



**Alexander Sloan**  
Accountants and Business Advisers

# **Oak Tree Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2017**

**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

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2017

### MANAGEMENT COMMITTEE

Jackie McKelvie	Chairperson
Colin Campbell	Vice Chairperson
June Glancy	Secretary
Sandra Rorison	
David McIndoe	
Betty McDonald	
Jeanette Dillon	
Ronny Lee	
Chris Bateman	
Morag Paul	Resigned 21/06/16
Peter Galbraith	Resigned 7/11/16
Eleanor McMichael	Resigned 7/11/16
Johnathan Grant	Resigned 24/2/17

### EXECUTIVE OFFICERS

Nick Jardine	Chief Executive Officer
Anne Culley	Deputy Chief Executive Officer

### REGISTERED OFFICE

41 High Street  
Greenock  
PA15 1NR

### AUDITORS

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

### INTERNAL AUDITORS

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

### BANKERS

Royal Bank of Scotland  
Cathcart Street  
Greenock  
PA15 1BA

### SOLICITORS

Patten & Prentice  
2 Ardgowan Square  
Greenock  
PA16 8PP

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31st MARCH 2017

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2017.

### 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

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

We had 45 units in the final phase of development, have acquired land to start a further 44 units and are in discussion with the local authority regarding building a further 76 units.

Our current and former tenant arrears rose in the year as a direct result of the introduction of Universal Credit within Inverclyde. This is an area of concern and resources have been deployed to closely monitor and act to mitigate this situation.

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

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

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

With regards to Cloch Housing Association, whilst continuing to reinforce and reiterate our respective brands, we are reviewing opportunities for future collaborative working.

2016/17 was another successful trading year for Oak Tree Housing Association. The Association made surpluses of £1.81m in the year compared to a projected £1.31m surplus. Total turnover was just over £9.90m, (2015/16 - £9.76m) with Operating costs of £7.48m, (2015/16 - £7.31m).

Going forward the Association has confirmed its interest in pursuing further developments and should opportunities arise the Association will endeavour to ensure that future projects meet the requirements of all tenants and residents in our community.

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31st MARCH 2017

### Management Committee and Executive Officers

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

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

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

### Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Act 2014 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must, in determining how amounts are presented within items in the statement of comprehensive income and statement of financial position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The members of 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 Association's auditors are aware of that information.

# OAK TREE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31st MARCH 2017

### Statement on Internal Financial Control

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates.

These controls are designed to give reasonable assurance with respect to:

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

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

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

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

### Donations

During the year the Association made charitable donations amounting to £250 (2016: £200).

### Auditors

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

### By order of the Management Committee

**JUNE GLANCY**  
Secretary  
14 June 2017



# OAK TREE HOUSING ASSOCIATION LIMITED

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

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

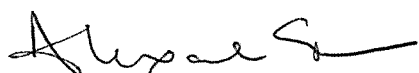
### **Basis of Opinion**

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

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the relevant Regulatory Standards contained 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 the relevant Regulatory Standards in respect of internal financial controls contained 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  
Statutory Auditors  
GLASGOW  
14 June 2017



**Alexander Sloan**  
Accountants and Business Advisers



We have audited the financial statements of Oak Tree Housing Association Limited for the year ended 31st March 2017 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standards of the United Kingdom

This report is made solely to the Association's members, as a body, in accordance with the 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 Financial Reporting Council's (FRC) 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for 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 2017 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 2014 and the Determination of Accounting Requirements 2015.

