



**ALMOND HOUSING ASSOCIATION LIMITED**

**REPORT OF THE COMMITTEE OF MANAGEMENT AND  
FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

SCOTTISH CHARITY REGISTRATION NUMBER  
SCOTTISH HOUSING REGULATOR  
FINANCIAL SERVICES AUTHORITY

SCO31696  
HAL 285  
2471R(S)

**ALMOND HOUSING ASSOCIATION LIMITED**

**REPORT OF THE COMMITTEE OF MANAGEMENT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

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## **ALMOND HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE COMMITTEE OF MANAGEMENT**

The Committee of Management presents its report and the audited financial statements for the year ended 31 March 2010.

#### **Principal Activities**

Almond Housing Association Limited ('the Association') is a not-for-profit registered social landlord administered by a voluntary Committee of Management. The Association's principal activities are the development and management of affordable housing.

#### **Legal structure**

The Association was registered on 22 March 1994 under the Industrial and Provident Societies Act 1965 for the purpose of providing housing and any associated amenities for persons in necessitous circumstances. The Association became a registered Scottish Charity from 12 June 2001. The Financial Services Authority has granted the Association exemption from the requirement to prepare group accounts including its subsidiary company Almond Enterprises Limited, due to immateriality.

#### **Business review**

Details of the Association's performance for the year and future plans are set out in the Operating and Financial Review that follows this Committee of Management report.

#### **Housing property assets**

Details of changes to the Association's fixed assets are shown in notes 10 and 11 to the financial statements. Housing property values are considered in the Operating and Financial Review.

#### **Reserves**

The income and expenditure account for the year is set out on page 17. After the transfer of the surplus for the year of £377,029 (2009: £852,124), at the year-end the reserves of the Association amounted to £10.1million (2009: £9.9million). Our Reserves are important for several reasons. We need to have funds to carry out cyclical and major repairs to our properties. We also need free reserves to allow us to react to any unexpected or unplanned costs. Our policy on designated reserves is laid out in note 1, Accounting Policies.

#### **Rental Income**

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The points value is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the Housing sector.

#### **Maintenance Policy**

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure Account.

In addition the Association has a long term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. We plan the requirements, taking account of the Scottish Housing Quality Standards and our assessment of how our properties can be made to meet these using stock condition surveys. This includes replacement or repairs to features of the properties which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure Account, unless it was agreed they could be capitalised within the terms outlined in the Statement of Recommended Practice (SORP).

#### **Donations**

The Association donated £1,413 to several good causes (2009: £1,200) and made no political donations.

#### **Post balance sheet events**

We consider that there have been no events since the year-end that have had a significant effect on the Association's financial position.

#### **Payment of creditors**

In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier. Our performance against this policy is shown in note 14 to the financial statements.

## **ALMOND HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE COMMITTEE OF MANAGEMENT (CONTINUED)**

#### **Financial instruments**

The Association's approach to financial risk management is outlined in the Operating and Financial Review.

#### **Treasury Management**

There is a comprehensive Treasury Management Policy in place. The main aim of the strategy is to control the associated risks to the Association of borrowing and investing activities, thus minimising risk before maximising return.

#### **Employees**

The ability of the Association to meet its objectives and commitment towards tenants is dependent on both the contribution and quality of all its employees. The Association shares information on its objectives, progress and activities through regular office and departmental meetings involving Committee of Management members, the Senior Management Team and staff.

We are committed to equal opportunities and support the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Association. Levels of staff turnover, sickness absence, ethnic mix and gender and age profile are closely monitored and benchmarked against available statistics on a regular basis. The Association's staff turnover rates are in line with industry averages.

#### **Health and Safety**

The Committee of Management is aware of its responsibilities on all matters relating to health and safety. The Association has prepared detailed health and safety policies and provides staff training and education on health and safety matters. The Association's internal 'Healthy Working Lives' group, made up of staff from all sections of the organisation, have regular meetings and during the year implemented a number of policies, training initiatives and screening events in line with the NHS Led 'Healthy Working Lives' Bronze Award.

#### **Staffing Structure, Service Contracts and Benefits**

The Chief Executive and Heads of Section comprise the Senior Management Team which meets regularly (normally weekly) to review progress on priorities, co-ordinate the day-to-day management of all activities, and prepare proposals for the Committee of Management.

The Senior Management Team are employed on the same terms as other staff, their notice periods ranging from three to six months and are members of either the SFHA Pension Scheme or the Lothian Pension Fund, both defined benefit final salary pension schemes. They participate in the schemes on the same terms as all other eligible staff and the Association contributes to the schemes on behalf of its employees. Full details of their individual remuneration packages are included in note 6 to the financial statements.

#### **Committee of Management**

Members of the Committee of Management who have served during the year are set out below.

Mr I Bremner (retired 1 October 2009)	Mr A Gray
Mr J Chittleburgh* (Vice-Chair)	Ms J Marnie* (Secretary)
Mrs E Dickson	Mr S Murray* (Chairman)
Mrs M Earl *	Mrs R Orr
Mrs A Gault	Mr A Saunders*
Mr A Godden *	Mr I Stewart*

\* member of the Audit Committee at 31 March 2010 (Mr S Murray in attendance only).

The Committee of Management are drawn from a wide background bringing together professional, commercial and local experience. Eligible members can stand for election to the Committee by submitting a written nomination prior to the AGM. Where there are more members standing for election than there are vacant places, those present at the AGM will vote to elect members onto the Committee. Association insurance policies indemnify members of the Committee of Management and officers against liability when acting for the Association. The current skills level of Committee Members is assessed on an ongoing basis and necessitous training is provided as and when required.

The Association's affairs are run by the Committee of Management, which has up to 15 Members and normally meets monthly. Some of the detailed work of the Committee of Management is delegated to Sub-Committees or to "short life" working groups with a specific remit.

## **ALMOND HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE COMMITTEE OF MANAGEMENT (CONTINUED)**

#### **Internal financial controls assurance**

The Committee of Management is responsible for the Association's system of internal financial control which is designed to provide reasonable, but not absolute, assurance regarding:

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

Key procedures that have been established and are designed to provide effective internal financial control are:

**Control environment** – the Association has an organisational structure with clearly defined lines of responsibility, job descriptions and delegation of authority. These are set out in accordance with the Association's Standing Orders and Policy and Procedure Manuals. The Association has complied with the Scottish Federation of Housing Associations "Raising Standards in Housing."

**Risk management** – the Committee of Management and senior personnel have a clear responsibility for identifying risks facing the Association and for putting in place procedures to mitigate and monitor risks. Major risks are formally assessed every year through a process involving the Committee of Management and senior personnel in accordance with the guidance issued jointly by Scottish Housing Regulator and the Scottish Federation of Housing Associations most recent guidance in February 2002.

**Information systems** – the Association has a comprehensive system of financial reporting. The annual budget and 30 year projections are approved by the Committee of Management. Actual results are regularly reported against budget and any significant adverse variances are examined by management and remedial action taken. There are monthly and 30 year cash flow projections, and revised budget forecasts are considered as at 30 September each year.

**Control procedures** – policies and procedures are maintained for all areas of operations. In particular, there are clearly defined policies for development projects and capital expenditure. Large or unusual capital expenditure projects require Committee of Management approval. The Association's treasury and investment policies have been approved by the Committee of Management.

**Internal audit** – The Association has continued its contract with The Internal Audit Association (TIAA) Limited for the provision of internal audit services. A Strategic Audit Plan has been prepared and approved by the Committee of Management to ensure that all major risk areas are examined in accordance with the Scottish Federation of Housing Associations' "Raising Standards in Housing."

**Monitoring systems** – the Audit Committee reviews reports from management, internal audit and external audit to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to address weaknesses identified in the above reports. The membership of the Audit Committee is shown on page 3.

#### **Going concern**

After making enquiries, the Committee of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

**ALMOND HOUSING ASSOCIATION LIMITED**

**REPORT OF THE COMMITTEE OF MANAGEMENT (CONTINUED)**

**STATEMENT OF COMMITTEE OF MANAGEMENT'S RESPONSIBILITIES**

Housing Association legislation requires the Committee of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association as at the end of the financial year and the income and expenditure of the Association for the year ended on that date. In preparing those financial statements, the Committee of Management are 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Committee of Management is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the Association's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Association's books of account and transactions. The Committee of Management is also responsible for ensuring that arrangements are made to safeguard the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the web site in relation to the contents of the financial statements is the responsibility of the Committee of Management. The work carried out by the auditors does not involve consideration of these matters and, accordingly, they accept no responsibility for any changes that may have occurred in the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

**Annual general meeting**

The annual general meeting will be held on 2 September 2010 at Centrex House, Kirkton Campus, Livingston.

**Statement as to disclosure of information to auditors**

The Committee Members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Committee Members have confirmed that they have taken all the steps that they ought to have taken as Committee Members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**External auditors**

A resolution to re-appoint Baker Tilly UK Audit LLP and to authorise the Committee of Management to fix their remuneration will be proposed at the forthcoming annual general meeting.

