

ALMOND HOUSING ASSOCIATION LIMITED

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

YEAR ENDED 31 MARCH 2013

SCOTTISH CHARITY REGISTRATION NUMBER
SCOTTISH HOUSING REGULATOR
FINANCIAL CONDUCT AUTHORITY
SCOTTISH PROPERTY FACTOR NUMBER

SC031696
HAL 285
SP2471R(S)
PF000181

ALMOND HOUSING ASSOCIATION LIMITED

**REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

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ADVISORS

Auditors	Baker Tilly UK Audit LLP First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG
Bankers	Royal Bank of Scotland plc 36, St Andrew Square Edinburgh EH2 2YB
	Dunfermline Building Society Caledonia House, Carnegie Avenue Dunfermline KY11 8PJ
Legal advisors	Biggart Baillie LLP 7, Castle Street Edinburgh EH2 3AP
	T C Young 69A, George Street Edinburgh EH2 2JG
	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA

ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2013.

Principal Activities

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

Legal structure

The Association was registered on 22 March 1994 under Section 39(1) Co-operative and Community Benefit Societies and Credit Unions Act 1965, for the purpose of providing housing and any associated amenities for persons in necessitous circumstances. The Association became a registered Scottish Charity from 12 June 2001, 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.

Housing property assets

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

Component accounting

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

Major components (Note 11) within our housing properties have been identified and depreciated over their specific economic life spans. Their replacements are then capitalised in fixed assets as they occur and the old assets scrapped at net book value.

Reserves

Our Reserves are important for several reasons. We need to have funds to carry out reactive and cyclical repairs to our properties. We also need free reserves to allow us to react to any unexpected costs. The income and expenditure account for the year is set out on page 16. After the transfer of the surplus for the year of £871,722 (2012 £397,103), at the year-end the reserves of the Association amounted to £13.3million (2012 £12.5million). Our policy on designated reserves is laid out in note 1, Accounting Policies.

During the year an amount of £1,806,264 has been transferred from revenue reserves to a new designated reserve for the past service deficit on the Scottish Housing Association Pension Scheme (SHAPS). These funds will be held to provide for future liability.

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 £10,039 (2012: £5,842), to several good causes, (primarily from sums gifted by Almond Enterprises in previous years) and made no political donations.

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.

ALMOND HOUSING ASSOCIATION LIMITED

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 Income and Expenditure Account.

In addition, the Association has a long term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. We plan the requirements, taking account of the Scottish Housing Quality Standards and our assessment of how our properties can be made to meet these using stock condition surveys. This includes replacement or repairs to components within the properties which have come to the end of their economic lives.

Payment of creditors

In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier. The average number of days between receipt and payment of purchase invoices this year was 27 (2012: 33).

Financial instruments

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

Post balance sheet events

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

Employees

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

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

Health and Safety

The Board of Management is aware of its responsibilities on all matters relating to health and safety. The Association has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Staffing Structure, Service Contracts and Benefits

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

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

Board of Management

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

Mrs A McIntyre	Ms J Marnie* (Secretary)
Mrs E Dickson (resigned 2 August 2012)	Mr S Murray* (Chairman)
Mrs M Earl *	Mrs R Orr (resigned 2 August 2012)
Mrs A Gault	Mr A Saunders* (Vice-Chair)
Mr A Godden *	Mr I Stewart*
Mr A Gray	Mrs A Wilson (Co-opted 2 May 2013)
Mr J Hewer (Co-opted 2 May 2013)	Mr W Mitchell (Co-opted 2 May 2013)

* Member of the Finance Audit Sub-Committee at 31 March 2013 (Mr S Murray in attendance only).

ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

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

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

Internal financial controls assurance

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

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

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

Control environment – the Association has an organisational structure with clearly defined lines of responsibility, job descriptions and delegation of authority. These are set out in accordance with the Association's Standing Orders and Policy and Procedure Manuals.

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 10 for an analysis of the key risks to our strategic objectives.

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

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

Internal audit – The Association continued its contract with The Internal Audit Association (TIAA) Limited 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 3.

Going concern

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

ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Industrial and Provident Societies Acts 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 Industrial and Provident Societies Acts 1965 to 2002, Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements - April 2012. 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 web site in relation to the contents of the financial statements is the responsibility of the Board of Management. The work carried out by the auditors does not involve consideration of these matters and, accordingly, they accept no responsibility for any changes that may have occurred in the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Annual general meeting

The annual general meeting will be held on 5 September 2013 at Howden Park Centre, Howden, Livingston, West Lothian, EH54 6AE.

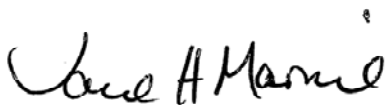
Statement as to disclosure of information to auditors

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

External auditors

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

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



Secretary

Date: 1/8/13

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

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

BACKGROUND

Activities

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

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

The Association's head office is based in Craigshill, Livingston and its properties are primarily in Livingston and the nearby surrounding areas of West Lothian. The Association is accountable to its Members, who totalled 94 active Members at 31 March 2013.

In addition to managing 2,441 properties, the Association is a major developer of new affordable housing. In addition to providing social housing for rent (which constitutes over 93% of the Association's activities by turnover), it has also built and leases specially designed accommodation, which provides a base for residential care for elderly people managed by the Health Board. The Association has a subsidiary Almond Enterprises Limited which provides cleaning and recycling services in the local area, and is committed to providing jobs and improving the environment in the local community.

OBJECTIVES AND STRATEGY

The Association's objectives and strategy are set out in a business plan that is reviewed and approved by the Board of Management each year. Our overall aim is to contribute to meeting housing and other needs in West Lothian by providing quality homes for rent and promoting the interests of our tenants. Wherever possible we also seek to invest in our local community and provide opportunities for local people to work together for the benefit of their communities.

Our key objectives are summarised as follows:

Housing and Asset Management - to provide, by improvement of our existing housing stock or by new building, high quality homes at rents which are reasonable and comparable to those of other local landlords, helping to meet West Lothian's housing needs. We endeavour to manage our housing stock efficiently and effectively, and maintain our housing stock and associated estates to high standards for the comfort, safety and benefit of all our tenants and for the well-being of the community as a whole

We will contribute to sustaining tenancies and the sustainable development of the area through the design and standards of our properties, the choices we make in maintaining and improving them, and the support and advice we provide to tenants;

Corporate services - to ensure that we achieve the highest standards of Governance in the management of the Association, through having a Board of Management with the necessary skills, knowledge and experience, operating within a framework of effective policies covering all relevant activities and complying with all current legislation and guidance. By ensuring that, through our activities and relationships with our tenants, local groups and organisations, we maximise the relevant opportunities for members of the community to become involved in our decision-making processes

We aim to maintain a skilled, experienced and well-motivated staff, recognising the value of their contribution to the work and ongoing development of the Association. Also, to contribute to the development of our communities through participating in 'wider role' activities and providing opportunities for local people to meet non-housing needs.

