

ALMOND HOUSING ASSOCIATION LIMITED

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

YEAR ENDED 31 MARCH 2012

SCOTTISH CHARITY REGISTRATION NUMBER
SCOTTISH HOUSING REGULATOR
FINANCIAL SERVICES AUTHORITY

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ALMOND HOUSING ASSOCIATION LIMITED

**REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

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ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2012.

Principal Activities

Almond Housing Association Limited ('the Association') is a not-for-profit registered social landlord administered by a voluntary Board 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 Board 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.

Component accounting

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. Component accounting is where a housing property with several different components with substantially different useful economic lives, has depreciation charged individually for each of its major components over that component's useful economic life. The components which the Association has used are kitchens, bathrooms, central heating systems, structure, electrics and roofs.

As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment. Major components (Note 11) of our housing properties are identified and depreciated over specific economic life spans. Their replacement is then capitalised in fixed assets as they occur and the old assets are scrapped at net book value. The resulting prior period adjustment is shown in the relevant notes to the financial statements and detailed in Note 28.

Reserves

Our Reserves are important for several reasons. We need to have funds to carry out reactive and cyclical repairs to our properties. We also need free reserves to allow us to react to any unexpected or unplanned costs. The income and expenditure account for the year is set out on page 17. After the transfer of the surplus for the year of £397,103 (2011 restated: £430,245), at the year-end the reserves of the Association amounted to £12.5million (2011 restated: £12.2million). The prior period adjustment for component accounting, detailed in Note 28 on page 39 increased the reserves by £1.8m. 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.

Donations

The Association donated £5,842 (2011: £4,666), to several good causes, primarily from sums gifted by Almond Enterprises last year and made no political donations.

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.

ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

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.

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.

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.

Financial instruments

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

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.

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 Board 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 Board 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 Board 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.

Board of Management

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

Mr J Chittleburgh* (retired Sept-2011)	Ms J Marnie* (Vice-Chair)
Mrs E Dickson	Mr S Murray* (Chairman)
Mrs M Earl *	Mrs R Orr
Mrs A Gault	Mr A Saunders*(Secretary)
Mr A Godden *	Mr I Stewart*
Mr A Gray	Mrs A McIntyre (Co-opted)

* member of the Audit Committee at 31 March 2012 (Mr S Murray in attendance only).

ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

The Board of Management is drawn from a wide background bringing together professional, commercial and local experience. Eligible members can stand for election to the Board 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 Board. Association insurance policies indemnify members of the Board of Management and officers against liability when acting for the Association. The current skills level of Board Members is assessed on an ongoing basis and necessitous training is provided as and when required.

The Association's affairs are run by the Board of Management, which has up to 15 Members and normally meets monthly. Some of the detailed work of the Board of Management is delegated to Sub-Committees (Finance, Audit, Staffing and Arrears), or to "short life" working groups with a specific remit such as the Development Working Group.

Internal financial controls assurance

The Board 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 Board 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 Board of Management and senior personnel in accordance with the guidance issued jointly by the 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 Board 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 Board of Management approval. The Association's treasury and investment policies have been approved by the Board 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 Board 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 Board 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 BOARD OF MANAGEMENT (CONTINUED)

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

Housing Association legislation requires the Board 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 Board 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 Board 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 Board 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 Board 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 6 September 2012 at Howden Park Centre, Howden, Livingston, West Lothian, EH54 6AE.

Statement as to disclosure of information to auditors

The Board 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 Board Members have confirmed that they have taken all the steps that they ought to have taken as Board 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 Board of Management to fix their remuneration will be proposed at the forthcoming annual general meeting.

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



Secretary

Date: - 2 AUG 2012

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, who totalled 107 active Members at 31 March 2012.

In addition to managing 2,442 properties, the Association is a major developer of new affordable housing. In addition to providing social housing for rent (which constitutes over 93% of the Association's activities by turnover), it has also built and leases 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 Board 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, and matching identified needs by 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 Board 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 Board of Management to monitor achievement of the Association's objectives are set out on the following page. The Board 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

	Objective	Key Performance Indicator
Finance	<ul style="list-style-type: none"> • achieve planned operating surplus • meet lenders' covenants • identify and secure funding to meet existing requirements and the new development programme • complete tender exercise to appoint new insurers • implement results of review of staff pension schemes 	<ul style="list-style-type: none"> • monitor results to budget • performance against loan covenants • sufficient new funding (at advantageous terms) agreed and approved • tender process started and new insurers appointed • review completed, proposed changes agreed and implemented
Housing management	<ul style="list-style-type: none"> • monitor effects of proposed changes to welfare benefits • continue self-assessment process and finalise sustaining tenancies procedure • implement results of tenant satisfaction survey and hold tenant's conference • complete evaluation of our participation in Common Housing Register • implement new arrears module and revised estate management monitoring arrangements 	<ul style="list-style-type: none"> • implications identified and reported to/considered by Committee • assessment and procedure approved and required action taken • survey completed, results implemented and successful conference held • results reported to Board and any agreed actions implemented • arrears module and revised arrangements implemented with regular reports produced
Asset management	<ul style="list-style-type: none"> • complete review of Design Brief, incorporating sustainability issues and research of alternative construction methods • develop landscaping improvement plans • achieve planned and cyclical maintenance programme targets (including the SHQS delivery plan) • contribute to our Local Authorities Affordable Housing Strategy and deliver the current development programme • complete implementation of risk management strategies for asbestos and legionella 	<ul style="list-style-type: none"> • review completed and new design brief implemented to incorporate viable energy efficiency features in new developments • new areas identified, plans agreed & implemented • all contracts completed on time, within budget and to required standard. SHQS progress report submitted to SHR and 2011/12 targets achieved • projects completed on time, within budget and share of new private developments achieved • risk management strategies fully implemented
Corporate services	<ul style="list-style-type: none"> • develop range of Almond Enterprises Ltd services • continue developing electronic document management and implement IT disaster recovery arrangements • plan and complete programmes to replace key personnel due to retire, and implement the revised management structure • continue procedures review programme and complete review of governance arrangements • cultivate skilled, experienced and motivated staff 	<ul style="list-style-type: none"> • Almond Enterprises Ltd business plan objectives achieved • make further progress in reducing paper files and revise IT System & Disaster recovery procedures • recruitment process completed timely and successfully, with continuity of service smoothly maintained • review completed, report submitted and recommendations agreed and implemented • complete review of staff terms & conditions

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

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Finance

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 2012.

