

**Oak Tree Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2011**

**Registered Housing Association No.HCB 137**

**FSA Reference No. 2232(s)**

# 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 31st MARCH 2011

**MANAGEMENT COMMITTEE**

David McLaughlan	Chairperson (to 1/5/11)
Margaret McKay	Vice Chairperson
Norma Gathercole	Secretary
Ronald Potter	Resigned 04/10/10
Eleanor McMichael	
Michael McLoone	
Peter Galbraith	
Tom McKenzie	
Brian Purdie	
Alison Kane	Resigned 11/03/2011
Sandra Harrison	Elected 21/09/10
Lesley Phillips	
Maureen O'Donnell	
Sarah Murphy	Co-optee Elected 20/12/10
Alan Clarkson	Co-optee Resigned 30/08/2010

**EXECUTIVE OFFICERS**

Nick Jardine	Director
Anne Culley	Depute Director

**REGISTERED OFFICE**

41 High Street  
Greenock  
PA15 1 NR

**AUDITORS**

ALEXANDER SLOAN  
CHARTERED ACCOUNTANTS  
38 CADOGAN STREET  
GLASGOW  
G2 7HF

**BANKERS**

Royal Bank of Scotland  
Cathcart Street  
Greenock

**SOLICITORS**

Patten & Prentice  
2 Ardgowan Square  
Greenock

**OAK TREE HOUSING ASSOCIATION LIMITED**

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**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2011**

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2011.

**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.

**Review of Business and Future Developments**

The Social Housing sector has gone through an extra-ordinary period of uncertainty with reduced grant levels and development activity. The Association has re-organised its staffing structure to enable it to meet the challenges that these reduced grant levels have brought.

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

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**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2011**

**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

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011

#### 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 of 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;
- 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.

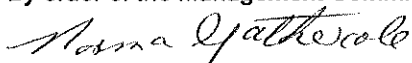
#### Donations

During the year the Association made charitable donations amounting to £100 (2010 £590).

#### 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

13 June 2011

OAK TREE HOUSING ASSOCIATION LIMITED

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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  
13 June 2011

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

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We have audited the financial statements of Oak Tree Housing Association Limited for the year ended 31st March 2011 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 explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of audit on the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

### **Opinion on the financial statements**

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 2011 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.

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

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or



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

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Matters on which we are required to report by exception (contd.)

- certain disclosures of Management Committee's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
13 June 2011

## OAK TREE HOUSING ASSOCIATION LIMITED

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### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	Notes	2011 £	2010 £
<b>TURNOVER</b>	2.	6,334,716	9,005,072
Operating Costs	2.	<u>(4,214,935)</u>	<u>(7,001,797)</u>
<b>OPERATING SURPLUS</b>	9.	2,119,781	2,003,275
Gain On Sale Of Housing Stock	7.	300,858	71,872
Exceptional Item	24.	(83,786)	(246,424)
Interest Receivable and Other Income		24,323	30,065
Interest Payable and Similar Charges	8.	<u>(673,653)</u>	<u>(736,449)</u>
		<u>(432,258)</u>	<u>(880,936)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,687,523	1,122,339
Tax on surplus on ordinary activities	10.	<u>(5,108)</u>	<u>(6,313)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>1,682,415</u>	<u>1,116,026</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 2011

	Notes	2011	2010
		£	£
<b>TANGIBLE FIXED ASSETS</b>			
Housing Properties - Depreciated Cost	11.(a)	123,177,893	120,566,650
Less: Social Housing Grant	11.(a)	(91,386,394)	(89,744,116)
: Other Public Grants	11.(a)	(1,692,603)	(1,692,603)
		<u>30,098,896</u>	<u>29,129,931</u>
Other fixed assets	11.(b)	693,664	556,189
		<u>30,792,560</u>	<u>29,686,120</u>
<b>FIXED ASSET INVESTMENTS</b>			
Shared Equity Cost	22.	1,516,626	1,542,796
Shared Equity Grant	22.	(1,516,626)	(1,542,796)
		<u>-</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Debtors	14.	1,990,813	760,817
Development Cost of Housing Property	23.	62,500	188,750
Cash at bank and in hand		3,888,910	5,046,688
		<u>5,942,223</u>	<u>5,996,255</u>
<b>CREDITORS: Amounts falling due within one year</b>	15.	<u>(2,680,451)</u>	<u>(2,507,034)</u>
<b>NET CURRENT ASSETS</b>		<u>3,261,772</u>	<u>3,489,221</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>34,054,332</u>	<u>33,175,341</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16.	<u>(22,887,792)</u>	<u>(23,691,205)</u>
<b>NET ASSETS</b>		<u>11,166,540</u>	<u>9,484,136</u>
<b>CAPITAL AND RESERVES</b>			
Share Capital	18.	467	478
Designated Reserves	19.(a)	7,136,288	6,783,689
Revenue Reserves	19.(b)	4,029,785	2,699,969
		<u>11,166,540</u>	<u>9,484,136</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 13 June 2011.

