



**Alexander Sloan**  
Accountants and Business Advisers

# **Oak Tree Housing Association Limited**

Report and Financial Statements

For the year ended 31 March 2020

Registered Social Landlord No. HCB137

FCA Reference No.2232RS

Scottish Charity No. SC045300

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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# OAK TREE HOUSING ASSOCIATION LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVE AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2020

### Management Committee

Colin Campbell	Chairperson
June Glancy	Secretary
Sandra Rorison	
David McIndoe	
Ronny Lee	
Sharon Tritschler	
Diane McCarney	
Vivienne Hearton	
Sandra McMenamin	Co-opted 22/08/19
Jackie McKelvie	Vice Chairperson, Resigned 30/06/20
Jeanette Dillon	Resigned 31/01/20

### Executive Officers

Nick Jardine	Chief Executive Officer
Anne Culley	Depute Chief Executive Officer
Alana Durnin	Finance Director
Kate Dalstrom	Housing Services & Performance Director
Brian Praties	Development & Technical Services Manager

### Registered Office

41 High Street  
Greenock  
PA15 1NR

### External Auditors

Alexander Sloan  
Accountants & Business Advisers  
180 St Vincent Street  
Glasgow  
G2 5SG

### Internal Auditors

TIAA  
Artillery House, Fort Fareham  
Newgate Lane  
Fareham  
PO14 1AH

### Bankers

Royal Bank of Scotland  
Cathcart Street  
Greenock  
PA15 1BA

### Solicitors

Patten & Prentice  
1 Ardgowan Square  
Greenock  
PA16 9PP

### Solicitors

BTO Solicitors LLP  
48 St Vincent Street  
Glasgow  
G2 5HS

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

The Management Committee presents its report and the financial statements for the year ended 31 March 2020.

### Legal Status

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No 2232RS), the Scottish Housing Regulator as a registered social landlord (No. HCB137) under the Housing (Scotland) Act 2010 and is a registered Scottish Charity with the charity number SC045300.

### Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

1. providing, constructing, improving and managing land, accommodation and associated facilities and providing care;
2. providing or arranging home maintenance, repair and improvement services and providing facilities and services for the benefit of such people either exclusively for them or together with other persons;
3. undertaking any activities which are charitable, allowed under section 58 of the Housing (Scotland) Act 2001, including any statutory amendment or re-enactment of the provisions of this section from time to time being in force and;
4. carrying on any other charitable activities permitted to registered social landlords from time to time.

### Review of Business and Future Developments

The past year was significant for the Association in many ways and also in impacting the shape the organisation will take in the coming years.

Like every other organisation the effects of the Coronavirus pandemic are yet to be fully felt. However, it is clear that there will be a lasting effect on how services are provided and potentially the services to be provided. Our initial response to the situation has been supported by the Scottish Government's Community Anchor fund, (£155k received in wider action grant funding to support local community organisations), and we are working closely with various community groups as they provide support to our tenants and others in the community, in ways we have not previously considered our responsibility. The direct funding we received from the Government has enabled us to procure additional staff resources that will allow us to continue providing additional support to our tenants through all of 2020-21, which will support them to meet the difficulties they face.

With regard to what we consider to be our core business, the virus has altered the way we provide a number of services and in the case of our new build programme this has caused delays, as all new build development projects have been suspended until our partner organisations, e.g. the Local Authority and the Contractors return to a more normal situation.

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

### Review of Business and Future Developments (Contd.)

In 2019/20 we completed our first development project in a number of years. This project added 36 new homes to our housing stock and was an important step, as the Association sought to support the Scottish Government and Local Authority meet their new homes target and to also offer additional quality, affordable homes to the Inverclyde housing market. Three other projects continued through pre-site development and partnerships have been established with contractors and other Associations with site starts initially set for the last quarter of 2019/20. However, unfortunately the projected site start dates were postponed due to the impact of the Coronavirus pandemic and all three sites will open once Government advice allows this. These three projects will provide 155 new homes and have already attracted much interest locally with demand showing through growing waiting lists.

On the other side of the asset management equation, relating to our existing stock, the Association has decided that a number of non-traditional flatted properties will be demolished and it is planned to phase this activity over the next 2-3 years. This decision was taken following financial modelling and detailed appraisal, and due to the age and the stock condition there is very limited impact on the Association's financial position.

With regard to the management of our housing stock we had anticipated a positive end to the year with arrears continuing to slowly reduce. The year-end arrears, (including bad debt provision) as a percentage of net rent and service charges was 1.16% compared to 1.30% in 2018/19, however arrears rose slightly in the final month of the year and it is anticipated this trend will continue into the early part of 2020/21, due to the impact of the pandemic. However, we have put in place additional resources and have been awarded grant funding from the Scottish Government, which is to be targeted to provide support to our tenants and local community and we anticipate being able to manage this situation effectively.

In broader terms we have much to look forward to in the coming year. After lengthy and detailed consideration, supported by independent analysis, the Management Committee decided, in conjunction with the Board of our subsidiary Cloch Housing Association that our two Associations should separate. It is anticipated this decision will be enacted through 2020/21, concluding by the end of the calendar year.