The report of the Committee of Management is approved by the Committee of Management and signed on its behalf by:

Secretary



Date: 05 AUG 2010

Registered Office:  
Shiel House  
Craigshill  
Livingston  
West Lothian  
EH54 5EH

## **ALMOND HOUSING ASSOCIATION LIMITED**

### **OPERATING AND FINANCIAL REVIEW**

#### **BACKGROUND**

##### **Activities**

Almond Housing Association was set up in March 1994 to provide Livingston tenants with the opportunity of continuity in the provision of housing services following the wind up of Livingston Development Corporation (LDC). In the 1996 ballot for LDC housing stock we were successful in two of the three areas under our management and became the second largest landlord in West Lothian, after West Lothian Council (WLC), with 2,323 properties and 654 garages.

Our overall aim since, has been to provide the right to rent quality housing in West Lothian. In addition we endeavour to promote the interests of tenants and provide other opportunities for local people to work together for the benefit of our community.

The Association's head office is based in Craigshill, Livingston and its properties are primarily in Livingston and the nearby surrounding areas of West Lothian. The Association is accountable to its Members, which totalled 201 active Members at 31 March 2010.

In addition to managing 2,323 properties, the Association is a major developer of new affordable housing. In addition to providing social housing for rent (which constitutes over 99% of the Association's activities by turnover), it has also built and leased specially designed accommodation, which provides a base for residential care for elderly people managed by the Health Board. The Association has a subsidiary Almond Enterprises Limited which provides cleaning, recycling and crèche services in the local area, and is committed to providing jobs and improving the environment in the local community.

#### **OBJECTIVES AND STRATEGY**

The Association's objectives and strategy are set out in a business plan that is reviewed and approved by the Committee of Management each year. The five key objectives are summarised as follows:

**Finance** - to ensure that the Association continues to be financially viable, meeting current commitments and creating sufficient reserves to fund future maintenance and stock improvement programmes.

**Development** - to provide, by improvement of existing housing stock or by new building, high quality homes at rents which are reasonable and comparable to those of other local landlords, helping to meet West Lothian's housing needs. Also, to contribute to the development of our communities through participating in 'wider role' activities and providing opportunities for local people to meet non-housing needs.

**Environment** - to contribute to the sustainable development of the area through the design and standards of our properties, and through the choices we make in maintaining and improving them.

**Asset management** - to manage our housing stock efficiently and effectively, maintaining the stock and associated estates to high standards for the comfort, safety and benefit of our tenants, and for the well-being of the community as a whole.

**Customer service** - to seek continuous improvement in standards of customer service and maintain a skilled, experienced and well-motivated staff and Committee of Management. Opportunities for tenants and other members of the community to be involved in the management of our stock are clearly encouraged.

The key indicators used by senior management and the Committee of Management to monitor achievement of the Association's objectives are set out on the following page. The Committee of Management agrees targets each year that are designed to manage development and deliver continuous service improvement.

**ALMOND HOUSING ASSOCIATION LIMITED**

**OPERATING AND FINANCIAL REVIEW (CONTINUED)**

**PERFORMANCE AND DEVELOPMENT**

	<b>Objective</b>	<b>Key Performance Indicator</b>
<b>Finance</b>	<ul style="list-style-type: none"> <li>• achieve planned operating surplus</li> <li>• meet lenders' covenants</li> <li>• ensure sufficient reserves to meet future funding requirements</li> <li>• complete debt recovery review</li> <li>• develop and improve financial and information systems and web site</li> </ul>	<ul style="list-style-type: none"> <li>• monitor results to budget</li> <li>• performance against loan covenants</li> <li>• identify requirements and prepare 30 year budget projections</li> <li>• complete review and implement changes</li> <li>• implement new rent arrears software and improve website information and services</li> </ul>
<b>Development</b>	<ul style="list-style-type: none"> <li>• contribute to meeting housing need in West Lothian, and achieve Alliance 09/10 programme targets</li> <li>• develop our role in wider community activities</li> <li>• source required funding and progress plans for new office</li> </ul>	<ul style="list-style-type: none"> <li>• continuation of programme on target, progressing plans for new sites &amp; securing additional sites</li> <li>• develop the range of services provided by Almond Enterprises Limited and encourage local recruitment</li> <li>• decide and secure funding, and achieve programme targets</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• develop and implement sustainability measures, including energy efficiency and the reduction of our carbon footprint</li> </ul>	<ul style="list-style-type: none"> <li>• research, design and incorporate energy efficiency features in new developments, using building materials from local sustainable sources used where economical</li> </ul>
<b>Asset management</b>	<ul style="list-style-type: none"> <li>• continue to provide high quality housing management services</li> <li>• Seek opportunities to continue as a developing Association.</li> <li>• achieve planned &amp; cyclical maintenance programme targets (including the SHQS delivery plan)</li> <li>• cultivate skilled, experienced and motivated staff</li> <li>• procure new gas maintenance contract</li> </ul>	<ul style="list-style-type: none"> <li>• review and revise allocations &amp; rent policies, evaluate participation in the common housing register &amp; develop Allocations 'outcome' measures</li> <li>• complete a thorough review and full risk assessment of all the factors that could impact on our development strategy</li> <li>• continue the SHQS programme, assimilate stock condition survey results into plans and achieve planned &amp; cyclical maintenance programme targets. Finalise changeover to digital TV</li> <li>• implement business continuity plan, review IT support arrangements and the debt recovery process, complete procedure review programme</li> <li>• award contract and achieve improved performance</li> </ul>
<b>Customer service</b>	<ul style="list-style-type: none"> <li>• improve organisational efficiency and manage our risk profile</li> <li>• continue to develop and maintain high standards of service in all our activities</li> </ul>	<ul style="list-style-type: none"> <li>• review Governance arrangements and internal 'quality control' systems to ensure compliance with current codes of best practice and implement enhanced systems where appropriate</li> <li>• develop 'benchmarking and our range of 'customer care' information. Implement landscaping improvements plan. Meet various financial performance indicators listed below</li> </ul>

Performance against these indicators is set out below.

**Finance**

The Committee of Management had budgeted for a surplus of £312k this year, which was slightly lower than the actual surplus achieved of £377k. By the year-end Association reserves amounted to £10.1million (2009: £9.9million), of which we were required to designate £7.2million as a reserve to provide for the estimated costs of future major repairs. The Association is able to report that it met the lenders' loan covenants at all times during the year.

30 year financial projections were produced on schedule and incorporated all the currently identifiable projected spend profiles relating to the West Lothian Strategic Alliance, Scottish Housing Quality Standards (SHQS) and new office proposals.



## **ALMOND HOUSING ASSOCIATION LIMITED**

### **OPERATING AND FINANCIAL REVIEW (CONTINUED)**

#### **PERFORMANCE AND DEVELOPMENT (CONTINUED)**

The projections suggest the Association will need to take out working capital loans starting in 2012, in order to achieve its Capital programme and meet other spending commitments. These factors and associated risks continue to be monitored closely to look at areas in which savings can be made. The G8 group (comprised of eight similar RSLs) continued to identify differences and explore efficiencies through the analysis of performance indicators.

An external treasury management consultant carried out a complete review of our Treasury Management arrangements, with the final policy due to be approved by the Management Committee in July 2010. The Consultant has also recommended several investment/borrowing vehicles to optimise our long term capital returns, which will form the foundation for future funding arrangements.

#### **Development**

As a consequence of the current market conditions, some private developers have suspended further work to their existing sites. The Association has taken the initiative and recently purchased from private developers two 'off the shelf' developments, both of which were approved for funding by the Scottish Government.

Three major Alliance projects were completed during the year and formal planning permission was obtained for three further sites (predominantly for the Association). Work has now commenced on each of these developments as per schedule.

The formal planning application for our new office was approved in April 2009 with funding secured. Work began on site in January 2010 and good progress has been made to date. Our staff look forward to providing tenants with a service from the completed modern purpose built offices, in November 2010.

Almond Enterprises Limited is a social enterprise employing local people in hygiene, cleaning/house clearances and other property services. It has continued to return a profit and maintain high standards of customer satisfaction in line with targets. Almond Enterprises Limited commenced a contract to clean and test smoke alarm units for our tenants and one of our major contractors has recently contracted Almond Enterprises Limited to carry out their future builders cleaning work.

#### **Asset management**

In total we invested £2.28m this year on major works, including new bathrooms and kitchens continuing to meet the high standards promised to our tenants, with further insulation works being carried out to ensure compliance with Scottish Housing Quality Standards. The results of the Stock Condition Survey are being assimilated into the major repairs programme, and a further batch of properties is now to be surveyed.

Work in relation to the ongoing planned and cyclical maintenance programme was principally met in line with the original targets. The extensive rolling kitchen renewals contract continued, with £1.04million being spent and 255 kitchens installed in the current year or due for completion in the next phases. £0.5million was spent on renewing bathrooms at 302 properties during the year. Tenders were invited for the new gas maintenance contract and the most economically advantageous one accepted.

