ORKNEY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 31 March 2026

RSL No. HAL 164

Scottish Charity No. SC 031734

Company Registration 2201RS

ORKNEY HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2026

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ORKNEY HOUSING ASSOCIATION
MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

MANAGEMENT COMMITTEE

Katherine Hayes	Resigned 13 May 2025
Brian Kynoch	Chair
Suzanne Lawrence	
Fiona Lettice	Vice Chair
Mary Ann Lewis	Resigned 18 March 2026
Bruce Pilkington	
John Rodwell	
Mervyn Sandison	
John White	
Roella Wilson	
John Foster	Elected 16 September 2025
David Bertram	Co-opted 25 March 2026

EXECUTIVE OFFICERS

Craig Spence	Chief Executive
Mhairi Hughes	Company Secretary

External Auditors:
Wbg (Audit) Limited
168 Bath Street
Glasgow
G2 4TP

Internal Auditors:
TIAA Ltd
Artillery House
Fort Fareham
Newgate Lane
Fareham, PO14 1AH

Bankers:
Royal Bank of Scotland
1 Victoria Street
Kirkwall, Orkney
KW15 1DP

Solicitors:
T C Young
7 West George Street
Glasgow
G2 1BA

Registered Office:
39a Victoria Street
Kirkwall, Orkney
KW15 1DN

ORKNEY HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2026

The Management Committee presents its report and the audited financial statements for the year ended 31 March 2026

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

Review of Business and Future Developments
The Association has the following corporate objectives:
- A great place to work,
- Great customer service, and
- Contributing to a safe and sustainable community

During the year, the Association completed Phase 9 at Walliwall in Kirkwall, consisting of 9 rented properties and bought into rented stock a former New Supply Shared Equity (NSSE) property in Finstown plus two properties adjacent to our estate in Rendall directly from a contractor. Walliwall Phase 9a, consisting of 8 NSSE properties is due to complete in June 2026. In order to develop our business and improve our services we will continue to focus on:

- Understanding our tenants' wishes and challenges and adapting our services accordingly.
- Ensuring our technology, people and approach are right to digitally deliver services.
- Expanding our subsidiary to enhance the range of housing options we provide for our communities.
- Ensuring our properties are safe, modern, warm and affordable.
- Ensuring we have the funds and resources to deliver our Plan.

Changes in Fixed Assets
Details of fixed assets are set out in Note 10.

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

The Management Committee and Chief Executive
The Management Committee and Chief Executive of the Association are listed on page 2.
Each elected member of the Management Committee holds one fully paid share of £1 in the Association. The Chief Executive of the Association holds no interest in the Association's share capital and although not having the legal status of Director acts as an executive within the authority delegated by Management Committee.

Related Party Transactions
During the period any tenancies held by Committee Members were held on normal commercial terms and they are not able to use this position to their advantage.

The Association retains a register of members' interests. There are no interests in related parties requiring to be declared.

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

Statement of Management Committee's Responsibilities
The Management Committee prepares financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing these financial statements the Management Committee is required to:

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

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

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

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

(i) The reliability of financial information used within the Association or for publication,

(ii) The maintenance of proper accounting records, and

(iii) The safeguarding of assets against unauthorised use or disposition.

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

(i) Formal policies and procedures are in place including the documentation of key systems and rules relating to the delegation of authorities which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.

(ii) Experienced and suitably qualified staff take responsibility for important business functions.

(iii) Forecasts and budgets are prepared which allow Management Committee and Executive Officers to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, and significant variances from budgets are investigated as appropriate.

Statement on Internal Financial Controls (continued)

(iv) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee.

(v) The Management Committee reviews reports from the Audit and Risk Management Sub-Committee, from internal management and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.

(vi) The Audit and Risk Management Sub-Committee reviews internal audit reports based on an internal audit needs assessment and an agreed programme undertaken by an external provider.

(vii) Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2026 and until 26 August 2026. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

In so far as the Committee are aware:

- There is no relevant audit Information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware.
- The Committee have taken all the steps that they ought to have taken to make themselves aware of such information.

