ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2017

SCOTTISH CHARITY REGISTRATION NUMBER	SC031696
SCOTTISH HOUSING REGULATOR	HAL 285
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SCOTTISH PROPERTY FACTOR NUMBER	PF000181

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

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ADVISORS

Auditors	**RSM UK Audit LLP** Third Floor, Centenary House 69 Wellington Street Glasgow, G2 6HG
Bankers	**Royal Bank of Scotland plc** 36, St Andrew Square Edinburgh EH2 2YB
	Nationwide Building Society Caledonia House, Carnegie Avenue Dunfermline KY11 8PJ
Legal advisors	**DWF LLP** No 2 Lochrin Square 9b Fountainbridge Edinburgh EH3 9QA
	T C Young 69A, George Street Edinburgh EH2 2JG
	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2017.

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

Legal structure
The Association is established under the Co-operative and Community Benefit Societies Act 2014 and is incorporated in Scotland, 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, and was registered as a Scottish property factor from 7 December 2012. The Financial Conduct Authority has granted the Association exemption from the requirement to prepare group accounts including its subsidiary company Almond Enterprises Limited, due to its 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. The financial statements for the year ended 31 March 2017 have been prepared in accordance with the Financial Reporting Standard 102 ('FRS 102') and the Statement of Recommended Practice for registered social landlords 2014. The transition to FRS102 impacted a number of accounting policies when it was first introduced to the Association's financial statements in 2015/16. Were we to exclude the impact of its changes on the last two years financial results, the total comprehensive income would have been as follows:

	2017	2016
	£	£
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (Under FRS102)	**2,407,462**	**1,182,757**
Amortisation of Social Housing Grant (previously all capital grants received were netted off against the cost of housing properties)	(571,280)	(509,121)
Additional depreciation (previously calculated on the net cost of properties after capital grant)	445,279	387,465
SHAPS Pension deficit contributions paid (previously treated as an operating cost)	(137,429)	(133,500)
Movements on provision for Pension Liability (previously recognised in Statement of total recognised gains and losses (STRGL)):		
Unwinding of the discount factor	37,000	43,000
Remeasurements - impact of any change in assumptions	17,000	32,643
Remeasurements - amendments to the contribution schedule	(758,000)	-
SURPLUS FOR THE YEAR (excluding FRS102 adjustments)	1,440,032	1,003,244

Housing property assets
Details of changes to the Association's fixed assets are shown in note 12 to the financial statements. Housing property values are considered in the Operating and Financial Review.

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 are both affordable and cover the required costs. This policy follows the generally accepted practice/principles of the Housing sector.

Donations
The Association donated £21,707 (2016: £11,275), to several good causes and made no political donations.

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

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 predicted deterioration of building components. We expect the cost of these repairs will be charged to the Statement of Comprehensive Income.

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 Energy Efficiency Standard for Social Housing (EESSH) and our assessment of how our properties can be made to meet these using stock condition surveys. This includes replacement or repairs to components within the properties which have come to the end of their economic lives.

Treasury Management
A comprehensive Treasury Management Policy is 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.

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

Provisions
The Association has provided £775,661 for the cumulative past service deficit on the Scottish Housing Association Defined Benefit Pension Scheme (SHAPS). On 30 September 2015, current members were transferred from the Defined Benefit Scheme onto the SHAPS Defined Contribution Scheme, in which all other eligible staff were additionally auto-enrolled.

Creditor payment policy
In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier. The average number of days between receipt and payment of purchase invoices this year was 27 (2016: 26).

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.

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.

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

Staffing Structure, Service Contracts and Benefits
The Chief Executive and Heads of Section comprise the following Senior Management Team which meets regularly to review progress on priorities, co-ordinate the day-to-day management of all activities, and prepare proposals for the Board of Management.

George Webster - Chief Executive
Sandy Young - Head of Housing Management (appointed Apr-16)
Tony Paterson - Head of Housing Management (retired Sept-16)
Stephen Hawkins - Head of Asset Management
Craig Porter - Head of Finance and ICT
Angela Coutts - Head of Corporate Services

The Senior Management Team are employed on the same terms as other staff, their notice periods ranging from three to six months and were members of the SHAPS Defined Contribution Pension Scheme at the end of the year. They participate in the scheme on the same terms as all other eligible staff and the Association contributes to the schemes on behalf of its employees. Details of Senior Management Team remuneration is included in note 8 to the financial statements.

Board of Management
Members of the Board of Management who have served during the year and up to the date of approval of these financial statements, are set out below.

Mr A Saunders*(Chairman)	Ms J Marnie* (Vice-Chair, resigned Apr-17)
Mr S Murray*	Ms A Wilson*
Mrs A McIntyre* (retired Sept-17)	Mr W Mitchell* (retired Sept-17)
Mrs A Gault	Mr J Hewer
Mrs B Cameron	Mr M Joyce (Vice chair from June-17)
Ms June Robertson (from Sept-16)	Mrs C Rodgers (Co-opted Nov-16)
Mr J Pinkerton (Co-opted Nov-16)	Mr A Turner* (Co-opted Dec-16)

* Member of the Finance Audit Sub-Committee at 31 March 2017 (Mr A Saunders in attendance only).

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 and Audit, Allocations, Staffing), or to "short life" working groups with a specific remit such as the Development Working Group and Pension Working Group.

Internal financial controls assurance
The Board of Management is ultimately responsible for ensuring the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to provide reasonable 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.

The Board of Management acknowledge their responsibility to establish and maintain the systems of internal financial control which provide reasonable and not absolute assurance against material financial misstatement or loss. Key procedures that have been established and are designed to provide effective internal financial control are:

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

Control environment – the Association has an organisational structure with clearly defined lines of responsibility, job descriptions and delegation of authority, which allow the monitoring of controls and restrict unauthorised use of the Association's assets. Experienced and suitably qualified staff take responsibility for important business functions and procedures are in place to maintain standards of performance. These are set out in accordance with the Association's Standing Orders and Policy and Procedure Manuals.

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 as well as new business initiatives. 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.

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 risk management policy. See page 11 for an analysis of the key risks to our strategic objectives.

Monitoring of financial performance – 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. The revised budget forecasts reflecting the prior half yearly results are considered as at 30 September each year.

Internal audit – The Association contracted The Internal Audit Association (TIAA) Limited (to replace Chiene & Tait), for the provision of internal audit services during the current financial year. A Strategic Audit Plan has been prepared and approved by the Board of Management to ensure that all major risk areas are examined.

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 4.

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

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.

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Co-operative and Community Benefits Society Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the RSL and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 RSL will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefits Society Act 2014, Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements – December 2014. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the website 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 website. 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 Thursday 7th September 2017 at New Almond House, 44, Etive Walk, Craigshill, Livingston, West Lothian, EH54 5AB.

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 auditor is 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 RSM 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:

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

Secretary

Date: 3/8/2017

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 and at 31 March 2017 there were 103 active members.

In addition to maintaining 2,498 properties, the Association continues to develop new affordable housing. Together with our core stock of 2,483 general needs properties (which constitutes over 90% of the Association's activities by turnover), we have also built and continue to lease specially designed accommodation, which provides a base for residential care for elderly people. The Association has a subsidiary Almond Enterprises Limited which provides cleaning 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. Our strategy focusses on continuing to build on the success of our business; making sure that it remains sustainable in the future. We will do this by engaging with our customers, our people and the wider community to provide high quality services focussed on delivering the very best. In doing this we believe that we will ensure that our organisation is valued and successful now and in the future.

