

**Oak Tree Housing Association Limited**  
**Report and Financial Statements**  
**For the year ended 31st March 2014**

**Registered Housing Association No.HCB137**

**FCA 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 2014

MANAGEMENT COMMITTEE

Jackie McKelvie	Chairperson
Colin Campbell	Vice Chairperson
Norma Gathercole	Secretary
Michael McLoone	
Peter Galbraith	
Margaret McKay	
Eleanor McMichael	
Sandra Harrison	
Annette Bowman	Resigned 24/09/13
Sarah Murphy	
Maureen McKay	
Sandra Rorison	
June Glancy	
Morag Paul	Appointed 24/09/13

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  
Cathcart Street  
Greenock  
PA15 1BA

SOLICITORS

Patten & Prentice  
2 Ardgowan Square  
Greenock  
PA16 8PP

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**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2014**

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2014.

**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**

In the previous year we highlighted the establishment of a Group Structure and the steps taken to strengthen the position of our subsidiary Cloch Housing Association. These steps have been successful and alongside the appointment of a new Chief Officer at Cloch Housing Association ,who has brought a robust leadership style to the organisation , has resulted in the Regulator reinstating Cloch HA as a Low-Engagement organisation. The development of the Group Structure will continue to be an important priority in the coming year and beyond.

Whilst we had no development on-site in 2013-14 we have been working with the Local Authority and Scottish Government to put in place a forward programme, giving us certainty over the next 3 years. The initial outcome of this is two site starts in 2014-15 and plans for newbuild projects in each of the next 2 years. The Association is keen to re-establish a healthy programme of newbuild developments.

In addition we continue to work closely with other local and national associations in the operation of a One-Stop-Shop for housing lets across Inverclyde. The Development of this project and relocation to new premises will be a priority in 2014-15.

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

All in all it was a busy and successful year for the Association.

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REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2014

**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 2010 and the Determination of Accounting Requirements 2012. 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.

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REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2014

**Statement on Internal Financial Control**

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

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- 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 £700 (2013 £50).

**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  
23 June 2014

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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  
23 June 2014

## **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 2014 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 and express an opinion on the financial statements in accordance with applicable law 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 the 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 Management Committee; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. 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 of the state of the Association's affairs as at 31st March 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

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

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

- the information given in the Management Committee's Report is inconsistent with the financial statements.



**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.)**

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
23 June 2014

## OAK TREE HOUSING ASSOCIATION LIMITED

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	2014 £	2013 £
TURNOVER	2.	7,489,712	7,049,140
Operating Costs	2.	<u>(5,119,408)</u>	<u>(4,831,933)</u>
OPERATING SURPLUS	9.	2,370,304	2,217,207
Gain On Sale Of Housing Stock	7.	376,703	54,863
Exceptional Item	23.	412,295	-
Interest Receivable and Other Income		80,463	91,898
Interest Payable and Similar Charges	8.	<u>(880,398)</u>	<u>(909,659)</u>
		<u>(10,937)</u>	<u>(762,898)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>2,359,367</b>	<b>1,454,309</b>
Tax on surplus on ordinary activities	10.	<u>(16,093)</u>	<u>(18,285)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b><u>2,343,274</u></b>	<b><u>1,436,024</u></b>

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

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2014 £	2013 £
Surplus for the financial year	2,343,274	1,436,024
Total gains recognised since last annual report	<u>2,343,274</u>	<u>1,436,024</u>