To develop Allocations 'outcome' measures and improve sustainability of tenancies during the year we continued to analyse the information available to us, including the reasons given by tenants who terminated their tenancies, to identify any new areas where we should focus on assisting tenants to sustain their tenancies. As part of this work a 'Sustainable Tenancies' policy is due to be produced for Committee approval in late 2010.

In October 2009, after a thorough review of our current Treasury Management arrangements and revised thirty year capital programme projections, committee reviewed our future strategy whilst, considering the prevailing risks to our developer status and future financial position.

A review of the allocations and rent policies was deferred pending the launch of Scottish Federation of Housing Association's (SFHA) Guidance, which has now been completed. A new arrears module was duly purchased and installed in September 2009, which has greatly assisted our staff in monitoring payment compliance with rent arrears procedures.

#### **Environment**

We have continued to keep up to date with sustainability issues so that our Design Brief incorporates such appropriate measures resulting in the homes we provide being economical to run, and at the same time environmentally friendly.

## **ALMOND HOUSING ASSOCIATION LIMITED**

### **OPERATING AND FINANCIAL REVIEW (CONTINUED)**

#### **PERFORMANCE AND DEVELOPMENT (CONTINUED)**

In particular we have designed the new office to take sustainability issues into account as far as possible. As part of the Alliance we have introduced under-floor heating to some new-build properties and over the period of this Plan we will monitor the performance of this type of heating with our partners. We have also installed and will continue to monitor the latest energy efficient boilers.

The landscaping strategic plan has seen improvements carried out, with new schemes identified for future work. Preparations for the introduction of digital TV have now begun with most of the aerial upgrades in place.

#### **Customer service**

The Association continues to monitor its high standards of service undertaking regular self assessments of its service standards. As part of our review of governance arrangements, a programme of Committee awareness sessions are presently being developed and will be presented to Committee for approval at the first available meeting. A Committee information day dedicated to Governance is also planned.

In January 2010, our tenants' conference saw a record attendance, at which our tenants were provided with presentations highlighting how they could become more involved in influencing the Association's policies, and our future programme for kitchens, bathroom and door replacements. Tenant feedback has highlighted the need for further local roadshows on when kitchens and bathrooms are being replaced, to this end key staff will shortly be visiting the relevant areas to discuss the timescales of these contracts.

Following approval of the Business Continuity policy in May 2009, the supporting procedures have now been finalised and implemented. A business continuity plan for the new office will be prepared in due course. Following a review of the web site, work will be carried out in July 2010, to improve the range of tenant information available and provide additional facilities for the reporting of repairs.

Our role in the Older Persons Advice Project (which aims to increase the levels of benefit take up amongst older tenants) began in July 2009, since which we have to date helped a number of older tenants obtain an additional £101k in unclaimed benefits. We will continue in our efforts to raise the awareness of this project to increase recoverability for more of our older tenants.

Following reviews of the debt recovery and IT support functions an ICT Officer and part-time Debt Officer were appointed in October 2009 and May 2010 respectively. A new phone system was installed and staff training completed during the first half of 2009/10.

The necessity for a new personnel management system has been identified and will be linked to the integrated time and attendance system to be introduced in the new office. A number of other relevant measures are to be introduced after moving to the new office, notably a complete update of the IT systems manual and practices aimed at reducing our 'carbon footprint'.

Our performance against key performance indicators is set out in Table 1 (page 13) and summarised below.

#### **Rent losses and arrears**

Rent losses (including bad debts) for the year were lower than last years, at just 1.0% of rental income receivable (2009: 1.6%). The Association's rent loss for void periods at 0.72% of rental income receivable (2009: 0.66%), remained close to our historical target of 0.6%.

Gross rent arrears, including former tenant arrears after write off, at the year-end have decreased significantly to 3.1% (2009: 3.7%), due to improved staff performance following the installation of our new arrears software.

#### **Financial position**

The Association's income and expenditure account and balance sheet are summarised in Table 1 (page 13) and the following paragraphs highlight key features of the Association's financial position as at 31 March 2010.

#### **Repair response times**

Performance against this indicator has a direct impact on the Association's service to its customers and in total over 12,000 repairs, gas servicing, repairs to void properties and social work adaptations were carried out in the last 12 months. The time taken to complete repairs has decreased overall, despite a significant increase in the number of reactive repairs being reported by tenants.

**ALMOND HOUSING ASSOCIATION LIMITED**

**OPERATING AND FINANCIAL REVIEW (CONTINUED)**

**PERFORMANCE AND DEVELOPMENT (CONTINUED)**

Key Performance Indicators for 2010-11: percentage of jobs completed within target response time	
Emergency: target 100% of jobs completed within 24 hours	Actual: 97.0% (2009: 93.9%)
Urgent: target 95% of jobs completed within 3 days	Actual: 93.6% (2009: 84.6%)
Routine: target 95% of jobs completed within 10 days	Actual: 89.9% (2009: 86.5%)

**Risks and uncertainties**

The Association has developed an organisational structure, a range of policies and procedures, and comprehensive insurances, which together make up the Risk Management Strategy.

The main risks that may prevent the Association achieving its objectives are assessed on an ongoing basis in terms of their impact and probability, and reviewed regularly by the senior management team and Committee of Management as part of the internal management plan. Additionally, the Committee of Management receive regular reports from management and from the external and internal auditors, to provide reasonable assurance that specific control procedures are in place and are being followed, whilst major risks are similarly identified and presented together with action taken or required to manage the risks and the outcome of the action.

The Association has identified the major risks to successful achievement of its objectives and the action to mitigate them is considered below.

Risk	Strategic Objectives	Impact on Strategic Objectives
External influences	We have attempted to mitigate any adverse changes in HAG levels or failure to meet the requirements of the HAR Directorate, by continuously monitoring developments to ensure targets are met, they are financially viable and that value for money is being achieved.	Finance Development Asset management
Strategic	Non-compliance with housing legislation, OSCR or Scottish Housing Regulator performance standards and best practice, would impact safety, service and future funding. Policies are in place to ensure compliance with legislation through professional advice, review of publications and Charitable Rules.	Development Asset management
Development contracts	We require the viability and proficiency of our contractors be to a high standard, to ensure that units are properly constructed and maintained. This risk is alleviated by regular analysis of the relevant companies' Financial Performance Indicators and mitigated by their status on our Approved Contractor list. To minimise delays and ensure high standards in our developments, we liaise closely with planning departments in the first instance to ensure requirements are viable/desirable and closely monitor design briefs against actual projects construction.	Finance Development Asset management
Funding strategy	To ensure private finance is in place and good value for money, we maintain a good relationship with existing lenders and instruct a treasury management company to scrutinise our borrowing requirements and advise on the most competitive current products.	Finance
Competition risks	Other Housing Associations and Authorities potentially threaten future viability, by increasing the rental supply (thereby reducing rentals), whilst also increasing the pressure on land prices. Market testing, assessing land costs as part of the new business risk appraisal process, participation in the Mortgage to Rent Scheme and the creation of working groups, notably the West Lothian Strategic Alliance are some of the innovations undertaken to alleviate these risks.	Finance Development Customer service
Property maintenance procurement	To verify our procurement commitments are good value we ensure compliance with tendering procedures and clear specification in tender documents. To ensure sufficient reserves are available we carry out regular life cycle costing exercises, the results of which are annually examined in our 30 year projections. We consistently track all significant operating costs and compare performance with our peers via benchmarking exercises.	Finance Maintenance Asset management

## **ALMOND HOUSING ASSOCIATION LIMITED**

### **OPERATING AND FINANCIAL REVIEW (CONTINUED)**

#### **PERFORMANCE AND DEVELOPMENT (CONTINUED)**

##### **Accounting policies**

The Association's principal accounting policies are set out on pages 20 to 21 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include housing depreciation and deduction of capital grant from the cost of assets. Each of these policies has remained unchanged during the period under review.

##### **Housing properties**

At 31 March 2010 the Association owned 2,323 housing properties (2009: 2,288). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £29.3million (2009: £27.5million). The Committee of Management appointed professional valuers to value the Association's housing properties as at August 2009 and at that date the value of the properties, on an existing use for social housing basis was £39.5million.

Our investment in housing property improvements and developments this year of £14.3million was funded through a mixture of housing association grant, loan finance and working capital, where we continue to show a strong current asset balance, an important indicator of liquidity. The Association's treasury management arrangements are considered below.

During the year the Association took possession of a further ten houses under the Mortgage-to-Rent scheme, funded through the Scottish Housing Regulator and actively encouraged to provide help to those households in mortgage difficulties by offering them the flexibility to change the tenure of their home, from ownership to a tenancy in the social rented sector.

##### **Pension costs**

The Association participates in two pension schemes, the SFHA Pension Scheme (SFHAPS) with 21 active members and the Lothian Pension Scheme (LPS) with 2. Both of these are final salary schemes, offering good benefits for our staff. The Association has contributed to the schemes in accordance with levels set by the actuaries, of between 15.4% and 20.8% respectively.