Our three strategic priorities are summarised as follows:

1. Making Almond houses great homes to live in: Our aim is to provide high quality homes at an affordable rent which will support our tenants to sustain their tenancies

We will regularly monitor and review our performance, identifying areas for improvement, and ensuring that we are delivering the services our customers' want, in the ways that they want them

We will continue to build new homes in West Lothian, improving customers' access to affordable housing, and we will provide homes that best meet the needs of our customers

We will manage our housing stock and associated estates efficiently, effectively, and to high standards

We will be a recognised support for our customers, advising on welfare reforms and signposting to other agencies and involving them in the decision making process

We will deliver a valued service to our customers, earning their trust and delivering on our commitment to provide exceptional customer service

We will ensure the quality of our houses and buildings by providing reliable, safe and fit for purpose houses and housing services

OPERATING AND FINANCIAL REVIEW (CONTINUED)

OBJECTIVES AND STRATEGY (CONTINUED)

2. Making Almond Housing Association a great place to work: Our people are critical to our success. By engaging positively with our people, we aim to foster a culture where they can do their best work, fulfil their potential and achieve great things together

- We will deliver effective performance management to ensure that our people are focussed on delivering objectives and that motivation, morale and recognition are well managed
- We will continuously develop the capability and talent of our people; adding knowledge, understanding and skills to deliver specific business results and the anticipated future needs of the business
- We will work to demonstrate leadership behaviours at all levels providing purpose, pride in performance and encouraging innovation
- We will ensure that our reward and recognition approach will attract, retain and motivate our people to deliver on their strategic and operational objectives
- We will create a culture which encourages our people to be thoughtful, accountable, involved, commercial

3. Giving Back - Almond's contribution to the community: Acknowledging our wider role is fundamental to our business ethos. We want to contribute to the development of the communities we serve and look to do this in partnership with the community. Our commitment:

- We will support community wellbeing by working in partnership with community organisations to improve employability, health outcomes, access to information and services
- We will ensure communities are digitally included by improving access and providing support and assistance to get people online
- We will consult with communities to ensure they are involved in developing the services needed
- We will seek funding for scoping, delivering and implementing projects which will improve the health and wellbeing of the communities we serve
- We will work with local community groups to improve external areas and develop community growing initiatives
- We will develop a community network which will encourage partnership working to deliver services

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT

Value for Money
Value for Money for us means that we use our rental income and assets in the best way possible to deliver excellent services, excellent homes and growth. Our tenants are at the heart of everything we do, with decisions on how we use our resources based on achieving the best possible results for them. We are ambitious and believe that driving value and efficiency will free up resources to enable us to build and invest in our homes. In support of these aims we revised our procurement strategy this year, enabling us to procure goods and services in a more efficient and cost effective manner, the results of which will be seen as we move forward.

Financial performance
The Association's Statement of Comprehensive Income and Statement of Financial Position are summarised in Table 1 (page 14). The Board of Management had budgeted for a surplus of £1.2million this year to meet its medium term strategic objectives and we achieved an actual surplus of £2.4million. £0.8million of this surplus arose through a favourable remeasurment of the previous pension scheme deficit, with a further £0.4million savings made on Major works contracts. The Association is pleased to report that it met the lenders' loan covenants at all times during the year.

30 year financial projections were produced ahead of schedule, incorporating all the currently identifiable projected spend profiles relating to the West Lothian Development Alliance (WLDA) and Energy Efficiency Standard for Social Housing (EESSH). Adequate funding remains available for the new development programme, with agreement reached to extend our flexible borrowing facility until June 2019.

Human Resources and customer service
The Association continued to build on its strong reputation, delivering new homes to satisfied tenants, and responding to tenant feedback to ensure that we continued to deliver quality services. During the year, we worked positively with our Tenant Focus Groups and our Customer Review Groups, to drive our tenants to think differently about us and generate concrete recommendations about ways in which we could improve our services.

In 2016/17 we were proud to achieve unprecedented levels of customer satisfaction as evidenced by our Tenant Satisfaction Survey. We will continue to build on these results, delivering quality services and homes throughout 2017/18 and beyond, because we believe that everyone deserves exceptional service. In 2016 we developed new social media platforms, encouraging customer feedback and greater communication in partnership with our Customer Review Groups.

The Government's welfare reforms have the potential to severely disrupt our income streams and present significant challenges to our tenants and community. We have continued to invest heavily in smarter systems and allocate additional temporary staff resources. We aim to provide our field staff with the latest in communications technology, to increase reactivity and support tenants through these changes. A small team of our key staff have been busy testing and implementing our replacement core business system, for housing, asset management and finance, with planned completion and integration planned in 2017.

We continued to focus on the management of arrears and voids, and with the excellent work of our tenancy support and money advice services we were able to maintain high levels of customer satisfaction and sustained tenancies throughout the year. Our ambition is to achieve top quartile performance when benchmarking against other Registered Social Landlords and in comparison with commercial housing providers and developers.

The Association has a loyal and dedicated workforce with a wide range of skills and experience and we recognise the importance of investing in employees to build upon and refresh those skills. This year we welcomed new staff to our management team and communications service, allowing us to focus on improving tenant engagement and support in the face of ongoing welfare reforms.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Digital and financial inclusion

We believe that connecting people to the digital world makes life better for them and we are committed to making this happen for as many of our tenants as possible. To date we have made significant inroads with digital classes, drop in surgeries, partnerships with West Lothian College, Reuse IT, and others providing a range of education, equipment and accessibility solutions.

In relation to financial inclusion, our SLAB funded project in partnership with Citizens Advice Bureau provided money and benefit advice to our tenants and we aim to deploy a similar service next year. With funding from the 'People and Communities Fund' we have also been able to work with the energy charity Changeworks, in delivering energy cost and efficiency advice to tenants in the Craigshill area.

Investment Programme, Planned & Cyclical Maintenance

Our planned maintenance programmes are designed to maximise the life of our properties and improve the efficiency of key property elements. We surveyed all our properties and ensured we are on track to comply with the new Energy Efficiency Standard for Social Housing (EESSH), to be met by all social housing by 2020. This will substantiate that all our properties are in a satisfactory state of repair, energy efficient, modern, safe and secure. The Association will continue progressing towards meeting this new standard, with a further review of all our stock planned in 2017.

To improve the quality of our homes we invested £1.9million in our housing properties this year, continuing our focus on improving the energy efficiency of homes through an accelerated insulation programme. £1.0million was invested directly in a range of energy efficiency measures, notably external wall insulation, roughcasting and new boilers, with a further £0.9million being spent on doors, electrical upgrades and roofing.

We completed a cost efficient development in Deans during 2016, which comprised 12 social housing units offering a variety of accommodation, aimed to satisfy the requirements of the waiting list for social housing in the area. The homes benefit from high levels of insulation, modern boiler systems and reduced water consumption apparatus, all of which will result in lower running costs for future tenants. We were also able to acquire 4 open market purchases within Livingston and a further 3 properties under the Mortgage to rent scheme, helping people whose homes are at risk of being repossessed.

