

Oak Tree Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2015

Registered Housing Association No.HCB137

FCA Reference No. 2232(S)

Scottish Charity No. SC045300

OAK TREE HOUSING ASSOCIATION LIMITED

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OAK TREE HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2015

MANAGEMENT COMMITTEE

Jackie McKelvie	Chairperson
Colin Campbell	Vice Chairperson
Morag Paul	Secretary
Michael McLoone	
Peter Galbraith	
Margaret McKay	Resigned 08/12/2014
Eleanor McMichael	
Sandra Harrison	Resigned 27/10/2014
Sarah Murphy	Resigned 31/03/2014
Maureen McKay	Resigned 24/02/2014
Sandra Rorison	
June Glancy	
Norma Gathercole	Resigned 24/06/2014
Johnathan Grant	Casual member from 26/01/2015
Jim Orr	Co-opted 31/03/2015
David McIndoe	Co-opted 26/01/2015
Betty McDonald	Co-opted 26/01/2015
Jeanette Dillon	Casual member from 26/01/2015
Ronnie Lee	Co-opted 01/04/2015
Chris Bateman	Co-opted 27/04/2015

EXECUTIVE OFFICERS

Nick Jardine	Group Director
Anne Culley	Group 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

OAK TREE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2015.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2232(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC045300.

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 successful re-establishment of Cloch Housing Association in Regulatory terms and in 2014-15 we continued to work closely with Cloch Housing Association to develop the shape of our partnership.

Both Associations continue to perform to high levels.

Oak Tree Housing Association applied for and received approval to take on charitable status and that was confirmed in the final quarter of the year.

We established our first development site start for a few years with a 15 unit development in the South West of Inverclyde and received approval for further site starts in the year ahead. All in all, a busy year for the Association.

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2015**

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

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

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

Statement of Management Committee's Responsibilities

The Co-operative & Community Benefit Societies Act 2014 requires 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 Co-operative and Community Benefit Societies Act 2014, 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.

OAK TREE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

Statement on Internal Financial Control

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

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

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

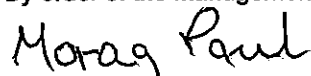
- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility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

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

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



MORAG PAUL

Secretary

15 June 2015

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

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
15 June 2015

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

We have audited the financial statements of Oak Tree Housing Association Limited for the year ended 31st March 2015 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 Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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 2015 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 Co-operative and Community Benefit Societies Act 2014, 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:

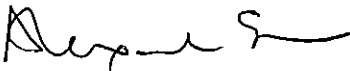
- the information given in the Management Committee's Report is inconsistent with the financial statements.

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

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
15 June 2015

OAK TREE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

	Notes	2015 £	2014 £
TURNOVER	2.	7,598,737	7,489,712
Operating Costs	2.	<u>(5,229,742)</u>	<u>(5,119,408)</u>
OPERATING SURPLUS	9.	2,368,995	2,370,304
Gain On Sale Of Housing Stock	7.	47,560	376,703
Exceptional Item	23.	185,499	412,295
Interest Receivable and Other Income		89,941	80,463
Interest Payable and Similar Charges	8.	<u>(854,472)</u>	<u>(880,398)</u>
		<u>(531,472)</u>	<u>(10,937)</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		1,837,523	2,359,367
Tax on surplus on ordinary activities	10.	<u>(12,863)</u>	<u>(16,093)</u>
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,824,660</u>	<u>2,343,274</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.

