

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Registered in Scotland

Company Number: SC198586

Registered Social Landlord Number: 312

Scottish Registered Charity Number: SC029461

RSM UK AUDIT LLP
Chartered Accountants
Edinburgh

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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Registration Particulars:

Company Number	SC198586
Charity Number	SC029461
RSL Number	312

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

OFFICERS AND PROFESSIONAL ADVISERS

31 MARCH 2018

Osprey Housing Limited Board of Directors

William Chapman, Chair
Michael Scott, Vice Chair
Stuart Robertson
Robert Hepburn
Carl Nelson (Resigned 20.09.2017)
Hazel L. Smith
Brian A. Topping
Jonathan Young
Catherine Derbyshire
Douglas Bodie

Osprey Housing Moray Committee of Management

Leslie Allan, Chair
Patsy Gowans, Vice Chair
Barry Jarvis (Resigned 27.10.2017)
Robert Hepburn
Hazel L. Smith
Michael Scott
William Chapman
Brian A. Topping
Kirsty Reid (Resigned 14.06.2017)
Michael McLafferty
Brian Watson (Appointed 30.08.2017)

Osprey Initiatives Board of Directors

Stuart Robertson, Chair
Douglas Bodie, Vice Chair
Robert Hepburn
Catherine Derbyshire (Appointed 20.09.2017)
Glenn Adcock
Colin Hawkins (Resigned 31.08.2017)
Gary Walker (Appointed 20.09.2017)

Executive Officers

Glenn Adcock, Chief Executive
Gary Walker, Chief Finance Officer

Registered Office

13 Queens Road
Aberdeen
AB15 4YL

OSPREY HOUSING LIMITED
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OFFICERS AND PROFESSIONAL ADVISERS

31 MARCH 2018
(Continued)

Bankers

Lloyds Banking Group
PO Box 72, Bailey Drive
Gillingham
Kent
ME8 0LS

Bank of Scotland
90 High Street
Elgin
IV30 1BJ

Nationwide
Kings Park Road
Moulton Park
Northampton
NN3 6NW

Company Secretary

Pinsent Masons Secretarial Limited

Solicitors

Pinsent Masons
13 Queens Road
Aberdeen
AB15 4YL

Peterkins
60 Market Place
Inverurie
AB51 3XN

Auditors

RSM UK Audit LLP
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Internal Auditors

Scott Moncrieff
25 Bothwell Street
Glasgow
G2 6NL

OSPREY HOUSING LIMITED
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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)

31 MARCH 2018

The Board present their report and audited financial statements for the year ended 31 March 2018.

Legal structure

Osprey Housing Limited (OHL) was registered in August 1999 under the Companies Act 1999 (now Companies Act 2006) (Company No SC198586). It is governed by its Articles that have been aligned with the Scottish Federation of Housing Associations (SFHA) model rules (Scotland) 2015.

In January 2013, following approval by the Scottish Housing Regulator (SHR), OHL entered into a constitutional partnership with Osprey Housing Moray (OHM). The constitutional partnership is supported by contractual agreements between OHL and OHM and the rules of OHM were amended to allow OHL to acquire a controlling share in OHM

OHL established a wholly owned trading subsidiary on 4 March 2008, Osprey Initiatives Limited (OIL). The company was formed to undertake potentially non-charitable trading activities and the provision of factoring and clerk of works services to other organisations. More recently, OIL has developed its role and is primarily engaged in the provision of full landlord services on an agency basis. It also manages OHL's Mid Market Rented stock leased to it. OIL has previously acted as a development agent for OHL.

These financial statements include the consolidated results of OHL, OIL and OHM.

Charitable Status

OHL is a registered social landlord and was granted charitable status (Charity No SC029461) with effect from 4 October 1999. OIL is a trading subsidiary limited by shares and considers, with its parent, the treatment of operating surpluses to best affect the Group's Vision & Strategic Objectives. OHM is a Co-operative and Community Benefits Society, regulated by the FCA, and has been a registered social landlord since 2002 and has charitable status.

Principal activity

The principal activity of OHL is providing, constructing, improving or managing, and encouraging or facilitating the provision, construction, improvement or management of affordable housing for persons in necessitous circumstances.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
(Continued)

31 MARCH 2018

Principal activity (continued)

The table below shows the number of properties owned by OHL at 31 March 2018:

Owned Properties	2018	2017
Tenanted	1026 (1040 tenancies)	926 (940 tenancies)
Leased to OIL	77	46
Total	1103	972

In addition, OHL factors 17 shared ownership units and 20 owner occupied units.

The partnership with OHM brings a further 513 general housing units and 21 standalone garages. Following a review of the Boards strategy in 2016, a Corporate Plan (2017 / 2020) was published.

Governance & Management

The Boards and Executive Officers

The Board and Executive Officers of OHL, OIL and Committee of Management of OHM are listed on page 3. Each member of the OHL Board is a director of that RSL. Executive officers do not have the legal status of directors; they act as executives within the authority delegated by the Board. Every member of the OHM Committee of Management is a member of that Society.

Board members bring a broad range of skills, experience and strengths to ensure good governance in accordance with expectations of the SHR, tenants and other stakeholders. The skills/knowledge mix of the Board is reviewed on a regular basis. Where gaps are identified members seek to identify individuals from within the existing membership (OHL) and the wider environment to strengthen the range of expertise. New members can be elected subject to satisfactory evaluation and completion of a formal application process which is accepted by the Board.

The Board of OHL is responsible for Group Strategy and Performance. The relationship between OHL and OHM is governed by the Intragroup Agreement.

The OHL Board, in full consultation with the OHM Committee of Management, has established a streamlined governance system including joint meetings of the governing bodies, joint strategic events and three joint committees, with delegated authority for:

Housing - Landlord performance, housing management, tenant engagement and asset management.
Resource & Governance – Risk strategy, External/Internal Audit arrangements, budget review, financial projections, Group governance arrangements and reputational considerations.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
(Continued)

31 MARCH 2018

The Boards and Executive Officers - continued

Corporate Services – Staffing/HR, ICT, Communication Strategy and full range of corporate activities.

Reserved Powers are in place to enable operational decisions to be taken which impact on only one of the Group's entities.

The OHL Board controls the Group's strategic direction and reviews its operating and financial position. It is provided with timely and relevant information in order to discharge its duties.

A full training and induction programme is provided to each Governing Body Member to ensure that all members are equipped to meet their obligations in contributing to the development of future strategy and performance review of the Group.

The governing body member appraisal process completed during 2017/18 has been utilised to provide the Governing Bodies assurance in relation to their future intentions.

2017/18 saw the resignation of one long-standing Board member. Board composition remains stable although recruitment and succession planning process will start during 2018/19.

The Group (OHL, OHM & OIL) is managed by the Osprey Group Chief Executive, Chief Finance Officer and Senior Management Team.

The OHL Group Management structure changed during 2017/18 with the appointment of a new Chief Executive following the retirement of the former long standing CEO and some restructuring of the Senior Management Team.

Regulation

OHL and OHM are primarily regulated by the Scottish Housing Regulator. The SHR's regulatory assessment dated March 2018 confirmed that the level of engagement would be "low". This represented an excellent outcome for OHL, taking account of its continued development programme, subsidiary activities; new initiatives and appointment of a new CEO. It represents significant confidence in OHL and the Group as a whole given that OHM's regulatory assessment continues to be low engagement.

Risks and uncertainties

OHL, OIL and OHM have developed a detailed Strategic Risk Matrix, which highlights key risks to the Group. This, together with a range of policies and procedures and comprehensive insurances, make up its Risk Management Strategy. The Risk Strategy is reviewed bi-annually by the OHL Board following initial review by the OHM Committee of Management and the three joint committees with delegated authority.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
(Continued)

31 MARCH 2018

Risks and uncertainties - continued

During 2017/18 OHL and OHM participated in an innovative pilot project relating to Value for Money (VFM). The two entities piloted a new “VFM scorecard” approach to look at the relationship between financial health, viability, performance and tenant satisfaction. It is anticipated VFM and assurance will become an increasingly prominent feature of the regulatory environment therefore the group is seeking to develop its business awareness in a way that can demonstrate how we monitor the impact of risk analysis and transfer it into business outcomes.

In addition as part of equipping the Group to deal with risks and uncertainties an organisational review was started that will look at the capacity and resilience of the organisation in order to ensure we are in a position to and agile enough to respond to the risks inherent in the rapidly changing business environment in which we operate.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
(Continued)

31 MARCH 2018

Risks and uncertainties - continued

The following key strategic risks have been identified:

Category	Risk	Mitigation
Welfare Reform	Increased debt, reduced cash flow	Welfare Reform Strategy
	Increased management costs	Welfare Mitigation working group established
	Increased property turnover costs	Focus on debt management and intervention strategies.
Financial Viability	Mismatch between existing stock and requirements	Cash flow management
	Reputation	Optimising use of stock and targeted investment
	Future changes in government policy	Effective systems, communications and engagement with tenants, stakeholders and media
Asset Management	Poor financial planning	Continually monitoring changes in economy/political landscape
	Income deficit leading to insolvency	Regulation/legislation – Annual SWOT analysis.
	Costs exceed budget/significant unplanned costs	Business Planning, Financial Forecasting and Sensitivity Analysis
Asset Management	Risk analysis failures	Independently scrutinised
	Pension	Effective budgeting, Cash flow management and Procurement
	Poor performance of Charter Indicators	New business evaluation feasibility assessments
Asset Management	Quality/compliance failures	Pension Strategy
	Poor quality voids/increasing void costs	Asset Management Strategy
	Stakeholder interventions	Performance Management, Policy Review/compliance register
New Build Development	Reputational failures	External verification
	Extreme weather incidents.	Void policy
	New Build Development	KPI's, process reviews and scrutiny
		Housing management/proactive intervention
		External validation/PR Strategy & media engagement
		Business continuity planning
		Detailed pre development appraisal process

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
(Continued)

31 MARCH 2018

Risks and uncertainties – continued

Key strategic risks - continued

Category	Risk	Mitigation
Housing Management	Poor performance of Charter indicators.	KPI's, process reviews and scrutiny
	Quality failures/Tenant dissatisfaction	Performance Management and Policy Review
	Increasing management costs	Tenant feedback systems
	Stakeholder interventions	Strategic/Operational Actions/Efficiencies
Governance	Reputation	Partnership /Alliances/Stakeholder relationship management
	Development	Benchmarking/communications strategy
	Service failures arising from ineffectual Governing Body	Detailed pre-development appraisal process.
	Strategy failures.	Effective reporting/Access to Information
Corporate failures	Control failures	Board Development Planning – Appraisals, Training, etc.
	Reputational failures	Strategic Planning
	Relationship failures	Clearly defined Roles & Responsibilities
	HR matters	Managed response/Board development plan
	Systems	Code of Conduct
	Fraud & Corruption	HR Policies and Procedures
	Operating outside legal framework/compliance failures	Accreditation - IIP/Healthy Working Lives
	Staff resilience/Resourcing	Training & Investment
		Business Continuity/ICT investment/Home working
		Health & Safety
		Internal and External Audit/Tenancy conditions/Legislation
		Articles/Rules
		Continual resilience workload review/Training/Investment

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
(Continued)

31 MARCH 2018

Risks and uncertainties - continued

Each strategic risk is broken down into core subsections with assigned ownership and mitigation strategies. The Governing Bodies last reviewed risk in Q4 2018 and the OHM Committee of Management is assured that its mitigation strategies are operating effectively.

