



**Alexander Sloan**  
Accountants and Business Advisers

# **Oak Tree Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31 March 2018**

**Registered Housing Association No.HCB137**

**FCA Reference No. 2232(S)**

**Scottish Charity No. SCO45300**

# OAK TREE HOUSING ASSOCIATION LIMITED

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# OAK TREE HOUSING ASSOCIATION LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2018

### MANAGEMENT COMMITTEE

Colin Campbell	Chairperson
Jackie McKelvie	Vice Chairperson
June Glancy	Secretary
Sandra Rorison	
David McIndoe	
Betty McDonald	
Jeanette Dillon	
Ronny Lee	
Chris Bateman	
Sharon Tritschler	
Diane McCarney	
Joyce Little	(Resigned 30/4/2018)
Francis Stewart	(Resigned 28/8/2017)

### EXECUTIVE OFFICERS

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

### REGISTERED OFFICE

41 High Street  
Greenock  
PA15 1NR

### EXTERNAL AUDITORS

Alexander Sloan  
Chartered Accountants  
180 St Vincent Street  
Glasgow  
G2 5SG

### INTERNAL AUDITORS

TIAA  
Unit 11E Peartree Business Centre  
Cobham Road  
Wimborne  
BH21 7PT

### BANKERS

Royal Bank of Scotland  
Cathcart Street  
Greenock  
PA15 1BA

### SOLICITORS

Patten & Prentice  
2 Ardgowan Square  
Greenock  
PA16 8PP

### 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 2018

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2018.

### Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2232(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO45300.

### 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 Association had a very busy and interesting year with many targets exceeded across all services.

We finished building 45 new homes at Garvald Street and these were all let within 48 hours. We acquired land to develop a further 106 units and are in discussion with the local authority regarding building 192 units over the course of the term of our Business Plan. For the first time we are selling development services to our subsidiary, Cloch Housing Association with the contract running to 2019/20.

Our current and former tenant arrears increased in the year, primarily as a result of the introduction of Universal Credit within Inverclyde, this remains an area of concern and focus by the Housing Team. Resources have been deployed to closely monitor the situation and to act to ensure we maintain rental income levels.

Along with Cloch and Larkfield Housing Associations we continue to successfully run the Inverclyde Common Housing Register.

The Smarterbuys franchise continues to offer our tenants low cost credit services for certain household goods.

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

With regards to our subsidiary Cloch Housing Association, whilst continuing to reinforce and reiterate our respective brands, we are expanding our collaborative working on a number of fronts.

2017/18 was another successful trading year for Oak Tree Housing Association. The Association made a surplus of £1.97m in the year compared to a projected £1.1m surplus, with savings achieved and some work activities being carried forward into 2018/19. Total turnover was just over £10m, (2016/17 - £9.90m) with Operating costs of £7.39m, (2016/17 - £7.48m).

Going forward the Association anticipates an exciting year, with significant growth in development, selling of development services, improvements to customer services through better use of information technology and a much-awaited office move.

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

### 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 Act 2014 require the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the 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 the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- 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 2014 and the Determination of Accounting Requirements - 2015. They are 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.

The Management Committee must in determining how amounts are presented within items in the Statement of Comprehensive Income and Statement of Financial Position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and;
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

### 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 mis-statement 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 receive 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 ended 31 March 2018. 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 amounting to £525 (2017 - £250).

### Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

### By order of the Management Committee



**JUNE GLANCY**

Secretary

13 June 2018

# OAK TREE HOUSING ASSOCIATION LIMITED

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

In addition to our audit of the Financial Statements, we have reviewed your statement on page 4 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 relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. 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 reasons given for non-compliance.

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes 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 Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



**ALEXANDER SLOAN**  
Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
19 June 2018



**Alexander Sloan**  
Accountants and Business Advisers

# OAK TREE HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OAK TREE HOUSING ASSOCIATION LIMITED

### Opinion

We have audited the financial statements of Oak Tree Housing Association Limited (the 'Association') for the year ended 31 March 2018 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).

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

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its 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 requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

### 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

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

- the 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 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 our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Management Committee.

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:

- proper books of account 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 requirements of the legislation;
- 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.