The Board of Management had budgeted for a surplus of £376k this year to meet its medium term strategic objectives, which was slightly below the actual surplus achieved of £397k. By the year-end Association reserves amounted to £12.5million (2011 restated: £12.2million), of which we were required to designate £8.2million as a reserve to provide for the estimated costs of future reactive and cyclical repairs.

The Association is able to report that it met the lenders' loan covenants at all times during the year.

30 year financial projections were produced on schedule, and incorporated all the currently identifiable projected spend profiles relating to the West Lothian Development Alliance and Scottish Housing Quality Standards (SHQS). New loan facilities were agreed in August 2011, which will provide us with adequate funding for the new development programme, whilst also covering the next three years spend and beyond.

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.

After a full review of the staff pension scheme's future affordability, the Board have approved continuing with the Final Salary Scheme for next year (2012/13), with further investigation and review to be completed in 2012. The tender exercise to appoint new insurers was successfully completed in April 2012.

Housing Management

The tenants conference was successfully held in January 2012, where tenants were notified about a range of upgrades due over the next five years, tips on how to deal with anti social behaviour, information on how to become more involved in the work of the Association and feedback from last year's Tenant Satisfaction Survey.

We have been closely monitoring the effects of proposed changes to welfare benefits, and continue to brief our Board and our local political representatives of the likely adverse consequences to the Association and its Tenants, of this legislation.

The new Arrears module was fully implemented on time and the anticipated improvements achieved. Reports were provided to the Board and implemented where applicable after general reviews of our self assessment process, our sustaining tenancies procedure and our participation in the West Lothian Housing Register.

Asset management

We continued to contribute to our Local Authorities Affordable Housing Strategy, completing one major Alliance project during the financial year and progressing three further sites (due for completion next year). We have continued to keep abreast with sustainability issues, so that our Design Brief incorporates 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 properties.

We were pleased to welcome our staff and tenants into our completed modern purpose built offices on 4 April 2012, in a seamless transfer which saw minimal disruption to services. 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.

In September 2011 we submitted to the Scottish Housing Regulator an update of our Scottish Housing Quality Standard (SHQS) plans, along with the progress achieved to date. Of the £3.6m invested in housing properties this year, £2.9million was spent extending the extensive rolling kitchen and bathroom renewal contracts, with 352 new kitchens installed and 488 bathrooms renewed. Work in relation to the ongoing planned and cyclical maintenance programme progressed well, with tenants reporting a 91% satisfaction rate with the service provided.

Work has progressed on registers to help implement risk management strategies for asbestos and legionella, and landscaping improvement plans have seen upgrades carried out in several new areas.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Corporate services

A complete review of the Association's governance arrangements was completed, with Board of Management training needs identified and full training offered where appropriate. Ongoing programmes of policy, procedure and self assessment reviews will continue according to operational priority.

The management structure was successfully revised and key personnel recruited to cover a retirement. A complete review of staff terms and conditions has commenced, a timetable drawn up with our external consultant and benchmarking with the G8 group initiated to ensure peer uniformity.

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 2011/12 we continued the process of upgrading and modernising our IT infrastructure and associated services. We have commenced a significant archiving regime for older computer files and have adjusted our back up system and settings to improve operational performance.

Almond Enterprises Limited is a social enterprise employing local people in hygiene, cleaning/house clearances and other property services. During the year they secured grant funding to conduct an organisational review and with the agreed changes in their future structure, look to further increase their future efficiency and effectiveness.

The Association continues to monitor its high standards of service undertaking regular self assessment of its service standards. 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) showed a decrease from last year, at just 0.9% of rental income receivable (2011: 1.1%), reflecting good performance considering the economic climate. The Association's rent loss for void periods at 0.52% of rental income receivable (2011: 0.58%), was comfortably below our historical target of 0.6% again demonstrating an improvement on previous years.

Gross rent arrears, including former tenant arrears after write off, at the year-end were improved further at 2.9% (2011: 3.1%).

Repair response times

Performance against this indicator has a direct impact on the Association's service to its customers and in total almost 10,000 repairs, gas servicing, repairs to void properties and social work adaptations were carried out in the current year. The time taken to complete repairs has improved when compared to last year, when significant access problems resulted from the extreme winter weather conditions.

Key Performance Indicator: Percentage of repairs completed within target response time	
Emergency: target 100% of jobs completed within 24 hours	Actual: 95.7% (2011: 94.0%)
Urgent: target 95% of jobs completed within 3 days	Actual: 92.7% (2011: 87.0%)
Routine: target 95% of jobs completed within 10 days	Actual: 89.5% (2011: 91.0%)

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 Board of Management as part of the internal management plan. Additionally, the Board 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.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

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

Category	Specific Risk	Action to mitigate risk
External influences	Government policy: Changes to the welfare benefits system (Universal Credit)	Now that these proposals are law, staff will assess the potential impact of the cap on overall benefits, the 'under occupancy' reduction in housing benefit and other benefit changes, prior to implementation from April 2013. Proposals to mitigate the impact and deal with specific issues will be reported to the Board.
External influences	Government policy: Changes in the grant system making it more difficult for the Association to develop	While approval for two schemes has been given, the risk remains due to changes made to the rules governing the acceptance of grants, which entails loading the risk onto the RSL until the schemes are completed.
Strategic	Competition: From other Housing Associations and Authorities for funds and development sites	There is little direct action the Association can take to minimise or mitigate this risk. Every effort will be made to maintain positive relationships with the relevant Authorities, so that all our development proposals will be regarded favourably and included in their housing strategy.
Human resources	Staffing: The loss of key staff	Whilst succession planning is in place with recruitment timed to allow for a reasonable handover, the risk remains as it is too early to assess if these measures have resulted in a successful transition, with further retirements due next year.
Human resources	Pension Fund: Higher contributions to meet deficits in both schemes	While the review of pension scheme options is being carried out, uncertain growth expectations persist and hence this risk remains high.
Development schemes	Other liabilities: Increasing costs of developer's contributions	There is little direct action the Association can take to minimise this risk other than to ensure that all proposals have been fully costed, risk assessed and are financially viable regardless.
Lettings	Nominations: Unfavourable outcome of Agreement review	The review was recently completed and negotiations are ongoing to secure favourable terms for the Association.
Rents	Housing Benefit: Direct payments to tenants	Now that these proposals are law, staff will assess the potential impact and the measures required to minimise any increases in rent arrears before the implementation date of April 2013.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Accounting policies

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

Housing properties

At 31 March 2012 the Association owned 2,442 housing properties (2011: 2,403). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £41.2million (2011 restated: £39.5million). Our investment in housing property improvements and developments this year of £3.9million 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 three properties under the Mortgage-to-Rent scheme, which with funding through the Scottish Housing Regulator aims to help those households with 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 24 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 20% and 24.9% 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 2012 specifically for our current LPS members, which showed an increase in the Net Pension liability to £281,000 (2011: £174,000). This liability has been recognised in the financial statements.