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

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

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT

	Objective	Key Performance Indicator
Finance	<ul style="list-style-type: none"> • achieve planned operating surplus • meet lenders' covenants • finalise financial relationships with subsidiary AEL • finalise revision of debt recovery & invoicing procedures • finalise recommendations following the review of staff pension schemes 	<ul style="list-style-type: none"> • monitor results to budget • performance against loan covenants • financial relationships clearly defined and agreed. • procedures revised and successfully implemented. • review completed and proposals submitted to the Board with recommendations, following any required consultation
Housing management	<ul style="list-style-type: none"> • assess implications of Social Housing Charter & SHR performance monitoring & initiate actions to comply • revise tenant participation policy & produce new strategy • assess implications of Factoring Code of Conduct & ensure compliance meets the implementation timetable • develop joint working with Alliance members and West Lothian Council to identify and assess the impact of the welfare benefit reforms. Implement measures to deal with or mitigate the effects 	<ul style="list-style-type: none"> • agree range of targets & standards to be monitored with tenants and develop an Almond 'Charter' to meet the requirements • consult with tenants to revise policy, approve new strategy and publish. • produce, agree and issue factored owners with statements of service and copies of the new code. • strategies to deal with and mitigate the impact of the benefit reforms (on tenants and landlords) identified, actions agreed and implemented. Affected tenants identified, assessed and provided with options & advice to minimise the financial impact
Asset management	<ul style="list-style-type: none"> • achieve planned and cyclical maintenance programme targets (including the SHQS delivery plan) • contribute to our Local Authorities Affordable Housing Strategy and deliver the current development programme • contribute to the implementation of the Social Housing Charter • develop landscaping improvement plans • complete full implementation of risk management strategies for asbestos and legionella 	<ul style="list-style-type: none"> • all contracts completed on time, within budget and to the required standard. SHQS progress report submitted as part of APSR and 2012/13 targets achieved • projects completed on time, within budget and our share of new private developments achieved • initial targets for compliance with Charter identified in consultation with tenants. Reporting arrangements & processes for measuring performance put in place. • new areas identified, plans agreed & implemented • ensure risk management strategies are fully implemented
Corporate services	<ul style="list-style-type: none"> • progress and implement the Governance review, taking into account new SHR guidance on requirements • complete design & launch of new website. Finalise revised IT Strategy & implement • review performance management framework and develop the self-assessment process • carry out comprehensive review of staff terms & conditions • replace key personnel due to retire, and test business continuity plan • Update and publish the 'Independence Agreement' with Almond Enterprises 	<ul style="list-style-type: none"> • Board member appraisals completed, skills assessed and where appropriate training and members identified. • design of new website completed successfully. IT Strategy agreed and implementation commenced. • review complete and any approved changes implemented • review complete and changes implemented • recruitment and appointment process completed timely with successful handover. Business continuity plan successfully tested • 'Independence Agreement' revised and published, presented at Board Away Day. Roles of parent company and subsidiary clarified for mutual benefit.

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

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Finance

The Association's income and expenditure account and balance sheet are summarised in Table 1 (page 13) and the following paragraphs highlight key features of the Association's financial position as at 31 March 2013.

The Board of Management had budgeted for a surplus of £283k this year to meet its medium term strategic objectives. Due primarily to termination savings, performance improvements and low borrowing rates this year we achieved an actual surplus of £872k. By the year-end Association reserves amounted to £13.3million (2012: £12.5million), of which we have designated £8.6million as a reserve to provide for the estimated costs of future reactive and cyclical repairs. We have also designated £1.8million as a reserve to provide for the past service deficit on the Scottish Housing Association Pension Scheme (SHAPS).

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

30 year financial projections were produced on schedule, incorporating all the currently identifiable projected spend profiles relating to the West Lothian Development Alliance and Scottish Housing Quality Standards (SHQS). Adequate funding remains available for the new development programme, whilst also covering the next three years spend and beyond.

Cash flow requirements and associated risks continue to be monitored closely to look at areas in which savings can be made. After a review of the staff pension scheme's future affordability, the Board are to commission an independent advisor to assess the various options available for the future pension provisions of the Association. The G8 group (comprised of eight similar RSLs), continued to identify differences and explore efficiencies through the analysis of performance indicators.

Housing Management

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

Having explored various strategies to deal with and mitigate the impact of the benefit reforms (both on tenants and landlords), we have carried out home visits and produced literature to ensure all tenants likely to be affected by the under occupancy penalty were fully aware of the changes. We have begun to rationalize the structure and focus of the housing management team, to ensure we are well placed from April 2013 to react to the changing operating environment.

To improve productivity as part of our revised debt recovery and invoicing procedures we have installed new credit control software, to automate and streamline the processes involved in good credit management.

The Property Factors (Scotland) Code of Conduct came into effect on 1 October 2012, with the primary requirement that in future we provide all homeowners receiving factoring services with quarterly invoices and statements detailing the services being provided. To ensure we comply with the new requirements, we have reviewed all aspects of how we provide services and communicate with factored owners and revised our factoring policy accordingly.

Asset management

We continued to contribute to our Local Authorities Affordable Housing Strategy, with developments delivered on schedule at sites in Boghall and Whitburn and discussions ongoing with Scottish Government on possible new sites. We have continued to keep abreast with sustainability issues, so that our Design Brief incorporates appropriate measures resulting in the homes we provide being economical to run, and at the same time environmentally friendly. We have increased the insulation levels in new-build properties with a high standard of timber now being used and introduced modern boiler systems where cost beneficial.

We have surveyed our properties to assess compliance with the Scottish Housing Quality Standard (SHQS) and have planned and budgeted on the basis that all of our properties will meet the standard by the target date of 2015. Our planned maintenance programmes, including the work to achieve the SHQS by 2015, are designed to maximise the life of our properties and improve the efficiency of key property elements.

Of the £1.8m invested in housing properties this year, £1.5million was spent on renewing kitchens and bathrooms, with a further £0.2m spent on upgrading boilers. Work in relation to the ongoing planned and cyclical maintenance programme progressed well, with all scheduled work completed apart from a few properties with exceptional access issues.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Surveys are progressing well within the areas identified for beneficial landscaping improvements and we have completed and fully implemented risk management strategies for asbestos and legionella.

Corporate services

As part of our governance review, board skills were identified and key areas will form the basis of ongoing training presentations at Board meetings, as well as sign posting individual Board members to relevant external training courses. New board member recruitment began in December 2012 and we were pleased to welcome three new members onto the board in April 2013.

Having reviewed our performance management framework we have progressed onto a balanced scorecard/'traffic light' reporting system, which will ensure the best strategic information is provided to the Board allowing them to follow the progress of key business performance and manage organisational performance by exception. Taking account of the Business Planning Guidance issued by the Scottish Housing Regulator in August 2012, we have also devised a new format for our business plan to better outline the key areas of focus and objectives set.

The Scottish Social Housing Charter sets out the standards required of all Registered Social Landlords, primarily the involvement of tenants in decisions their landlord makes that are important to them. With the help of a tenant focus group we have devised a new strategy and set of targets, which when implemented will help us meet the Charter's requirements.

A complete review of staff terms and conditions was carried out with our external consultant and benchmarking within the G8 group continued to ensure peer uniformity. As a result of the feedback received a number of positive changes have been introduced. The recruitment process to replace key retiring members of staff was carried out successfully and on time.

As part of our continuing review of our systems and practices we carried out a tender exercise for the provision of ICT, with the aim of improving both our standards of service delivery and overall efficiency. During the year we developed and launched our new tenant friendly website, which capitalises on the latest technology including more business functionality and refreshes the brand of the Association.

Almond Enterprises Limited is a social enterprise employing local people in hygiene, cleaning/house clearances and other property services. During the year we reviewed and redefined our role and financial relationship with our subsidiary, agreeing a new 'Independence Agreement' to reflect these revisions.

The Association continues to monitor its high standards of service undertaking regular self assessment of its service standards. Our performance against key performance indicators is set out in Table 1 (page 13) and summarised below.