Our staff complete regular inspections of estates and open spaces and encourage all our tenants to take pride in the community in which they live. During the year we began three landscaping projects in Craigshill, transforming sites of unsightly hard standing into attractive usable open space for the local community.

Rent losses and arrears

Rent losses (including bad debts and voids), were well below other RSLs in our peer group at just 0.6% of rental income receivable (2016: 0.8%). The Association's rent loss for void periods at 0.3% of rental income receivable (2016: 0.3%), remained comfortably below our 0.4% target. Gross rent arrears, including former tenant arrears after write offs, at the year-end remained low at just 1.6% (2016: 1.7%).

Repair response times

Performance against this indicator has a direct impact on the Association's service to its customers and this year we carried out in total 9,624 reactive repairs, gas services, repairs to void properties and improvements. During the year we adapted our response to emergency repairs, recording any subsequent repairs as a new order which significantly reduced their completion time. Other repairs took slightly longer to complete on average this year, following a gap in appointing a replacement service provider.

Key Performance Indicator: Average length of time to complete	
Emergency repairs: Target 6.0 hours to complete	Actual: 3.4 hours (2016: 6.0 hours)
Other repairs: Target 5.5 days to complete	Actual: 6.8 days (2016: 5.5 days)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Risks and uncertainties

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

The risks and uncertainties that have been identified as business significant risks for the Association are detailed in the table below. These key risks are formally reviewed three times each year by the Board, and discussed in detail by the Audit and Finance Sub-Committee in advance of each of these formal Board reviews. Updates in terms of emerging risks or significant actions undertaken are addressed as and when required at Board meetings. The key risks are determined through an evaluation of likelihood of occurrence and potential impact.

The Senior Management Team also review specific strategic, operational, financial and compliance risks in regular forums throughout the year, within Senior Management meetings, major programme and project reviews, and at other key Management meetings.

Area of risk	Description and examples of mitigating activity
Arrears are significantly higher than projected	On average 58% of our tenants are in receipt of housing benefit. With the introduction of Universal Credit, this income will no longer be received directly by the Association and will need to be paid by the tenants. Should a significant proportion of these tenants not remit these funds to the Association this will have a significant impact on the operating cash flow and will increase the level of rent arrears, and subsequently the levels of bad debt. Increases in the levels of arrears and bad debts have been incorporated within our budget and long term plans. When reviewing our 30 year plan, should income recovery from those in receipt of Universal Credit drop by a further 10%, this would result in a reduction in cash flows of around £0.5million. This would increase borrowing during the planning period, however it is not envisaged that this would result in loan covenant breaches.
Major repairs expenditure increases by 1% above inflation	Subject to other factors, the Association would need to manage its spending on other areas to facilitate this level of increase, together with increases in rental income above the levels included within the plan (current plan assumes only CPI increases (RPI-0.5%)), to ensure loan covenants were unaffected over the planning period.
Interest rates incurred higher than projected	The financial plan assumes a LIBOR rate within the short, medium and long term based upon information obtained from our treasury advisors. The Association's loans are either at fixed rate or LIBOR plus associated margins applicable to the loans. Subject to other factors, the Association could accommodate increases in LIBOR rates above the levels predicted without affecting loan covenants. This is due to the assumption that our interest rate exposure is managed by implementing fixed rates during the current year, which will be fully converted by 2020.
Levels of rental growth may be less than projected	When reviewing our 30 year plan we considered an assumption of rental growth of RPI-0.5% whilst costs were increasing by RPI. This resulted in some loan covenant breaches, therefore we required to re-phase expenditure to manage the levels of surpluses each year. If further costs were identified by our stock condition survey in 2017/18 then we would require to control costs and revisit our levels of rental growth.
RPI being zero over the short term	We have considered the impact on our rental income stream should inflation be zero in the short term (years 2 and 3). This resulted in income streams reducing from budget by circa £99k and £235k respectively. There would be reductions in cost growth to compensate part of this loss of income, however the Association would need to review the phasing of some parts of its major repairs work and ensure continued value for money is obtained from all areas of expenditure, in order to achieve the required levels of surplus.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Accounting policies
The Association's principal accounting policies are set out on pages 21 to 25 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 amortisation of Housing Association Grant.

Housing properties
At 31 March 2017 the Association owned 2,498 housing properties (2016: 2,489). The properties were carried in the balance sheet at cost (after depreciation) of £67.2million (2016: £67.3million). Our investment in housing property improvements and developments this year of £3.8million was funded through a mixture of housing association grant, loan finance and working capital, where we continue to show a strong current asset balance, an important indicator of liquidity. The Association's treasury management arrangements are considered below.

Capital structure and treasury policy
By the year end Association borrowings amounted to £30.7million, two thirds of which is due to mature by 2036 and one third by 2046. Interest was fixed long term (at 4.94% on average), for 84% of our total borrowings with the remaining 16% variable (at LIBOR+0.90% on average). Funding is fully in place for the development programme, with considerable flexibility over the drawdown and repayment profile.

Cash flows
Net cash inflows during the year amounted to £1.8million (2016: £0.8million outflow), details of which are shown in the cash flow statement (page 19). Gross inflows included £4.7million from operating activities, with £1.0million of grants received. Cash outflows included £0.9million interest payable, plus a further £2.8million expenditure on developments and housing improvements.

FUTURE DEVELOPMENTS

Developments
During the 5 years of the forecast there are 5 developments projected to be on site, with all completing during the period. This represents 115 new properties to let. This includes 2 developments (totalling 36 units) that we will undertake for our partners in the West Lothian Development Alliance (WLDA). The capital spend for all projects is £14.24million with £7.43million of public subsidy and £6.81 of cash/private finance.

Going forward we will be investing £2.2million in ensuring our houses become warm, inviting and safe homes, with a key focus being on meeting our Energy Efficiency Standard for Social Housing (EESSH) targets. We'll be building new homes in Craigshill, and we'll also be providing development services to Kirknewton Community Development Trust to assist in the provision of new housing for older people, enabling them to stay in the Kirknewton community.

Our communities
Our strategy for 2017/18 is to continue to broaden our business, offering a more holistic range of services to address our tenants needs, going beyond traditional housing provision services and further supporting our aim of becoming a landlord that is trusted and supported by those who use our services. As part of this aim, 2016 saw us launch our Starter Pack project, a fully supported initiative to provide essential goods and services to new tenants at point of need. We're proud to be able to continue this project next year, ensuring that tenants have the best possible chance at sustaining their tenancy.

We will work with partner agencies to develop funding bids to secure a financial inclusion service for our tenants and further funding for our ambitious energy efficiency programme. We will also continue with our digital inclusion plan, reaching as many people as possible, further developing our website and doing even more to engage with our tenants online. With the launch of our new core IT system, we will be providing our staff with new mobile ways of working, allowing and encouraging our frontline team to be more responsive and accessible than ever before.

