

**ALMOND HOUSING ASSOCIATION LIMITED**

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

**YEAR ENDED 31 MARCH 2014**

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 2014**

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15 Atholl Crescent  
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## **ALMOND HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE BOARD OF MANAGEMENT**

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2014.

#### **Principal Activities**

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

#### **Legal structure**

The Association was registered on 22 March 1994 under the Co-operative and Community Benefits Act, 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.

#### **Reserves**

Our revenue reserves represent the accumulated surpluses of the Association and our policy on designated reserves is laid out in note 1, Accounting Policies. Although there are now no reserves designated for future major repair programmes, we will still work to ensure our properties remain in good condition, with such expenditure being treated mainly as capital expenditure, added to the cost of the rented properties at component level and depreciated over the life assigned to each component.

After the transfer of the surplus for the year of £632,041 (2013: £871,722), at the year-end the reserves of the Association amounted to £13.9million (2013: £13.3million). £1,757,947 exists as a designated reserve for the past service deficit on the Scottish Housing Association Pension Scheme (SHAPS), with these funds 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 point's 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 £7,882 (2013: £10,039), 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.

#### **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.

## **ALMOND HOUSING ASSOCIATION LIMITED**

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

#### **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 (2013: 27).

#### **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. Details of Senior Management Team remuneration is included in note 6 to the financial statements.

#### **Board of Management**

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

Mr A Saunders*(Chairman)	Ms J Marnie* (Vice-Chair)
Mrs M Earl* (Secretary)	Mrs A Gault
Mr A Gray	Mr J Hewer*
Ms A Wilson*	Mr W Mitchell*
Mr S Murray*	Mr I Stewart*
Mrs A McIntyre* (Chair of Finance Audit Sub-Committee)	

\* Member of the Finance Audit Sub-Committee at 31 March 2014 (Mr A Saunders in attendance only).

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

## **ALMOND HOUSING ASSOCIATION LIMITED**

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

The Association's affairs are run by the Board of Management, which has up to 15 Members and normally meets monthly. Some of the detailed work of the Board of Management is delegated to Sub-Committees (Finance and Audit, 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 contracted Chiene & Tait for the provision of internal audit services during the current financial year. A Strategic Audit Plan has been prepared and approved by the Board of Management to ensure that all major risk areas are examined.

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

The Co-operative and Community Benefits Society Act 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.

**ALMOND HOUSING ASSOCIATION LIMITED**

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

**STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES**

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefits Society Act 2014, Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements - 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 website in relation to the contents of the financial statements is the responsibility of the Board of Management. The work carried out by the auditors does not involve consideration of these matters and, accordingly, they accept no responsibility for any changes that may have occurred in the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

**Annual general meeting**

The annual general meeting will be held on 4 September 2014 at Craigsfarm Campus, Maree Walk, Craigshill, Livingston, West Lothian, EH54 5BP.

**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:

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

Secretary *Mrs Mayearl*

Date: *12/8/2014*

## **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 and at 31 March 2014 there were 99 active members.

In addition to managing 2,442 properties, the Association is a major developer of new affordable housing. In addition to providing social housing for rent (which constitutes over 93% of the Association's activities by turnover), it has also built and leases specially designed accommodation, which provides a base for residential care for elderly people managed by the Health Board. The Association has a subsidiary Almond Enterprises Limited which provides cleaning and recycling services in the local area, and is committed to providing jobs and improving the environment in the local community.

#### **OBJECTIVES AND STRATEGY**

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

##### **Housing and asset management**

- Provide high quality homes for renting at levels which are reasonable and comparable to those of other local landlords within our areas of operation.
- Contribute to sustaining tenancies through the support and advice we provide to tenants, in particular with regard to the impact of welfare benefit reforms.
- Contribute to the sustainable development of the area through the design and standards of our properties, and the choices we make in maintaining and improving them.
- Manage our housing stock and associated estates efficiently, effectively and to high standards for the comfort, safety and benefit of our tenants and for the well-being of the community as a whole.

##### **Finance and corporate services**

- Ensure that, through our activities and relationships with our tenants, local groups and organisations, we maximise the opportunities for members of the community to be involved in our decision-making processes, where relevant.
- Contribute to the development of our communities with the support of our subsidiary, Almond Enterprises, and where possible provide opportunities for local people to meet their non-housing needs.
- Continue to demonstrate high standards of governance and business effectiveness through scrutiny and due diligence by the Board of Management, ensuring continued financial viability, and investment in developing high standards of staff performance.