# OAK TREE HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OAK TREE HOUSING ASSOCIATION LIMITED (Continued)

### Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 3, 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 determines 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 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 intends to liquidate the Association or to cease operations, or has 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
- Conclude on the appropriateness of the Management Committee use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**ALEXANDER SLOAN**  
Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
19 June 2018



**Alexander Sloan**  
Accountants and Business Advisers

# OAK TREE HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
<b>REVENUE</b>	2		10,008,485		9,909,356
Operating Costs	2		<u>(7,384,936)</u>		<u>(7,479,745)</u>
<b>OPERATING SURPLUS</b>			2,623,549		2,429,611
Gain On Sale Of Housing Stock	7	62,305		157,900	
Exceptional Item	25	78,130		19,050	
Interest Receivable and Other Income		67,676		95,375	
Interest Payable and Similar Charges	8	(759,540)		(792,939)	
Other Finance Income / (Charges)	11	<u>(102,643)</u>		<u>(95,847)</u>	
			<u>(654,072)</u>		<u>(616,461)</u>
<b>SURPLUS FOR THE YEAR</b>	9		<b>1,969,477</b>		<b>1,813,150</b>
Other Comprehensive Income			-		-
<b>TOTAL COMPREHENSIVE INCOME</b>			<b><u>1,969,477</u></b>		<b><u>1,813,150</u></b>

# OAK TREE HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing Properties - Depreciated Cost	12 (a)		97,360,748		98,371,904
Other Non-current Assets	12 (b)		462,642		447,253
			<u>97,823,390</u>		<u>98,819,157</u>
<b>INVESTMENTS</b>					
Investment in subsidiaries	26	1		1	
Investment properties	26	102,500		102,500	
			<u>102,501</u>		<u>102,501</u>
<b>RECEIVABLES: Amounts falling due after more than one year</b>					
	14		1,004,295		1,226,765
<b>CURRENT ASSETS</b>					
Receivables	15	1,197,626		509,414	
Investments	26	2,085,000		1,785,000	
Cash at bank and in hand		5,107,488		5,558,194	
		<u>8,390,114</u>		<u>7,852,608</u>	
<b>CREDITORS: Amounts falling due within one year</b>					
	16	(2,255,578)		(2,233,440)	
<b>NET CURRENT ASSETS</b>					
			<u>6,134,536</u>		<u>5,619,168</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			<u>105,064,722</u>		<u>105,767,591</u>
<b>CREDITORS: Amounts falling due after more than one year</b>					
	17		(17,506,452)		(18,556,032)
<b>DEFERRED INCOME</b>					
Social Housing Grants	19	(62,531,503)		(64,145,542)	
Other Grants	19	(305,513)		(314,241)	
			<u>(62,837,016)</u>		<u>(64,459,783)</u>
<b>NET ASSETS</b>					
			<u>24,721,254</u>		<u>22,751,776</u>
<b>EQUITY</b>					
Share Capital	20		244		243
Revenue Reserves			24,721,010		22,751,533
			<u>24,721,254</u>		<u>22,751,776</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 13 June 2018.

Chairperson  
Colin Campbell

Vice Chairperson  
Jackie McKelvie

Secretary  
June Gancy

The notes on pages 12 to 25 form part of these financial statements.

# OAK TREE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	18		3,467,360		3,161,877
<b>Investing Activities</b>					
Acquisition and Construction of Properties		(2,462,079)		(3,976,416)	
Purchase of Other Fixed Assets		(63,429)		(73,544)	
Social Housing Grant Received		46,271		1,430,320	
Social Housing Grant Repaid		(160,279)		(352,687)	
Changes on short term deposits with banks		(300,000)		(1,785,000)	
Proceeds on Disposal of Properties		341,844		658,288	
<b>Net cash outflow from investing activities</b>			(2,597,672)		(4,099,039)
<b>Financing Activities</b>					
Other Finance Charges		(98,311)		-	
Intercompany Loan Repayments		222,470		234,773	
Interest Received on Cash and Cash Equivalents		67,676		95,375	
Interest Paid on Loans		(759,540)		(792,939)	
Loan Principal Repayments		(752,696)		(1,145,526)	
Share Capital Issued		7		3	
<b>Net cash outflow from financing activities</b>			(1,320,394)		(1,608,314)
<b>Decrease in cash</b>			(450,706)		(2,545,476)
<b>Opening Cash &amp; Cash Equivalents</b>			5,558,194		8,103,670
<b>Closing Cash &amp; Cash Equivalents</b>			<b>5,107,488</b>		<b>5,558,194</b>
<b>Cash and Cash equivalents as at 31 March</b>					
Cash			5,107,488		5,558,194
			<b>5,107,488</b>		<b>5,558,194</b>

The notes on pages 12 to 25 form part of these financial statements.