Rent losses and arrears

Rent losses (including bad debts) remained low at just 0.9% of rental income receivable (2012: 0.9%), reflecting good performance considering the economic climate. The Association's rent loss for void periods at 0.33% of rental income receivable (2012: 0.52%), was comfortably below our historical target of 0.6% in line with the low number of terminations this year.

Gross rent arrears, including former tenant arrears after write off, at the year-end were improved further at 2.6% (2011: 2.9%).

Repair response times

Performance against this indicator has a direct impact on the Association's service to its customers and in total over 9,000 repairs, gas servicing, repairs to void properties and social work adaptations were carried out in the current year. Routine repairs makes up the vast majority of our orders and the time taken to complete routine and emergency repairs has continued to improve when compared to previous years.

Key Performance Indicator: Percentage of repairs completed within target response time	
Emergency: target 100% of jobs completed within 24 hours	Actual: 96.3% (2012: 95.7%)
Urgent: target 95% of jobs completed within 3 days	Actual: 88.7% (2012: 92.7%)
Routine: target 95% of jobs completed within 10 days	Actual: 91.1% (2012: 89.5%)

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Risks and uncertainties

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

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

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

Category	Specific Risk	Action to mitigate risk
Human resources	Pension Fund: Higher contributions to meet deficits in both schemes or a cessation event	Half of the liabilities have been paid on the Lothian Pension Scheme (LPS), with only two active remaining members. Other options are being investigated by the consultant appointed by the Board to review our pension schemes.
Rents	Housing Benefit: Introduction of under-occupancy charge	We have assessed the financial impact and all tenants affected have been contacted & the implications explained to them. Suitable allowances have been included in the 2013/14 budget, and an additional Housing Officer post has been approved to assist with the extra anticipated workload.
External influences	Government policy: Changes to the welfare benefits system – Universal Credit & direct payments to tenants	We have identified that very few tenants will be affected by the cap on overall benefits when this is implemented July-September 2013. Direct payment of benefits to tenants is now expected to 'roll out' from April 2014 onwards in Scotland and proposals to mitigate the impact / deal with specific issues will continue to be reported to the Board.
Strategic	SHR inspection: Lack of ongoing comprehensive self-assessment programme and/or evidence	In view of the requirements of the Social Housing Charter and the need to evidence self-assessment to the Regulator, the programme of internal reviews is being revived, in parallel with the implementation of the Tenant Participation Strategy and commencement of 'tenant scrutiny'.
Schemes	Contract management: Contractor insolvency	Comprehensive pre-contract financial checks are carried out plus ongoing monitoring during all contracts. Insurance to cover the additional costs of completing a scheme following liquidation is now taken out. Detailed contractor insolvency procedures are in place to ensure swift action can be taken if required.
Strategic	IT Systems: IT Strategy not linked to Business Strategy and a poor standard of maintenance and support	Following the appointment of a new contractor for network maintenance and support, the IT Strategy will be reviewed and revised as necessary to ensure that it is comprehensive and meets the objectives of the current Business Plan.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Accounting policies

The Association's principal accounting policies are set out on pages 19 to 21 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include housing depreciation and deduction of capital grant from the cost of assets.

Housing properties

At 31 March 2013 the Association owned 2,441 housing properties (2012: 2,442). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £41.1million (2012: £41.2million). Our investment in housing property improvements and developments (including work in progress) this year of £6.6million, was funded through a mixture of housing association grant, loan finance and working capital, where we continue to show a strong current asset balance, an important indicator of liquidity. The Association's treasury management arrangements are considered below.

During the year the Association took possession of a further property under the Mortgage-to-Rent scheme, which with funding through the Scottish Housing Regulator aims to help those households with mortgage difficulties, by offering them the flexibility to change the tenure of their home, from ownership to a tenancy in the social rented sector.

Pension costs

The Association participates in two pension schemes, the Scottish Housing Association Pension Scheme (SHAPS) with 24 active members and the Lothian Pension Scheme (LPS) with 2. Both of these are final salary schemes, offering good benefits for our staff. The Association has contributed to the schemes in accordance with levels set by the actuaries, of between 19.2% and 24.9% respectively.

The last formal valuation of the SHAPS took place as at 30 September 2012 and revealed a past service deficit of £1,806,264, repayable over the next 13 years and 6 months from 1 April 2014. A SHAPS pension reserve has been set up within designated reserves to provide for the resulting annual contributions.

A pension expense calculation was carried out as at 31 March 2013 specifically for our current LPS members, which showed a reduction in the net pension liability to £145,000 (2012: £281,000). This liability has been recognised in the financial statements.

Capital structure and treasury policy

By the year end Association borrowings amounted to £32.4million, two thirds of which is due to mature by 2036 and one third by 2047. Interest has been fixed long term (at 5.43% on average), for 36% of total current borrowings, with the remaining 64% variable (at LIBOR+0.63% on average). Funding is fully in place for the development programme with considerable flexibility over the drawdown and repayment profile.

Cash flows

During the year net cash inflows amounted to £0.1million (2012: £1.2million inflows), details of which are shown in the consolidated cash flow statement (page 18). Gross inflows included £3.4million from operating activities, with £3.1million of grants received and £1.9million from the sale of properties, primarily of completed developments to our West Lothian Development Alliance partners. Cash outflows included £1.1million net servicing of finance interest, plus a further £7.0million expenditure on developments and housing improvements.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING & FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Future developments

As part of the WLDA, we will continue to identify financially viable potential acquisitions and development sites within our area of operation. The Board of Management has approved plans to spend £3million during the next financial year on the completion of one existing site and the development of two new sites, which when completed will provide a total of 82 new homes. We incorporate energy efficiency measures to reduce the extent of fuel poverty and carbon emissions, in existing and new-build properties.

We are carrying out feasibility studies and examining the potential of several other sites and through maintaining close liaison with West Lothian Council and developers we will continue to explore potential development opportunities.

We will continue to develop and implement the Asset Management Strategy (including the planned maintenance programme), required to achieve the SHQS targets by 2015. We have budgeted to spend £0.8million in 2013/14 on the renewal of kitchens at 220 properties and £0.8million on boiler and heating upgrades at an additional 314 properties. A further £0.9million is earmarked for cyclical maintenance spend, including painting contracts at 649 properties, 220 overbath showers, 154 external doors and the application of £0.2million roughcasting.

During 2013/14, changes in the welfare reform systems will become effective with the introduction of the under-occupancy charge (commonly referred to as the bedroom tax) and the full introduction of Universal Credit, which will impact on the Association with 50% of our income being paid directly to our tenants. We will increase our staffing levels to allow the Association to re-organise areas of work, enabling the Housing Officers to be more focused within a geographical area and our Asset Management Section will re-organise their work to further support the Housing Management Section. These changes will allow us to better manage tenancy sustainment, reduce voids and control the arrears most affected by changes in welfare provision.

We will be undertaking a comprehensive review of our rent setting policy to ensure financial viability and that rent levels are reasonable & comparable with local providers, for implementation by 31 March 2015. To ensure the continued viability of the Association we will also ensure all our key financial ratios are being met, and as we renew existing contracts improve our procurement efficiency to ensure best value.

To maintain our high standards of governance the agreed enhancements will be implemented, which include targeted training, annual board member appraisals and the improved provision of timely/relevant information. We will assist in developing the role and activities of Almond Enterprises Ltd in order to develop our wider role community remit, specifically in relation to business growth through the provision of additional services and local employment opportunities.