Capital structure and treasury policy

By the year end Association borrowings amounted to £32.5million, two thirds of which is due to mature by 2034 and one third by 2047. Interest has been fixed long term (at 5.43% on average), for 36% of total current borrowings, with the remaining 64% variable (at LIBOR+0.63% on average). Funding is fully in place for the development programme with considerable flexibility over the drawdown and repayment profile.

Cash flows

During the year net cash inflows amounted to £1.2million (2011: £1.4million outflows), details of which are shown in the consolidated cash flow statement (page 19). Gross inflows comprised £2.1million from operating activities, with £0.5million of grants received and £0.6million from the sale of properties, primarily of completed developments to our West Lothian Development Alliance partners. Cash outflows included £1.0million net servicing of finance interest, plus a further £4.4million expenditure on developments and housing improvements.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING & FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Future developments

As part of the WLDA, comprising three of the four members of the original Strategic Alliance, Almond was successful in being selected as one of West Lothian's three 'preferred developers' for the next phase of new-build developments. The Board of Management has approved plans to spend £4.9million during the next financial year on three new projects (currently at varying stages of development), which when completed will provide a total of 53 new homes.

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 West Lothian Council and developers we will continue to seek potential development opportunities whenever we can.

We will continue to develop and implement the Asset Management Strategy (including the planned maintenance programme to achieve the SHQS targets). We have budgeted to spend £1.0million in 2012/13 on the renewal of kitchens at 269 properties. A further £0.3million is earmarked for cyclical maintenance notably painting contracts at a further 813 properties, with £0.2million of planned common stair entry system improvements. Should we identify any additional unplanned work required by 2015 we will review the current 5 year planned maintenance programme and adapt it as required to ensure all essential work is completed on time.

We will be implementing a number of strategies to mitigate the effects of welfare reforms on tenants and their households, and to minimise the potential loss of rent and/or increase in arrears arising from the reforms, especially the direct payment of the Universal Credit to tenants.

The Association will begin assessing the implications of the new Scottish Social Housing Charter and Scottish Housing Regulator performance monitoring measures. We will then begin consultation with our tenants to develop an Almond 'Charter' to meet their requirements, agree a range of targets & standards to be monitored with tenants and focus on priority areas for review under the Charter in 2013/14.

Following approval of the new Factoring Code of Conduct by the Scottish Parliament we will work to provide more detailed and frequent information to factored owners about the services we provide and their costs, in addition to preparing to register as a provider of factoring services in October.

As a result of the Board's review of Governance arrangements, a series of review meetings with individual Board Members will take place next year and an appropriate Board training programme produced and implemented. Work has recently begun designing our new website, with a provisional launched planned at the AGM, and will provide more interactive services and user friendly tenant information.

Statement of compliance

In preparing this Operating and Financial Review, the Board of Management has followed the principles set out in Part 2 of the SORP 'Accounting by Registered Social Landlords' (Update 2010).

ALMOND HOUSING ASSOCIATION LIMITED

Table 1 – Annual results and KPI, five year summary

For the year ended 31 March	2012	Restated 2011	Restated 2010	Restated 2009	Restated 2008
Income and Expenditure account (£'000)					
Total turnover	9,228	8,474	8,063	7,557	6,994
Income from lettings	8,669	7,831	7,389	6,898	6,508
Operating surplus	1,442	1,256	911	1,659	1,506
Surplus for the year transferred to reserves	397	430	377	852	901
Balance sheet (£'000)					
Housing properties, net of depreciation HAG and other capital grants	65,976 (24,817)	63,821 (24,303)	52,264 (21,310)	44,891 (15,635)	41,428 (14,666)
Housing properties, net of depreciation & grants Other fixed assets	41,159 2,681	39,518 2,553	30,954 923	29,256 235	26,762 38
Fixed assets net of capital grants & depreciation	43,840	42,071	31,877	29,491	26,800
Net currents assets/ (liabilities)	1,095	(1,157)	693	622	2,783
Total assets less current liabilities	44,935	40,914	32,570	30,113	29,583
Loans (due over one year)	(32,138)	(28,510)	(20,364)	(18,298)	(18,620)
Pension liability	(281)	(174)	(351)	(132)	(37)
Reserves : designated	8,158	7,831	7,238	7,178	6,379
: revenue	4,639	4,573	4,968	4,637	4,584
: pension	(281)	(174)	(351)	(132)	(37)
: total	12,516	12,230	11,855	11,683	10,926
Total assets less current liabilities	44,935	40,914	32,570	30,113	29,583
Accommodation figures					
Total housing stock owned at year end (<i>number of dwellings</i>) : Social housing	2,442	2,403	2,323	2,288	2,236
Statistics					
Surplus for the year as % of turnover	4.3%	5.1%	4.7%	11.3%	12.9%
Surplus for the year as % of income from lettings	4.6%	5.5%	5.1%	12.4%	13.9%
<u>Rent losses</u> (<i>voids and bad debts as % of rent and service charges receivable</i>)	0.9%	1.1%	1.0%	1.6%	1.6%
<u>Rent arrears</u> (<i>gross arrears as % of rent and service charges receivable</i>)	2.9%	3.1%	3.1%	3.7%	4.4%
<u>Interest cover</u> (<i>surplus before interest payable divided by interest payable</i>)	1.5	1.6	1.3	1.6	1.6
<u>Liquidity</u> (<i>current assets divided by current liabilities</i>)	1.4	0.6	1.0	0.8	2.2
Total reserves per home owned	£5,125	£5,089	£5,103	£5,106	£4,886

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 2012 on pages 17 to 39. 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 Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 5, the Board 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.