To coincide with this change we anticipate the relocation of our full staff team into new, larger and centrally located offices, which we acquired in the previous year. We are planning for this to take place in the final quarter of 2020-21 and see it as an opportunity to undertake a major re-launch of the Oak Tree brand.

Along with Cloch and Larkfield Housing Associations we continue to successfully run the Inverclyde Common Housing Register and the Smarterbuys franchise continues to offer our tenants low cost credit services for certain household goods.

The Association also continues to provide a factoring and landscape maintenance services to residents within our communities to ensure that our properties and estates are maintained for the benefit of all.

2019/20 was another successful trading year for Oak Tree Housing Association. The Association made surpluses of £1.98m in the year compared to a projected £1.28m surplus, with savings achieved and some work activities being carried forward into 2020/21. Total turnover was just over £11.71m, (2018/19 - £10.36m) with Operating costs of £9.47m, (2018/19 - £8.208m).

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

### Review of Business and Future Developments (Contd.)

Going forward, the Association anticipates a busy year with the development programme restarting and as we continue to consider service improvements to our tenants and the communities we serve. We will continue to sell development and financial management services, and intend to continue improvements to customer services through better use of information technology.

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

### **Management Committee and Executive Officers**

The members of the Management Committee and the Executive officers are listed on page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of directors, they act as executives within the authority delegated by the Management Committee.

The members of the Management Committee are also trustees of the charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

### **Statement of Management Committee's Responsibilities**

The Co-operative and Community Benefit Societies Act 2014 requires the Management Committee to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those financial statements the Management Committee is required to:

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. It 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

### **Going Concern**

Based on its budgetary and forecasting processes the Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future; therefore, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

### Statement on Internal Financial Control

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

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- 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 misstatement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receives reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year end 31 March 2020. No weaknesses were found in the 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.

### Donations

During the year the Association made charitable donations of £1,500 (2019 - £500).

### Disclosure of Information to the Auditor

The members of the Management Committee at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

### Auditor

A resolution to reappoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

**By order of the Management Committee**

*June Glancy*

**June Glancy**  
Secretary  
3 August 2020

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS OF OAK TREE HOUSING ASSOCIATION ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed your statement on page 6 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice 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. 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 of Internal Financial Control on page 6 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice 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.

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 contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

*Alexander Sloan*

**ALEXANDER SLOAN**  
Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
7/8/2020



# OAK TREE HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OAK TREE HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2020

### Opinion

We have audited the financial statements of Oak Tree Housing Association Limited (the 'Association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator.

### Basis of 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 United Kingdom, including the Financial Reporting Council'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 audit opinion.

### Conclusions relating to going concern

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

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

### Other Information

The Management Committee is responsible for the other information. The other information comprises the information contained 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.

# OAK TREE HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OAK TREE HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2020 (continued)

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

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

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records in accordance with the legislation; or
- the statement of comprehensive income and statement of financial position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of the Management Committee

As explained more fully in the statement of Management Committee's responsibilities as set out on page 5, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is 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. 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 audit report.

### Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community 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.

*Alexander Sloan*

**ALEXANDER SLOAN**  
Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
7/8/2020



# OAK TREE HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
Revenue	2		11,715,358		10,362,352
Operating costs	2		<u>9,474,980</u>		<u>8,207,572</u>
<b>OPERATING SURPLUS</b>			<b>2,240,378</b>		<b>2,154,780</b>
Loss on sale of housing stock	7	(25,511)		(6,301)	
Exceptional item	29	-		(393,484)	
Interest receivable and other income		104,288		92,769	
Interest payable and similar charges	8	(254,589)		(721,528)	
Other Finance income/(charges)	11	<u>(88,018)</u>		<u>(93,784)</u>	
			<u>(263,830)</u>		<u>(1,122,328)</u>
<b>SURPLUS FOR THE YEAR</b>			<b>1,976,548</b>		<b>1,032,452</b>
<b>Other comprehensive income</b>					
Adjustment relating to opening pension liability	23		-		(741,173)
Actuarial gains/(losses) on defined benefit pension plan	23		<u>1,710,000</u>		<u>(354,000)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>			<b><u>3,686,548</u></b>		<b><u>(62,721)</u></b>

The results relate wholly to continuing activities.

The notes on pages 15 to 35 form an integral part of these financial statements.