Auditors

External audit services were tendered in 2023. Wylie & Bisset LLP were successful and their tender was accepted on 15 August 2023 to run until 2027/28 with the option to extend by one or two further financial years. Wylie & Bisset now trade as Wbg (Audit) Limited and have expressed their willingness to continue as the auditors of the Association.

By order of Management Committee

Brian D Kynoch

Brian Kynoch
Chairperson
26 August 2026

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ORKNEY HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Orkney Housing Association (the 'Association') for the year ended 31 March 2026 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity 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 Association's affairs as at 31 March 2026 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Communities Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2024.

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 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

In auditing the financial statements, we have concluded that the Committee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Committee with respect to going concern are described in the relevant sections of this report.

Other information

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Committee's Report.
We have nothing to report in respect of the following matters where The Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- The information given in the Report of the Management Committee is inconsistent with the Financial Statements;
- Proper books of accounts have not been kept by the Association in accordance with the requirements of the legislation;
- A satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirement of the legislation;
- The financial statements are not in agreement with the books of accounts; or
- We have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

Responsibilities of the Management Committee

As explained more fully in the Committee's Responsibilities Statement set out on page 4, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities including fraud.

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures in response to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing the risks of material misstatements in respect of irregularities, including fraud and non-compliance with laws and regulations we considered the following:

- The nature of the association and the industry, control environment and business performance including performance targets; and
- Our enquiries of management about their identification and assessment of the risks of irregularities.

Based on our understanding of the association and the industry we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to;

- Regulations and legislation pertinent to the association's industry operations including compliance with the Scottish Housing Regulator.

We considered the extent to which non-compliance might have a material impact on the financial statements. We also considered those laws and regulations which have a direct impact on the preparation of the financial statements, such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls), and determined that the principal risks were related to;

- Posting of inappropriate journal entries;
- Management bias in accounting estimates.

Audit response to the risks identified;

Our procedures to respond to the risks identified included the following:

- Gaining an understanding of the legal and regulatory framework applicable to the Association and the industry in which it operates including the requirements of the Scottish Housing Regulator;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Enquiring of management and legal advisors concerning actual and potential litigation and claims;
- In addressing the risk of fraud as a result of management override of controls, testing the appropriateness of journal entries and other adjustments' assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and, evaluating business rationale of any significant transactions that are unusual or outside the normal course of business. We scrutinised the general ledger for the following:

- Journals with details which included key phrases or words
- Journals posted at unusual times
- Journals posted by unauthorised users

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would be to become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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 the Cooperative and Communities Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Wbg (Audit) Limited

Wbg (Audit) Limited, Statutory Auditor
168 Bath Street
Glasgow
G2 4TP

26 August 2026

REPORT OF THE AUDITORS TO ORKNEY HOUSING ASSOCIATION ON CORPORATE GOVERNANCE MATTERS

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

Basis of opinion

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

Opinion

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

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

Wbg (Audit) Limited

Wbg (Audit) Limited, Statutory Auditor
168 Bath Street
Glasgow
G2 4TP

26 August 2026

ORKNEY HOUSING ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2026

	Notes	2026 £	2025 £
Turnover - continuing activities	2	7,414,697	7,130,824
Less: Operating costs	2	(5,348,205)	(4,963,624)
Operating surplus - continuing activities		2,066,492	2,167,200
Gain on disposal of fixed assets	24	23,046	120,888
Interest receivable		133,510	149,954
Interest payable and financing costs	8	(837,598)	(815,114)
Surplus before tax		1,385,450	1,622,928
Taxation		-	-
Surplus for the year		1,385,450	1,622,928
Actuarial Gain in respect of pension schemes	23	82,921	53,728
Total comprehensive income for the year		**1,468,371**	**1,676,656**

All of the activities undertaken by the Association were continuing activities, and the reported surplus or deficit was determined under the historical cost convention.