As the pressures on our customers have increased we, and other local community organisations, have tried to respond via sponsorships and donations. This has proven to be hugely valuable to local groups and good causes and in 2017 we will formalise arrangements for distributing these funds to help address some of the problems faced by those in need.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

We were approached during the year by The Rock Trust and Women's Aid, who sought our assistance in furthering their commitment to providing safe and secure housing for vulnerable people in West Lothian. We will continue to partner with these and other groups, to ensure that those in need are supported in finding and sustaining tenancies in the local area.

Staffing
The entire organisation will benefit from the implementation of our new core IT system in 2017/18, allowing us to share resources in a way that has not previously existed, accelerating our progress and furthering our ambitions. As part of the implementation we will continue to employ temporary staff cover, to ensure a smooth transition when the new system goes live in October 2017.

Scottish Housing Quality Standard (SHQS) – revenue costs
We are assuming that we will spend £1.90million on maintaining the SHQS standard / component replacements for all stock and will continue to improve our stock in preparation of the Energy Efficiency Target of 2020. The Association will continue to report healthy surpluses during the period, providing on average a 155% interest cover ratio. This level allows an element of headroom over our loan covenant over the period, and provides sufficient funds for future investment in our stock.

Statement of compliance
In preparing this Operating and Financial Review, the Board of Management has followed the principles set out in Chapter 4 of the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

The Association continues to monitor its high standards of service undertaking regular self-assessment of its service standards. The G8 group (comprised of eight similar RSLs), continued to identify differences and explore efficiencies through the analysis of performance indicators. Our performance against key performance indicators is set out and summarised below.

Table 1 – Annual results and KPI, five year summary

For the year ended 31 March	2017	2016	2015	2014	2013
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
	FRS 102 Compliant			SORP 2010 Compliant	
Statement of Comprehensive Income					
Total turnover	11,495	12,143	12,241	10,015	9,590
Income from lettings	10,477	10,083	9,742	9,610	9,242
Operating surplus	3,110	2,057	1,860	1,601	1,912
Surplus for the year transferred to reserves	2,407	1,183	831	632	872
Statement of financial Position					
Housing properties, net of depreciation	67,234	67,321	65,788	67,095	66,514
HAG and other capital grants				(25,868)	(25,443)
Housing properties, net of depreciation & grants	67,234	67,321	65,788	41,227	41,071
Other fixed assets	2,265	2,329	2,286	2,394	2,530
Fixed assets net of depreciation (from 2014/15)	69,499	69,650	68,074	43,621	43,601
Net currents assets/ (liabilities)	2,689	1,778	2,581	2,212	1,984
Total assets less current liabilities	**72,188**	**71,428**	**70,655**	**45,833**	**45,585**
Loans, Long term liabilities and Reserves					
Creditors (due over one year)	(54,122)	(54,929)	(55,281)	(31,707)	(32,094)
Pension liability	(776)	(1,617)	(1,675)	(187)	(145)
Reserves : designated	-	-	-	(1,758)	(10,360)
: revenue	(17,290)	(14,882)	(13,699)	(12,368)	(3,131)
: pension	-	-	-	187	145
: total	(17,290)	(14,882)	(13,699)	(13,939)	(13,346)
Loans, Long term liabilities and Reserves	**(72,188)**	**(71,428)**	**(70,655)**	**(45,833)**	**(45,585)**
Accommodation figures					
Total housing stock owned at year end *(number of dwellings)* : Social housing	**2,498**	**2,489**	**2,441**	**2,442**	**2,442**
Statistics					
Surplus for the year as % of turnover	20.9%	9.9%	5.6%	6.3%	9.1%
Surplus for the year as % of income from lettings	23.0%	11.7%	6.6%	6.6%	9.4%
Rent losses *(voids and bad debts as % of rent and service charges receivable)*	0.6%	0.8%	0.5%	0.6%	0.8%
Rent arrears *(gross arrears as % of rent and service charges receivable)*	1.6%	1.7%	1.6%	2.3%	2.6%
Interest cover *(surplus before interest payable divided by interest payable)*	3.4	1.9	1.7	1.6	2.0
Liquidity *(current assets / current liabilities)*	1.8	1.5	2.2	1.7	1.6
Total reserves per home owned	£6,922	£5,979	£5,968	£5,708	£5,465

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALMOND HOUSING ASSOCIATION LIMITED

Opinion on financial statements

We have audited the financial statements of Almond Housing Association Limited for the year ended 31 March 2017 on pages 17 to 41. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2017 and of its income and expenditure for the year then ended; and

- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

Matters on which we are required to report by exception

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

- 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.

Respective responsibilities of the Board of Management and auditor

As explained more fully in the Board of Management's Responsibilities Statement set out on page 6, the Board of Management 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.

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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. RSM UK Audit LLP

RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Third Floor, Centenary House
69 Wellington Street
Glasgow, G2 6HG

Date 4/8/17

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALMOND HOUSING ASSOCIATION ON INTERNAL FINANCIAL CONTROLS

In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 4-5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion
We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents. 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 reason given for non-compliance.

Opinion
In our opinion the Statement on Internal Financial Control on pages 4-5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK Audit LLP

RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Third Floor, Centenary House
69 Wellington Street
Glasgow, G2 6HG

Date 4/8/17

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2017 £	2016 £
TURNOVER	2	11,495,330	12,142,858
Operating expenditure	2	(9,143,798)	(10,085,958)
Pension remeasurements	21	758,000	-
OPERATING SURPLUS	6	3,109,532	2,056,900
Gain / (loss) on disposal of property, plant and equipment	7	194,642	169,963
Interest receivable	10a	20,140	19,934
Interest and financing costs	10b	(916,852)	(1,064,040)
SURPLUS FOR THE YEAR		2,407,462	1,182,757
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,407,462	1,182,757

The results relate wholly to continuing activities.

The accompanying notes on pages 21 to 41 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes		2017		2016
		£	£	£	£
FIXED ASSETS					
Intangible fixed assets	12a		80,662		79,352
Housing properties	12b		67,234,291		67,321,222
Other tangible fixed assets	12c		2,183,762		2,250,032
Investment in subsidiaries	11		1		1
			69,498,716		69,650,607
CURRENT ASSETS					
Properties held for sale	13	488,337		182,584	
Trade and other debtors	14	551,908		730,989	
Cash and cash equivalents		6,361,061		4,557,012	
		7,401,306		5,470,585	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	15	(4,712,316)		(3,573,460)	
NET CURRENT ASSETS			2,688,990		1,897,125
TOTAL ASSETS LESS CURRENT LIABILITIES			72,187,706		71,547,732
Creditors: amounts falling due after more than one year	16		(54,122,542)		(55,048,605)
Provision for pension liabilities	21		(775,661)		(1,617,090)
TOTAL NET ASSETS			17,289,503		14,882,037
RESERVES					
Revenue reserves			17,289,503		14,882,037
TOTAL RESERVES			17,289,503		14,882,037

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

A Saunders
Chairman

Mr M Joyce
Board Member

Mr G Webster
Secretary

Date: 3/8/2017

The accompanying notes on pages 21 to 41 form part of these financial statements.