OAK TREE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2014

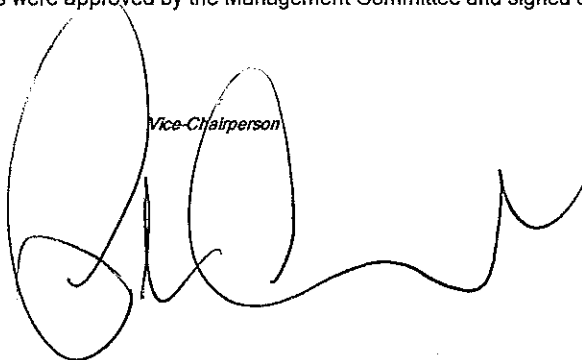
	Notes	£	2014 £	£	2013 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	11.(a)		120,991,953		121,853,191
Less: Social Housing Grant	11.(a)		(89,906,441)		(90,264,131)
: Other Public Grants	11.(a)		(392,800)		(392,800)
			<u>30,692,712</u>		<u>31,196,260</u>
Other fixed assets	11.(b)		654,080		680,812
			<u>31,346,792</u>		<u>31,877,072</u>
<b>FIXED ASSET INVESTMENTS</b>					
Investment in subsidiaries	22.		1		1
Shared Equity Cost	22.	1,429,354		1,460,645	
Shared Equity Grant	22.	(1,429,354)		(1,460,645)	
			-		-
<b>DEBTORS: Amounts falling due after more than one year</b>					
	13.		1,883,333		2,000,000
<b>CURRENT ASSETS</b>					
Debtors	14.	973,409		420,331	
Cash at bank and In hand		5,390,657		3,840,733	
				<u>6,364,066</u>	<u>4,261,064</u>
<b>CREDITORS: Amounts falling due within one year</b>					
	15.	(2,079,231)		(2,010,267)	
<b>NET CURRENT ASSETS</b>					
			<u>4,284,835</u>		<u>2,250,797</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			37,514,961		36,127,870
<b>CREDITORS: Amounts falling due after more than one year</b>					
	16.		(20,469,406)		(21,425,570)
<b>NET ASSETS</b>					
			<u>17,045,555</u>		<u>14,702,300</u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	18.		457		476
Designated Reserves	19.(a)		7,816,127		7,649,426
Revenue Reserves	19.(b)		9,228,971		7,052,398
			<u>17,045,555</u>		<u>14,702,300</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 23 June 2014.

Chairperson

Vice-Chairperson

Secretary


OAK TREE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2014

	Notes	2014	2013
		£	£
Net Cash Inflow from Operating Activities	17.	4,001,574	3,046,741
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		80,463	91,898
Interest Paid		(880,398)	(909,659)
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		<u>(799,935)</u>	<u>(817,761)</u>
<b>Taxation</b>			
Corporation Tax Paid		(18,285)	(11,977)
<b>Net Cash Outflow from Taxation</b>		<u>(18,285)</u>	<u>(11,977)</u>
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(1,129,851)	(940,697)
Purchase of Other Fixed Assets		-	(14,519)
Social Housing Grant Received		42,826	178,467
Social Housing Grant Repaid		(90,042)	(28,914)
Proceeds on Disposal of Properties		483,549	93,068
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		<u>(693,518)</u>	<u>(712,595)</u>
<b>Net Cash Inflow before use of Liquid Resources and Financing</b>		<u>2,489,836</u>	<u>1,504,408</u>
<b>Financing</b>			
Loan Principal Repayments		(939,917)	(794,357)
Share Capital Issued		5	14
<b>Net Cash Outflow from Financing</b>		<u>(939,912)</u>	<u>(794,343)</u>
<b>Increase in Cash</b>	17.	<u>1,549,924</u>	<u>710,065</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### 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 2010, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. 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 Association Defined Benefit 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. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

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

# OAK TREE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### 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 attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

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.

##### 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 only pays Corporation Tax on interest received.

# OAK TREE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### **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.

##### **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 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2014			2013		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	6,890,398	4,624,376	2,266,022	6,692,014	4,435,226	2,256,788
Other Activities	4.	599,314	495,032	104,282	357,126	396,707	(39,581)
<b>Total</b>		<b>7,489,712</b>	<b>5,119,408</b>	<b>2,370,304</b>	<b>7,049,140</b>	<b>4,831,933</b>	<b>2,217,207</b>

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

	General			2014 Total £	2013 Total £
	Needs Housing £	Supported Housing £	Shared ownership £		
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	6,272,853	208,965	240,909	6,722,727	6,480,654
Service Charges Receivable	94,464	34,019	7,783	136,266	139,728
<b>Gross Rents Receivable</b>	<b>6,367,317</b>	<b>242,984</b>	<b>248,692</b>	<b>6,858,993</b>	<b>6,620,382</b>
Less: Rent losses from voids	19,527	-	-	19,527	13,565
<b>Net Rents Receivable</b>	<b>6,347,790</b>	<b>242,984</b>	<b>248,692</b>	<b>6,839,466</b>	<b>6,606,817</b>
Revenue Grants from Scottish Ministers	50,932	-	-	50,932	85,197
<b>Total Income From Social Letting</b>	<b>6,398,722</b>	<b>242,984</b>	<b>248,692</b>	<b>6,890,398</b>	<b>6,692,014</b>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	124,304	2,194	5,924	132,422	128,399
Management and maintenance administration costs	1,703,552	1,897	47,198	1,752,647	1,571,777
Reactive Maintenance	798,994	12,750	-	811,744	893,050
Bad Debts - Rents and Service Charges	67,291	-	-	67,291	58,390
Planned and Cyclical Maintenance, including Major Repairs	525,011	3,236	-	528,247	375,306
Depreciation of Social Housing	1,254,924	14,285	62,816	1,332,025	1,408,304
<b>Operating Costs of Social Letting</b>	<b>4,474,076</b>	<b>34,362</b>	<b>115,938</b>	<b>4,624,376</b>	<b>4,435,226</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>1,924,646</b>	<b>208,622</b>	<b>132,754</b>	<b>2,266,022</b>	<b>2,256,788</b>
<b>2013</b>	<b>1,900,353</b>	<b>192,094</b>	<b>164,141</b>		



# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2014	Operating Surplus / (Deficit) 2013
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	44,935	44,935	-	98,658	(53,723)	(32,062)
Factoring	-	-	-	99,389	99,389	1,225	107,318	(9,154)	(38,153)
Development and construction of property activities	-	-	-	-	-	-	17,301	(17,301)	-
Agency / Management services for other RSLs	-	-	-	226,547	226,547	-	121,091	105,456	1,131
Other Agency or Management Services	-	-	-	73,483	73,483	-	28,627	44,856	-
Commercial Property	-	-	-	23,942	23,942	-	-	23,942	23,156
Lead Tenancy Income	-	-	-	131,018	131,018	-	120,812	10,206	6,347
<b>Total From Other Activities</b>	-	-	-	<b>599,314</b>	<b>599,314</b>	<b>1,225</b>	<b>493,807</b>	<b>104,282</b>	<b>(39,581)</b>
2013	9,643	-	-	347,483	357,126	30,222	366,485	(39,581)	

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### 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.

	2014	2013
	£	£
Aggregate Emoluments payable to Officers with emoluments greater than £60,000 (excluding Pension Contributions)	<u>220,744</u>	<u>141,786</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>21,034</u>	<u>13,448</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>85,451</u>	<u>76,308</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
£80,001 to £90,000	1	-

#### 6. EMPLOYEE INFORMATION

	2014	2013
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>33</u>	<u>34</u>
The average total number of Employees employed during the year was	<u>38</u>	<u>38</u>
Staff Costs were:	£	£
Wages and Salaries	1,115,144	905,605
Social Security Costs	89,006	67,074
Other Pension Costs	173,180	167,799
Temporary, Agency and Seconded Staff	78,014	91,044
	<u>1,455,344</u>	<u>1,231,522</u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2014	2013
	£	£
Sales Proceeds	483,549	93,068
Cost of Sales	<u>106,846</u>	<u>38,205</u>
Gain On Sale Of Housing Stock	<u>376,703</u>	<u>54,863</u>

**8. INTEREST PAYABLE**

	2014	2013
	£	£
On Bank Loans & Overdrafts	880,398	909,659
	<u>880,398</u>	<u>909,659</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £0 (2013 £0).

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

	2014	2013
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation and loss on component replacement	1,364,493	1,234,881
Auditors' Remuneration - Audit Services	9,600	8,988
- Other Services	9,108	4,620
Operating Lease Rentals - Other	<u>7,671</u>	<u>6,107</u>