We will continue to explore the provision of new communication mediums, enabling our tenants to access information and advice. We plan to organise a range of public events to meet tenant needs and ultimately increase tenant satisfaction with our services. To further these causes and meet new statutory requirements we will closely monitor the delivery of the new Scottish Social Housing Charter, Scottish Housing Regulator performance monitoring measures and the new Factoring Code of Conduct.

The results of the tri-annual pension scheme valuation have been announced together with details of future funding requirements. The Association will undertake an option appraisal of the future of the SHAPS final salary scheme in offer in light of the results of the tri-annual valuation. We will consider the introduction of alternative benefits within the SHAPS scheme to ensure that pensions remain affordable to both the organisation and staff. Provision has been included within the annual budget for consultancy services for the Board to assess the outcome of the SHAPS valuation.

Statement of compliance

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

ALMOND HOUSING ASSOCIATION LIMITED

Table 1 – Annual results and KPI, five year summary

For the year ended 31 March	2013	2012	2011	2010	2009
Income and Expenditure account (£'000)					
Total turnover	9,591	9,228	8,474	8,063	7,557
Income from lettings	9,243	8,786	7,831	7,389	6,898
Operating surplus	1,912	1,442	1,256	911	1,659
Surplus for the year transferred to reserves	872	397	430	377	852
Balance sheet (£'000)					
Housing properties, net of depreciation HAG and other capital grants	66,514 (25,443)	65,976 (24,817)	63,821 (24,554)	52,264 (21,310)	44,891 (15,635)
Housing properties, net of depreciation & grants Other fixed assets	41,071 2,530	41,159 2,681	39,267 2,553	30,954 923	29,256 235
Fixed assets net of capital grants & depreciation	43,601	43,840	41,820	31,877	29,491
Net current assets/ (liabilities)	1,984	1,095	(906)	693	622
Total assets less current liabilities	45,585	44,935	40,914	32,570	30,113
Loans (due over one year)	(32,094)	(32,138)	(28,510)	(20,364)	(18,298)
Pension liability	(145)	(281)	(174)	(351)	(132)
Reserves : designated	(10,360)	(8,158)	(7,831)	(7,238)	(7,178)
: revenue	(3,131)	(4,639)	(4,573)	(4,968)	(4,637)
: pension	145	281	174	351	132
: total	(13,346)	(12,516)	(12,230)	(11,855)	(11,683)
Loans, Capital and Reserves	(45,585)	(44,935)	(40,914)	(32,570)	(30,113)
Accommodation figures					
Total housing stock owned at year end (<i>number of dwellings</i>) : Social housing	2,441	2,442	2,403	2,323	2,288
Statistics					
Surplus for the year as % of turnover	9.1%	4.3%	5.1%	4.7%	11.3%
Surplus for the year as % of income from lettings	11.4%	4.6%	5.5%	5.1%	12.4%
<u>Rent losses</u> (<i>voids and bad debts as % of rent and service charges receivable</i>)	0.9%	0.9%	1.1%	1.0%	1.6%
<u>Rent arrears</u> (<i>gross arrears as % of rent and service charges receivable</i>)	2.6%	2.9%	3.1%	3.1%	3.7%
<u>Interest cover</u> (<i>surplus before interest payable divided by interest payable</i>)	2.0	1.5	1.6	1.3	1.6
<u>Liquidity</u> (<i>current assets divided by current liabilities</i>)	1.5	1.4	0.6	1.0	0.8
Total reserves per home owned	£5,467	£5,125	£5,089	£5,103	£5,106

ALMOND HOUSING ASSOCIATION LIMITED

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

We have audited the financial statements of Almond Housing Association for the year ended 31 March 2013 on pages 16 to 37. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements April 2012.

ALMOND HOUSING ASSOCIATION LIMITED

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

Matters on which we are required to report by exception

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

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

Baker Tilly UK Audit LL

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

Date *7 August 2013*

ALMOND HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

	<u>Notes</u>	<u>2013</u> £	<u>2012</u> £
TURNOVER	2	9,590,847	9,227,511
Operating costs	2	(7,679,178)	(7,785,298)
		<hr/>	<hr/>
OPERATING SURPLUS	5	1,911,669	1,442,213
(Loss) on sale of fixed assets	9	(77,148)	(115,979)
Interest receivable and other income	8(a)	7,051	4,096
Interest payable and similar charges	8(b)	(969,850)	(933,227)
		<hr/>	<hr/>
SURPLUS FOR YEAR	18	871,722	397,103
		<hr/> <hr/>	<hr/> <hr/>

The results for the year relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED SHEET AS AT 31 MARCH 2013**

		<u>2013</u> £	<u>2012</u> £
Surplus for the financial year		871,722	397,103
Share capital (cancelled)/issued in year	16	(263)	1
Actuarial loss on Pension Fund	18	(42,000)	(111,000)
		<hr/>	<hr/>
Total recognised surpluses relating to the year		829,459	286,104
		<hr/> <hr/>	<hr/> <hr/>


The notes on pages 19 to 37 form part of these financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

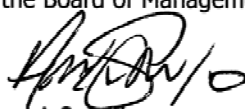
BALANCE SHEET AS AT 31 MARCH 2013


	<u>Notes</u>	£	<u>2013</u> £	£	<u>2012</u> £
TANGIBLE FIXED ASSETS					
Housing properties	11(a)				
- Gross cost less depreciation			66,513,952		65,975,782
Less: HAG			(21,997,977)		(21,551,939)
Less: Other grants			(3,444,998)		(3,264,388)
			<hr/>		<hr/>
			41,070,977		41,159,455
Other fixed assets	11(b)		2,529,556		2,680,996
Investments	10		1		1
			<hr/>		<hr/>
			43,600,534		43,840,452
 CURRENT ASSETS					
Work in progress	12	661,103		68,552	
Debtors	13	1,005,370		1,404,669	
Cash at bank and in hand		2,627,336		2,524,928	
			<hr/>		<hr/>
			4,293,809		3,998,149
CREDITORS: Amounts falling due within one year	14		(2,309,584)		(2,903,538)
			<hr/>		<hr/>
NET CURRENT ASSETS			1,984,225		1,094,611
 TOTAL ASSETS LESS CURRENT LIABILITIES					
			<hr/>		<hr/>
			45,584,759		44,935,063
CREDITORS: Amounts falling due after more than one year	15		(32,093,739)		(32,137,502)
Net Pension liability	21		(145,000)		(281,000)
			<hr/>		<hr/>
NET ASSETS			13,346,020		12,516,561
			<hr/> <hr/>		<hr/> <hr/>
 CAPITAL AND RESERVES					
Share capital	16		94		357
Designated reserves	17		10,359,675		8,158,185
Revenue reserve	18		3,131,251		4,639,019
Pension reserve	19		(145,000)		(281,000)
			<hr/>		<hr/>
			13,346,020		12,516,561
			<hr/> <hr/>		<hr/> <hr/>

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


S Murray
Chairman

Date: 1/8/13


A Saunders
Vice Chairman


J Marnie
Secretary

The notes on pages 19 to 37 form part of these financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		£	£
Net cash inflow from operating activities	26(a)	3,352,061	2,099,994
Return on investments and servicing of finance			
Interest received		7,041	2,010
Interest and similar charges paid		(1,116,622)	(958,841)
		<hr/>	<hr/>
Net cash outflow from returns on investment and servicing of finance		(1,109,581)	(956,831)
Capital expenditure			
Payments to acquire and develop housing properties		(7,036,143)	(4,403,866)
Payments to acquire other fixed assets		(24,814)	(230,016)
Housing property disposals		1,930,835	586,084
		<hr/>	<hr/>
Net cash outflow from capital expenditure		(5,130,122)	(4,047,798)
Net cash outflow before use of liquid Resources and financing		(2,887,642)	(2,904,635)
Financing			
(Cancellation)/issue of share capital		(263)	1
Grants received		3,071,435	543,485
Loans (repaid)/ received		(81,122)	3,562,725
		<hr/>	<hr/>
Net cash inflow from financing		2,990,050	4,106,211
Increase in cash	26(c)	<hr/> <hr/> 102,408	<hr/> <hr/> 1,201,576

The notes on pages 19 to 37 form part of these financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013

1 PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with the Determination of Accounting Requirements April 2012 and in compliance with The Statement of Recommended Practice (SORP), "Accounting by Registered Social Providers, Update 2010" and applicable Accounting Standards. A summary of the principal accounting policies, which have been applied consistently, is set out below. The Association has formal authority from the Financial 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

The financial statements are prepared on the historical cost basis of accounting and in line with accounting standards.

