



Alexander Sloan
Accountants and Business Advisers

Oak Tree Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2019

Registered Housing Association No. HCB137

FCA Reference No. 2232(S)

Scottish Charity No. SCO45300

OAK TREE HOUSING ASSOCIATION LIMITED

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OAK TREE HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2019

MANAGEMENT COMMITTEE

| | |
|-------------------|-------------------------------|
| Colin Campbell | Chairperson |
| Jackie McKelvie | Vice Chairperson |
| June Glancy | Secretary |
| Sandra Rorison | |
| David McIndoe | |
| Jeanette Dillon | |
| Ronny Lee | |
| Sharon Tritschler | |
| Diane McCarney | |
| Vivienne Hearton | Casual member from 29/10/2018 |
| Joyce Little | Resigned 30/04/2018 |
| Chris Bateman | Resigned 27/08/2018 |
| Betty McDonald | Retired 18/02/2019 |

EXECUTIVE OFFICERS

| | |
|----------------|--|
| Nick Jardine | Chief Executive Officer |
| Anne Culley | Deputy Chief Executive Officer |
| Alana Durnin | Finance Director |
| Kate Dahlstrom | Housing Services & Performance Director |
| Brian Praties | Development & Technical Services Manager |

REGISTERED OFFICE

41 High Street
Greenock
PA15 1NR

EXTERNAL AUDITORS

Alexander Sloan
Accountants & Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

INTERNAL AUDITORS

TIAA
Artillery House, Fort Fareham
Newgate Lane
Farham
Hampshire
PO14 1AH

BANKERS

Royal Bank of Scotland
Cathcart Street
Greenock
PA15 1BA

SOLICITORS

Patten & Prentice
2 Ardgowan Square
Greenock
PA16 8PP

SOLICITORS

BTO Solicitors LLP
48 St Vincent Street
Glasgow
G2 5HS

OAK TREE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2019.

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 SCO45300.

Principal Activities

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

1. providing, constructing, improving and managing land, accommodation and associated facilities and providing care;
2. providing or arranging home maintenance, repair and improvement services and providing facilities and services for the benefit of such people either exclusively for them or together with other persons;
3. undertaking any activities which are charitable, allowed under section 58 of the Housing (Scotland) Act 2001, including any statutory amendment or re enactment of the provisions of this section from time to time being in force and;
4. carrying on any other charitable activities permitted to registered social landlords from time to time.

Review of Business and Future Developments

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

One of the main areas of work was the gearing up of our development programme, in partnership with representatives of the Local Authority and the Scottish Government's Housing Investment Division. One site start was established by the financial year end and three other projects are in significant stages of development with site starts now planned throughout 2019/20. The total unit out-turn remains at 192 to be completed during 2020/21, although one or two sites have been removed and replaced with more cost effective options. Throughout the year, we also continued to sell development services to our subsidiary, Cloch Housing Association, and are developing our model to enable us to sell these services further afield.

Our gross current and former tenant arrears as a percentage of net rent and service charge income reduced in the year to 3.3% from 3.5% in 2017/18. Arrears remains a challenge and focus for the Housing Team, which has been the case now for approximately 20 months with the introduction of Universal Credit within Inverclyde and the continuous roll out to tenants. Resources have been deployed to closely monitor the situation and to act to ensure we maintain rental income levels.

Along with Cloch 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.

OAK TREE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

Review of Business and Future Developments (Continued)

We acquired new premises during 2018/19 and after this property has been adapted it will provide a new home for the Association and give the opportunity for a major re-launch of the Oak Tree brand.

With regards to our subsidiary, Cloch Housing Association, whilst continuing to reinforce and reiterate our respective brands we are expanding our collaborative working on a number of fronts.

2018/19 was another successful trading year for Oak Tree Housing Association. The Association made surpluses of £1.032m in the year compared to a projected surplus of £1.196m, with the reduction in surplus against budget associated with an exceptional item. The exceptional item relates to £393k loan breakage costs, which will be offset against projected interest payment savings of £720k over the next 5 years, (£7.5M of loan funding was re-fixed for a 5-year period at the reduced loan interest rate of 1.395% from 4.405%). Total turnover was £10.36m, (2017/18 - £10.01m) with operating costs of £8.21m, (2017/18 - £7.385m), with higher spend on reactive repairs, depreciation, management and maintenance admin costs and higher investment to deliver development activities.

The Association has a defined benefit pension scheme in place with the Scottish Housing Association Pension Scheme, which is administered by the Pension Trust. This year a new accounting method to calculate each members' liability has been introduced and the new valuation method has been adopted by Housing Associations who have a defined benefit pension scheme. The costs associated with the revaluation is effectively a non-cash transaction, however is recognised in the statement of other income and this resulted in an overall adjustment of £1.095m, effectively reducing the total comprehensive income for the year to (£62.7k).

Going forward, the Association anticipates an exciting year, with all the hard work in development throughout 2018-19 paying off with significant growth in stock numbers, selling of development services, and improvements to customer services through better use of information technology.

A robust and thorough review of the performance of our assets utilising the tools associated in our asset management strategy has led us to initiate an options appraisal for the area of stock generating the highest turnover. Discussions with the Local Authority and a specialist charitable housing provider may well lead to a supported accommodation project being developed over 2019-20.

