

ALMOND HOUSING ASSOCIATION LIMITED

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

YEAR ENDED 31 MARCH 2015

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 2015

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ADVISORS

Auditors	Baker Tilly UK Audit LLP First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG
Bankers	Royal Bank of Scotland plc 36, St Andrew Square Edinburgh EH2 2YB
	Nationwide Building Society Caledonia House, Carnegie Avenue Dunfermline KY11 8PJ
Legal advisors	DWF LLP No 2 Lochrin Square 9b Fountainbridge Edinburgh EH3 9QA
	T C Young 69A, George Street Edinburgh EH2 2JG
	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA

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 2015.

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 2014, 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. After the transfer of the surplus for the year of £656,927 (2014: £632,041), at the year-end the reserves of the Association amounted to £14.6million (2014: £13.9million). £1,674,891 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 £15,893 (2014: £7,882), to several good causes, (primarily from sums gifted by Almond Enterprises) 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 25 (2014: 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 were members of either the SHAPS Pension Scheme or the Lothian Pension Fund, both defined benefit final salary pension schemes during the year. 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* (retired 9 Oct 2014)
Mrs A McIntyre* (Chair of Finance Audit Sub-Committee)	Mr M Joyce (Co-opted 7 May 2015)
Mrs B Cameron (Co-opted 7 May 2015)	

* Member of the Finance Audit Sub-Committee at 31 March 2015 (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 Allocations), or to "short life" working groups with a specific remit such as the Development Working Group and Pension Working Group.

Internal financial controls assurance

The Board of Management is 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 engages 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.

ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RSL will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefits Society Act 2014, Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements - 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 Thursday 3 September 2015 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

Date: 6/8/2015

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 2015 there were 98 active members.

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

OBJECTIVES AND STRATEGY

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

Our 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
Housing and Asset Management	<ul style="list-style-type: none"> complete the comprehensive review of the rent setting policy, including option appraisals continue to develop measures to minimise the impact of the welfare benefit reforms on tenants and on the Association's finances and systems continue to develop the range of communication methods for tenants and other stakeholders to access information and advice and provide their feedback and opinions achieve planned and cyclical maintenance programme targets (including the SHQS delivery plan by 31 March 2015) complete the current new-build development programme and identify viable development sites ensure the Asset Management Strategy is based on clear survey evidence of local needs and is designed to meet those needs through appointing Community Initiatives Co-ordinator, identify the need, appetite for and funding available for support, e.g. digital inclusion implement energy efficiency improvements to reduce the extent of fuel poverty and carbon emissions in existing and new-build properties 	<ul style="list-style-type: none"> management team focus and reports progressed to board impact identified from review of government regulations, staff resources in place and our advice project well managed, publicised and funded development of new website, exploration of text messaging, tenant conference held and implementation of Tenant Participation Strategy complete annual cyclical and planned maintenance programmes on time, within budget and to the required standards deliver programme on time, within cost and to the desired quality comprehensive condition surveys completed and tenants' views regularly sought on priorities for future improvements etc. gaps in the provision of 'community needs' identified and projects benefit appraised in light of resources and funding availability regular review of future plans to include energy efficiency measures and regular monitoring to take advantage of Government funded energy schemes
Finance and Corporate Services	<ul style="list-style-type: none"> continue to develop the targets and methodology for assessing performance to deliver the new Annual Report on the Charter (ARC) continue to develop 'tenant scrutiny' activities to comply with Charter requirements and build the Focus Group's capacity to undertake the role 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 continue to implement governance changes, including annual Board appraisals, training and provision of timely/relevant information to discharge their scrutiny role continue to improve procurement efficiency in contracting and managing relationships with suppliers to secure best value for the Association achieve all key financial ratios and meet lenders' covenants ensure all staff have realistic but stretching targets linked to the business plan and any additional development needs are identified and addressed establish and progress a project plan for the specification, selection and implementation of a new 'Core' IT system review key working practices aiming to 'work smarter' and make greater use of technology to streamline processes and reduce costs use complaints, tenant surveys and repairs feedback to inform future decision-making where appropriate 	<ul style="list-style-type: none"> meet deadlines and ensure that information recorded meets all SHR requirements a wider range of tenant involvement vehicles and at least one training event implemented. Recommend self-assessment programme close liaison with AHA Board and key employees maintained to support AEL and ensure continued financial viability through more regular meetings and progression of AEL option appraisal exercise. skills/experience regularly assessed with new members recruited and required training actively encouraged focus on existing contracts coming up for renewal to ensure comprehensive tenders/specifications and improved 'quality' requirements regular financial monitoring of all key financial factors and performance against budget new staff appraisal arrangements linked to business plan, implemented and training made available where required appoint external consultant and allocate sufficient time and budget to progress project procedures and work practices scrutinised and changed where clear benefits exist regular review of feedback, actions agreed and implemented, with progress measured in achieving improvements and standards