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 2012 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 *20 August 2012*

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 Board 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 2009/4 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 *20 August 2012*

ALMOND HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	<u>2012</u> £	<u>As Restated</u> <u>2011</u> £
TURNOVER	2	9,227,511	8,474,128
Operating costs	2	(7,785,298)	(7,218,303)
OPERATING SURPLUS	5	1,442,213	1,255,825
(Loss) on sale of fixed assets	9	(115,979)	(52,953)
Interest receivable and other income	8(a)	4,096	9,440
Interest payable and similar charges	8(b)	(933,227)	(782,067)
SURPLUS FOR YEAR	18	<u>397,103</u>	<u>430,245</u>

The results for the year relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED SHEET AS AT 31 MARCH 2012**

		<u>2012</u> £	<u>As Restated</u> <u>2011</u> £
Surplus for the financial year		397,103	430,245
Share capital issued during the year	16	1	2
Actuarial (loss)/gain on Pension Fund	18	(111,000)	95,000
Prior period adjustment	28	1,781,807	-
Total recognised surpluses relating to the year		<u>2,067,911</u>	<u>525,247</u>

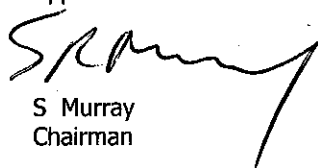
The notes on pages 20 to 39 form part of these financial statements.

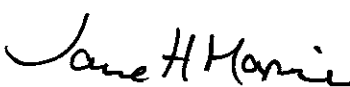
ALMOND HOUSING ASSOCIATION LIMITED


BALANCE SHEET AS AT 31 MARCH 2012

	Notes	2012		As Restated 2011	
		£	£	£	£
TANGIBLE FIXED ASSETS					
Housing properties	11(a)				
- Gross cost less depreciation			65,975,782		63,821,116
Less: HAG			(21,551,939)		(21,235,797)
Less: EHI and Mortgage-to-rent Grant			(3,264,388)		(3,067,198)
			<hr/>		<hr/>
			41,159,455		39,518,121
Other fixed assets	11(b)		2,680,996		2,553,335
Investments	10		1		1
			<hr/>		<hr/>
			43,840,452		42,071,457
CURRENT ASSETS					
Work in progress	12	68,552		403,034	
Debtors	13	1,404,669		1,144,748	
Cash at bank and in hand		2,524,928		1,323,352	
			<hr/>		<hr/>
			3,998,149		2,871,134
CREDITORS: Amounts falling due within one year	14	(2,903,538)		(4,028,521)	
			<hr/>		<hr/>
NET CURRENT ASSETS/(LIABILITIES)			1,094,611		(1,157,387)
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<hr/>		<hr/>
			44,935,063		40,914,070
CREDITORS: Amounts falling due after more than one year	15		(32,137,502)		(28,509,613)
Net Pension liability	21		(281,000)		(174,000)
			<hr/>		<hr/>
NET ASSETS			12,516,561		12,230,457
			<hr/> <hr/>		<hr/> <hr/>
CAPITAL AND RESERVES					
Share capital	16		357		356
Designated reserves	17		8,158,185		7,830,479
Revenue reserve	18		4,639,019		4,573,622
Pension reserve	19		(281,000)		(174,000)
			<hr/>		<hr/>
			12,516,561		12,230,457
			<hr/> <hr/>		<hr/> <hr/>

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


S Murray
Chairman


J Marnie
Vice Chairman


A Saunders
Secretary

Date: - 2 AUG 2012

The notes on pages 20 to 39 form part of these financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012		As Restated 2011	
		£	£	£	£
Net cash inflow from operating activities	26(a)		2,099,994		1,423,407
Return on investments and servicing of finance					
Interest received			2,010		1,553
Interest paid			(958,841)		(864,962)
Net cash outflow from returns on investment and servicing of finance			(956,831)		(863,409)
Capital expenditure					
Payments to acquire and develop housing properties			(4,403,866)		(13,646,117)
Payments to acquire other fixed assets			(230,016)		(2,374,895)
Housing property disposals			586,084		403,444
Net cash outflow from capital expenditure			(4,047,798)		(15,617,568)
Net cash outflow before use of liquid Resources and financing			(2,904,635)		(15,057,570)
Financing					
Issue of share capital			1		2
Grants received			543,485		5,360,693
Loans received			3,562,725		8,270,446
Net cash inflow from financing			4,106,211		13,631,141
Increase/(Decrease) in cash	26(c)		1,201,576		(1,426,429)

The notes on pages 20 to 39 form part of these financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012

1 PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and in compliance with The Statement of Recommended Practice (SORP), "Accounting by Registered Social Providers, Update 2010" and 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 and in line with accounting standards.

Going Concern

The Board of Management has reviewed the results for this year and has also reviewed the projections for the next thirty years. The Board, 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.

Housing properties and depreciation

Housing Properties are stated at cost less social housing and other public grants less accumulated depreciation.

Works to existing properties will generally be capitalised under the following circumstances:

- i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

The adoption of component accounting represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be Structure, Roofs, Bathrooms, Electrics, Kitchens, Boilers and Central heating Carcasses. Each component has a substantially different economic life and is depreciated over this individual life. The new accounting policy is compliant with the SORP 2010.

The Association's policy and practice is to maintain properties to a high standard by implementing a continuing programme of refurbishment and maintenance. Depreciation is charged on housing properties, based on actual cost less estimated cost of land less HAG and other capital grants. Residual values for new properties are assumed to be land value only. Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Structure	50 years
Roofs	50 years
Bathrooms	33 years
Electrics	35 years
Kitchens	20 years
Central heating systems - Boilers	17 years
Central heating systems - Carcasses	30 years

Housing under construction is not depreciated and no depreciation is charged on the cost of land.

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.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Other fixed assets

Other 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.

The estimated lives are as follows:-

Office property (by component) as per Housing properties component lives (page 20)

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.

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. HAG received for development projects of a capital nature in excess of development expenditure, is treated as deferred income, to be set against future relevant expenditure.

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 completion and disposal.

Repairs and maintenance

The costs of routine maintenance and cyclical 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 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.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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/ Major Repairs

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 reactive and cyclical 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.