OAK TREE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

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 - 2019. 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 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 31 MARCH 2019

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 2019. 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 £25,500 (2018 - £525).

Auditors

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

By order of the Management Committee

JUNE GLANCY

Secretary
24 June 2019

OAK TREE HOUSING ASSOCIATION LIMITED

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 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Regulation of Social Housing in Scotland' 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 5 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes 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 within the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
24 June 2019



OAK TREE HOUSING ASSOCIATION LIMITED

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

Opinion

We have audited the financial statements of Oak Tree Housing Association Limited (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Society 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 auditor's 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 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 prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Management Committee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Management Committee.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- 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 Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or we have not received all the information and explanations we require for our audit

OAK TREE HOUSING ASSOCIATION LIMITED

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

Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 4, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
- Conclude on the appropriateness of the Management Committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ALEXANDER SLOAN

Statutory Auditors
GLASGOW
24 June 2019



OAK TREE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

| | Notes | £ | 2019 £ | £ | 2018 £ |
|---|-------|-----------|------------------|-----------|------------------|
| REVENUE | 2 | | 10,362,352 | | 10,008,485 |
| Operating Costs | 2 | | (8,207,572) | | (7,384,936) |
| OPERATING SURPLUS | | | 2,154,780 | | 2,623,549 |
| (Loss) / Gain On Sale Of Housing Stock | 7 | (6,301) | | 62,305 | |
| Exceptional Item | 28 | (393,484) | | 78,130 | |
| Interest Receivable and Other Income | | 92,769 | | 67,676 | |
| Interest Payable and Similar Charges | 8 | (721,528) | | (759,540) | |
| Other Finance Income / (Charges) | 11 | (93,784) | | (102,643) | |
| | | | (1,122,328) | | (654,072) |
| SURPLUS FOR THE YEAR | 9 | | 1,032,452 | | 1,969,477 |
| Other comprehensive income | | | | | |
| Adjustment relating to Opening Pension Liability | | | (741,173) | | - |
| Actuarial Gains/ (Losses) on defined benefit Pension Plan | | | (354,000) | | - |
| TOTAL COMPREHENSIVE INCOME | | | (62,721) | | 1,969,477 |

The notes on pages 13 to 31 form part of these financial statements.

OAK TREE HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

| | Notes | £ | 2019 £ | £ | 2018 £ |
|--|--------|------------------|--------------------------|------------------|--------------------------|
| NON-CURRENT ASSETS | | | | | |
| Housing Properties - Depreciated Cost | 12 (a) | | 96,276,786 | | 97,360,748 |
| Other Non-current Assets | 12 (b) | | 1,075,377 | | 462,642 |
| | | | <u>97,352,163</u> | | <u>97,823,390</u> |
| INVESTMENTS | | | | | |
| Investment in subsidiaries | 26 | 1 | | 1 | |
| Investment properties | 26 | 102,500 | | 102,500 | |
| | | | <u>102,501</u> | | <u>102,501</u> |
| RECEIVABLES: Amounts falling due after more than one year | 15 | | 877,169 | | 1,004,295 |
| CURRENT ASSETS | | | | | |
| Receivables | 16 | 652,424 | | 1,197,626 | |
| Investments | 26 | 1,086,105 | | 2,085,000 | |
| Cash at bank and in hand | | 6,510,805 | | 5,107,488 | |
| | | <u>8,249,334</u> | | <u>8,390,114</u> | |
| CREDITORS: Amounts falling due within one year | 17 | (2,193,661) | | (2,255,578) | |
| NET CURRENT ASSETS | | | <u>6,055,673</u> | | <u>6,134,536</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 104,387,506 | | 105,064,722 |
| CREDITORS: Amounts falling due after more than one year | 18 | | (15,892,748) | | (17,506,452) |
| PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES | | | | | |
| Scottish Housing Association Pension Scheme | 27 | (1,974,000) | | - | |
| | | | <u>(1,974,000)</u> | | <u>-</u> |
| DEFERRED INCOME | | | | | |
| Social Housing Grants | 20 | (61,565,453) | | (62,531,503) | |
| Other Grants | 20 | (296,785) | | (305,513) | |
| | | | <u>(61,862,238)</u> | | <u>(62,837,016)</u> |
| NET ASSETS | | | <u>24,658,520</u> | | <u>24,721,254</u> |
| EQUITY | | | | | |
| Share Capital | 21 | | 231 | | 244 |
| Revenue Reserves | | | 26,632,289 | | 24,721,010 |
| Pension Reserves | | | (1,974,000) | | - |
| | | | <u>24,658,520</u> | | <u>24,721,254</u> |

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 24 June 2019.

Chairperson
Colin Campbell

Vice Chairperson
Jackie McKelvie

Secretary
June Glancy

The notes on pages 13 to 31 form part of these financial statements.