The notes on pages 15 to 32 form part of these financial statements

ORKNEY HOUSING ASSOCIATION
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2026

	Notes	2026 £	2025 £
Tangible Fixed Assets			
Housing properties	10	89,872,944	87,901,714
Other assets	10	1,161,106	1,146,603
		91,034,050	89,048,317
Fixed Asset Investments			
Investments	11	1	1
Current Assets			
Investments	12	822,126	2,414,758
Work in progress	13	2,083,464	1,584,970
Trade and other debtors	14	483,785	476,532
Stock		101,290	100,341
Cash at bank and in hand		1,696,262	2,997,851
		5,186,927	7,574,452
Creditors falling due within one year	16	(3,150,023)	(8,717,390)
Net current assets (liabilities)		2,036,904	(1,142,938)
Total Assets Less Current Liabilities		93,070,954	87,905,380
Creditors: amounts falling due after more than one year			
Long term loans	17	(12,930,063)	(10,614,812)
Deferred income - capital grants	18	(62,679,701)	(61,237,947)
Pension - defined benefit liability	23	(337,809)	(397,606)
Net assets		**17,123,381**	**15,655,015**
Capital and Reserves			
Share capital	19	48	53
Revenue reserves	20	17,123,333	15,654,962
		17,123,381	**15,655,015**

The financial statements on pages 11 to 32 were approved by the Management Committee on 26 August 2026 and were signed on its behalf by:

Chairperson: Brian D Kynoch

Committee member: John H White

Secretary: Mhairi Hughes

ORKNEY HOUSING ASSOCIATION
STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2026

	Share Capital	Income & Expenditure Reserve	Total
	£	£	£
At 1 April 2025	53	15,654,962	15,655,015
Surplus for the year	-	1,468,371	1,468,371
Share capital cancelled	(7)	-	(7)
Share capital issued	2	-	2
At 31 March 2026	**48**	**17,123,333**	**17,123,381**

ORKNEY HOUSING ASSOCIATION
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2026

	Notes	2026 £	2025 £
Net cash generated from operating activities (see below)		2,313,742	1,796,212
Cash flow from investing activities			
Purchase of tangible fixed assets		(3,585,291)	(1,768,739)
Proceeds from sale of tangible fixed assets		876,500	816,300
Grants received (net)		2,181,888	1,416,937
Interest received		133,510	173,261
Cash flow from financing activities			
Interest paid		(817,066)	(819,052)
New secured loans		3,999,000	544,978
Repayment of borrowings		(7,996,505)	(1,170,129)
Net change in cash and cash equivalents		(2,894,222)	989,770
Cash and cash equivalents at beginning of year		5,412,610	4,422,840
Cash and cash equivalents at end of year		2,518,388	5,412,610

Cash inflow from operating activities

	2026 £	2025 £
Surplus for the year	1,468,371	1,676,656
Adjustments for non-cash items:		
Depreciation/amortisation charges	396,667	401,070
(Increase) in stock	(948)	(25,327)
(Increase)/decrease in WIP	(498,493)	1,319,542
(Increase) in trade debtors	(6,675)	(50,549)
Increase/(decrease) in trade and other creditors	745,715	(1,644,199)
Pension costs less contributions payable	(59,797)	(32,660)
Carrying amount of fixed asset disposals gain/(loss)	462,775	311,108
Proceeds from sale of fixed assets	(876,500)	(816,300)
Share capital (written off)/issued	(5)	(8)
Interest payable	828,617	815,114
Interest receivable	(139,459)	(149,954)
Services equalisation account	(4,164)	(2,469)
Charge to service provisions	(2,364)	(5,812)
Net cash infow from operating activities	2,313,742	1,796,212

1 Principal Accounting Policies

The Financial Statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for social housing providers 2018 (SORP 2018) and the Scottish Housing Regulator's Determination of Accounting Requirements 2019. The financial statements are prepared in sterling, which is the functional currency of the entity. Monetary amounts in these financial statements are rounded to the nearest £.