STATEMENT OF CASHFLOWS

	Notes	2017 £	2016 £
Net cash generated from operating activities	25	4,685,493	3,020,116
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(2,768,877)	(3,875,652)
Proceeds from sale of tangible fixed assets		364,884	328,440
Grants received		965,151	1,205,597
Interest received		19,937	19,977
Net cash outflow from investing activities		(1,418,905)	(2,321,638)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(886,531)	(1,022,263)
Repayments of borrowings		(576,012)	(464,192)
Proceeds from issue of shares		4	1
Net cash outflow from financing activities		(1,462,539)	(1,486,454)
NET INCREASE/(DECREASE) IN CASH		1,804,049	(787,976)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		4,557,012	5,344,988
CASH AND CASH EQUIVALENTS AT END OF YEAR		6,361,061	4,557,012

The accompanying notes on pages 21 to 41 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

	Share Capital	Revenue Reserves	Total Reserves
	£	£	£
Balance at 1 April 2015	98	13,699,181	13,699,279
Total comprehensive income for the year	-	1,182,757	1,182,757
Cancelled shares during the year	(3)	-	(3)
Shares issued during the year	4	-	4
Balance at 31 March 2016	99	14,881,938	14,882,037
Balance at 1 April 2016	99	14,881,938	14,882,037
Total comprehensive income for the year	-	2,407,462	2,407,462
Cancelled shares during the year	-	-	-
Shares issued during the year	4	-	4
Balance at 31 March 2017	103	17,289,400	17,289,503

The accompanying notes on pages 21 to 41 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Legal status
Almond Housing Association Limited constitutes a public benefit entity as defined by FRS 102. The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010. The Association's principal activities are the development and management of affordable housing. The address of the Association's registered office and principal place of business is New Almond House, 44, Etive Walk, Craigshill, Livingston, West Lothian, EH54 5AB.

The Association has formal authority from the Financial Conduct 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
These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in sterling, which is the functional currency of the Association. Monetary amounts in these financial statements are rounded to the nearest £.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Going Concern
The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Association has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations. The Association also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve 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.

Significant judgements and estimates
Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Pension scheme deficit payments - The Association participates in a multi-employer pension scheme which is in deficit. Provision has been made for the deficit contributions payable and the board have relied upon the information received from the Pensions Trust. The rate used to discount the past service deficit defined benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations.

Components of housing properties - The useful life of housing properties and their components has been estimated using a combination of the National Housing Federation matrix of property components and key management experience in planned maintenance.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Turnover and revenue recognition
Turnover represents rental and service charge income receivable, income from factoring fees, sale of properties built for sale, grants of a revenue nature from local authorities and the Scottish Government and amortisation of capital grant income. Turnover is recognised when amounts fall due and when income has been earned.

Government grants
Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset under the accruals model.

Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate, once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current assets or liabilities.

Other grants
Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Association, is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Housing properties
Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. These properties are principally available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

The Association's policy and practice is to maintain properties to a high standard by implementing a continuing programme of refurbishment and maintenance. Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. 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 Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Depreciation of housing properties

The Association separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the following years:

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

Freehold land or assets under construction are not depreciated.

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the Association, its recoverable amount is its fair value less costs to sell.

Other tangible fixed assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Office property - by component, as per Housing properties component lives

Furniture, fixtures and fittings	4 years
Computer Hardware and office equipment	4 years

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets, and are recognised as part of the surplus/deficit for the year.

Intangible Fixed Assets

Computer software was previously categorised as a tangible asset, but under FRS 102 must now be recognised as an intangible fixed asset, stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is included within Management & Maintenance administration costs (note 3). Depreciation is provided for evenly on the cost of intangible fixed assets, to write them down to their estimated residual values over their expected useful lives, as follows:

Computer Software	4 years

Properties held for sale

Property under construction for outright sale is valued at the lower of cost and net realisable value, and disclosed net of Housing Association grants received. 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.

Investment in subsidiary undertaking

Almond Housing Association Limited owns 1 ordinary £1 shares in Almond Enterprises Limited. This represents a 100% shareholding in Almond Enterprises Limited, a company registered in Scotland, whose principal activity is that of hygiene and cleaning services.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related Party Transactions
Some members of the Board of Management are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their position to their personal advantage. Transactions with the Board of Management members are included in note 22. Related party transactions with Almond Enterprises Limited, the Association's fully owned subsidiary, can also be found in note 22.

Taxation
The Association has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

VAT
The Association is registered for VAT and is part of a VAT group with its subsidiary Almond Enterprises Limited. A large proportion of group income, namely rents, is exempt for VAT purposes giving rise to a Partial Exemption calculation and as a result expenditure is shown inclusive of VAT.

Retirement benefits
The majority of employees are members of the Scottish Housing Associations Pension Scheme (SHAPS), a defined contribution scheme. The contributions paid into this scheme are charged to the Statement of Comprehensive Income as incurred.

The Association previously participated in the SHAPS defined benefit scheme, which provided benefits based on final pensionable pay. The Association withdrew from the scheme on 30 September 2015 but continues to provide for its obligation to previous members. The provision for pension liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan. The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Operating leases
All leases are regarded as operating leases and the payments made under them are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Employee benefits
The Association recognises a provision for exceptional unused annual leave and flexitime accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Financial assets - Debtors
Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses. Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument, with the value provided for as a bad debt.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities -Trade creditors
Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Financial liabilities -Borrowings
Borrowings are initially recognised at the transaction price. Interest expense is recognised on the basis of the actual interest due within the period and is included in interest payable and other similar charges. Commitments to receive a loan are measured at cost less impairment.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the Association's obligations are discharged, cancelled, or they expire.

Provisions for liabilities
Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover £	Operating costs £	Pension remeasure-ments £	Operating surplus/ (loss) 2017 £	2016 £
Affordable letting activities	3	11,171,085	(8,697,526)	758,000	3,231,559	2,080,062
Other activities	4	324,245	(446,272)	-	(122,027)	(23,162)
Total		11,495,330	(9,143,798)	758,000	3,109,532	2,056,900
Total for previous period of account		12,142,858	(10,085,958)	-	2,056,900	

In 2015/16 under Other activities turnover and operating costs, are included the matching sums of £842,625, which was received in agreement with West Lothian Council and paid directly to Everwarm Limited as part of the ‘Home Energy Efficiency Programme’, installing external insulated wall render to owner occupier properties constructed of no-fines concrete. No similar arrangement occurred during 2016/17.

NOTES TO THE FINANCIAL STATEMENTS

3 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing	Supported Housing	Total 2017	2016
	£	£	£	£
Rent receivable net of service charges	10,307,831	169,581	10,477,412	10,083,529
Service charges receivable	153,265	-	153,265	162,925
Gross income from rent and service charges	10,461,096	169,581	10,630,677	10,246,454
Less Voids	(30,872)	-	(30,872)	(33,161)
Net income from rents and service charges	10,430,224	169,581	10,599,805	10,213,293
Grants released from deferred income	516,175	55,105	571,280	509,121
Revenue grants from Scottish Ministers	-	-	-	240,000
Total turnover from affordable letting activities	10,946,399	224,686	11,171,085	10,962,414
Management & Maintenance administration costs	2,765,612	34,152	2,799,764	2,973,406
Service costs	97,195	-	97,195	135,907
Planned & cyclical maintenance	1,586,233	10,344	1,596,577	1,858,394
Reactive maintenance costs	1,830,630	20,451	1,851,081	1,861,884
Bad debts – rents and service charges	32,934	-	32,934	42,676
Impairment of properties held for letting	165,000	-	165,000	-
Impairment of properties in course of construction	28,700	-	28,700	-
Depreciation of affordable let properties	2,055,938	70,337	2,126,275	2,010,085
Operating costs for affordable letting activities	8,562,242	135,284	8,697,526	8,882,352
Pension remeasurements (reduction in deficit)	(758,000)	-	(758,000)	-
Operating surplus for affordable letting activities	3,142,157	89,402	3,231,559	2,080,062
Operating surplus or deficit for affordable letting activities for previous reporting period	2,008,824	71,238	2,080,062	

The above Pension remeasurements credit of £758,000 (2016: £nil), represents a reduction in the provision for pension liabilities, itemised by The Pensions Trust in respect of the Scottish Housing Associations' Pension Scheme (SHAPS), as 'remeasurements - amendments to the contribution schedule'.