OAK TREE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

| | Notes | £ | 2019 £ | £ | 2018 £ |
|---|-------|-------------|------------------|-------------|------------------|
| Net cash inflow from operating activities | 19 | | 3,373,465 | | 3,467,360 |
| Investing Activities | | | | | |
| Acquisition and Construction of Properties | | (2,413,040) | | (2,462,079) | |
| Purchase of Other Fixed Assets | | (675,916) | | (63,429) | |
| Social Housing Grant Received | | 1,976,188 | | 46,271 | |
| Social Housing Grant Repaid | | (195,000) | | (160,279) | |
| Changes on short term deposits with banks | | 998,895 | | (300,000) | |
| Proceeds on Disposal of Properties | | 78,117 | | 341,844 | |
| Net cash outflow from investing activities | | | (230,756) | | (2,597,672) |
| Financing Activities | | | | | |
| Other Finance Charges | | (48,784) | | (98,311) | |
| Intercompany Loan Repayments | | 127,126 | | 222,470 | |
| Breakage Costs | | (393,484) | | - | |
| Interest Received on Cash and Cash Equivalents | | 92,769 | | 67,676 | |
| Interest Paid on Loans | | (721,528) | | (759,540) | |
| Loan Principal Repayments | | (795,494) | | (752,696) | |
| Share Capital Issued | | 3 | | 7 | |
| Net cash outflow from financing activities | | | (1,739,392) | | (1,320,394) |
| Increase / (decrease) in cash | | | 1,403,317 | | (450,706) |
| Opening Cash & Cash Equivalents | | | 5,107,488 | | 5,558,194 |
| Closing Cash & Cash Equivalents | | | 6,510,805 | | 5,107,488 |
| Cash and Cash equivalents as at 31 March | | | | | |
| Cash | | | 6,510,805 | | 5,107,488 |
| | | | 6,510,805 | | 5,107,488 |

The notes on pages 13 to 31 form part of these financial statements.

OAK TREE HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2019

| | Scottish Housing | | Revenue | Total |
|-----------------------------|------------------|-----------------------------|------------|-------------|
| | Share Capital | Association Pension reserve | Reserve | |
| | £ | £ | £ | £ |
| Balance as at 31 March 2017 | 243 | - | 22,751,533 | 22,751,776 |
| Issue of Shares | 7 | - | - | 7 |
| Cancellation of Shares | (6) | - | - | (6) |
| Surplus for the year | - | - | 1,969,477 | 1,969,477 |
| Balance as at 31 March 2018 | 244 | - | 24,721,010 | 24,721,254 |
| Balance as at 1 April 2018 | 244 | - | 24,721,010 | 24,721,254 |
| Issue of Shares | 3 | - | - | 3 |
| Cancellation of Shares | (16) | - | - | (16) |
| Other comprehensive income | - | (1,974,000) | 878,827 | (1,095,173) |
| Surplus for the year | - | - | 1,032,452 | 1,032,452 |
| Balance as at 31 March 2019 | 231 | (1,974,000) | 26,632,289 | 24,658,520 |

The notes on pages 13 to 31 form part of these financial statements.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 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 2019. A summary of the more important accounting policies is set out below.

Basis of Consolidation

The Association has obtained exemption from the Financial Conduct Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. 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 expected useful life of the asset to which it relates.

Retirement Benefits

The Association previously participated in the Scottish Housing Associations Defined Benefit Pension Scheme where 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 organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102. The Association moved to the Scottish Housing Associations Defined Contribution scheme on leaving the defined benefit scheme. Contributions to defined contribution plans are recognised as an employee benefit expense when they are due.

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 |
| Radiators & Pipes | 30 Years |
| Rewire | 30 Years |
| Parking Areas | 30 Years |
| Bathrooms | 20 Years |
| External Doors | 20 Years |
| Boiler & Flush | 15 Years |
| Door Entry Systems | 10 Years |
| Kitchens | 10 Years |
| Play Areas | 5 Years |

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Depreciation and Impairment of Other Non-Current Assets

Non-current Assets are stated at cost less accumulated depreciation. Depreciation is charged on varying rates over the expected economic useful lives of the assets at the following annual rates:

| Asset Category | Depreciation Rate |
|------------------------|--------------------------|
| 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 cost. 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 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.

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. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position 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.

VAT

The Association is VAT registered but a large proportion of its income is exempt for VAT purposes. As a result most of the VAT paid is not recovered and therefore expenditure is shown inclusive of VAT.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

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

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. This year the Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

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.

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 the Association's 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 are 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 an percentage basis split across the number of properties the Association owns.

e) Defined pension liability

Determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

f) Allocation of share of assets and liabilities for multi employer schemes

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by the Pensions Trust.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | | 2019 | | | 2018 | | |
|-------------------------------|-------|---------------|-------------------------|--|---------------|-------------------------|--|
| | Notes | Turnover £ | Operating Costs £ | Operating Surplus / (Deficit) £ | Turnover £ | Operating Costs £ | Operating Surplus / (Deficit) £ |
| Affordable letting activities | 3 | 9,852,540 | 7,477,407 | 2,375,133 | 9,549,708 | 6,879,855 | 2,669,853 |
| Other Activities | 4 | 509,812 | 730,165 | (220,353) | 458,777 | 505,081 | (46,304) |
| Total | | 10,362,352 | 8,207,572 | 2,154,780 | 10,008,485 | 7,384,936 | 2,623,549 |