Basis of Accounting

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

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

Turnover

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

Mortgages - Housing Properties

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

Housing Association Grant

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

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

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

Tangible Fixed Assets - Housing Properties (Note 10)

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

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

Note 1 (continued)

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

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

Work in Progress/Shared Equity Properties

New Supply Shared Equity scheme

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

Shared Ownership

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

Depreciation

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

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

Kitchens	-	20 years
Windows	-	33⅓ years
Roofs	-	50 years
Structure (new build)	-	100 years
Structure (rehabilitated properties)	-	80 years

Other fixed assets are depreciated as follows:

Furniture & Equipment	-	25% per annum reducing balance method
Fixtures & Fittings	-	25% per annum reducing balance method
Tradesmen Van	-	25% per annum reducing balance method
Tradesmen Tools	-	25% per annum reducing balance method
Computers Hardware	-	25% per annum straight line method
Aareon Software	-	8⅓% per annum straight line method
Other Software	-	25% per annum straight line method
Workshop Improvements	-	25% per annum straight line method
Office Buildings	-	1¼% per annum straight line method

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

Note 1 (continued)

Pensions

The Association is a member of the SHAPS multi-employer defined benefit pension scheme. Although contributions to the defined benefit scheme were discontinued on 31 March 2017, the Association still has a share of the scheme assets and liabilities. As sufficient information about the Association's share of these assets and liabilities became available from 1 April 2018, it is now possible for the Association to disclose its share of the fair value of the scheme's net assets, the present value of its defined benefit liability and its net defined benefit pension liability. From 1 April 2017 the Association only offers membership of the SHAPS defined contribution pension scheme.

Subsidiary

The subsidiary Orkney Housing Enterprises CIC began trading as a private sector landlord and leased its first property under a mid-market rent from 18 March 2026.

Judgements in applying policy and key sources of estimation uncertainty

Useful lives of property, plant, and equipment	The useful lives of property, plant and equipment are based on the knowledge of senior management with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being considered.
The obligations under the SHAPS pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

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

		2026		**2025**
	Turnover £	**Operating costs £**	**Operating Surplus/ (deficit) £**	**Operating Surplus/ (deficit) £**
Social lettings (note 3)	6,118,609	4,038,011	2,080,598	2,175,270
Other activities (note 4)	1,296,088	1,310,194	(14,106)	(8,070)
Total	7,414,697	5,348,205	2,066,492	2,167,200
Total for previous period of account	7,130,824	4,963,624	2,167,200	

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

	General Needs £	Shared Ownership £	Supported Housing £	2026 Total £	2025 Total £
Rent receivable net of service charges	4,788,914	411,201	54,256	5,254,371	4,992,311
Service charges	67,730	-	1,776	69,506	79,796
Gross income from rents and service charges	4,856,644	411,201	56,032	5,323,877	5,072,107
Less voids	(12,865)	-	-	(12,865)	(11,206)
Net Income from rents and service charges	4,843,779	411,201	56,032	5,311,012	5,060,901
Grants from Scottish Ministers	35,000	-	-	35,000	18,498
Grants released from deferred income	738,804	-	1,328	740,132	781,160
Other grants and miscellaneous income	32,465	-	-	32,465	36,287
Total income from social lettings	5,650,048	411,201	57,360	6,118,609	5,896,845
Operating Costs on Social Letting Activities					
Service costs	68,062	48,303	823	117,188	106,183
Management administration costs	1,241,812	173,933	11,500	1,427,245	1,205,527
Maintenance administration costs	575,961	-	5,472	581,433	484,994
Reactive maintenance costs	473,466	-	2,369	475,835	519,013
Planned and cyclical maintenance costs	290,881	-	-	290,881	274,490
Property improvements and adaptations	29,408	-	-	29,408	21,967
Bad debts - rents and service charges	14,840	-	-	14,840	15,528
Depreciation of social housing	1,098,984	-	2,197	1,101,181	1,093,873
Total operating costs on social lettings	3,793,414	222,236	22,361	4,038,011	3,721,575
Operating surplus on social lettings	1,856,634	188,964	34,999	2,080,598	2,175,270
Operating surplus on social lettings for previous period of account	1,937,084	207,138	31,048	2,175,270	