NOTES TO THE FINANCIAL STATEMENTS

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 (deficit) or surplus 2017 £**	Operating (deficit) or surplus 2016 £
Wider role activities	-	67,404	-	-	**67,404**	-	(103,210)	**(35,806)**	(20,185)
Care and repair of property	78,731	-	-	82,187	**160,918**	-	(160,327)	**591**	(10,545)
Investment property activities	-	-	-	-	**-**	-	-	**-**	-
Factoring	-	-	-	58,914	**58,914**	-	(44,836)	**14,078**	13,820
Support activities	-	-	-	333	**333**	-	-	**333**	760
Care activities	-	-	-	-	**-**	-	-	**-**	-
Contracted out services undertaken for RSLs	-	-	-	10,877	**10,877**	-	(10,877)	**-**	-
Contracted out services undertaken for other organisations	-	-	-	-	**-**	-	-	**-**	-
Developments for sale to RSLs	-	-	-	-	**-**	-	-	**-**	-
Developments and improvements for sale to other organisations	-	-	-	-	**-**	-	-	**-**	-
Uncapitalised development administration costs	-	-	-	-	**-**	-	(127,022)	**(127,022)**	(46,991)
Other activities (includes £16K Gift Aid in 2017, (2016: £34K Gift Aid))	-	-	-	25,799	**25,799**	-	-	**25,799**	39,979
Total from other activities	78,731	67,404	-	178,110	**324,245**	-	(446,272)	**(122,027)**	**(23,162)**
Total from other activities for the previous period of account	69,476	937,411	-	173,557	**1,180,444**	-	(1,203,606)	**(23,162)**	

NOTES TO THE FINANCIAL STATEMENTS

5 ACCOMMODATION IN MANAGEMENT

The number of units in Management at 31 March was as follows:	2017	2016
General needs housing – units owned and managed	2,483	2,473
Supported housing (comprising 137 bedspaces in total (2016: 143) – owned, not managed	15	16
Total	2,498	2,489

6 OPERATING SURPLUS

	2017	2016
	£	£
The operating surplus is arrived at after charging/(crediting):		
Depreciation of housing properties (note 12b)	2,126,275	2,010,085
Depreciation of other tangible fixed assets (note 12c)	66,270	64,751
Amortisation of intangible fixed assets (Note 12a)	30,189	18,822
Impairment costs (Note 12b)	193,700	-
(Surplus)/Deficit on disposal of tangible fixed assets (note 7)	(194,642)	(169,963)
Operating lease rentals	33,566	36,112

	2017	2016
Audit services - statutory audit of the Association	14,352	14,340
Taxation compliance services	2,484	243
	16,836	14,583

7 SURPLUS/ DEFICIT ON DISPOSAL OF FIXED ASSETS – HOUSING PROPERTIES

	2017	2016
	£	£
Disposal proceeds	364,884	328,439
Carrying value of fixed assets	(127,347)	(113,700)
Deficit on disposal of replaced components	(42,895)	(44,776)
	194,642	169,963

8 KEY MANAGEMENT PERSONNEL

Key management personnel are defined as the members of the Board, the Chief Executive and any other person reporting directly to the directors or the Board.

The number of key management personnel who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

	2017	2016
£60,001 to £70,000	3	4
£100,001 to £110,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

8 KEY MANAGEMENT PERSONNEL (CONTINUED)

	2017	2016
	£	£
Aggregate emoluments for the above key management personnel (excluding pension contributions)	379,041	373,475
Aggregate pension contributions in relation to the above key management personnel	34,764	34,652
The emoluments of the Chief Executive (excluding pension contributions)	107,168	105,671
The pension contributions of the Chief Executive	9,969	9,819

None of the Board of Management received any emoluments during the year (2016: £Nil). During the year the Board of Management were reimbursed expenses of £1,380 (2016: £1,052).

9 EMPLOYEE INFORMATION

Average monthly number of employees (including key management personnel), expressed as full time equivalents (calculated based on a standard working week of 36hrs):

	2017	2016
Housing, support and care	17	17
Maintenance	11	12
Office and management/Administration	14	11
Development	1	1
	43	41

The actual average weekly number of persons employed by the Association was 45 (2016: 43).

Staff costs for the above persons:

	2017	2016
	£	£
Wages and salaries	1,605,468	1,514,644
Social security costs	147,059	135,008
Other pension costs and current service cost	229,681	202,038
Cessation loss on closure of Lothian Pension Fund	-	164,000
Remeasurements - impact of any change in assumptions	17,000	32,643
Remeasurements - amendments to the contribution schedule	(758,000)	-
	1,241,208	2,048,333

NOTES TO THE FINANCIAL STATEMENTS

10a INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £	2016 £
Interest on bank deposits	20,140	19,934

10b INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £	2016 £
Interest arising on bank loans and overdrafts	879,852	1,021,040
Unwinding of discounted pension liabilities	37,000	43,000
	916,852	1,064,040

11 FIXED ASSET INVESTMENTS

	2017 £	2016 £
Subsidiary company (Cost at 31 March 2017 and 31 March 2016)	1	1

The subsidiary company at 31 March 2017 was:

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

NOTES TO THE FINANCIAL STATEMENTS

11 FIXED ASSET INVESTMENTS (CONTINUED)

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:

	2017	2016
	£	£
Profit on ordinary activities after taxation	496	184
Net assets	168,870	168,172

12a INTANGIBLE FIXED ASSETS

	Computer Software	Total
	£	£
Cost		
At 1 April 2016	143,523	143,523
Additions	31,499	31,499
At 31 March 2017	175,022	175,022
Depreciation		
At 1 April 2016	64,171	64,171
Charge in the year	30,189	30,189
At 31 March 2017	94,360	94,360
Net book value		
At 31 March 2017	80,662	80,662
At 31 March 2016	79,352	79,352

NOTES TO THE FINANCIAL STATEMENTS

12b TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting	Housing properties in course of construction	Total
	£	£	£
Cost			
At 1 April 2016	84,886,888	877,000	85,763,888
Additions – housing units	783,573	1,052,140	1,835,713
Additions – components	567,574	-	567,574
Schemes completed	1,176,213	(1,176,213)	-
Disposals – housing units	(182,461)	-	(182,461)
Disposals – components	(127,709)	-	(127,709)
At 31 March 2017	87,104,078	752,927	87,857,005
Depreciation and impairment			
At 1 April 2016	18,442,666	-	18,442,666
Depreciation charged in year	2,126,275	-	2,126,275
Impairment costs	165,000	28,700	193,700
Released on disposal	(139,927)	-	(139,927)
At 31 March 2017	20,594,014	28,700	20,622,714
Net book value			
At 31 March 2017	66,510,064	724,227	67,234,291
At 31 March 2016	66,444,222	877,000	67,321,222

Land comprises £8,696,932 of Social housing properties held for letting (2016: £8,478,315) and £120,000 of Housing properties in course of construction (2016: £280,384).