# OAK TREE HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020		2019
		£	£	£
<b>NON-CURRENT ASSETS</b>				
Housing properties - depreciated cost	12		97,059,467	96,276,786
Other tangible assets	12		1,095,547	1,075,377
Investments	13		102,501	102,501
			<u>98,257,515</u>	<u>97,454,664</u>
<b>RECEIVABLES:</b> Amounts falling due after more than one year				
	14		750,043	877,169
<b>CURRENT ASSETS</b>				
Receivables	15	725,472	652,424	
Investments	16	10,484,728	4,740,965	
Cash and cash equivalents	17	2,700,287	2,855,945	
		<u>13,910,487</u>	<u>8,249,334</u>	
<b>CREDITORS:</b> Amounts falling due within one year				
	18	(7,810,230)	(2,193,661)	
<b>NET CURRENT ASSETS</b>				
			<u>6,100,257</u>	<u>6,055,673</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
			105,107,815	104,387,506
<b>CREDITORS:</b> Amounts falling due after more than one year				
	19		(16,341,493)	(15,892,748)
<b>PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES</b>				
Scottish housing association pension scheme	23	(6,000)	(1,974,000)	
			(6,000)	(1,974,000)
<b>DEFERRED INCOME</b>				
Social housing grants	21	(60,127,214)	(61,565,453)	
Other grants	21	(288,057)	(296,785)	
			<u>(60,415,271)</u>	<u>(61,862,238)</u>
<b>NET ASSETS</b>				
			<u>28,345,051</u>	<u>24,658,520</u>
<b>EQUITY</b>				
Share capital	22		214	231
Revenue reserves			28,350,837	26,632,289
Pension reserves			(6,000)	(1,974,000)
			<u>28,345,051</u>	<u>24,658,520</u>

The financial statements were approved by the Management Committee and authorised for issue and signed on their behalf on 3 August 2020.

*Colin M Campbell*

**Chairperson**

*June Glancy*

**Secretary**

*Ronny Lee*

**Committee Member**

The notes on pages 15 to 35 form an integral part of these financial statements.

# OAK TREE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
<b>Surplus for the Year</b>			1,976,548		1,032,452
<i>Adjustments for non-cash items:</i>					
Depreciation of tangible fixed assets	12	4,901,916		3,238,217	
Amortisation of capital grants	21	(3,210,257)		(1,882,280)	
Loss on disposal of tangible fixed assets		25,511		6,301	
Exceptional Item	29	-		393,484	
Non-cash adjustments to pension provisions		(258,000)		(225,000)	
Share capital written off	22	(19)		(16)	
			1,459,151		1,530,706
Interest receivable			(104,288)		(92,769)
Interest payable	8		254,589		721,528
<b>Operating cash flows before movements in working capital</b>			3,586,000		3,191,917
Change in debtors		(70,499)		(62,342)	
Change in creditors		136,497		195,106	
			65,997		132,764
<b>Net cash inflow from operating activities</b>			3,651,997		3,324,681
<b>Investing Activities</b>					
Acquisition and construction of properties		(5,803,829)		(2,413,040)	
Purchase of other fixed assets		(88,071)		(675,916)	
Social housing grant received		6,924,224		1,976,188	
Social housing grant repaid		(69,448)		(195,000)	
Changes on short term deposits with banks		(5,743,763)		(2,655,965)	
Proceeds on disposal of housing properties		161,622		78,117	
<b>Net cash outflow from investing activities</b>			(4,619,265)		(3,885,616)
<b>Financing Activities</b>					
Loan repayments from Subsidiary		127,126		127,126	
Loan Advances Received		1,808,960		-	
Breakage Costs		-		(393,484)	
Interest received on cash and cash equivalents		101,739		92,769	
Interest paid on loans		(252,383)		(721,528)	
Loan principal repayments		(973,835)		(795,494)	
Share capital issued	22	2		3	
<b>Net cash inflow / (outflow) from financing activities</b>			811,610		(1,690,608)
<b>Decrease in cash</b>	24		(155,658)		(2,251,543)
<b>Opening cash &amp; cash equivalents</b>			2,855,945		5,107,488
<b>Closing cash &amp; cash equivalents</b>			<b>2,700,287</b>		<b>2,855,945</b>
<b>Cash and cash equivalents as at 31 March</b>					
Cash	24		2,700,287		2,855,945
			<b>2,700,287</b>		<b>2,855,945</b>

The notes on pages 15 to 35 form an integral part of these financial statements.

# OAK TREE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
<b>Balance as at 1 April 2018</b>	244	-	24,721,010	24,721,254
Issue of Shares	3	-	-	3
Cancellation of Shares	(16)	-	-	(16)
Other comprehensive income	-	(1,974,000)	-	(1,974,000)
Revaluation in year	-	-	-	-
Other movements	-	-	878,827	878,827
Surplus for the year	-	-	1,032,452	1,032,452
<b>Balance as at 31 March 2019</b>	<b>231</b>	<b>(1,974,000)</b>	<b>26,632,289</b>	<b>24,658,520</b>
<b>Balance as at 1 April 2019</b>	231	(1,974,000)	26,632,289	24,658,520
Issue of Shares	2	-	-	2
Cancellation of Shares	(19)	-	-	(19)
Other comprehensive income	-	1,710,000	-	1,710,000
Other movements	-	258,000	(258,000)	-
Surplus for the year	-	-	1,976,548	1,976,548
<b>Balance as at 31 March 2020</b>	<b>214</b>	<b>(6,000)</b>	<b>28,350,837</b>	<b>28,345,051</b>

The notes on pages 15 to 35 form an integral part of these financial statements.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

#### Statement of Compliance and Basis of Accounting

These financial statements were prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice for social housing providers 2018. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods beginning on or after 1 January 2019. They comply with the Determination of Accounting Requirements 2019. A summary of the principal accounting policies is set out below

#### Basis of Consolidation

The financial statements for Oak Tree Housing Association present information about it as an individual undertaking and not about the group.

#### Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government grants are released to income over the expected useful life of the asset to which they relate. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

#### Retirement Benefits

The Association participates in the Scottish Housing Association Pension Scheme (SHAPS) a multi-employer defined benefit scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102. The Association also participates in the SHAPS defined contribution scheme. Contributions to defined contribution plans are recognised as an employee benefit expense when they are due.

#### Going Concern

On the basis that the Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, the Association has adopted the going concern basis of accounting in preparing these financial statements.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 1. PRINCIPAL ACCOUNTING POLICIES (continued.)

##### Housing Properties

Housing properties are held for the provision of social housing. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes acquisition of land and buildings and development cost. The Association depreciates housing properties over the useful life of each major component. Housing under construction and land are not depreciated.

<i>Component</i>	<i>Useful Economic Life</i>
Structure	Over 50 years
Windows	Over 40 years
External Render	Over 40 years
Internal Doors	Over 40 years
Roofs	Over 40 years
Radiators & Pipes	Over 30 years
Rewire	Over 30 years
Parking Areas	Over 30 years
Bathrooms	Over 20 years
External Doors	Over 20 years
Boiler & Flush	Over 15 years
Door Entry System	Over 10 years
Kitchens	Over 10 years
Play Areas	Over 5 years

##### Depreciation and Impairment of Other Tangible Assets

Non-current assets are stated at cost less accumulated depreciation. Depreciation is charged over the expected economic useful lives of the assets at the following annual rates:

<i>Asset Category</i>	<i>Depreciation Rate</i>
Office Premises	2.5% Straight Line
Furniture and Fittings	20% Reducing Balance
Computer Equipment	25% Straight Line
Office Equipment	20% Reducing Balance

The carrying values of non-current assets are reviewed for impairment at the end of each reporting period.

##### Social Housing Grants and Other Capital Grants

Social housing grants and other capital grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which they relate.

Social housing grant attributed to individual components is written off to the statement of comprehensive income when these components are replaced.

Although social housing grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1. PRINCIPAL ACCOUNTING POLICIES (continued.)

##### **Sales Of Housing Properties**

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

##### **Taxation**

The Association is a Scottish Charity and is not liable to taxation on its charitable activities.

##### **Leases**

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives or the term of the lease whichever is shorter.

##### **Works to Existing Properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property, a material reduction in future maintenance costs, or a significant extension of the life of the property.

##### **VAT**

The Association is VAT registered but the substantial proportion of its income is exempt for VAT purposes. As a result most of the VAT paid is not recovered and therefore expenditure is shown inclusive of VAT. The Association is also part of a VAT Group and as a result no VAT is accounted for in intra-group transactions.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. PRINCIPAL ACCOUNTING POLICIES (continued.)

#### Key Judgements and estimates made in the application of Accounting Policies

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the the Association to exercise judgement in applying the it's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below.

#### Key Judgements

##### *a) Categorisation of Housing Properties*

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

##### *b) Identification of cash generating units*

The Management Committee considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

##### *c) Pension Liability*

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. The Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

#### Estimation Uncertainty

##### *a) Rent Arrears - Bad Debt Provision*

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place and court action.

##### *b) Life Cycle of Components*

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

##### *c) Useful life of properties, plant and equipment*

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

##### *d) Costs of shared ownership*

The Association allocates costs to shared ownership properties on an percentage basis split across the number of properties the Association owns.

##### *e) Defined pension liability*

In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

##### *f) Allocation of share of assets and liabilities for multi-employer scheme*

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension scheme and estimations performed by the Pensions Trust.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

		2020			2019		
	Notes	Turnover	Operating costs	Operating surplus / (deficit)	Turnover	Operating costs	Operating surplus / (deficit)
		£	£	£	£	£	£
Affordable letting activities	3	11,258,173	8,906,426	2,351,747	9,852,540	7,477,407	2,375,133
Other Activities	4	457,185	568,554	(111,369)	509,812	730,165	(220,353)
<b>Total</b>		<b>11,715,358</b>	<b>9,474,980</b>	<b>2,240,378</b>	<b>10,362,352</b>	<b>8,207,572</b>	<b>2,154,780</b>