The Board of Management agrees targets each year that are designed to manage development and deliver continuous service improvement. The key indicators used by the Board and senior 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
<b>Housing and Asset Management</b>	<ul style="list-style-type: none"> <li>review the rent setting policy to ensure financial viability and that rent levels are reasonable and comparable</li> <li>develop measures to sustain tenancies, especially in regard to the impact of welfare reforms</li> <li>develop the range of communication methods for tenants to access information and advice</li> <li>explore alternative partnership arrangements to replace current working with West Lothian Council's Revenues Unit to deal with Universal Credit</li> <li>achieve planned and cyclical maintenance programme targets (including the SHQS delivery plan)</li> <li>complete the current new-build development programme and identify new viable development sites</li> <li>ensure the Asset Management Strategy is based on clear survey evidence of local needs and is designed to meet these needs</li> <li>develop energy efficiency measures to reduce the extent of fuel poverty and carbon emissions in existing and new-build properties</li> </ul>	<ul style="list-style-type: none"> <li>consultant appointed and review initiated, to be implemented 2015/16</li> <li>measures identified and implemented in accordance with Government regulations by close networking with other RSLs and housing organisations</li> <li>improvement of new technologies and tools including new website development and exploration of text messaging</li> <li>new arrangements finalised in time to provide 'seamless' transition from existing situation</li> <li>complete annual cyclical and planned maintenance programmes on time, within budget and to the required standards</li> <li>deliver programme on time, within cost and to the desired quality</li> <li>comprehensive condition surveys completed and tenants' views regularly sought on priorities for future improvements etc</li> <li>regular review of future plans to include energy efficiency measures and regular monitoring to take advantage of Government funded energy schemes</li> </ul>
<b>Finance and Corporate Services</b>	<ul style="list-style-type: none"> <li>increase overall tenant satisfaction with our services, as measured directly by our tenants' satisfaction survey</li> <li>develop the targets and methodology for assessing performance to deliver the new Annual Report on the Charter (ARC)</li> <li>develop tenant focus group meetings</li> <li>use complaints, surveys and repairs feedback to inform future decision making where appropriate and organise a range of public events to meet tenant needs</li> <li>assist in developing the role, activities and income streams of Almond Enterprises Ltd (AEL) specifically in relation to business growth, local employment opportunities and the provision of additional services to the community</li> <li>implement governance changes, including annual Board appraisals, training and provision of timely/relevant information to discharge their scrutiny role</li> <li>improve procurement efficiency re contracting and managing relationships with suppliers to secure best value for the Association</li> <li>achieve all key financial ratios and meet lenders' covenants</li> <li>ensure all staff have realistic but stretching targets linked to the business plan and any additional training needs are identified and completed</li> </ul>	<ul style="list-style-type: none"> <li>survey carried out on time, action plans developed with our tenant focus groups and emphasis on all staff to raise standards of service delivery. Ensure planned maintenance delivers high standards of building components</li> <li>review of all guidance to identify requirements and allocation of collection responsibilities within the management team</li> <li>implementation of agreed arrangements for monitoring performance to comply with Charter requirements and completion at group meetings</li> <li>provide a range of events and regular review of complaints, survey feedback etc. Reporting to Focus Groups on resulting decisions and actions</li> <li>closer liaison with AHA Board and key employees to assist AEL in the development of 'wider role' activities. New business plan for AEL with budget provision for option appraisals</li> <li>implement agreed changes with new members recruited and required training actively encouraged</li> <li>focus on existing contracts coming up for renewal to ensure comprehensive tenders/specifications and improved 'quality' requirements</li> <li>regular financial monitoring of all key financial factors and performance against budget</li> <li>new staff appraisal arrangements linked to business plan implemented and training and development made available where required</li> </ul>

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 and Corporate Services**

The Association's income and expenditure account and balance sheet are summarised in Table 1 (page 13). The Board of Management had budgeted for a surplus of £526k this year to meet its medium term strategic objectives. Due primarily to lower than expected bad debts and despite additional sums being spent on major repairs, we were able to achieve an actual surplus of £632k. 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 (WLDA) 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 have commissioned an independent advisor to assess the various options available for the future pension provisions of the Association and to assist with staff consultations. The G8 group (comprised of eight similar RSLs), continued to identify differences and explore efficiencies through the analysis of performance indicators.

The Tenant Satisfaction Survey continued to provide a wealth of customer views on how well the Association is delivering its key services. The 2013 survey, the results of which were published in May 2014, indicated 89% of our customers expressed satisfaction with our overall service. In relation to the repairs service, 88% of all tenants who had reported a repair were satisfied with the repairs service. 89% of our tenants were satisfied with the quality of their homes and a further 86% happy with the Associations neighbourhood management.

A new procurement strategy was agreed and a new procedure approved by Board in December 2013 which will help ensure the provision of good quality services and value for money in the renewal of future contracts. We prepared sufficiently and were fully able to successfully submit our first Annual Return on the Charter (ARC) in May 2014.

To continually develop our staff and maintain morale, we have in place a systematic annual appraisal scheme with staff surveys undertaken at regular intervals to assess staff satisfaction. The Association continues to support clear people management and development strategies to underpin personal and organisational improvement. To ensure the ongoing development of Board members we fully appraised their requisite skills and experience, providing internal and external training where required.

##### **Housing and Asset Management**

Board approved a new Tenant Participation Strategy during the year and we undertook a sustained drive to increase the level of tenant involvement and feedback throughout the organisation. To engage with and identify the needs of our tenants we have utilised where relevant; tenant consultations, local community strategy, internal community development surveys, and feedback from organised tenant & resident groups.

To improve efficiency we introduced an image based fault reporting system onto our website, which we hope will make it easier for us to respond faster and in the appropriate manner to reported repairs. We investigated the costs and benefits of the new arrears management software during the year and have provided our field staff with the latest in communications technology and heat efficiency research equipment.

We continue to monitor the current and impending effects of housing benefit reforms (both on our tenants and us). We have identified the residents most at risk, created strategies for dealing with the impact on residents, trained relevant staff and will continue to engage with residents, other Housing Associations and Local Authorities. We are currently implementing an arrears action plan with measures to help tenants sustain their tenancies, thus reducing arrears, void losses and above all reduce repeat homelessness.

During 2013, we completed a 25 unit development in Armadale for one of our WLDA partners and also secured planning permission for development of a further 49 social housing units at Whitburn. Both schemes include a variety of accommodation, aimed to satisfy the requirements of the waiting list for social housing in the area. The homes will benefit from high levels of insulation, modern boiler systems and reduced water consumption apparatus, all of which will result in lower running costs for future tenants.

## ALMOND HOUSING ASSOCIATION LIMITED

### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### PERFORMANCE AND DEVELOPMENT (CONTINUED)

We have surveyed our properties to assess compliance with the 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.

To improve the quality of our homes we invested £1.6million in our housing properties this year, £1.1million was spent on renewing kitchens and bathrooms, with a further £0.5million spent on upgrading heating systems. Work in relation to the ongoing planned and cyclical maintenance programmes progressed well, with £0.4million invested in a range of energy efficiency measures, notably roughcasting, external wall insulation and new tanks/cylinders.

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 0.6% of rental income receivable (2013: 0.8%), reflecting good performance considering the economic climate. The Association's rent loss for void periods at 0.41% of rental income receivable (2013: 0.33%), was comfortably below our historical target of 0.6%.

Gross rent arrears, including former tenant arrears after write off, at the year-end were improved further at 2.3% (2013: 2.6%).

#### 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. The time taken to complete emergency repairs (see below), is high compared to the target, as it includes the lull periods which can occur when tenants request non-immediate appointment times.

