

OAK TREE HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2010

Registered Housing Association No.HCB 137

FSA Registration No. 2232(s)

OAK TREE HOUSING ASSOCIATION LIMITED

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OAK TREE HOUSING ASSOCIATION LIMITED

**MANAGEMENT COMMITTEE , EXECUTIVES AND ADVISERS
YEAR ENDED 31ST MARCH 2010**

MANAGEMENT COMMITTEE

David McLaughlan	Chairperson
Margaret McKay	Vice Chairperson
Norma Gathercole	Secretary
Jackie McKelvie	Resigned 29/04/09
Rachael Sandison	Resigned 23/06/09
Ronald Polter	
Eleanor McMichael	
Michael McLoone	
Peter Galbraith	
Sam Jess	Resigned 23/06/09
Tom McKenzie	
Brian Purdie	
Belt McClurg	Resigned 06/05/2009
Bernadette McDiarmid	Resigned 25/01/2010
Allson Kane	
Alan Clarkson	Co-optee
Maureen O'Donnell	Co-optee
Lesley Phillips	Co-optee
Jackie Smith	Co-optee

EXECUTIVE OFFICERS

Nick Jardine	Director
Anne Culley	Depute Director

REGISTERED OFFICE

41 High Street
Greenock
PA15 1NR

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Royal Bank of Scotland
122 Cathcart Street
Greenock
PA15 1BA

SOLICITORS

Patten & Prentice
2 Ardgowan Square
Greenock
PA16 8PP

Kelly & Co
184 Abercromby St
Glasgow
G40 2RZ

OAK TREE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2010

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2010.

Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2232(s). The Association is constituted under its Rule Book.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation and the development of low cost home ownership schemes.

Review of Business and Future Developments

The Social Housing sector is going through an extra-ordinary period of uncertainty with the expectation of reducing grant levels and development activity. The Association has re-organised our staffing structure to enable us to meet the challenges these changes will inevitably bring.

The focus in the coming year will be the delivery of our planned and cyclical repairs programmes and ensuring service levels continue at the high levels our customers expect.

OAK TREE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2010

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.

Statement of Management Committee's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 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 judgments 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 Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. 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 income and expenditure account and balance sheet, 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

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2010

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 quarterly 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;
- regular 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;
- 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.

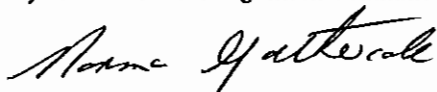
Donations

During the year the Association made charitable donations amounting to £590 (2009 - £300).

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



NORMA GATHERCOLE

Secretary

28 June 2010

OAK TREE HOUSING ASSOCIATION LIMITED

**REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE 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 section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

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 section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" 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 section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
28 June 2010

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

We have audited the financial statements of Oak Tree Housing Association Limited for the year ended 31st March 2010 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Management Committee and Auditors

As described in the Statement of Management Committee's Responsibilities the Association's Management Committee are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's Report is consistent with the Financial Statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Management Committee's remuneration and transactions with the Association is not disclosed.

We read the Management Committee's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Management Committee in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion the Financial Statements:

give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Association's affairs as at 31st March 2010 and of its income and expenditure and cash flow for the year then ended; and

have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

In our opinion, the information given in the Management Committee's Report is consistent with the financial statements.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
28 June 2010

OAK TREE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

	Notes	2010	2009
		£	£
TURNOVER	2.	9,005,072	4,979,109
Operating Costs	2.	<u>(7,001,797)</u>	<u>(2,910,311)</u>
OPERATING SURPLUS	9.	2,003,275	2,068,798
Profit on Sale of Housing Stock	7.	71,872	95,702
Exceptional Item	24.	(246,424)	-
Interest Receivable and Other Income		30,065	39,131
Interest Payable and Similar Charges	8.	<u>(736,449)</u>	<u>(856,276)</u>
		<u>(880,936)</u>	<u>(721,443)</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		1,122,339	1,347,355
Tax on surplus on ordinary activities	10.	<u>(6,313)</u>	<u>(8,218)</u>
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,116,026</u>	<u>1,339,137</u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