The SFHAPS was formally valued as at 30 September 2009 and provisional results indicate that despite an increase in the assets of the Scheme, a significant shortfall of assets compared with liabilities remains. The Association in line with other members agreed to pay an additional 1.4% of pensionable salaries from April 2009.

A pension expense calculation was carried out as at 31 March 2010 specifically for our current LPS members, which showed an increase in the Net Pension liability to £351,000. This liability has been recognised in the financial statements.

##### **Capital structure and treasury policy**

The Association received Housing Association Grant of £6.7million for development funding purposes. By the year end Association borrowings amounted to £20.6million, 58% of which is fixed (at LIBOR + 0.388% on average) and all of which is due to mature in 2034. Funding is in place for the major development programme with flexibility over the interest rate type and repayment terms.

##### **Cash flows**

During the year net cash outflows amounted to £1.3million (2009: £2.8million) details of which are shown in the consolidated cash flow statement (page 19). Gross inflows comprised £4million from operating activities, £5.9million of grants received and £4.9million from the sale of properties, primarily of completed developments to our WLSA partners. Cash outflows included £0.7million net servicing of finance interest, plus a further £14.6million expenditure on developments and housing improvements.

##### **Future developments**

To achieve the current targets for the West Lothian Strategic Alliance's development programme, the Association plans over the next year to progress with plans for the existing sites and start two additional sites, providing a total of 116 new homes. We will address the issues of fuel poverty and environmental impact by incorporating energy efficient technologies throughout our development programme and continue research into sustainability issues and the reduction of our 'carbon footprint'.

## **ALMOND HOUSING ASSOCIATION LIMITED**

### **OPERATING & FINANCIAL REVIEW (CONTINUED)**

#### **PERFORMANCE AND DEVELOPMENT (CONTINUED)**

The Committee of Management has approved plans to spend almost £13.6million during the next financial year to develop the remaining approved general housing projects. £5.6million of the investment needed will be through new borrowings, with the balance funded through housing association grant, stakeholder contributions and income from sales on completion. In addition as part of plans to extend the shared equity scheme we will seek projects which provide grants to enable RSLs to purchase properties at an appropriate discount from private developers, for onward sale to shared equity purchasers.

We have budgeted to spend £1.2 million in 2010/11 on planned and cyclical maintenance, with a further £1.4 million earmarked for capital works notably the renewal of many kitchens and bathrooms as part of our current 10-year planned maintenance programme. We intend to implement the results of the stock condition survey and confirm our programme to bring our properties up to the Scottish Housing Quality Standard (SHQS) by 2015. This work will be integrated into our ongoing planned maintenance and major repairs programmes.

Construction of our new office at Etive Walk is due for completion by September 2010 and we estimate that staff will transfer from the existing office by November 2010. We will seek to maintain essential services during the transfer process, and sustain the integrity and security of the data of our IT systems.

As our development loan crystallises we will renegotiate the terms of this loan during 2010/11, aiming to achieve the most advantageous terms in the current economic climate.

To improve organisational efficiency we will be researching a number of communication, management and 'quality control' systems throughout the year, with the aim of implementing those demonstrably beneficial. We will carry out a review of the senior staff structure and develop succession planning for Management Team posts.

Building on their successful development of quality services to Almond HA and other clients, Almond Enterprises Limited will seek to develop its role and range of activities by developing new services and seeking new customers. As part of our continuing review of our systems and practices, with the aim of improving both our standards of service delivery and our overall efficiency, we will continue the process of upgrading and modernising our IT infrastructure and associated services including developing our website.

#### **Statement of compliance**

In preparing this Operating and Financial Review, the Committee of Management has followed the principles set out in Part 2 of the SORP 'Accounting by Registered Social Landlords' (Update 2008). While it is not currently a statutory requirement to produce this Operating and Financial Review, the Committee of Management notes that it is considered best practice and on this basis have chosen to include it.

**ALMOND HOUSING ASSOCIATION LIMITED**

**Table 1 – Annual results and KPI, five year summary**

<b>For the year ended 31 March</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Income and Expenditure account (£'000)</b>					
Total turnover	8,067	7,557	6,994	6,443	6,226
Income from lettings	7,389	6,898	6,508	6,096	5,827
Operating surplus	911	1,659	1,506	1,185	1,685
Surplus for the year transferred to reserves	377	852	901	680	950
<b>Balance sheet (£'000)</b>					
Housing properties, net of depreciation HAG and other capital grants	50,482 (21,310)	43,109 (15,635)	39,646 (14,666)	37,598 (14,311)	35,106 (11,206)
Housing properties, net of depreciation & grants	29,172	27,474	24,980	23,287	23,900
Other fixed assets	923	235	38	75	124
Fixed assets net of capital grants & depreciation	30,095	27,709	25,018	23,362	24,024
Net current assets	693	622	2,783	2,175	745
Total assets less current liabilities	30,788	28,331	27,801	25,537	24,769
Loans (due over one year)	20,364	18,298	18,620	17,257	17,169
Pension liability	351	132	37	120	190
Reserves : designated	7,238	7,178	6,379	6,546	5,879
: revenue	3,186	2,855	2,802	1,734	1,721
: pension	(351)	(132)	(37)	(120)	(190)
: total	10,073	9,901	9,144	8,160	7,410
	30,788	28,331	27,801	25,537	24,769
<b>Accommodation figures</b>					
Total housing stock owned at year end ( <i>number of dwellings</i> ): Social housing	<b>2,323</b>	<b>2,288</b>	<b>2,236</b>	<b>2,239</b>	<b>2,252</b>
<b>Statistics</b>					
Surplus for the year as % of turnover	4.7%	11.3%	12.9%	10.6%	15.3%
Surplus for the year as % of income from lettings	5.1%	12.4%	13.9%	11.2%	16.3%
<u>Rent losses</u> ( <i>voids and bad debts as % of rent and service charges receivable</i> )	1.0%	1.6%	1.6%	1.1%	1.3%
<u>Rent arrears</u> ( <i>gross arrears as % of rent and service charges receivable</i> )	3.1%	3.7%	4.4%	5.4%	5.2%
<u>Interest cover</u> ( <i>surplus before interest payable divided by interest payable</i> )	1.3	1.6	1.6	1.2	1.6
<u>Liquidity</u> ( <i>current assets divided by current liabilities</i> )	1.0	0.8	2.2	2.1	1.6
Total reserves per home owned	£4,336	£4,327	£4,089	£3,644	£3,375

## **ALMOND HOUSING ASSOCIATION LIMITED**

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

We have audited the financial statements on pages 17 to 36 which have been prepared under the accounting policies set out on pages 20 to 21.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report and for the opinion we have formed.

#### **Respective responsibilities of the Board and auditors**

The Board's responsibilities for preparing the Committee of Management Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Board's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, a satisfactory system of internal control over transactions has not been maintained, if the Association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Committee of Management Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**ALMOND HOUSING ASSOCIATION LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALMOND HOUSING ASSOCIATION LIMITED (CONTINUED)**

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

Quay 2, 139 Fountainbridge

Edinburgh

EH3 9QG

Date *10 August 2010*



**ALMOND HOUSING ASSOCIATION LIMITED**

**AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS**

**Corporate Governance**

In addition to the audit of the financial statements, we have reviewed the Committee of Management's statement on page 4 on the Association's compliance with the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the publication not otherwise disclosed.

**Basis of opinion**

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

**Opinion**

In our opinion the statement on internal financial control on page 4 has provided the disclosures required by the Section on Internal Financial Controls within SFHA's document "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

*Baker Tilly UK Audit LLP*

Baker Tilly UK Audit LLP  
Registered Auditors  
Chartered Accountants  
First Floor, Quay 2  
Fountainbridge  
EDINBURGH  
EH3 9QG

Date *10 August 2010*

**ALMOND HOUSING ASSOCIATION LIMITED**

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010**

	<u>Notes</u>	<u>2010</u> £	<u>2009</u> £
<b>TURNOVER</b>	2	8,067,165	7,557,032
Operating costs		(7,156,097)	(5,898,013)
<b>OPERATING SURPLUS</b>	5	911,068	1,659,019
Gain on sale of fixed assets	9	188,150	140,309
Interest receivable and other income	8(a)	2,642	84,803
Interest payable and similar charges	8(b)	(724,831)	(1,032,007)
<b>SURPLUS FOR YEAR</b>	18	<u>377,029</u>	<u>852,124</u>

The results for the year relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS  
FOR THE YEAR ENDED SHEET AS AT 31 MARCH 2010**

		<u>2010</u> £	<u>2009</u> £
Surplus for the financial year		377,029	852,124
Share capital issued during the year	16	-	5
Actuarial (loss) on Pension Fund	18	(206,000)	(95,000)
<b>Total recognised surpluses relating to the year</b>		<u>171,029</u>	<u>757,129</u>

The notes on pages 20 to 36 form part of these financial statements.