The Committee of Management receive regular reports from management and from the external and internal auditors, to provide reasonable assurance that specific control procedures are in place and are being followed. Major risks are clearly identified. The risks are presented together with evaluation and action planning required to manage the risks.

Corporate Vision, Mission, Values and Ambitions

The Group's Corporate Plan (2017/2020) sets out our Vision, Mission & Ambitions as follows

Vision:

“Making a difference every day”

Mission:

“To provide high quality affordable housing and services to people in the communities we serve”.

Core Values:

AMBITION – empowering through innovation and challenge.

(E) QUALITY – doing the best for individuals and communities in a fair and equal way.

RESPECT & PROFESSIONALISM – towards each other, the people we work with, the people we serve and our environment.

ACHIEVEMENT – delivering outcomes that matter and make a real difference – now and in the future.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
(Continued)

31 MARCH 2018

Corporate Vision, Mission, Values and Ambition - continued

The Osprey Housing Group has the following six Strategic Ambitions:

Ambition 1 - Strengthening Our Financial Viability

Focus on costs and value for money – for ourselves and our tenants.
Manage and mitigate the risks arising from Welfare Reform & implementation of Universal Credit.
Ensure that our pension arrangements are affordable.
Remain vigilant in relation to borrowing covenants.
Ensure that new developments are affordable for tenants and the Group.
Ensure effective business planning and that assumptions are both realistic and prudent.
Maintain and improve our relations with existing and future funders.

Ambition 2 - Meeting our Customers Priorities

Improve the accessibility of our services.
Learn more about the needs and aspirations of our customers.
Review our service offer and service standards to customers.
Provide more opportunities for customers to challenge, influence, shape and monitor our services.

Ambition 3 - Continually improving how we deliver our Services

Effective and meaningful benchmarking.
Review and develop effective tenant satisfaction measures.
Improve internal management information and reporting mechanisms.
Spot checking standard procedures / documents to ensure compliance.
Create a performance improvement plan incorporating feedback from validation visits, ARC outcomes and tenant scrutiny outcomes.

Ambition 4 - Ensuring long term sustainability of our Assets

Take an Asset led approach to the long term use of stock.
Develop and implement life cycle costing plans based on detailed and up to date knowledge of the stock.
Ensure that funding is available for capital investment to maintain and improve stock over the period of the Plan and beyond.
Ensure that sufficient resources are available for the ongoing servicing and repair of stock to ensure compliance with legislative and regulatory standards and meet the expectations of our tenants.
Ensure that stock continues to be fit for purpose and take action in respect of stock that no longer fulfils its original purpose.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
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31 MARCH 2018

Corporate Vision, Mission, Values and Ambition - continued

Ambition 5 - Supporting the Development and Management of New Affordable Housing

Develop 250 (Osprey Housing) and 100 (Osprey Housing Moray) affordable homes over the period 2015/16 to 2019/20.

Ensure that all new developments are rigorously tested against pre-determined criteria prior to final governing body approval.

Work with strategic and other partners to encourage the delivery of a range of affordable housing through for example the NHT initiative, the Local Affordable Rent Housing Trust (LAR) and low cost / shared ownership models.

Participate in the Strategic Planning arrangements and delivery mechanisms led by local authority partners.

Provision of high quality tenure and management services to other landlords including other registered social landlords and others.

Ambition 6 - Continually Invest in and Develop our People

Identify and implement a Training Plan to ensure that the requirements of the Group and aspirations of staff and governing body members are met.

Achieve IIP High Performing accreditation by 2018.

Recruit, retain and develop staff and governing body members for the future.

Ensure that staff and governing bodies have the right tools for the job.

Each of these Aims is supported by a set of guiding principles and a detailed Implementation Plan.

Overview of Activities and Performance

During recent years the Osprey Group has been constantly reviewing its activities, operations internally and approach to service delivery. We strive to achieve continuous improvement with a view to:

- Improving our service to customers
- Engaging with tenants and our overall customer base in the best possible way
- Improving our performance
- Improving tenant and staff satisfaction
- Working more effectively with partners and stakeholders

In the past year the Osprey Housing Group has monitored its performance targets detailed in its Internal Management Plans (IMPs). In addition the Group engaged with the Osprey Tenants and Residents Association (OTRA) and participated in a Tenant Scrutiny process relating to communications with particular consideration being given to the Website. This scrutiny process has involved other stages, which have been completed including communications with and at offices. Initial recommendations were made and implemented although, the wider overall process remains ongoing.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
(Continued)

31 MARCH 2018

Overview of Activities and Performance - continued

The OHL Board was generally pleased with performance during the year. Good performance in respect of many of the KPI's was achieved although a period of staff shortage followed by some restructuring of resources and a recruitment process did have an impact on arrears and voids performance.

Overall financial targets were exceeded. OHL and the Group returned a healthy surplus. Following a detailed review, budgets and 30-year projections have been reviewed for future years subject to final consideration by the Board in Quarter 1 of 2018-19.

The Governing Bodies approved their Asset Strategy during the year with a strong focus on energy efficiency, stock improvement and value for money.

The OHL Board monitors corporate performance in terms of finance, operations, business services and asset management. A range of financial and non-financial ratios and indicators are produced on a quarterly basis which are used to monitor how the organisation is performing. More importantly this process is used to initiate corrective action in underperforming areas. In addition monthly operational performance indicators are produced for OHM and reviewed by the Group Senior Management Team.

Both arrears and voids became more challenging during 2017/18. However, we are confident they remain within a level that response strategies can address. Such strategies have been drawn up and are being implemented. The performance level will be monitored closely as Government proposals for welfare benefit reform are rolled out.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
(Continued)

31 MARCH 2018

Overview of Activities and Performance - continued

Performance against Key Performance Indicators (Core Business) is set out below together with the Committee's targets for 2018/19:

KPI OHL	Target 2017/2018	Actual 2017/2018	Target 2018/2019
Current rent arrears	2.5%	3.0%	3.0%
Former rent arrears	0.7%	0.8%	0.7%
Void loss	0.7%	0.9%	0.6%
Void performance	13 working days	20 working days	15 working days
Board & Committee attendance	80%	90%	80%
Staff attendance	98%	96%	98%

KPI OHM	Target 2017/2018	Actual 2017/2018	Target 2018/2019
Current rent arrears	1.8%	2.8%	2.8%
Former rent arrears	0.7%	0.9%	0.7%
Void loss	0.6%	0.6%	0.6%
Void performance	14 working days	25 working days	18 working days
Board & Committee attendance	80%	79%	80%
Staff attendance	98%	98%	98%

With requirements of the Scottish Housing Quality Standards achieved (with 1 unit in abeyance) a detailed, fully funded programme to deliver Energy Efficiency in Scottish Social Housing (ESSH) requirements is underway. Investment in stock will reflect the Board's ambitions to continue to provide high quality housing which also reflects value for money for our tenants.

The Scottish Housing Charter incorporates 16 Outcomes & Standards generally relating to the tenant experience. The Board is pleased with the continuing progress in delivering against the Charter requirements. We will continue to work with OTRA and the Tenants' Scrutiny Panel to ensure further improvements are made in accordance with tenant and stakeholder expectations.

OHL and the wider Group continues to work with local authorities, developers and other stakeholders at both strategic and operational levels to achieve greater efficiencies and to provide the scope to expand the range of services provided to tenants. In this context use of IT and provision of digital services is becoming an increasing focus.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
(Continued)

31 MARCH 2018

Overview of Activities and Performance - continued

The Group has continued to improve its financial performance during the past year. Reserve creation was again a significant priority in the year and the Internal Management Plan targets the achievement of certain reserve levels in relation to operating expenses. The targets set have been achieved.

Group turnover for the year increased to £9.2m (2017: £8.5m), whilst operating costs for the year increased to £5.8m (2017: £5.2m), resulting in a Group operating surplus of £3.4m (2017: £3.3m). The net comprehensive income after an actuarial gain of £510k (2017: loss of £305k) was £1.9m (2017: £1.1m). This resulted in an increase in net group assets to £11.0m from £9.2m in 2017.

Provision of New Affordable Housing - continued

The Osprey Housing Group is meeting its ambitions to expand its role in the provision of social and affordable housing. It is also committed to working in partnership with others to achieve its development goals.

The success and accelerated nature of our Development programme over the last 16 months is supported by the completion of another four major projects in Aberdeen City/Aberdeenshire and three new developments in Moray during 2017/18. In Aberdeen City/Aberdeenshire we will have built 203 units by September 2018. Should the Stonehaven development that we are awaiting a planning appeal outcome be determined in the developer/Osprey's favour that will almost meet the 250 unit target that was set for OHL to achieve by 2021 – well ahead of schedule.

Whilst progress is slower in Moray, Osprey will have completed 31 units by July with another 10 in the pipeline for end of the financial year (subject to planning). That would put OHM on target for completing 100 by 2021 if other opportunities come to fruition.

It is understood that Osprey has been one of the top six developing Housing Groups in Scotland during that period and that is a huge achievement for a Group of our size.

This raises the fundamental issue of looking at our capacity over the next 5 years, deciding upon our ambition and determining out strategic priorities for a future development programme assuming the Governing Bodies retain an appetite for its continuation.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
(Continued)

31 MARCH 2018

Provision of New Affordable Housing - continued

The new developments are being delivered through Section 75 Agreements with a number of key developers and the Governing Bodies are delighted to be playing a significant role in assisting the Government achieve its planned delivery of 50,000 new affordable homes. OHL has played a fundamental and critical role at two of these new developments by providing the first affordable housing in two new communities at Countesswells, Aberdeen and Blackdog, Aberdeenshire. The former will become a major new community comprising around 3,000 homes and associated infrastructure to the west of the City. The latter will serve a significant economic opportunity in the Energetica corridor up the north east coast and both are located close to major new transport infrastructure junctions on the new Aberdeen Western Peripheral Route (AWPR) when it opens fully in late 2018.

