

**ALMOND HOUSING ASSOCIATION LIMITED**

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

**YEAR ENDED 31 MARCH 2011**

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 2011**

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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 2011.

#### **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 £281,116 (2010: £377,029), at the year-end the reserves of the Association amounted to £10.4million (2010: £10.1million). 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) 2008.

#### **Donations**

The Association donated £4,666 to several good causes (2010: £1,413) 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 rate is currently lower than 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 SHAPS 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 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*
Mr A Gray	

\* member of the Audit Committee at 31 March 2011 (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 guidance in February 2002. See page 10 for an analysis of the key risks to our strategic objectives.

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 1 September 2011 at Centrex House, Kirkton Campus, Livingston.

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

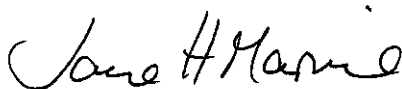
The Committee Members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Committee Members have confirmed that they have taken all the steps that 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:

- 4 AUG 2011

Registered Office:  
New Almond House  
44, Etive Walk  
Craigshill  
Livingston  
West Lothian  
EH54 5AB

## **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 356 active Members at 31 March 2011.

In addition to managing 2,403 properties, the Association is a major developer of new affordable housing. In addition to providing social housing for rent (which constitutes over 94% 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 and recycling 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>• insurances: consider increasing excess level and/or amount 'self-insured'</li> <li>• transfer IT services to 'virtual servers' and install replacement equipments for desktop pc's</li> </ul>	<ul style="list-style-type: none"> <li>• monitor results to budget</li> <li>• performance against loan covenants</li> <li>• progress made in deciding the amount and composition of the new loan facility</li> <li>• decisions made prior to deadline for submitting insurance details for next renewal</li> <li>• successful and timely transfer. New equipment installed and functioning effectively prior to new office move</li> </ul>
<b>Development</b>	<ul style="list-style-type: none"> <li>• re-establish Strategic Alliance and achieve re-appointment as WLC 'preferred' developer</li> <li>• contribute to WLC's Affordable Housing Strategy and deliver the current development programme</li> <li>• develop our role in wider community activities</li> <li>• complete new office and co-ordinate successful transfer to them</li> </ul>	<ul style="list-style-type: none"> <li>• high quality application submitted by due date and re-appointment as 'preferred' developer</li> <li>• continuation of programme on target, progressing plans for new sites and securing additional sites</li> <li>• develop Almond Enterprises Ltd range of services and encourage local recruitment</li> <li>• new office completed on time and within budget. Staff and services transferred successfully with minimal disruption to services</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• complete review of design brief, incorporating sustainability issues, including energy efficiency and the reduction of our carbon footprint</li> <li>• continue developing electronic document management</li> </ul>	<ul style="list-style-type: none"> <li>• review completed and new brief implemented with view to design and incorporate energy efficiency features in new developments</li> <li>• further progress made in reducing paper files etc.</li> </ul>
<b>Asset management</b>	<ul style="list-style-type: none"> <li>• continue to provide high quality housing management services and complete review of governance arrangements and procedures review</li> <li>• achieve planned and cyclical maintenance programme targets (including the SHQS delivery plan)</li> <li>• complete review of Committee skills and training requirements</li> <li>• cultivate skilled, experienced and motivated staff</li> </ul>	<ul style="list-style-type: none"> <li>• review and revise allocations and rent setting policies, evaluate participation in the common housing register and develop allocations 'outcome' measures. Fully implement arrears module</li> <li>• all contracts and projects completed on time, within budget and to required standards and completion of stock condition survey</li> <li>• completion and relevant training programme drawn up</li> <li>• complete review of staff terms and conditions and commence recruitment process re successful 'planned' succession of key personnel</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> <li>• utilize access to Early Intervention Tenancy Support service</li> <li>• develop landscaping improvement plans</li> </ul>	<ul style="list-style-type: none"> <li>• review internal 'quality control' systems to ensure compliance with current codes of best practice and implement enhanced systems</li> <li>• develop and integrate self-assessment programme and initiate improvements in communication with tenants</li> <li>• full use made of service, resulting in successful sustaining of tenancies</li> <li>• new areas identified, plans agreed and implemented</li> </ul>

Performance against these indicators is set out on the following pages.

**Finance**

The Committee of Management had budgeted for a surplus of £380k this year to meet its medium term strategic objectives, which was slightly higher than the actual surplus achieved of £281k. By the year-end Association reserves amounted to £10.4million (2010: £10.1million), of which we were required to designate £7.8million 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.



## **ALMOND HOUSING ASSOCIATION LIMITED**

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

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

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

The need to raise additional funds to cover expenditure over the next three years was identified and a tendering exercise was started with the assistance of external Treasury Consultants. Completion of the exercise with the approval of an acceptable tender was completed in June 2011 with the first of the new funds being made available soon after.

Cash flow requirements 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.

#### **Development**

We are pleased to announce the successful establishment of the West Lothian Development Alliance and we also achieved re-appointment as West Lothian Council 'preferred' developer.

Three major Alliance projects were progressed during the year, but due to extreme weather conditions completion of these sites was delayed by approximately three months. Two new schemes have been identified and are under investigation and we hope will be approved under the new funding system introduced by the Scottish Government.

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 an additional 'off the shelf' development, which was approved for funding by the Scottish Government.

Completion of our new office was unavoidably delayed by the bad weather, but we were pleased to welcome our staff and tenants into our completed modern purpose built offices on 4 April 2011, in a relatively seamless transfer which saw minimal disruption to services.