Committee Member

M O'Donnell, M. McKelvey

Committee Member

Secretary

Nema Gathercole

OAK TREE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED

31st MARCH 2011

	Notes	2011	2010
		£	£
Net Cash Inflow from Operating Activities	17.	3,330,287	4,090,999
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received	24,323	30,065	
Interest Paid	(673,653)	(761,552)	
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		<b>(649,330)</b>	<b>(731,487)</b>
<b>Taxation</b>			
Corporation Tax Paid	(6,313)	(8,218)	
<b>Net Cash Outflow from Taxation</b>		<b>(6,313)</b>	<b>(8,218)</b>
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties	(3,537,188)	(7,113,266)	
Purchase of Other Fixed Assets	(226,691)	(18,805)	
Social Housing Grant Received	606,233	6,156,947	
Social Housing Grant Repaid	(64,266)	152,465	
Other Grants Repaid	-	(13,647)	
Proceeds on Disposal of Properties	85,195	206,351	
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		<b>(3,136,717)</b>	<b>(629,955)</b>
<b>Net Cash (Outflow) / Inflow before use of Liquid Resources and Financing</b>		<b>(462,073)</b>	<b>2,721,339</b>
<b>Financing</b>			
Loan Principal Repayments	(695,715)	(696,406)	
Share Capital Issued	10	41	
<b>Net Cash Outflow from Financing</b>		<b>(695,705)</b>	<b>(696,365)</b>
<b>(Decrease) / Increase in Cash</b>	17.	<b>(1,157,778)</b>	<b>2,024,974</b>

# OAK TREE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 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 Scottish Housing Associations' 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

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 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 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 only pays Coprotation Tax 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

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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 have been transferred to the third party.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2011			2010		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	5,875,012	3,754,762	2,120,250	5,447,176	3,485,902	1,961,274
Other Activities	4.	459,704	460,173	(469)	3,557,896	3,515,895	42,001
<b>Total</b>		<b>6,334,716</b>	<b>4,214,935</b>	<b>2,119,781</b>	<b>9,005,072</b>	<b>7,001,797</b>	<b>2,003,275</b>

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2011 Total £	2010 Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	5,454,917	105,805	231,420	5,792,142	5,378,907
Service Charges Receivable	64,582	20,991	8,178	93,751	86,115
<b>Gross Rents Receivable</b>	<b>5,519,499</b>	<b>126,796</b>	<b>239,598</b>	<b>5,885,893</b>	<b>5,465,022</b>
Less: Rent losses from voids	9,523	1,358	-	10,881	17,846
<b>Net Rents Receivable</b>	<b>5,509,976</b>	<b>125,438</b>	<b>239,598</b>	<b>5,875,012</b>	<b>5,447,176</b>
Revenue Grants from Scottish Ministers	-	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-	-
<b>Total Income From Social Letting</b>	<b>5,509,976</b>	<b>125,438</b>	<b>239,598</b>	<b>5,875,012</b>	<b>5,447,176</b>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	92,954	1,350	6,246	100,550	86,403
Management and maintenance administration costs	1,325,483	1,376	54,518	1,381,377	1,297,775
Reactive Maintenance	672,223	7,638	-	679,861	675,324
Bad Debts - Rents and Service Charges	35,782	-	-	35,782	16,403
Planned and Cyclical Maintenance, including Major Repairs	890,444	12,122	-	902,566	817,242
Depreciation of Social Housing	610,162	8,792	35,672	654,626	592,755
<b>Operating Costs of Social Letting</b>	<b>3,627,048</b>	<b>31,278</b>	<b>96,436</b>	<b>3,754,762</b>	<b>3,485,902</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>1,882,928</b>	<b>94,160</b>	<b>143,162</b>	<b>2,120,250</b>	<b>1,961,274</b>
<b>2010</b>	<b>1,810,347</b>	<b>108,668</b>	<b>42,259</b>		



# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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 Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2011	Operating Surplus / (Deficit) 2010
	£	£	£	£	£	£	£	£	£
Wider Role Activities	140,103	-	-	-	140,103	-	138,739	1,364	(896)
Factoring	-	-	-	101,287	101,287	16,003	109,043	(23,759)	23,107
Development and construction of property activities	-	-	-	-	-	-	-	-	(2,634)
Shared Ownership (First Tranche Sales)	-	-	-	183,600	183,600	-	186,250	(2,650)	-
Other Agency or Management Services	-	-	-	12,114	12,114	-	10,138	1,976	-
Commercial Property	-	-	-	22,600	22,600	-	-	22,600	21,456
Other Income	-	-	-	-	-	-	-	-	968
<b>Total From Other Activities</b>	<b>140,103</b>	<b>-</b>	<b>-</b>	<b>319,601</b>	<b>459,704</b>	<b>16,003</b>	<b>444,170</b>	<b>(469)</b>	<b>42,001</b>
<b>2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,557,896</b>	<b>3,557,896</b>	<b>1,208</b>	<b>3,514,687</b>	<b>42,001</b>	<b>-</b>

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 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.

	2011	2010
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>128,266</u>	<u>123,774</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>19,478</u>	<u>19,050</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>67,688</u>	<u>65,276</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
	2	2
£60,001 to £70,000		

#### 6. EMPLOYEE INFORMATION

	2011	2010
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>28</u>	<u>26</u>
The average total number of Employees employed during the year was	<u>31</u>	<u>30</u>
Staff Costs were:	£	£
Wages and Salaries	860,165	811,307
Social Security Costs	69,991	64,527
Other Pension Costs	112,842	108,073
Temporary, Agency and Seconded Staff	35,188	36,459
	<u>1,078,186</u>	<u>1,020,366</u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**7. GAIN ON SALE OF HOUSING STOCK**

	2011	2010
	£	£
Sales Proceeds	375,195	161,604
Cost of Sales	<u>74,337</u>	<u>89,732</u>
Gain On Sale Of Housing Stock	<u>300,858</u>	<u>71,872</u>

**8. INTEREST PAYABLE**

	2011	2010
	£	£
On Bank Loans & Overdrafts	<u>673,653</u>	<u>761,552</u>
Less: Interest Capitalised	<u>-</u>	<u>25,103</u>
	<u>673,653</u>	<u>736,449</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2010 £nil).

Interest capitalised was incurred at varying rates of interest.

**9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2011	2010
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	688,411	621,730
Auditors' Remuneration - Audit Services	7,020	5,750
- Other Services	2,261	2,738
Operating Lease Rentals - Other	<u>9,582</u>	<u>7,047</u>

**10. TAX ON SURPLUS ON ORDINARY ACTIVITIES**

	2011	2010
	£	£
(i) Analysis of Charge in Year		
Current Tax:		
UK Corporation Tax on surplus on ordinary activities	5,108	6,313
Total Current Tax (Note 10(ii))	<u>5,108</u>	<u>6,313</u>
Tax on surplus on ordinary activities	<u>5,108</u>	<u>6,313</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. (21%). The differences are explained below:		
Surplus on ordinary activities before tax	<u>1,687,523</u>	<u>1,122,339</u>
Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the U.K. of 21%(2010:21%)	354,380	235,691
Effects of: Surplus not subject to tax	<u>(349,272)</u>	<u>(229,378)</u>
Current tax charge for period (Note 10(i))	<u>5,108</u>	<u>6,313</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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 £	Total £
<b>COST</b>				
As at 1st April 2010	116,531,605	75,247	6,804,688	123,411,540
Additions	367,012	3,335,751	-	3,702,763
Disposals	(437,661)	-	-	(437,661)
Transfers	79,187	-	(57,350)	21,837
Schemes Completed	-	-	-	-
As at 31st March 2011	116,540,143	3,410,998	6,747,338	126,698,479
<b>DEPRECIATION</b>				
As at 1st April 2010	2,777,758	-	67,132	2,844,890
Charge for Year	618,954	-	35,672	654,626
Disposals	(2,686)	-	-	(2,686)
Transferred from Other Fixed Assets	23,756	-	-	23,756
As at 31st March 2011	3,417,782	-	102,804	3,520,586
<b>SOCIAL HOUSING GRANT</b>				
As at 1st April 2010	84,715,057	75,247	4,953,812	89,744,116
Additions	104,288	1,952,904	9,991	2,067,183
Disposals	(424,905)	-	-	(424,905)
Schemes Completed	-	-	-	-
As at 31st March 2011	84,394,440	2,028,151	4,963,803	91,386,394
<b>OTHER CAPITAL GRANTS</b>				
As at 1st April 2010	1,692,603	-	-	1,692,603
Additions	-	-	-	-
Disposals	-	-	-	-
Schemes Completed	-	-	-	-
As at 31st March 2011	1,692,603	-	-	1,692,603
<b>NET BOOK VALUE</b>				
As at 31st March 2011	27,035,318	1,382,847	1,680,731	30,098,896
As at 31st March 2010	27,346,187	-	1,783,744	29,129,931