To date, the Group has committed over £12.4m of resources into supporting development activity and is fully utilising the facilities secured from the Bank of Scotland during 2016/17 to fund these projects.

The changing housing market conditions in the Aberdeen Housing Market Area require constant surveillance and the Boards of OHL and OIL are presently considering the future development of new mid – market housing in Aberdeen City and Aberdeenshire.

In addition to direct provision of new affordable housing the Group, through Osprey Initiatives, continues to provide managing agency services to the Aberdeen based National Housing Trust LLP's and other landlords. The provision of services to the LAR Housing Trust ended in February 2018 after LAR established its own in house management resource as part of its national growth strategy. The Board of OIL is currently reviewing the potential for further business development in this activity taking into account increasing legislative and regulatory demands being placed on the Private Rented Sector (PRS).

In addition, during 2017/18, the OHL Board along with the OHM Committee of Management made a strategic decision to examine the merits of a potential transfer of engagements of OHM to OHL as a final part of creating a single landlord identity and to further increase efficiencies for and services to tenants. This evaluation will be progressed during 2018/19.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
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31 MARCH 2018

Treasury Management

The OHL Board considers that the Group, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2018, the Group had an appropriate mix of fixed and variable rate finance. The banking facility provided by Lloyds, revised with effect from 1st April 2010, was further revised on 5th January 2016 securing a facility of £30.9m. £22m has a fixed interest rate for the duration of the loan with a built in increase of 0.7% from 1st April 2018, £1.2m has a variable interest rate linked to 3 month LIBOR plus agreed margin and £7.5m has been secured via a 5 year Revolving Credit Facility with an interest rate linked to 3 month LIBOR plus agreed margin. OHM has a facility of £10.4m with the Nationwide Building Society which was confirmed and reapproved as part of the constitutional partnership with OHL and £5m has been secured via a 5 year Revolving Credit Facility with the Bank of Scotland.

Going Concern

After reviewing detailed cash flow and business plan projections, taking account of bank facilities, and making such enquiries as they consider appropriate, the OHL Board is satisfied the Group 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.

Maintenance Policies

The Osprey Housing Group seeks to maintain its properties to the highest standard. The maintenance policies of the Group encompass reactive, cyclical and planned maintenance. Contractors carrying out maintenance on behalf of OHL and OHM have been subject to a rigorous procurement and selection process. Procurement is undertaken in accordance with the new Group wide Procurement Strategy which was drawn up during 2017/18 to ensure compliance with new legislation.

The Group Asset Strategy first agreed in November 2016 has been implemented and is undergoing its first review during the first quarter of 2018/19. OHL will take a robust, value led approach to investment in its stock taking account of a range of technical, cost, quality and demographic factors. In the meantime the Board is satisfied that its short, medium and long term forecasts are realistic and provide assurance that compliance with the current Energy Efficiency Standard for Social Housing (EESSH) and its own Affordable Warmth Strategy will be achieved. The Board will however, need to monitor the potential impact preliminary proposals for EESSH 2 and ECO3 both of which could have a significant expenditure impact on Housing Associations if made a statutory requirement.

The cost of revenue repairs and improvements will be charged to the Statement of Comprehensive Income. In line with SORP 2014, replacements of components will be capitalised as they occur. Improvements will also be capitalised if they result in an enhancement of economic benefits to the property.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
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31 MARCH 2018

Employees Involvement

The Group's ambitions include a commitment to "Continually Invest in and Develop our People". In addition to the aims, relating to recruitment, training and retention of staff the Board recognises the importance of employee involvement. To this end the Committee encourages engagement in all major initiatives and in addition holds Strategy Events; training and briefings with external and internal facilitators. At appropriate events staff have the opportunity to review performance with Governing Body members and tenants and to discuss and agree strategic objectives. The Group holds regular staff meetings to monitor performance against agreed objectives and has a Colleague Council (incorporating Healthy Working Lives) where a range of staff related issues are discussed. One such initiative progressed by staff in the year was the decision to support the Aberdeen Mountain Rescue charity. The Osprey Group was re - assessed under the new more demanding Investors in People framework and was accredited with silver status during 2017/18.

In addition, the Group was accredited as a Living Wage employer during the final quarter of 2017/18.

Health and Safety

Board Members are aware of their responsibilities in respect of the Health & Safety at Work Act 1976 and a wide range of associated legislation. The Governing Bodies have reviewed health and safety systems and, the arrangements in place across the Group. The Board is reassured of compliance both in respect of direct service provision and on behalf of those organisations to which services are provided. In addition there is a staff Health and Safety group which meets at least bi-monthly.

Health and Safety is a standing item on governing body, internal management and staff meetings and our Health and Safety systems are subject to internal audit through our membership of EVH.

Information & Communication Technology

The Group continues to invest in ICT and as referred to earlier is working towards improving digital service provision to bring about meaningful service options for customers; allow for targeting of resources and to improve efficiencies and business intelligence. The ICT Strategy was reviewed during 2017/18. The outcome has been to prepare for a procurement process for new suppliers during 2018/19. In addition, new hardware has been identified for introduction to help front line actions and communications.

The Group has a short life working group that has spent the second half of 2017/18 assessing requirements and recommending improvements to internal ICT. This has included the introduction of a dedicated newsfeed bulletin.

The Tenant Scrutiny Process on communications was started during 2017/18 and will continue into 2018/19 to give further focus and outcomes relating to tenant communications.

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REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
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31 MARCH 2018

Revenue Reserve

After reviewing day to day working capital requirements, the Board set the Group a target to ensure that it maintains free reserves of at least an amount which would allow the Group to meet its operating costs for approximately six months. At 31 March 2018, six months operating costs equate to approximately £2.9m including all repairs. This target has been met in the current financial year. Undesignated revenue reserves at 31 March 2018 are £12.1m (2017: £10.6m).

Changes in Fixed Assets

Changes in fixed assets are set out in note 10.

Rent Policy

In 2016/17 the Group carried out an independent review into rent affordability as part of its commitment to providing value for money to tenants and to facilitate longer term financial planning.

The Board has taken significant steps to minimise rent increases and were pleased to be able to ensure that for the third successive year the rent increase for OHL tenants (and across the Group) was minimised. Rent and service charge affordability will continue to be critical to the well being of both tenants and the Group and regular testing will feature in the Board's plans into the future.

A new form of rent consultation was introduced in 2017/18 providing tenants with the opportunity for more detailed involvement in the rent setting process.

Rents for new housing developments are set by the Housing Association Grant (HAG) grant framework as agreed with the Scottish Government.

Rents for existing social housing properties are set by annual review and by governing body approval. Service charges are also reviewed annually and are set on the basis of the actual costs of the services provided.

The plan to commence a fundamental review of existing rent structures across the Group in 2017/18 has been deferred pending the outcome of the OHL/OHM transfer of engagements evaluation.

Credit Payment Policy

The payment policy which the Group operates is to pay all purchases within 28 days or in accordance with specific creditor payment terms.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

REPORT OF THE BOARD (incorporating STRATEGIC REPORT)
(Continued)

31 MARCH 2018

Statement as to Disclosure of Information to Auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Appointment of auditors

RSM UK Audit LLP has indicated its willingness to continue in office. A resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the Board



William Chapman
Chair

Date: 29 August 2018

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

STATEMENT OF BOARD RESPONSIBILITIES

31 MARCH 2018

The directors are responsible for preparing the Report of the Board (incorporating the Strategic Report) and financial statements in accordance with applicable law and regulations.

Company law and registered social housing legislation requires the directors to prepare group and company financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period. The directors must also satisfy themselves that the financial statements comply with The Statement of Recommended Practice Accounting by Registered Social Landlords 2014.

In preparing the company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROL

31 MARCH 2018

The Board acknowledge their ultimate responsibility for ensuring that the Group has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:-

- The reliability of financial information used within the Group or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets (against unauthorised use or disposition).

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

- Policies and procedures are in place, all key systems have either been documented or are in the process of being documented, including the rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Group's assets.
- Experienced and suitably qualified staff takes responsibility for important business functions.
- Forecasts and budgets are prepared regularly which allow the Board and staff to monitor the key business risks and financial objectives and progress towards the 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 any significant variance from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Board review reports from management and from internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.
- The Board have implemented an outsourced internal audit function which reports to the Joint Resource & Governance Committee, in the first instance.
- The Board have completed a Strategic Risk Map and identified the controls necessary to manage and mitigate the risks identified.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROL
(Continued)

31 MARCH 2018

The Management Team has reviewed the system of internal financial control in the Group during the year ended 31 March 2018. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements. These arrangements are considered appropriate to the scale and range of the Group's activities and comply with the requirements contained in the Scottish Housing Regulator's Guidance.

By order of the Board



William Chapman
Chair

Date: 29 August 2018

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE OSPREY
HOUSING LIMITED ON INTERNAL FINANCIAL CONTROLS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 23 to 24 concerning the Housing 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 which are 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 through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. 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 23 to 24 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes 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.



RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date:



OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OSPREY HOUSING LIMITED

Opinion

We have audited the financial statements of Osprey Housing Limited (the 'association') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Group and Association statements of comprehensive income, statements of financial position, statements of changes in reserves, statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the association's affairs as at 31 March 2018 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and,

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OSPREY HOUSING LIMITED
(continued)

Other information - continued

except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Board (incorporating Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board (incorporating Strategic Report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent association and their environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board (incorporating Strategic Report).