#### 3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing	Supported Housing	Shared Ownership	2020 Total	2019 Total
	£	£	£	£	£
<b>Revenue from Lettings</b>					
Rent receivable net of service charges	7,460,057	281,570	266,042	8,007,669	7,693,949
Service charges receivable	100,382	18,641	9,099	128,122	120,518
<b>Gross income from rent and service charges</b>	<b>7,560,439</b>	<b>300,211</b>	<b>275,141</b>	<b>8,135,791</b>	<b>7,814,467</b>
Less: Rent losses from voids	172,579	5,162	-	177,741	151,441
<b>Income from rents and service charges</b>	<b>7,387,860</b>	<b>295,049</b>	<b>275,141</b>	<b>7,958,050</b>	<b>7,663,026</b>
Grants released from deferred income	3,042,671	74,327	93,259	3,210,257	2,077,280
Revenue grants from Scottish Ministers	88,896	-	-	88,896	112,234
Other revenue grants	970	-	-	970	-
<b>Total turnover from affordable letting activities</b>	<b>10,520,397</b>	<b>369,376</b>	<b>368,400</b>	<b>11,258,173</b>	<b>9,852,540</b>
<b>Expenditure on affordable letting activities</b>					
Management and maintenance administration costs	2,129,438	80,373	75,940	2,285,751	2,225,709
Service costs	133,109	24,718	12,066	169,893	204,093
Planned and cyclical maintenance, including major repairs	513,231	14,120	-	527,351	437,149
Reactive maintenance costs	925,036	30,303	-	955,339	1,223,502
Bad Debts - rents and service charges	40,278	-	-	40,278	31,103
Depreciation of affordable let properties	4,678,415	124,021	125,378	4,927,814	3,355,851
<b>Operating costs of affordable letting activities</b>	<b>8,419,507</b>	<b>273,535</b>	<b>213,384</b>	<b>8,906,426</b>	<b>7,477,407</b>
<b>Operating surplus on affordable letting activities</b>	<b>2,100,890</b>	<b>95,841</b>	<b>155,016</b>	<b>2,351,747</b>	<b>2,375,133</b>
<b>2019</b>	<b>2,140,210</b>	<b>84,444</b>	<b>150,479</b>		

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants from Scottish Ministers	Other revenue grants	Other income	Total Turnover	Operating costs - bad debts	Other operating costs	Operating surplus / (deficit) 2020	Operating surplus / (deficit) 2019
	£	£	£	£	£	£	£	£
Contracted out services undertaken for other organisations, (Finance Services)	-	-	170,910	170,910	-	170,910	-	-
Factoring	-	-	123,884	123,884	5,801	124,527	(6,444)	1,130
Donation from Subsidiary	-	-	50,000	50,000	-	-	50,000	-
Wider role activities	-	-	41,800	41,800	-	92,027	(50,227)	(47,234)
Other activities	-	-	26,750	26,750	-	45,770	(19,020)	(20,447)
Investment property activities	-	-	21,625	21,625	-	-	21,625	16,929
Developments	-	-	21,614	21,614	-	129,000	(107,386)	(173,952)
Lead tenancy income	-	-	602	602	-	519	83	3,221
<b>Total From Other Activities</b>	<b>-</b>	<b>-</b>	<b>457,185</b>	<b>457,185</b>	<b>5,801</b>	<b>562,753</b>	<b>(111,369)</b>	<b>(220,353)</b>
<b>2019</b>	<b>49,285</b>	<b>-</b>	<b>460,527</b>	<b>509,812</b>	<b>(2,269)</b>	<b>732,434</b>	<b>(220,353)</b>	

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 5. OFFICERS' EMOLUMENTS

	2020 £	2019 £
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.		
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	297,197	294,843
Pension contributions made on behalf on Officers with emoluments greater than £60,000	34,896	32,896
Emoluments payable to Chief Executive Officer (excluding pension contributions)	94,674	92,673
Pension contributions paid on behalf of the Chief Executive Officer	6,485	6,108
Total emoluments payable to the Chief Executive Officer	101,159	98,781
Total emoluments paid to key management personnel	373,250	367,662

The number of Officers, including the highest paid Officer, who received emoluments, including pension contributions, over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	1
£70,001 to £80,000	1	1
£80,001 to £90,000	-	1
£90,001 to £100,000	1	1
£100,001 to £110,000	1	-

#### 6. EMPLOYEE INFORMATION

	2020 No.	2019 No.
Average monthly number of full time equivalent persons employed during the year	38	38
Average total number of employees employed during the year	48	48
Staff costs were:	£	£
Wages and salaries	1,449,635	1,390,614
National insurance costs	146,758	140,814
Pension costs	125,692	180,117
Temporary, agency and seconded staff	57,848	16,311
	1,779,933	1,727,856

Included within Pension Costs above, is an amount of £292,731, paid towards the past service deficit within the year, £132,961 for annual pension contributions and £(300,000), which relates to adjustments in respect of the pension valuation provided by The Pension Trust to reflect the actual pension cost.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 7. LOSS ON SALE OF HOUSING STOCK

	2020	2019
	£	£
Sales proceeds	91,234	78,117
Cost of sales	<u>116,745</u>	<u>84,418</u>
Loss on sale of housing stock	<u>(25,511)</u>	<u>(6,301)</u>

#### 8. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
On bank loans and overdrafts	<u>254,589</u>	<u>721,528</u>

#### 9. SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	4,901,916	3,258,257
Auditors' remuneration - audit services	8,203	8,290
Auditors' remuneration - other services	2,157	2,003
Operating lease rentals - other	10,573	10,492
Loss on sale of other non-current assets	<u>25,511</u>	<u>6,301</u>