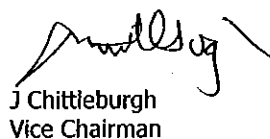
**ALMOND HOUSING ASSOCIATION LIMITED**

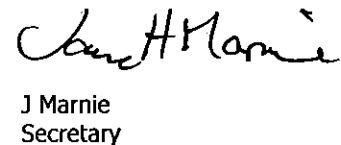
**BALANCE SHEET AS AT 31 MARCH 2010**

	Notes	2010		2009	
		£	£	£	£
<b>TANGIBLE FIXED ASSETS</b>					
Housing properties	11(a)				
- Gross cost less depreciation			50,482,331		43,108,998
Less: HAG			(18,822,433)		(13,833,363)
Less: EHI and Mortgage-to-rent Grant			(2,488,220)		(1,801,019)
			<u>29,171,678</u>		<u>27,474,616</u>
Other fixed assets	11(b)		923,391		234,575
Investments	10		1		1
			<u>30,095,070</u>		<u>27,709,192</u>
<b>CURRENT ASSETS</b>					
Work in progress	12	546,772		1,073,411	
Debtors	13	2,314,743		733,221	
Cash at bank and in hand		2,749,781		1,402,145	
		<u>5,611,296</u>		<u>3,208,777</u>	
<b>CREDITORS: Amounts falling due within one year</b>	14	(4,918,729)		(2,586,789)	
<b>NET CURRENT ASSETS</b>			<u>692,567</u>		<u>621,988</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>30,787,637</u>		<u>28,331,180</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15		(20,364,105)		(18,297,677)
Net Pension liability	21		(351,000)		(132,000)
<b>NET ASSETS</b>			<u>10,072,532</u>		<u>9,901,503</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	16		354		354
Designated reserves	17		7,237,454		7,178,039
Revenue reserve	18		3,185,724		2,855,110
Pension reserve	19		(351,000)		(132,000)
			<u>10,072,532</u>		<u>9,901,503</u>

Approved and authorised for issue by the Committee of Management and signed on its behalf:

  
S Murray  
Chairman

  
J Chittleburgh  
Vice Chairman

  
J Marnie  
Secretary

Date: **05 AUG 2010**

The notes on pages 20 to 36 form part of these financial statements.

**ALMOND HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	<u>2010</u>		<u>2009</u>	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	26(a)	3,960,445		2,996,425	
<b>Return on investments and servicing of finance</b>					
Interest received		2,644		90,729	
Interest paid		(725,149)		(1,021,453)	
		<hr/>		<hr/>	
<b>Net cash outflow from returns on investment and servicing of finance</b>		(722,505)		(930,724)	
<b>Capital expenditure</b>					
Payments to acquire housing properties		(14,170,199)		(12,740,718)	
Payments to acquire other fixed assets		(465,792)		(44,612)	
Receipts from sale of housing properties		4,874,633		1,285,349	
		<hr/>		<hr/>	
<b>Net cash outflow from capital expenditure</b>		(9,761,358)		(11,499,981)	
<b>Net cash outflow before use of liquid Resources and financing</b>		(6,523,418)		(9,434,280)	
<b>Management of liquid resources</b>		-		(23,317)	
<b>Financing</b>					
Issue of share capital		-		5	
Grants received		5,854,006		6,974,410	
Loans received/(repaid)		2,017,048		(338,217)	
		<hr/>		<hr/>	
<b>Net cash inflow from financing</b>		7,871,054		6,636,198	
<b>Increase/(Decrease) in cash</b>	26(c)	<hr/> <hr/> 1,347,636		<hr/> <hr/> (2,821,399)	

The notes on pages 20 to 36 form part of these financial statements.

## ALMOND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010

#### 1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Landlords (update 2008), the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and with applicable Accounting Standards. A summary of the principal accounting policies, which have been applied consistently, is set out below.

The Association has formal authority from the Financial Services Authority to exclude its subsidiary from inclusion or consolidation into its group accounts. In addition, the Association does not need to prepare consolidated accounts due to the immateriality of the amounts involved in Almond Enterprises Limited. These financial statements therefore present information about the Association as an individual undertaking and not about its group.

##### **Basis of accounting**

The financial statements are prepared on the historical cost basis of accounting.

##### **Going Concern**

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next thirty years. The Committee, therefore believes that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

##### **Turnover**

Turnover represents rental income receivable, income from factoring fees, repair costs recharged to tenants, revenue grants and insurance settlements.

##### **Fixed assets and depreciation**

Housing properties are stated at the lower of cost and net realisable value where cost includes the cost of acquiring land and buildings and development expenditure. Depreciation is charged on housing properties, based on actual cost less estimated cost of land less HAG and other capital grants. The Association's policy and practice is to maintain properties to a high standard by implementing a continuing programme of refurbishment and maintenance and the estimated life of new housing properties is considered to be approximately 50 years. Residual values for new properties are assumed to be land value only.

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of the property sold are removed from the financial statements at the date of sale. The acquisition and sale of properties is recognised on the date of entry. Other tangible fixed assets are stated at cost less accumulated depreciation and depreciated on a straight line basis to write off the cost of assets, less their estimated residual value at the end of their estimated useful economic life to the Association. Works to existing properties (Major Repairs) are capitalised under Housing fixtures, where the economic benefits of the additional works are in excess of the standard of performance attained by the asset when it was first acquired, constructed or last replaced.

The estimated lives are as follows:-

Housing properties	at least 30 years, 50 years for New-build
Housing fixtures	between 12 and 29 years (depending on category)
Office furniture and fittings	4 years
Computer equipment	4 years

##### **Improvements to property**

The Association capitalises expenditure on housing properties which is either capable of generating increased future rents, extends its useful life, or significantly reduces future maintenance costs. All other expenditure incurred in respect of general repairs to its housing stock is charged to the income and expenditure account in the year in which it is incurred.

##### **Work in progress**

Property under construction for outright sale is valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal. Costs are capitalised as fixed assets under construction and transferred with related grants to work in progress on a pro rata basis. Interest incurred during the development period is capitalised into the cost of completed housing, up to the date of practical completion.

## **ALMOND HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)**

#### **PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

##### **Shared Equity Home Ownership (Low-cost initiative for First-Time Buyers)**

Shared Equity transactions are grants received from Scottish Housing Regulator and passed on to an eligible beneficiary. As the Association has no beneficial interest in these properties the sale proceeds and costs of sale which are equal for the Association are not reflected in the financial statements.

Scottish Housing Regulator has the benefit of a fixed charge on the property entitling Scottish Housing Regulator to a share of the proceeds on the sale of the property by the beneficiary. These are classified as investments and are carried at historical cost with the linked finance cost (the grant received) being deducted from the gross amount of the asset.

Completed properties that are not sold or are work in progress are valued at the lower of cost and net realisable value. Cost comprises of cost of land and construction. Net realisable value is based on estimated sale price after allowing for all further costs of competition and disposal.

##### **Repairs and maintenance**

The costs of routine maintenance, cyclical and major repairs are charged to the income and expenditure account in the year in which they are incurred. Transfers between income and expenditure account and a designated reserve are made to reflect reserves set aside for future major repairs and maintenance costs.

##### **Grants**

For schemes developed under the terms of the 1988 Housing Act, Housing Association Grant (HAG) is paid directly to the Association as required, to meet its liabilities during the development process. HAG is repayable under certain circumstances primarily following the sale of property, but will normally be restricted to net proceeds of sale. HAG received is deducted from the cost of Housing Properties in the balance sheet. Where HAG has been received in respect of revenue expenditure, it is credited to the Income & Expenditure Account in the same period as the expenditure to which it relates.

##### **Investments**

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

##### **Operating leases**

Operating lease rentals are charged to the Income and Expenditure account on a straight line basis over the period of the lease.

##### **Value Added Tax**

The Association is VAT registered. However, a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT.

##### **Defined benefit pension scheme and pension reserve**

The majority of employees are members of the Scottish Federation of Housing Associations Pension Scheme, which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the income and expenditure account so as to spread the costs of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations.

The Association also participates in the Lothian Pension Fund (LPF) which is a defined benefit scheme. Contributions are charged to the Income and expenditure account so as to spread the cost of pensions over the employees' working lives within the Association. The pension scheme deficit is recognised in full. A pension reserve was set up to account for this deficit by transferring an amount from the revenue reserves. The movement in the pension deficit in the year is reflected in a transfer between the revenue reserve and the pension reserve.

##### **Designated Reserves**

As major repair social housing grant is not available to the Association for schemes developed with social housing grant after the Housing Act 1988 or funded by private finance, a reserve has been specifically designated to meet the future major repair costs of these schemes. Our designated reserves policy takes account of the condition of our stock and the requirements for repairs not only to meet the Scottish Housing Quality Standards as defined by Scottish Executive but also aims to incorporate innovation in design and the requirements of housing for varying needs.

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)**

**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

The reserve has been established principally to provide for the estimated costs of future major repairs expenditure for schemes. The level of reserve required is reappraised annually and a transfer to/from the Income and Expenditure Account made as appropriate.