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the Board's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 22, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OSPREY HOUSING LIMITED
(continued)

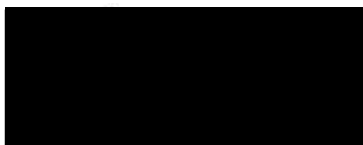
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our Report

This report is made solely to the association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



JANET HAMBLIN (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date:



OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

STATEMENT OF COMPREHENSIVE INCOME – GROUP

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Year ended 31 March 2018	Year ended 31 March 2017
		£	£
Turnover	2a	9,235,941	8,544,105
Less: Operating Costs	2a	(5,872,264)	(5,213,639)
Operating Surplus	2a	3,363,677	3,330,466
(Loss)/Surplus on disposal of Property		(46,254)	(36,280)
Interest receivable and other income		3,223	3,382
Interest payable and similar charges	5	(1,952,964)	(1,904,197)
Surplus before taxation	6	1,367,682	1,393,371
Taxation	8	(12,475)	(16,112)
Surplus for the year		1,355,207	1,377,259
Actuarial gain/(loss) on pension scheme	25	510,000	(305,000)
Total Comprehensive Income for the year		1,865,207	1,072,259

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

STATEMENT OF COMPREHENSIVE INCOME – ASSOCIATION
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Year ended 31 March 2018	Year ended 31 March 2017
		£	£
Turnover	2b	6,433,839	5,765,426
Less: Operating Costs	2b	(4,045,592)	(3,507,345)
Operating Surplus	2b	2,388,247	2,258,081
(Loss)/Surplus on disposal of Property		(13,935)	(28,148)
Interest receivable and other income		-	-
Interest payable and similar charges	5	(1,610,131)	(1,576,641)
Surplus for the year	6	764,181	653,292
Actuarial gain/(loss) on pension scheme	25	510,000	(305,000)
Total Comprehensive Income for the year		1,274,181	348,292

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

STATEMENT OF FINANCIAL POSITION – GROUP AS AT 31 MARCH 2018
Company Number: SC198586

	Notes	31 March 2018 £	31 March 2017 £
Intangible Fixed Assets	9	148,848	181,007
Tangible Fixed Assets			
Housing Properties	10a	121,423,798	111,093,548
Other Fixed Assets	10d	1,311,760	1,638,254
		<u>122,735,558</u>	<u>112,731,802</u>
Current Assets			
Debtors	12	408,941	783,855
Cash at bank and in hand		6,784,976	3,983,811
		<u>7,193,917</u>	<u>4,767,666</u>
Creditors: amounts falling due within one year	13	<u>(5,329,874)</u>	<u>(4,255,427)</u>
Net current assets		<u>1,864,043</u>	<u>512,239</u>
Total assets less current liabilities		124,748,449	113,425,048
Creditors: amounts falling due after more than one year	14	(112,605,665)	(102,733,989)
Pension Provision	17	(60,034)	(74,509)
Net assets excluding pension (liability)		12,082,750	10,616,550
Defined benefit pension (liability)	25	<u>(1,033,000)</u>	<u>(1,432,000)</u>
Net Assets including pension (liability)		<u>11,049,750</u>	<u>9,184,550</u>
Capital and Reserves			
Share Capital	22	42	49
General Reserve	23	12,082,708	10,616,501
Pension Reserve	24	<u>(1,033,000)</u>	<u>(1,432,000)</u>
		<u>11,049,750</u>	<u>9,184,550</u>

These financial statements on behalf of the Board and authorised for issue on 29 August 2018 and signed on

Board Member [REDACTED] William Chapman

Board Member [REDACTED] Michael Scott

Board Member [REDACTED] Robert Hepburn

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

STATEMENT OF FINANCIAL POSITION – ASSOCIATION AS AT 31 MARCH 2018
Company Number: SC198586

	Notes	31 March 2018 £	31 March 2017 £
Intangible Fixed Assets	9	106,562	129,396
Tangible Fixed Assets			
Housing Properties	10b	86,589,485	79,381,178
Other Fixed Assets	10e	889,069	1,204,506
		87,478,554	80,585,684
Fixed Asset Investments			
Investments	11	101	101
Current Assets			
Debtors	12	318,526	707,633
Cash at bank and in hand		3,462,042	1,836,678
		3,780,568	2,544,311
Creditors: amounts falling due within one year	13	(2,807,376)	(2,643,176)
Net current assets/(liabilities)		973,192	(98,865)
Total assets less current liabilities		88,558,409	80,616,316
Creditors: amounts falling due after more than one year	14	(81,266,645)	(74,199,733)
Net assets excluding pension liability		7,291,764	6,416,583
Defined Benefit pension (liability)	25	(1,033,000)	(1,432,000)
Net Assets including pension (liability)		6,258,764	4,984,583
Capital and Reserves			
General Reserve	23	7,291,764	6,416,583
Pension Reserve	24	(1,033,000)	(1,432,000)
		6,258,764	4,984,583

These financial statements were approved and authorised by the Board and authorised for issue on 29 August 2018 and signed on

Board Member

William Chapman

Board Member

Michael Scott

Board Member

Robert Hepburn

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

STATEMENT OF CHANGES IN RESERVES - GROUP

FOR THE YEAR ENDED 31 MARCH 2018

	Share Capital	Income and expenditure reserve	Pension Reserve	Total
	£	£	£	£
Balance at 1 April 2016	54	9,183,242	(1,071,000)	8,112,296
Surplus for the year	-	1,377,259	-	1,377,259
Actuarial (loss) on pension scheme	-	(305,000)	-	(305,000)
Transfer (to)/from pension reserve	-	361,000	(361,000)	-
Share capital issued	2	-	-	2
Share capital cancelled	(7)	-	-	(7)
Balance as at 31 March 2017	49	10,616,501	(1,432,000)	9,184,550
Surplus for the year	-	1,355,207	-	1,355,207
Actuarial gain on pension scheme	-	510,000	-	510,000
Transfer (to)/from pension reserve	-	(399,000)	399,000	-
Share capital issued	1	-	-	1
Share capital cancelled	(8)	-	-	(8)
Balance at 31 March 2018	42	12,082,708	(1,033,000)	11,049,750

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

STATEMENT OF CHANGES IN RESERVES - ASSOCIATION

FOR THE YEAR ENDED 31 MARCH 2018

	Income and expenditure reserve £	Pension Reserve £	Total £
Balance at 1 April 2016	5,707,291	(1,071,000)	4,636,291
Surplus for the year	653,292	-	653,292
Actuarial (loss) on pension scheme	(305,000)	-	(305,000)
Transfer (to)/from pension reserve	361,000	(361,000)	-
Balance as at 31 March 2017	6,416,583	(1,432,000)	4,984,583
Surplus for the year	764,181	-	764,181
Actuarial gain on pension scheme	510,000	-	510,000
Transfer (to)/from pension reserve	(399,000)	399,000	-
Balance at 31 March 2018	7,291,764	(1,033,000)	6,258,764

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

STATEMENT OF CASHFLOWS - GROUP

YEAR TO 31 MARCH 2018

	Notes	2018 £	2017 £
Net cash generated from operating activities	18	5,791,166	4,706,232
Income taxes paid		(15,862)	(3,782)
NET CASH FROM OPERATING ACTIVITIES		5,775,304	4,702,450
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(11,960,762)	(12,506,668)
Purchase of intangible fixed assets		-	-
Proceeds from sale of tangible fixed assets		21,275	4,917
Grants received		5,819,562	7,699,932
Interest received		3,223	3,382
NET CASH (USED IN) INVESTING ACTIVITIES		(6,116,702)	(4,798,437)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(1,947,602)	(1,883,824)
New secured loans		5,500,000	3,000,000
Repayments of borrowings		(409,835)	(348,371)
NET CASH FROM FINANCING ACTIVITIES		3,142,563	767,805
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,801,165	(37,418)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,983,811	3,311,993
CASH AND CASH EQUIVALENTS AT END OF YEAR		6,784,976	3,983,811
 Relating to:			
Bank balances and short term deposits included in cash at bank and in hand		6,784,976	3,983,811
Overdrafts included in "creditors: amounts falling due within one year"		-	-
		6,784,976	3,983,811

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

STATEMENT OF CASHFLOWS - ASSOCIATION

YEAR TO 31 MARCH 2018

	Notes	2018 £	2017 £
Net cash generated from operating activities	18	3,827,585	2,937,814
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(8,259,093)	(11,551,075)
Purchase of intangible fixed assets		-	-
Proceeds from sale of tangible fixed assets		-	-
Grants received		3,229,641	6,984,563
Interest received		-	-
NET CASH (USED IN) INVESTING ACTIVITIES		<u>(5,029,452)</u>	<u>(4,566,512)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(1,604,769)	(1,556,268)
New secured loans		4,500,000	3,000,000
Repayments of borrowings		(68,000)	(68,000)
NET CASH FROM FINANCING ACTIVITIES		<u>2,827,231</u>	<u>1,375,732</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>1,625,364</u>	<u>(252,966)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,836,678</u>	<u>2,089,644</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>3,462,042</u>	<u>1,836,678</u>
 Relating to:			
Bank balances and short term deposits included in cash at bank and in hand		3,462,062	1,836,678
Overdrafts included in "creditors: amounts falling due within one year"		-	-
		<u>3,462,042</u>	<u>1,836,678</u>

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

1. Accounting Policies

The Association is registered in Scotland under the Companies Act 2006 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010. The address of the Association's registered office and principal place of business is 13 Queens Road, Aberdeen, AB15 4YL. The Association's principal activities and the nature of the Association's operations are detailed in the report of the board.

Osprey Housing Limited is a Public Benefit Entity.

(a) Introduction and accounting basis

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

(b) Critical Accounting Estimates and Areas of Judgement

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

1. Accounting Policies (continued)

(b) Critical Accounting Estimates and Areas of Judgement (continued)

Critical accounting estimates

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the asset management projections and reactive repairs expenditure and obligations under the defined benefit pension schemes. In determining the Associations share of the underlying assets and liabilities of the North East Scotland Pension Fund, the valuation prepared by the Scheme actuary includes estimations in relation to life expectancy, salary growth, inflation and the discount rate on corporate bonds. The rate used to discount the past service deficit defined benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. Our commitment to the SHAPS of £61,807 for the next 4 years has been discounted at a rate of 1.51% amounting to a net present value of £60,034 at 31 March 2018.

(c) Going Concern

After reviewing detailed cash flow and Business Plan projections, taking account of bank facilities, and making such enquiries as they consider appropriate, the Board are satisfied the Group 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.

(d) Consolidation

The accounts consolidate the results and net assets of the Association's wholly owned subsidiary companies, Osprey Initiatives Limited and Osprey Housing Moray, using acquisition accounting.

(e) Turnover

Turnover comprises rental and service charge income receivable in the period, other services provided at the invoice value (excluding VAT) and revenue grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services are recognised as they fall due under the contractual arrangements with Administering Authorities.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

1. Accounting Policies (continued)

(f) Service Charges

Surpluses and deficits arising on the provision of services to the Association's tenants are held in service equalisation accounts and are carried forward and used to adjust charges levied in future years.

(g) Intangible Fixed Assets (note 9)

All intangible assets shall be considered to have a finite useful life. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset. Intangible assets are amortised over the following rate

IT Software 10% - 25% per annum straight line

Amortisation is charged to Operating Costs within the Statement of Comprehensive Income.

(h) Tangible fixed assets – Housing Properties (note 10)

Housing properties are properties for the provision of social and affordable housing or to otherwise provide social benefit and are principally properties available for rent.

Completed housing properties are stated at cost less accumulated depreciation and impairment losses.