#### 10. CORPORATION TAX

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

#### 11. OTHER FINANCE INCOME / (CHARGES)

	2020	2019
	£	£
Non Utilisation and Loan Set-Up Fees	(46,018)	(48,784)
Net interest on pension obligations	<u>(42,000)</u>	<u>(45,000)</u>
	<u>(88,018)</u>	<u>(93,784)</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
<b>COST</b>				
At 1 April 2019	131,789,230	2,117,208	5,765,164	139,671,602
Additions	800,815	5,003,014	-	5,803,829
Disposals	(721,686)	-	(120,000)	(841,686)
Transfers	5,341,278	(5,341,278)	-	-
At 31 March 2020	<u>137,209,637</u>	<u>1,778,944</u>	<u>5,645,164</u>	<u>144,633,745</u>
<b>DEPRECIATION</b>				
At 1 April 2019	41,584,699	-	1,810,117	43,394,816
Charge for Year	4,708,637	-	125,378	4,834,015
Disposals	(627,887)	-	(26,666)	(654,553)
At 31 March 2020	<u>45,665,449</u>	<u>-</u>	<u>1,908,829</u>	<u>47,574,278</u>
<b>NET BOOK VALUE</b>				
At 31 March 2020	<u>91,544,188</u>	<u>1,778,944</u>	<u>3,736,335</u>	<u>97,059,467</u>
At 31 March 2019	<u>90,204,531</u>	<u>2,117,208</u>	<u>3,955,047</u>	<u>96,276,786</u>

Expenditure on Existing Properties	2020		2019	
	<i>Component replacement</i> £	<i>Improvement / Repairs</i> £	<i>Component replacement</i> £	<i>Improvement / Repairs</i> £
Amounts capitalised	800,815	-	1,135,690	-
Amounts charged to the statement of comprehensive income	-	1,482,690	-	1,660,651
	<u>800,815</u>	<u>1,482,690</u>	<u>1,135,690</u>	<u>1,660,651</u>

All land and housing properties are heritable.

The Association's lenders have standard securities over housing property with a carry value of £70,058,574 (2019 - £56,129,239).

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 12. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Machinery & Equipment £	Computer Equipment £	Total £
<b>COST</b>					
At 1 April 2019	1,085,545	35,369	33,312	224,324	1,378,550
Additions	55,158	1,684	3,010	28,219	88,071
Eliminated on disposals	-	-	-	90,958	90,958
At 31 March 2020	<u>1,140,703</u>	<u>37,053</u>	<u>36,322</u>	<u>343,501</u>	<u>1,557,579</u>
<b>DEPRECIATION</b>					
At 1 April 2019	67,864	32,761	28,468	174,080	303,173
Charge for year	28,518	858	1,571	36,954	67,901
Eliminated on disposals	-	-	-	90,958	90,958
At 31 March 2020	<u>96,382</u>	<u>33,619</u>	<u>30,039</u>	<u>301,992</u>	<u>462,032</u>
<b>NET BOOK VALUE</b>					
At 31 March 2020	<u>1,044,321</u>	<u>3,434</u>	<u>6,283</u>	<u>41,509</u>	<u>1,095,547</u>
At 31 March 2019	<u>1,017,681</u>	<u>2,608</u>	<u>4,844</u>	<u>50,244</u>	<u>1,075,377</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 13. FIXED ASSET INVESTMENTS

##### Investment properties

	2020	2019
	£	£
At 1 April 2019 and 31 March 2020	102,500	102,500

All Investment properties were valued by independent qualified surveyors on 31 March 2015 and 31 March 2018.

	2020	2019
	£	£
<b>Subsidiary undertakings</b>	<b>1</b>	<b>1</b>

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's statement of financial position.

##### Subsidiary Undertakings

Oak Tree Housing Association Limited has the following wholly owned subsidiary undertakings.

The relationship between the Association and each subsidiary is set out in an independence agreement between both parties.

	2020		2019	
	<i>Reserves</i>	<i>Profit /</i>	<i>Reserves</i>	<i>Profit /</i>
	£	(Loss)	£	(Loss)
		£		£
Oak Tree Housing Initiatives Ltd	16,164	15,937	227	620
Cloch Housing Association	15,374,949	2,849,741	12,525,205	709,962

#### 14. RECEIVABLE AMOUNTS DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Loans due from subsidiary	750,043	877,169

The loan to Cloch Housing Association Ltd is being repaid over a 15 year period, (due to be repaid by March 2027). The loan is secured over housing properties belonging to Cloch Housing Association Ltd.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

<b>15. RECEIVABLES</b>		
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Gross arrears of rent & service charges	284,152	259,368
<b>Less:</b> Provision for doubtful debts	(160,868)	(160,913)
<i>Net arrears of rent and service charges</i>	123,284	98,455
Other receivables	462,414	397,245
Amounts due from group undertakings	139,774	156,724
	<u>725,472</u>	<u>652,424</u>
<b>16. CURRENT ASSET INVESTMENTS</b>		
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Short term deposits	10,484,728	4,740,965
<b>17. CASH AND CASH EQUIVALENTS</b>		
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	2,700,287	2,855,945
<b>18. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Bank loans	1,207,180	820,800
Trade payables	83,333	372,123
Rent received in advance	312,406	297,679
Social housing grant in advance	139,290	46,430
Other taxation and social security	44,350	95,464
Amounts due to group undertakings	19,289	14,459
Other payables	141,339	166,504
Accruals and deferred income	5,863,043	380,202
	<u>7,810,230</u>	<u>2,193,661</u>
<b>19. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Bank loans	16,341,493	15,892,748
	<u>16,341,493</u>	<u>15,892,748</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 20. DEBT ANALYSIS - BORROWINGS