The Association reviews asset carrying values annually for impairment, and more frequently should there be indicators that assets might be impaired. All income generating units (IGUs) have been reviewed for impairment for the year ended 31 March 2017. The recoverable amounts of the IGU are determined from net present value (NPV) calculations using a 30 year term based on our business model.

Impairment costs of £165,000 were incurred on properties held for letting, being additional fees required to complete a recent development comprising 49 units with a carrying value of £4,992,773. Additional Impairment costs of £28,700 were incurred on properties in the course of construction, comprising 9 units with a carrying value of £752,928.

NOTES TO THE FINANCIAL STATEMENTS

12b TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2017 £	2016 £
Improvement work capitalised	396,166	352,514
Replacement component spend capitalised	171,408	86,147
Additions – components (as above)	567,574	438,661
Amounts charged to income and expenditure	1,372,995	1,044,588
	1,940,569	1,483,249

12c TANGIBLE FIXED ASSETS –OTHER

	Freehold office £	Furniture, fixtures and fittings £	Computers and office equipment £	Total £
Cost				
At 1 April 2016	3,126,878	160,258	65,546	3,352,682
Disposals	-	(25,364)	-	(25,364)
At 31 March 2017	3,126,878	134,894	65,546	3,327,318
Depreciation				
At 1 April 2016	911,946	160,235	30,469	1,102,650
Charge in the year	55,454	23	10,793	66,270
Released on disposal	-	(25,364)	-	(25,364)
At 31 March 2017	967,400	134,894	41,262	1,143,556
Net book value				
At 31 March 2017	2,159,478	-	24,284	2,183,762
At 31 March 2016	2,214,932	23	35,077	2,250,032

13 PROPERTIES HELD FOR SALE (TO RSL'S)

	2017 £	2016 £
Work in Progress - at cost	488,337	182,584

The Housing Association grant in relation to Work in Progress totals £488,337 (2016: £119,616) and is disclosed within Deferred grant income (note 18).

NOTES TO THE FINANCIAL STATEMENTS

14 TRADE AND OTHER DEBTORS: amounts falling due within one year

	2017	2016
	£	£
Rent and service charges receivable	187,025	200,201
Less: provision for bad and doubtful debts	(107,314)	(90,667)
	79,711	109,534
Social housing grant receivable	251,089	130,765
Other debtors	105,437	290,494
Prepayments and accrued income	115,671	200,196
	551,908	730,989

15 CREDITORS: amounts falling due within one year

	2017	2016
	£	£
Debt (note 17)	1,072,093	769,330
Trade creditors	1,050,484	916,169
Rent and service charges received in advance	288,357	259,664
Amounts owed to subsidiary undertaking	18,855	14,413
Deferred grant income (note 18)	1,070,604	509,121
Other taxation and social security	55,338	49,249
Other creditors	67,032	74,968
Accruals and deferred income	1,089,553	980,546
	4,712,316	3,573,460

16 CREDITORS: Amounts falling due after more than one year

	2017	2016
	£	£
Debt (note 17)	29,594,452	30,473,227
Deferred capital grant (note 18)	24,528,090	24,575,378
	54,122,542	55,048,605

17 DEBT ANALYSIS – BORROWINGS

	2017	2016
	£	£
Bank loan instalments due within one year (note 15)	1,072,093	769,330
Bank loan instalments due after more than one year (note 16)	29,594,452	30,473,227
	30,666,545	31,242,557

NOTES TO THE FINANCIAL STATEMENTS

17 DEBT ANALYSIS – BORROWINGS (CONTINUED)

The bank loans are secured by a first charge over specific properties of the Association. Interest is payable at LIBOR plus varying margins of between 0.30% and 1.75% for all facilities held with RBS. Interest Rate Swaps have been embedded within our loan agreements, to mitigate the exposure to interest rate risk and details of these Swaps are contained in the table below. The Nationwide B.S. £11.9million Business Term Loan had interest charged at the fixed rate of LIBOR + 2.705% on £3Million, with the remaining £8.9million at the variable rate of LIBOR + 0.5%.

	£	Repayment date
Business Term Loan	2,474,675	28 June 2029
Business Term Loan	2,200,000	28 March 2034
Business Term Loan	1,400,000	28 June 2029
Business Term Loan	3,000,000	30 March 2034
Business Term Loan	3,000,000	21 April 2029
Business Term Loan	2,700,000	21 April 2029
Business Loan Facility	2,000,000	2 April 2036
Business Loan Facility	2,000,000	2 April 2036
Business Term Loan (Nationwide B.S)	8,908,937	1 November 2046
Business Term Loan (Nationwide B.S)	2,982,933	1 November 2046
	30,666,545	

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2017 £	2016 £
Bank loans:		
Due less than 1 year	1,072,093	769,330
Due within 1 to 2 years	4,147,855	1,072,093
Due within 2 to 5 years	1,057,519	4,083,490
Due after five years or more	24,389,078	25,317,644
Bank loan instalments due after more than one year (note 16)	29,594,452	30,473,227
	30,666,545	31,242,557

The Association's activities expose it to interest rate risk. The Association uses interest rate derivatives to hedge these exposures. The financial instruments are not used for speculative purposes. The Association has a number of interest rate swaps in place which places a limit on the interest payable on £12.754million of the bank borrowings. The banks' valuation of the fair value of these loans is £3.370m. The rate payable is fixed where applicable at rates between 3.47% and 5.99%. The average fixed rate of interest was 4.94% (2016: 4.94%). The loans are all currently at rates between 4.13% and 6.33% (2016: 4.13% and 6.33%). The terms of the agreements are as follows:

Loan Facility	Amount	SWAP Rate	Term
Facility –D-	£2,000,000	3.81%	02/01/2015 – 02/01/2035
Facility –A-	£3,000,000	3.63%	22/01/2014 - 22/01/2034
Facility –A-	£3,000,000	4.62%	20/01/2009 - 20/01/2019
Facility –B-	£2,628,277	5.99%	20/01/2008 - 28/06/2022
Facility –B-	£2,200,000	3.47%	22/01/2013 - 24/01/2033

At 31 March 2017 the Association had undrawn loan facilities of £9million (2016: £9million).

NOTES TO THE FINANCIAL STATEMENTS

18 DEFERRED GRANT INCOME

	2017	2016
	£	£
At 1 April	25,084,499	24,806,686
Grant received in the year – Retained developments	716,754	786,934
Grant received in the year – Developments for sale to RSLs	368,721	-
Released to income in the year	(571,280)	(509,121)
At 31 March	25,598,694	25,084,499

	2017	2016
	£	£
Amounts to be released within one year (note 15)	1,070,604	509,121
Amounts to be released in more than one year (note 16)	24,528,090	24,575,378
	25,598,694	25,084,499

The balance on Deferred Grant Income shown above is net of amortised grant already released to the Statement of Consolidated Income and reserves. For information purposes, the Gross Capital Grant received and amortised is shown below.