#### **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.
- 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.



**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.)**

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position 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  
14 June 2017



**Alexander Sloan**  
Accountants and Business Advisers

# OAK TREE HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017		2016
		£	£	£
<b>REVENUE</b>	2.		9,909,356	9,761,460
Operating Costs	2.		(7,479,745)	(7,308,769)
<b>OPERATING SURPLUS</b>			2,429,611	2,452,691
Gain On Sale Of Housing Stock	7.	157,900		77,807
Exceptional Item	26.	19,050		120,000
Interest Receivable and Other Income		95,375		103,220
Interest Payable and Similar Charges	8.	(792,939)		(826,667)
Other Finance Charges	11.	(95,847)		(65,486)
			(616,461)	(591,126)
Surplus on ordinary activities before taxation			1,813,150	1,861,565
Tax on surplus on ordinary activities	10.		-	400
<b>SURPLUS FOR YEAR</b>	9.		<b>1,813,150</b>	<b>1,861,965</b>
Other Comprehensive Income			-	-
<b>TOTAL COMPREHENSIVE INCOME</b>			<b>1,813,150</b>	<b>1,861,565</b>

The notes on pages 12 to 26 form part of these financial statements.

# OAK TREE HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2017

	Notes	2017		2016
		£	£	£
<b>NON-CURRENT ASSETS</b>				
Housing Properties - Depreciated Cost	12.(a)		98,371,904	98,522,858
Other Non Current Assets	12.(b)		447,253	415,528
			<u>98,819,157</u>	<u>98,938,386</u>
<b>INVESTMENTS</b>				
Investment in subsidiaries	27.	1	1	
Investment properties	27.	102,500	102,500	
			<u>102,501</u>	<u>102,501</u>
<b>RECEIVABLES:</b> Amounts falling due after more than one year				
	15.		1,226,765	1,461,538
<b>CURRENT ASSETS</b>				
Receivables	16.	509,414	984,489	
Investments	27.	1,785,000	-	
Cash at bank and in hand		5,558,194	8,103,670	
		<u>7,852,608</u>	<u>9,088,159</u>	
<b>CREDITORS:</b> Amounts falling due within one year				
	17.	(2,233,440)	(2,905,570)	
<b>NET CURRENT ASSETS</b>				
			<u>5,619,168</u>	<u>6,182,588</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
			105,767,591	106,685,013
<b>CREDITORS:</b> Amounts falling due after more than one year				
	18.		(18,556,032)	(19,945,231)
<b>DEFERRED INCOME</b>				
Social Housing Grants	20.	(64,145,542)	(65,478,178)	
Other Grants	20.	(314,241)	(322,969)	
		<u>(64,459,783)</u>	<u>(65,801,147)</u>	
<b>NET ASSETS</b>				
			<u>22,751,776</u>	<u>20,938,635</u>
<b>EQUITY</b>				
Share Capital	21.		243	252
Revenue Reserves			22,751,533	20,938,383
			<u>22,751,776</u>	<u>20,938,635</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 14 June 2017.

Chairperson

Jackie McKelvie

Vice - Chairperson

Colin Campbell

Secretary

June Glancy

The notes on pages 12 to 26 form part of these financial statements.

# OAK TREE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017	2016
		£	£
<b>Net Cash Inflow from Operating Activities</b>	19.	3,377,600	3,550,260
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(3,976,416)	(3,326,949)	
Purchase of Other Fixed Assets	(73,544)	(16,514)	
Social Housing Grant Received and Inter company loan repayments	1,449,370	1,671,692	
Social Housing Grant Repaid	(352,687)	(156,903)	
Changes on short term deposits with banks	(1,785,000)	-	
Proceeds on Disposal of Properties	658,288	324,808	
<b>Net Cash Outflow from Investing Activities</b>		(4,079,989)	(1,503,866)
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	95,375	103,220	
Interest Paid on Loans	(792,939)	(826,667)	
Loan Principal Repayments	(1,145,526)	(875,825)	
Share Capital Issued	3	10	
<b>Net Cash Outflow from Financing</b>		(1,843,087)	(1,599,262)
<b>(Decrease) / Increase in Cash</b>		(2,545,476)	447,132
<b>Opening Cash &amp; Cash Equivalents</b>		8,103,670	7,656,538
<b>Closing Cash &amp; Cash Equivalents</b>		<b>5,558,194</b>	<b>8,103,670</b>
<b>Cash and Cash equivalents as at 31 March 2017.</b>			
Cash		5,558,194	8,103,670
		<b>5,558,194</b>	<b>8,103,670</b>

The notes on pages 12 to 26 form part of these financial statements.