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 £767k this year to meet its medium term strategic objectives and we were able to achieve an actual surplus of £657k. 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 ahead of 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, with negotiations underway to extend our flexible borrowing facility until June 2019.

We continued to focus on the management of arrears and voids, and with the excellent work of our tenancy support and money advice services we were able to maintain high levels of customer satisfaction and sustained tenancies throughout the year. We collected information throughout the year and were able to successfully submit our Annual Return on the Charter (ARC) in May 2015.

Cash flow requirements and associated risks continue to be monitored closely, to look at areas in which further savings can be made. During the year, we formally assessed the impact of adverse performance in our defined benefit pension schemes on our long term planning. Independent advisors were appointed to assess the options open to the Association, based on its staff profile and the commitments already in place with regard to deficit payments.

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.

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; complaints feedback, local community strategy, feedback from organised tenant and resident groups, tenant consultations including surveys, questionnaires and roadshows. The Board of Management included 4 tenant members (36%) during the year.

Housing and Asset Management

The Government's welfare reforms have the potential to severely disrupt our income streams and present significant challenges to our tenants and community. We have begun investing in smarter systems, allocated additional staff resources to increase reactivity and support tenants through these changes, and provided our field staff with the latest in communications technology.

We have launched our Digital Inclusion Strategy, using technology to reshape the way we do things with many positive social and economic impacts like reducing isolation and improving health. A number of our tenants are currently digitally excluded and it's our aim that by 2016, all of them are able to access our services online, be digitally capable and make the most of the internet. After extensive demonstrations and product testing we agreed upon a replacement core business system, for housing, asset management and finance, with full implementation planned for 2016.

A comprehensive review of the existing rent pointing system was carried out and following Board approval of the new rent structure model, a full consultation was undertaken with tenants. The feedback on the Rent Setting Policy supported the principles of the new structure being fair, easy to understand and took all relevant issues into account. Consequently, the rent setting policy has been modified to coincide with the implementation of the rent points restructuring and revised rents from 1 April 2015.

Work has progressed well on our major development comprising 49 social housing units at Whitburn, which includes 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)

Our planned maintenance programmes are designed to maximise the life of our properties and improve the efficiency of key property elements. We have surveyed all our properties and ensured that they are fully compliant with the Scottish Housing Quality Standard (SHQS) 2015. This substantiates that all our properties are in a satisfactory state of repair, energy efficient, modern, healthy, safe and secure.

To improve the quality of our homes we invested £1.6million in our housing properties this year, £0.7million was spent on upgrading heating systems and roofing. Work in relation to the ongoing planned and cyclical maintenance programmes also progressed well, with £1.0million invested in a range of energy efficiency measures, notably roughcasting, external wall insulation and new tanks/cylinders.

In addition to this expenditure, we acted as an agent to channel 'green' grants from various sources to provide a further £1.5million of new thermally efficient external cladding to 230 owner occupied properties in Howden.

The Scottish Government has now published the Energy Efficiency standard for Social Housing (EESH) which sets the target for energy efficiency standards to be met by all social housing by 2020. The Association will continue progressing towards meeting this new standard, with a further review of all our stock planned to ensure full compliance.