OAK TREE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31ST MARCH 2010

	Notes	2010	2009
		£	£
TANGIBLE FIXED ASSETS			
Housing Properties - Depreciated Cost	11.(a)	120,566,650	114,723,097
Less: Social Housing Grant	11.(a)	(89,744,116)	(88,999,011)
: Other Public Grants	11.(a)	(1,692,603)	(1,706,250)
		<u>29,129,931</u>	<u>24,017,836</u>
Other fixed assets	11.(b)	556,189	566,359
		<u>29,686,120</u>	<u>24,584,195</u>
FIXED ASSET INVESTMENTS			
Shared Equity Cost	22.	1,542,796	653,107
Shared Equity Grant	22.	(1,542,796)	(653,107)
		<u>-</u>	<u>-</u>
CURRENT ASSETS			
Debtors	14.	760,817	5,752,605
Development Cost of Housing Property	23.	188,750	3,002,082
Cash at bank and in hand		5,046,688	3,021,714
		<u>5,996,255</u>	<u>11,776,401</u>
CREDITORS: Amounts falling due within one year	15.	(2,507,034)	(3,526,477)
		<u>3,489,221</u>	<u>8,249,924</u>
NET CURRENT ASSETS		<u>3,489,221</u>	<u>8,249,924</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>33,175,341</u>	<u>32,834,119</u>
CREDITORS: Amounts falling due after more than one year	16.	(23,691,205)	(24,466,026)
		<u>9,484,136</u>	<u>8,368,093</u>
NET ASSETS		<u><u>9,484,136</u></u>	<u><u>8,368,093</u></u>
CAPITAL AND RESERVES			
Share Capital	18.	478	461
Designated Reserves	19.(a)	6,783,689	6,380,619
Revenue Reserves	19.(b)	2,699,969	1,987,013
		<u>9,484,136</u>	<u>8,368,093</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 28 June 2010


Chairperson


Vice-Chairperson


Secretary

OAK TREE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31ST MARCH 2010

	Notes	2010 £	2009 £
Net Cash Inflow from Operating Activities	17.	4,090,999	2,900,923
Returns on Investment and Servicing of Finance			
Interest Received		30,065	39,131
Interest Paid		(761,552)	(856,276)
Net Cash (Outflow) from Investment and Servicing of Finance		(731,487)	(817,145)
Taxation			
Corporation Tax Paid		(8,218)	(14,225)
Grant Received		-	-
Net Cash (Outflow) from Taxation		(8,218)	(14,225)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(7,113,266)	(16,943,809)
Purchase of Other Fixed Assets		(18,805)	(19,956)
Social Housing Grant Received		6,156,947	5,719,060
Social Housing Grant Repaid		152,465	(64,755)
Other Grants Received		-	98,970
Other Grants Repaid		(13,647)	-
Proceeds on Disposal of Properties		206,351	165,002
Proceeds on Disposal of Other Fixed Assets		-	-
Net Cash (Outflow) from Capital Expenditure and Financial Investment		(629,955)	(11,045,488)
Net Cash (Outflow) / Inflow before use of Liquid Resources and Financing		2,721,339	(8,975,935)
Management of Liquid Resources			
Change in short term deposits with banks		-	-
Financing			
Loan Advances Received		-	10,805,481
Loan Redemption Payments		-	-
Loan Principal Repayments		(696,406)	(191,858)
Share Capital Issued		41	16
Net Cash Inflow from Financing		(696,365)	10,613,639
Increase in Cash	17.	<u>2,024,974</u>	<u>1,637,704</u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

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 2008, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

Retirement Benefits

The Association participates in the S.F.H.A. 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.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%. Land is not depreciated. Housing Properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount.

Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	- 2% Straight Line
Commercial Property	- 2% Straight Line
Furniture and Fittings	- 20% Reducing Balance
Computer Equipment	- 25% Straight Line/Reducing Balance
Office Equipment	- 20% Reducing Balance

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account 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.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

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 fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

Taxation

The Association pays Corporation Tax only on interest received.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet 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.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

Housing Property Managed By Agents

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2010			2009		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	5,447,176	3,485,902	1,961,274	4,707,951	2,703,603	2,004,348
Other Activities	4.	3,557,896	3,515,895	42,001	271,158	206,708	64,450
Total		9,005,072	7,001,797	2,003,275	4,979,109	2,910,311	2,068,798

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2010 Total £	2009 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	5,122,256	103,224	153,427	5,378,907	4,659,274
Service Charges Receivable	60,807	20,991	4,317	86,115	59,806
Gross Rents Receivable	5,183,063	124,215	157,744	5,465,022	4,719,080
Less: Rent losses from voids	16,488	1,358	-	17,846	11,129
Net Rents Receivable	5,166,575	122,857	157,744	5,447,176	4,707,951
Revenue Grants from Scottish Ministers	-	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-	-
Total Income From Social Letting	5,166,575	122,857	157,744	5,447,176	4,707,951
Expenditure on Social Letting Activities					
Service Costs	80,035	1,381	4,987	86,403	112,804
Management and maintenance administration costs	1,234,439	2,184	61,152	1,297,775	1,271,170
Reactive Maintenance	674,611	713	-	675,324	604,380
Bad Debts - Rents and Service Charges	16,403	-	-	16,403	(13,314)
Planned and Cyclical Maintenance, including Major Repairs	810,950	6,292	-	817,242	379,111
Depreciation of Social Housing	539,790	3,619	49,346	592,755	349,452
Operating Costs of Social Letting	3,356,228	14,189	115,485	3,485,902	2,703,603
Operating Surplus on Social Letting Activities	1,810,347	108,668	42,259	1,961,274	2,004,348
2009	1,816,916	96,112	91,320	2,004,348	

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2010	Operating Surplus / (Deficit) 2009
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	43,830	43,830	-	44,726	(896)	-
Factoring	-	-	-	133,061	133,061	1,208	108,746	23,107	(32,327)
Development and construction of property activities	-	-	-	1,939,500	1,939,500	-	1,942,134	(2,634)	74,927
Shared Ownership (First Tranche Sales)	-	-	-	1,419,081	1,419,081	-	1,419,081	-	-
Commercial Property	-	-	-	21,456	21,456	-	-	21,456	21,850
Other Income	-	-	-	968	968	-	-	968	-
Total From Other Activities	-	-	-	3,557,896	3,557,896	1,208	3,514,687	42,001	64,450
2009	112,822	-	-	158,336	271,158	-	206,708	64,450	64,450

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

	2010 £	2009 £
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>135,633</u>	<u>134,595</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>19,050</u>	<u>18,723</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>71,650</u>	<u>71,062</u>

The number of Officers, including the highest paid Officer, who received emoluments (excluding 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

6. EMPLOYEE INFORMATION

	2010	2009
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>26</u>	<u>27</u>
The average total number of Employees employed during the year was	<u>30</u>	<u>30</u>
Staff Costs were:	£	£
Wages and Salaries	811,307	802,803
Social Security Costs	64,527	60,980
Other Pension Costs	108,073	105,639
Temporary, Agency and Seconded Staff	36,459	34,068
	<u>1,020,366</u>	<u>1,003,490</u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2010	2009
	£	£
Sales Proceeds	161,604	209,550
Cost of Sales	89,732	113,848
Gain On Sale Of Housing Stock	<u>71,872</u>	<u>95,702</u>

8. INTEREST PAYABLE

	2010	2009
	£	£
On Bank Loans & Overdrafts	761,552	856,276
	<u>761,552</u>	<u>856,276</u>
Less: Interest Capitalised	25,103	-
	<u>736,449</u>	<u>856,276</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2009 £nil).