The reserve has been established principally to provide for the estimated costs of future reactive and cyclical 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 2012 £	As Restated 2011 £
Social lettings	3	8,785,942	(7,351,091)	1,434,851	1,202,184
Other activities	4	441,569	(434,207)	7,362	53,641
Total		9,227,511	(7,785,298)	1,442,213	1,255,825
Total for previous period of account as Restated		8,474,128	(7,218,303)	1,255,825	

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

	General Needs Housing	Supported Housing	Total 2012	As Restated 2011
	£	£	£	£
Income from lettings				
Rent receivable net of service charges	8,555,214	117,043	8,672,257	7,861,297
Service charges receivable	157,913	-	157,913	132,020
	<u>8,713,127</u>	<u>117,043</u>	<u>8,830,170</u>	<u>7,993,317</u>
Less: Rent losses from Voids	(44,228)	-	(44,228)	(44,918)
	<u>8,668,899</u>	<u>117,043</u>	<u>8,785,942</u>	<u>7,948,399</u>
Net rents receivable				
Expenditure on letting activities				
Service costs	127,455	-	127,455	115,840
Management & Maintenance administration costs	2,429,909	33,934	2,463,843	2,023,923
Reactive maintenance costs	2,317,366	23,793	2,341,159	2,142,896
Rent losses from bad debts	35,594	-	35,594	40,890
Planned & cyclical maintenance	990,856	4,946	995,802	692,056
(Reversal of)/ impairment of office	(60,501)	-	(60,501)	674,216
Depreciation on housing properties	1,428,341	19,398	1,447,739	1,056,394
	<u>7,269,020</u>	<u>82,071</u>	<u>7,351,091</u>	<u>6,746,215</u>
Total expenditure on lettings				
Operating surplus on letting activities	1,399,879	34,972	1,434,851	1,202,184
Operating surplus on letting activities for previous period of account as Restated	<u>1,152,283</u>	<u>49,901</u>	<u>1,202,184</u>	

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (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)	
	£	£	£	£	£	£	£	£	2011 £
Wider role activities	-	-	-	-	-	-	(20,400)	(20,400)	(20,081)
Care and repair of property (Aids and adaptations)	98,392	-	-	177,773	276,165	-	(310,236)	(34,071)	35,552
Factoring	-	-	-	57,018	57,018	(1,888)	(54,548)	582	6,858
Support activities	-	-	-	877	877	-	-	877	467
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	30,642	-	-	-	30,642	-	(30,642)	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities (Insurance settlements received)	-	-	-	75,496	75,496	-	-	75,496	40,004
Other activities	-	-	-	1,371	1,371	-	(16,493)	(15,122)	(9,159)
Total from other activities	129,034	-	-	312,535	441,569	(1,888)	(432,319)	7,362	53,641
Total from other activities for the previous period of account	244,064	-	-	281,665	525,729	(1,930)	(470,158)	53,641	

ALMOND HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)****5 OPERATING SURPLUS FOR YEAR**

	<u>2012</u>	Restated
	£	<u>2011</u>
		£
The operating surplus is arrived at after charging:		
Depreciation	1,610,595	1,120,248
(Reversal of)/ Impairment of office	(60,501)	674,216
Auditors remuneration: - for audit services	13,354	11,716
- internal audit services (TIAA)	12,410	3,012
Operating lease rentals	40,031	77,392

6 DIRECTORS' EMOLUMENTS

The Chief Executive, Section Heads, and any other person reporting directly to the Board 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 (2011: 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) was in the following ranges -

	2012	2011
£60,001 to £70,000	3	3
£90,001 to £100,000	1	1

None of the Board of Management received any emoluments during the year (2011: £Nil). During the year the Board of Management were reimbursed expenses of £668 (2011: £689).

	<u>2012</u>	<u>2011</u>
	£	£
Emoluments of the Chief Executive and Section Heads, excluding pension contributions	279,165	282,161
Contributions to the pension scheme for the Chief Executive and Section Heads	53,871	44,304
Emoluments of the Chief Executive, who was the highest paid member of staff, excluding pension contributions	95,213	93,467
Contributions to the pension scheme for the Chief Executive	17,810	17,461

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

7 EMPLOYEE INFORMATION

Average monthly number of employees expressed in full time equivalents:	<u>2012</u>	<u>2011</u>
Housing	14	14
Maintenance	9	9
Chief Executive and Corporate & Development	9	8
Finance	5	4
	<hr/>	<hr/>
	37	35
	<hr/> <hr/>	<hr/> <hr/>

The actual average weekly number of persons employed by the Association was 37 (2011: 35).

Employee costs:

	<u>2012</u>	<u>2011</u>
	£	£
Wages and salaries	1,202,051	1,129,052
Social security costs	111,157	98,992
Other pension costs	175,795	50,850
	<hr/>	<hr/>
	1,489,003	1,278,894
	<hr/> <hr/>	<hr/> <hr/>

8(a) INTEREST RECEIVABLE AND OTHER INCOME

	<u>2012</u>	<u>2011</u>
	£	£
Interest receivable	2,096	1,440
Net return on pension assets	2,000	-
Gift Aid receivable	-	8,000
	<hr/>	<hr/>
	4,096	9,440
	<hr/> <hr/>	<hr/> <hr/>

8(b) INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2012</u>	<u>2011</u>
	£	£
Bank loans and overdrafts payable in over 5 years by instalments	933,227	780,067
Net return on pension assets	-	2,000
	<hr/>	<hr/>
	933,227	782,067
	<hr/> <hr/>	<hr/> <hr/>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

9 (LOSS)/GAIN ON SALE OF FIXED ASSETS

	<u>2012</u> £	<u>2011</u> £
Gain on sale of housing properties	98,268	23,257
(Loss) on disposal of tangible fixed assets	(214,247)	(73,342)
(Loss) on disposal of other fixed assets	-	(2,868)
	<hr/>	<hr/>
	(115,979)	(52,953)
	<hr/> <hr/>	<hr/> <hr/>

10 FIXED ASSET INVESTMENTS

	<u>2012</u> £	<u>2011</u> £
Subsidiary company (Cost at 31 March 2012 and 31 March 2011)	1	1
Shared equity loans (LIFT) made to dweller	567,050	567,050
Shared equity grants	(567,050)	(567,050)
	<hr/>	<hr/>
	1	1
	<hr/> <hr/>	<hr/> <hr/>

The subsidiary company at 31 March 2012 was:

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

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

	<u>2012</u> £	<u>2011</u> £
(Loss)/profit on ordinary activities after taxation	(16,266)	50,433
	<hr/>	<hr/>
Net assets	165,839	184,702
	<hr/> <hr/>	<hr/> <hr/>

11 TANGIBLE FIXED ASSETS

As stated in note 28, the Association adopted Component Accounting as required by SORP 2010 this year. This resulted in a prior period adjustment which as at 31 March 2011, increased the value of housing properties by £1,785,835 and decreased the value of other fixed assets by £4,025.