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

Our performance against key performance indicators is set out in Table 1 (page 13) and summarised below.

Rent losses and arrears

Rent losses (including bad debts), were well below other RSLs in our peer group at just 0.5% of rental income receivable (2014: 0.6%), in line with additional staff resources and a concerted drive to assist tenants in completing forms and making payment arrangements. The Association's rent loss for void periods at 0.3% of rental income receivable (2014: 0.4%), remained 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 1.6% (2014: 2.3%).

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 this year. The time taken to complete emergency and other repairs (see below), has improved significantly this year.

Key Performance Indicator: Average length of time to complete	
Emergency repairs: Target 6.0 hours to complete	Actual: 5.8 hours
Other repairs: Target 5.5 days to complete	Actual: 5.8 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.

Specific Risk	Action to mitigate risk
Welfare Reforms	Direct payment of Housing Benefit to our customers and the potential of having benefit levels capped could reduce income, and necessitate further increases in staff resource to remedy. We have put in place budgetary controls and additional borrowing, should cash flows be impaired and loan covenants stressed. On the ground, we have increased the staff resource within our housing management team, will continue to host a member of West Lothian Council's Benefits Team to directly advise and support our customers and are accessing SLAB funding to provide a Financial Inclusion Support Service to tenants in partnership with CAB.
Delay or failure of major capital works projects	Variances from budget for our major capital works could affect our overall financial stability or lead to greater rises in rents or borrowing, so we make sure our projects are in line with our long term investment strategy and supported by fact based assessment and projection. We co-ordinate meetings with the Council and Scottish Government to ensure programmes are in line with national objectives and maintain strong relationships with partners. We also appoint qualified consultants to manage workloads and ensure regular monitoring and reporting on progress of works with contractors and consultants.
Major repairs expenditure increases above inflation	We would need to manage our spending in other areas to facilitate any increase above the levels currently projected without affecting loan covenants. Other mitigating activities include regular monitoring and review of our 30 year plan and associated assumptions and whole life costing appraisals to ensure efficient use of resources over the long term
Interest rates incurred higher than projected	Our loans are either at fixed rate or LIBOR plus associated margins applicable to the loans. Due to managing our interest rate exposure by converting borrowing to fixed rates by 2020, we could accommodate increases in LIBOR rates above levels predicted without affecting loan covenants. We will also be retaining our external treasury advisors to provide key support and carry out regular monitoring and review of our 30 year plan and associated assumptions.
Levels of rental growth may be less than projected	Assumptions of low levels of RPI have indicated possible loan covenant breaches within our 30 year plan. In such a scenario we would re-phase expenditure and/or control costs to the levels of rental growth. In addition we will focus on improving business practices to ensure efficiency and value for money.
RPI of zero over the short term	Zero RPI would result in significant reductions in our income stream requiring us to review our major repairs programmes. Mitigating activities include regular review of budgetary performance and monitoring and review of our 30 year plan and associated assumptions

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Accounting policies

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

Housing properties

At 31 March 2015 the Association owned 2,441 housing properties (2014: 2,442). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £40.3million (2014 £41.2million). Our investment in housing property improvements and developments this year of £3.1million, 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.

Pension costs

During the year the Board considered whether the Association should continue to participate in two pension schemes, the Scottish Housing Association Pension Scheme (SHAPS) with 24 active members and the Lothian Pension Scheme (LPS) with 2. In recent years it had become very costly to maintain the benefit of these for our staff, as the contributions to reduce the past service deficit within the pension fund were growing. The Board considered that allowing this deficit to potentially grow further over time was not sustainable for the Association and its tenants.

The Board therefore took professional advice and in consultation with staff made the decision to close the LPS scheme to its two remaining members of staff with effect from 30 September 2015, to limit any further growth in the deficit on this fund. In addition the decision was made to move the 24 members in the final salary section of the SHAPS to the defined contribution section in respect of future service, again from 30 September 2015.