Almond Enterprises Limited is a social enterprise employing local people in hygiene, cleaning/house clearances and other property services. It has managed to increase turnover by developing new services and maintaining high standards of customer satisfaction and has been able to provide further local employment opportunities.

Included in operating costs is a charge for an impairment totalling £0.7 million (2010: nil). The assessment of impairment is an area of subjectivity which is not precise, however an accounting requirement exists to value our new office premises at the lower of the replacement cost and 'value in use'. Our assessment has been made in accordance with Financial Reporting Standard 11 (Impairment of Fixed Assets and Goodwill) and the Statement of Recommended Practice 2010.

#### **Asset management**

During the year we completed our extensive stock condition survey, to ensure that we have identified and programmed all the work required to achieve the Scottish Housing Quality Standard (SHQS) by 2015. In September 2010 we submitted to the Scottish Housing Regulator an update on our SHQS plans and the progress achieved to date.

In total we invested £3.05m this year on major works, continuing to meet the high standards promised to our tenants. 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 £1.2million being spent and 457 kitchens installed in the current year or due for completion in the next phase. £0.5million was spent on renewing bathrooms at 252 properties during the year.

During the year we reviewed our rent collection and allocation policies, successfully implementing the recommended improvements. An evaluation workshop was held to assess the effectiveness of the West Lothian Housing Register (WLHR), after which an associated work plan was developed which will be revised on an ongoing basis. Further refinement of the arrears module is ongoing.

## **ALMOND HOUSING ASSOCIATION LIMITED**

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

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

##### **Environment**

We have continued to keep abreast 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. We continue to increase insulation and install the latest, most energy efficient boilers into our new and existing properties. The new office was designed to take into account sustainability and energy efficiency issues as far as possible and incorporates many recycling measures and systems designed to reduce reliance on inefficient paper filing practices.

##### **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, an audit of the committee skills was carried out and training measures implemented where appropriate.

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, in 2010/11 we continued the process of upgrading and modernising our IT infrastructure and associated services. To these ends we replaced and upgraded the main IT servers, replaced all inefficient desktop computer equipment and further developed the web site to provide additional services, especially interactive services and information for tenants.

The Association participated in a pilot project with other RSL partners with a view towards utilising access to Early Intervention Tenancy Support service. The project was successful in overall terms in sustaining tenancies for those who engaged in the support. A decision was made to extend our existing Older Persons Advice Service (which aims to increase the levels of benefit take up amongst older tenants), to incorporate a free targeted service to our tenants.

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 virtually unchanged from last year, at just 1.1% of rental income receivable (2010: 1.0%). The Association's rent loss for void periods at 0.58% of rental income receivable (2010: 0.72%), remained below our historical target of 0.6%.

Gross rent arrears, including former tenant arrears after write off, at the year-end remain unchanged at 3.1% (2010: 3.1%).

##### **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 2011.

##### **Repair response times**

Performance against this indicator has a direct impact on the Association's service to its customers and in total over 11,000 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 increased overall, as a consequence of the access problems resulting from the extreme weather conditions experienced over the winter months.

<b>Key Performance Indicator: Percentage of repairs completed within target response time</b>	
Emergency: target 100% of jobs completed within 24 hours	Actual: 94.0% (2010: 97.0%)
Urgent: target 95% of jobs completed within 3 days	Actual: 87.0% (2010: 93.6%)
Routine: target 95% of jobs completed within 10 days	Actual: 91.0% (2010: 89.9%)

## ALMOND HOUSING ASSOCIATION LIMITED

### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### PERFORMANCE AND DEVELOPMENT (CONTINUED)

##### 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.

Key Risk	Status	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 to be at 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

##### Accounting policies

The Association's principal accounting policies are set out on pages 20 to 22 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.

## **ALMOND HOUSING ASSOCIATION LIMITED**

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

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

##### **Housing properties**

At 31 March 2011 the Association owned 2,403 housing properties (2010: 2,323). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £37.7million (2010: £29.2million). Our investment in housing property improvements and developments this year of £12.8million 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 nine properties 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 Scottish Housing Association Pension Scheme (SHAPS) 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 22.8% respectively.

The SHAPS 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 4.6% of pensionable salaries from April 2011.

A pension expense calculation was carried out as at 31 March 2011 specifically for our current LPS members, which showed a significant reduction in the Net Pension liability to £174,000. This liability has been recognised in the financial statements.

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

The Association received Housing Association Grant of £2.4million for development funding purposes. By the year end Association borrowings amounted to £28.9million, 41% 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 £1.4million (2010: £1.3million inflow) details of which are shown in the consolidated cash flow statement (page 19). Gross inflows comprised £1.4million from operating activities, £5.4million of grants received and £0.4million from the sale of properties, primarily of completed developments to our WLSA partners. Cash outflows included £0.9million net servicing of finance interest, plus a further £13.6million expenditure on developments and housing improvements.

##### **Future developments**

As part of a new West Lothian Development Alliance, Almond was successful in being selected as one of West Lothian's three 'preferred developers' for the next phase of new-build developments. Under the new Development Alliance three projects (which will provide a total of 53 new homes), are currently at various stages of development.

Our aim is to continue with a development programme and to develop the provision of agency services. We are carrying out feasibility studies and examining the potential of several other sites and through maintaining close liaison with WLC and developers we will continue to seek potential development opportunities whenever we can. Almond also provides development services to Weslo at various locations within and outwith West Lothian, under an agency agreement.