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

	2014	2013
	£	£
(i) Analysis of Charge in Year		
Current Tax:		
UK Corporation Tax on surplus on ordinary activities	16,093	18,285
Total Current Tax (Note 10(ii))	<u>16,093</u>	<u>18,285</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. (20%). The differences are explained below:		
Surplus on ordinary activities before tax	2,359,367	1,454,309
Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the U.K. of 20%(2013:20%)	471,873	290,862
Effects of: Surplus not subject to tax	<u>(455,780)</u>	<u>(272,577)</u>
Current tax charge for period (Note 10(i))	<u>16,093</u>	<u>18,285</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### 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 £
<b>COST</b>					
As at 1st April 2013	123,115,919	-	6,520,466	-	129,636,385
Additions	895,113	233,271	1,467	-	1,129,851
Disposals	(879,590)	-	-	-	(879,590)
As at 31st March 2014	<u>123,131,442</u>	<u>233,271</u>	<u>6,521,933</u>	<u>-</u>	<u>129,886,646</u>
<b>DEPRECIATION</b>					
As at 1st April 2013	7,616,308	-	166,886	-	7,783,194
Charge for Year	1,150,005	-	62,816	-	1,212,821
Disposals	(101,322)	-	-	-	(101,322)
As at 31st March 2014	<u>8,664,991</u>	<u>-</u>	<u>229,702</u>	<u>-</u>	<u>8,894,693</u>
<b>SOCIAL HOUSING GRANT</b>					
As at 1st April 2013	85,446,888	-	4,817,243	-	90,264,131
Additions	-	228,241	-	-	228,241
Disposals	(585,931)	-	-	-	(585,931)
As at 31st March 2014	<u>84,860,957</u>	<u>228,241</u>	<u>4,817,243</u>	<u>-</u>	<u>89,906,441</u>
<b>OTHER CAPITAL GRANTS</b>					
As at 1st April 2013	392,800	-	-	-	392,800
As at 31st March 2014	<u>392,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>392,800</u>
<b>NET BOOK VALUE</b>					
As at 31st March 2014	<u>29,212,694</u>	<u>5,030</u>	<u>1,474,988</u>	<u>-</u>	<u>30,692,712</u>
As at 31st March 2013	<u>29,659,923</u>	<u>-</u>	<u>1,536,337</u>	<u>-</u>	<u>31,196,260</u>

Additions to housing properties includes capitalised development administration costs of £nil (2013 - £nil) and capitalised major repair costs to existing properties of £895,113 (2013 £845,027)

All land and housing properties are freehold.

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. TANGIBLE FIXED ASSETS (Continued)

### b) Other Tangible Assets

	Other Commercial Property £	Office Premises £	Office Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2013	228,256	593,676	245,082	1,067,014
Eliminated on Disposals	-	-	5,736	5,736
As at 31st March 2014	228,256	593,676	250,818	1,072,750
<b>GRANTS RECEIVED</b>				
As at 1st April 2013	38,682	-	-	38,682
As at 31st March 2014	38,682	-	-	38,682
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2013	48,597	91,033	207,890	347,520
Charge for year	4,565	11,873	16,030	32,468
As at 31st March 2014	53,162	102,906	223,920	379,988
<b>NET BOOK VALUE</b>				
As at 31st March 2014	136,412	490,770	26,898	654,080
As at 31st March 2013	140,977	502,643	37,192	680,812

## 12. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2014 £	2013 £
Other		
Expiring within one year	7,671	-
Expiring between two and five years	3,835	7,671

## 13. DEBTORS: Amounts falling due after more than one year

	2014 £	2013 £
Loan to Cloch Housing Association Ltd	1,883,333	2,000,000

The loan to Cloch Housing Association Ltd is repayable 5 years from the practical completion date of the relevant development. The loan is secured over housing properties belonging to Cloch Housing Association.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14. DEBTORS

	2014 £	2013 £
Arrears of Rent & Service Charges	216,862	220,123
Less: Provision for Doubtful Debts	<u>(171,852)</u>	<u>(150,809)</u>
	45,010	69,314
Social Housing Grant Receivable	640,536	42,826
Other Debtors	<u>287,863</u>	<u>308,191</u>
	<u>973,409</u>	<u>420,331</u>

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

	2014 £	2013 £
Bank Overdrafts (secured)	-	-
Housing Loans	687,815	671,568
Trade Creditors	274,558	661,221
Rent in Advance	340,917	324,526
Social Housing Grant in Advance	79,909	138,145
Corporation Tax	16,093	18,285
Other Taxation and Social Security	57,607	6,075
Other Creditors	122,176	190,447
Accruals and Deferred Income	<u>500,156</u>	<u>-</u>
	<u>2,079,231</u>	<u>2,010,267</u>

At the balance sheet date there were pension contributions outstanding of £22,025 (2013 £66,095)

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

	2014 £	2013 £
Housing Loans	<u>20,469,406</u>	<u>21,425,570</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	687,815	671,568
Between one and two years	715,402	725,880
Between two and five years	2,324,170	2,356,536
In five years or more	<u>17,429,834</u>	<u>18,343,154</u>
	21,157,221	22,097,138
Less: Amount shown in Current Liabilities	<u>687,815</u>	<u>671,568</u>
	<u>20,469,406</u>	<u>21,425,570</u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**17. CASH FLOW STATEMENT**