From this date all staff will now be offered a defined contribution pension option which will not create any deficits in the future as staff only receive the value of the contributions made to their pension at the time they retire, not a guaranteed future income.

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 £1,674,891 repayable over the next 12 years and 6 months from 1 April 2015. A SHAPS pension reserve remains within designated reserves to provide for the net present value of the resulting annual contributions.

A cessation valuation calculation was carried out as at 30 September 2014 specifically for our current LPS members, which showed an increase in the net pension liability to £493,000 (2014: £187,000). This liability has been fully recognised in the financial statements.

Capital structure and treasury policy

By the year end Association borrowings amounted to £31.7million, two thirds of which is due to mature by 2036 and one third by 2047. Interest was fixed long term (at 4.075% on average), for 84% of our total borrowings, with the remaining 16% variable (at LIBOR+0.92% 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 £1.3million (2014: £1.5million), details of which are shown in the cash flow statement (page 18). Gross inflows included £3.5million from operating activities, with £2.1million of grants received. Cash outflows included £1.0million net servicing of finance interest and similar charges, plus a further £3.2million expenditure on developments and housing improvements.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING & FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Future developments

Developments

During the next 5 years we are projecting ten developments will be on site, with all completing during this period. This represents 125 new properties for let directly to our customers. In addition to these developments we will undertake to develop 92 further properties for our partners in the West Lothian Development Alliance.

Staffing

During 2015-16, we are not anticipating any new starts to our permanent people compliment. In 2014-15 we successfully recruited for the post of Community Engagement Officer on a fixed term basis and we anticipate that this post will become permanent at the end of this fixed term (in 2016-17). As part of the implementation of a new core IT system during 2015-16 we have assumed that temporary cover will be used to ensure a smooth transition to our new system.

Scottish Housing Quality Standard (SHQS) – revenue costs

We are assuming that we will spend £1.683million on maintaining the SHQS standard across all of our stock and will continue to improve our properties in preparation of the Energy Efficiency Target of 2020. We will continue to report healthy surpluses during this period of an average 148% interest cover. This level allows an element of headroom over our loan covenant over the period, as well as providing sufficient funds for future investment in our stock.

Pensions

During 2015-16, we will auto-enrol and offer a defined contribution scheme in line with the Pension Quality Mark Plus standard. It is assumed that all existing pension arrangements will cease on 30 September 2015, with our people all joining the new scheme. Within the plan period we have further assumed that the SHAPS past service deficit will increase, resulting in an additional payment of £50k per annum increasing at each triennial valuation.

Core IT System replacement

We are assuming that there will be a total cost of £450k on the acquisition, installation and implementation of our new computer system for Housing Management, Asset Management and Finance. We have assumed that £250k of this total cost will be capitalised during 2015-16.

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Table 1 – Annual results and KPI, five year summary