Housing properties, all of which are heritable properties, are stated at cost less accumulated depreciation. The development costs of housing properties include the following:

- Cost of acquiring land and buildings
- Development expenditure
- Interest charged on the mortgage loans raised to finance the scheme

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.

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or

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NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

1. Accounting Policies (continued)

(h) Tangible fixed assets – Housing Properties (note 10) - continued

- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

The major components of the group are Land, Structure, Kitchen, Bathroom, Doors, Windows, Heating System, Boiler and Insulation. Each component has a substantially different economic life and is depreciated over this individual life. This is compliant with the SORP 2014.

(i) Depreciation – Housing Properties

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not Depreciated
Structure	100 years
Kitchen	20 years
Bathroom	25 years
Doors	25 years
Windows	25 years
Heating System	30 years
Boiler	15 years
Insulation	20 years

(j) Depreciation – Other Fixed Assets

Depreciation is provided at the following rates, no depreciation is charged in the year of acquisition.

Fixtures, fittings and equipment	25% per annum straight line
Computer equipment	25% per annum straight line
Motor Vehicles	25% per annum straight line
Office Property	2% per annum straight line

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

1. Accounting Policies (continued)

(k) Development Administration Costs

Development administration costs relating to development activities are capitalised based on an apportionment of the staff time spent on this activity.

(l) Government Grants

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant a liability is included in the Statement of Financial Position to recognise this obligation.

(m) Other Grants

Grants received from non-government sources are recognised using the performance model. They are recognised as income when the related performance conditions are met.

(n) Impairment of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the RSL estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

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NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

1. Accounting Policies (continued)

(o) Sale of Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

(p) Operating Leases

Rentals paid in respect of operating leases are charged to the Statement of Comprehensive Income.

(q) Value Added Tax

A Group VAT registration was granted, effective from 1st May 2013. The Osprey Housing Group is partially exempt and irrecoverable VAT is calculated throughout the year.

(r) Deposits and Liquid Resources

Cash, for the purpose of the statement of cash flows, comprises cash in hand and deposits repayable on demand.

(s) Investments

Investments are stated at cost.

(t) Taxation

The Group pays corporation tax on its non-charitable activities. As a Registered Social Landlord, the Association is exempt from payment of corporation tax on its social letting activities.

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

1. Accounting Policies (continued)

(u) Acquisition of Subsidiary

Negative goodwill arose on the acquisition of Osprey Housing Moray by Osprey Housing Limited due to the fair value of the subsidiary's assets exceeding the value of consideration paid by the Association. Goodwill is measured at the fair value of net assets on acquisition.

The acquisition is treated as a non-exchange transaction and therefore the value of negative goodwill was recognised as a gain in the income and expenditure accounts in the year of acquisition.

(v) Gift Aid

OIL has a policy of considering distributing, by way of a dividend of gift aid, an amount up to the taxable profits each year to OHL its ultimate parent undertaking.

In line with ICAEW Technical Release 'Tech16/14BL', the Company treats this donation as a distribution of reserves and it is paid either pre year end or within 9 months of the year end. Any donation made in this manner is capped to the level of distributable reserves available. The Board of OIL are responsible for formally agreeing the amount, if any, to be distributed each year.

(w) Financial Instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

1. Accounting Policies (continued)

(w) Financial Instruments - continued

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 31 MARCH 2018

1. Accounting Policies (continued)

(w) Financial Instruments - continued

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(x) Provisions

Provisions are recognised when the RSL has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

(y) Pensions

OHL participates in a defined benefit scheme operated by the North East Scotland Pension Fund. This was closed to new entrants on 31 August 2017. All new entrants are enrolled into the defined contribution section of the Scottish Housing Society Pension Scheme (SHAPS), administered by The Pensions Trust.

The expected cost of providing staff pensions is recognised in the income and Expenditure account, on a systematic basis over the expected average lives of the members of the pension fund, in accordance with the Financial Reporting Standard (FRS) 102 Section 28: Retirement Benefits recognises the retirement benefits as the benefits are earned and not when they are due to be paid. The contributions are determined by qualified actuaries, on the basis of triennial valuations, using the projected unit credit actuarial cost method. The contributions charged are recognised in the periods in which they arise.

OHM participated in the defined benefit section of the Scottish Housing Society Pension Scheme (SHAPS), administered by The Pensions Trust. This was closed on the 30th April 2015 with all staff transferred to the defined contribution section of SHAPS from 1st May 2015.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 31 MARCH 2018

1. Accounting Policies (continued)

(y) Pensions - continued

As the defined benefit section of the scheme is a multi-employer scheme with a group contribution rate, the share of assets cannot be specifically allocated and thus Osprey Housing Moray has accounted for its contributions to the scheme as if it were a defined contribution scheme. As a result no disclosure has been made on the face of the accounts. This will be the policy of OHM unless it is required to make a disclosure as a result of legislative changes or the Society's share of assets can be specifically identified. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the RSL will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 31 MARCH 2018

2a.) GROUP – Particulars of turnover, operating costs, operating surplus

	Note	Turnover	Operating Costs	Operating Surplus	Operating Surplus for Previous period of account
		£	£	£	£
Affordable Lettings	3a	8,895,969	(5,622,307)	3,273,662	3,189,541
Other activities	3c	339,972	(249,957)	90,015	140,925
Total		9,235,941	(5,872,264)	3,363,677	3,330,466
Total for previous period of account		8,544,105	(5,213,639)	3,330,466	

2b.) ASSOCIATION – Particulars of turnover, operating costs, operating surplus

	Note	Turnover	Operating Costs	Operating Surplus	Operating Surplus for Previous period of account
		£	£	£	£
Affordable Lettings	3b	5,818,716	(3,842,122)	1,976,594	2,151,315
Other activities	3d	615,123	(203,470)	411,653	106,766
Total		6,433,839	(4,045,592)	2,388,247	2,258,081
Total for previous period of account		5,765,426	(3,507,345)	2,258,081	

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

3a.) Particulars of turnover, operating costs and operating surplus from affordable letting activities (note all from General Needs Housing)

	2018	2017
Group		
	£	£
Rents receivable net of identifiable service charges	7,828,713	7,090,635
Service charges	169,602	152,518
Gross income from rents and service charges	7,998,315	7,243,153
Less: voids	(94,944)	(40,167)
Net income from rents and service charges	7,903,371	7,202,986
Grants released from deferred income	992,598	962,406
Other Revenue grants	-	-
Total turnover from affordable letting activities	8,895,969	8,165,392
Management and maintenance administration costs	2,450,786	1,992,003
Service costs	148,114	127,097
Planned and cyclical maintenance including major repairs costs	295,476	332,963
Reactive maintenance costs	1,085,583	944,889
Bad debts – rent and service charges	90,711	97,857
Depreciation of social housing	1,551,637	1,481,042
Operating costs for affordable letting activities	5,622,307	4,975,851
Operating Surplus for affordable lettings	3,273,662	3,189,541
Operating Surplus for affordable lettings for previous period of account	3,189,541	

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

3b.) Particulars of turnover, operating costs and operating surplus from affordable letting activities (note all from General Needs Housing)

	2018	2017
Association		
	£	£
Rents receivable net of identifiable service charges	5,158,068	4,822,509
Service charges	134,973	117,961
Gross income from rents and service charges	5,293,041	4,940,470
Less: voids	(49,126)	(16,999)
Net income from rents and service charges	5,243,915	4,923,471
Grants released from deferred income	574,801	547,855
Other Revenue grants	-	-
Total turnover from affordable letting activities	5,818,716	5,471,326
Management and maintenance administration costs	1,793,687	1,370,521
Service costs	116,884	99,323
Planned and cyclical maintenance including major repairs costs	167,992	228,999
Reactive maintenance costs	681,353	581,610
Bad debts – rent and service charges	55,272	75,332
Depreciation of social housing	1,026,934	964,226
Operating costs for affordable letting activities	3,842,122	3,320,011
Operating Surplus for affordable lettings	1,976,594	2,151,315
Operating Surplus for affordable lettings for previous period of account	2,151,315	

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

3c.) Particulars of turnover, operating costs and operating surplus or deficit from other activities (Group)

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating surplus	Operating surplus for previous period of account
	£	£	£	£	£	£	£	£	£
Wider action/Wider role	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	4,781	4,781	-	-	4,781	4,833
Development and construction of property	-	-	-	-	-	-	19,976	(19,976)	-
Support activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	80,390	80,390	-	52,206	28,184	13,900
Other agency/management services	-	-	-	100,616	100,616	-	65,340	35,276	31,738
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non- registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	61,360	-	-	92,825	154,185	-	112,435	41,750	90,454
Total from other activities	61,360	-	-	278,612	339,972	-	249,957	90,015	140,925
Total from other activities for the previous period of account	71,622	-	-	307,091	378,713	-	237,788	140,925	

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

3d.) Particulars of turnover, operating costs and operating surplus/(deficit) from other activities (Association)

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating surplus	Operating surplus for previous period of account
	£	£	£	£	£	£	£	£	£
Wider action/Wider role	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	4,781	4,781	-	-	4,781	4,833
Development and construction of property	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	2,418	2,418	-	562	1,856	2,499
Other agency/management services	-	-	-	187,207	187,207	-	116,984	70,223	24,021
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Mid market Rent Lease Income	-	-	-	298,995	298,995	-	-	298,995	-
Other activities	50,950	-	-	70,772	121,722	-	85,924	35,798	75,413
Total from other activities	50,950	-	-	564,173	615,123	-	203,470	411,653	106,766
Total from other activities for the previous period of account	27,161	-	-	266,939	294,100	-	187,334	106,766	

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

4. Housing Stock

The number of units in management at 31 March was as follows:

Group

	2018	2017
	No	No
General Needs	1,539	1,418
Shared Ownership (LIFT properties)	29	29
Factoring (Owner Occupiers)	20	20
Mid-Market	77	46
Total units in management	<u>1,665</u>	<u>1,513</u>

Association

	2018	2017
	No	No
General Needs	1,026	926
Shared Ownership (LIFT properties)	29	29
Factoring (Owner Occupiers)	20	20
Mid-Market	77	46
Total units in management	<u>1,152</u>	<u>1,021</u>

The 77 Mid-Market units are held to fulfil an affordable housing need and are therefore not investment properties.