	2020	2019
	£	£
<b>Bank Loans</b>		
Amounts due within one year	1,207,180	820,800
Amounts due in one year or more but less than two years	1,221,380	973,100
Amounts due in two years or more but less than five years	3,572,130	2,991,200
Amounts due in more than five years	11,547,980	11,928,448
	<u>17,548,670</u>	<u>16,713,548</u>

The Association has a number of bank loans the principal terms of which are as follows:

<b>Lender</b>	<b>Number of Properties Secured</b>	<b>Effective Interest Rate</b>	<b>Maturity (Year) Variable or Fixed</b>
Nationwide	158	1.2%	2033 Fixed
Nationwide	304	1.7%	2038 Fixed
Nationwide	258	1.7%	2033 Fixed
Nationwide	575	1.4%	2036 Fixed
Royal Bank of Scotland	198	2.2%	2028 Variable
Scottish Government	-	0.0%	2024 Interest Free

All the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21. DEFERRED INCOME

	Social Housing Grants £	Other Housing Grants £	Total £
<b>Capital grants received</b>			
At 1 April 2019	94,415,064	392,800	94,807,864
Additions in the year	1,832,738	-	1,832,738
Eliminated on disposal	(89,288)	-	(89,288)
At 31 March 2020	<u>96,158,514</u>	<u>392,800</u>	<u>96,551,314</u>
<b>Amortisation</b>			
At 1 April 2019	32,849,611	96,015	32,945,626
Amortisation in year	3,201,529	8,728	3,210,257
Eliminated on disposal	(19,840)	-	(19,840)
At 31 March 2020	<u>36,031,300</u>	<u>104,743</u>	<u>36,136,043</u>
<b>Net book value</b>			
At 31 March 2020	<u>60,127,214</u>	<u>288,057</u>	<u>60,415,271</u>
At 31 March 2019	<u>61,565,453</u>	<u>296,785</u>	<u>61,862,238</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2020 £	2019 £
Amounts due within one year	2,139,577	2,077,280
Amounts due in more than one year	58,275,694	59,784,958
	<u>60,415,271</u>	<u>61,862,238</u>

### 22. SHARE CAPITAL

	2020 £	2019 £
<b>Shares of £1 each, issued and fully paid</b>		
At 1 April	231	244
Issued in year	2	3
Cancelled in year	(19)	(16)
At 31 March	<u>214</u>	<u>231</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions 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.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. RETIREMENT BENEFIT OBLIGATIONS

#### Scottish Housing Association Pension Scheme

Oak Tree Housing Association Limited participates in the Scottish Housing Association 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, sets out the framework for funding defined benefit occupational pensions schemes in the UK.

The last valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m (equivalent to a past service funding level of 89%). A recovery plan is in place to eliminate the past service deficit which runs to 28 February 2022.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is reapportioned amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

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

	2020	2019	2018
	£	£	£
Fair value of plan assets	10,640,000	9,444,000	8,880,000
Present value of defined benefit obligation	10,646,000	11,418,000	10,725,000
Surplus / (deficit) in plan	(6,000)	(1,974,000)	(1,845,000)
Unrecognised surplus	-	-	-
Defined benefit asset / (liability) to be recognised	(6,000)	(1,974,000)	(1,845,000)

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Scottish Housing Association Pension Scheme (continued.)

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

	2020	2019
	£	£
Defined benefit obligation at the start of period	11,418,000	10,725,000
Current service cost	136,000	153,000
Expenses	9,000	9,000
Interest expense	268,000	281,000
Contributions by plan participants	136,000	137,000
Actuarial losses (gains) due to scheme experience	243,000	(553,000)
Actuarial losses (gains) due to changes in demographic assumptions	(65,000)	30,000
Actuarial losses (gains) due to changes in financial assumptions	(1,272,000)	784,000
Benefits paid and expenses	(227,000)	(148,000)
Defined benefit obligation at the end of period	<u>10,646,000</u>	<u>11,418,000</u>

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

	2020	2019
	£	£
Fair value of plan assets at start of period	9,444,000	8,880,000
Interest income	226,000	236,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	616,000	(93,000)
Contributions by the employer	445,000	432,000
Contributions by plan participants	136,000	137,000
Benefits paid and expenses	(227,000)	(148,000)
Fair value of plan assets at the end of period	<u>10,640,000</u>	<u>9,444,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £842,000.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Scottish Housing Association Pension Scheme (continued.)

#### Defined benefit costs recognised in the statement of comprehensive income

	2020	2019
	£	£
Current service cost	136,000	153,000
Expenses	9,000	9,000
Net interest expense	42,000	45,000
	<u>          </u>	<u>          </u>
Defined benefit costs recognised in statement of comprehensive income	187,000	207,000
	<u>          </u>	<u>          </u>

#### Defined benefit costs recognised in the other comprehensive income

	2020	2019
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain /(loss)	616,000	(93,000)
Experience gains and losses arising on plan liabilities - gain /(loss)	(243,000)	553,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain /(loss)	65,000	(30,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	1,272,000	(784,000)
	<u>          </u>	<u>          </u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	1,710,000	(354,000)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in interest cost) - gain / (loss)	-	-
	<u>          </u>	<u>          </u>
Total amount recognised in other comprehensive income - gain (loss)	1,710,000	(354,000)
	<u>          </u>	<u>          </u>

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Scottish Housing Association Pension Scheme (continued.)