During the year £3,088,186 (2011: £3,050,638), of components were replaced out of a total spend on housing properties of £3,576,747 (2011: £4,097,836).

In accordance with the Statement of Recommended Practice on Accounting by Registered Social Landlords 2010, 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 2012 (CONTINUED)

TANGIBLE FIXED ASSETS (CONTINUED)

a. Housing Properties

	Housing properties held for <u>letting</u>	Housing properties in course of <u>construction</u>	Total
	£	£	£
COST			
At beginning of year	69,004,617	3,474,651	72,479,268
Prior period adjustment (note 28)	(511,418)	-	(511,418)
Restated balance at 1 April 2011	68,493,199	3,474,651	71,967,850
Additions	3,576,747	303,927	3,880,674
Transfers	3,529,662	(3,529,662)	-
Disposals	(446,398)	-	(446,398)
At 31 March 2012	75,153,210	248,916	75,402,126
DEPRECIATION			
At beginning of year	10,443,984	-	10,443,984
Prior period adjustment (note 28)	(2,297,250)	-	(2,297,250)
Restated balance at 1 April 2011	8,146,734	-	8,146,734
Charge for period	1,447,739	-	1,447,739
Disposals	(168,129)	-	(168,129)
At 31 March 2012	9,426,344	-	9,426,344
NET	65,726,866	248,916	65,975,782
HOUSING ASSOCIATION GRANT			
At 1 April 2011	19,839,663	1,396,134	21,235,797
Additions	71,005	(6,103)	64,902
Transfers	1,256,750	(1,256,750)	-
Transfers from Work in Progress	251,240	-	251,240
At 31 March 2012	21,418,658	133,281	21,551,939
EMPTY HOMES INITIATIVE GRANT & MORTGAGE TO RENT SCHEME			
At 1 April 2011	3,067,198	-	3,067,198
Additions	197,190	-	197,190
At 31 March 2012	3,264,388	-	3,264,388
NET BOOK AMOUNT			
At 31 March 2012	41,043,820	115,635	41,159,455
At 31 March 2011 As restated	37,439,604	2,078,517	39,518,121

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

11 TANGIBLE FIXED ASSETS (CONTINUED)

b. Other Fixed Assets

	<u>Office Property</u> £	<u>Office furniture & fittings</u> £	<u>Computer equipment</u> £	Total £
COST				
At 1 April 2011	2,897,557	155,275	345,686	3,398,518
Additions	212,382	8,394	9,240	230,016
At 31 March 2012	<u>3,109,939</u>	<u>163,669</u>	<u>354,926</u>	<u>3,628,534</u>
 DEPRECIATION				
At beginning of year	674,216	37,057	129,885	841,158
Prior period adjustment (note 28)	4,025	-	-	4,025
Restated balance at 1 April 2011	<u>678,241</u>	<u>37,057</u>	<u>129,885</u>	<u>845,183</u>
Charge for period	55,453	34,964	72,439	162,856
Reversal of impairment	(60,501)	-	-	(60,501)
At 31 March 2012	<u>673,193</u>	<u>72,021</u>	<u>202,324</u>	<u>947,538</u>
 NET BOOK AMOUNT				
At 31 March 2012	<u>2,436,746</u>	<u>91,648</u>	<u>152,602</u>	<u>2,680,996</u>
At 31 March 2011	<u>2,219,316</u>	<u>118,218</u>	<u>215,801</u>	<u>2,553,335</u>

12 WORK IN PROGRESS

	<u>2012</u> £	<u>2011</u> £
Properties for sale:		
Properties under construction at cost	1,808,312	1,865,280
Housing Association Grant	(1,739,760)	(1,462,246)
	<u>68,552</u>	<u>403,034</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

13 DEBTORS

	<u>2012</u>	<u>2011</u>
	£	£
Rental debtors	263,365	262,505
- Provision for doubtful rental debtors	(111,108)	(113,599)
Net rental debtors	<u>152,257</u>	<u>148,906</u>
Other debtors	440,852	680,294
Prepayments and accrued income	140,120	108,091
Capital grant receivable	671,440	199,457
Intercompany debtor	-	8,000
	<u>1,404,669</u>	<u>1,144,748</u>

14 CREDITORS: Amounts falling due within one year

	<u>2012</u>	<u>2011</u>
	£	£
Bank overdraft	87,772	86,695
Bank loans (see Note 15)	324,500	389,664
Trade creditors	599,617	752,498
Other taxation and social security	38,608	33,100
Rents in advance	239,462	229,338
Deferred income	537,340	426,127
Grants repayable	-	69,225
Amounts owed to subsidiary undertaking	41,270	20,445
Other creditors and accruals	1,034,969	2,021,429
	<u>2,903,538</u>	<u>4,028,521</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 33 (2011: 31).

15 CREDITORS: Amounts falling due after more than one year

	<u>2012</u>	<u>2011</u>
	£	£
Bank loans:		
Due under 1 year (see Note 14)	324,500	389,664
Due within 1 to 2 years	275,400	761,088
Due within 2 to 5 years	1,669,000	2,923,860
Due after five years or more	30,193,102	24,824,665
	<u>32,462,002</u>	<u>28,899,277</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

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

Bank loan instalments are due as follows:

Due under 1 year	324,500	389,664
Due over 1 year	32,137,502	28,509,613
	<u>32,462,002</u>	<u>28,899,277</u>

The bank loans are secured by a first charge over specific properties of the Association. Interest on the £2.8Million loan is fixed for 15 years at 6.33%, thereafter LIBOR plus 0.3%, whilst the £4.6Million 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 £4Million Business Loan Facility is fixed at LIBOR plus 1.75% per annum and also comprises non utilisation fees of 0.7% per annum on the undrawn element of up to £12Million.

The remaining Business Term Loan has interest charged at the fixed rate of LIBOR + 0.375% and is repayable over the next thirty five years, inclusive of a five year capital repayment holiday.