<b>Key Performance Indicator: Average length of time to complete</b>	
Emergency repairs: Target 6 hours to complete	Actual: 10.6 hours
Other repairs: Target 5.5 days to complete	Actual: 5.9 days

## 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: Requirement to pay higher contributions to meet deficits in both schemes or a cessation event	Options only affect future accrual levels. Not possible to mitigate existing risk but closure of the scheme to new entrants has reduced the risk of future accruals on new employees going forward. Consultant appointed by the Board to carry out consultation exercise with staff.
External influences	Government policy: Housing benefit - direct payment to tenants and/or levels capped resulting in reduced income	An action plan is in place to manage the known and potential impacts of the changes. The Welfare Reform Bill has been delayed and this has added to the uncertainty but the risk of adverse impacts on future rental income and increased arrears remains significant. We will continue to monitor the implications, review budgets and provide monthly updates to 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 internal programme was re-instated 2013-14. Evidence from the first ARC return and Tenant Satisfaction Survey have helped us to prioritise this programme.
Management	Budgetary control: Failure to achieve business goals or loss of control over income and expenditure	Monthly monitoring of expenditure carried out by budget holders, Management Team and Board to ensure business plan achieved.
Repairs	Major suppliers/contractors: Failure in the current economic environment	The procurement procedures were reviewed this year and we will ensure due diligence tests are carried out on all suppliers and contractors, including regular viability checks using market intelligence during major contracts, along with the appropriate use of performance retentions.
Strategic	ICT Systems: New system selection process - poor/inadequate specification which misses key tasks and/or results in a system not fit for purpose.	Project Board established, project initiated and consultants appointed with a detailed remit to identify and develop a system which fully meets our business needs. Rational timetable implemented and adhered to, incorporating adequate staff time and resources.

## **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 18 to 20 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 2014 the Association owned 2,442 housing properties (2013: 2,441). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £41.2million (2013 £41.1million). Our investment in housing property improvements and developments this year of £2.5million, 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 4 properties under the Mortgage-to-Rent scheme, which with funding through the Scottish Housing Regulator aims to help those households with mortgage difficulties, by offering them the flexibility to change the tenure of their home, from ownership to a tenancy in the social rented sector. We also purchased a local property on the open market.

##### **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 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 with a net present value of £1,757,947 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 net present value of the resulting annual contributions.

A pension expense calculation was carried out as at 31 March 2014 specifically for our current LPS members, which showed an increase in the net pension liability to £187,000 (2013: £145,000). This liability has been recognised in the financial statements.

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

By the year end Association borrowings amounted to £32.0million, 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 £1.5million (2013: £0.1million), details of which are shown in the consolidated cash flow statement (page 18). Gross inflows included £4.2million from operating activities, with £0.5million of grants received and £1.6million from the sale of properties, primarily completed developments to our WLDA partners. Cash outflows included £1.0million net servicing of finance interest, plus a further £3.5million 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. During 2014/15, the Association will recruit a Repairs Manager to assist in improving performance in our responsive repairs service, and recruit a Governance Officer to assist the organisation to improve overall performance in services and the associated monitoring of these services.

We aim to spend £1.3million on achieving the SHQS standard in all stock by 2015, and will continue to improve our stock in preparation for the Energy Efficiency Target of 2020. The Association will continue to report healthy surpluses during the period generating an average 156% interest cover. This level provides us with an element of leeway over our loan covenant within the period, and provides sufficient funds for future investment in our stock.

During the second year of our plan, the full introduction of Universal Credit will impact on the Association with 50% of our income now being paid directly to our tenants, rather than via a direct payment to the Association. The Association has provided for the potential of recruiting a Communities Engagement post and to support digital inclusion, via either funding a post or providing match funding to support tenants in ensuring on-line benefit applications can be made for the introduction of Universal Credit. These changes will allow us to better manage tenancy sustainment, reduce our voids and control 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 our rent levels are reasonable & comparable with local providers, for implementation by April 2015. To maintain 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 sustain our high standards of governance we will implement governance changes, improve procurement efficiency (in relation to contracting and managing relationships with suppliers) and ensure all staff have realistic but stretching targets linked to the business plan. 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 in our efforts to establish and progress a project plan for the specification, selection and implementation of a new 'Core' IT system that meets business requirements. We are also exploring the provision of new communication mediums, enabling our tenants to better access information/advice and to provide us with their feedback and options.

We plan to organise a range of public events to meet tenant needs and further increase tenant satisfaction with our services. To further these causes we will also continue to develop self-assessment measures and 'tenant scrutiny' activities to comply with Charter requirements, in particular building the Focus Group's capacity to undertake the role through resourcing training and support.

During 2014/2015 the Association will undertake staff consultation on the future of the SHAPS final salary scheme currently offered. The Association will consider the introduction of alternative benefits within the SHAPS scheme to ensure that pensions remain affordable to both the organisation and staff. The Board have introduced a defined contribution scheme for new members from 1 April 2014, with contribution rates of 5% from the employee and 10% from the employer.

##### **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	2014	2013	2012	2011	2010
<b>Income and Expenditure account (£'000)</b>					
Total turnover	10,015	9,590	9,228	8,474	8,063
Income from lettings	9,610	9,242	8,786	7,831	7,389
Operating surplus	1,601	1,912	1,442	1,256	911
Surplus for the year transferred to reserves	632	872	397	430	377
<b>Balance sheet (£'000)</b>					
Housing properties, net of depreciation HAG and other capital grants	67,095 (25,868)	66,514 (25,443)	65,976 (24,817)	63,821 (25,554)	52,264 (24,817)
Housing properties, net of depreciation & grants Other fixed assets	41,227 2,394	41,071 2,530	41,159 2,681	39,267 2,553	30,954 923
Fixed assets net of capital grants & depreciation	43,621	43,601	43,840	41,820	31,877
Net currents assets/ (liabilities)	2,212	1,984	1,095	(906)	693
<b>Total assets less current liabilities</b>	<b>45,833</b>	<b>45,585</b>	<b>44,935</b>	<b>40,914</b>	<b>32,570</b>
Loans (due over one year)	(31,707)	(32,094)	(32,138)	(28,510)	(20,364)
Pension liability	(187)	(145)	(281)	(174)	(351)
Reserves : designated : revenue : pension  : total	(1,758) (12,368) 187  (13,939)	(10,360) (3,131) 145  (13,346)	(8,158) (4,639) 281  (12,516)	(7,831) (4,573) 174  (12,230)	(7,238) (4,968) 351  (11,855)
<b>Loans, Capital and Reserves</b>	<b>(45,833)</b>	<b>(45,585)</b>	<b>(44,935)</b>	<b>(40,914)</b>	<b>(32,570)</b>
<b>Accommodation figures</b>					
Total housing stock owned at year end ( <i>number of dwellings</i> ): Social housing	<b>2,442</b>	<b>2,441</b>	<b>2,442</b>	<b>2,403</b>	<b>2,323</b>
<b>Statistics</b>					
Surplus for the year as % of turnover	6.3%	9.1%	4.3%	5.1%	4.7%
Surplus for the year as % of income from lettings	6.6%	9.4%	4.6%	5.5%	5.1%
<u>Rent losses</u> ( <i>voids and bad debts as % of rent and service charges receivable</i> )	0.6%	0.8%	0.9%	1.1%	1.0%
<u>Rent arrears</u> ( <i>gross arrears as % of rent and service charges receivable</i> )	2.3%	2.6%	2.9%	3.1%	3.1%
<u>Interest cover</u> ( <i>surplus before interest payable divided by interest payable</i> )	1.6	2.0	1.5	1.6	1.3
<u>Liquidity</u> ( <i>current assets divided by current liabilities</i> )	1.7	1.6	1.4	0.6	1.0
Total reserves per home owned	£5,708	£5,465	£5,125	£5,089	£5,103