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

| | General Needs Housing £ | Supported Housing £ | Shared Ownership £ | 2019 Total £ | 2018 Total £ |
|---|----------------------------------|---------------------------|--------------------------|--------------------|--------------------|
| Revenue from Lettings | | | | | |
| Rent receivable net of service charges | 7,164,157 | 263,171 | 266,621 | 7,693,949 | 7,349,225 |
| Service charges receivable | 93,932 | 17,889 | 8,697 | 120,518 | 87,672 |
| Gross income from rent and service charges | 7,258,089 | 281,060 | 275,318 | 7,814,467 | 7,436,897 |
| Less: Rent losses from voids | 148,899 | 2,358 | 184 | 151,441 | 49,119 |
| Net Rents Receivable | 7,109,190 | 278,702 | 275,134 | 7,663,026 | 7,387,778 |
| Grants released from deferred income | 1,917,887 | 64,149 | 95,244 | 2,077,280 | 2,070,033 |
| Revenue grants from Scottish Ministers | 112,234 | - | - | 112,234 | 91,897 |
| Total turnover from affordable letting activities | 9,139,311 | 342,851 | 370,378 | 9,852,540 | 9,549,708 |
| Expenditure on affordable letting activities | | | | | |
| Management and maintenance administration costs | 2,072,452 | 76,130 | 77,127 | 2,225,709 | 1,984,410 |
| Service Costs | 159,071 | 30,294 | 14,728 | 204,093 | 196,663 |
| Planned and cyclical maintenance, including major repairs | 428,406 | 8,743 | - | 437,149 | 473,600 |
| Reactive maintenance costs | 1,191,597 | 31,905 | - | 1,223,502 | 922,389 |
| Bad Debts - rents and service charges | 31,103 | - | - | 31,103 | 43,170 |
| Depreciation of affordable let properties | 3,116,472 | 111,335 | 128,044 | 3,355,851 | 3,259,623 |
| Operating costs of affordable letting activities | 6,999,101 | 258,407 | 219,899 | 7,477,407 | 6,879,855 |
| Operating surplus on affordable letting activities | 2,140,210 | 84,444 | 150,479 | 2,375,133 | 2,669,853 |
| 2018 | 2,443,214 | 68,036 | 158,603 | | |

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | Grants From Scottish Ministers | Other Income | Total Turnover | Operating Costs Bad Debts | Operating Costs Other | Operating Surplus / (Deficit) 2019 | Operating Surplus / (Deficit) 2018 |
|--|---|-----------------|-------------------|---------------------------------|-----------------------------|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| Wider role activities | 49,285 | 67,515 | 116,800 | - | 164,034 | (47,234) | (47,891) |
| Development | - | 27,908 | 27,908 | - | 201,860 | (173,952) | 5,032 |
| Investment property activities | - | 16,929 | 16,929 | - | - | 16,929 | 15,169 |
| Lead tenancy income | - | 30,123 | 30,123 | - | 26,902 | 3,221 | 5,503 |
| Factoring | - | 142,619 | 142,619 | (2,269) | 143,758 | 1,130 | 1,564 |
| Contracted out services undertaken for other organisations | - | 154,505 | 154,505 | - | 154,505 | - | - |
| Agency or management services | - | 20,928 | 20,928 | - | 41,375 | (20,447) | (25,681) |
| Total From Other Activities | 49,285 | 460,527 | 509,812 | (2,269) | 732,434 | (220,353) | (46,304) |
| 2018 | 48,000 | 410,777 | 458,777 | (1,562) | 506,643 | (46,304) | |

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 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.

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)

Pension contributions made on behalf on Officers with emoluments greater than £60,000

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

| 2019 | 2018 |
|---------|---------|
| £ | £ |
| 294,843 | 287,133 |
| 32,896 | 29,677 |
| 92,173 | 90,828 |
| 367,662 | 355,654 |

The number of Officers, including the highest paid Officer, who received emoluments over £60,000 was in the following ranges:-

| | Number | Number |
|---------------------|--------|--------|
| £60,001 to £70,000 | 1 | 1 |
| £70,001 to £80,000 | 1 | 1 |
| £80,001 to £90,000 | 1 | 1 |
| £90,001 to £100,000 | 1 | 1 |

6. EMPLOYEE INFORMATION

The average number of full time equivalent persons employed and providing services during the year was:

The average total number of staff employed and providing services during the year was:

Staff Costs were:

Wages and Salaries

Social Security Costs

Other Pension Costs

Temporary, Agency and Seconded Staff

| 2019 | 2018 |
|-----------|-----------|
| No. | No. |
| 38 | 36 |
| 48 | 47 |
| £ | £ |
| 1,390,614 | 1,255,239 |
| 140,814 | 124,469 |
| 180,117 | 135,986 |
| 16,311 | 51,559 |
| 1,727,857 | 1,567,253 |

Included within Other Pension Costs above, is an amount of £19,918 which relates to adjustments in respect of the pension valuation provided by SHAPS.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. (LOSS) / GAIN ON SALE OF HOUSING STOCK

| | 2019 £ | 2018 £ |
|--|----------------|---------------|
| Sales Proceeds | 78,117 | 341,844 |
| Cost of Sales | 84,418 | 279,539 |
| (Loss) / Gain On Sale Of Housing Stock | <u>(6,301)</u> | <u>62,305</u> |