# OAK TREE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31st MARCH 2017

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1st April 2015</b>	249	19,076,417	19,076,666
Issue of Shares	10		10
Cancellation of Shares	(7)		(7)
Surplus for Year		1,861,965	1,861,965
<b>Balance as at 31st March 2016</b>	<u>252</u>	<u>20,938,383</u>	<u>20,938,635</u>
<b>Balance as at 1st April 2016</b>	252	20,938,383	20,938,635
Issue of Shares	3		3
Cancellation of Shares	(12)		(12)
Surplus for Year		1,813,150	1,813,150
<b>Balance as at 31st March 2017</b>	<u>243</u>	<u>22,751,533</u>	<u>22,751,776</u>

The reserves opening balance at 1st April 2015 has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

##### Basis Of Accounting

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

##### Basis Of Consolidation

The financial statements for Oak Tree Housing Association Limited present information about it as an individual undertaking and not about the group.

##### Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the average component life of 45 years.

##### Retirement Benefits

The Association participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme.

The Association still has a liability for past service costs contributions to the Scottish Housing Association Defined Benefit Pension Scheme. The Association provides for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond.

##### Valuation Of Housing Properties

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

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

# OAK TREE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

#### Depreciation And Impairment Of Other Non-Current Assets

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

Office Premises	- 2% to 2.5% Straight Line
Furniture and Fittings	- 20% Reducing Balance
Computer Equipment	- 25% Straight Line
Office Equipment	- 20% Reducing Balance

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

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

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

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

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

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

#### Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating costs. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals of housing property under the Right to Buy scheme are treated as a non-current asset disposal and any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

#### Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying Oak Tree Housing Association Limited Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

##### a) Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place and court action.

##### b) Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

##### c) Useful life of properties, plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

##### d) Costs of shared ownership

The Association allocates costs to shared ownership properties on a percentage basis split across the number of properties the Association owns.

# OAK TREE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

##### **Works to Existing Properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

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

###### ***a) The Categorisation of Housing Properties***

In the judgement of the Management Committee, the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

###### ***b) Identification of cash generating units***

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

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

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

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

In March 2016 the Association received details from the Pension Trust of the provisional valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions.

The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feel this is the best available estimate of the past service liability.

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

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

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



# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2017			2016		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	9,459,275	6,922,803	2,536,472	9,283,626	6,820,633	2,462,993
Other Activities	4.	450,081	556,942	(106,861)	477,834	488,136	(10,302)
<b>Total</b>		<b>9,909,356</b>	<b>7,479,745</b>	<b>2,429,611</b>	<b>9,761,460</b>	<b>7,308,769</b>	<b>2,452,691</b>

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

	General			2017 Total £	2016 Total £
	Needs Housing £	Supported Housing £	Shared ownership £		
<b>Revenue from Lettings</b>					
Rent Receivable Net of Service Charges	6,643,289	231,131	269,356	7,143,776	7,063,544
Service Charges	65,958	16,975	3,041	85,974	90,790
<b>Gross income from rent and service charges</b>	<b>6,709,247</b>	<b>248,106</b>	<b>272,397</b>	<b>7,229,750</b>	<b>7,154,334</b>
Less: Rent losses from voids	51,140	7,544	-	58,684	38,323
<b>Net Rents Receivable</b>	<b>6,658,107</b>	<b>240,562</b>	<b>272,397</b>	<b>7,171,066</b>	<b>7,116,011</b>
Grants released from deferred income	1,888,860	30,341	102,803	2,022,004	2,035,122
Revenue grants from Scottish Ministers	135,021	-	-	135,021	132,493
Other revenue grants	131,184	-	-	131,184	-
<b>Total turnover from affordable letting activities</b>	<b>8,813,172</b>	<b>270,903</b>	<b>375,200</b>	<b>9,459,275</b>	<b>9,283,626</b>
<b>Expenditure on affordable letting activities</b>					
Management and maintenance administration costs	1,739,596	60,523	70,533	1,870,652	1,847,423
Service Costs	142,715	36,730	6,581	186,026	180,433
Planned and cyclical maintenance, including major repairs	630,654	12,729	-	643,383	792,777
Reactive maintenance costs	858,236	20,459	-	878,695	891,652
Bad Debts - rents and service charges	53,793	-	-	53,793	10,589
Depreciation of affordable let properties	3,093,603	56,832	139,819	3,290,254	3,097,759
<b>Operating costs of affordable letting activities</b>	<b>6,518,597</b>	<b>187,273</b>	<b>216,933</b>	<b>6,922,803</b>	<b>6,820,633</b>
<b>Operating surplus on affordable letting activities</b>	<b>2,294,575</b>	<b>83,630</b>	<b>158,267</b>	<b>2,536,472</b>	<b>2,462,993</b>
<b>2016</b>	<b>2,151,017</b>	<b>130,791</b>	<b>181,185</b>		

## OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From			Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2017	Operating Surplus / (Deficit) 2016
	Scottish Ministers	Other Income	Total Turnover				
	£	£	£	£	£	£	£
Wider Role Activities	62,967	16,800	79,767	-	157,898	(78,131)	(15,247)
Development	-	-	-	-	24,398	(24,398)	-
Factoring	-	-	140,828	(967)	140,828	967	550
Contracted out services undertaken for other RSLs	-	146,480	146,480	-	146,426	54	-
Other agency or management services	-	25,337	25,337	-	54,216	(28,679)	918
Development and construction of property activities	-	-	-	-	-	-	(32,858)
Commercial property	-	17,541	17,541	-	-	17,541	24,763
Lead tenancy income	-	40,128	40,128	-	34,143	5,985	11,572
<b>Total From Other Activities</b>	<b>62,967</b>	<b>246,286</b>	<b>450,081</b>	<b>(967)</b>	<b>557,909</b>	<b>(106,861)</b>	<b>(10,302)</b>
<b>2016</b>	<b>84,861</b>	<b>392,973</b>	<b>477,834</b>	<b>2,031</b>	<b>486,105</b>	<b>(10,302)</b>	

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

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

	2017	2016
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	282,519	290,654
Pension contributions made on behalf on Officers with emoluments greater than £60,000	28,630	35,351
Emoluments payable to Chief Executive (excluding pension contributions)	89,022	88,697
Total Emoluments paid to key management personnel	348,227	359,294

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	2
£70,001 to £80,000	1	1
£80,001 to £90,000	1	1

#### 6. EMPLOYEE INFORMATION

	2017	2016
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	35	35
The average total number of Employees employed during the year was	42	41
Staff Costs were:	£	£
Wages and Salaries	1,126,292	1,176,923
Social Security Costs	137,280	93,804
Other Pension Costs	141,456	126,220
Temporary, Agency and Seconded Staff	55,864	46,087
	1,460,892	1,443,034

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 7. GAIN ON SALE OF HOUSING STOCK

	2017	2016
	£	£
Sales Proceeds	658,288	324,808
Cost of Sales	<u>500,388</u>	<u>247,001</u>
Gain On Sale Of Housing Stock	<u>157,900</u>	<u>77,807</u>

## 8. INTEREST PAYABLE & SIMILAR CHARGES

	2017	2016
	£	£
On Bank Loans & Overdrafts	<u>792,939</u>	<u>826,667</u>

## 9. SURPLUS FOR YEAR

	2017	2016
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	3,128,880	2,999,558
Auditors' Remuneration - Audit Services	8,016	7,788
Auditors' Remuneration - Other Services	2,130	9,508
Operating Lease Rentals - Other	8,548	5,879
Gain on sale of fixed assets	<u>157,900</u>	<u>77,807</u>

## 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2017	2016
	£	£
(i) Analysis of Charge in Year		
UK Corporation Tax on surplus on ordinary activities	-	(400)
Total Current Tax	<u>-</u>	<u>(400)</u>

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities during the year.