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

	Other income £	Total turnover £	Other operating costs £	Operating surplus/ (deficit) £	Operating surplus/ (deficit) for previous period of account £
Wider role	1,066	1,066	4,806	(3,740)	(3,222)
Factoring	27,697	27,697	26,947	750	-
Care and Repair Services	384,795	384,795	384,795	-	-
Development and construction of property	876,500	876,500	876,500	-	-
Development administration	-	-	13,343	(13,343)	(6,933)
Other activities	6,030	6,030	3,803	2,227	2,085
Total from other activities	1,296,088	1,296,088	1,310,194	(14,106)	(8,070)
Total from other activities for the previous period of account	1,233,980	1,233,980	1,242,050	(8,070)	

5 Key Management Personnel Emoluments

As per the Scottish Housing Regulator's Determination of Accounting Requirements 2019, disclosure of key management personnel's emoluments exceeding £60,000 per annum is required.

The key management personnel are defined as (a) the Management Committee, who can only receive expenses and, in certain circumstances, compensation for loss of earnings, and (b) the members of the Association's Leadership Team.

There were 3 officers (2025 - 4) with emoluments of £60,000 or more excluding employer's pension contributions during the period of account.

A salary sacrifice scheme was re-introduced with effect from 1 October 2021.

The emoluments of personnel over £60,000pa:	2026 £	2025 £
Chief Executive		
Excluding pension contributions	97,083	50,886
Employer's pension contributions	19,915	59,994
	116,997	**110,880**
Other personnel over £60,000pa		
Excluding pension contributions	148,411	201,175
Employer's Pension contributions	13,711	22,465
	162,122	**223,640**
Total emoluments payable	279,119	334,520

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply.

6 Employee information

The average monthly number of persons employed during the year was:	2026 £	2025 £
Office Staff	30	29
Tradesmen	8	7
Cleaners	1	1
	39	37
Full time equivalent	34	29

	2026 £	2025 £
Staff costs (including directors' emoluments);		
Wages and salaries	1,229,049	1,101,267
Social security costs	148,835	97,626
Pension costs (Note 23)	275,823	299,617
	1,653,707	**1,498,510**

7 Operating surplus

	2026 £	2025 £
Operating surplus is stated after charging/(crediting):-		
Depreciation	1,278,356	1,164,916
Amortisation of deferred capital grants	0	(781,160)
Direct repair costs: reactive, planned and cyclical	758,271	778,182
Auditors remuneration		
- In their capacity as auditors (including expenses)	12,666	14,638
- In their capacity as financial advisers	834	762

8 Interest payable and financing costs

	2026 £	2025 £
On loans repayable wholly or partly in more than 5 years	814,474	807,768
Interest expense on defined benefit pension	23,124	7,346
	837,598	815,114

9 Taxation

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

ORKNEY HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2026

10 Tangible Fixed Assets

Housing Properties	**Completed**		**Under Construction**	
	Rented	**Shared Ownership**	**Rented**	**Total**
	£	**£**	**£**	**£**
Gross cost				
At 1 April 2025	90,132,857	11,538,342	4,023,519	105,694,718
Transfers	1,916,108	-	(1,916,108)	-
Additions	1,366,458	-	2,110,555	3,477,013
Disposals	(183,844)	(252,054)	-	(435,898)
At 31 March 2026	93,231,579	11,286,288	4,217,966	108,735,833
Depreciation				
At 1 April 2025	17,793,004	-	-	17,793,004
Charge in year	1,187,096	-	-	1,187,096
Disposals	(117,211)	-	-	(117,211)
At 31 March 2026	18,862,889	-	-	18,862,889
Net Book Value at:				
31 March 2026	74,368,690	11,286,288	4,217,966	89,872,944
31 March 2025	72,339,853	11,538,342	4,023,519	87,901,714

Development administration costs capitalised amounted to £20,977 (2025 - £5,542). Interest costs capitalised amounted to £20,709 (2025 - £0).