8. INTEREST PAYABLE & SIMILAR CHARGES

| | 2019 £ | 2018 £ |
|----------------------------|----------------|----------------|
| On Bank Loans & Overdrafts | <u>721,528</u> | <u>759,540</u> |

9. SURPLUS FOR THE YEAR

| | 2019 £ | 2018 £ |
|--|--------------|-----------------|
| Surplus For The Year is stated after charging/(crediting): | | |
| Depreciation - Tangible Owned Fixed Assets | 3,258,257 | 3,241,736 |
| Auditors' Remuneration - Audit Services | 8,290 | 8,131 |
| Auditors' Remuneration - Other Services | 2,003 | 1,962 |
| Operating Lease Rentals - Other | 8,548 | 8,548 |
| Loss / (Gain) on sale of fixed assets | <u>6,301</u> | <u>(62,305)</u> |

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

11. OTHER FINANCE INCOME / CHARGES

| | 2019 £ | 2018 £ |
|---|---------------|----------------|
| Non Utilisation and Loan Set-Up Fees | 48,784 | 98,311 |
| Unwinding of Discounted Pension Liabilities | 45,000 | 4,332 |
| | <u>93,784</u> | <u>102,643</u> |

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

| (a) Housing Properties | Housing Properties Held for Letting £ | Housing Properties In course of Construction £ | Shared Ownership Completed £ | Total £ |
|-----------------------------------|--|---|---------------------------------|-------------|
| COST | | | | |
| As at 1 April 2018 | 131,063,537 | 955,278 | 6,063,664 | 138,082,479 |
| Additions | 1,135,690 | 1,218,247 | - | 2,353,937 |
| Cost of Shared Ownership Buybacks | 59,103 | - | - | 59,103 |
| Disposals | (670,100) | (56,317) | (97,500) | (823,917) |
| Schemes Completed | 201,000 | - | (201,000) | - |
| As at 31 March 2019 | 131,789,230 | 2,117,208 | 5,765,164 | 139,671,602 |
| DEPRECIATION | | | | |
| As at 1 April 2018 | 38,971,091 | - | 1,750,640 | 40,721,731 |
| Charge for Year | 3,067,032 | - | 128,044 | 3,195,076 |
| Disposals | (453,424) | - | (68,567) | (521,991) |
| As at 31 March 2019 | 41,584,699 | - | 1,810,117 | 43,394,816 |
| NET BOOK VALUE | | | | |
| As at 31 March 2019 | 90,204,531 | 2,117,208 | 3,955,047 | 96,276,786 |
| As at 31 March 2018 | 92,092,446 | 955,278 | 4,313,024 | 97,360,748 |

Additions to housing properties include capitalised development administration costs of £Nil (2018 - £Nil) and capitalised major repair costs to existing properties of £1,135,690 (2018 - £1,182,040).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £2,855,444 (2018 - £3,858,068). The amount capitalised is £1,194,793 (2018 - £1,239,623) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £1,135,690 (2018 - £1,182,040) and buy back of Shared Ownership properties of £59,103 (2018 - £57,583).

The Association's Lenders have standard securities over Housing Property with a carrying value of £56,129,239 (2018 - £57,218,394).

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

| (b) Other Tangible Assets | Office & Other Property £ | Furniture & Fittings £ | Office Equipment £ | Computer Equipment £ | Total £ |
|-------------------------------|---------------------------------|------------------------------|--------------------------|----------------------------|------------|
| COST | | | | | |
| As at 1 April 2018 | 443,016 | 34,864 | 33,113 | 191,641 | 702,634 |
| Additions | 642,529 | 505 | 199 | 32,683 | 675,916 |
| As at 31 March 2019 | 1,085,545 | 35,369 | 33,312 | 224,324 | 1,378,550 |
| AGGREGATE DEPRECIATION | | | | | |
| As at 1 April 2018 | 40,726 | 32,109 | 27,261 | 139,896 | 239,992 |
| Charge for year | 27,138 | 652 | 1,207 | 34,184 | 63,181 |
| As at 31 March 2019 | 67,864 | 32,761 | 28,468 | 174,080 | 303,173 |
| NET BOOK VALUE | | | | | |
| As at 31 March 2019 | 1,017,681 | 2,608 | 4,844 | 50,244 | 1,075,377 |
| As at 31 March 2018 | 402,290 | 2,755 | 5,852 | 51,745 | 462,642 |

13. CAPITAL COMMITMENTS

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements | 4,940,397 | 1,614,282 |
| 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

| | | |
|---|-----------|-----------|
| At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:- | 2019 £ | 2018 £ |
| Other | | |
| Not later than one year | 6,357 | 8,548 |
| Later than one year and not later than five years | - | 4,293 |
| Later than five years | - | - |

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RECEIVABLES AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2019 £ | 2018 £ |
|--------------------|-----------|-----------|
| Loan to subsidiary | 877,169 | 1,004,295 |