Interest capitalised was incurred at varying rates of interest.

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2010	2009
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	621,730	379,179
Auditors' Remuneration - Audit Services	5,750	5,500
- Other Services	2,738	-
Operating Lease Rentals - Other	<u>7,047</u>	<u>8,268</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2010	2009
	£	£
(i) Analysis of Charge In Year		
Current Tax:		
UK Corporation Tax on surplus for the year	6,313	8,218
Total Current Tax (Note 10(ii))	<u>6,313</u>	<u>8,218</u>
Tax on surplus on Ordinary Activities	<u>6,313</u>	<u>8,218</u>
(ii) Factors affecting tax charge for period		
The tax assessed for the period is lower than the standard rate of Corporation Tax in the U.K. (30%). The differences are explained below:		
Surplus on ordinary activities before tax	<u>1,122,339</u>	<u>1,347,355</u>
Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the U.K. of 21%(2009:21%)	235,691	282,987
Effects of: Surplus not subject to tax	<u>(229,378)</u>	<u>(274,769)</u>
Current tax charge for period (Note 10(i))	<u>6,313</u>	<u>8,218</u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Shared Ownership In course of Construction £	Total £
COST					
As at 1st April 2009	89,295,251	21,902,599	1,940,573	3,844,780	116,983,203
Additions	10,602	5,433,029	-	1,082,609	6,526,240
Disposals	(34,629)	-	(63,274)	-	(97,903)
Schemes Completed	27,260,381	(27,260,381)	4,927,389	(4,927,389)	-
As at 31st March 2010	116,531,605	75,247	6,804,688	-	123,411,540
DEPRECIATION					
As at 1st April 2009	2,223,830	-	36,276	-	2,260,106
Charge for Year	555,738	-	37,017	-	592,755
Disposals	(1,810)	-	(6,161)	-	(7,971)
As at 31st March 2010	2,777,758	-	67,132	-	2,844,890
SOCIAL HOUSING GRANT					
As at 1st April 2009	66,804,966	17,280,586	1,821,436	3,092,023	88,999,011
Additions	185,555	519,197	-	87,550	792,302
Disposals	-	-	(47,197)	-	(47,197)
Schemes Completed	17,724,536	(17,724,536)	3,179,573	(3,179,573)	-
As at 31st March 2010	84,715,057	75,247	4,953,812	-	89,744,116
OTHER CAPITAL GRANTS					
As at 1st April 2009	1,635,534	70,716	-	-	1,706,250
Additions	-	-	-	-	-
Disposals	(13,647)	-	-	-	(13,647)
Schemes Completed	70,716	(70,716)	-	-	-
As at 31st March 2010	1,692,603	-	-	-	1,692,603
NET BOOK VALUE					
As at 31st March 2010	27,346,187	-	1,783,744	-	29,129,931
As at 31st March 2009	18,630,921	4,551,297	82,861	752,757	24,017,836

Additions to housing properties includes capitalised development administration costs of £145,890 (2009 - £164,676) and capitalised major repair costs to existing properties of £nil (2009 £nil)