Total expenditure on works to existing properties amounted to £1,101,067 during the year (2025 - £1,009,381), of which £158,334 was capitalised (2025 - £73,108).

10 Tangible Fixed Assets (continued)

Other Fixed Assets	**Office Buildings**	**Office fixtures, fittings, furniture & equipment**	**Handymen vans & tools etc**	**Total**
	£	**£**	**£**	**£**
Cost				
At 1 April 2025	1,232,696	498,917	215,564	1,947,177
Additions	-	26,630	81,648	108,278
Disposals	-	(4,410)	(22,467)	(26,877)
At 31 March 2026	1,232,696	521,137	274,745	2,028,578
Depreciation				
At 1 April 2025	190,157	439,021	171,318	800,496
Charge for year	13,221	47,128	30,911	91,260
Adjustment re disposals	-	(4,127)	(20,216)	(24,343)
At 31 March 2026	203,378	482,022	182,013	867,413
Grants				
At 1 April 2025	-	28	50	78
Amortisation	-	7	12	19
At 31 March 2026	-	21	38	59
Net Book Value				
At 31 March 2026	1,029,318	39,094	92,694	1,161,106
At 31 March 2025	1,042,539	59,868	44,196	1,146,603

11 Fixed Asset Investments

	Subsidiary	Total
Net Book Value		
At 31 March 2026	1	1
At 31 March 2025	1	1

12 Investments

Investments at 31 March 2026 amounted to £822,126 (2025 - £2,414,758), comprising 6 (2025 - 27) fixed term deposit and notice accounts of varying amounts and rates, with terms of no more than 12 months.

13 Work-in-progress

	2026	2025
	£	£
Opening WIP	1,584,970	2,904,512
Additions	2,112,905	533,342
Disposals	(1,614,411)	(1,852,884)
Closing WIP	2,083,464	1,584,970

14 Debtors

	2026	2025
	£	£
Rent arrears (Note 15)	143,155	148,302
Interest receivable	7,227	13,176
Other debtors and prepayments	333,403	315,054
	483,785	476,532

Other debtors are stated net of a provision for bad debts of £22,832 (2025 - £20,588).

15 Rents

	2026	2025
	£	£
Gross arrears	160,848	166,631
Provision for bad debts	(17,693)	(18,329)
Net arrears	143,155	148,302

16 Creditors: amounts faling due within one year

	2026	2025
	£	£
Loan instalments due and payable - housing	765,805	7,078,562
Capital grants received in advance	1,232,048	727,095
Capital expenditure	379,750	103,931
Rent in advance	106,823	99,907
Shared ownership factoring sinking fund	300,695	271,720
Loan Instalments due and payable: Other Loans	44,289	44,289
Taxation and social security creditor	55,633	51,961
Care and Repair working capital	63,484	71,283
Other Creditors and Accruals	201,496	268,642
	3,150,023	8,717,390

17 Creditors: amounts falling due after more than one year

	2026	2025
	£	£
Housing loans	12,209,370	10,478,830
Bond	629,000	-
Other loans	91,693	135,982
	12,930,063	10,614,812

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

	2026	2025
	£	£
Within one year	765,805	7,078,562
Between one and two years	776,519	860,373
Between two and five years	3,220,849	2,885,365
In five years or more	8,212,002	6,733,092
	12,975,175	17,557,392

The 10 year bond was issued in December 2025 with a maturity date of 14 December 2036

Other loans are unsecured and repayable as follows:	2026	2025
	£	£
Within one year	44,289	44,289
Between one and two years	44,289	44,289
Between two and five years	47,404	91,693
	135,982	180,271