Going Concern

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

Turnover

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

Housing properties and depreciation

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

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

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

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

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

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

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

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of the property sold are removed from the financial statements at the date of sale. The acquisition and sale of properties is recognised on the date of entry.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and depreciated on a straight line basis, to write off the cost of assets less their estimated residual value at the end of their estimated useful economic life to the Association.

The estimated lives are as follows:-

Office property (by component)	as per Housing properties component lives (page 19)
Computer equipment, office furniture and fittings	4 years

Impairment

Impairment reviews are carried out in accordance with FRS 11. Where there is evidence of impairment, fixed assets are written down to their current value to the business. Any such write down is charged to the Income and Expenditure account.

Grants

For schemes developed under the terms of the 1988 Housing Act, Housing Association Grant (HAG) is paid directly to the Association as required, to meet its liabilities during the development process. HAG is repayable under certain circumstances primarily following the sale of property, but will normally be restricted to net proceeds of sale. HAG received is deducted from the cost of Housing Properties in the balance sheet.

Where HAG has been received in respect of revenue expenditure, it is credited to the Income & Expenditure Account in the same period as the expenditure to which it relates. HAG received for development projects of a capital nature in excess of development expenditure, is treated as deferred income, to be set against future relevant expenditure.

Work in progress

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

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

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

Scottish Housing Regulator has the benefit of a fixed charge on the property entitling Scottish Housing Regulator to a share of the proceeds on the sale of the property by the beneficiary. These are classified as investments and are carried at historical cost with the linked finance cost (the grant received) being deducted from the gross amount of the asset. Completed properties that are not sold or are work in progress are valued at the lower of cost and net realisable value. Cost comprises of cost of land and construction. Net realisable value is based on estimated sale price after allowing for all further costs of competition and disposal.

Repairs and maintenance

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

Investments

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

Operating leases

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

Value Added Tax

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

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Defined benefit pension scheme and pension reserve

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

A SHAPS pension reserve has been designated within the balance sheet, to provide for the net present value (NPV) of future past service deficit contributions.

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

Designated Reserves/ Major Repairs

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

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

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover £	Operating costs £	Operating surplus/ (deficit) 2013 £	2012 £
Social lettings	3	9,242,832	(7,319,071)	1,923,761	1,434,851
Other activities	4	348,015	(360,107)	(12,092)	7,362
Total		9,590,847	(7,679,178)	1,911,669	1,442,213
Total for previous period of account		9,227,511	(7,785,298)	1,442,213	

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

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

	General Needs Housing	Supported Housing	Total 2013	2012
	£	£	£	£
Income from lettings				
Rent receivable net of service charges	8,966,694	117,043	9,083,737	8,672,257
Service charges receivable	189,855	-	189,855	157,913
	<hr/>	<hr/>	<hr/>	<hr/>
Gross income from rent and service charges	9,156,549	117,043	9,273,592	8,830,170
Less Voids	(30,760)	-	(30,760)	(44,228)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Turnover from social letting activities	9,125,789	117,043	9,242,832	8,785,942
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Costs				
Service costs	173,556	-	173,556	127,455
Management & Maintenance administration costs	2,296,630	32,073	2,328,703	2,463,843
Reactive maintenance costs	1,889,019	21,655	1,910,674	2,341,159
Bad debts – rents and service charges	40,854	-	40,854	35,594
Planned & cyclical maintenance	1,207,892	6,030	1,213,922	995,802
Impairment/(reversal of impairment) of office	16,939	-	16,939	(60,501)
Depreciation of social housing	1,615,025	19,398	1,634,423	1,447,739
	<hr/>	<hr/>	<hr/>	<hr/>
Operating costs for social letting activities	7,239,915	79,156	7,319,071	7,351,091
	<hr/>	<hr/>	<hr/>	<hr/>
Operating surplus for social lettings	1,885,874	37,887	1,923,761	1,434,851
	<hr/>	<hr/>	<hr/>	<hr/>
Operating surplus for social lettings for previous period of account	1,399,879	34,972	1,434,851	
	<hr/>	<hr/>	<hr/>	

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating surplus or (deficit) 2013	<u>2012</u>
	£	£	£	£	£	£	£	£	£
Wider role activities	-	-	-	-	-	-	(23,800)	(23,800)	(20,400)
Care and repair of property (Aids and adaptations)	103,804	-	-	126,876	230,680	-	(244,093)	(13,413)	(34,071)
Factoring	-	-	-	50,562	50,562	(2,734)	(43,364)	4,464	582
Support activities	-	-	-	494	494	-	-	494	877
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	28,513	-	-	-	28,513	-	(28,513)	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities (Insurance settlements received)	-	-	-	30,966	30,966	-	-	30,966	75,496
Other activities	-	-	-	6,800	6,800	-	(17,603)	(10,803)	(15,122)
Total from other activities	<u>132,317</u>	<u>-</u>	<u>-</u>	<u>215,698</u>	<u>348,015</u>	<u>(2,734)</u>	<u>(357,373)</u>	<u>(12,092)</u>	<u>7,362</u>
Total from other activities for the previous period of account	<u>129,034</u>	<u>-</u>	<u>-</u>	<u>312,535</u>	<u>441,569</u>	<u>(1,888)</u>	<u>(432,319)</u>	<u>7,362</u>	

ALMOND HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)****5 OPERATING SURPLUS FOR YEAR**

	<u>2013</u>	<u>2012</u>
	£	£
The operating surplus is arrived at after charging:		
Depreciation	1,793,738	1,610,595
Impairment /(reversal of impairment) of office	16,939	(60,501)
Auditors remuneration: - for audit services	12,293	13,354
- internal audit services (TIAA)	7,800	12,410
Operating lease rentals	38,713	40,031

6 DIRECTORS' EMOLUMENTS

The Chief Executive, Section Heads, and any other person reporting directly to the Board of Management, are ordinary members of the Association's pension scheme described in note 21. No enhanced or special terms apply to their memberships and they have no other pension arrangements to which the Association contributes. Retirement benefits are accruing to 5 Senior Managers (2012: 5) under the funds referred to in note 21.

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

	2013	2012
£60,001 to £70,000	2	3
£90,001 to £100,000	1	1

None of the Board of Management received any emoluments during the year (2012: £Nil). During the year the Board of Management were reimbursed expenses of £1,005 (2012 Restated: £973).