Additions to housing properties includes capitalised development administration costs of £51,450 (2010 - £145,890) and capitalised major repair costs to existing properties of £nil (2010 £nil)

All land and housing properties are freehold.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Commercial Property £	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2010	228,256	441,241	440,056	1,109,553
Additions	-	204,349	22,342	226,691
Eliminated on Disposals	-	-	-	-
Transferred to Housing Properties	-	(79,187)	-	(79,187)
As at 31st March 2011	<u>228,256</u>	<u>566,403</u>	<u>462,398</u>	<u>1,257,057</u>
<b>GRANTS RECEIVED</b>				
As at 1st April 2010	38,682	-	-	38,682
Received in year	-	-	-	-
Repaid on Disposal	-	-	-	-
As at 31st March 2011	<u>38,682</u>	<u>-</u>	<u>-</u>	<u>38,682</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2010	34,902	80,454	399,326	514,682
Charge for year	4,565	11,679	17,541	33,785
Eliminated on disposal	-	-	-	-
Transferred to Housing Properties	-	(23,756)	-	(23,756)
As at 31st March 2011	<u>39,467</u>	<u>68,377</u>	<u>416,867</u>	<u>524,711</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2011	<u>150,107</u>	<u>498,026</u>	<u>45,531</u>	<u>693,664</u>
As at 31st March 2010	<u>154,672</u>	<u>360,787</u>	<u>40,730</u>	<u>556,189</u>

#### 12. CAPITAL COMMITMENTS

	2011 £	2010 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>1,432,947</u>	<u>4,797,226</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:-	2011 £	2010 £
Other		
Expiring within one year	-	3,304
Expiring between two and five years	<u>7,011</u>	<u>3,743</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14. DEBTORS

	2011 £	2010 £
Arrears of Rent & Service Charges	162,344	159,167
Less: Provision for Doubtful Debts	<u>(52,414)</u>	<u>(32,684)</u>
	109,930	126,483
Social Housing Grant Receivable	1,462,258	146,867
Other Debtors	<u>418,625</u>	<u>487,467</u>
	<u>1,990,813</u>	<u>760,817</u>

#### 15. CREDITORS: Amounts falling due within one year

	2011 £	2010 £
Housing Loans	631,442	523,743
Trade Creditors	1,333,236	1,104,244
Rent in Advance	305,396	284,398
Social Housing Grant in Advance	203,744	375,957
Corporation Tax	5,108	6,313
Other Taxation and Social Security	42,610	37,151
Other Creditors	<u>158,915</u>	<u>175,228</u>
	<u>2,680,451</u>	<u>2,507,034</u>

At the balance sheet date there were pension contributions outstanding of £15,311 (2010 £13,579)

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

	2011 £	2010 £
Housing Loans	<u>22,887,792</u>	<u>23,691,205</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	631,442	523,743
Between one and two years	655,623	538,529
Between two and five years	2,122,806	1,708,521
In five years or more	<u>20,109,363</u>	<u>21,444,155</u>
	23,519,234	24,214,948
Less: Amount shown in Current Liabilities	<u>631,442</u>	<u>523,743</u>
	<u>22,887,792</u>	<u>23,691,205</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2011 £	2010 £
Operating Surplus	2,119,781	2,003,275
Depreciation	688,411	621,730
Change in Provisions for liabilities and charges	-	-
Change in properties developed for resale	183,600	2,813,332
Change in Debtors	384,820	(397,501)
Change in Creditors	37,482	(703,389)
Share Capital Written Off	(21)	(24)
Exceptional Costs	(83,786)	(246,424)
<b>Net Cash Inflow from Operating Activities</b>	<b>3,330,287</b>	<b>4,090,999</b>