All land and housing properties are freehold.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Commercial Property	Office Premises	Furniture & Equipment	Total
	£	£	£	£
COST				
As at 1st April 2009	228,256	433,491	429,001	1,090,748
Additions	-	7,750	11,055	18,805
Eliminated on Disposals	-	-	-	-
As at 31st March 2010	<u>228,256</u>	<u>441,241</u>	<u>440,056</u>	<u>1,109,553</u>
GRANTS RECEIVED				
As at 1st April 2009	38,682	-	-	38,682
Received in year	-	-	-	-
Repaid on Disposal	-	-	-	-
As at 31st March 2010	<u>38,682</u>	<u>-</u>	<u>-</u>	<u>38,682</u>
AGGREGATE DEPRECIATION				
As at 1st April 2009	30,339	71,784	383,584	485,707
Charge for year	4,563	8,670	15,742	28,975
Eliminated on disposal	-	-	-	-
As at 31st March 2010	<u>34,902</u>	<u>80,454</u>	<u>399,326</u>	<u>514,682</u>
NET BOOK VALUE				
As at 31st March 2010	<u>154,672</u>	<u>360,787</u>	<u>40,730</u>	<u>556,189</u>
As at 31st March 2009	<u>159,235</u>	<u>361,707</u>	<u>45,417</u>	<u>566,359</u>

12. CAPITAL COMMITMENTS

	2010 £	2009 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>4,797,226</u>	<u>11,264,000</u>

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

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2010 £	2009 £
Other		
Expiring within one year	3,304	-
Expiring between two and five years	<u>3,743</u>	<u>9,069</u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2010	2009
	£	£
Arrears of Rent & Service Charges	159,167	115,718
Less: Provision for Doubtful Debts	(32,684)	(21,214)
	<u>126,483</u>	<u>94,504</u>
Social Housing Grant Receivable	146,867	5,479,026
Other Debtors	487,467	179,075
	<u>760,817</u>	<u>5,752,605</u>

15. CREDITORS: Amounts falling due within one year

	2010	2009
	£	£
Housing Loans	523,743	445,329
Trade Creditors	1,104,244	2,474,065
Rent in Advance	284,398	257,051
Social Housing Grant in Advance	375,957	130,055
Corporation Tax	6,313	8,218
Other Taxation and Social Security	37,151	36,629
Other Creditors	175,228	175,130
	<u>2,507,034</u>	<u>3,526,477</u>

At the balance sheet date there were pension contributions outstanding of £13,579 (2009 £13,060)

16. CREDITORS: Amounts falling due after more than one year

	2010	2009
	£	£
Housing Loans	<u>23,691,205</u>	<u>24,466,026</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	523,743	445,329
Between one and two years	538,529	463,073
Between two and five years	1,708,521	1,502,894
In five years or more	21,444,155	22,500,059
	<u>24,214,948</u>	<u>24,911,355</u>
Less: Amount shown in Current Liabilities	523,743	445,329
	<u>23,691,205</u>	<u>24,466,026</u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2010 £	2009 £
Operating Surplus	2,003,275	2,068,798
Depreciation	621,730	379,179
Change in properties developed for resale	2,813,332	-
Change in Debtors	(397,501)	(15,923)
Change in Creditors	(703,389)	468,869
Share Capital Written Off	(24)	-
Exceptional Costs	(246,424)	-
Net Cash Inflow from Operating Activities	4,090,999	2,900,923

<i>Reconciliation of net cash flow to movement in net debt</i>	2010 £	£	2009 £	£
Increase in Cash	2,024,974		1,637,704	
Cash flow from management of liquid resources	-		-	
Cash flow from change in debt	696,407		(10,613,623)	
Movement in net debt during year		2,721,381		(8,975,919)
Net debt at 1st April 2009		(21,889,641)		(12,913,722)
Net debt at 31st March 2010		(19,168,260)		(21,889,641)

<i>Analysis of changes in net debt</i>	At 01.04.09 £	Cash Flows £	Other Changes £	At 31.03.10 £
Cash at bank and in hand	3,021,714	2,024,974	-	5,046,688
Bank Overdrafts	-	-	-	-
	3,021,714	2,024,974	-	5,046,688
Liquid Resources	-	-	-	-
Debt: Due within one year	(445,329)	(78,414)	-	(523,743)
Debt: Due after more than one year	(24,466,026)	774,821	-	(23,691,205)
Net Debt	(21,889,641)	2,721,381	-	(19,168,260)

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2009	461
Issued in year	41
Cancelled in year	(24)
At 31st March 2010	<u>478</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.