## **ALMOND HOUSING ASSOCIATION LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALMOND HOUSING ASSOCIATION REGISTERED UNDER THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014**

We have audited the financial statements of Almond Housing Association for the year ended 31 March 2014 on pages 15 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 Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

#### **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 2014 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements April 2012.

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

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

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

*Baker Tilly UK Audit LLP*

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

Date *14 August 2014*

**ALMOND HOUSING ASSOCIATION LIMITED****INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014**

	<u>Notes</u>	<u>2014</u> £	<u>2013</u> £
<b>TURNOVER</b>	2	10,014,874	9,590,847
Operating costs	2	(8,413,644)	(7,679,178)
<b>OPERATING SURPLUS</b>	5	1,601,230	1,911,669
Gain/(Loss) on sale of fixed assets	9	9,049	(77,148)
Interest receivable and other income	8(a)	11,957	7,051
Interest payable and similar charges	8(b)	(990,195)	(969,850)
<b>SURPLUS FOR YEAR</b>	18	632,041	871,722

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 2014**

		<u>2014</u> £	<u>2013</u> £
Surplus for the financial year		632,041	871,722
Share capital issued/(cancelled) in year	16	5	(263)
Actuarial loss on Pension Fund	18	(39,000)	(42,000)
Total recognised surpluses relating to the year		593,046	829,459

The notes on pages 18 to 37 form part of these financial statements.



**ALMOND HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET AS AT 31 MARCH 2014**

	<u>Notes</u>	£	<u>2014</u> £	£	<u>2013</u> £
<b>TANGIBLE FIXED ASSETS</b>					
Housing properties	11(a)		67,095,265		66,513,952
- Gross cost less depreciation			(22,224,811)		(21,997,977)
Less: HAG			(3,643,702)		(3,444,998)
Less: Other grants			-----		-----
			41,226,752		41,070,977
Other fixed assets	11(b)		2,394,040		2,529,556
Investments	10		1		1
			-----		-----
			43,620,793		43,600,534
 <b>CURRENT ASSETS</b>					
Work in progress	12	21,489		661,103	
Debtors	13	1,077,755		1,005,370	
Cash at bank and in hand		4,089,094		2,627,336	
			-----		-----
			5,188,338		4,293,809
<b>CREDITORS:</b> Amounts falling due within one year	14		(2,976,320)		(2,309,584)
			-----		-----
			2,212,018		1,984,225
 <b>NET CURRENT ASSETS</b>					
 <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			45,832,811		45,584,759
<b>CREDITORS:</b> Amounts falling due after more than one year	15		(31,706,745)		(32,093,739)
Net Pension liability	21		(187,000)		(145,000)
			-----		-----
			13,939,066		13,346,020
 <b>NET ASSETS</b>					
 <b>CAPITAL AND RESERVES</b>					
Share capital	16		99		94
Designated reserves	17		1,757,947		10,359,675
Revenue reserve	18		12,368,020		3,131,251
Pension reserve	19		(187,000)		(145,000)
			-----		-----
			13,939,066		13,346,020
			=====		=====

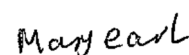
Approved and authorised for issue by the Board of Management and signed on its behalf:



A Saunders  
Chairman



J Marnie  
Vice Chairman



M Earl  
Secretary

Date: 12/8/14

The notes on pages 18 to 37 form part of these financial statements.

**ALMOND HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014**

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		£	£
<b>Net cash inflow from operating activities</b>	26(a)	3,942,247	3,352,061
<b>Return on investments and servicing of finance</b>			
Interest received		8,596	7,041
Interest and similar charges paid		(967,030)	(1,116,622)
		<hr/>	<hr/>
<b>Net cash outflow from returns on investment and servicing of finance</b>		(958,434)	(1,109,581)
<b>Capital expenditure</b>			
Payments to acquire and develop housing properties		(3,258,224)	(7,036,143)
Payments to acquire other fixed assets		(14,835)	(24,814)
Housing property disposals		1,573,180	1,930,835
		<hr/>	<hr/>
<b>Net cash outflow from capital expenditure</b>		(1,699,879)	(5,130,122)
<b>Net cash inflow/(outflow) before use of liquid resources and financing</b>		1,283,934	(2,887,642)
<b>Financing</b>			
Issue/(cancellation) of share capital		5	(263)
Grants received		543,228	3,071,435
Loans (repaid)		(365,409)	(81,122)
		<hr/>	<hr/>
<b>Net cash inflow from financing</b>		177,824	2,990,050
<b>Increase in cash</b>	26(c)	<hr/> <hr/> 1,461,758	<hr/> <hr/> 102,408

The notes on pages 18 to 37 form part of these financial statements.

## ALMOND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014

#### 1 PRINCIPAL ACCOUNTING POLICIES

The financial statements 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. Based on this the Board 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 2014 (CONTINUED)**

#### **1 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 18)  
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.

##### **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 2014 (CONTINUED)**

#### **1 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**

A designated reserve was held to meet the future reactive and cyclical repair costs of these schemes. During the year this reserve was transferred back to revenue reserves as this will soon be a requirement under FRS102/SORP 2014.