<i>Reconciliation of net cash flow to movement in net debt</i>	2011 £	£	2010 £	£
(Decrease) / Increase in Cash	(1,157,778)		2,024,974	
Cash flow from change in debt	695,714		696,407	
Movement in net debt during year		(462,064)		2,721,381
Net debt at 1st April 2010		(19,168,260)		(21,889,641)
<b>Net debt at 31st March 2011</b>		<b>(19,630,324)</b>		<b>(19,168,260)</b>

<i>Analysis of changes in net debt</i>	At 01.04.10 £	Cash Flows £	Other Changes £	At 31.03.11 £
Cash at bank and in hand	5,046,688	(1,157,778)	-	3,888,910
Debt: Due within one year	5,046,688	(1,157,778)	-	3,888,910
Due after more than one year	(523,743)	(107,699)	-	(631,442)
	(23,691,205)	803,413	-	(22,887,792)
<b>Net Debt</b>	<b>(19,168,260)</b>	<b>(462,064)</b>	<b>-</b>	<b>(19,630,324)</b>

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2010	478
Issued in year	10
Cancelled in year	<u>(21)</u>
At 31st March 2011	<u>467</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 2010	1,922,125	4,861,564	6,783,689
Transfer to / (from) Revenue Reserves	<u>317,443</u>	<u>35,156</u>	<u>352,599</u>
At 31st March 2011	<u>2,239,568</u>	<u>4,896,720</u>	<u>7,136,288</u>

(b) Revenue Reserves	Total
	£
At 1st April 2010	2,699,969
Surplus for the year	1,682,415
Transfer (to) / from Designated Reserves	<u>(352,599)</u>
At 31st March 2011	<u>4,029,785</u>

## 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2011	2010
	No.	No.
General Needs - New Build	784	784
- Rehabilitation	868	898
Shared Ownership	111	111
Supported Housing	<u>24</u>	<u>24</u>
	<u>1,787</u>	<u>1,817</u>

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

Name of Provider	No of Units		Funds Payable to Provider	
	2011	2010	2011	2010
			£	£
Social Work Department	12	12	-	-



# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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:

8 members are tenants of the Association

5 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

	2011 £	2010 £
Shared Equity Properties		
Development Cost of Shared Equity Property	1,516,626	1,542,796
Less: Grants Receivable	1,516,626	1,542,796
	<u>-</u>	<u>-</u>

## 23. DEVELOPMENT COST OF HOUSING PROPERTY

	2011 £	2010 £
Shared Equity and Shared Ownership Properties		
In the course of construction	-	-
Completed Properties Unsold	62,500	188,750
	<u>62,500</u>	<u>188,750</u>
Less: Grants Received from Scottish Ministers	-	-
	<u>62,500</u>	<u>188,750</u>

## 24. EXCEPTIONAL ITEM

During the year, substantial legal and professional costs of £83,786 (2010 - £246,424) were incurred in resolving a dispute with a development contractor.

## OAK TREE HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 25. RETIREMENT BENEFIT OBLIGATIONS

#### General

Oak Tree Housing Association Limited participates 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.

The Scheme offers five 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
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

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 31st March 2011 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1st April 2011.

The Trustee commissions an actuarial valuation of the Scheme every three 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 values. 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 27 active members of the Scheme employed by Oak Tree Housing Association Limited. The annual pensionable payroll in respect of these members was £795,614. 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 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 FRS17 represents the employer contribution payable.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

#### Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

	% p.a.
- Investment return pre-retirement	7.4
- Investment return post-retirement - non pensioners	4.6
- Investment return post-retirement - pensioners	4.8
- Rate of Salary increases	4.5
- Rate of pension increases:	
pension accrued pre 6 April 2005 in excess of GMP	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and 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	18.1	20.6
Pensioners	18.1	20.6

## OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 25. 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)</i>
Final salary - 60ths	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

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 £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

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 buy-out 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.