The Committee of Management has approved plans to spend almost £3.1million during the next financial year to develop the remaining approved general housing projects. £1.5million 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.

## **ALMOND HOUSING ASSOCIATION LIMITED**

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

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

With the assistance of external Treasury Consultants, we completed a tender exercise and obtained an acceptable tender for a new long term loan, which was approved in July 2011. A significant existing loan (currently on variable rate), is due to be fixed by November 2011 and with the aid of professional external advice, we aim to achieve the most advantageous terms in the current economic situation

We intend to analyse the results of recent stock condition surveys, to ensure that we are maintaining progress towards the Scottish Housing Quality Standard (SHQS) in all of our properties by 2015. This work will be integrated into our ongoing planned maintenance and major repairs programmes.

We have budgeted to spend £2.7million in 2011/12 on the renewal of kitchens and bathrooms at 458 properties. A further £0.8million is earmarked for cyclic maintenance notably painting contracts for £0.3million, Roofing works of £0.2million and common stair entry system improvements of £0.3million.

The Management Committee is in the process of carrying out a review of Governance arrangements with the assistance of an external facilitator. The review is covering current overall governance arrangements, a re-appraisal of current Committee Members' skills and the process for dealing with applications for membership.

Along with many other associations we are currently reviewing, with the assistance of external professional advisers, the implications of remaining in the existing staff pension scheme and of various alternatives available. The results of the review will be considered by the Management Committee and if any changes are proposed, these will be the subject of consultation with staff

The UK Government have announced changes to some current benefit payments/allowances and we aim to develop strategies to mitigate any adverse impact of the Government's ongoing review of the benefits system. We intend to implement the revised Management Team structure and continue to develop succession planning for senior management posts.

#### **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>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Income and Expenditure account (£'000)</b>					
Total turnover	8,474	8,063	7,557	6,994	6,443
Income from lettings	7,831	7,389	6,898	6,508	6,096
Operating surplus	1,107	911	1,659	1,506	1,185
Surplus for the year transferred to reserves	281	377	852	901	680
<b>Balance sheet (£'000)</b>					
Housing properties, net of depreciation HAG and other capital grants	62,035 (24,303)	50,482 (21,310)	43,109 (15,635)	39,646 (14,666)	37,598 (14,311)
Housing properties, net of depreciation & grants Other fixed assets	37,732 2,558	29,172 923	27,474 235	24,980 38	23,287 75
Fixed assets net of capital grants & depreciation	40,290	30,095	27,709	25,018	23,362
Net currents (liabilities)/assets	(1,157)	693	622	2,783	2,175
Total assets less current liabilities	39,133	30,788	28,331	27,801	25,537
Loans (due over one year)	(28,510)	(20,364)	(18,298)	(18,620)	(17,257)
Pension liability	(174)	(351)	(132)	(37)	(120)
Reserves : designated	7,831	7,238	7,178	6,379	6,546
: revenue	2,792	3,186	2,855	2,802	1,734
: pension	(174)	(351)	(132)	(37)	(120)
: total	10,449	10,073	9,901	9,144	8,160
	39,133	30,788	28,331	27,801	25,537
<b>Accommodation figures</b>					
Total housing stock owned at year end ( <i>number of dwellings</i> ) : Social housing	<b>2,403</b>	<b>2,323</b>	<b>2,288</b>	<b>2,236</b>	<b>2,239</b>
<b>Statistics</b>					
Surplus for the year as % of turnover	3.3%	4.7%	11.3%	12.9%	10.6%
Surplus for the year as % of income from lettings	3.6%	5.1%	12.4%	13.9%	11.2%
<u>Rent losses</u> ( <i>voids and bad debts as % of rent and service charges receivable</i> )	1.1%	1.0%	1.6%	1.6%	1.1%
<u>Rent arrears</u> ( <i>gross arrears as % of rent and service charges receivable</i> )	3.1%	3.1%	3.7%	4.4%	5.4%
<u>Interest cover</u> ( <i>surplus before interest payable divided by interest payable</i> )	1.4	1.3	1.6	1.6	1.2
<u>Liquidity</u> ( <i>current assets divided by current liabilities</i> )	0.6	1.0	0.8	2.2	2.1
Total reserves per home owned	£4,348	£4,336	£4,327	£4,089	£3,644

## **ALMOND HOUSING ASSOCIATION LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALMOND HOUSING ASSOCIATION REGISTERED UNDER THE INDUSTRIAL AND PROVIDENT SOCIETIES ACTS**

We have audited the financial statements of Almond Housing Association for the year ended 31 March 2011 on pages 17 to 37. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of the Committee and auditor**

As explained more fully in the Committee's Responsibilities Statement set out on page 5, the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2011 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

**ALMOND HOUSING ASSOCIATION LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALMOND HOUSING ASSOCIATION  
REGISTERED UNDER THE INDUSTRIAL AND PROVIDENT SOCIETIES ACTS (CONTINUED)**

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

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP  
Statutory Auditor  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date *10 August 2011*



**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  
Statutory Auditor  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date *10 August 2011*

**ALMOND HOUSING ASSOCIATION LIMITED****INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 £	2010 £
<b>TURNOVER</b>	2	8,474,128	8,063,165
Operating costs		(7,367,432)	(7,156,097)
<b>OPERATING SURPLUS</b>	5	1,106,696	907,068
(Loss)/Gain on sale of fixed assets	9	(52,953)	188,150
Interest receivable and other income	8(a)	9,440	6,642
Interest payable and similar charges	8(b)	(782,067)	(724,831)
<b>SURPLUS FOR YEAR</b>	18	281,116	377,029

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 2011**

		2011 £	2010 £
Surplus for the financial year		281,116	377,029
Share capital issued during the year	16	2	-
Actuarial gain/(loss) on Pension Fund	18	95,000	(206,000)
Total recognised surpluses relating to the year		376,118	171,029

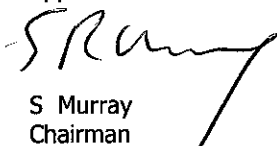
The notes on pages 20 to 37 form part of these financial statements.