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)**

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

	Note	Turnover £	Operating costs £	Operating surplus/ (deficit) 2014 £	2013 £
Social lettings	3	9,610,374	(8,061,934)	1,548,440	1,923,761
Other activities	4	404,500	(351,710)	52,790	(12,092)
<b>Total</b>		<b>10,014,874</b>	<b>(8,413,644)</b>	<b>1,601,230</b>	<b>1,911,669</b>
Total for previous period of account		9,590,847	(7,679,178)	1,911,669	

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

	General Needs Housing £	Supported Housing £	Total 2014 £	2013 £
<b>Income from lettings</b>				
Rent receivable net of service charges	9,320,087	117,043	9,437,130	9,083,737
Service charges receivable	211,956	-	211,956	189,855
Gross income from rent and service charges	9,532,043	117,043	9,649,086	9,273,592
Less Voids	(38,712)	-	(38,712)	(30,760)
<b>Total Turnover from social letting activities</b>	<b>9,493,331</b>	<b>117,043</b>	<b>9,610,374</b>	<b>9,242,832</b>
<b>Operating Costs</b>				
Service costs	162,465	-	162,465	173,556
Management & Maintenance administration costs	2,343,256	32,724	2,375,980	2,328,703
Reactive maintenance costs	1,982,681	45,967	2,028,648	1,910,674
Bad debts – rents and service charges	17,344	-	17,344	40,854
Planned & cyclical maintenance	1,718,203	8,577	1,726,780	1,213,922
Impairment of office property	-	-	-	16,939
Impairment of properties in course of construction	197,000	-	197,000	-
Depreciation of social housing	1,534,319	19,398	1,553,717	1,634,423
<b>Operating costs for social letting activities</b>	<b>7,955,268</b>	<b>106,666</b>	<b>8,061,934</b>	<b>7,319,071</b>
<b>Operating surplus for social lettings</b>	<b>1,538,063</b>	<b>10,377</b>	<b>1,548,440</b>	<b>1,923,761</b>
Operating surplus for social lettings for previous period of account	1,885,874	37,887	1,923,761	

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (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	<b>Total turnover</b>	Operating costs – bad debts	Other operating costs	<b>Operating surplus or (deficit) 2014</b>	<u>2013</u>
	£	£	£	£	£	£	£	£	£
Wider role activities	-	25,756	-	12,814	<b>38,570</b>	-	(33,770)	<b>4,800</b>	(23,800)
Care and repair of property (Aids and adaptations)	84,380	-	-	122,771	<b>207,151</b>	-	(199,257)	<b>7,894</b>	(13,413)
Development and construction activities	-	-	-	-	-	-	(53,577)	<b>(53,577)</b>	-
Factoring	-	-	-	71,945	<b>71,945</b>	-	(54,503)	<b>17,442</b>	4,464
Support activities	-	-	-	1,368	<b>1,368</b>	-	-	<b>1,368</b>	494
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	2,100	<b>2,100</b>	-	(2,100)	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	8,503	<b>8,503</b>	-	(8,503)	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	74,863	<b>74,863</b>	-	-	<b>74,863</b>	20,163
<b>Total from other activities</b>	<b>84,380</b>	<b>25,756</b>	<b>-</b>	<b>294,364</b>	<b>404,500</b>	<b>-</b>	<b>(351,710)</b>	<b>52,790</b>	<b>(12,092)</b>
Total from other activities for the previous period of account	132,317	-	-	215,698	<b>348,015</b>	(2,734)	(357,373)	<b>(12,092)</b>	

**ALMOND HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)****5 OPERATING SURPLUS FOR YEAR**

	<u>2014</u> £	<u>2013</u> £
The operating surplus is arrived at after charging:		
Depreciation	1,702,484	1,793,738
Impairment of office	-	16,939
Impairment of housing properties in course of construction	197,000	-
Auditors remuneration: - for audit services	12,207	12,293
- non audit services	16,028	-
- internal audit services	13,050	7,800
Operating lease rentals	38,916	38,713

**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 (2013: 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 -

	2014	2013
£60,001 to £70,000	2	2
£90,001 to £100,000	-	1
£100,001 to £110,000	1	-

None of the Board of Management received any emoluments during the year (2013: £Nil). During the year the Board of Management were reimbursed expenses of £1,311 (2013: £1,005).

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>2014</u> £	<u>2013</u> £
Emoluments of the Chief Executive and Section Heads, excluding pension contributions	230,770	224,764
Contributions to the pension scheme for the Chief Executive and Section Heads	44,641	43,393
Emoluments of the Chief Executive, who was the highest paid member of staff, excluding pension contributions	100,534	97,911
Contributions to the pension scheme for the Chief Executive	18,758	18,233



**ALMOND HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)****7 EMPLOYEE INFORMATION**

Average monthly number of employees expressed in full time equivalents:	<u>2014</u>	<u>2013</u>
Housing	15	14
Maintenance	10	10
Chief Executive and Corporate & Development	7	8
Finance	4	5
	<hr/>	<hr/>
	36	37
	<hr/> <hr/>	<hr/> <hr/>

The actual average weekly number of persons employed by the Association was 39 (2013: 39).

Employee costs:

	<u>2014</u>	<u>2013</u>
	£	£
Wages and salaries	1,261,618	1,236,276
Social security costs	116,580	113,555
Other pension costs	196,539	186,119
	<hr/>	<hr/>
	1,574,737	1,535,950
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>2014</u>	<u>2013</u>
	£	£
Interest receivable	8,957	7,051
Net return on pension assets	3,000	-
	<hr/>	<hr/>
	11,957	7,051
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>2014</u>	<u>2013</u>
	£	£
Bank loans and overdrafts payable	990,195	964,850
Net payable on pension assets	-	5,000
	<hr/>	<hr/>
	990,195	969,850
	<hr/> <hr/>	<hr/> <hr/>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)**

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

	<u>2014</u> £	<u>2013</u> £
Gain on sale of housing properties	81,738	46,726
Loss on disposal of tangible fixed assets	(72,689)	(123,874)
	<hr/>	<hr/>
	9,049	(77,148)
	<hr/> <hr/>	<hr/> <hr/>

**10 FIXED ASSET INVESTMENTS**

	<u>2014</u> £	<u>2013</u> £
Subsidiary company (Cost at 31 March 2014 and 31 March 2013)	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 2014 was:

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

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

	<u>2014</u> £	<u>2013</u> £
Profit/(loss) on ordinary activities after taxation	1,862	19,625
	<hr/>	<hr/>
Net assets	169,520	180,633
	<hr/> <hr/>	<hr/> <hr/>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)**

**11 TANGIBLE FIXED ASSETS**

During the year £2,994,800 (2013: £2,516,833) was spent on major repairs and enhancements, of which replacement components totalling £1,647,749 (2013: £1,720,246) were capitalised. 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 for letting £	Housing properties in course of construction £	<b>Total</b> £
<b>COST</b>			
At 1 April 2013	76,478,126	765,592	77,243,718
Additions	2,041,875	413,857	2,455,732
Disposals	(444,038)	-	(444,038)
At 31 March 2014	<u>78,075,963</u>	<u>1,179,449</u>	<u>79,255,412</u>
<b>DEPRECIATION</b>			
At 1 April 2013	10,729,766	-	10,729,766
Charge for period	1,553,717	-	1,553,717
Impairment	-	197,000	197,000
Disposals	(320,336)	-	(320,336)
At 31 March 2014	<u>11,963,147</u>	<u>197,000</u>	<u>12,160,147</u>
<b>NET</b>	<u>66,112,816</u>	<u>982,449</u>	<u>67,095,265</u>
<b>HOUSING ASSOCIATION GRANT</b>			
At 1 April 2013	21,431,113	566,864	21,997,977
Additions	17,351	209,483	226,834
At 31 March 2014	<u>21,448,464</u>	<u>776,347</u>	<u>22,224,811</u>
<b>OTHER GRANTS</b>			
At 1 April 2013	3,273,271	171,727	3,444,998
Additions	198,704	-	198,704
At 31 March 2014	<u>3,471,975</u>	<u>171,727</u>	<u>3,643,702</u>
<b>NET BOOK AMOUNT</b>			
At 31 March 2014	<u>41,192,377</u>	<u>34,375</u>	<u>41,226,752</u>
At 31 March 2013	<u>41,043,976</u>	<u>27,001</u>	<u>41,070,977</u>

The Association tests asset carrying values annually for impairment, and more frequently should there be indicators that assets might be impaired. All income generating units (IGUs) have been tested for impairment for the year ended 31 March 2014. The recoverable amounts of the IGU are determined from net present value (NPV) calculations using a 30 year term based on our business model. On the basis of the above tests an impairment of £197,000 was identified as at 31 March 2014, on housing properties in course of construction.

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)**

**11 TANGIBLE FIXED ASSETS (CONTINUED)**

b. Other Fixed Assets

	<u>Office Property</u> £	<u>Office furniture &amp; fittings</u> £	<u>Computer equipment</u> £	<b>Total</b> £
<b>COST</b>				
At 1 April 2013	3,126,878	164,632	343,539	3,635,049
Additions	-	-	14,835	14,835
Disposals	-	(3,393)	(20,805)	(24,198)
At 31 March 2014	<u>3,126,878</u>	<u>161,239</u>	<u>337,569</u>	<u>3,625,686</u>
 <b>DEPRECIATION</b>				
At 1 April 2013	745,585	107,333	252,575	1,105,493
Charge for period	55,453	30,136	63,178	148,767
Disposals	-	(2,723)	(19,891)	(22,614)
At 31 March 2014	<u>801,038</u>	<u>134,746</u>	<u>295,862</u>	<u>1,231,646</u>
 <b>NET BOOK AMOUNT</b>				
At 31 March 2014	<u>2,325,840</u>	<u>26,493</u>	<u>41,707</u>	<u>2,394,040</u>
At 31 March 2013	<u>2,381,293</u>	<u>57,299</u>	<u>90,964</u>	<u>2,529,556</u>

**12 WORK IN PROGRESS**

	<u>2014</u> £	<u>2013</u> £
Properties for sale to RSLs:		
Properties under construction at cost	141,105	1,852,769
Housing Association Grant	(119,616)	(1,191,666)
	<u>21,489</u>	<u>661,103</u>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)**

**13 DEBTORS**

	<u>2014</u> £	<u>2013</u> £
Rental debtors	229,713	245,835
- Provision for doubtful rental debtors	(78,102)	(107,716)
Net rental debtors	<u>151,611</u>	<u>138,119</u>
Other debtors	566,269	682,831
Prepayments and accrued income	81,205	111,947
Capital grant receivable	278,670	72,473
	<u>1,077,755</u>	<u>1,005,370</u>

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

	<u>2014</u> £	<u>2013</u> £
Bank overdraft	-	33,621
Bank loans (see Note 15)	308,726	287,141
Trade creditors	1,114,795	557,779
Other taxation and social security	33,424	32,707
Rents in advance	250,347	238,814
Amounts owed to subsidiary undertaking	37,627	32,243
Other creditors	47,919	45,563
Accruals and deferred income	1,183,482	1,081,716
	<u>2,976,320</u>	<u>2,309,584</u>

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

	<u>2014</u> £	<u>2013</u> £
Bank loans:		
Due under 1 year (see Note 14)	308,726	287,141
Due within 1 to 2 years	614,184	309,050
Due within 2 to 5 years	2,654,182	2,040,556
Due after five years or more	28,438,379	29,744,133
	<u>32,015,471</u>	<u>32,380,880</u>

	<u>2014</u> £	<u>2013</u> £
Bank loan instalments are due as follows:		
Due under 1 year	308,726	287,141
Due over 1 year	31,706,745	32,093,739
	<u>32,015,471</u>	<u>32,380,880</u>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)**

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

The bank loans are secured by a first charge over specific properties of the Association. Loans are repayable annually. Interest is payable at LIBOR plus varying margins of between 0.30% and 1.75% for all facilities held with RBS. Interest Rate Swaps have been embedded within our loan agreements, to mitigate the exposure to interest rate risk and details of these Swaps are contained in the table below.

The Nationwide B.S. £12Million Business Term Loan has interest charged at the fixed rate of LIBOR + 0.375% and is repayable monthly over the next thirty three years, inclusive of the remaining two year capital repayment holiday.

	£	<u>Repayment date</u>
Business Term Loan	2,696,999	20 January 2034
Business Term Loan	2,200,000	20 January 2034
Business Term Loan	2,120,000	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	11,998,472	30 November 2047
	<hr/>	
	32,015,471	
	<hr/> <hr/>	

The Association's activities expose it to interest rate risk. The Association uses interest rate derivatives to hedge these exposures. The financial instruments are not used for speculative purposes. The Association has a number of interest rate swaps in place which places a limit on the interest payable on £13.897m of the bank borrowings. The banks' valuation of the fair value of these loans is £1.861m.