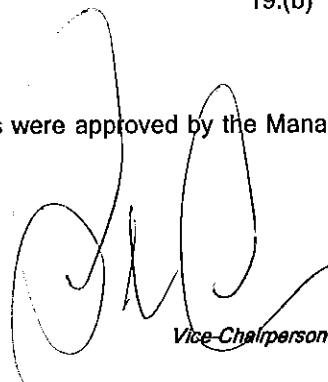
OAK TREE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2015

	Notes	2015		2014	
		£	£	£	£
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		121,647,085		120,991,953
Less: Social Housing Grant	11.(a)		(91,044,383)		(89,906,441)
: Other Public Grants	11.(a)		(392,800)		(392,800)
			<u>30,209,902</u>		<u>30,692,712</u>
Other fixed assets	11.(b)		649,854		654,080
			<u>30,859,756</u>		<u>31,346,792</u>
FIXED ASSET INVESTMENTS					
Investment in subsidiaries	22.		1		1
Shared Equity Cost	22.	1,429,354		1,429,354	
Shared Equity Grant	22.	(1,429,354)		(1,429,354)	
			<u>-</u>		<u>-</u>
DEBTORS: Amounts falling due after more than one year	13.		1,683,333		1,883,333
CURRENT ASSETS					
Debtors	14.	519,139		973,409	
Cash at bank and in hand		7,656,538		5,390,657	
			<u>8,175,677</u>		<u>6,364,066</u>
CREDITORS: Amounts falling due within one year	15.	(2,280,379)		(2,079,231)	
NET CURRENT ASSETS			<u>5,895,298</u>		<u>4,284,835</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>38,438,388</u>		<u>37,514,961</u>
CREDITORS: Amounts falling due after more than one year	16.		(19,568,381)		(20,469,406)
NET ASSETS			<u>18,870,007</u>		<u>17,045,555</u>
CAPITAL AND RESERVES					
Share Capital	18.		249		457
Designated Reserves	19.(a)		8,464,153		7,816,127
Revenue Reserves	19.(b)		10,405,605		9,228,971
			<u>18,870,007</u>		<u>17,045,555</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 15 June 2015.


Chairperson


Vice-Chairperson


Secretary

OAK TREE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2015

	Notes	2015 £	2014 £
Net Cash Inflow from Operating Activities	17.	4,115,904	4,001,574
Returns on Investment and Servicing of Finance			
Interest Received		89,941	80,463
Interest Paid		(854,472)	(880,398)
Net Cash Outflow from Investment and Servicing of Finance		(764,531)	(799,935)
Taxation			
Corporation Tax Paid		(16,093)	(18,285)
Net Cash Outflow from Taxation		(16,093)	(18,285)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(2,378,431)	(1,129,851)
Purchase of Other Fixed Assets		(27,180)	-
Social Housing Grant Received		1,900,381	42,826
Social Housing Grant Repaid		38,031	(90,042)
Proceeds on Disposal of Properties		271,906	483,549
Net Cash Outflow from Capital Expenditure and Financial Investment		(195,293)	(693,518)
Net Cash Inflow before use of Liquid Resources and Financing		3,139,987	2,489,836
Financing			
Loan Principal Repayments		(874,112)	(939,917)
Share Capital Issued		6	5
Net Cash Outflow from Financing		(874,106)	(939,912)
Increase In Cash	17.	2,265,881	1,549,924

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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
Radiator & 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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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

Until it received charitable status on 18 December 2014, the Association was liable to Corporation Tax on interest received.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2015			2014		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	7,090,002	4,767,170	2,322,832	6,890,398	4,624,376	2,266,022
Other Activities	4.	508,735	462,572	46,163	599,314	495,032	104,282
Total		7,598,737	5,229,742	2,368,995	7,489,712	5,119,408	2,370,304