**ALMOND HOUSING ASSOCIATION LIMITED**

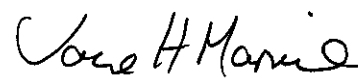
**BALANCE SHEET AS AT 31 MARCH 2011**

	Notes	2011		2010	
		£	£	£	£
<b>TANGIBLE FIXED ASSETS</b>					
Housing properties	11(a)				
- Gross cost less depreciation			62,035,284		50,482,331
Less: HAG			(21,235,797)		(18,822,433)
Less: EHI and Mortgage-to-rent Grant			(3,067,198)		(2,488,220)
			<hr/>		<hr/>
			37,732,289		29,171,678
Other fixed assets	11(b)		2,557,360		923,391
Investments	10		1		1
			<hr/>		<hr/>
			40,289,650		30,095,070
<b>CURRENT ASSETS</b>					
Work in progress	12	403,034		546,772	
Debtors	13	1,144,748		2,314,743	
Cash at bank and in hand		1,323,352		2,749,781	
			<hr/>		<hr/>
			2,871,134		5,611,296
<b>CREDITORS:</b> Amounts falling due within one year	14	(4,028,521)		(4,918,729)	
			<hr/>		<hr/>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			(1,157,387)		692,567
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<hr/>		<hr/>
			39,132,263		30,787,637
<b>CREDITORS:</b> Amounts falling due after more than one year	15		(28,509,613)		(20,364,105)
Net Pension liability	21		(174,000)		(351,000)
			<hr/>		<hr/>
<b>NET ASSETS</b>			10,448,650		10,072,532
			<hr/> <hr/>		<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>					
Share capital	16		356		354
Designated reserves	17		7,830,479		7,237,454
Revenue reserve	18		2,791,815		3,185,724
Pension reserve	19		(174,000)		(351,000)
			<hr/>		<hr/>
			10,448,650		10,072,532
			<hr/> <hr/>		<hr/> <hr/>

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: - 4 AUG 2011

The notes on pages 20 to 37 form part of these financial statements.

**ALMOND HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011**

	<u>Notes</u>	<u>2011</u>		<u>2010</u>	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	26(a)	1,423,407		3,964,446	
<b>Return on investments and servicing of finance</b>					
Interest received		1,553		2,644	
Interest paid		(864,962)		(722,149)	
<b>Net cash outflow from returns on investment and servicing of finance</b>		(863,409)		(719,505)	
<b>Capital expenditure</b>					
Payments to acquire and develop housing properties		(13,646,117)		(14,178,760)	
Payments to acquire other fixed assets		(2,374,895)		(465,792)	
Housing property disposals		403,444		4,880,195	
<b>Net cash outflow from capital expenditure</b>		(15,617,568)		(9,764,357)	
<b>Net cash outflow before use of liquid Resources and financing</b>		(15,057,570)		(6,519,416)	
<b>Financing</b>					
Issue of share capital		2		-	
Grants received		5,360,693		5,850,004	
Loans received		8,270,446		2,017,048	
<b>Net cash inflow from financing</b>		13,631,141		7,867,052	
<b>(Decrease)/Increase in cash</b>	26(c)	(1,426,429)		1,347,636	

The notes on pages 20 to 37 form part of these financial statements.

## **ALMOND HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011**

#### **1 PRINCIPAL ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Landlords 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 less HAG and accumulated depreciation, 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
Office property	50 years
Housing fixtures	between 12 and 39 years (depending on category)
Computer equipment, office furniture and fittings	4 years

#### **Impairment**

Impairment reviews are carried out in accordance with FRS 11. Where there is evidence of impairment, fixed assets are written down to their current value to the business. Any such write down is charged to the Income and Expenditure account. Calculations in this instance were performed by comparing the theoretical cash flows which could be generated by renting out the new office premises under current market conditions, against the actual cash savings made by the cessation of our old office lease.

#### **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.

## **ALMOND HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)**

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

##### **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.

##### **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.

##### **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 Housing Associations Pension Scheme (SHAPS), 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 Association employees' working lives. 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 2011 (CONTINUED)**

**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Designated Reserves (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**

	Note	Turnover £	(Operating costs) £	Operating surplus 2011 £	2010 £
Social lettings	3	7,948,399	(6,895,344)	1,053,055	947,148
Other activities	4	525,729	(472,088)	53,641	(40,080)
<b>Total</b>		<b>8,474,128</b>	<b>(7,367,432)</b>	<b>1,106,696</b>	<b>907,068</b>
Total for previous period of account		8,063,165	(7,156,097)	907,068	