The number of units managed by others as at 31 March was as follows:

Group

	2018	2017
	No	No
Leased units to Aberdeenshire Council	3	3
Leased units to Moray Council	7	7
	<u>10</u>	<u>10</u>

Association

	2018	2017
	No	No
Leased units to Aberdeenshire Council	<u>3</u>	<u>3</u>

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

5. Interest payable	2018	2017
Group	£	£
Loan Interest	1,915,257	1,865,040
Net finance gain on pension liability	37,000	36,000
Unwinding of discount on SHAPs provision	707	3,157
	<u>1,952,964</u>	<u>1,904,197</u>
Association		
Loan Interest	1,573,131	1,540,641
Net finance gain on pension liability	37,000	36,000
	<u>1,610,131</u>	<u>1,576,641</u>

6. Operating Surplus is stated after charging

	2018	2017
Group	£	£
Directors' Remuneration	203,161	246,753
Auditors remuneration – audit services	27,719	29,587
Other bodies relating to Auditor	5,357	6,388
Internal Audit	5,732	5,830
Operating leases	10,651	11,255
Release of Capitalised Facility Fee	29,481	19,481
Amortisation of intangible fixed assets	32,159	32,159
Depreciation of housing properties	1,551,637	1,481,042
Depreciation of other tangible fixed assets	48,717	51,239
Impairment of other tangible fixed assets	<u>289,123</u>	<u>-</u>
Association		
Directors' Remuneration	203,161	246,753
Auditors remuneration – audit services	12,231	13,838
Other bodies relating to Auditor	2,485	3,856
Internal Audit	4,072	4,309
Operating leases	9,689	9,082
Release of Capitalised Facility Fee	18,648	18,648
Amortisation of intangible fixed assets	22,834	22,834
Depreciation of housing properties	1,026,934	964,226
Depreciation of other tangible fixed assets	36,231	36,600
Impairment of other tangible fixed assets	<u>289,123</u>	<u>-</u>

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

7. Employees	2018	2017
Group	£	£
Wages and salaries	1,058,531	1,042,112
Social Security costs	105,446	110,004
Other Pension costs	186,185	175,708
	<u>1,350,162</u>	<u>1,327,824</u>

The average monthly number of full time equivalent persons employed by the Group including key management personnel during the year were as follows:

Housing Management	21	19
Corporate	4	4
Business Support	8	7
	<u>33</u>	<u>30</u>

Further to the staff costs disclosed above, additions/deductions were as follows

	2018	2017
	£	£
From Above	1,350,162	1,327,824
SHAPS Pension Deficit	14,663	12,186
Capitalised Salary Costs	(34,943)	(12,499)
	<u>1,329,882</u>	<u>1,327,511</u>

	2018	2017
Association	£	£
Wages and salaries	851,028	862,666
Social Security costs	83,950	91,312
Other Pension costs	169,050	161,414
	<u>1,104,028</u>	<u>1,115,392</u>

The average monthly number of full time equivalent persons employed by the Association including key management personnel during the year were as follows:

Housing Management	15	14
Corporate	4	4
Business Support	7	6
	<u>26</u>	<u>24</u>

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

7. Employees (continued)

Further to the staff costs disclosed above, additions/deductions were as follows

	2018	2017
	£	£
From Above	1,104,028	1,115,392
Staff Costs recharged to OHM	(305,583)	(336,400)
Staff Costs recharged from OHM	179,523	153,610
Capitalised Salary Costs	(21,565)	(10,366)
	<u>956,403</u>	<u>922,236</u>

No members of the Board of OHL, Committee of Management of OHM or Board of OIL received any remuneration.

Key management personnel are defined as the Chief Executive (Colin Hawkins to 31 August 2017), Glenn Adcook and the Chief Finance Officer, Gary Walker. Glenn Adcook was appointed Chief Executive from 1 September 2017. Therefore, emoluments for the first 5 months of the year relate to his previous post of Executive Officer.

There are 2 members of key management personnel who received emoluments of £60,000 or more (2017: 3).

	2018	2017
	£	£
Group and Association		
Aggregate emoluments for key management personnel (excluding pension contributions)	<u>168,244</u>	<u>205,500</u>
 The emoluments of the Chief Executive (excluding pension contributions)	 <u>75,565</u>	 <u>85,354</u>
 Aggregate pension contributions in relation to the above key management personnel	 <u>34,917</u>	 <u>41,523</u>

The Chief Executive and Chief Finance Officer are members of the LGPS defined benefit scheme as disclosed in note 25.

The directors' emoluments (including pension contributions) fell within the following band distributions:

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

7. Employees (continued)

	2018	2017
Group and Association	No	No
£60,001 - £70,000	1	1
£70,001 - £80,000	-	1
£80,001 - £90,000	-	-
£90,001 - £100,000	1	-
£100,001 - £110,000	-	1

8. Taxation (Group)

	2018	2017
	£	£
UK Corporation Tax on profits for the year	12,475	16,112
Total Current Tax	12,475	16,112
Factors affecting the tax charge for the year:		
Surplus on ordinary activities of OIL multiplied by the standard rate of corporation tax (19%)	12,475	16,112
Expenses not deductible for tax purposes	-	-
Unrelieved tax losses and other deductions	-	-
Capital allowances in excess of depreciation	-	-
Current tax charge for the period	12,475	16,112

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

9. Intangible Fixed Assets

Group

	IT Software
Cost	£
At 1 April 2017 and at 31 March 2018	<u>303,216</u>
Amortisation	
At 1 April 2017	(122,209)
Charge for year	<u>(32,159)</u>
At 31 March 2018	<u>(154,368)</u>
Net Book Value	
At 31 March 2018	<u>148,848</u>
At 31 March 2017	<u>181,007</u>

Association

	IT Software
Cost	£
At 1 April 2017 and at 31 March 2018	<u>216,475</u>
Amortisation	
At 1 April 2017	(87,079)
Charge for year	<u>(22,834)</u>
At 31 March 2018	<u>(109,913)</u>
Net Book Value	
At 31 March 2018	<u>106,562</u>
At 31 March 2017	<u>129,396</u>

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 31 MARCH 2018

10a.) Tangible Fixed Assets – Housing Properties – Group

	Housing Properties under construction	Housing Properties held for letting	Total
Cost	£	£	£
At 1 April 2017	10,566,735	115,409,220	125,975,955
Transfers	(18,315,469)	18,315,469	-
Additions during year	11,313,914	635,502	11,949,416
Disposals during year	(19,976)	(130,589)	(150,565)
At 31 March 2018	<u>3,545,204</u>	<u>134,229,602</u>	<u>137,774,806</u>
Depreciation			
At 1 April 2017	-	(14,882,407)	(14,882,407)
Charge for year	-	(1,551,637)	(1,551,637)
Disposals during year	-	83,036	83,036
At 31 March 2018	<u>-</u>	<u>(16,351,008)</u>	<u>(16,351,008)</u>
Net Book Value			
At 31 March 2018	<u>3,545,204</u>	<u>117,878,594</u>	<u>121,423,798</u>
At 31 March 2017	<u>10,566,735</u>	<u>100,526,813</u>	<u>111,093,548</u>

Interest of £nil (2017: £nil) has been included in cost of housing properties. All land and property is owned by the Group. None of the properties are held under lease. Included in Housing Properties is Land with a value of £20,946,699 (2017: £17,725,059) which is not depreciated.

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 31 MARCH 2018

10b.) Tangible Fixed Assets – Housing Properties – Association

	Housing Properties under construction	Housing Properties held for letting	Total
Cost	£	£	£
At 1 April 2017	9,779,140	78,415,114	88,194,254
Transfers	(15,911,619)	15,911,619	-
Additions during year	7,808,560	440,616	8,249,176
Disposals during year	-	(38,166)	(38,166)
At 31 March 2018	<u>1,676,081</u>	<u>94,729,183</u>	<u>96,405,264</u>
Depreciation			
At 1 April 2017	-	(8,813,076)	(8,813,076)
Charge for year	-	(1,026,934)	(1,026,934)
Disposals during year	-	24,231	24,231
At 31 March 2018	<u>-</u>	<u>(9,815,779)</u>	<u>(9,815,779)</u>
Net Book Value			
At 31 March 2018	<u>1,676,081</u>	<u>84,913,404</u>	<u>86,589,485</u>
At 31 March 2017	<u>9,779,140</u>	<u>69,602,038</u>	<u>79,381,178</u>

Interest of £nil (2017: £nil) has been included in cost of housing properties. All land and property is owned by the Association. None of the properties are held under lease. Included in Housing Properties is Land with a value of £14,989,615 (2017: £12,033,093) which is not depreciated.

10c.) Expenditure on existing properties

	Year ended 31 March 2018	Year ended 31 March 2017
Group	£	£
Major repairs expensed	-	-
Replacement of components	635,502	482,832
Total	<u>635,502</u>	<u>482,832</u>
	Year ended 31 March 2018	Year ended 31 March 2017
Association	£	£
Major repairs expensed	-	-
Replacement of components	440,616	384,753
Total	<u>440,616</u>	<u>384,753</u>

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 31 MARCH 2018

10d.) Other Tangible Fixed Assets - Group

	IT Equipment	Motor Vehicles	Furniture, Fittings & Equipment	Office Property	Total
	£	£	£	£	£
Cost					
At 1 April 2017	115,155	7,799	100,987	1,791,252	2,015,193
Additions during year	5,406	-	5,940	-	11,346
Disposals during year	-	(7,799)	-	-	(7,799)
At 31 March 2018	120,561	-	106,927	1,791,252	2,018,740
Depreciation					
At 1 April 2017	(94,334)	(7,799)	(98,103)	(176,703)	(376,939)
Charge for the year	(11,702)	-	(1,190)	(35,825)	(48,717)
Disposals during year	-	7,799	-	-	7,799
Impairment	-	-	-	(289,123)	(289,123)
At 31 March 2018	(106,036)	-	(99,293)	(501,651)	(706,980)
Net Book Value					
At 31 March 2018	14,525	-	7,634	1,289,601	1,311,760
At 31 March 2017	20,821	-	2,884	1,614,549	1,638,254

The prolonged and deep reduction in activity and employment levels within the oil and gas sector, together with the volume of empty office premises within the Arnhall Business Park, which is OHL's principal place of business, provided overwhelming evidence to trigger the requirement to perform an impairment assessment of the OHL office property.

Graham + Sibbald were commissioned to prepare a valuation report, which they produced on 21 March 2018. The valuation report established that the current market value of the Westhill office property has reduced to £870,000.

Therefore, an impairment of £289,123 has been posted to the accounts.