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2015 Total £	2014 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	6,462,711	208,965	267,050	6,938,726	6,722,727
Service Charges Receivable	85,203	34,350	9,912	129,465	136,266
Gross Rents Receivable	6,547,914	243,315	276,962	7,068,191	6,858,993
Loss: Rent losses from voids	25,708	-	-	25,708	19,527
Net Rents Receivable	6,522,206	243,315	276,962	7,042,483	6,839,466
Revenue Grants from Scottish Ministers	47,519	-	-	47,519	50,932
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-	-
Total Income From Social Letting	6,569,725	243,315	276,962	7,090,002	6,890,398
Expenditure on Social Letting Activities					
Service Costs	123,015	1,751	7,880	132,646	132,422
Management and maintenance administration costs	1,913,668	27,241	52,569	1,993,478	1,752,647
Reactive Maintenance	845,477	13,229	-	858,706	811,744
Bad Debts - Rents and Service Charges	24,786	-	-	24,786	67,291
Planned and Cyclical Maintenance, including Major Repairs	511,912	6,094	-	518,006	528,247
Depreciation of Social Housing	1,160,420	16,518	62,610	1,239,548	1,332,025
Operating Costs of Social Letting	4,579,278	64,833	123,059	4,767,170	4,624,376
Operating Surplus on Social Letting Activities	1,990,447	178,482	153,903	2,322,832	2,266,022
2014	1,924,646	208,622	132,754		

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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		Operating Costs		Operating Surplus / (Deficit)	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	63,281	-	-	63,281	-	63,281	-	-	89,422	-	89,422	(26,141)	(53,723)
Factoring	-	-	-	117,242	-	-	117,242	-	117,242	-	-	117,865	-	117,865	(623)	(9,154)
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-	-	29,568	-	29,568	(29,568)	(17,301)
Agency / Management services for other RSLs	-	-	-	169,066	-	-	169,066	-	169,066	-	-	110,828	-	110,828	58,238	105,456
Other Agency or Management Services	-	-	-	24,171	-	-	24,171	-	24,171	-	-	5,863	-	5,863	18,308	44,856
Commercial Property	-	-	-	24,600	-	-	24,600	-	24,600	-	-	-	-	-	24,600	23,942
Lead Tenancy Income	-	-	-	110,375	-	-	110,375	-	110,375	-	-	109,026	-	109,026	1,349	10,206
Total From Other Activities	-	-	-	508,735	-	-	508,735	-	508,735	-	-	462,572	-	462,572	46,163	104,282
2014	-	-	-	599,314	-	-	599,314	-	599,314	-	1,225	493,807	-	493,807	104,282	104,282

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

	2015	2014
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>285,952</u>	<u>220,744</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>34,829</u>	<u>21,034</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>87,575</u>	<u>85,451</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	2	1
£70,001 to £80,000	1	1
£80,001 to £90,000	1	1

6. EMPLOYEE INFORMATION

	2015	2014
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>36</u>	<u>33</u>
The average total number of Employees employed during the year was	<u>42</u>	<u>38</u>
Staff Costs were:	£	£
Wages and Salaries	1,162,069	1,115,144
Social Security Costs	92,575	89,006
Other Pension Costs	346,313	173,180
Temporary, Agency and Seconded Staff	117,860	78,014
	<u>1,718,817</u>	<u>1,455,344</u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	271,906	483,549
Cost of Sales	224,346	106,846
Gain On Sale Of Housing Stock	<u>47,560</u>	<u>376,703</u>

8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	854,472	880,398
	<u>854,472</u>	<u>880,398</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £0 (2014 £0).