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

	General Needs Housing £	Supported Housing £	Total 2011 £	2010 £
<b>Income from lettings</b>				
Rent receivable net of service charges	7,744,272	117,025	7,861,297	7,427,685
Service charges receivable	132,020	-	132,020	121,311
	7,876,292	117,025	7,993,317	7,548,996
Less: Rent losses from Voids	(44,918)	-	(44,918)	(44,713)
<b>Net rents receivable</b>	<b>7,831,374</b>	<b>117,025</b>	<b>7,948,399</b>	<b>7,504,283</b>
<b>Expenditure on letting activities</b>				
Service costs	115,840	-	115,840	102,649
Management & Maintenance administration costs	1,993,158	30,765	2,023,923	1,877,769
Reactive maintenance costs	2,123,366	19,530	2,142,896	2,087,211
Rent losses from bad debts	40,890	-	40,890	31,974
Planned & cyclical maintenance, major repair costs	688,263	3,793	692,056	1,426,193
Impairment of office	674,216	-	674,216	-
Depreciation on housing properties	1,192,487	13,036	1,205,523	1,031,339
<b>Total expenditure on lettings</b>	<b>6,828,220</b>	<b>67,124</b>	<b>6,895,344</b>	<b>6,557,135</b>
<b>Operating surplus on letting activities</b>	<b>1,003,154</b>	<b>49,901</b>	<b>1,053,055</b>	<b>947,148</b>
Operating surplus on letting activities for previous period of account	903,423	43,725	947,148	

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (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)	
	£	£	£	£	£	£	£	£	2010 £
Wider role activities	-	-	-	-	-	-	(20,081)	(20,081)	(25,396)
Care and repair of property (Aids and adaptations)	142,849	-	-	182,512	325,361	-	(289,809)	35,552	21,371
Factoring	-	-	-	58,284	58,284	(1,930)	(49,496)	6,858	4,109
Support activities	-	-	-	467	467	-	-	467	5,569
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	101,215	-	-	-	101,215	-	(101,215)	-	(45,269)
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities (Insurance settlements received)	-	-	-	40,004	40,004	-	-	40,004	12,784
Other activities	-	-	-	398	398	-	(9,557)	(9,159)	(13,248)
<b>Total from other activities</b>	<b>244,064</b>	<b>-</b>	<b>-</b>	<b>281,665</b>	<b>525,729</b>	<b>(1,930)</b>	<b>(470,158)</b>	<b>53,641</b>	<b>(40,080)</b>
Total from other activities for the previous period of account	289,214	-	-	269,668	558,882	(169)	(598,793)	(40,080)	



**ALMOND HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)****5 OPERATING SURPLUS FOR YEAR**

	<u>2011</u>	<u>2010</u>
	£	£
The operating surplus is arrived at after charging:		
Depreciation	1,269,377	1,058,314
Impairment of office	674,216	-
Auditors remuneration: - for audit services	11,716	10,442
- for non audit services	-	6,566
- internal audit services (TIAA)	3,012	7,836
Operating lease rentals	77,392	76,176

**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 (2010: 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 -

	2011	2010
£60,001 to £65,000	2	-
£65,001 to £70,000	1	1
£80,001 to £85,000	-	-
£90,001 to £95,000	1	1

None of the Committee of Management received any emoluments during the year (2010: £Nil). During the year the Committee of Management were reimbursed expenses of £689 (2010: £426).

	<u>2011</u>	<u>2010</u>
	£	£
Emoluments of the Chief Executive and Section Heads, excluding pension contributions	336,449	327,406
Contributions to the pension scheme for the Chief Executive and Section Heads	64,312	50,532
Emoluments of the Chief Executive, who was the highest paid member of staff, excluding pension contributions	93,467	91,047
Contributions to the pension scheme for the Chief Executive	17,461	13,184

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)**

**7 EMPLOYEE INFORMATION**

Average monthly number of employees expressed in full time equivalents:	<u>2011</u>	<u>2010</u>
Housing	14	14
Maintenance	9	9
Chief Executive and Corporate & Development	8	8
Finance	4	4
	<hr/>	<hr/>
	35	35
	<hr/> <hr/>	<hr/> <hr/>

The actual average weekly number of persons employed by the Association was 36 (2010: 35).

Employee costs:

	<u>2011</u>	<u>2010</u>
	£	£
Wages and salaries	1,129,052	1,095,581
Social security costs	98,992	94,691
Other pension costs	50,850	134,462
	<hr/>	<hr/>
	1,278,894	1,324,734
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>2011</u>	<u>2010</u>
	£	£
Interest receivable	1,440	2,642
Gift Aid receivable	8,000	4,000
	<hr/>	<hr/>
	9,440	6,642
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>2011</u>	<u>2010</u>
	£	£
Bank loans and overdrafts payable in over 5 years by instalments	780,067	714,831
Net return on pension assets	2,000	10,000
	<hr/>	<hr/>
	782,067	724,831
	<hr/> <hr/>	<hr/> <hr/>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)**

**9 (LOSS)/GAIN ON SALE OF FIXED ASSETS**

	<u>2011</u> £	<u>2010</u> £
Gain on sale of housing properties	23,257	201,395
(Loss) on disposal of other fixed assets	(76,210)	(13,245)
	<hr/>	<hr/>
	(52,953)	188,150
	<hr/> <hr/>	<hr/> <hr/>

**10 FIXED ASSET INVESTMENTS**

	<u>2011</u> £	<u>2010</u> £
Subsidiary company (Cost at 31 March 2011 and 31 March 2010)	1	1
Shared equity loans (LIFT) made to dweller	567,050	324,800
Shared equity grants	(567,050)	(324,800)
	<hr/>	<hr/>
	1	1
	<hr/> <hr/>	<hr/> <hr/>