## 11. OTHER FINANCE INCOME / CHARGES

	2017	2016
	£	£
Unwinding of Discounted Liabilities	<u>95,847</u>	<u>65,486</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
<b>COST</b>				
As at 1st April 2016	125,549,357	2,173,855	6,411,186	134,134,398
Additions	1,278,412	2,698,004	-	3,976,416
Disposals	(1,805,398)	-	(116,150)	(1,921,548)
As at 31st March 2017	<u>125,022,371</u>	<u>4,871,859</u>	<u>6,295,036</u>	<u>136,189,266</u>
<b>DEPRECIATION</b>				
As at 1st April 2016	34,055,231	-	1,556,309	35,611,540
Charge for Year	2,947,242	-	139,819	3,087,061
Disposals	(863,171)	-	(18,068)	(881,239)
As at 31st March 2017	<u>36,139,302</u>	<u>-</u>	<u>1,678,060</u>	<u>37,817,362</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2017	<u>88,883,069</u>	<u>4,871,859</u>	<u>4,616,976</u>	<u>98,371,904</u>
As at 31st March 2016	<u>91,494,126</u>	<u>2,173,855</u>	<u>4,854,877</u>	<u>98,522,858</u>

Additions to housing properties include capitalised development administration costs of £nil (2016 - £nil) and capitalised major repair costs to existing properties of £1,278,412 (2016 - £1,287,925)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £2,800,490. The amount capitalised is £1,278,412, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £1,278,412 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £60,747,008 (2016 - £59,103,565).

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Furniture & Fittings	Computer Equipment	Office & Other Property	Office Equipment	Total
	£	£	£	£	£
<b>COST</b>					
As at 1st April 2016	52,526	115,131	395,000	126,580	689,237
Additions	-	70,898	1,046	1,600	73,544
Eliminated on Disposals	-	(10,402)	-	-	(10,402)
As at 31st March 2017	52,526	175,627	396,046	128,180	752,379
<b>AGGREGATE DEPRECIATION</b>					
As at 1st April 2016	48,290	91,608	19,125	114,686	273,709
Charge for year	2,096	28,350	10,526	847	41,819
Eliminated on disposal	-	(10,402)	-	-	(10,402)
As at 31st March 2017	50,386	109,556	29,651	115,533	305,126
<b>NET BOOK VALUE</b>					
As at 31st March 2017	2,140	66,071	366,395	12,647	447,253
As at 31st March 2016	4,236	23,523	375,875	11,894	415,528

## 13. CAPITAL COMMITMENTS

	2017	2016
	£	£
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	1,339,000	3,603,000

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

## 14. COMMITMENTS UNDER OPERATING LEASES

	2017	2016
	£	£
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	1,089	3,801
Later than one year and not later than five years	16,722	-

Lease commitments have been restated under FRS102 to include the timing of the full payment due under the contract.

## 15. RECEIVABLES AMOUNTS FALLING DUE AFTER MORE THAN YEAR

	2017	2016
	£	£
Loan to subsidiary	1,226,765	1,461,538

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

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 16. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Arrears of Rent & Service Charges	235,725	184,870
Less: Provision for Doubtful Debts	(150,129)	(128,463)
	<u>85,596</u>	<u>56,407</u>
Social Housing Grant Receivable	25,769	345,196
Other Receivables	341,630	498,902
Amounts Due from Group Undertakings	56,419	83,984
	<u>509,414</u>	<u>984,489</u>

## 17. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Housing Loans	805,200	733,562
Trade Payables	212,803	913,117
Rent in Advance	314,677	282,721
Social Housing Grant in Advance	-	259,563
Corporation Tax	-	(400)
Other Taxation and Social Security	106,435	92,997
Amounts Due to Group Undertakings	1,153	61,583
Other Payables	145,171	178,804
Liability for Past Service Contributions	267,881	232,340
Accruals and Deferred income	380,120	151,283
	<u>2,233,440</u>	<u>2,905,570</u>

At the Statement of Financial Position date there were pension contributions outstanding of £41,924 (2016 - £41,104).