For the year ended 31 March	2015	2014	2013	2012	2011
Income and Expenditure account (£'000)					
Total turnover	11,742	10,015	9,590	9,228	8,474
Income from lettings	9,919	9,610	9,242	8,786	7,831
Operating surplus	1,593	1,601	1,912	1,442	1,256
Surplus for the year transferred to reserves	657	632	872	397	430
Balance sheet (£'000)					
Housing properties, net of depreciation HAG and other capital grants	68,558 (28,264)	67,095 (25,868)	66,514 (24,817)	65,976 (25,554)	63,821 (25,443)
Housing properties, net of depreciation & grants Other fixed assets	40,294 2,286	41,227 2,394	41,071 2,530	41,159 2,681	39,267 2,553
Fixed assets net of capital grants & depreciation	42,580	43,621	43,601	43,840	41,820
Net currents assets/ (liabilities)	3,080	2,212	1,984	1,095	(906)
Total assets less current liabilities	45,660	45,833	45,585	44,935	40,914
Loans (due over one year)	(31,093)	(31,707)	(32,138)	(28,510)	(20,364)
Pension liability	-	(187)	(145)	(281)	(174)
Reserves : designated : revenue : pension	(1,675) (12,892) -	(1,758) (12,368) 187	(8,158) (3,131) 145	(7,831) (4,639) 281	(7,238) (4,573) 174
: total	(14,567)	(13,939)	(12,516)	(12,230)	(11,855)
Loans, Capital and Reserves	(45,660)	(45,833)	(44,935)	(40,914)	(32,570)
Accommodation figures					
Total housing stock owned at year end (<i>number of dwellings</i>) : Social housing	2,441	2,442	2,442	2,403	2,323
Statistics					
Surplus for the year as % of turnover	5.6%	6.3%	9.1%	4.3%	5.1%
Surplus for the year as % of income from lettings	6.6%	6.6%	9.4%	4.6%	5.5%
<u>Rent losses</u> (<i>voids and bad debts as % of rent and service charges receivable</i>)	0.5%	0.6%	0.8%	0.9%	1.1%
<u>Rent arrears</u> (<i>gross arrears as % of rent and service charges receivable</i>)	1.6%	2.3%	2.6%	2.9%	3.1%
<u>Interest cover</u> (<i>surplus before interest payable divided by interest payable</i>)	1.7	1.6	2.0	1.5	1.6
<u>Liquidity</u> (<i>current assets divided by current liabilities</i>)	2.2	1.7	1.6	1.4	0.6
Total reserves per home owned	£5,968	£5,708	£5,465	£5,125	£5,089

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 2015 on pages 16 to 38. 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 2015 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 11/3/15

ALMOND HOUSING ASSOCIATION LIMITED

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

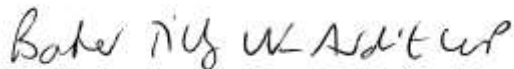
In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated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

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

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



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

Date 11/3/15

ALMOND HOUSING ASSOCIATION LIMITED**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015**

	<u>Notes</u>	<u>2015</u> £	<u>2014</u> £
TURNOVER	2	11,742,103	10,014,874
Cost of sales	2	(10,148,829)	(8,413,644)
		<hr/>	<hr/>
OPERATING SURPLUS	5	1,593,274	1,601,230
(Loss)/Gain on sale of fixed assets	9	(14,430)	9,049
Interest receivable and other income	8(a)	35,238	11,957
Interest payable and similar charges	8(b)	(957,155)	(990,195)
		<hr/>	<hr/>
SURPLUS FOR YEAR	18	656,927	632,041
		<hr/> <hr/>	<hr/> <hr/>

The results for the year relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED SHEET AS AT 31 MARCH 2015**

		<u>2015</u> £	<u>2014</u> £
Surplus for the financial year		656,927	632,041
Share capital (cancelled)/issued in year	16	(1)	5
Actuarial loss on Pension Fund	18	(29,000)	(39,000)
		<hr/>	<hr/>
Total recognised surpluses relating to the year		627,926	593,046
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 19 to 38 form part of these financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31 MARCH 2015

	<u>Notes</u>	£	<u>2015</u> £	£	<u>2014</u> £
TANGIBLE FIXED ASSETS					
Housing properties	11(a)		68,557,604		67,095,265
- Gross cost less depreciation			(24,620,212)		(22,224,811)
Less: HAG			(3,643,702)		(3,643,702)
Less: Other grants			-----		-----
			40,293,690		41,226,752
Other fixed assets	11(b)		2,286,256		2,394,040
Investments	10		1		1
			-----		-----
			42,579,947		43,620,793
 CURRENT ASSETS					
Work in progress	12	36,581		21,489	
Debtors	13	1,230,679		1,077,755	
Cash at bank and in hand		5,344,988		4,089,094	
			-----		-----
			6,612,248		5,188,338
CREDITORS: Amounts falling due within one year	14		(3,532,638)		(2,976,320)
			-----		-----
			3,079,610		2,212,018
 NET CURRENT ASSETS					
			-----		-----
TOTAL ASSETS LESS CURRENT LIABILITIES			45,659,557		45,832,811
 CREDITORS: Amounts falling due after more than one year	15		(31,092,565)		(31,706,745)
Net Pension liability	21		-		(187,000)
			-----		-----
NET ASSETS			14,566,992		13,939,066
			=====		=====
 CAPITAL AND RESERVES					
Share capital	16		98		99
Designated reserves	17		1,674,891		1,757,947
Revenue reserve	18		12,892,003		12,368,020
Pension reserve	19		-		(187,000)
			-----		-----
			14,566,992		13,939,066
			=====		=====