The subsidiary company at 31 March 2011 was:

<b>Name</b>	<b>Country of registration</b>	<b>Nature of business</b>	<b>Proportion of ordinary shares held</b>
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>2011</u> £	<u>2010</u> £
Profit on ordinary activities after taxation	50,433	17,655
	<hr/>	<hr/>
Net assets	184,702	138,430
	<hr/> <hr/>	<hr/> <hr/>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)**

**11 TANGIBLE FIXED ASSETS**

a. Housing Properties

	Housing fixtures & fittings	Housing properties held for letting	Housing properties in course of construction	<b>Total</b>
	£	£	£	£
<b>COST</b>				
At 1 April 2010	12,977,411	41,244,637	5,567,793	59,789,841
Additions	3,050,638	1,047,198	8,746,718	12,844,554
Transfers	-	10,839,859	(10,839,859)	-
Disposals	(136,805)	(18,322)	-	(155,127)
At 31 March 2011	<u>15,891,244</u>	<u>53,113,372</u>	<u>3,474,652</u>	<u>72,479,268</u>
<b>DEPRECIATION</b>				
At 1 April 2010	2,832,466	6,475,044	-	9,307,510
Charge for period	389,935	815,599	-	1,205,534
Disposals	(63,491)	(5,569)	-	(69,060)
At 31 March 2011	<u>3,158,910</u>	<u>7,285,074</u>	<u>-</u>	<u>10,443,984</u>
<b>NET</b>	<u>12,732,334</u>	<u>45,828,298</u>	<u>3,474,652</u>	<u>62,035,284</u>
<b>HOUSING ASSOCIATION GRANT</b>				
At 1 April 2010	-	13,540,175	5,282,258	18,822,433
Additions	-	-	2,413,364	2,413,364
Transfers	-	6,299,487	(6,299,487)	-
At 31 March 2011	<u>-</u>	<u>19,839,662</u>	<u>1,396,135</u>	<u>21,235,797</u>
<b>EMPTY HOMES INITIATIVE GRANT &amp; MORTGAGE TO RENT SCHEME</b>				
At 1 April 2010	-	2,488,220	-	2,488,220
Additions	-	578,978	-	578,978
At 31 March 2011	<u>-</u>	<u>3,067,198</u>	<u>-</u>	<u>3,067,198</u>
<b>NET BOOK AMOUNT</b>				
At 31 March 2011	<u>12,732,334</u>	<u>22,921,438</u>	<u>2,078,517</u>	<u>37,732,289</u>
At 31 March 2010	<u>10,144,945</u>	<u>18,741,198</u>	<u>285,535</u>	<u>29,171,678</u>

During the year the amount of works to existing properties that were capitalised was £3,050,638 (2010: £2,765,865) out of a total spend of £5,107,087 (2010: £5,302,613). 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 2011 (CONTINUED)**

**11 TANGIBLE FIXED ASSETS (CONTINUED)**

b. Other Fixed Assets

	<u>Office Property</u> £	<u>Office furniture &amp; fittings</u> £	<u>Computer equipment</u> £	<u>Total</u> £
<b>COST</b>				
At 1 April 2010	865,708	90,150	336,798	1,292,656
Additions	2,031,849	106,901	236,145	2,374,895
Disposals	-	(41,776)	(227,257)	(269,033)
At 31 March 2011	<u>2,897,557</u>	<u>155,275</u>	<u>345,686</u>	<u>3,398,518</u>
 <b>DEPRECIATION</b>				
At 1 April 2010	-	68,664	300,601	369,265
Charge for period	-	10,127	53,716	63,843
Disposals	-	(41,734)	(224,432)	(266,166)
Impairment	674,216	-	-	674,216
At 31 March 2011	<u>674,216</u>	<u>37,057</u>	<u>129,885</u>	<u>841,158</u>
 <b>NET BOOK AMOUNT</b>				
At 31 March 2011	<u>2,223,341</u>	<u>118,218</u>	<u>215,801</u>	<u>2,557,360</u>
At 31 March 2010	<u>865,708</u>	<u>21,486</u>	<u>36,197</u>	<u>923,391</u>

**12 WORK IN PROGRESS**

	<u>2011</u> £	<u>2010</u> £
Properties for sale:		
Properties under construction at cost	1,865,280	2,025,293
Housing Association Grant	(1,462,246)	(1,478,521)
	<u>403,034</u>	<u>546,772</u>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)**

**13 DEBTORS**

	<u>2011</u> £	<u>2010</u> £
Rental debtors	262,505	250,178
- Provision for doubtful rental debtors	(113,599)	(134,094)
Net rental debtors	<u>148,906</u>	<u>116,084</u>
Other debtors	680,294	412,031
Prepayments and accrued income	108,091	101,464
Capital grant receivable	199,457	1,685,164
Intercompany debtor	8,000	-
	<u>1,144,748</u>	<u>2,314,743</u>

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

	<u>2011</u> £	<u>2010</u> £
Bank overdraft	86,695	-
Bank loans (see Note 15)	389,664	264,726
Trade creditors	752,498	2,773,354
Other taxation and social security	33,100	32,983
Rents in advance	229,338	236,926
Deferred income	426,127	251,239
Grants repayable	69,225	282,691
Amounts owed to subsidiary undertaking	20,445	63,649
Other creditors and accruals	2,021,429	1,013,161
	<u>4,028,521</u>	<u>4,918,729</u>

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 31 (2010: 30).

