of Operations until 30.9.15, Chief Executive and Company Secretary from 1.10.15 and 5.10.15 respectively, was also a board member of Highlands and Islands Enterprise until 31.3.16. Grant funding of £11,422 was claimed from HIE towards the cost of employing an intern during the year to 31.3.16.

Sandy Dennison, the Finance Services Manager was also a director of Orkney Citizens Advice Bureau until 26.11.15, OCAB was given a donation of £4,250 by the Association during the year.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

29. Prior Year Adjustment

The prior year adjustment reflects the implementation of the Statement of Recommended Practice update 2014.

The main change relates to the treatment of the Association's future pension deficit payments, which have now been accrued and discounted with the result that the annual charge to the Statement of Comprehensive Income consists of interest on the unwinding of the discount and re-measurement adjustments. Our component accounting method no longer allocates capital grant against the cost of land, thereby increasing amortisation, some deferred income has been charged to revenue and an accrual made for outstanding annual leave and TOIL.

The effect of this change in accounting policy was to decrease the surplus for the year ended 31 March 2015 by £30,521. The cumulative effect up to 31.3.15 on the Association's reserves was a reduction of £859,838.

Impact of 2014 SORP:

	Cumulative prior Year adjustment to 31 March 14	Prior Year Adjustment for 2014/15	Cumulative Prior Year Adjustment to 31 March 2015
Statement of Comprehensive Income			
Operating costs - depreciation charge	300,382	54,465	354,847
Operating costs – annual leave/TOIL	-	(39,225)	(39,225)
Operating costs – pension deficit cost	-	7,000	7,000
Operating costs – deferred income W/O	-	(6,100)	(6,100)
Disposal of fixed assets – increased overhead	-	(70)	(70)
Interest payable – pension deficit interest	-	(40,000)	(40,000)
<i>Impact on operating surplus</i>	<u>300,382</u>	<u>(23,930)</u>	<u>276,452</u>
Statement of Financial Position			
Housing Properties			
At 31 March as previously stated	80,033,955		80,033,955
Increase in depreciation	(5,729,348)	(766,784)	(6,496,132)
Increase in on-costs		2,189	2,189
<i>At 31 March as restated</i>	<u>74,304,607</u>	<u>(764,595)</u>	<u>73,540,012</u>
Work-in-progress			
At 31 March as previously stated	307,542		307,542
Increase in on-costs	-	133	133
<i>At 31 March as restated</i>	<u>307,542</u>	<u>133</u>	<u>307,675</u>
Creditors < 1 year			
At 31 March as previously stated	2,137,459		2,137,459
Pension deficit due < 1 year		96,117	96,117
Additional Annual Leave/TOIL credit		41,616	41,616
Deferred income written off		(74,200)	(74,200)
	<u>2,137,459</u>	<u>63,533</u>	<u>2,200,992</u>
Creditors due after more than 1 year			
At 31 March as previously stated	76,967,332		76,967,332
Pension deficit payments due > 1 year	-	1,146,882	1,146,882
Capital grant amortisation	(6,240,628)	(610,350)	(6,850,978)
<i>At 31 March as restated</i>	<u>70,726,704</u>	<u>536,532</u>	<u>71,263,236</u>
Revenue Reserves			
Revenue reserve at 31 March as previously stated	6,403,389		6,403,389
Impact on operating surplus	(829,317)	(23,930)	(853,247)
<i>Revenue Reserves at 31 March as restated</i>	<u>5,574,072</u>	<u>(23,930)</u>	<u>5,550,142</u>

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

	At 31 March 2015 £	Cash Flows £	At 31 March 2016 £
Cash in hand	250	-	250
Short-term investments	2,978,800	1,691,692	4,670,492
Bank	82,496	5,494	87,990
Debt due within 1 year	(519,394)	(7,490)	(526,884)
Debt due after 1 year	(14,279,491)	(2,497,053)	(16,776,544)
	-----	-----	-----
	(11,737,339)	(807,357)	(12,544,696)
	=====	=====	=====