	£	
Business Term Loan	2,823,866	20 January 2034
Business Term Loan	4,620,000	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	4,000,000	20 January 2036
Business Term Loan	12,018,136	30 November 2047
	<u>32,462,002</u>	

16 CALLED UP SHARE CAPITAL

	<u>2012</u>	<u>2011</u>
	£	£
Allotted, issued and fully paid		
At 1 April 2011	356	354
Issued during the year	1	2
	<u>357</u>	<u>356</u>
At 31 March 2012	<u>357</u>	<u>356</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 2012 (CONTINUED)

17 DESIGNATED RESERVES

	<u>2012</u> £	<u>2011</u> £
Major Repairs		
At 1 April 2011	7,830,479	7,237,454
Transfer from the Income and Expenditure account (see Note 18)	2,873,083	2,282,371
Less: actual spend in current year (see Note 18)	(2,545,377)	(1,689,346)
	<u>327,706</u>	<u>593,025</u>
At 31 March 2012	<u>8,158,185</u>	<u>7,830,479</u>

These reserves represent designated amounts set aside by the Board of Management, which together with future transfers from the income and expenditure account, are currently expected to meet the anticipated cost of planned and cyclical 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 £7.0million.

18 RECONCILIATION OF MOVEMENT IN ACCUMULATED SURPLUS

	<u>2012</u> £	Restated <u>2011</u> £
Revenue reserve at 1 st April	2,791,815	4,818,402
Prior period adjustment (see note 28)	1,781,807	-
Revenue reserve at 1 st April as restated	<u>4,573,622</u>	<u>4,818,402</u>
Surplus for year	397,103	430,245
Transfer (to) designated reserve (see Note 17)	(327,706)	(593,025)
Actuarial (loss)/gain on pension scheme (see Note 21)	(111,000)	95,000
Transfer from/(to) pension reserve (see Note 19)	107,000	(177,000)
Revenue reserve at 31 March	<u>4,639,019</u>	<u>4,573,622</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.

ALMOND HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)****19 PENSION RESERVE**

	<u>2012</u> £	<u>2011</u> £
At 1 April 2011	(174,000)	(351,000)
Transfer (to)/from the Income and Expenditure account (see Note 18 & 21)	(107,000)	177,000
	<hr/>	<hr/>
At 31 March 2012	(281,000)	(174,000)
	<hr/>	<hr/>

20 CAPITAL COMMITMENTS

	<u>2012</u> £	<u>2011</u> £
Authorised and contracted for	4,856,969	4,693,345
	<hr/>	<hr/>

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 20% of pensionable salaries. Member contributions were 9.6%. As at the balance sheet date there were 24 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%.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

PENSION COSTS (CONTINUED)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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 SAPS (S1PA) short cohort mortality table for non-pensioners and SAPS (S1PA) 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.

The Association has been notified by The Pensions Trust the amount to be paid in 2012/13 is £84,500. The Association has also been notified that they will be required to pay additional contributions, in relation to the past service deficit for the next fifteen years. The amount payable annually is anticipated to increase by 4.5% per annum.

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 24.9% during the accounting period and individual members paid contributions of between 7.0% and 8.6%.

The last formal valuation of the Associations share of the Scheme assets and liabilities was performed at 31 March 2012 by a professionally qualified actuary using the projected unit method. The next valuation will be as at 31 March 2013 and the results will be available after December 2013.

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.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

PENSION COSTS (CONTINUED)

The main financial assumptions used by the actuary were:

	31 Mar 12 % p.a.	31 Mar 11 % p.a.	31 Mar 10 % p.a.	31 Mar 09 % p.a.	31 Mar 08 % p.a.
Inflation / Pension increase rate	2.5%	2.8%	3.8%	3.1%	3.6%
Rate of increase in salaries	4.8%	5.1%	5.3%	4.6%	5.1%
Expected return on assets	5.8%	7.0%	7.3%	6.6%	7.2%
Discount rate	4.8%	5.5%	5.5%	6.9%	6.9%

Expected return on assets:	31 Mar 12 % p.a.	31 Mar 11 % p.a.	31 Mar 10 % p.a.	31 Mar 09 % p.a.	31 Mar 08 % p.a.
Equities	6.2%	7.5%	7.8%	7.0%	7.7%
Bonds	4.0%	4.9%	5.0%	5.4%	5.7%
Property	4.4%	5.5%	5.8%	4.9%	5.7%
Cash	3.5%	4.6%	4.8%	4.0%	4.8%

Fair value of scheme assets:	at 31 Mar 2012 £(000's)	at 31 Mar 2011 £(000's)	at 31 Mar 2010 £(000's)	at 31 Mar 2009 £(000's)	at 31 Mar 2008 £(000's)
Equities	701	608	564	409	473
Bonds	71	62	57	57	55
Property	98	77	64	52	74
Cash	18	23	29	-	21
Total Estimated Employer Assets (A)	888	770	714	518	623
Value placed on Scheme Liabilities (B)	(1,169)	(944)	(1,065)	(650)	(660)
Net Pension liability (A-B)	(281)	(174)	(351)	(132)	(37)

Movement in deficit during the year

	<u>2012</u> £	<u>2011</u> £
Deficit in scheme at beginning of year	(174,000)	(351,000)
<u>Movements during the year:</u>		
Current service cost	(22,000)	(26,000)
Contributions paid	24,000	21,000
Past service income	-	89,000
Other finance income/(costs)	2,000	(2,000)
Actuarial (loss)/gain	(111,000)	95,000
Deficit at the end of the year	<u>(281,000)</u>	<u>(174,000)</u>

Analysis of the amount charged to operating surplus

	<u>2012</u> £	<u>2011</u> £
Current service cost	(22,000)	(26,000)
Past service income	-	89,000
Contributions	24,000	21,000
Total operating gain	<u>2,000</u>	<u>84,000</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

PENSION COSTS (CONTINUED)

Analysis of the amount charged to other finance costs

Expected return on pension scheme assets	54,000	53,000
Interest on pension scheme liabilities	(52,000)	(55,000)
Net finance income/(charge)	<u>2,000</u>	<u>(2,000)</u>