# OAK TREE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1 April 2016</b>	252	20,938,383	20,938,635
Issue of Shares	3	-	3
Cancellation of Shares	(12)	-	(12)
Surplus for Year	-	1,813,150	1,813,150
<b>Balance as at 31 March 2017</b>	<u>243</u>	<u>22,751,533</u>	<u>22,751,776</u>
<b>Balance as at 1 April 2017</b>	243	22,751,533	22,751,776
Issue of Shares	7	-	7
Cancellation of Shares	(6)	-	(6)
Surplus for Year	-	1,969,477	1,969,477
<b>Balance as at 31 March 2018</b>	<u>244</u>	<u>24,721,010</u>	<u>24,721,254</u>

The notes on pages 12 to 25 form part of these financial statements.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

#### Statement of Compliance

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 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

#### Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

#### Basis of Consolidation

The financial statements for Oak Tree Housing Association Limited 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 it relates.

#### Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and 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 Associations taken as a whole. The Association has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme for new employees.

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

#### Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
Structure	50 Years
Windows	40 Years
External Render	40 Years
Internal Doors	40 Years
Roofs	40 Years
Radiators & Pipes	30 Years
Rewire	30 Years
Parking Areas	30 Years
Bathrooms	20 Years
External Doors	20 Years
Boiler & Flush	15 Years
Door Entry Systems	10 Years
Kitchens	10 Years
Play Areas	5 Years

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### **Depreciation And Impairment Of Other Non-Current 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:-

<b>Asset Category</b>	<b>Depreciation Rate</b>
Office Premises	2% to 2.5% Straight Line
Furniture & Fittings	20% Reducing Balance
Computer Equipment	25% Straight Line
Office Equipment	20% Reducing Balance

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

#### **Social Housing Grant And Other Grants In Advance/Arrears**

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 it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

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.

#### **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 of housing property under the Right to Buy scheme are treated as non-current asset disposals and any gain or loss on disposal accounted for 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.

#### **Estimation Uncertainty**

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board of Management to exercise judgement in applying the Association'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:

##### **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.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### **Leases/Leased Assets**

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.

#### **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.

#### **Key Judgements made in the application of Accounting Policies**

##### ***a) The 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 Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

##### ***c) Financial instrument break clauses***

The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Management Committee, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

##### ***d) Pension Liability***

In March 2018 the Association received details from the Pension Trust of the valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feels this is the best available estimate of the past service liability.

#### **Financial Instruments - Basic**

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.



# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Notes	2018			2017		
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	9,549,708	6,879,855	2,669,853	9,459,275	6,922,803	2,536,472
Other Activities	458,777	505,081	(46,304)	450,081	556,942	(106,861)
<b>Total</b>	<b>10,008,485</b>	<b>7,384,936</b>	<b>2,623,549</b>	<b>9,909,356</b>	<b>7,479,745</b>	<b>2,429,611</b>