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

	<u>2011</u> £	<u>2010</u> £
Bank loans:		
Due under 1 year (see Note 14)	389,664	264,726
Due within 1 to 2 years	761,088	267,258
Due within 2 to 5 years	2,923,860	1,310,868
Due after five years or more	24,824,665	18,785,979
	<u>28,899,277</u>	<u>20,628,831</u>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)**

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

Bank loan instalments are due as follows:

Due under 1 year	389,664	264,726
Due over 1 year	28,509,613	20,364,105
	<u>28,899,277</u>	<u>20,628,831</u>

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. None of this loan is planned to be repaid within the next five years.

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	2,881,124	20 January 2034
Business Term Loan	4,777,500	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	12,240,653	(to be agreed)
	<u>28,899,277</u>	

**16 CALLED UP SHARE CAPITAL**

	<u>2011</u>	<u>2010</u>
	£	£
Allotted, issued and fully paid		
At 1 April 2010	354	354
Issued during the year	2	-
	<u>356</u>	<u>354</u>
At 31 March 2011	<u>356</u>	<u>354</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)**

**17 DESIGNATED RESERVES**

	<u>2011</u> £	<u>2010</u> £
Major Repairs		
At 1 April 2010	7,237,454	7,178,039
Transfer from the Income and Expenditure account (see Note 18)	2,282,371	2,596,162
Less: actual spend in current year (see Note 18)	(1,689,346)	(2,536,747)
	<u>593,025</u>	<u>59,415</u>
At 31 March 2011	<u>7,830,479</u>	<u>7,237,454</u>

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 have been calculated using the 30 year expenditure projections adjusted for inflation. The expected spend over the next 3 years is £5.39million.

**18 RECONCILIATION OF MOVEMENT IN ACCUMULATED SURPLUS**

	<u>2011</u> £	<u>2010</u> £
Revenue reserve at 1 April 2010	3,185,724	2,855,110
Surplus for the year	281,116	377,029
Transfer (to) designated reserves (see Note 17)	(593,025)	(59,415)
Actuarial gains/(losses) on pension scheme (see Note 21)	95,000	(206,000)
Transfer (to)/from pension reserve (see Note 19)	(177,000)	219,000
Revenue reserve at 31 March 2011	<u>2,791,815</u>	<u>3,185,724</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>2011</u> £	<u>2010</u> £
At 1 April 2010	(351,000)	(132,000)
Transfer from/(to) the Income and Expenditure account (see Note 18 & 21)	177,000	(219,000)
At 31 March 2011	<u>(174,000)</u>	<u>(351,000)</u>

**20 CAPITAL COMMITMENTS**

	<u>2011</u> £	<u>2010</u> £
Authorised and contracted for	4,765,950	10,821,041



## **ALMOND HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)**

#### **21 PENSION COSTS**

Certain employees have elected to contribute to the Scottish 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 Housing Associations Pension Scheme Standard Employees**

##### General

Almond Housing Association Ltd participates in the SHAPS Pension Scheme ('the Scheme'). The 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.

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 22 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 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

Like most defined benefit schemes, the Scheme continues to be adversely affected by the ongoing financial crisis and falls in investment markets. The most recent results of the triennial valuation at 30 September 2010 reflect this, showing a shortfall of assets to liabilities of £162 million, compared to £149 million at the time of the 2008 valuation. In view of this employee contribution rates increased to 9.6% and employer rates to 20%, from April 2011.

## ALMOND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)

#### PENSION COSTS (CONTINUED)

The key valuation assumptions used to determine the assets and liabilities of the SHAPS Scheme as at 30 September 2009 as follows:

	<u>% pa</u>
▪ investment return pre retirement	7.4
▪ investment return post retirement - Non-pensioners	4.6
▪ investment return post retirement - Pensioners	4.8
▪ rate of salary increases	4.5
▪ rate of price inflation	3.0
▪ The rate of pension increases are 2.9% 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.

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 22.8% during the accounting period and individual members paid contributions of between 6.8% and 8.6%.

The last formal valuation of the Associations share of the Scheme assets and liabilities was performed at 31 March 2011 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 24.9%.

The figures used to determine the overall expected rate of return on assets were based on 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 11	31 Mar 10	31 Mar 09	31 Mar 08	31 Mar 07
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Inflation / Pension increase rate	2.8%	3.8%	3.1%	3.6%	3.2%
Rate of increase in salaries	5.1%	5.3%	4.6%	5.1%	4.7%
Expected return on assets	7.0%	7.3%	6.6%	7.2%	3.2%
Discount rate	5.5%	5.5%	6.9%	6.9%	5.4%

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)**

**PENSION COSTS (CONTINUED)**

<b>Expected return on assets:</b>	31 Mar 11 % p.a.	31 Mar 10 % p.a.	31 Mar 09 % p.a.	31 Mar 08 % p.a.	31 Mar 07 % p.a.
Equities	7.5%	7.8%	7.0%	7.7%	7.8%
Bonds	4.9%	5.0%	5.4%	5.7%	4.9%
Property	5.5%	5.8%	4.9%	5.7%	5.8%
Cash	4.6%	4.8%	4.0%	4.8%	4.9%