## 18. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2017	2016
	£	£
Liability for Past Service Contributions	1,099,494	1,271,529
Housing Loans	17,456,538	18,673,702
	<u>18,556,032</u>	<u>19,945,231</u>
<b>Housing Loans</b>		
Amounts due within one year	805,200	733,562
Amounts due in one year or more but less than two years	840,100	742,200
Amounts due in two years or more but less than five years	2,563,238	2,370,000
Amounts due in more than five years	14,053,200	15,561,502
	<u>18,261,738</u>	<u>19,407,264</u>
Less: Amount shown in Current Liabilities	805,200	733,562
	<u>17,456,538</u>	<u>18,673,702</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	267,881	232,340
Amounts due in one year or more but less than two years	273,023	261,004
Amounts due in two years or more but less than five years	561,870	788,593
Amounts due in more than five years	264,601	221,932
	<u>1,367,375</u>	<u>1,503,869</u>
Less: Amount shown in Current Liabilities	267,881	232,340
	<u>1,099,494</u>	<u>1,271,529</u>

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

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
Nationwide	Standard Security over 577 properties	4.41%	2033	Fixed
Nationwide	Standard Security over 285 properties	4.88%	2038	Fixed
Nationwide	Standard Security over 260 properties	4.90%	2033	Fixed
Nationwide	Standard Security over 177 properties	0.86%	2036	Variable

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

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.06% (2016 - 2.64%)

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 19. STATEMENT OF CASH FLOWS

	2017	2016
	£	£
<b>Reconciliation of operating surplus to balance as at 31 March 2017</b>		
Operating Surplus	2,429,611	2,452,691
Depreciation	3,332,071	3,122,706
Amortisation of Capital Grants	(2,022,004)	(2,035,122)
Change in debtors	390,421	(105,003)
Change in creditors	(656,640)	193,344
Corporation Tax Paid	-	(12,863)
Unwinding of Discount on Pension Liability	(95,847)	(65,486)
Share Capital Written Off	(12)	(7)
	<u>3,377,600</u>	<u>3,550,260</u>

## 20. DEFERRED INCOME

	Housing Properties Held for Letting	Housing Properties In course of Construction	Shared Ownership Properties	Total
	£	£	£	£
<b>Social Housing Grants</b>				
Balance as at 1st April 2016	59,912,716	2,131,121	3,434,341	65,478,178
Additions in the year	16,745	1,155,638	-	1,172,383
Eliminated on disposal components and property	(427,276)	-	(64,467)	(491,743)
Balance as at 31st March 2017	<u>59,502,185</u>	<u>3,286,759</u>	<u>3,369,874</u>	<u>66,158,818</u>
<b>Amortisation</b>				
Amortisation in year	1,910,473	-	102,803	2,013,276
Balance as at 31st March 2017	<u>1,910,473</u>	<u>-</u>	<u>102,803</u>	<u>2,013,276</u>
<b>Net book value</b>				
Balance as at 31st March 2017	<u>57,591,712</u>	<u>3,286,759</u>	<u>3,267,071</u>	<u>64,145,542</u>
Balance as at 31st March 2016	59,912,716	2,131,121	3,434,341	65,478,178
<b>Other Grants</b>				
Balance as at 1st April 2016	322,969	-	-	322,969
Balance as at 31st March 2017	<u>322,969</u>	<u>-</u>	<u>-</u>	<u>322,969</u>
<b>Amortisation</b>				
Amortisation in year	8,728	-	-	8,728
Balance as at 31st March 2017	<u>8,728</u>	<u>-</u>	<u>-</u>	<u>8,728</u>
<b>Net book value</b>				
Balance as at 31st March 2017	<u>314,241</u>	<u>-</u>	<u>-</u>	<u>314,241</u>
Balance as at 31st March 2016	322,969	-	-	322,969
<b>Total grants net book value as at 31 March 2017</b>	<u>57,905,953</u>	<u>3,286,759</u>	<u>3,267,071</u>	<u>64,459,783</u>

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

	2017	2016
	£	£
Amounts due within one year	2,022,004	2,035,122
Amounts due after more than one year	62,437,779	63,766,025
	<u>64,459,783</u>	<u>65,801,147</u>



# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 21. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2016	252
Issued in year	3
Cancelled in year	(12)
At 31st March 2017	<u>243</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.