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

16. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Arrears of Rent & Service Charges | 259,368 | 257,427 |
| Less: Provision for Doubtful Debts | (160,913) | (163,775) |
| | 98,455 | 93,652 |
| Social Housing Grant Receivable | - | 607,544 |
| Other Receivables | 397,245 | 261,441 |
| Amounts Due from Group Undertakings | 156,724 | 234,989 |
| | 652,424 | 1,197,626 |

17. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Housing Loans | 820,800 | 830,500 |
| Trade Payables | 372,123 | 200,763 |
| Rent Received in Advance | 297,679 | 303,115 |
| Social Housing Grant in Advance | 46,430 | 17,836 |
| Other Taxation and Social Security | 95,464 | 92,869 |
| Amounts Due to Group Undertakings | 14,459 | 19,690 |
| Other Payables | 166,504 | 72,111 |
| Liability for Past Service Contributions | - | 275,917 |
| Accruals and Deferred Income | 380,202 | 442,777 |
| | 2,193,661 | 2,255,578 |

At the Statement of Financial Position date there were pension contributions outstanding of £52,376 (2018 - £48,485).

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2019 £ | 2018 £ |
|---|-------------------|-------------------|
| Liability for Past Service Contributions | - | 827,910 |
| Housing Loans | 15,892,748 | 16,678,542 |
| | <u>15,892,748</u> | <u>17,506,452</u> |
| Housing Loans | | |
| Amounts due within one year | 820,800 | 830,500 |
| Amounts due in one year or more but less than two years | 973,100 | 837,100 |
| Amounts due in two years or more but less than five years | 2,991,200 | 2,627,500 |
| Amounts due in more than five years | 11,928,448 | 13,213,942 |
| | <u>16,713,548</u> | <u>17,509,042</u> |
| Less: Amount shown in Current Liabilities | 820,800 | 830,500 |
| | <u>15,892,748</u> | <u>16,678,542</u> |
| Liability for Past Service Contributions | | |
| Amounts due within one year | - | 275,917 |
| Amounts due in one year or more but less than two years | - | 279,967 |
| Amounts due in two years or more but less than five years | - | 547,943 |
| | <u>-</u> | <u>1,103,827</u> |
| Less: Amount shown in Current Liabilities | - | 275,917 |
| | <u>-</u> | <u>827,910</u> |

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

| Lender | Number of Properties Secured | Effective Interest Rate | Maturity (Year) | Variable / Fixed |
|------------|---------------------------------------|-------------------------|-----------------|------------------|
| Nationwide | Standard security over 577 properties | 4.5% | 2033 | Fixed |
| Nationwide | Standard security over 285 properties | 4.8% | 2038 | Fixed |
| Nationwide | Standard security over 260 properties | 4.8% | 2033 | Fixed |
| Nationwide | Standard security over 173 properties | 1.2% | 2036 | Variable |

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

OAK TREE HOUSING ASSOCIATION LI

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. STATEMENT OF CASH FLOWS

Reconciliation of surplus for the year to net cash inflow from operating activities

| | 2019 £ | 2018 £ |
|--|-------------|-------------|
| Surplus for the year | 1,032,452 | 1,969,477 |
| Depreciation | 3,238,217 | 3,241,736 |
| Loss/(Gain) on disposal | 6,301 | (62,305) |
| Amortisation of Capital Grants | (1,882,280) | (2,072,698) |
| Exceptional item | 393,484 | 78,130 |
| Change in debtors | (62,342) | (106,437) |
| Change in creditors | 195,106 | (292,582) |
| Unwinding of Discount on Pension Liability | (225,000) | - |
| Exceptional item | - | (78,130) |
| Finance charges | 48,784 | - |
| Transfer of interest to financial activities | 628,759 | 790,175 |
| Share Capital Written Off | (16) | (6) |
| Net cash inflow from operating activities | 3,373,465 | 3,467,360 |

Reconciliation of net cash flow to movement in net debt

| | 2019 £ | 2018 £ |
|--------------------------------------|--------------|--------------|
| Increase / (decrease) in cash | 1,403,317 | (450,706) |
| Cashflow from change in net debt | (203,401) | 1,320,387 |
| Movement in net debt during the year | 1,199,916 | 869,681 |
| Net debt at 1st April 2018 | (10,316,554) | (11,186,235) |
| Net debt at 31 March 2019 | (9,116,638) | (10,316,554) |

Analysis of changes in net debt

| | At 01/04/2018 | Cashflows | Other Changes | At 31/03/2019 |
|------------------------------|------------------|-----------|------------------|------------------|
| Cash at bank and in hand | 5,107,488 | 1,403,317 | | 6,510,805 |
| Liquid resources | 5,107,488 | 1,403,317 | - | 6,510,805 |
| Debt: Due within one year | 2,085,000 | (998,895) | | 1,086,105 |
| Due after more than one year | (830,500) | 795,494 | (785,494) | (820,800) |
| | (16,678,542) | - | 785,494 | (15,892,748) |
| Net Debt | (10,316,554) | 1,199,916 | - | (9,116,638) |