##### Assets

	2020	2019	2018
	£	£	£
Absolute Return	653,000	800,000	1,054,000
Alternative Risk Premia	853,000	527,000	336,000
Corporate Bond Fund	778,000	662,000	620,000
Credit Relative Value	256,000	164,000	-
Distressed Opportunities	194,000	161,000	40,000
Emerging Markets Debt	378,000	303,000	304,000
Fund of Hedge Funds	-	26,000	255,000
Global Equity	1,463,000	1,519,000	1,597,000
Infrastructure	627,000	396,000	162,000
Insurance-Linked Securities	285,000	245,000	243,000
Liability Driven Investment	2,802,000	3,360,000	3,126,000
Long Lease Property	260,000	115,000	-
Net Current Assets	81,000	10,000	17,000
Over 15 Year Gilts	135,000	243,000	287,000
Private Debt	211,000	122,000	82,000
Property	198,000	188,000	351,000
Risk Sharing	337,000	274,000	81,000
Secured Income	591,000	329,000	325,000
Liquid Credit	279,000	-	-
Opportunistic Illiquid Credit	259,000	-	-
	<u>10,640,000</u>	<u>9,444,000</u>	<u>8,880,000</u>

None of the fair values of the assets shown above include any direct investment in the Association's own financial instruments or any property occupied by, or other assets used by the Association.

#### Key Assumptions

	2020	2019	2018
Discount Rate	2.4%	2.3%	2.6%
Inflation (RPI)	2.6%	3.3%	3.2%
Inflation (CPI)	1.6%	2.3%	2.2%
Salary Growth	2.6%	3.3%	3.2%
	75% of	75% of	75% of
	maximum	maximum	maximum
Allowance for commutation of pension for cash at retirement	<u>allowance</u>	<u>allowance</u>	<u>allowance</u>

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	<u>24.5</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 24. CASH FLOWS

##### Reconciliation of net cash flow to movement in net debt

	£	2020 £	£	2019 £
Decrease in cash	(155,658)		(2,251,543)	
Change in liquid resources	5,743,763		-	
Cashflow from change in net debt	(835,125)		(203,401)	
Movement in net debt during the year		4,752,980		(2,454,944)
Net debt at 1 April		(9,116,638)		(10,316,554)
Net debt at 31 March		<u>(4,363,658)</u>		<u>(12,771,498)</u>

	At 01 April 2019 £	Cashflows £	Other Changes £	At 31 March 2020 £
Cash and cash equivalents	2,855,945	(155,658)	-	2,700,287
Liquid resources	2,855,945	(155,658)	-	2,700,287
Debt: Due within one year	4,740,965	5,743,763	-	10,484,728
Due after more than one year	(820,800)	(835,125)	448,745	(1,207,180)
	(15,892,748)	-	(448,745)	(16,341,493)
Net debt	<u>(9,116,638)</u>	<u>4,752,980</u>	<u>-</u>	<u>(4,363,658)</u>

#### 25. CAPITAL COMMITMENTS

	2020 £	2019 £
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	<u>6,635,860</u>	<u>4,940,397</u>

The above commitments will be financed by a mixture of private finance, public grant and the Association's own resources.

#### 26. COMMITMENTS UNDER OPERATING LEASES

	2020 £	2019 £
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
<b>Other</b>		
Expiring in the next year	4,012	6,357
Expiring later than one year and not later than five years	<u>4,665</u>	<u>-</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 27. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 41 High Street, Greenock, PA15 1NR.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Inverclyde.

#### 28. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £233 (2019 - Nil) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

#### 29. EXCEPTIONAL ITEM

	2020	2019
	£	£
Breakage Fees	-	(393,484)

There were no exceptional items during 2019/20. The prior year exceptional item of £393,484 relates to "breakage fees" arising on the re-negotiation of the interest rate on one of the association's fixed rate loans with Nationwide Building Society. The revised interest rate will give rise to net savings of circa £720,000 over the remaining term of the loan.

#### 30. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2020	2019
	No.	No.
General needs	1,740	1,717
Supported housing	57	47
Shared ownership	94	96
	<u>1,891</u>	<u>1,860</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 31. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102.

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members (and their close family) were as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Rent received from tenants on the Management Committee and their close family members.	33,859	28,470

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £1,290 (2019 - £2).

Members of the Management Committee who are tenants.	6	5
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The Association have taken advantage of the exemption with FRS 102 from disclosing related party transactions with 100% subsidiaries.

#### 32. POST BALANCE SHEET EVENT

At the time of approving the financial statements, the United Kingdom was impacted by the Coronavirus pandemic. The pandemic will impact on the Association's activities and it is monitoring the position and updating its plans accordingly. No adjustment has been made to the financial statements as a result of this post balance sheet event.