The rate payable is fixed at rates between 3.47% and 5.99%. The average rate of interest was 5.25% (2013 5.36%). The loans are all currently at rates between 4.57% and 6.29% (2013 4.57% and 6.35%). The terms of the agreements are as follows:

<b>Loan Facility</b>	<b>Amount</b>	<b>SWAP Rate</b>	<b>Term</b>
Facility –A-	£3,000,000	3.63%	22/01/2014 - 22/01/2034
Facility –A-	£3,000,000	4.64%	20/01/2004 - 20/01/2016
Facility –A-	£3,000,000	4.62%	20/01/2004 - 20/01/2019
Facility –B-	£2,696,999	5.99%	28/06/2007 - 28/06/2022
Facility –B-	£2,200,000	3.47%	22/01/2013 - 24/01/2033

**ALMOND HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)****16 CALLED UP SHARE CAPITAL**

	<u>2014</u> £	<u>2013</u> £
Shares of £1 each Issued and Fully Paid At 1 April 2013	94	357
Shares issued during the year	8	3
Shares cancelled during the year	(3)	(266)
	<hr/>	<hr/>
At 31 March 2014	99	94
	<hr/> <hr/>	<hr/> <hr/>

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

**17 DESIGNATED RESERVES**

	<u>2014</u> £	<u>2013</u> £
<u>Major Repairs</u>		
At 1 April	8,553,411	8,158,185
Release to revenue reserve (Note 18)	(8,553,411)	-
Transfer from revenue reserve (Note 18)	-	395,226
	<hr/>	<hr/>
At 31 March	-	8,553,411
	<hr/> <hr/>	<hr/> <hr/>

This reserve was designed to meet the anticipated cost of planned and cyclical repairs as they occurred during the life of the properties. The reserve was discontinued in 2013/14 with the reserve being transferred to revenue reserves.

	<u>2014</u> £	<u>2013</u> £
<u>SHAPS Past Service Deficit</u>		
At 1 April	1,806,264	-
Transfer from revenue reserve in year (see Note 18)	-	1,806,264
Release to revenue reserve in year (see Note 18)	(48,317)	-
	<hr/>	<hr/>
At 31 March	1,757,947	1,806,264
	<hr/> <hr/>	<hr/> <hr/>

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 13 years 6 months.

**ALMOND HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)****18 RECONCILIATION OF MOVEMENT IN ACCUMULATED SURPLUS**

	<u>2014</u> £	<u>2013</u> £
Revenue reserve at 1 <sup>st</sup> April	3,131,251	4,639,019
Surplus for year	632,041	871,722
Transfer from/(to) designated reserve - Major Repairs (Note 17)	8,553,411	(395,226)
Transfer from/(to) designated reserve - SHAPS Past Service Deficit (Note 17)	48,317	(1,806,264)
Actuarial loss on pension scheme (see Note 21)	(39,000)	(42,000)
Transfer from/(to) pension reserve (see Note 19)	42,000	(136,000)
Revenue reserve at 31 March	<u>12,368,020</u>	<u>3,131,251</u>

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

**19 PENSION RESERVE**

	<u>2014</u> £	<u>2013</u> £
At 1 April	(145,000)	(281,000)
Transfer (to)/from Income and Expenditure account (see Notes 18 & 21)	(42,000)	136,000
At 31 March	<u>(187,000)</u>	<u>(145,000)</u>

**20 CAPITAL COMMITMENTS**

	<u>2014</u> £	<u>2013</u> £
Authorised and contracted for	<u>2,342,025</u>	<u>1,742,743</u>



## ALMOND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)

#### 21 PENSION COSTS

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

#### **Scottish Housing Associations Pension Scheme Standard Employees**

##### General

Almond Housing Association Ltd participates in the 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 commingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The 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 Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

The key valuation assumptions used to determine the assets and liabilities of the SHAPS Scheme as at 30 September 2013 were 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 2.0% pa for pensions accrued before 6 April 2005, 1.7% pa for pensions 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

## ALMOND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)

#### 21 PENSION COSTS (CONTINUED)

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.

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 is £134,125 from 1 April 2014 and will increase to £138,149 from 1 April 2015. 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 £1,757,947.

#### 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 2014 by a professionally qualified actuary using the projected unit method. The next valuation will be as at 31 March 2015.

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

The main financial assumptions used by the actuary were:

	31 Mar 14 % p.a.	31 Mar 13 % p.a.	31 Mar 12 % p.a.	31 Mar 11 % p.a.	31 Mar 10 % p.a.
Inflation / Pension increase rate	2.6%	2.8%	2.5%	2.8%	3.8%
Rate of increase in salaries	4.9%	5.1%	4.8%	5.1%	5.3%
Expected return on assets	6.1%	5.3%	5.8%	7.0%	7.3%
Discount rate	4.1%	4.5%	4.8%	5.5%	5.5%

<b>Expected return on assets:</b>	31 Mar 14 % p.a.	31 Mar 13 % p.a.	31 Mar 12 % p.a.	31 Mar 11 % p.a.	31 Mar 10 % p.a.
Equities	6.6%	5.7%	6.2%	7.5%	7.8%
Bonds	3.9%	3.5%	4.0%	4.9%	5.0%
Property	4.8%	3.9%	4.4%	5.5%	5.8%
Cash	3.7%	3.0%	3.5%	4.6%	4.8%

<b>Fair value of scheme assets:</b>	at 31 Mar 2014 £(000's)	at 31 Mar 2013 £(000's)	at 31 Mar 2012 £(000's)	at 31 Mar 2011 £(000's)	at 31 Mar 2010 £(000's)
Equities	1,006	965	701	608	564
Bonds	118	98	71	62	57
Property	105	110	98	77	64
Cash	78	49	18	23	29
<b>Total Estimated Employer Assets (A)</b>	<b>1,307</b>	<b>1,222</b>	<b>888</b>	<b>770</b>	<b>714</b>
<b>Value placed on Scheme Liabilities (B)</b>	<b>(1,494)</b>	<b>(1,367)</b>	<b>(1,169)</b>	<b>(944)</b>	<b>(1,065)</b>
<b>Net Pension liability (A-B)</b>	<b>(187)</b>	<b>(145)</b>	<b>(281)</b>	<b>(174)</b>	<b>(351)</b>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)**