The Directors are defined as the members of the Management Board, the Chief Executive and any other person reporting directly to the Chief Executive or the Management Board whose total emoluments exceed £60,000 per annum.

	<u>2013</u>	<u>2012</u>
	£	£
Emoluments of the Chief Executive and Section Heads, excluding pension contributions	224,764	279,165
Contributions to the pension scheme for the Chief Executive and Section Heads	43,393	53,871
Emoluments of the Chief Executive, who was the highest paid member of staff, excluding pension contributions	97,911	95,213
Contributions to the pension scheme for the Chief Executive	18,233	17,810

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

7 EMPLOYEE INFORMATION

Average monthly number of employees expressed in full time equivalents:	<u>2013</u>	<u>2012</u>
Housing	14	14
Maintenance	10	9
Chief Executive and Corporate & Development	8	9
Finance	5	5
	<hr/>	<hr/>
	37	37
	<hr/> <hr/>	<hr/> <hr/>

The actual average weekly number of persons employed by the Association was 39 (2012: 37).

Employee costs:	<u>2013</u>	<u>2012</u>
	£	£
Wages and salaries	1,236,276	1,202,051
Social security costs	113,555	111,157
Other pension costs	186,119	175,795
	<hr/>	<hr/>
	1,535,950	1,489,003
	<hr/> <hr/>	<hr/> <hr/>

8(a) INTEREST RECEIVABLE AND OTHER INCOME

	<u>2013</u>	<u>2012</u>
	£	£
Interest receivable	7,051	2,096
Net return on pension assets	-	2,000
	<hr/>	<hr/>
	7,051	4,096
	<hr/> <hr/>	<hr/> <hr/>

8(b) INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2013</u>	<u>2012</u>
	£	£
Bank loans and overdrafts payable in over 5 years by instalments	964,850	933,227
Net return on pension assets	5,000	-
	<hr/>	<hr/>
	969,850	933,227
	<hr/> <hr/>	<hr/> <hr/>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

9 (LOSS)/GAIN ON SALE OF FIXED ASSETS

	<u>2013</u> £	<u>2012</u> £
Gain on sale of housing properties	46,726	98,268
(Loss) on disposal of tangible fixed assets	(123,874)	(214,247)
	<hr/>	<hr/>
	(77,148)	(115,979)
	<hr/> <hr/>	<hr/> <hr/>

10 FIXED ASSET INVESTMENTS

	<u>2013</u> £	<u>2012</u> £
Subsidiary company (Cost at 31 March 2013 and 31 March 2012)	1	1
Shared equity loans (LIFT) made to dweller	567,050	567,050
Shared equity grants	(567,050)	(567,050)
	<hr/>	<hr/>
	1	1
	<hr/> <hr/>	<hr/> <hr/>

The subsidiary company at 31 March 2013 was:

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

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

	<u>2013</u> £	<u>2012</u> £
Profit/(loss) on ordinary activities after taxation	19,625	(16,266)
	<hr/>	<hr/>
Net assets	180,633	165,839
	<hr/> <hr/>	<hr/> <hr/>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

11 TANGIBLE FIXED ASSETS

During the year £1,720,246 (2012: £3,088,186), of components were replaced out of a total spend on housing properties of £1,795,518 (2012: £3,576,747).

In accordance with the Statement of Recommended Practice on Accounting by Registered Social Landlords 2010, HAG received in respect of capital costs has been deducted from gross costs, except where stated otherwise.

a. Housing Properties

	Housing properties held <u>for letting</u>	Housing properties in course of <u>construction</u>	Total
	£	£	£
COST			
At 1 April 2012	75,153,210	248,916	75,402,126
Additions	1,795,518	516,676	2,312,194
Disposals	(470,602)	-	(470,602)
At 31 March 2013	<u>76,478,126</u>	<u>765,592</u>	<u>77,243,718</u>
 DEPRECIATION			
At 1 April 2012	9,426,344	-	9,426,344
Charge for period	1,634,423	-	1,634,423
Disposals	(331,001)	-	(331,001)
At 31 March 2013	<u>10,729,766</u>	<u>-</u>	<u>10,729,766</u>
 NET	 <u>65,748,360</u>	 <u>765,592</u>	 <u>66,513,952</u>
 HOUSING ASSOCIATION GRANT			
At 1 April 2012	21,418,658	133,281	21,551,939
Additions	171,725	433,583	605,308
Disposals	(159,270)	-	(159,270)
At 31 March 2013	<u>21,431,113</u>	<u>566,864</u>	<u>21,997,977</u>
 OTHER GRANTS			
At 1 April 2012	3,264,388	-	3,264,388
Additions	8,883	171,727	180,610
At 31 March 2013	<u>3,273,271</u>	<u>171,727</u>	<u>3,444,998</u>
 NET BOOK AMOUNT			
At 31 March 2013	<u>41,043,976</u>	<u>27,001</u>	<u>41,070,977</u>
At 31 March 2012	<u>41,043,820</u>	<u>115,635</u>	<u>41,159,455</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

11 TANGIBLE FIXED ASSETS (CONTINUED)

b. Other Fixed Assets

	<u>Office Property</u> £	<u>Office furniture & fittings</u> £	<u>Computer equipment</u> £	Total £
COST				
At 1 April 2012	3,109,939	163,669	354,926	3,628,534
Additions	16,939	963	6,912	24,814
Disposals	-	-	(18,299)	(18,299)
At 31 March 2013	<u>3,126,878</u>	<u>164,632</u>	<u>343,539</u>	<u>3,635,049</u>
 DEPRECIATION				
At 1 April 2012	673,193	72,021	202,324	947,538
Charge for period	55,453	35,312	68,550	159,315
Impairment	16,939	-	-	16,939
Disposals	-	-	(18,299)	(18,299)
At 31 March 2013	<u>745,585</u>	<u>107,333</u>	<u>252,575</u>	<u>1,105,493</u>
 NET BOOK AMOUNT				
At 31 March 2013	<u>2,381,293</u>	<u>57,299</u>	<u>90,964</u>	<u>2,529,556</u>
At 31 March 2012	<u>2,436,746</u>	<u>91,648</u>	<u>152,602</u>	<u>2,680,996</u>

12 WORK IN PROGRESS

	<u>2013</u> £	<u>2012</u> £
Properties for sale:		
Properties under construction at cost	1,852,769	1,808,312
Housing Association Grant	(1,191,666)	(1,739,760)
	<u>661,103</u>	<u>68,552</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

13 DEBTORS

	<u>2013</u>	<u>2012</u>
	£	£
Rental debtors	245,835	263,365
- Provision for doubtful rental debtors	(107,716)	(111,108)
Net rental debtors	<u>138,119</u>	<u>152,257</u>
Other debtors	682,831	440,852
Prepayments and accrued income	111,947	140,120
Capital grant receivable	72,473	671,440
	<u>1,005,370</u>	<u>1,404,669</u>

14 CREDITORS: Amounts falling due within one year

	<u>2013</u>	<u>2012</u>
	£	£
Bank overdraft	33,621	87,772
Bank loans (see Note 15)	287,141	324,500
Trade creditors	557,779	599,617
Other taxation and social security	32,707	38,608
Rents in advance	238,814	239,462
Amounts owed to subsidiary undertaking	32,243	41,270
Other creditors	45,563	47,390
Accruals and deferred income	1,081,716	1,524,919
	<u>2,309,584</u>	<u>2,903,538</u>

The Association's policy is to pay purchase invoices within 30 days of receipt, or earlier if alternative payment terms have been agreed. The average number of days between receipt and payment of purchase invoices this year was 27 (2012: 33).