## 22. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2017 No.	2016 No.
General Needs - Rehabilitation	1,678	1,690
Shared Ownership	104	105
Supported Housing	40	40
	<u>1,822</u>	<u>1,835</u>

# OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 23. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their position 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 is made at arm's length under normal commercial terms.

Transactions with governing body members (and their close family) were as follows:

	£
Rent and factoring received from Tenants on the Committee and their close family members	11,647
Factoring Charges received from owners on the Committee	nil

At the year end total rent arrears and factoring owed by the tenant members of the Committee (and their close family ) were £394

Members of the Committee who are tenants	2
--	---

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

## 24. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 41 High Street, Greenock, PA15 1NR.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Inverclyde.

## 25. GOVERNING BODY MEMBER EMOLUMENTS

Management Committee members received £11 in the year by way of reimbursement of expenses. (2016 - £nil). No remuneration is paid to Management Committee members in respect of their duties in the Association.

## 26. EXCEPTIONAL ITEM

The exceptional item of £19,050 relates to the write off of creditor balances in the furniture replacement fund.

The exceptional item in the prior period of £120,000 related to a provision for a long term dispute with a contractor which was released as it was no longer required.

# OAK TREE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 27. INVESTMENTS

<u>Investment properties</u>	Commercial Properties	Total
	£	£
Valuation		
As at 1 April 2016	102,500	102,500
As at 31 March 2017	<u>102,500</u>	<u>102,500</u>

Commercial properties were valued by an independent professional adviser, Allied Scotland Chartered Surveyors on 31 March 2015 in accordance with the appraisal and valuation manual of the RICS. Commercial properties are subject to valuation at least every five years. In the opinion of the Management Committee the value of investment properties has not changed significantly since the valuation.

	2017 £	2016 £
<b>Investments in Subsidiaries</b>		
As at 31st March 2017 & 31st March 2016	<u>1</u>	<u>1</u>

The Association has a 100% owned subsidiary Oak Tree Housing Initiatives Ltd.

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary, Oak Tree Housing Initiatives Ltd, is not less than the value of the investment in that entity which is stated in the Association's Statement of Financial Position.

The aggregate amount of capital and reserves and the results of Oak Tree Housing Initiatives Ltd for the year ended 31 March 2017 were as follows:

	2017 £	2016 £
Capital & Reserves	<u>256</u>	<u>(4,043)</u>
Profit for the year	<u>3,983</u>	<u>389</u>

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

During the year the Association recharged Finance, Common Housing Register and Directorate salaries, along with other services totalling £146,480 (2016 - £136,462). In addition interest totalling £33,412 (2016 - £46,392) was paid on the loan from the Association to Cloch Housing Association Ltd. At the balance sheet date the Association was due £21,733 (2016 - £18,548). The balance due to the Association on the loan to Cloch Housing Association Ltd was £1,226,765 (2016 - £1,461,538), as detailed in note 15 to these financial statements.

The aggregate amount of capital and reserves and the results of Cloch Housing Association Ltd for the year ended 31 March 2017 were as follows:

	2017 £	2016 £
Capital & Reserves	<u>10,173,505</u>	<u>8,707,250</u>
Surplus for the year	<u>1,459,597</u>	<u>1,525,724</u>
<b>Other Investments</b>		
	2017 £	2016 £
Short term deposits	<u>1,785,000</u>	<u>-</u>

The Association participates in a shared equity arrangement at 31 March 2017. At this date the Association has expended £1,429,354 on shared equity properties.

# OAK TREE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 28. RETIREMENT BENEFIT OBLIGATIONS

##### General

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

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. The Association has since moved to a defined contribution scheme but has a liability for the past service deficit in the defined benefit scheme.

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

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

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the statement of financial position date the present value of this obligation was £1,367,375 (2016 - £1,503,869). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.06% (2016 - 2.64%).

The Association made payments totalling £240,092 (2016: £225,573) to the pension scheme during the year.