### 3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General			2018 Total £	2017 Total £
	Needs Housing £	Supported Housing £	Shared Ownership £		
<b>Revenue from Lettings</b>					
Rent receivable net of service charges	6,838,258	234,744	276,223	7,349,225	7,143,776
Service charges receivable	67,459	17,201	3,012	87,672	85,974
<b>Gross income from rent and service charges</b>	<b>6,905,717</b>	<b>251,945</b>	<b>279,235</b>	<b>7,436,897</b>	<b>7,229,750</b>
Less: Rent losses from voids	42,856	5,487	976	49,319	58,684
<b>Net Rents Receivable</b>	<b>6,863,061</b>	<b>246,458</b>	<b>278,259</b>	<b>7,387,778</b>	<b>7,171,066</b>
Grants released from deferred income	1,916,805	56,865	96,363	2,070,033	2,022,004
Revenue grants from Scottish Ministers	91,897	-	-	91,897	135,021
Other revenue grants	-	-	-	-	131,184
<b>Total turnover from affordable letting activities</b>	<b>8,871,763</b>	<b>303,323</b>	<b>374,622</b>	<b>9,549,708</b>	<b>9,459,275</b>
<b>Expenditure on affordable letting activities</b>					
Management and maintenance administration costs	1,846,440	63,385	74,585	1,984,410	1,870,652
Service Costs	151,321	36,585	6,757	196,663	186,026
Planned and cyclical maintenance, including major repairs	464,704	8,896	-	473,600	643,383
Reactive maintenance costs	901,449	20,940	-	922,389	878,695
Bad Debts - rents and service charges	43,170	-	-	43,170	53,793
Depreciation of affordable let properties	3,021,465	103,481	134,677	3,259,623	3,290,254
<b>Operating costs of affordable letting activities</b>	<b>6,428,549</b>	<b>235,287</b>	<b>216,019</b>	<b>6,879,855</b>	<b>6,922,803</b>
<b>Operating surplus on affordable letting activities</b>	<b>2,443,214</b>	<b>68,036</b>	<b>158,603</b>	<b>2,669,853</b>	<b>2,536,472</b>
<b>2017</b>	<b>2,294,575</b>	<b>83,630</b>	<b>158,267</b>		

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants		Supporting People Income	Other Income	Turnover	Operating Costs		Operating Costs Other	Operating Surplus /(Deficit)	
	From Scottish Ministers	£				£	£		£	£
Wider role activities	48,000	-	-	16,800	64,800	-	-	112,691	(47,891)	(78,131)
Development	-	-	-	18,817	18,817	-	-	13,785	5,032	(24,398)
Commercial property	-	-	-	15,169	15,169	-	-	-	15,169	17,541
Lead tenancy income	-	-	-	40,365	40,365	-	-	34,862	5,503	5,985
Contracted out services undertaken for other organisations	-	-	-	151,649	151,649	-	-	151,649	-	54
Agency or management services	-	-	-	26,644	26,644	-	-	52,325	(25,681)	(28,879)
Factoring	-	-	-	141,333	141,333	(1,562)	(1,562)	141,331	1,564	967
<b>Total From Other Activities</b>	<b>48,000</b>	<b>-</b>	<b>-</b>	<b>410,777</b>	<b>458,777</b>	<b>(1,562)</b>	<b>(1,562)</b>	<b>506,643</b>	<b>(46,304)</b>	<b>(106,861)</b>
<b>2017</b>	<b>62,967</b>	<b>140,828</b>	<b>246,286</b>	<b>(967)</b>	<b>557,909</b>	<b>(106,861)</b>				

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. OFFICERS' EMOLUMENTS

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.

	2018	2017
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>287,133</u>	<u>282,519</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>29,677</u>	<u>28,630</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>90,828</u>	<u>89,526</u>
Total Emoluments paid to key management personnel	<u>355,654</u>	<u>348,227</u>

The number of Officers, including the highest paid Officer, who received emoluments 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	1
£90,001 to £100,000	<u>1</u>	<u>-</u>

### 6. EMPLOYEE INFORMATION

	2018	2017
	No.	No.
The average monthly number of full time equivalent persons employed during the year was:	<u>39</u>	<u>35</u>
The average total number of Employees employed during the year was:	<u>45</u>	<u>42</u>
Staff Costs were:	£	£
Wages and Salaries	1,255,239	1,152,575
Social Security Costs	124,469	124,041
Other Pension Costs	135,986	128,412
Temporary, Agency and Seconded Staff	51,559	55,864
	<u>1,567,253</u>	<u>1,460,892</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 7. GAIN ON SALE OF HOUSING STOCK

	2018	2017
	£	£
Sales Proceeds	341,844	658,288
Cost of Sales	<u>279,539</u>	<u>500,388</u>
Gain On Sale Of Housing Stock	<u>62,305</u>	<u>157,900</u>