	2017	2016
	£	£
Grant (at cost)		
At 1 April	29,170,464	28,383,529
Received in year	1,085,475	786,935
At 31 March	30,255,939	29,170,464
Grant released to income (cumulative)		
at 1 April	(4,085,965)	(3,576,844)
Released to income in the year	(571,280)	(509,121)
At 31 March	(4,657,245)	(4,085,965)
Grant Net Book Value	25,598,694	25,084,499

NOTES TO THE FINANCIAL STATEMENTS

19 CALLED UP SHARE CAPITAL

	2017	2016
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 April	99	98
Shares issued during the year	4	4
Shares cancelled during the year	-	(3)
At 31 March	103	99

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.

20 CAPITAL COMMITMENTS

	2017	2016
	£	£
Authorised and contracted for	1,979,158	2,531,871
Authorised not contracted for	-	184,717

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

21 RETIREMENT BENEFIT SCHEMES

The Pensions Trust – Scottish Housing Associations' Pension Scheme (SHAPS)

The Association participates in the scheme, a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

Almond Housing Association closed the Final Salary Scheme to future accrual from 30 September 2015 and now offers only a defined contribution pension scheme option.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

NOTES TO THE FINANCIAL STATEMENTS

21 RETIREMENT BENEFIT SCHEMES (CONTINUED)

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394million, liabilities of £698million and a deficit of £304million. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027:	£26,304,000 per annum (payable monthly, increasing by 3% each 1st April)

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616million, liabilities of £814million and a deficit of £198million. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2017 to 28 February 2022:	£25,735,092 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 31 October 2026:	£1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

As the scheme is in deficit and the Association has agreed to a deficit funding arrangement, the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

The Association was notified by the Pension Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations Pension Scheme based on the financial position of the scheme as at 30th September 2014. As of this date the estimated employer debt on withdrawal for Almond Housing Association Limited was calculated as £4,613,762.

Based on the 30 September 2015 valuation results, the Association has been notified by The Pensions Trust that the amount to be paid annually, in relation to the past service deficit is £153,959 from 1 April 2017 and will increase to £158,578 from 1 April 2018. These annual deficit contributions will increase by 3.0% per annum and are expected to be cleared in 4 years and 11 months hence.

The company recognises a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the Statement of Comprehensive Income, i.e. the unwinding of the discount rate as a finance cost in the period in which it arises. It is these contributions that have been used to derive the company's balance sheet liability.

Provision for pension liability

	31 March 2017 (£000's)	31 March 2016 (£000's)	31 March 2015 (£000's)
Present value of provision	776	1,617	1,675

NOTES TO THE FINANCIAL STATEMENTS

21 RETIREMENT BENEFIT SCHEMES (CONTINUED)

Reconciliation of opening and closing provision

	2017	2016
	£	£
Provision at start of period	1,617,090	1,674,891
Unwinding of the discount factor (interest expense)	37,000	43,000
Deficit contribution paid	(137,429)	(133,500)
Remeasurements - impact of any change in assumptions	17,000	32,699
Remeasurements - amendments to the contribution schedule	(758,000)	-
Provision at end of period	775,661	1,617,090

Statement of Comprehensive Income impact

	2017	2016
	£	£
Interest expense	37,000	43,000
Remeasurements - impact of any change in assumptions	17,000	32,643
Remeasurements - amendments to the contribution schedule	(758,000)	-
Income/(Costs) recognised in the Statement of Comprehensive Income	(704,000)	75,643

Assumptions

	31 March 2017	31 March 2016	31 March 2015
	% per annum	% per annum	% per annum
Rate of discount	1.41	2.36	2.71

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Lothian Pension Fund

Almond Housing Association Ltd gave formal notice on 31 March 2015 of its intention to withdraw from participation in the Lothian Pension Fund Scheme (the "Scheme") as from 30 September 2015. The Scheme was a multi-employer defined benefit scheme and the Association had 2 active members remaining as at the balance sheet date. The Scheme is funded and is contracted out of the state scheme. Almond Housing Association Ltd paid contributions at the rate of 19.2% and individual members paid contributions of between 7.0% and 8.6% until closure on this date.

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

The last formal valuation of the Associations share of the Scheme assets and liabilities was performed at 1 October 2015 by a professionally qualified actuary using the projected unit method, resulting in a cessation deficit of £657,000, which was paid during the year. The cessation deficit previously due was calculated at £493,000 (as at 30 September 2014), with the increase of £164,000 passing through the Statement of Comprehensive Income last year under 'other pension costs'.

NOTES TO THE FINANCIAL STATEMENTS

21 RETIREMENT BENEFIT SCHEMES (CONTINUED)

Movement in deficit during the year

	2017	2016
	£	£
Deficit in scheme at beginning of year	-	(493,000)
Movements during the year:		
Contributions paid	-	657,000
Cessation loss	-	(164,000)
Deficit at the end of the year	-	-

22 RELATED PARTY TRANSACTIONS

Two members of the Board of Management are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £8,958 (2016: £8,699) of rent was receivable from these tenant members. At the year-end there was £Nil (2016: £Nil), of rent arrears due from these tenant members.

Almond Enterprises Limited, a wholly owned subsidiary of the Association, continues to manage cleaning and clearance contracts for the Association which amounted to £227,505 of turnover this year (2016: £214,888), with a year-end net trade creditor balance of £18,855 (2016: £14,413). Almond Enterprises Limited made a Gift Aid payment of £16,000 during 2016/17 (2016: £34,000) 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 2017 in relation to operating leases:

	Land & Buildings	
	2017	2016
	£	£
Within one year	1,584	-

	Plant & Machinery	
	2017	2016
	£	£
Within one year	34,334	26,855
Between two and five years	35,737	20,075
	70,071	46,930

The obligations under operating leases are repayable by equal instalments in less than five years. Operating leases relate to vehicles and equipment used by the Association. A purchase option is available at the end of each three year lease.

NOTES TO THE FINANCIAL STATEMENTS

24 AVERAGE RENTS

	2017	2016
Average weekly rent for housing accommodation	£80.47	£78.50
Increase	1.5%	1.9%
Number of Unit at the end of the year:		
General needs social housing	2,483	2,473
Supported Social Housing Accommodation	15	16
	2,498	2,489

25 RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM/(USED IN) OPERATIONS

	2017	2016
	£	£
Surplus for the year	3,109,532	2,056,900
Adjustments for non-cash items:		
Amortisation of intangible fixed assets	30,189	18,822
Depreciation/impairment of tangible fixed assets	2,386,245	2,074,836
Government grants utilised in the year	(571,280)	(509,121)
Defined benefit pension schemes	(878,429)	(593,801)
Loss on disposal of tangible fixed assets	-	1,483
Decrease in trade and other debtors	299,608	80,984
Increase/(Decrease) in trade and other creditors	309,628	(109,987)
Net cash generated from operating activities	4,685,493	3,020,116