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



A Saunders
Chairman



A McIntrye
Board Member



M Earl
Secretary

Date: 6/8/15

The notes on pages 19 to 38 form part of these financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		£	£
Net cash inflow from operating activities	26(a)	3,479,703	4,225,247
Return on investments and servicing of finance			
Interest received		16,858	8,596
Interest and similar charges paid		(956,193)	(967,030)
		<hr/>	<hr/>
Net cash outflow from returns on investment and servicing of finance		(939,335)	(958,434)
Capital expenditure			
Payments to acquire and develop housing properties		(3,157,226)	(3,541,224)
Payments to acquire other fixed assets		(1,893)	(14,835)
Housing property disposals		58,725	1,573,180
		<hr/>	<hr/>
Net cash outflow from capital expenditure		(3,100,394)	(1,982,879)
Net cash (outflow)/inflow before use of liquid resources and financing		(560,026)	1,283,934
Financing			
(Cancellation)/issue of share capital		(1)	5
Grants received		2,124,643	543,228
Loans repaid		(308,722)	(365,409)
		<hr/>	<hr/>
Net cash inflow from financing		1,815,920	177,824
Increase in cash	26(c)	<hr/> <hr/>	<hr/> <hr/>
		1,255,894	1,461,758

The notes on pages 19 to 38 form part of these financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015

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 2015 (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 19)
Computer equipment, office furniture and fittings 4 years

Impairment

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

Grants

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

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

Work in progress

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

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

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

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

Repairs and maintenance

The costs of routine maintenance and cyclical repairs are charged to the Income and Expenditure account in the year in which they are incurred.

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.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Value Added Tax

The Association is registered for VAT and is part of a VAT group with its subsidiary Almond Enterprises Limited. The Group is partially exempt for VAT purposes and as a result expenditure is shown inclusive of VAT.

Defined benefit pension scheme and pension reserve

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

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

The Association participated in the Lothian Pension Fund (LPF) which is a defined benefit scheme. Contributions were 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 including the cessation loss arising from withdrawal on 30 September 2015. 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.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover £	Operating costs £	Operating surplus/ (deficit) 2015 £	2014 £
Affordable letting activities	3	9,918,572	(8,333,228)	1,585,344	1,548,440
Other activities	4	1,823,531	(1,815,601)	7,930	52,790
Total		11,742,103	(10,148,829)	1,593,274	1,601,230
Total for previous period of account		10,014,874	(8,413,644)	1,601,230	

Other activities turnover and operating costs, includes the matching sums of £1,514,049, which was received in agreement with West Lothian Council and paid directly to Everwarm Limited as part of the 'Home Energy Efficiency Project 2014', installing external insulated wall render to owner occupier properties constructed of no-fines concrete.

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

	General Needs Housing £	Supported Housing £	Total 2015 £	2014 £
Income from lettings				
Rent receivable net of service charges	9,603,720	137,952	9,741,672	9,437,130
Service charges receivable	205,016	-	205,016	211,956
Gross income from rent and service charges	9,808,736	137,952	9,946,688	9,649,086
Less Voids	(28,116)	-	(28,116)	(38,712)
Total turnover from affordable letting activities	9,780,620	137,952	9,918,572	9,610,374
Operating Costs				
Management & Maintenance administration costs	2,934,542	39,037	2,973,579	2,375,980
Service costs	180,254	-	180,254	162,465
Planned & cyclical maintenance	1,601,624	8,472	1,610,096	1,726,780
Reactive maintenance costs	1,922,430	22,121	1,944,551	2,028,648
Bad debts – rents and service charges	25,677	-	25,677	17,344
Depreciation of social housing	1,579,673	19,398	1,599,071	1,553,717
Impairment of properties in course of construction	-	-	-	197,000
Operating costs for affordable letting activities	8,244,200	89,028	8,333,228	8,061,934
Operating surplus for affordable letting activities	1,536,420	48,924	1,585,344	1,548,440
Operating surplus or deficit for affordable letting activities for previous reporting period	1,538,063	10,377	1,548,440	