**2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS**

	<u>Turnover</u>	<u>(Operating costs)</u>	<u>Operating surplus/ (deficit) 2010</u>	<u>2009</u>
	£	£	£	£
Social lettings	7,504,283	(6,557,135)	947,148	1,616,237
Other activities	562,882	(598,962)	(36,080)	42,782
<b>Total</b>	<b>8,067,165</b>	<b>(7,156,097)</b>	<b>911,068</b>	<b>1,659,019</b>
Total for previous year	7,557,032	(5,898,013)	1,659,019	

**3 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING FROM SOCIAL LETTING ACTIVITIES**

	<u>General Needs Housing</u>	<u>Supported Housing</u>	<u>Total 2010</u>	<u>2009</u>
	£	£	£	£
<b>Income from lettings</b>				
Rent receivable net of service charges	7,312,476	115,209	7,427,685	6,939,402
Service charges receivable	121,311	-	121,311	110,978
	7,433,787	115,209	7,548,996	7,050,380
Less: Rent losses from Voids	(44,713)	-	(44,713)	(46,636)
<b>Net rents receivable</b>	<b>7,389,074</b>	<b>115,209</b>	<b>7,504,283</b>	<b>7,003,744</b>
<b>Expenditure on letting activities</b>				
Service costs	102,649	-	102,649	119,161
Management & Maintenance administration costs	1,848,165	29,604	1,877,769	1,713,438
Reactive maintenance costs	2,065,644	21,567	2,087,211	2,118,686
Rent losses from bad debt	31,974	-	31,974	63,030
Planned & cyclical maintenance, major repair costs	1,418,177	8,016	1,426,193	446,627
Depreciation on housing properties	1,019,042	12,297	1,031,339	926,565
<b>Total expenditure on lettings</b>	<b>6,485,651</b>	<b>71,484</b>	<b>6,557,135</b>	<b>5,387,507</b>
<b>Operating surplus on letting activities</b>	<b>903,423</b>	<b>43,725</b>	<b>947,148</b>	<b>1,616,237</b>
Operating surplus on letting activities for previous year	1,571,351	44,886	1,616,237	

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)

4 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	(Operating costs – bad debts)	(Other operating costs)	Operating surplus or (deficit)
	£	£	£	£	£	£	£	£
Wider role activities	-	-	-	-	-	-	(25,396)	(19,022)
Care and repair of property (Aids and adaptations)	112,859	-	-	213,881	326,740	-	(305,369)	13,357
Factoring	-	-	-	36,975	36,975	(169)	(32,697)	3,135
Support activities	-	-	-	5,569	5,569	-	-	3,369
Care activities	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-
Developments for sale to RSLs	176,355	-	-	-	176,355	-	(221,624)	(45,269)
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-
Other activities (Insurance settlements received)	-	-	-	12,784	12,784	-	-	12,784
Other activities	-	-	-	4,459	4,459	-	(13,707)	(7,747)
<b>Total from other activities</b>	<b>289,214</b>	<b>-</b>	<b>-</b>	<b>273,668</b>	<b>562,882</b>	<b>(169)</b>	<b>(598,793)</b>	<b>42,782</b>
Total from other activities for the previous year	285,702	-	-	267,586	553,288	-	(510,506)	42,782



**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)**

**5 OPERATING SURPLUS FOR YEAR**

	<u>2010</u>	<u>2009</u>
	£	£
The operating surplus is arrived at after charging:		
Depreciation	1,058,314	954,330
Auditors remuneration: - for audit services	10,442	9,775
- for non audit services	6,566	2,075
- internal audit services (TIAA)	7,836	8,865

**6 DIRECTORS' EMOLUMENTS**

The Chief Executive, Section Heads, and any other person reporting directly to the Committee of Management, are ordinary members of the Association's pension scheme described in note 21. No enhanced or special terms apply to their memberships and they have no other pension arrangements to which the Association contributes. Retirement benefits are accruing to 5 Senior Managers (2009: 5) under the funds referred to in note 21.

The number of senior staff (including the highest paid senior staff member) who received emoluments in excess of £60,000 (excluding pension contributions) were in the following ranges -

	2010	2009
£60,001 to £65,000	-	1
£65,001 to £70,000	1	-
£80,001 to £85,000	-	1
£90,001 to £95,000	1	-

None of the Committee of Management received any emoluments during the year (2009: £Nil). During the year the Committee of Management were reimbursed expenses of £426 (2009: £246).

	<u>2010</u>	<u>2009</u>
	£	£
Emoluments of the Chief Executive and Section Heads, excluding pension contributions	327,406	314,825
Contributions to the pension scheme for the Chief Executive and Section Heads	50,352	43,851
Emoluments of the Chief Executive, who was the highest paid member of staff, excluding pension contributions	91,047	87,884
Contributions to the pension scheme for the Chief Executive	13,184	11,543

**ALMOND HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)****7 EMPLOYEE INFORMATION**

Average monthly number of employees expressed in full time equivalents:	<u>2010</u>	<u>2009</u>
Housing	14	14
Maintenance	9	7
Chief Executive and Corporate & Development	8	7
Finance	4	4
	<hr/>	<hr/>
	35	32
	<hr/> <hr/>	<hr/> <hr/>

The actual average weekly number of persons employed by the Association was 35 (2009: 33).

Employee costs:	<u>2010</u>	<u>2009</u>
	£	£
Wages and salaries	1,095,581	994,257
Social security costs	94,691	88,890
Other pension costs	134,462	115,124
	<hr/>	<hr/>
	1,324,734	1,198,271
	<hr/> <hr/>	<hr/> <hr/>

**8(a) INTEREST RECEIVABLE AND OTHER INCOME**

	<u>2010</u>	<u>2009</u>
	£	£
Interest receivable	2,642	84,803
	<hr/>	<hr/>

**8(b) INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2010</u>	<u>2009</u>
	£	£
Bank loans and overdrafts payable in over 5 years by instalments	714,831	1,031,007
Net return on pension assets	10,000	1,000
	<hr/>	<hr/>
	724,831	1,032,007
	<hr/> <hr/>	<hr/> <hr/>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)**

**9 GAIN ON SALE OF FIXED ASSETS**

	<u>2010</u> £	<u>2009</u> £
Gain on sale of housing properties	201,395	170,689
(Loss) on sale of other fixed assets	(13,245)	(30,380)
	<hr/>	<hr/>
	188,150	140,309
	<hr/> <hr/>	<hr/> <hr/>

**10 FIXED ASSET INVESTMENTS**

	<u>2010</u> £	<u>2009</u> £
Subsidiary company (Cost at 31 March 2010 and 31 March 2009)	1	1
Shared equity loans (LIFT) made to dweller	324,800	324,800
Shared equity grants	(324,800)	(324,800)
	<hr/>	<hr/>
	1	1
	<hr/> <hr/>	<hr/> <hr/>

The subsidiary company at 31 March 2010 was:

Name	Country of registration	Nature of business	Proportion of ordinary shares held
Almond Enterprises Limited	Scotland	Provision of hygiene and cleaning services	100%

The amount subscribed at par for the ordinary shares of £1 each held by Almond Housing Association Ltd was £1. The results for the subsidiary company and net asset value at the year-end are as follows:

	<u>2010</u> £	<u>2009</u> £
Profit on ordinary activities after taxation	17,655	17,097
	<hr/>	<hr/>
Net assets	138,430	148,917
	<hr/> <hr/>	<hr/> <hr/>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)

11 TANGIBLE FIXED ASSETS

a. Housing Properties

	Housing fixtures & fittings	Housing properties held for letting	Housing properties in course of construction	Total
	£	£	£	£
<b>COST</b>				
At 1 April 2009	10,376,424	38,599,767	2,443,646	51,419,837
Additions	2,624,164	-	6,106,337	8,730,501
Transfers	-	2,723,629	(2,973,629)	(250,000)
Disposals	(23,177)	(78,759)	(8,561)	(110,497)
At 31 March 2010	12,977,411	41,244,637	5,567,793	59,789,841
<b>DEPRECIATION</b>				
At 1 April 2009	2,536,806	5,774,033	-	8,310,839
Charge for period	305,592	725,746	-	1,031,338
Disposals	(9,932)	(24,735)	-	(34,667)
At 31 March 2010	2,832,466	6,475,044	-	9,307,510
<b>NET</b>	10,144,945	34,769,593	5,567,793	50,482,331
<b>HOUSING ASSOCIATION GRANT</b>				
At 1 April 2009	-	11,559,170	2,274,193	13,833,363
Additions	-	-	4,992,329	4,992,329
Transfers	-	1,981,005	(1,981,005)	-
Disposals	-	-	(3,259)	(3,259)
At 31 March 2010	-	13,540,175	5,282,258	18,822,433
<b>EMPTY HOMES INITIATIVE GRANT &amp; MORTGAGE TO RENT SCHEME</b>				
At 1 April 2009	-	1,801,019	-	1,801,019
Additions	-	687,201	-	687,201
At 31 March 2010	-	2,488,220	-	2,488,220
<b>NET BOOK AMOUNT</b>				
At 31 March 2010	10,144,945	18,741,198	285,535	29,171,678
At 31 March 2009	7,839,618	19,465,545	169,453	27,474,616