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2014 £	2013 £
Operating Surplus	2,370,304	2,217,207
Depreciation	1,364,493	1,443,211
Change in Debtors	161,299	(277,691)
Change in Creditors	105,502	(335,973)
Share Capital Written Off	(24)	(13)
Net Cash Inflow from Operating Activities	<u>4,001,574</u>	<u>3,046,741</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2014 £	£	2013 £	£
Increase in Cash	1,549,924		710,065	
Cash flow from change in debt	<u>939,917</u>		<u>794,357</u>	
Movement in net debt during year		2,489,841		1,504,422
Net debt at 1st April 2013		(18,256,405)		(19,760,827)
Net debt at 31st March 2014		<u>(15,766,564)</u>		<u>(18,256,405)</u>

<i>Analysis of changes in net debt</i>	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
Cash at bank and in hand	<u>3,840,733</u>	<u>1,549,924</u>		<u>5,390,657</u>
Debt: Due within one year	3,840,733	1,549,924		5,390,657
Due after more than one year	(671,568)	671,568	(687,815)	(687,815)
	<u>(21,425,570)</u>	<u>268,349</u>	<u>687,815</u>	<u>(20,469,406)</u>
Net Debt	<u>(18,256,405)</u>	<u>2,489,841</u>	<u>-</u>	<u>(15,766,564)</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2013	476
Issued in year	5
Cancelled in year	<u>(24)</u>
At 31st March 2014	<u>457</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	Major	Total
	Maintenance	Repairs	
	£	£	£
At 1st April 2013	2,873,105	4,776,321	7,649,426
Transfer to / (from) Revenue Reserves	<u>126,223</u>	<u>40,478</u>	<u>166,701</u>
At 31st March 2014	<u>2,999,328</u>	<u>4,816,799</u>	<u>7,816,127</u>

(b) Revenue Reserves	Total
	£
At 1st April 2013	7,052,398
Surplus for the year	2,343,274
Transfer (to) / from Designated Reserves	<u>(166,701)</u>
At 31st March 2014	<u>9,228,971</u>

#### 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2014	2013
	No.	No.
General Needs - New Build	839	839
- Rehabilitation	847	865
Shared Ownership	108	108
Supported Housing	<u>24</u>	<u>24</u>
	<u>1,818</u>	<u>1,836</u>

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

Name of Provider	No of Units	Funds Payable to	
		Provider	
	2013	2014	2013
		£	£
Social Work Department	12	-	-



# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### 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:

5 members are tenants of the Association

6 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.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

Please refer to Note 22 for details of transactions between the Association and its subsidiary.

#### 22. FIXED ASSET INVESTMENT

	2014 £	2013 £
<b>Shared Equity Properties</b>		
Development Cost of Shared Equity Property	1,429,354	1,460,645
Less: Grants Receivable	1,429,354	1,460,645
	<u>-</u>	<u>-</u>
<b>Investments in Subsidiaries</b>		
As at 31st March 2014 & 31st March 2013	<u>1</u>	<u>1</u>

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

The aggregate amount of capital and reserves and the results of Oak Tree Housing Initiatives Ltd for the year ended 31st March 2014 were as follows:

	2014 £	2013 £
Capital & Reserves	<u>(3,717)</u>	<u>(2,865)</u>
Loss for the year	<u>(852)</u>	<u>(2,866)</u>

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

The aggregate amount of capital and reserves and the results of Cloch Housing Association Ltd for the year ended 31st March (per the management accounts) were as follows:

	2014 £	2013 £
Capital & Reserves	<u>7,231,988</u>	<u>6,127,676</u>
Profit for the year	<u>1,119,909</u>	<u>707,528</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 23. EXCEPTIONAL ITEM

During the year, Social Housing Grant of £412,295 was received following a long term dispute with a development contractor.

# OAK TREE HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 24. 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 six 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
- Defined contribution

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 for all staff.

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 9.6% of pensionable salaries. Member contributions were 9.6%

As at the balance sheet date there were 33 active members of the Scheme employed by Oak Tree Housing Association Limited. The annual pensionable payroll in respect of these members was £1,008,032. 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 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30<sup>th</sup> September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

#### Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation:	
RPI	2.6
CPI	2.0

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.

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 24. 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	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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.

The Trustees have recently supplied Oak Tree Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Oak Tree Housing Association Limited will be required to pay £226,755 per annum as a contribution to the past service deficit. This will represent no change in Oak Tree Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

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.