<b>Fair value of scheme assets:</b>	at 31 Mar 2011 £(000's)	at 31 Mar 2010 £(000's)	at 31 Mar 2009 £(000's)	at 31 Mar 2008 £(000's)	at 31 Mar 2007 £(000's)
Equities	608	564	409	473	484
Bonds	62	57	57	55	34
Property	77	64	52	74	78
Cash	23	29	-	21	35
<b>Total Estimated Employer Assets (A)</b>	<b>770</b>	<b>714</b>	<b>518</b>	<b>623</b>	<b>631</b>
<b>Value placed on Scheme Liabilities (B)</b>	<b>(944)</b>	<b>(1,065)</b>	<b>(650)</b>	<b>(660)</b>	<b>(751)</b>
<b>Net Pension liability (A-B)</b>	<b>(174)</b>	<b>(351)</b>	<b>(132)</b>	<b>(37)</b>	<b>(120)</b>

**Movement in deficit during the year**

	<u>2011</u> £	<u>2010</u> £
Deficit in scheme at beginning of year	(351,000)	(132,000)
<u>Movements during the year:</u>		
Current service cost	(26,000)	(15,000)
Contributions paid	21,000	18,000
Past service income/(costs)	89,000	(6,000)
Other finance costs	(2,000)	(10,000)
Actuarial gain/(loss)	95,000	(206,000)
Deficit at the end of the year	<u>(174,000)</u>	<u>(351,000)</u>

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

	<u>2011</u> £	<u>2010</u> £
Current service cost	(26,000)	(15,000)
Past service income/(costs)	89,000	(6,000)
Contributions	21,000	18,000
Total operating gain/(loss)	<u>84,000</u>	<u>(3,000)</u>

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

Expected return on pension scheme assets	53,000	35,000
Interest on pension scheme liabilities	(55,000)	(45,000)
Net finance charge	<u>(2,000)</u>	<u>(10,000)</u>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)**

**PENSION COSTS (CONTINUED)**

**History of experience gains and losses**

	at 31 Mar 2011	at 31 Mar 2010	at 31 Mar 2009	at 31 Mar 2008	at 31 Mar 2007
Experience (losses)/gain on scheme assets	(13,000)	147,000	(159,000)	(63,000)	4,000
Percentage of scheme assets at year end	(1.7%)	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 (losses)/gains recognised in statement of total recognised surpluses and deficits	95,000	(206,000)	(95,000)	82,000	61,000
Cumulative actuarial gains and (losses)	82,000	(158,000)	48,000	143,000	61,000

Contributions totalling £2,376 (2010: £2,125) were payable to the fund at the year end and are included in creditors. The estimated employers contribution for the year to 31 March 2012 will be approximately £23,116.

**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 (2010: £Nil).

Almond Enterprises Limited, a wholly owned subsidiary of the Association, continues to manage cleaning and clearance contracts for the Association which amounted to £169,765 of turnover this year (2010: £203,470), with a year-end purchase ledger balance of £ 20,445 (2010: £63,649). Almond Enterprises Limited made a Gift Aid payment of £8,000 (2010: £4,000) 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 2011 in relation to operating leases which expire:

	<u>Land &amp; Buildings</u>		<u>Plant &amp; Machinery</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	£	£	£	£
Within one year	6,958	42,876	18,082	1,357
Between two and five years	-	-	20,307	27,117
	<u>6,958</u>	<u>42,876</u>	<u>38,389</u>	<u>28,474</u>

**24 HOUSING STOCK**

	<u>2011</u>	<u>2010</u>
The number of units in Management at 31 March was as follows:		
General needs housing	2,395	2,315
Supported housing accommodation (comprising 101 bedspaces in total)	8	8
Total	<u>2,403</u>	<u>2,323</u>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)**

<b>25 AVERAGE RENTS</b>	<u>2011</u>	<u>2010</u>
Average weekly rent for housing accommodation	£62.90	£59.97
Increase	4.9%	5%
Average number of Units	2,361	2,302

**26 CASH FLOW STATEMENT**

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

	<u>2011</u>	<u>2010</u>
	£	£
Operating surplus for the year	1,106,696	911,068
Depreciation charges	1,269,377	1,058,314
Permanent diminution in value of land and buildings	674,216	-
(Increase) in debtors	(307,825)	(309,903)
(Decrease)/increase in creditors	(1,319,057)	2,304,967
	<u>1,423,407</u>	<u>3,964,446</u>

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

	<u>2011</u>	<u>2010</u>
	£	£
(Decrease)/increase in cash in the period	(1,426,429)	1,347,636
Cash inflow from increase in overdraft (note 26c)	(86,695)	-
Cash inflow from (increase) in debt (note 26c)	(8,270,446)	(2,017,048)
Change in net debt from cash flows	<u>(9,783,570)</u>	<u>(669,412)</u>
Movements in net debt in period	(9,783,570)	(669,412)
Net debt at 1 April	(17,879,050)	(17,209,638)
Net debt at 31 March	<u>(27,662,620)</u>	<u>(17,879,050)</u>

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

	At 1 April <u>2010</u>	Cash flow	Other changes	At 31 March <u>2011</u>
	£	£	£	£
Cash at bank and in hand	2,749,781	(1,426,429)	-	1,323,352
Overdraft	-	(86,695)	-	(86,695)
Debt due within one year	(264,726)	-	(124,938)	(389,664)
Debt due after one year	(20,364,105)	(8,270,446)	124,938	(28,509,613)
	<u>(17,879,050)</u>	<u>(9,783,570)</u>	<u>-</u>	<u>(27,662,620)</u>

## **ALMOND HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2011 (CONTINUED)**

#### **27 CONTINGENT LIABILITIES**

Almond Housing Association Ltd has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHAPS Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Almond Housing Association Ltd was £2,710,136. 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 SHAPS Pension Scheme, no provision is required at this time.