18 Deferred income - Capital Grants

	Completed		Under Construction	
	Rented	Shared Ownership	Rented	Total
Scottish Government Grants	£	£	£	£
At 1 April 2025	61,212,170	8,137,439	3,795,500	73,145,109
Transfers	1,742,748	-	(1,742,748)	-
Additions	528,930	-	2,013,248	2,542,178
Disposals	(149,156)	(205,164)	-	(354,320)
At 31 March 2026	63,334,692	7,932,275	4,066,000	75,332,967
Other Grants				
At 1 April 2025	1,868,930	84,265	-	1,953,195
Additions	-	-	-	-
Disposals	(3,135)	(2,835)	-	(5,970)
At 31 March 2026	1,865,795	81,430	-	1,947,225
Amortisation				
At 1 April 2025	13,860,357	-	-	13,860,357
Charge for year	797,578	-	-	797,578
Disposals	(57,444)	-	-	(57,444)
At 31 March 2026	14,600,491	-	-	14,600,491
Net book value at:				
31 March 2026	50,599,996	8,013,705	4,066,000	62,679,701
31 March 2025	49,220,743	8,221,704	3,795,500	61,237,947

19 Share Capital

	2026	2025
	£	£
At 1 April 2025	53	61
Issued in year	2	1
Cancelled in year	(7)	(9)
Balance at 31 March 2026	48	53

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

20 Reconciliation of movement in revenue reserve	**2026**	**2025**
	£	**£**
Revenue reserve brought forward	15,654,962	13,978,306
Surplus for the year	1,468,371	1,676,656
Revenue reserve carried forward	17,123,333	15,654,962

21 Capital commitments	**2026**	**2025**
	£	**£**
Capital expenditure which has been contracted for but has not been provided for in the financial statements:	9,637,835	1,980,090
Capital expenditure which has been authorised but not contracted for or provided for in the financial statements:	125,000	185,000

22 Contingent Liabilities

Pension Scheme liabilities

Prior to 1 April 2017 the Association offered employees membership of a defined benefit pension scheme with the SFHA Pension Scheme. (Please see Note 23 for further details of this scheme).

The Association has been advised by the Pensions Trust of the estimated employer debt on withdrawal from this scheme based on the financial position of the scheme as at 30 September 2025. As of this date, the estimated employer debt for Orkney Housing Association was £750,876 (2025 - £994,718)

The Trustee has carried out a review comparing the benefits provided to Scheme members with the requirements of the Scheme documentation. It has received legal advice that there is sufficient uncertainty regarding the effect of some of the benefit changes that the Court should be asked to provide clarity, to provide the Trustee with the certainty it needs to properly administer the Scheme.

Should the Court decide that the historic benefit changes need to be applied differently, then some member benefits would need to be increased, which would increase the value placed on Scheme liabilities. No allowance has been made for these potential additional liabilities.

The Association has no current plans to withdraw from the SHAPS Pension Scheme. It ceased to offer membership of SHAPS defined benefit schemes from 31 March 2017, thereby limiting any future increase in liability. All staff have access to a SHAPS defined contribution scheme from 1 April 2017.

Grants written off

At 31 March 2026, the Association has disposed of components which had received £152,292 (2025 - £29,106) of grant funding. Although the disposal of these components has not given rise to a relevant event for the purposes of repayment or recycling the grant (as the Association retains the property asset), it does have a potential future obligation to repay or recycle such grant once the property is disposed of.

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

23 Pensions

SHAPS Pension Scheme

The Association participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2024. This valuation revealed a deficit of £9.5m. A Recovery Plan was put in place to eliminate the deficit which ran to 31 March 2030.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2025. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2026 to 28 February 2027 inclusive.

The liabilities are compared, at the relevant accounting date, with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus.

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

	31 March 2026 (£000s)	31 March 2025 (£000s)
Fair value of plan assets	2,794	2,766
Present value of defined benefit obligation	3,132	3,162
(Deficit)/surplus in plan	(338)	(396)
Unrecognised surplus	-	-
Defined benefit (liability)/asset to be recognised	(338)	(396)

23 Pensions (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	Period ended 31 March 2026 (£000s)	Period ended 31 March 2025 (£000s)
Defined benefit obligation at start of period	3,162	3,456
Current service cost	-	-
Expenses	5	5
Interest expense	180	166
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	(65)	54
Actuarial losses (gains) due to changes in demographic assumptions	32	-
Actuarial (gains)/losses due to changes in financial assumptions	(54)	(395)
Benefits paid and expenses	(128)	(124)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	3,132	3,162