## 8. INTEREST PAYABLE & SIMILAR CHARGES

	2018	2017
	£	£
On Bank Loans & Overdrafts	<u>759,540</u>	<u>792,939</u>
	<u>759,540</u>	<u>792,939</u>

## 9. SURPLUS FOR THE YEAR

	2018	2017
	£	£
Surplus For The Year is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	3,241,736	3,128,880
Auditors' Remuneration - Audit Services	8,131	8,016
Auditors' Remuneration - Other Services	1,962	2,130
Operating Lease Rentals - Other	8,548	8,548
Gain on sale of fixed assets	<u>62,305</u>	<u>157,900</u>

## 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

	2018	2017
	£	£
Loan Set-Up Fees	98,311	-
Unwinding of Discounted Liabilities	<u>4,332</u>	<u>95,847</u>
	<u>102,643</u>	<u>95,847</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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>				
As at 1 April 2017	125,022,371	4,871,859	6,295,036	136,189,266
Additions	1,182,040	1,222,456	-	2,404,496
Cost of Shared Ownership Buybacks	57,583	-	-	57,583
Disposals	(523,494)	-	(45,372)	(568,866)
Schemes Completed	5,325,037	(5,139,037)	(186,000)	-
As at 31 March 2018	131,063,537	955,278	6,063,664	138,082,479
<b>DEPRECIATION</b>				
As at 1 April 2017	36,139,302	-	1,678,060	37,817,362
Charge for Year	3,059,018	-	134,678	3,193,696
Disposals	(227,229)	-	(62,098)	(289,327)
As at 31 March 2018	38,971,091	-	1,750,640	40,721,731
<b>NET Book VALUE</b>				
As at 31 March 2018	92,092,446	955,278	4,313,024	97,360,748
As at 31 March 2017	88,883,069	4,871,859	4,616,976	98,371,904

Additions to housing properties include capitalised development administration costs of £Nil (2017 - £Nil) and capitalised major repair costs to existing properties of £1,182,040 (2017 - £1,278,412).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £3,858,068 (2017 - £2,800,490). The amount capitalised is £1,239,623 (2017 - £1,278,412) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £1,182,040 (2017 - £1,278,415) and buy back of Shared Ownership properties of £57,583 (2017 - £Nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £57,218,394 (2017 - £60,747,008).

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Other Tangible Assets	Office & Other Property £	Furniture & Fittings £	Computer Equipment £	Office Equipment £	Total £
<b>COST</b>					
As at 1 April 2017	396,046	52,526	175,627	128,180	752,379
Additions	46,970	300	16,014	146	63,430
Eliminated on Disposals	-	(17,962)	-	(95,213)	(113,175)
As at 31 March 2018	443,016	34,864	191,641	33,113	702,634
<b>AGGREGATE DEPRECIATION</b>					
As at 1 April 2017	29,651	49,137	109,556	116,782	305,126
Charge for year	11,075	933	30,340	5,692	48,040
Eliminated on Disposals	-	(17,961)	-	(95,213)	(113,174)
As at 31 March 2018	40,726	32,109	139,896	27,261	239,992
<b>NET Book VALUE</b>					
As at 31 March 2018	402,290	2,755	51,745	5,852	462,642
As at 31 March 2017	366,395	3,389	66,071	11,398	447,253

### 12. CAPITAL COMMITMENTS

	2018 £	2017 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	1,614,282	1,339,000

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

### 13. COMMITMENTS UNDER OPERATING LEASES

	2018 £	2017 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
<b>Other</b>		
Not later than one year	8,548	8,548
Later than one year and not later than five years	4,293	12,842

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14. RECEIVABLES AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£	£
Loan to subsidiary	1,004,295	1,226,765

The loan to Cloch Housing Association Ltd, is being repaid over a 15 year period. The loan is secured over housing properties belonging to Cloch Housing Association Ltd.