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. DEFERRED INCOME

| | Housing Properties Held for Letting £ | Housing Properties In course of Construction £ | Shared Ownership Completed £ | Total £ |
|--|---|--|---------------------------------------|------------|
| Social Housing Grants | | | | |
| As at 1 April 2018 | 88,018,084 | 827,434 | 4,483,788 | 93,329,306 |
| Additions in the year | - | 1,340,050 | - | 1,340,050 |
| Eliminated on disposal of components and property | (14,648) | (195,000) | (44,644) | (254,292) |
| Transferred | 152,445 | - | (152,445) | - |
| As at 31 March 2019 | 88,155,881 | 1,972,484 | 4,286,699 | 94,415,064 |
| Amortisation | | | | |
| As at 1 April 2018 | 29,373,930 | - | 1,423,873 | 30,797,803 |
| Amortisation in year | 1,973,308 | - | 95,244 | 2,068,552 |
| Transferred | 39,449 | - | (39,449) | - |
| Eliminated on disposal | (7,815) | - | (8,929) | (16,744) |
| As at 31 March 2019 | 31,378,872 | - | 1,470,739 | 32,849,611 |
| Net book value | | | | |
| As at 31 March 2019 | 56,777,009 | 1,972,484 | 2,815,960 | 61,565,453 |
| As at 31 March 2018 | 58,644,154 | 827,434 | 3,059,915 | 62,531,503 |
| Other Grants | | | | |
| As at 1 April 2018 | 392,800 | - | - | 392,800 |
| As at 31 March 2019 | 392,800 | - | - | 392,800 |
| Amortisation | | | | |
| As at 1 April 2018 | 87,287 | - | - | 87,287 |
| Amortisation in year | 8,728 | - | - | 8,728 |
| As at 31 March 2019 | 96,015 | - | - | 96,015 |
| Net book value | | | | |
| As at 31 March 2019 | 296,785 | - | - | 296,785 |
| As at 31 March 2018 | 305,513 | - | - | 305,513 |
| Total grants net book value as at 31 March 2019 | 57,073,794 | 1,972,484 | 2,815,960 | 61,862,238 |
| Total grants net book value as at 31 March 2018 | 58,949,667 | 827,434 | 3,059,915 | 62,837,016 |

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

| | 2019 £ | 2018 £ |
|---------------------------------|------------|------------|
| Amounts due within one year | 2,077,280 | 2,063,970 |
| Amounts due in one year or more | 59,784,958 | 60,773,046 |
| | 61,862,238 | 62,837,016 |

21. SHARE CAPITAL

| Shares of £1 each Issued and Fully Paid | 2019 £ | 2018 £ |
|---|-----------|-----------|
| As at 1 April 2018 | 244 | 243 |
| Issued in year | 3 | 7 |
| Cancelled in year | (16) | (6) |
| As at 31 March 2019 | 231 | 244 |

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.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. HOUSING STOCK

The number of units of accommodation in management at the year end was:-

| | 2019 No. | 2018 No. |
|---------------------------|--------------|--------------|
| General Needs - New Build | 1,718 | 1,721 |
| Supported Housing | 46 | 40 |
| Shared Ownership | 96 | 100 |
| | <u>1,860</u> | <u>1,861</u> |

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 positions to their advantage

Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members (and their close family) were as follows:

| | 2019 £ | 2018 £ |
|--|---------------|---------------|
| Rent received from tenants on the Management Committee and their close family members | <u>28,470</u> | <u>19,382</u> |
| Factoring charges received from factored owners on the Management Committee and their close family members | <u>-</u> | <u>67</u> |

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £2,114 (2018 - Nil).

At the year end total factoring arrears owed by the factored owners on the Management Committee (and their close family) were £0 (2018 - £0).

Members of the Management Committee who are tenants

- 4

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

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. INVESTMENTS

Short term deposits

| | 2019 £ | 2018 £ |
|---------------------|-----------|-----------|
| Short term deposits | 1,086,105 | 2,085,000 |

Investment properties

| | Commercial Properties £ | Total £ |
|--------------------|-------------------------------|------------|
| Valuation | | |
| As at 1 April 2018 | 102,500 | 102,500 |
| | 102,500 | 102,500 |

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. No further revision was considered appropriate in the year 2018/19.

Investments in Subsidiaries

| | 2019 £ | 2018 £ |
|--------------------------------------|-----------|-----------|
| As at 1 April 2018 and 31 March 2019 | 1 | 1 |

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 statement of financial position.

The Association has a 100% owned subsidiary named 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 31 March 2019 were as follows:

| | 2019 £ | 2018 £ |
|----------------------|-----------|-----------|
| Capital & Reserves | 227 | (392) |
| Surplus for the year | 620 | 542 |

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

During the year the Association recharged Finance, Common Housing Register and Development Services salaries along with other services totalling £196,120 (2018 - £219,360). In addition interest totalling £31,569 (2018 - £21,921) was received on the loan to Cloch Housing Association Ltd. At the Statement of Financial Position date the Association was due £12,184 (2018 - £85,351). The balance due to the Association on the loan to Cloch Housing Association Ltd was £1,004,295 (2018 - £1,131,421), as detailed in notes 17 and 18 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 2019 were as follows:

| | 2019 £ | 2018 £ |
|----------------------|------------|------------|
| Capital & Reserves | 12,525,205 | 11,810,809 |
| Surplus for the year | 709,962 | 1,637,304 |

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. SHAPS PENSION PROVISION

| | 2019 £ |
|-----------------------------|-------------|
| As at 1 April 2018 | - |
| Decrease in Provision | (1,974,000) |
| | <hr/> |
| Balance as at 31 March 2019 | (1,974,000) |
| | <hr/> |

28. EXCEPTIONAL ITEM

The exceptional item of £393,484 relates to "breakage fees" arising on the re-negotiation of the interest rate on one of the Association's fixed rate loans with Nationwide Building Society. The revised interest rate will give rise to net savings of c. £720,000 over the remaining term of the loan. The prior year exceptional item of £78,130 relates to the write off of creditor balances in the furniture replacement fund.

29. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

Oak Tree Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme), The assets of which are held in a separate trustee administered fund. All employees are currently part of the defined contribution scheme, but the Association was originally in the defined benefit scheme.

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-appointed amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

The last 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%). All Scheme members have agreed to make contributions towards the past service deficit.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. RETIREMENT BENEFIT OBLIGATIONS

The pension fund is administered by the Pensions Trust. Previously only the past service deficit was included as a liability in the financial statements as the Association's share of the pension assets and liabilities could not be determined. This year the Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The figures are available at 1 April 2018 and 31 March 2019. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

In January 2019, the FRC issued FRED 71 (Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multi-employer defined benefit plans) which provides proposed changes to FRS 102 on how to treat the transition from defined contribution to defined benefit accounting. This method has been adopted by the Housing Association as the most appropriate treatment. As a result the change has been accounted for as change in accounting estimate.

Due to the change in accounting estimate the past service deficit liability has been removed as the liability is included in the pension liability now calculated by the actuary and shown under Provisions for Liabilities and Charges in the Statement of Financial Position. The change has been reflected in Other Comprehensive Income as follows:

| | £ |
|--|-----------|
| Opening pension liability per actuary | 1,845,000 |
| Opening past service deficit | 1,103,827 |
| | <hr/> |
| Movement to other comprehensive income | 741,173 |

As a result the unwinding of the past service deficit is no longer shown within finance charges. Instead the expenses, interest and other comprehensive income as detailed within this note are incorporated within the financial statements.

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

Principal Actuarial Assumptions

Assumptions as at 31 March

| | 2019 %p.a. | 2018 %p.a. |
|------------------|---------------|---------------|
| Salary increases | 3.3% | 3.2% |
| Inflation RPI | 3.3% | 3.2% |
| Inflation CPI | 2.3% | 2.2% |
| Discount Rate | 2.3% | 2.6% |

The number of members of the pension scheme:

| | 2019 No |
|---------------------|------------|
| Employee members | 37 |
| Deferred pensioners | 20 |
| Pensioners | 15 |
| | <hr/> |
| | 72 |

Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males (Years) | Females (Years) |
|--------------------|------------------|--------------------|
| Current Pensioners | 21.7 | 23.4 |
| Future Pensioners | 23.1 | 24.7 |

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. RETIREMENT BENEFIT OBLIGATIONS

Fair value of scheme assets by category

| | 2019 £000 |
|-----------------------------|--------------|
| Growth Assets | 8,163 |
| Matching Plus | 368 |
| Liability Driven Investment | 584 |
| Net Current Assets | 329 |
| | <u>9,444</u> |

Net Pension Liability

| | 2019 £000 |
|-------------------------------------|----------------|
| Fair value of employer's assets | 9,444 |
| Present value of scheme liabilities | (11,418) |
| | <u>(1,974)</u> |

Reconciliation of fair value of employer assets

| | 2019 £000 |
|---------------------------------------|--------------|
| Opening fair value of employer assets | 8,880 |
| Expected Return on Assets | 236 |
| Contributions by Members | 137 |
| Contributions by the Employer | 432 |
| Actuarial Gains / (Losses) | (93) |
| Estimated Benefits Paid | (148) |
| Closing fair value | <u>9,444</u> |

Actual return on return on assets in the year to 31 March 2019 was £143,000.

Reconciliation of defined benefit obligations

| | 2019 £000 |
|------------------------------------|---------------|
| Opening defined benefit obligation | 10,725 |
| Current Service Cost | 162 |
| Interest Cost | 281 |
| Contributions by members | 137 |
| Actuarial Gains | 261 |
| Estimated Benefits Paid | (148) |
| Closing defined benefit obligation | <u>11,418</u> |

OAK TREE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. RETIREMENT BENEFIT OBLIGATIONS

Analysis of amount charged to the Statement of Comprehensive Income

| | 2019 £000 |
|--|--------------|
| Charged to operating costs: | |
| Service cost | 162 |
| | <hr/> |
| Charged to Other Finance Costs / (Income) | |
| Expected Return on employer assets | (236) |
| Interest on pension scheme liabilities | 281 |
| | <hr/> |
| | 45 |
| | <hr/> |
| Net Charge to the Statement of Comprehensive Income | 207 |

Actuarial Gain / (Loss) recognised in Other Comprehensive Income

| | 2019 £000 |
|--|--------------|
| Actuarial gain/(loss) recognised in year | (354) |
| Cumulative actuarial gains | (354) |