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015	2014
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	1,270,954	1,364,493
Auditors' Remuneration - Audit Services	10,028	9,600
- Other Services	2,600	9,108
Operating Lease Rentals - Other	<u>7,671</u>	<u>7,671</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2015	2014
	£	£
(i) Analysis of Charge in Year		
Current Tax:		
UK Corporation Tax on surplus on ordinary activities	12,863	16,093
Total Current Tax (Note 10(ii))	<u>12,863</u>	<u>16,093</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	<u>1,837,523</u>	<u>2,359,367</u>
Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the U.K. of 20%(2014:20%)	367,505	471,873
Effects of: Surplus not chargeable to tax	<u>(352,489)</u>	<u>(455,780)</u>
Current tax charge for period (Note 10(i))	<u>15,016</u>	<u>16,093</u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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 £
COST				
As at 1st April 2014	123,131,442	233,271	6,521,933	129,886,646
Additions	734,028	1,644,403	-	2,378,431
Disposals	(630,822)	-	-	(630,822)
Schemes Completed	11,613	(11,613)	-	-
As at 31st March 2015	<u>123,246,261</u>	<u>1,866,061</u>	<u>6,521,933</u>	<u>131,634,255</u>
DEPRECIATION				
As at 1st April 2014	8,664,991	-	229,702	8,894,693
Charge for Year	1,122,957	-	62,610	1,185,567
Disposals	(93,090)	-	-	(93,090)
As at 31st March 2015	<u>9,694,858</u>	<u>-</u>	<u>292,312</u>	<u>9,987,170</u>
SOCIAL HOUSING GRANT				
As at 1st April 2014	84,860,957	228,241	4,817,243	89,906,441
Additions	-	1,466,489	-	1,466,489
Disposals	(328,547)	-	-	(328,547)
As at 31st March 2015	<u>84,532,410</u>	<u>1,694,730</u>	<u>4,817,243</u>	<u>91,044,383</u>
OTHER CAPITAL GRANTS				
As at 1st April 2014	392,800	-	-	392,800
As at 31st March 2015	<u>392,800</u>	<u>-</u>	<u>-</u>	<u>392,800</u>
NET BOOK VALUE				
As at 31st March 2015	<u>28,626,193</u>	<u>171,331</u>	<u>1,412,378</u>	<u>30,209,902</u>
As at 31st March 2014	<u>29,212,694</u>	<u>5,030</u>	<u>1,474,988</u>	<u>30,692,712</u>

Additions to housing properties includes capitalised development administration costs of £nil (2014 - £nil) and capitalised major repair costs to existing properties of £734,028 (2014 - £895,113).

All land and housing properties are freehold.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Other Commercial Property £	Office Premises £	Office Furniture & Equipment £	Total £
COST				
As at 1st April 2014	228,256	593,676	250,818	1,072,750
Additions	-	642	26,538	27,180
As at 31st March 2015	228,256	594,318	277,356	1,099,930
GRANTS RECEIVED				
As at 1st April 2014	38,682	-	-	38,682
As at 31st March 2015	38,682	-	-	38,682
AGGREGATE DEPRECIATION				
As at 1st April 2014	53,162	102,906	223,920	379,988
Charge for year	4,565	11,879	14,962	31,406
As at 31st March 2015	57,727	114,785	238,882	411,394
NET BOOK VALUE				
As at 31st March 2015	131,847	479,533	38,474	649,854
As at 31st March 2014	136,412	490,770	26,898	654,080

12. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2015 £	2014 £
Other		
Expiring within one year	3,835	7,671
Expiring between two and five years	-	3,835

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

	2015 £	2014 £
Loan to Cloch Housing Association Ltd	1,683,333	1,883,333

The loan to Cloch Housing Association Ltd is being repaid over a 10 year period. 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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2015	2014
	£	£
Arrears of Rent & Service Charges	207,149	216,862
Less: Provision for Doubtful Debts	(156,685)	(171,852)
	<u>50,464</u>	<u>45,010</u>
Social Housing Grant Receivable	206,644	640,536
Other Debtors	203,729	287,863
Amounts Due from Group Undertakings	58,302	-
	<u>519,139</u>	<u>973,409</u>

15. CREDITORS: Amounts falling due within one year

	2015	2014
	£	£
Bank Overdrafts (secured)	-	-
Housing Loans	714,729	687,815
Trade Creditors	422,583	274,558
Rent in Advance	326,204	340,917
Social Housing Grant in Advance	194,434	79,909
Corporation Tax	12,863	16,093
Other Taxation and Social Security	79,057	57,607
Amounts Due to Group Undertakings	46,410	-
Other Creditors	114,902	122,176
Accruals and Deferred Income	369,197	500,156
	<u>2,280,379</u>	<u>2,079,231</u>

At the balance sheet date there were pension contributions outstanding of £38,998 (2014 - £22,025).