## 15. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Arrears of Rent & Service Charges	257,427	235,725
Less: Provision for Doubtful Debts	(163,775)	(150,129)
	93,652	85,596
Social Housing Grant Receivable	607,544	25,769
Other Receivables	261,441	341,630
Amounts Due from Group Undertakings	234,989	56,419
	1,197,626	509,414

## 16. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Housing Loans	830,500	805,200
Trade Payables	200,763	212,803
Rent Received in Advance	303,115	314,677
Social Housing Grant in Advance	17,836	-
Other Taxation and Social Security	92,869	106,435
Amounts Due to Group Undertakings	19,690	1,163
Other Payables	72,111	145,171
Liability for Past Service Contributions	275,917	267,881
Accruals and Deferred Income	442,777	380,120
	2,255,578	2,233,440

At the Statement of Financial Position date there were pension contributions outstanding of £48,485 (2017 - £41,924).

## 17. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£	£
Liability for Past Service Contributions	827,910	1,099,494
Housing Loans	16,678,542	17,456,538
	17,506,452	18,556,032
<b>Housing Loans</b>		
Amounts due within one year	830,500	805,200
Amounts due in one year or more but less than two years	837,100	840,100
Amounts due in two years or more but less than five years	2,627,500	2,563,238
Amounts due in more than five years	13,213,942	14,053,200
	17,509,042	18,261,738
Less: Amount shown in Current Liabilities	830,500	805,200
	16,678,542	17,456,538
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	275,917	267,881
Amounts due in one year or more but less than two years	279,967	273,023
Amounts due in two years or more but less than five years	547,943	561,870
Amounts due in more than five years	-	264,601
	1,103,827	1,367,375
Less: Amount shown in Current Liabilities	275,917	267,881
	827,910	1,099,494

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
Nationwide	Standard security over 577 properties	4.4%	2039	Fixed
Nationwide	Standard security over 285 properties	4.9%	2038	Fixed
Nationwide	Standard security over 260 properties	4.9%	2033	Fixed
Nationwide	Standard security over 173 properties	0.8%	2036	Variable

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

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.51% (2017 - 1.06%).

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 18. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2018 £	2017 £
Operating Surplus	2,623,549	2,429,611
Depreciation	3,241,736	3,332,071
Amortisation of Capital Grants	(2,072,698)	(2,022,004)
Change in debtors	(106,437)	155,648
Change in creditors	(292,582)	(656,640)
Unwinding of Discount on Pension Liability	(4,332)	(95,847)
Exceptional Item	78,130	19,050
Share Capital Written Off	(6)	(12)
Net cash inflow from operating activities	<u>3,467,360</u>	<u>3,161,877</u>

## 19. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
<b>Social Housing Grants</b>				
As at 1 April 2017	85,064,037	3,286,759	4,642,660	92,993,456
Additions in the year	2,666	607,544	-	610,210
Eliminated on disposal of components and property Transferred	(207,806)	(25,769)	(40,785)	(274,360)
	3,159,187	(3,041,100)	(118,087)	-
As at 31 March 2018	<u>88,018,084</u>	<u>827,434</u>	<u>4,483,788</u>	<u>93,329,306</u>
<b>Amortisation</b>				
As at 1 April 2017	27,472,325	-	1,375,589	28,847,914
Eliminated on disposal	(95,954)	-	(18,127)	(114,081)
Amortisation in year	1,997,559	-	66,411	2,063,970
As at 31 March 2018	<u>29,373,930</u>	<u>-</u>	<u>1,423,873</u>	<u>30,797,803</u>
<b>Net book value</b>				
As at 31 March 2018	<u>58,644,154</u>	<u>827,434</u>	<u>3,059,915</u>	<u>62,531,503</u>
As at 31 March 2017	<u>57,591,712</u>	<u>3,286,759</u>	<u>3,267,071</u>	<u>64,145,542</u>
<b>Other Grants</b>				
As at 1 April 2017	392,800	-	-	392,800
As at 31 March 2018	<u>392,800</u>	<u>-</u>	<u>-</u>	<u>392,800</u>
<b>Amortisation</b>				
As at 1 April 2017	78,559	-	-	78,559
Amortisation in year	8,728	-	-	8,728
As at 31 March 2018	<u>87,287</u>	<u>-</u>	<u>-</u>	<u>87,287</u>
<b>Net book value</b>				
As at 31 March 2018	<u>305,513</u>	<u>-</u>	<u>-</u>	<u>305,513</u>
As at 31 March 2017	<u>314,241</u>	<u>-</u>	<u>-</u>	<u>314,241</u>
<b>Total grants net book value as at 31 March 2018</b>	<u>58,949,667</u>	<u>827,434</u>	<u>3,059,915</u>	<u>62,837,016</u>
<b>Total grants net book value as at 31 March 2017</b>	<u>57,905,953</u>	<u>3,286,759</u>	<u>3,267,071</u>	<u>64,459,783</u>