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

	Period ended 31 March 2026 (£000s)	Period ended 31 March 2025 (£000s)
Fair value of plan assets at start of period	2,766	3,026
Interest income	157	145
Experience on plan assets (excluding amounts included in interest income) - (loss) gain	(4)	(286)
Contributions by the employer	5	5
Contributions by plan participants	-	-
Benefits paid and expenses	(130)	(124)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	2,794	2,766

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2025 to 31 March 2026 was £153,014.

23 Pensions (continued)

Defined benefit costs recognised in Statement of Comprehensive Income (SOCI)

	Period ended 31 March 2026 (£000s)	Period ended 31 March 2025 (£000s)
Current service cost	-	-
Expenses	5	5
Net interest expense	23	21
Losses (gains) on business combinations	-	-
Losses (gains) on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	28	26

Defined benefit costs recognised in Other Comprehensive Income (OCI)

	Period ended 31 March 2026 (£000s)	Period ended 31 March 2025 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - (loss) gain	(4)	(286)
Experience gains and losses arising on the plan liabilities - (loss) gain	65	(54)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(32)	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	54	395
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	83	55
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-	-
Total amount recognised in other comprehensive income - gain (loss)	83	55

23 Pensions (continued)

Key Assumptions

	31 March 2026	**31 March 2025**
	% per annum	% per annum
Discount rate	6.08	5.82
Inflation (RPI)	3.31	3.10
Inflation (CPI)	3.03	2.79
Pensionable earnings increases	4.03	3.79

From 1 April 2017 all staff have access to a SHAPS defined contribution pension scheme. Details of standard employee and employer contributions are as follows:

	Employee	Employer
Default contribution rate	5%	10%

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of the changes. The Trustee is seeking clarification from the Court on these items, this process is ongoing with an initial judgement expected in late 2025. It is estimated that this could potentially increase the value of the full Scheme liabilities by £27m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

24 Gain on Disposal of Fixed Assets

	2026			2025
	Shared Ownership	Other Assets	Total	Total
	£	£	£	£
Income	227,500	1,500	229,000	413,750
Legal Expenses	(3,944)	-	(3,944)	(4,179)
Cost of Sale	(146,898)	(2,535)	(149,433)	(299,021)
Grants written off/abated	(52,579)	-	(52,579)	10,337
Other costs	-	-	-	-
	24,081	(1,035)	23,046	120,887

25 Legislative Provisions

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

26 Housing Stock

The number of units of housing under development and in management at 31 March 2026 was:

	Units under Development		Units in Management	
Housing for Rent:	2026	2025	2026	2025
General needs housing	37	9	842	831
Supported housing	-	-	8	8
Communal use	-	-	2	2
	37	9	852	841
Shared Ownership accommodation	-	-	121	123
New Supply Shared Equity	-	-	-	-
Total	37	9	973	964

27 Subsidiary Information

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

Name of Company	Country of Registration or Incorporation	Date of Incorporation	Proportion of Voting Rights	Nature of Business
Orkney Housing Enterprises CIC	United Kingdom	08/02/2012	Wholly Controlled	Private Sector Landlord

28 Related Parties

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

General expenses of £1,326 (2025 - £1,877) were reimbursed to Management Committee members during the year and training expenses were paid of £6,119 (2025 - £6,844). There were no related party transactions in the year (2025 - £nil).

29 Analysis of changes in net debt

	At 31 March 2025	Cash Flows	At 31 March 2026
	£	£	£
Cash in hand	200	-	200
Short term investments	2,414,758	(1,592,632)	822,126
Bank	2,997,651	(1,301,589)	1,696,062
Debt: Due within 1 year	(7,122,851)	6,312,757	(810,094)
Debt: Due after 1 year	(10,614,812)	(2,315,251)	(12,930,063)
	(12,325,054)	1,103,285	(11,221,769)