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

	2015	2014
	£	£
Housing Loans	<u>19,568,381</u>	<u>20,469,406</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	714,729	687,815
Between one and two years	742,840	715,402
Between two and five years	2,410,016	2,324,170
In five years or more	16,415,525	17,429,834
	<u>20,283,110</u>	<u>21,157,221</u>
Less: Amount shown in Current Liabilities	714,729	687,815
	<u>19,568,381</u>	<u>20,469,406</u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2015 £	2014 £
Operating Surplus	2,368,995	2,370,304
Depreciation	1,270,954	1,364,493
Change in Debtors	220,378	161,299
Change in Creditors	255,791	105,502
Share Capital Written Off	(214)	(24)
Net Cash Inflow from Operating Activities	4,115,904	4,001,574

<i>Reconciliation of net cash flow to movement in net debt</i>	2015 £	£	2014 £	£
Increase in Cash	2,265,881		1,549,924	
Cash flow from change in debt	874,111		939,917	
Movement in net debt during year	3,139,992		2,489,841	
Net debt at 1st April 2014	(15,766,564)		(18,256,405)	
Net debt at 31st March 2015	(12,626,572)		(15,766,564)	

<i>Analysis of changes in net debt</i>	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	5,390,657	2,265,881		7,656,538
Bank Overdrafts	-	-		-
	<u>5,390,657</u>	<u>2,265,881</u>		<u>7,656,538</u>
Liquid Resources	-	-		-
Debt: Due within one year	(687,815)	874,111	(901,025)	(714,729)
Due after more than one year	(20,469,406)	-	901,025	(19,568,381)
Net Debt	(15,766,564)	3,139,992	-	(12,626,572)

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2014	457
Issued in year	6
Cancelled in year	<u>(214)</u>
At 31st March 2015	<u>249</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	Cyclcal Maintenance £	Major Repairs £	Total £
At 1st April 2014	2,999,328	4,816,799	7,816,127
Transfer to / (from) Revenue Reserves	453,260	194,766	648,026
At 31st March 2015	<u>3,452,588</u>	<u>5,011,565</u>	<u>8,464,153</u>

(b) Revenue Reserves	Total £
At 1st April 2014	9,228,971
Surplus for the year	1,824,660
Transfer (to) / from Designated Reserves	<u>(648,026)</u>
At 31st March 2015	<u>10,405,605</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2015 No.	2014 No.
General Needs	1,680	1,686
Shared Ownership	108	108
Supported Housing	40	24
	<u>1,828</u>	<u>1,818</u>

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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:

4 members are tenants of the Association
2 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

	2015 £	2014 £
Shared Equity Properties		
Development Cost of Shared Equity Property	1,429,354	1,429,354
Less: Grants Receivable	<u>1,429,354</u>	<u>1,429,354</u>
	-	-
Investments in Subsidiaries		
As at 31st March 2015 & 31st March 2014	<u>1</u>	<u>1</u>

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

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 2015 were as follows:

	2015 £	2014 £
Capital & Reserves	<u>(4,432)</u>	<u>(3,717)</u>
Loss for the year	<u>(70)</u>	<u>(852)</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 2015 (per the management accounts) were as follows:

	2015 £	2014 £
Capital & Reserves	<u>8,702,486</u>	<u>7,231,988</u>
Profit for the year	<u>605,802</u>	<u>1,119,909</u>

In the year Oak Tree Housing Association charged Cloch Housing Association a total of £169,067 for costs relating to finance, directorate and common housing register.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. EXCEPTIONAL ITEM

During the current year, a provision of £185,499 relating to a long term dispute with a contractor was released as it was no longer required.

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

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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 12.3% of pensionable salaries. Member contributions were 12.3%

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 £1,007,810. 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 2015

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%).

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 2015

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.

From 1 April 2014 Oak Tree Housing Association Limited have been required to pay £226,755 per annum as a 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.