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

	2018 £	2017 £
Amounts due within one year	2,063,970	2,022,004
Amounts due in one year or more	60,773,046	62,437,779
	<u>62,837,016</u>	<u>64,459,783</u>



# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 20. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
As at 1 April 2017	243
Issued in year	7
Cancelled in year	(6)
At 31 March 2018	<u>244</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.

### 21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2018 No.	2017 No.
General Needs - New Build	1,721	1,678
Supported Housing	40	40
Shared Ownership	100	104
	<u>1,861</u>	<u>1,822</u>

### 22. 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.

Management Committee cannot use their position 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:

	2018 £	2017 £
Rent received from tenants on the Management Committee and their close family members	19,382	11,647
Factoring charges received from factored owners on the Management Committee	67	Nil

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were Nil (2017 - £394).

Members of the Management Committee who are tenants. 4 2

The Association has taken advantage of the exemption, within FRS 102 from disclosing related party transactions, with 100% subsidiaries.

### 23. 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.

### 24. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £Nil (2017 - £11) 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.

### 25. EXCEPTIONAL ITEM

The exceptional item of £78,130 (2017: £19,050) both relate to the write off of creditor balances in the furniture replacement fund.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 26. INVESTMENTS

#### Short term deposits

	2018	2017
	£	£
Short term deposits	<u>2,085,000</u>	<u>1,785,000</u>

#### Investment properties

	Commercial Properties	Total
	£	£
Valuation		
As at 1 April 2017	<u>102,500</u>	<u>102,500</u>
As at 31 March 2018	<u>102,500</u>	<u>102,500</u>

Commercial properties were valued by an independent professional adviser, Allied Scotland Chartered Surveyors on 31 March 2015 in accordance with the appraisal and valuation manual of the RICS. Commercial properties are subject to valuation at least every five years. No further revision was considered appropriate in the year 2017/18.

#### Investments in Subsidiaries

	2018	2017
	£	£
As at 31 March 2018 & 31 March 2017	<u>1</u>	<u>1</u>

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.

The Association has a 100% owned subsidiary named Oak Tree Housing Initiatives Ltd. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

The aggregate amount of capital and reserves and the results of Oak Tree Housing Initiatives Ltd for the year ended 31 March 2018 were as follows:

	2018	2017
	£	£
Capital & Reserves	<u>(392)</u>	<u>(935)</u>
Surplus for the year	<u>542</u>	<u>2,747</u>

The Association has a 100% owned subsidiary named Cloch Housing Association. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

During the year the Association recharged Finance, Common Housing Register and Development Services salaries, along with other services totalling £219,360 (2017 - £193,674). In addition interest totalling £21,921 (2017 - £33,412) was paid on the loan from the Association to Cloch Housing Association Ltd. At the Statement of Financial Position date the Association was due £85,351 (2017 - £21,733). The balance due to the Association on the loan to Cloch Housing Association Ltd was £1,131,421 (2017 - £1,226,765), as detailed in note 15 and 16 to these financial statements.

The aggregate amount of capital and reserves and the results of Cloch Housing Association for the year ended 31 March 2018 were as follows:

	2018	2017
	£	£
Capital & Reserves	<u>11,810,809</u>	<u>10,173,505</u>
Surplus for the year	<u>1,637,304</u>	<u>1,459,597</u>

The Association participates in a shared equity arrangement at 31 March 2018. At this date the Association has expended £1,429,354 on shared equity properties.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 27. RETIREMENT BENEFIT OBLIGATIONS

#### General

Oak Tree Housing Association Limited participated in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The last valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

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 re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employer's in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the statement of financial position date the present value of this obligation was £1,103,827 (2017 - £1,367,375). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.51% (2017 - 1.06%).

The Association made payments totalling £286,333 (2017- £240,092) to the pension scheme during the year.