**21 PENSION COSTS (CONTINUED)**

**Movement in deficit during the year**

	<u>2014</u> £	<u>2013</u> £
Deficit in scheme at beginning of year	(145,000)	(281,000)
<u>Movements during the year:</u>		
Current service cost	(31,000)	(25,000)
Contributions paid	25,000	208,000
Past service income	-	-
Other finance income/(costs)	3,000	(5,000)
Actuarial loss	(39,000)	(42,000)
Deficit at the end of the year	<u>(187,000)</u>	<u>(145,000)</u>

	<u>2014</u> £	<u>2013</u> £
<b>Analysis of the amount charged to other finance costs</b>		
Expected return on pension scheme assets	65,000	51,000
Interest on pension scheme liabilities	(62,000)	(56,000)
Net finance income/(charge)	<u>3,000</u>	<u>(5,000)</u>

**History of experience gains and losses**

	Year to 31 March 2014 £(000's)	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)
Difference between expected and actual return on assets	9	87	51	(13)	147
Value of assets	1,307	1,222	888	770	714
<b>Percentage of scheme assets at year end</b>	<b>0.7%</b>	<b>7.1%</b>	<b>5.7%</b>	<b>(1.7%)</b>	<b>20.6%</b>
Experience gain/(losses) on liabilities	-	1	(164)	-	-
Total present value of liabilities	(1,494)	(1,367)	(1,169)	(944)	(1,065)
<b>Percentage of the total present value of liabilities</b>	<b>0.0%</b>	<b>0.0%</b>	<b>14.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Actuarial gains/(losses) recognised in STRGL	(39)	(42)	(111)	95	(206)
Total present value of liabilities	(1,494)	(1,367)	(1,169)	(944)	(1,065)
<b>Percentage of the total present value of liabilities</b>	<b>2.6%</b>	<b>3.1%</b>	<b>9.5%</b>	<b>(10.1%)</b>	<b>19.3%</b>

**ALMOND HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)****21 PENSION COSTS (CONTINUED)****Analysis of amount recognised in statement of total recognised gains and losses (STRGL)**

	Year to 31 March 2014 £(000's)	Year to 31 March 2013 £(000's)	Year to 31 March 2012 £(000's)
Actual return less expected return on pension scheme assets	9	87	51
Experience gains and losses arising on the scheme liabilities	-	1	(164)
Changes in assumptions underlying the present value of scheme liabilities	(48)	(130)	2
Actuarial loss in pension plan	<u>(39)</u>	<u>(42)</u>	<u>(111)</u>
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-	-
Actuarial loss recognised in STRGL	<u><u>(39)</u></u>	<u><u>(42)</u></u>	<u><u>(111)</u></u>

Contributions totalling £2,817 (2013: £2,744) 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 2015 will be approximately £25,460.

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

	<u>2014</u> £	<u>2013</u> £
Current service cost	(31,000)	(25,000)
Past service income	-	-
Total operating loss	<u><u>(31,000)</u></u>	<u><u>(25,000)</u></u>

**22 RELATED PARTY DISCLOSURES**

Four members of the Board of Management are tenants of the Association. Rental charges are made on an arm's length basis. There were no rent balances outstanding at the year-end (2013: £Nil).

Almond Enterprises Limited, a wholly owned subsidiary of the Association, continues to manage cleaning and clearance contracts for the Association which amounted to £234,126 of turnover this year (2013: £211,932), with a year-end net trade creditor balance of £37,627 (2013: £32,243).

**23 LEASE OBLIGATIONS**

The Association is committed to make the following payments during the year ending 31 March 2015 in relation to operating leases which expire:

	Plant & Machinery	
	<u>2014</u>	<u>2013</u>
Within one year	14,257	-
Between two and five years	19,308	33,133
	<u><u>33,565</u></u>	<u><u>33,133</u></u>

**ALMOND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)**

**24 HOUSING STOCK**

The number of units in Management at 31 March was as follows:	<u>2014</u>	<u>2013</u>
General needs housing	2,434	2,433
Supported housing accommodation (comprising 101 bedspaces in total)	8	8
Total	<u>2,442</u>	<u>2,441</u>

**25 AVERAGE RENTS**

	<u>2014</u>	<u>2013</u>
Average weekly rent for housing accommodation	£72.09	£69.33
Increase	4.0%	4.6%
Average number of Units	2,442	2,442

**26 CASH FLOW STATEMENT**

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

	<u>2014</u>	<u>2013</u>
	£	£
Operating surplus for the year	1,601,230	1,911,669
Depreciation charges	1,702,484	1,793,738
Diminution in value of land and buildings	197,000	16,939
Decrease/(increase) in debtors	134,173	(199,658)
Increase/(decrease) in creditors	307,360	(170,627)
	<u>3,942,247</u>	<u>3,352,061</u>

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

	<u>2014</u>	<u>2013</u>
	£	£
Increase in cash in the period	1,461,758	102,408
Cash outflow from decrease in overdraft (note 26c)	33,621	54,151
Cash outflow from decrease in debt (note 26c)	365,409	81,122
Change in net debt from cash flows	<u>1,860,788</u>	<u>237,681</u>
Movements in net debt in period	1,860,788	237,681
Net debt at 1 April	(29,787,165)	(30,024,846)
Net debt at 31 March	<u>(27,926,377)</u>	<u>(29,787,165)</u>

**ALMOND HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2014 (CONTINUED)****26 CASH FLOW STATEMENT (CONTINUED)****(c) Analysis of changes in net debt**

	At 1 April 2013 £	Cash flow £	Other changes £	At 31 March 2014 £
Cash at bank and in hand	2,627,336	1,461,758	-	4,089,094
Overdraft	(33,621)	33,621	-	-
Debt due within one year	(287,141)	-	(21,585)	(308,726)
Debt due after one year	(32,093,739)	365,409	21,585	(31,706,745)
	<u>(29,787,165)</u>	<u>1,860,788</u>	<u>-</u>	<u>(27,926,377)</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 2013. As of this date the estimated employer debt for Almond Housing Association Ltd was £3,437,024. 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.