15 CREDITORS: Amounts falling due after more than one year

	<u>2013</u>	<u>2012</u>
	£	£
Bank loans:		
Due under 1 year (see Note 14)	287,141	324,500
Due within 1 to 2 years	309,050	275,400
Due within 2 to 5 years	2,040,556	1,669,000
Due after five years or more	29,744,133	30,193,102
	<u>32,380,880</u>	<u>32,462,002</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

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

	<u>2013</u>	<u>2012</u>
	£	£
Bank loan instalments are due as follows:		
Due under 1 year	287,141	324,500
Due over 1 year	32,093,739	32,137,502
	<u>32,380,880</u>	<u>32,462,002</u>

The bank loans are secured by a first charge over specific properties of the Association. Loans are repayable annually. Interest on the £2.8Million loan is fixed for 15 years at 6.33%, thereafter LIBOR plus 0.3%, whilst the £4.6Million loan is variable for its term at LIBOR + 0.3%. Interest is fixed on the three £3Million loans at LIBOR plus a margin of between 0.325% and 0.5% per annum. The £4Million Business Loan Facility is fixed at LIBOR plus 1.75% per annum and also comprises non utilisation fees of 0.7% per annum on the undrawn element of up to £12Million.

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

	£	<u>Repayment date</u>
Business Term Loan	2,762,404	20 January 2034
Business Term Loan	4,620,000	20 January 2034
Business Term Loan	3,000,000	20 January 2034
Business Term Loan	3,000,000	20 January 2034
Business Term Loan	3,000,000	20 January 2034
Business Loan Facility	3,000,000	20 January 2036
Business Loan Facility	1,000,000	20 January 2036
Business Term Loan	11,998,476	30 November 2047
	<u>32,380,880</u>	

16 CALLED UP SHARE CAPITAL

	<u>2013</u>	<u>2012</u>
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 April 2012	357	356
Shares issued during the year	3	1
Shares cancelled during the year	(266)	-
	<u>94</u>	<u>357</u>
At 31 March 2013	94	357

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. The number of shares cancelled in the year reflects a drive to determine the number of 'active' members remaining.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

17 DESIGNATED RESERVES

	<u>2013</u> £	<u>2012</u> £
<u>Major Repairs</u>		
At 1 April 2012	8,158,185	7,830,479
	-----	-----
Transfer from the Income and Expenditure account (see Note 18)	2,923,097	2,873,083
Less: actual spend in current year (see Note 18)	(2,527,871)	(2,545,377)
	-----	-----
	395,226	327,706
	-----	-----
At 31 March 2013	8,553,411	8,158,185
	=====	=====

These reserves represent designated amounts set aside by the Board of Management, which together with future transfers from the income and expenditure account, are currently expected to meet the anticipated cost of planned and cyclical repairs as they occur during the life of the properties. The average annual reactive and cyclical repairs have been calculated using the 30 year expenditure projections adjusted for inflation. The expected spend over the next 3 years is £7.8million.

	£	£
<u>SHAPS Past Service Deficit</u>		
At 1 April 2012	-	-
Transfer from revenue reserve in year (see Note 18)	1,806,264	-
	-----	-----
At 31 March 2013	1,806,264	-
	=====	=====

The amount transferred to the SHAPS Past Service Deficit Reserve equals the Net Present Value of the past service deficit of the SHAPS pension scheme payable over the next 15 years.

18 RECONCILIATION OF MOVEMENT IN ACCUMULATED SURPLUS

	<u>2013</u> £	<u>2012</u> £
Revenue reserve at 1 st April	4,639,019	2,791,815
Prior period adjustment	-	1,781,807
	-----	-----
Revenue reserve at 1 st April as restated	4,639,019	4,573,622
	-----	-----
Surplus for year	871,722	397,103
Transfer (to) designated reserve - Major Repairs(see Note 17)	(395,226)	(327,706)
Transfer (to) designated reserve - SHAPS Past Service Deficit (see Note 17)	(1,806,264)	-
Actuarial (loss) on pension scheme (see Note 21)	(42,000)	(111,000)
Transfer (to)/from pension reserve (see Note 19)	(136,000)	107,000
	-----	-----
Revenue reserve at 31 March	3,131,251	4,639,019
	=====	=====

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

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

19 PENSION RESERVE

	<u>2013</u> £	<u>2012</u> £
At 1 April 2012	(281,000)	(174,000)
Transfer from/(to) Income and Expenditure account (see Note 18 & 21)	136,000	(107,000)
	<hr/>	<hr/>
At 31 March 2013	(145,000)	(281,000)
	<hr/> <hr/>	<hr/> <hr/>

20 CAPITAL COMMITMENTS

	<u>2013</u> £	<u>2012</u> £
Authorised and contracted for	1,742,743	4,856,969
	<hr/> <hr/>	<hr/> <hr/>

21 PENSION COSTS

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

Scottish Housing Associations Pension Scheme Standard Employees

General

Almond Housing Association Ltd participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

During the accounting period Almond Housing Association Ltd paid contributions at the rate of 20% of pensionable salaries. Member contributions were 9.6%. As at the balance sheet date there were 24 active members of the Scheme employed by Almond Housing Association Ltd. Almond Housing Association Ltd continues to offer membership of the Scheme to its employees.

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

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

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The valuation was carried out using the SAPS (S1PA) short cohort mortality table for non-pensioners and SAPS (S1PA) short cohort mortality table for pensioners. Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

21 PENSION COSTS (CONTINUED)

The key valuation assumptions used to determine the assets and liabilities of the SHAPS Scheme as at 30 September 2012 as follows:

	<u>% pa</u>
▪ investment return pre retirement	5.3
▪ investment return post retirement - Non-pensioners	3.4
▪ investment return post retirement - Pensioners	3.4
▪ rate of salary increases	4.1
▪ rate of price inflation	2.6
▪ The rate of pension increases are 2.9% pa for pensions accrued from 6 April 2005, 2.2% pa for pension accrued from 6 April 2005 and 5.0% for leavers before 1 October 1993	

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

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

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

The Association has been notified by The Pensions Trust the amount to be paid in 2012/13 is £84,500. Based on the 30 September 2012 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 will increase to £134,125 from 1 April 2014. These annual deficit contributions will increase by 3.0% per annum and are expected to be cleared in 13 years and 6 months hence. This therefore equates to a Net Present Value (NPV) of £1,806,264.

Lothian Pension Fund

General

Almond Housing Association Ltd participates in the Lothian Pension Fund Scheme (the "Scheme") with 2 active members as at the balance sheet date. The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. Almond Housing Association Ltd paid contributions at the rate of 24.9% during the accounting period and individual members paid contributions of between 7.0% and 8.6%.

The last formal valuation of the Associations share of the Scheme assets and liabilities was performed at 31 March 2013 by a professionally qualified actuary using the projected unit method. The next valuation will be as at 31 March 2014 and the results will be available after December 2014.