The final remaining vehicle owned by the Group was sold during the year.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

10e.) Other Tangible Fixed Assets - Association

	IT Equipment	Furniture, Fittings & Equipment	Office Property	Total
	£	£	£	£
Cost				
At 1 April 2017	104,936	56,632	1,300,254	1,461,822
Additions during year	5,117	4,800	-	9,917
Disposals during year	-	-	-	-
At 31 March 2018	<u>110,053</u>	<u>61,432</u>	<u>1,300,254</u>	<u>1,471,739</u>
Depreciation				
At 1 April 2017	(88,046)	(54,144)	(115,126)	(257,316)
Charge for the year	(9,432)	(794)	(26,005)	(36,231)
Disposals during year	-	-	-	-
Impairment	-	-	(289,123)	(289,123)
At 31 March 2018	<u>(97,478)</u>	<u>(54,938)</u>	<u>(430,254)</u>	<u>(582,670)</u>
Net Book Value				
At 31 March 2018	<u>12,575</u>	<u>6,494</u>	<u>870,000</u>	<u>889,069</u>
At 31 March 2017	<u>16,890</u>	<u>2,488</u>	<u>1,185,128</u>	<u>1,204,506</u>

Rental income of £nil (2017: £36,758) was received in the year in relation to an operating lease on the office property owned by the Association.

The prolonged and deep reduction in activity and employment levels within the oil and gas sector, together with the volume of empty office premises within the Arnhall Business Park, which is OHL's principal place of business, provided overwhelming evidence to trigger the requirement to perform an impairment assessment of the OHL office property.

Graham + Sibbald were commissioned to prepare a valuation report, which they produced on 21 March 2018. The valuation report established that the current market value of the Westhill office property has reduced to £870,000.

Therefore, an impairment of £289,123 has been posted to the accounts.

The property is included in the Association accounts at a cost of £1,300,254 (2017: £1,300,254) with accumulated depreciation as at 31 March 2018 of £430,254 (2017: £115,126).

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

11. Investment	2018	2017
	£	£
Association		
Shares in unlisted subsidiary companies at cost	101	101

The subsidiary companies at 31st March 2018 were Osprey Initiatives Limited which is a company registered in Scotland providing, constructing, encouraging or facilitating the provision and construction of affordable housing for Osprey Housing Limited and Osprey Housing Moray which is a Co-operative and Community Benefits Society which provides affordable houses for rent in Moray. Osprey Housing Limited holds 100% of the share capital in Osprey Initiatives Limited and the controlling share in Osprey Housing Moray.

The results of Osprey Housing Moray for the year ended 31 March 2018 are as follows:

Surplus for the year after Taxation	543,161	638,103
Net Assets	4,653,423	4,110,269

The results of Osprey Initiatives Limited for the year ended 31 March 2018 are as follows:

Surplus for the period after Taxation	47,865	85,864
Net Assets	137,664	89,799

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

12. Debtors

	2018	2017
	£	£
Group		
Amounts falling due within one year		
Gross rents in arrears	289,580	209,621
Less: bad debt provision	(122,456)	(112,746)
	167,124	96,875
Other debtors and prepayments	241,817	686,980
	408,941	783,855
	2018	2017
	£	£
Association		
Amounts falling due within one year		
Gross rents in arrears	202,133	154,479
Less: bad debt provision	(80,072)	(84,380)
	122,061	70,099
Other debtors and prepayments	136,181	621,605
Intercompany debtor	60,284	15,929
	318,526	707,633

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

13. Creditors due within one year

	2018	2017
	£	£
Group		
Loans (Note 14)	370,867	359,835
Retentions unpaid	315,676	295,458
Prepaid rent	268,791	271,371
Accruals	1,514,173	684,196
Other Tax and Social Security	47,770	57,948
Pension Creditor	21,477	18,366
Trade Creditors	515,285	1,160,254
Other Creditors	39,911	116,952
HAG repayable	1,075,000	293,944
Deferred Capital Grant (note 15)	1,160,924	997,103
	<u>5,329,874</u>	<u>4,255,427</u>

Other creditors includes Housing Association Grant of £1,075,000 for a Development acquisition that did not settle prior to the end of the financial year. The grant will be repaid to the Scottish Government, as per the terms of the grant offer, should the Development not proceed.

Association

Loans (Note 14)	68,000	68,000
Retentions Unpaid	209,112	251,554
Prepaid Rent	158,665	168,543
Accruals	1,341,594	532,737
Other Tax and Social Security	22,591	25,588
Pension Creditor	17,660	18,366
Trade Creditors	256,494	650,313
Other Creditors	8,599	47,815
HAG repayable	-	293,944
Intercompany Creditor	6,860	7,010
Deferred Capital Grant (note 15)	717,801	579,306
	<u>2,807,376</u>	<u>2,643,176</u>

Agreement has been reached with the Scottish Government that “excess” grant of £293,944 relating to the Devanha project be set aside for the provision of new affordable homes. The funds have been used on the development at Countesswells during 2017/18.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

14. Creditors due out with one year

	2018	2017
	£	£
Group		
Loans	43,651,772	38,443,239
Deferred Capital Grant (note 15)	68,953,893	64,290,750
	<u>112,605,665</u>	<u>102,733,989</u>
Association		
Loans	35,001,098	30,450,531
Deferred Capital Grant (note 15)	46,265,547	43,749,202
	<u>81,266,645</u>	<u>74,199,733</u>

OHL loans from private funding amounting to £23,292,000 (2017 - £23,360,000) are secured by specific charges on its properties, with the bond and floating charge having been removed on 5th January 2016. These loans are on a 25 year term and are a combination of fully amortising and bullet repayment facilities. A further Revolving Credit Facility of £7,500,000 was obtained which has been fully drawn down. This facility is on a 5 year term with interest based on 3 month LIBOR plus agreed margin. Another loan of £3,743,498 is unsecured, is interest free and is repayable between 2027 and 2033.

OHM loans from Nationwide amounting to £8,006,877 (2017 - £8,298,712) are secured by a first ranking standard security over 332 units of the Society's housing stock. These loans are on a 30 year term and interest is fixed at 3.78% for a period of 10 years which commenced in January 2011. Osprey Housing Management secured a Revolving Credit Facility of £5,000,000 from Lloyds Banking Group during the year, of which £1,000,000 has been drawn down. This facility is on a 5 year term with interest based on 3 month LIBOR plus margin. The loan is secured by a first ranking standard security over an initial 120 units of the Society's housing stock.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

14. Creditors due out with one year (continued)

Based on the lender's earliest repayment date, loan borrowings are repayable as follows:

Group	2018	2017
	£	£
Less than one year (note 13)	370,867	359,835
Between one and two years	399,315	370,867
Between two and five years	9,747,746	4,204,589
In five years or more	33,665,8763	34,008,426
Capitalised Facility Fee	(161,162)	(140,643)
Total Loans after one year	43,651,772	38,443,239
Total Loans Outstanding	44,022,369	38,803,074
Association		
Less than one year (note 13)	68,000	68,000
Between one and two years	85,000	68,000
Between two and five years	7,721,000	3,221,000
In five years or more	27,302,924	27,288,005
Capitalised Facility Fee	(107,826)	(126,474)
Total Loans after one year	35,001,098	30,450,531
Total Loans Outstanding	35,069,098	30,518,531

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

15. Deferred Capital Grant	2018	2017
	£	£
Group		
As at 1 April	65,287,853	58,550,327
Capital Grant Additions	5,819,562	7,699,932
Capital Grant Released	(992,598)	(962,406)
As at 31 March	<u>70,114,817</u>	<u>65,287,853</u>
Amounts to be released within one year (note 13)	1,160,924	997,103
Amounts to be released in more than one year (note 14)	<u>68,953,893</u>	<u>64,290,750</u>
	<u>70,114,817</u>	<u>65,287,853</u>
Association		
As at 1 April	44,328,508	37,891,799
Capital Grant Additions	3,229,641	6,984,564
Capital Grant Released	(574,801)	(547,855)
As at 31 March	<u>46,983,348</u>	<u>44,328,508</u>
Amounts to be released within one year (note 13)	717,801	579,306
Amounts to be released in more than one year (note 14)	<u>46,265,547</u>	<u>43,749,202</u>
	<u>46,983,348</u>	<u>44,328,508</u>

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

16. Financial Instruments

	2018	2017
Group	£	£
<i>Financial assets:</i>		
Debt instruments measured at amortised cost	364,503	769,485
Total	<u>364,503</u>	<u>769,485</u>
<i>Financial liabilities:</i>		
Measured at amortised cost	47,482,684	41,376,817
Total	<u>47,482,684</u>	<u>41,376,817</u>
	2018	2017
Association	£	£
<i>Financial assets:</i>		
Debt instruments measured at amortised cost	286,523	681,905
Total	<u>286,523</u>	<u>681,905</u>
<i>Financial liabilities:</i>		
Measured at amortised cost	36,891,757	32,301,904
Total	<u>36,891,757</u>	<u>32,301,904</u>

17. Provisions - Pension

Group	SHAPS Pension £
As at 1 April 2017	74,509
Utilised in the year	(14,663)
Unwinding of discount	707
Increase due to change in discount rate	(519)
As at 31 March 2018	<u>60,034</u>

The SHAPS provision represents the net present value of the commitment to the multi-employer pension scheme in respect of past service deficits.

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

18. Notes to Statement of Cash flows

Group	2018	2017
	£	£
Reconciliation of operating surplus to net cash inflow from activities		
Surplus for the year	1,355,207	1,377,259
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,600,354	1,532,281
Impairment of tangible fixed assets	289,123	-
Amortisation of intangible fixed assets	32,159	32,159
Amortisation of capital grant	(992,598)	(962,406)
Defined benefit pension scheme	111,000	56,000
Fair value losses on financial instruments	129,400	112,253
(Decrease) in provisions	(14,475)	(69,491)
(Gain)/loss on disposal of tangible fixed assets	46,254	36,280
Interest received	(3,223)	(3,382)
Interest payable	1,952,964	1,904,197
Taxation	12,475	16,112
Shares issued	1	2
Shares cancelled	(8)	(7)
Operating cash flows before movement in working capital	4,518,633	4,031,257
(Increase)/decrease in trade and other debtors	378,301	462,216
Increase in trade and other creditors	894,232	212,759
Cash generated from operations	5,791,166	4,706,232
CASH AND CASH EQUIVALENTS	2018	2017
Cash and cash equivalents represent:		
Cash at bank	6,784,976	3,983,811
Notice deposits (less than 3 months)	-	-
Overdraft facility repayable on demand	-	-
	6,784,976	3,983,811

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

18. Notes to Statement of Cash flows (continued)

Association

	2018	2017
Reconciliation of operating surplus to net cash inflow from activities	£	£
Surplus for the year	764,181	653,292
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,063,165	1,000,826
Impairment of tangible fixed assets	289,123	-
Amortisation of intangible fixed assets	22,834	22,834
Amortisation of capital grant	(574,801)	(547,855)
Defined benefit pension scheme	111,000	56,000
Fair value losses on financial instruments	118,567	112,253
(Gain)/loss on disposal of tangible fixed assets	13,935	28,148
Interest received	-	-
Interest payable	1,610,131	1,576,641
Operating cash flows before movement in working capital	3,418,135	2,902,139
Decrease/(increase) in trade and other debtors	389,107	459,314
(Decrease)/increased in trade and other creditors	20,343	(423,639)
Cash generated from/(used in) operations	3,827,585	2,937,814
CASH AND CASH EQUIVALENTS	2018	2017
Cash and cash equivalents represent:		
Cash at bank	3,462,042	1,836,678
Notice deposits (less than 3 months)	-	-
Overdraft facility repayable on demand	-	-
	3,462,042	1,836,678

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

19. Capital Commitments

	2018	2017
Group	£	£
Land and Buildings	1,228,885	9,875,025
Replacement Components	30,835	48,674
Intangible Fixed Assets	5,000	-
Board authorised expenditure contracted less certified	<u>1,264,720</u>	<u>9,923,699</u>
	2018	2017
Association	£	£
Land and Buildings	264,151	8,199,613
Replacement Components	30,835	48,674
Intangible Fixed Assets	3,444	-
Board authorised expenditure contracted less certified	<u>298,430</u>	<u>8,248,287</u>

20. Contingent Liabilities - Association

The Association is in a VAT group with its subsidiaries Osprey Housing Moray and Osprey Initiatives Limited. The total group VAT liability of £5,520 (2017: £14,707) will have to be paid in full by the Association in the event of a default by either of the above two entities.