History of experience gains and losses

	Year to 31 March 2012 £(000's)	Year to 31 March 2011 £(000's)	Year to 31 March 2010 £(000's)	Year to 31 March 2009 £(000's)	Year to 31 March 2008 £(000's)
Difference between expected and actual return on assets	51	(13)	147	(159)	(63)
Value of assets	888	770	714	518	623
Percentage of scheme assets at year end	5.7%	(1.7%)	20.6%	(30.7%)	(10.1%)
Experience gain/(losses) on liabilities	(164)	-	-	3	(1)
Total present value of liabilities	(1,169)	(944)	(1,065)	(650)	(660)
Percentage of the total present value of liabilities	14.0%	0.0%	0.0%	(0.5%)	0.2%
Actuarial gains/(losses) recognised in STRGL	(111)	95	(206)	(95)	82
Total present value of liabilities	(1,169)	(944)	(1,065)	(650)	(660)
Percentage of the total present value of liabilities	9.5%	(10.1%)	19.3%	15%	(12.4%)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	Year to 31 March 2012 £(000's)	Year to 31 March 2011 £(000's)	Year to 31 March 2010 £(000's)
Actual return less expected return on pension scheme assets	51	(13)	147
Experience gains and losses arising on the scheme liabilities	(164)	-	-
Changes in assumptions underlying the present value of scheme liabilities	2	108	(353)
Actuarial (loss)/gain in pension plan	<u>(111)</u>	<u>95</u>	<u>(206)</u>
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-	-
Actuarial (loss)/gain in recognised in STRGL	<u>(111)</u>	<u>95</u>	<u>(206)</u>

Contributions totalling £2,655 (2011: £2,376) were payable to the fund at the year end and are included in creditors. The estimated employers contribution for the year to 31 March 2013 will be approximately £24,270.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

22 RELATED PARTY DISCLOSURES

Four members of the Board 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 (2011: £Nil).

Almond Enterprises Limited, a wholly owned subsidiary of the Association, continues to manage cleaning and clearance contracts for the Association which amounted to £217,464 of turnover this year (2011: £169,765), with a year-end net trade creditor balance of £ 41,270 (2011: £20,445). Almond Enterprises Limited made a Gift Aid payment of £Nil (2011: £8,000) 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 2012 in relation to operating leases which expire:

	<u>Land & Buildings</u>		<u>Plant & Machinery</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	£	£	£	£
Within one year	-	6,958	-	18,082
Between two and five years	-	-	38,406	20,307
	<u>-</u>	<u>6,958</u>	<u>38,406</u>	<u>38,389</u>

24 HOUSING STOCK

The number of units in Management at 31 March was as follows:	<u>2012</u>	<u>2011</u>
General needs housing	2,434	2,395
Supported housing accommodation (comprising 101 bedspaces in total)	8	8
Total	<u>2,442</u>	<u>2,403</u>

25 AVERAGE RENTS

	<u>2012</u>	<u>2011</u>
Average weekly rent for housing accommodation	£65.65	£62.11
Increase	5.7%	4.9%
Average number of Units	2,442	2,361

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)

26 CASH FLOW STATEMENT

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

	<u>2012</u>	Restated <u>2011</u>
	£	£
Operating surplus for the year	1,442,213	1,255,825
Depreciation charges	1,610,595	1,120,248
(Reversal of)/Permanent diminution in value of land and buildings	(60,501)	674,216
Decrease/(increase) in debtors	204,148	(307,825)
(Decrease) in creditors	(1,096,461)	(1,319,057)
	<u>2,099,994</u>	<u>1,423,407</u>

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

	<u>2012</u>	<u>2011</u>
	£	£
Increase/(decrease) in cash in the period	1,201,576	(1,426,429)
Cash inflow from (increase) in overdraft (note 26c)	(1,077)	(86,695)
Cash inflow from (increase) in debt (note 26c)	(3,562,725)	(8,270,446)
Change in net debt from cash flows	<u>(2,362,226)</u>	<u>(9,783,570)</u>
Movements in net debt in period	(2,362,226)	(9,783,570)
Net debt at 1 April	(27,662,620)	(17,879,050)
Net debt at 31 March	<u>(30,024,846)</u>	<u>(27,662,620)</u>

(c) Analysis of changes in net debt

	At 1 April <u>2011</u>	Cash flow	Other changes	At 31 March <u>2012</u>
	£	£	£	£
Cash at bank and in hand	1,323,352	1,201,576	-	2,524,928
Overdraft	(86,695)	(1,077)	-	(87,772)
Debt due within one year	(389,664)	-	65,164	(324,500)
Debt due after one year	(28,509,613)	(3,562,725)	(65,164)	(32,137,502)
	<u>(27,662,620)</u>	<u>(2,362,226)</u>	<u>-</u>	<u>(30,024,846)</u>

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 2011. As at this date the estimated employer debt for Almond Housing Association Ltd was £3,211,158. 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.

Repayment of Housing association grant is not required on any component disposals.

ALMOND HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2012 (CONTINUED)****28 PRIOR PERIOD ADJUSTMENT – COMPONENT ACCOUNTING**

As a result of adopting component accounting this year, it has been necessary to restate the value of housing properties and the depreciation calculation of these housing properties as at March 2011. The effect of this prior period adjustment on the balance sheet has been to decrease the cost of housing properties as at 31st March 2011 by £511,418 to £71,967,850, reduce depreciation by £2,297,250 to £8,146,734 and thus increase the revenue reserve by £1,781,807.

The effect of this change in accounting policy on the 31 March 2011 financial statements is shown below. The effect of the prior period adjustment on the Income and Expenditure Account has been to decrease the 2010/11 operating costs by £149,129 as a result of the adjusted lifespan of housing components. 31 March 2011 opening reserves have been increased by £1,632,678 all of which relates to decreased depreciation.

The effect of this change on the comparative figures of 2011 has been to:

	Housing Properties	Other Fixed Assets	Total
	£	£	£
Decrease in depreciation charge	149,129	-	149,129
Increase in the surplus for the year	<u>149,129</u>	<u>-</u>	<u>149,129</u>

The effect of this change on the comparative figures of 2011 has been to:

Decrease/(increase) depreciation charge	2,297,250	(4,025)	2,293,225
Decrease cost re previously replaced assets	(511,418)	-	(511,418)
Net movement in Balance Sheet	<u>1,785,832</u>	<u>(4,025)</u>	<u>1,781,807</u>

The effect of this change in accounting policy on the 31 March 2012 results has been to increase the surplus by £73,147.