19. RESERVES

(a) Designated Reserves	Cyclical Maintenance	Major Repairs	Total
	£	£	£
At 1st April 2009	1,571,830	4,808,789	6,380,619
Transfer to / (from) Revenue Reserves	<u>350,295</u>	<u>52,775</u>	<u>403,070</u>
At 31st March 2010	<u>1,922,125</u>	<u>4,861,564</u>	<u>6,783,689</u>
(b) Revenue Reserves			Total £
At 1st April 2009			1,987,013
Surplus for the Year			1,116,026
Transfer to Designated Reserves			(403,070)
At 31st March 2010			<u>2,699,969</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2010	2009
	No.	No.
General Needs - New Build	810	596
- Rehabilitation	894	894
Shared Ownership	111	59
Supported Housing	18	17
	<u>1,833</u>	<u>1,566</u>

Housing Units owned by the Association but managed by another body:

Name of Provider	No of Units		Funds Payable to Provider	
	2010	2009	2010	2009
			£	£
Social Work Department	12	-	-	-

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

7 members are tenants of the Association

4 members are factored owners

Those members that 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.

22. FIXED ASSET INVESTMENT

	2009	2008
	£	£
Shared Equity Properties		
Development Cost of Shared Equity Property	1,542,796	653,107
Less: Grants Receivable	1,542,796	653,107
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. DEVELOPMENT COST OF HOUSING PROPERTY

	2010 £	2009 £
Shared Equity Properties		
In the course of construction	-	1,392,655
Completed Properties Unsold	188,750	2,777,939
	<u>188,750</u>	<u>4,170,594</u>
Less: Grants Received from Scottish Ministers	-	(1,168,512)
	<u>188,750</u>	<u>3,002,082</u>

24. EXCEPTIONAL ITEM

During the year, substantial legal and professional costs of £246,424 were incurred in relation to an ongoing dispute with a development contractor.

25. CONTINGENT LIABILITIES

There is still an ongoing dispute with a development contractor. At the current time it is not practicable to quantify the extent of any liability.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

General

Oak Tree Housing Association Limited participates in the SFHA Pension Scheme.

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

The Scheme offers three benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Oak Tree Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2008 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1 April 2008.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Oak Tree Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 23 active members of the Scheme employed by Oak Tree Housing Association Limited. The annual pensionable payroll in respect of these members was £688,166. Oak Tree Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. SFHA is a multi-employer scheme where the scheme 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 Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268m. The valuation revealed a shortfall of assets compared with the value of liabilities of £54m (equivalent to a past service funding level of 83.4%).

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

Financial Assumptions

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

	% p.a.
- Investment return pre-retirement	7.2
- Investment return post-retirement	4.9
- Rate of Salary increases	4.6
- Rate of pension increases:	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005	2.25
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	<i>Males</i>	<i>Females</i>
	<i>Assumed life expectancy in years at age 65</i>	<i>Assumed life expectancy in years at age 65</i>
Non-pensioners	21.6	24.4
Pensioners	20.7	23.6

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable salaries)</i>
Final salary - 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation it was agreed that the shortfall of £54m would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2008 for each of the benefit structures will be:

<i>Benefit Structure</i>	<i>Joint contribution rate (% of pensionable salaries)</i>
Final salary 60ths	23.1% comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9% comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9% comprising employer contributions of 11.9% and member contributions of 6.0%

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice, this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 31 March 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The current triennial valuation, as at 30 September 2009, is being undertaken by a professionally qualified actuary. The provisional results of this valuation were issued by the SFHA Pension Scheme in May 2010. These figures show that the deficit on the scheme has increased from £53.6million to £160million. The funding level of liabilities, based on these figures, would be 64.8% (2006 - 83.4%).

As a result of this valuation the total contribution rate must increase on average by 7% of pensionable earnings for all existing benefit options structures from April 2011.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