21. Leasing Commitments

At 31 March 2018 the Group and Association had annual commitments under non-cancellable operating leases as detailed below:

	Plant & Machinery	
	2018	2017
Group	£	£
Amounts due:		
Within one year	14,445	4,667
Within two to five years	25,582	606
After five years	-	-
	<u>40,027</u>	<u>5,273</u>
	Plant & Machinery	
	2018	2017
Association	£	£
Amounts due:		
Within one year	13,839	3,099
Within two to five years	25,582	-
After five years	-	-
	<u>39,421</u>	<u>3,099</u>

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

22. Share Capital

Group	2018	2017
Shares of £1 each, issued and fully paid:		
At 1 April	49	54
Issued during year	1	2
Cancelled during year	(8)	(7)
At 31 March	<u>42</u>	<u>49</u>

23. General Reserve

	2018	2017
Group	£	£
Opening Balance	10,616,501	9,183,242
Surplus for the year	1,355,207	1,377,259
Transfer from Pension Reserve	111,000	56,000
Total General Reserve	<u>12,082,708</u>	<u>10,616,501</u>

	2018	2017
Association	£	£
Opening Balance	6,416,583	5,707,291
Surplus for the year	764,181	653,292
Transfer from Pension Reserve	111,000	56,000
Total General Reserve	<u>7,291,764</u>	<u>6,416,583</u>

24. Pension Reserves

	2018	2017
Group and Association	£	£
Opening Balance	(1,432,000)	(1,071,000)
Actuarial Gain/(Loss) on Pension Scheme	510,000	(305,000)
Transfer to General Reserve	(111,000)	(56,000)
Total General Reserve	<u>(1,033,000)</u>	<u>(1,432,000)</u>

The pension reserve represents the Association's share of the deficit that exists within the pension scheme of which it is a member, and is held at a sum equivalent to the value of the pension liability.

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

25. Pension Fund

Osprey Housing Limited participates in the North East Scotland Pension Fund which is part of the Local Government Pension Scheme (LGPS) (Scotland), a multi-employer scheme. The LGPS is a defined benefit scheme based on career average earnings.

Osprey Housing Limited – North East Scotland Pension Fund

The LGPS is a multi-employer scheme administered by the Council under regulations governing the Local Government Pension Scheme, a defined benefit pension scheme. The most recent comprehensive actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out at 31 March 2017.

The employers contribution to the LGPS by the RSL for the year ended 31 March 2018 were £168,000 (2017 - £161,000) at a contribution rate of 21.5% of pensionable salaries. The employers' contribution rate for the year ending 31 March 2019 has been set at 22.6%. The employers' contributions for the year ended 31 March 2019 is estimated to be £168,000.

The next actuarial valuation of the North East Scotland Pension Fund is being carried out with an effective date of 31 March 2020.

The amounts recognised in the Income and Expenditure account are as follows:

	2018	2017
	£	£
Current Service Cost	(239,000)	(178,000)
Net interest on the net defined benefit pension liability	(37,000)	(36,000)
Administration expenses	(3,000)	(3,000)
Total	(279,000)	(217,000)

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	2018	2017
	Years	Years
Male	22.7	22.3
Female	24.9	24.9

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

25. Pensions (continued)

The average life expectancy for an employee retiring at 65 that is aged 45 at the reporting date is:

	2018	2017
	Years	Years
Male	25.6	24.5
Female	27.9	27.7

Changes in the present value of the defined benefit obligation are as follows:

	2018	2017
	£	£
Opening defined benefit obligation	5,933,000	4,629,000
Current service cost	239,000	178,000
Interest on pension liabilities	157,000	169,000
Member contributions	52,000	54,000
Actuarial losses on liabilities	85,000	948,000
Benefits/transfers	(322,000)	(45,000)
Closing defined benefit obligation	6,144,000	5,933,000

Changes in the present value of the plan assets are as follows:

	2018	2017
	£	£
Opening fair value of plan assets	4,501,000	3,558,000
Interest on plan assets	120,000	133,000
Actuarial gains/(losses) on assets	595,000	643,000
Administration expenses	(3,000)	(3,000)
Employer contributions	168,000	161,000
Member contributions	52,000	54,000
Benefits/transfers paid	(322,000)	(45,000)
Closing fair value of plan assets	5,111,000	4,501,000

The actual return on plan assets was £320,000 (2017: £776,000).

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

25. Pensions (continued)

Principal actuarial assumptions at the balance sheet date:

	2018	2017
	% p.a.	% p.a.
Price increases	2.15%	2.20%
Salary increases	2.15%	2.20%
Pension increases	2.15%	2.20%
Discount Rate	2.60%	2.70%

The analysis of the scheme assets at the reporting date were as follows:

	Fair value of assets	
	2018	2017
	£000s	£000s
Equities	3,236	3,060
Gov. Bonds	388	500
Other Bonds	66	72
Property	373	315
Cash	138	68
Other	910	486
Total	5,111	4,501

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

25. Pensions (continued)

Osprey Housing Moray (formerly Moray Housing Partnership) - SHAPs

The company participates in the Scottish Housing Associations' Pension Scheme (SHAPS), a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore, the company 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 for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2017 to 28 February 2022	£25,735,092 per annum (payable monthly, increasing by 3% each 1 st April)
From 1 April 2017 to 30 June 2025	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 31 October 2026	£1,239,033 per annum (payable monthly, increasing by % each 1st April)

Unless a concession has been agreed with the Trustee the term to 28 February 2022 applies.

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

OSPREY HOUSING LIMITED
(Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

25. Pension Fund (continued)

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

	31 March 2018 (£s)	31 March 2017 (£s)	31 March 2016 (£)
Present value of provision	60,034	74,509	143,916

Reconciliation of Opening and Closing Provisions

	Period Ending 31 March 2018 £	Period Ending 31 March 2017 £
Provision at start of period	74,509	143,916
Unwinding of the discount factor (interest expense)	707	3,157
Deficit contribution paid	(14,663)	(12,186)
Remeasurements - impact of any change in assumptions	(519)	2,168
Remeasurements - amendments to the contribution schedule	-	(62,546)
Provision at end of period	60,034	74,509

Income and Expenditure Impact

	Period Ending 31 March 2018 £	Period Ending 31 March 2017 £
Interest expense	707	3,157
Remeasurements – impact of any change in assumptions	(519)	2,168
Remeasurements – amendments to the contribution schedule	-	(62,546)

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

25. Pension Fund (continued)

Assumptions

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.51	1.06	2.29

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

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Deficit Contributions Schedule

Year ending	31 March 2018 £	31 March 2017 £	31 March 2016 £
Year 1	15,102	14,663	12,186
Year 2	15,555	15,102	12,552
Year 3	16,022	15,555	12,929
Year 4	15,128	16,022	13,316
Year 5	-	15,128	13,716
Year 6	-	-	14,127
Year 7	-	-	14,551
Year 8	-	-	14,988
Year 9	-	-	15,437
Year 10	-	-	15,901
Year 11	-	-	16,378
Year 12	-	-	8,434
Year 13	-	-	-

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as finance cost in the period in which it arises. It is these contributions that have been used to derive the company's balance sheet liability.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

26. Contingent Liability - Group

OHM has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for Osprey Housing Moray was £391,912.

27. Related Party Transactions

Osprey Housing Limited recharged £237,550 (2017: £157,446) of expenses relating to Osprey Initiatives Limited and £298,995 (2017: £40,306) in relation to the lease of housing stock on operating leases.

Osprey Initiatives incurred expenditure of £1,404 (2017: £18,143) on behalf of Osprey Housing Limited.

The balance due from Osprey Initiatives at the year-end was £11,144 (2017: £528) and the balance due to Osprey Initiatives at the year-end was £744 (2017: £7,010).

Osprey Housing Limited incurred expenditure of £461,361 (2017: £478,065) on behalf of Osprey Housing Moray.

Osprey Housing Moray incurred expenditure of £201,815 (2017: £157,446) on behalf of Osprey Housing Limited which has been recharged during the year.

The total amount due from Osprey Housing Moray at the year-end was £49,140 (2017: £15,401) and the balance due to Osprey Housing Moray at the year-end was £6,116 (2017: £nil).

The following members of the Board are also tenants of the Association on normal Scottish Secure Tenancy terms: William Chapman. The rent account of William Chapman, at 31 March 2018, was not in arrears.

Two members of the Association's Board are local Councillors and have disclosed their interest in the related public bodies. They are Hazel L Smith and Brian A Topping. Any transactions with these bodies are carried out at an arm's length basis on normal commercial terms. Members of the Board cannot use their position to their advantage.

28. Ultimate controlling party

The Directors believe that Osprey Housing Limited is the ultimate controlling party of the Group.

OSPREY HOUSING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31 MARCH 2018

29. Members' Guarantee

Osprey Housing Limited, being a Company limited by guarantee, has no share capital.

Membership at 31 March 2018 totalled 9 (2017: 10).

30. Post Balance Sheet Event

The contractor delivering the provision of new affordable housing at the Group's developments in Peterhead and Keith has entered administration. Both sites have been secured and the re-tendering process is underway. It is not possible to quantify the range or scope of any potential additional costs at this time, but the Group has sufficient resources for dealing with any such costs.