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

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

21 PENSION COSTS (CONTINUED)

The main financial assumptions used by the actuary were:

	31 Mar 13 % p.a.	31 Mar 12 % p.a.	31 Mar 11 % p.a.	31 Mar 10 % p.a.	31 Mar 09 % p.a.
Inflation / Pension increase rate	2.8%	2.5%	2.8%	3.8%	3.1%
Rate of increase in salaries	5.1%	4.8%	5.1%	5.3%	4.6%
Expected return on assets	5.3%	5.8%	7.0%	7.3%	6.6%
Discount rate	4.5%	4.8%	5.5%	5.5%	6.9%

Expected return on assets:	31 Mar 13 % p.a.	31 Mar 12 % p.a.	31 Mar 11 % p.a.	31 Mar 10 % p.a.	31 Mar 09 % p.a.
Equities	5.7%	6.2%	7.5%	7.8%	7.0%
Bonds	3.5%	4.0%	4.9%	5.0%	5.4%
Property	3.9%	4.4%	5.5%	5.8%	4.9%
Cash	3.0%	3.5%	4.6%	4.8%	4.0%

Fair value of scheme assets:	at 31 Mar 2013 £(000's)	at 31 Mar 2012 £(000's)	at 31 Mar 2011 £(000's)	at 31 Mar 2010 £(000's)	at 31 Mar 2009 £(000's)
Equities	965	701	608	564	409
Bonds	98	71	62	57	57
Property	110	98	77	64	52
Cash	49	18	23	29	-
Total Estimated Employer Assets (A)	1,222	888	770	714	518
Value placed on Scheme Liabilities (B)	(1,367)	(1,169)	(944)	(1,065)	(650)
Net Pension liability (A-B)	(145)	(281)	(174)	(351)	(132)

Movement in deficit during the year

	<u>2013</u> £	<u>2012</u> £
Deficit in scheme at beginning of year	(281,000)	(174,000)
<u>Movements during the year:</u>		
Current service cost	(25,000)	(22,000)
Contributions paid	208,000	24,000
Past service income	-	-
Other finance (costs)/income	(5,000)	2,000
Actuarial loss	(42,000)	(111,000)
Deficit at the end of the year	<u>(145,000)</u>	<u>(281,000)</u>

	<u>2013</u> £	<u>2012</u> £
Analysis of the amount charged to other finance costs		
Expected return on pension scheme assets	51,000	54,000
Interest on pension scheme liabilities	(56,000)	(52,000)
Net finance (charge)/income	<u>(5,000)</u>	<u>2,000</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

21 PENSION COSTS (CONTINUED)

History of experience gains and losses

	Year to 31 March 2013 £(000's)	Year to 31 March 2012 £(000's)	Year to 31 March 2011 £(000's)	Year to 31 March 2010 £(000's)	Year to 31 March 2009 £(000's)
Difference between expected and actual return on assets	87	51	(13)	147	(159)
Value of assets	1,222	888	770	714	518
Percentage of scheme assets at year end	7.1%	5.7%	(1.7%)	20.6%	(30.7%)
Experience gain/(losses) on liabilities	1	(164)	-	-	3
Total present value of liabilities	(1,367)	(1,169)	(944)	(1,065)	(650)
Percentage of the total present value of liabilities	0.0%	14.0%	0.0%	0.0%	(0.5%)
Actuarial gains/(losses) recognised in STRGL	(42)	(111)	95	(206)	(95)
Total present value of liabilities	(1,367)	(1,169)	(944)	(1,065)	(650)
Percentage of the total present value of liabilities	3.1%	9.5%	(10.1%)	19.3%	15%

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

	Year to 31 March 2013 £(000's)	Year to 31 March 2012 £(000's)	Year to 31 March 2011 £(000's)
Actual return less expected return on pension scheme assets	87	51	(13)
Experience gains and losses arising on the scheme liabilities	1	(164)	-
Changes in assumptions underlying the present value of scheme liabilities	(130)	2	108
Actuarial (loss)/gain in pension plan	(42)	(111)	95
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-	-
Actuarial (loss)/gain in recognised in STRGL	(42)	(111)	95

Contributions totalling £2,744 (2012: £2,655) were payable to the fund at the year end and are included in creditors. The estimated employer's contribution for the year to 31 March 2014 will be approximately £25,074.

Analysis of the amount charged to operating surplus

	<u>2013</u> £	<u>2012</u> £
Current service cost	(25,000)	(22,000)
Past service income	-	-
Total operating loss	<u>(25,000)</u>	<u>(22,000)</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

22 RELATED PARTY DISCLOSURES

Four members of the Board of Management are tenants of the Association. Rental charges are made on an arms length basis. There were no rent balances outstanding at the year-end (2012: £Nil).

Almond Enterprises Limited, a wholly owned subsidiary of the Association, continues to manage cleaning and clearance contracts for the Association which amounted to £211,932 of turnover this year (2012: £217,464), with a year-end net trade creditor balance of £ 32,243 (2012: £41,270).

23 LEASE OBLIGATIONS

The Association is committed to make the following payments during the year ending 31 March 2013 in relation to operating leases which expire:

	Plant & Machinery	
	<u>2013</u>	<u>2012</u>
Within one year	-	-
Between two and five years	33,133	38,406
	<u>33,133</u>	<u>38,406</u>

24 HOUSING STOCK

The number of units in Management at 31 March was as follows:	<u>2013</u>	<u>2012</u>
General needs housing	2,433	2,434
Supported housing accommodation (comprising 101 bedspaces in total)	8	8
Total	<u>2,441</u>	<u>2,442</u>

25 AVERAGE RENTS

	<u>2013</u>	Restated <u>2012</u>
Average weekly rent for housing accommodation	£69.33	£66.27
Increase	4.6%	6.0%
Average number of Units	2,442	2,441

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2013 (CONTINUED)

26 CASH FLOW STATEMENT

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

	<u>2013</u>	<u>2012</u>
	£	£
Operating surplus for the year	1,911,669	1,442,213
Depreciation charges	1,793,738	1,610,595
Diminution/(reversal) in value of land and buildings	16,939	(60,501)
(Increase)/decrease in debtors	(199,658)	204,148
Decrease in creditors	(170,627)	(1,096,461)
	<u>3,352,061</u>	<u>2,099,994</u>

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

	<u>2013</u>	<u>2012</u>
	£	£
Increase in cash in the period	102,408	1,201,576
Cash outflow/(inflow) from decrease/(increase) in overdraft (note 26c)	54,151	(1,077)
Cash outflow/(inflow) from decrease/(increase) in debt (note 26c)	81,122	(3,562,725)
Change in net debt from cash flows	<u>237,681</u>	<u>(2,362,226)</u>
Movements in net debt in period	237,681	(2,362,226)
Net debt at 1 April	(30,024,846)	(27,662,620)
Net debt at 31 March	<u>(29,787,165)</u>	<u>(30,024,846)</u>

(c) Analysis of changes in net debt

	At 1 April <u>2012</u>	Cash flow	Other changes	At 31 March <u>2013</u>
	£	£	£	£
Cash at bank and in hand	2,524,928	102,408	-	2,627,336
Overdraft	(87,772)	54,151	-	(33,621)
Debt due within one year	(324,500)	-	(40,900)	(365,400)
Debt due after one year	(32,137,502)	81,122	40,900	(32,015,480)
	<u>(30,024,846)</u>	<u>237,681</u>	<u>-</u>	<u>(29,787,165)</u>

27 CONTINGENT LIABILITIES

Pension Schemes

Almond Housing Association Ltd has been notified by The Pensions 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 30 September 2012. As of this date the estimated employer debt for Almond Housing Association Ltd was £3,638,917. Given that such a debt would only crystallise in the unlikely event that the Association were to withdraw from the SHAPS Pension Scheme, no provision is required at this time.

Component Accounting

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

Developer Contributions

Attached to the planning permission on our proposed development at East Main Street, Whitburn is a condition which would require us to pay £183,000 to West Lothian Council, to cover the cost of educational provision on completion of the development.