During the year the amount of works to existing properties that were capitalised was £2,765,865 (2009: £2,308,767), out of a total spend of £5,302,613 (2009: £4,144,228). In accordance with the Statement of Recommended Practice on Accounting by Registered Social Landlords 2008, HAG received in respect of capital costs has been deducted from gross costs, except where stated otherwise.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)

11 TANGIBLE FIXED ASSETS (CONTINUED)

b. Other Fixed Assets

	Office Property in course of construction £	Office furniture & fittings £	Computer equipment £	<b>Total</b> £
<b>COST</b>				
At 1 April 2009	179,239	83,082	327,329	589,650
Additions	436,469	19,855	9,468	465,792
Transfers	250,000	-	-	250,000
Disposals	-	-	(12,786)	(12,786)
At 31 March 2010	<u>865,708</u>	<u>102,937</u>	<u>324,011</u>	<u>1,292,656</u>
<b>DEPRECIATION</b>				
At 1 April 2009	-	74,914	280,161	355,075
Charge for period	-	6,536	20,440	26,976
Disposals	-	-	(12,786)	(12,786)
At 31 March 2010	<u>-</u>	<u>81,450</u>	<u>287,815</u>	<u>369,265</u>
<b>NET BOOK AMOUNT</b>				
At 31 March 2010	<u>865,708</u>	<u>21,487</u>	<u>36,196</u>	<u>923,391</u>
At 31 March 2009	<u>179,239</u>	<u>8,168</u>	<u>47,168</u>	<u>234,575</u>

12 WORK IN PROGRESS

	2010 £	2009 £
Properties for sale:		
Properties under construction at cost	2,025,293	8,022,769
Housing Association Grant	(1,478,521)	(6,949,358)
	<u>546,772</u>	<u>1,073,411</u>

13 DEBTORS

	2010 £	2009 £
Rental debtors	250,178	283,336
- Provision for doubtful rental debtors	(134,094)	(131,625)
Other debtors	412,031	44,342
Prepayments and accrued income	101,464	123,625
Capital grant receivable	1,685,164	413,543
	<u>2,314,743</u>	<u>733,221</u>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)**

**14 CREDITORS: Amounts falling due within one year**

	<u>2010</u>	<u>2009</u>
	£	£
Bank loans (see Note 15)	264,726	314,106
Trade creditors	2,773,354	894,840
Other taxation and social security	32,983	28,549
Rents in advance	236,926	225,093
Deferred income	251,239	-
Grants repayable	282,691	282,691
Amounts owed to subsidiary undertaking	63,649	-
Other creditors and accruals	1,013,161	841,510
	<hr/>	<hr/>
	4,918,729	2,586,789
	<hr/> <hr/>	<hr/> <hr/>

The Association's policy is to pay purchase invoices within 30 days of receipt, or earlier if alternative payment terms have been agreed. The average number of days between receipt and payment of purchase invoices this year was 30 (2009: 36).

**15 CREDITORS: Amounts falling due after more than one year**

	<u>2010</u>	<u>2009</u>
	£	£
Bank loans:		
Due under 1 year	264,726	314,106
Due within 1 to 2 years	267,258	264,726
Due within 2 to 5 years	1,310,868	964,125
Due after five years or more	18,785,979	17,068,826
	<hr/>	<hr/>
	20,628,831	18,611,783
	<hr/> <hr/>	<hr/> <hr/>

Bank loan instalments are due as follows:

Due under 1 year	264,726	314,106
Due over 1 year	20,364,105	18,297,677
	<hr/>	<hr/>
	20,628,831	18,611,783
	<hr/> <hr/>	<hr/> <hr/>

The bank loans are secured by a first charge over specific properties of the Association. Interest on the £2.9Million loan is fixed for 15 years at 6.33%, thereafter LIBOR plus 0.3%, whilst the £4.8Million loan is variable for its term at LIBOR + 0.3%. Interest is fixed for one further year on the three £3Million loans at LIBOR plus a margin of between 0.3% and 0.45% per annum, rising to LIBOR plus 0.325% and 0.5% per annum, thereafter.

The Business loan facility is due to crystallise into a term loan on the final drawdown for the applicable developments at which point we have the flexibility to choose the loan term and whether a fixed or floating rate (linked to LIBOR) is to be applied. It is envisaged this loan will be repaid over a twenty five year period and phased in line with working capital requirements.

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)**

**15 CREDITORS: Amounts falling due after more than one year (continued)**

This entire loan is disclosed as repayable after five years or more, though this repayment term could be accelerated (through negotiation), on completion of the attributable developments.

	£	
Business Term Loan	2,935,850	20 January 2034
Business Term Loan	4,987,500	20 January 2034
Business Term Loan	3,000,000	20 January 2034
Business Term Loan	3,000,000	20 January 2034
Business Term Loan	3,000,000	20 January 2034
Business Loan Facility	3,705,481	(to be agreed)
	<hr/>	
	20,628,831	
	<hr/> <hr/>	

**16 CALLED UP SHARE CAPITAL**

	<u>2010</u>	<u>2009</u>
	£	£
Allotted, issued and fully paid		
At 1 April 2009	354	349
Issued during the year	-	5
	<hr/>	<hr/>
At 31 March 2010	354	354
	<hr/> <hr/>	<hr/> <hr/>

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.

**17 DESIGNATED RESERVES**

	<u>2010</u>	<u>2009</u>
	£	£
Major Repairs		
At 1 April 2009	7,178,039	6,378,855
Transfer from the income and expenditure account (see Note 18)	2,596,162	2,337,953
Less: actual spend in current year (see Note 18)	(2,536,747)	(1,538,769)
	<hr/>	<hr/>
	59,415	799,184
	<hr/>	<hr/>
At 31 March 2010	7,237,454	7,178,039
	<hr/> <hr/>	<hr/> <hr/>

These reserves represent designated amounts set aside by the Committee of Management, which together with future transfers from the income and expenditure account are currently expected to meet the anticipated cost of major repairs as they occur during the life of the properties. The average annual reactive and cyclical repairs has been calculated using the 30 year expenditure projections adjusted for inflation. The expected spend over the next 3 years is £5.87million.

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)**

**18 RECONCILIATION OF MOVEMENT IN ACCUMULATED SURPLUS**

	<u>2010</u> £	<u>2009</u> £
Revenue reserve at 1 April 2009	2,855,110	2,802,170
Surplus for the year	377,029	852,124
Transfer (to) designated reserves (see Note 17)	(59,415)	(799,184)
Actuarial (losses) on pension scheme (see Note 21)	(206,000)	(132,000)
Transfer from pension reserve (see Note 19)	219,000	132,000
	<hr/>	<hr/>
Revenue reserve at 31 March 2010	<u>3,185,724</u>	<u>2,855,110</u>

It is the aim of the Association that revenue reserves should be in place to cover a minimum of 12 months working capital, a margin the year-end reserve is comfortably within given the high level of planned development activity.

**19 PENSION RESERVE**

	<u>2010</u> £	<u>2009</u> £
At 1 April 2009	(132,000)	-
Transfer (to) the income and expenditure account (see Note 18 & 21)	(219,000)	(132,000)
	<hr/>	<hr/>
At 31 March 2010	<u>(351,000)</u>	<u>(132,000)</u>

**20 CAPITAL COMMITMENTS**

	<u>2010</u> £	<u>2009</u> £
Authorised and contracted for	10,821,041	8,564,354
	<hr/>	<hr/>

**21 PENSION COSTS**

Certain employees have elected to contribute to the Scottish Federation of Housing Associations' Pension Scheme or the Lothian Pension Fund which are defined benefit schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the company and employer contributions to the schemes are charged to the income and expenditure account so as to spread the costs of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations.

**Scottish Federation of Housing Associations Pension Scheme Standard Employees**

**General**

Almond Housing Association Ltd participates in the SFHA Pension Scheme ('the Scheme'). The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension scheme. Almond Housing Association Ltd continues to operate the final salary benefit structure with a 1/60th accrual rate benefit structure for active members and new entrants.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.



## ALMOND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)

#### PENSION COSTS (CONTINUED)

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Almond Housing Association Ltd paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%. As at the balance sheet date there were 21 active members of the Scheme employed by Almond Housing Association Ltd. Almond Housing Association Ltd continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are commingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

Like most defined benefit schemes, the Scheme has been affected considerably by the current financial crisis and falls in investment markets. The provisional results of the triennial valuation reflect this showing a deficit of £160 million as at 30 September 2009. This means that the funding level of liabilities represented by assets is 64.8%. This is a significant change since the last triennial valuation in September 2006 when the deficit was £53.6 million and liabilities were 83.4% funded. Therefore, the total contribution rate must increase on average by 7% of pensionable earnings for all existing benefit options structures from April 2011.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in Autumn 2010.

Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme as at 30 September 2006 as follows:

	<u>% pa</u>
▪ investment return pre retirement	7.2
▪ investment return post retirement	4.9
▪ rate of salary increases	4.6
▪ rate of price inflation	2.6
▪ The rate of pension increases are 2.6% pa for pensions accrued from 6 April 2005, 2.2% pa for pension accrued from 6 April 2005 and 5.0% for leavers before 1 October 1993	

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners.

## ALMOND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)

#### PENSION COSTS (CONTINUED)

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

#### Lothian Pension Fund

##### General

Almond Housing Association Ltd participates in the Lothian Pension Fund Scheme (the "Scheme") with 2 active members as at the balance sheet date. The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. Almond Housing Association Ltd paid contributions at the rate of 20.8% during the accounting period and individual members paid contributions of between 6.8% and 8.5%.

The last formal valuation of the Associations share of the Scheme assets and liabilities was performed at 31 March 2010 by a professionally qualified actuary using the projected unit method. The next valuation will be as at 31 March 2011 and the results will be available after December 2011. The employers contributions to be paid to the scheme for the next accounting period have been increased to 22.8%.

The figures used to determine the overall expected rate of return on assets were based the actuaries recommended return assumptions which were derived from the HRAM model, the proprietary stochastic asset model developed and maintained by Hymans Robertson LLP.

The main financial assumptions used by the actuary were:

	31 Mar 10 % p.a.	31 Mar 09 % p.a.	31 Mar 08 % p.a.	31 Mar 07 % p.a.	31 Mar 06 % p.a.
Inflation / Pension increase rate	3.8%	3.1%	3.6%	3.2%	3.1%
Rate of increase in salaries	5.3%	4.6%	5.1%	4.7%	4.6%
Expected return on assets	7.3%	6.6%	7.2%	3.2%	3.1%
Discount rate	5.5%	6.9%	6.9%	5.4%	4.9%

<b>Expected return on assets:</b>	31 Mar 10 % p.a.	31 Mar 09 % p.a.	31 Mar 08 % p.a.	31 Mar 07 % p.a.	31 Mar 06 % p.a.
Equities	7.8%	7.0%	7.7%	7.8%	7.4%
Bonds	5.0%	5.4%	5.7%	4.9%	4.6%
Property	5.8%	4.9%	5.7%	5.8%	5.5%
Cash	4.8%	4.0%	4.8%	4.9%	4.6%

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)**

**PENSION COSTS (CONTINUED)**

<b>Fair value of scheme assets:</b>	at 31 Mar 2010 £(000's)	at 31 Mar 2009 £(000's)	at 31 Mar 2008 £(000's)	at 31 Mar 2007 £(000's)	at 31 Mar 2006 £(000's)
Equities	564	409	473	484	472
Bonds	57	57	55	34	35
Property	64	52	74	78	63
Cash	29	-	21	35	6
<b>Total Estimated Employer Assets (A)</b>	<b>714</b>	<b>518</b>	<b>623</b>	<b>631</b>	<b>576</b>
<b>Value placed on Scheme Liabilities (B)</b>	<b>(1,065)</b>	<b>(650)</b>	<b>(660)</b>	<b>(751)</b>	<b>(766)</b>
<b>Net Pension liability (A-B)</b>	<b>(351)</b>	<b>(132)</b>	<b>(37)</b>	<b>(120)</b>	<b>(190)</b>

**Movement in deficit during the year**

	<u>2010</u> £	<u>2009</u> £
Deficit in scheme at beginning of year	(132,000)	(37,000)
<u>Movements during the year:</u>		
Current service cost	(15,000)	(14,000)
Contributions paid	18,000	15,000
Past service costs	(6,000)	-
Other finance costs	(10,000)	(1,000)
Actuarial (loss)	(206,000)	(95,000)
Deficit at the end of the year	<u>(351,000)</u>	<u>(132,000)</u>

**Analysis of the amount charged to operating surplus**

	<u>2010</u> £	<u>2009</u> £
Current service cost	(15,000)	(14,000)
Past service costs	(6,000)	-
Contributions	18,000	13,000
Total operating gain	<u>(3,000)</u>	<u>(1,000)</u>

**Analysis of the amount charged to other finance costs**

Expected return on pension scheme assets	35,000	45,000
Interest on pension scheme liabilities	(45,000)	(46,000)
Net finance charge	<u>(10,000)</u>	<u>(1,000)</u>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)**

**PENSION COSTS (CONTINUED)**

**History of experience gains and losses**

	at 31 Mar 2010	at 31 Mar 2009	at 31 Mar 2008	at 31 Mar 2007
Experience gain/(losses) on scheme assets	147,000	(159,000)	(63,000)	4,000
Percentage of scheme assets at year end	20.6%	(30.7%)	(10.1%)	0.6%
Experience gain/(losses) on scheme liabilities	-	3,000	(1,000)	-
Percentage of scheme liabilities at year end	-	0.6%	(0.2%)	-
Total actuarial gains /(losses) recognised in statement of total recognised surpluses and deficits	(206,000)	(95,000)	82,000	61,000
Cumulative actuarial gains and (losses)	<u>(158,000)</u>	<u>48,000</u>	<u>143,000</u>	<u>61,000</u>

Contributions totalling £2,125 (2009: £1,805) were payable to the fund at the year end and are included in creditors. The estimated employers contribution for the year to 31 March 2011 will be approximately £21,000.

**22 RELATED PARTY DISCLOSURES**

Four members of the Committee of Management are tenants of the Association. Rental charges are made on an arms length basis. There were no rent balances outstanding at the year-end (2009: £Nil).

Almond Enterprises Limited, a wholly owned subsidiary of the Association, continues to manage cleaning and clearance contracts for the Association which amounted to £203,470 of turnover this year (2009: £135,267), with a year-end purchase ledger balance of £63,649 (2009: £16,234). Almond Enterprises Limited made a Gift Aid payment of £4,000 (2009: Nil) to the Association, in accordance with the Association's policies and procedures.

**23 LEASE OBLIGATIONS**

The Association is committed to make the following payments during the year ending 31 March 2010 in relation to operating leases which expire:

	Land & Buildings		Plant & Machinery	
	2010	2009	2010	2009
	£	£	£	£
Within one year	42,876	93,951	1,357	5,140
Between two and five years	-	-	27,117	23,820
	<u>42,876</u>	<u>93,951</u>	<u>28,474</u>	<u>28,960</u>

**24 HOUSING STOCK**

The number of units in Management at 31 March was as follows:	<u>2010</u>	<u>2009</u>
General needs housing	2,315	2,279
Supported housing accommodation (comprising 101 bedspaces in total)	8	9
Total	<u>2,323</u>	<u>2,288</u>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2010 (CONTINUED)**

<b>25 AVERAGE RENTS</b>	<b>2010</b>	<b>2009</b>
Average weekly rent for housing accommodation	£59.97	£57.04
Increase	5%	5%
Average number of Units	2,302	2,264

**26 CASH FLOW STATEMENT**

**(a) Reconciliation of operating surplus to net cash inflow from operating activities**

	<b>2010</b>	<b>2009</b>
	£	£
Operating surplus for the year	911,068	1,659,019
Depreciation charges	1,058,314	954,330
(Increase)/Decrease in debtors	(313,903)	128,309
Increase in creditors	2,304,966	254,767
	<u>3,960,445</u>	<u>2,996,425</u>

**(b) Reconciliation of net cash flow to movement in net debt**

	<b>2010</b>	<b>2009</b>
	£	£
Increase/(Decrease) in cash in the period	1,347,636	(2,821,399)
Cash inflow from decrease in other liquid resources (note 26c)	-	23,317
Cash (Outflow)/inflow from (increase)/decrease in debt (note 26c)	(2,017,048)	338,217
Change in net debt from cash flows	<u>(669,412)</u>	<u>(2,459,865)</u>
Movements in net debt in period	(669,412)	(2,459,865)
Net debt at 1 April	(17,209,638)	(14,749,773)
Net debt at 31 March	<u>(17,879,050)</u>	<u>(17,209,638)</u>

**(c) Analysis of changes in net debt**

	<b>At 1 April</b>	<b>Cash</b>	<b>Other non</b>	<b>At 31 March</b>
	<b>2009</b>	<b>flows</b>	<b>cash changes</b>	<b>2010</b>
	£	£	£	£
Cash in hand, at bank	1,402,145	1,347,636	-	2,749,781
Debt due within 1 year	(314,106)	-	49,380	(264,726)
Debt due after 1 year	(18,297,677)	(2,017,048)	(49,380)	(20,364,105)
	<u>(17,209,638)</u>	<u>(669,412)</u>	<u>-</u>	<u>(17,879,050)</u>

**27 CONTINGENT LIABILITIES**

Almond Housing Association Ltd has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Almond Housing Association Ltd was £2,573,294. The Pensions Trust acknowledge and stress that this figure is very approximate. Given that such a debt would only crystallise in the unlikely event that the Association were to withdraw from the SFHA Pension Scheme, no provision is required at this time.

An unquantified claim for dilapidations exists over our existing leased premises and we have provided a sum of money against this future cost. The Committee of Management is satisfied that any amount in excess of this accrual will not be material.