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating surplus or (deficit) 2015	<u>2014</u>
	£	£	£	£	£	£	£	£	£
Wider role activities	-	35,878	-	-	35,878	-	(40,537)	(4,659)	4,800
Care and repair of property	73,733	1,514,049	-	77,010	1,664,792	-	(1,661,102)	3,690	7,894
Development and construction of properties	-	-	-	-	-	-	(39,966)	(39,966)	(53,577)
Factoring	-	-	-	68,812	68,812	-	(49,782)	19,030	17,442
Support activities	-	-	-	692	692	-	-	692	1,368
Care activities	-	-	-	-	-	-	-	-	-
Contracted out services undertaken for RSLs	-	-	-	24,214	24,214	-	(24,214)	-	-
Contracted out services undertaken for non RSLs	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities (includes £26K Gift Aid in 2015, (2014: £70K Vat reclaim))	-	-	-	29,143	29,143	-	-	29,143	74,863
Total from other activities	73,733	1,549,927	-	199,871	1,823,531	-	(1,815,601)	7,930	52,790
Total from other activities for the previous period of account	84,380	25,756	-	294,364	404,500	-	(351,710)	52,790	

ALMOND HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)****5 OPERATING SURPLUS FOR YEAR**

	<u>2015</u>	<u>2014</u>
	£	£
The operating surplus is arrived at after charging:		
Depreciation	1,708,745	1,702,484
Impairment of housing properties in course of construction	-	197,000
Auditors remuneration: - for audit services	13,685	12,207
- non audit services	4,896	16,028
Internal audit services	8,325	13,050
Operating lease rentals	35,429	38,916
Cessation loss on closure of Lothian Pension Fund	286,000	-

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 (2014: 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:

	2015	2014
£60,001 to £70,000	3	2
£100,001 to £110,000	-	1
£110,001 to £120,000	1	-

The emoluments payable to the chief executive were as follows:	2015	2014
	£	£
Emoluments excluding employer's pension contributions	103,135	100,534
Employer's pension contributions	19,278	18,758
	<hr/>	<hr/>
Total emoluments payable	122,413	119,292
	<hr/> <hr/>	<hr/> <hr/>

None of the Board of Management received any emoluments during the year (2014: £Nil). During the year the Board of Management were reimbursed expenses of £865 (2014: £1,311).

ALMOND HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)****7 EMPLOYEE INFORMATION**

Average monthly number of employees expressed in full time equivalents:	<u>2015</u>	<u>2014</u>
Housing	16	15
Maintenance	10	10
Chief Executive and Corporate & Development	8	7
Finance	4	4
	<hr/>	<hr/>
	38	36
	<hr/> <hr/>	<hr/> <hr/>

The actual average weekly number of persons employed by the Association was 41 (2014: 39).

Employee costs:

	<u>2015</u>	<u>2014</u>
	£	£
Wages and salaries	1,428,003	1,261,618
Social security costs	132,612	116,580
Other pension costs	277,770	196,539
Cessation loss on closure of Lothian Pension Fund	286,000	-
	<hr/>	<hr/>
	2,124,385	1,574,737
	<hr/> <hr/>	<hr/> <hr/>

8(a) INTEREST RECEIVABLE AND OTHER INCOME

	<u>2015</u>	<u>2014</u>
	£	£
Interest receivable	17,238	8,957
Net return on pension assets	18,000	3,000
	<hr/>	<hr/>
	35,238	11,957
	<hr/> <hr/>	<hr/> <hr/>

8(b) INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2015</u>	<u>2014</u>
	£	£
Bank loans and overdraft interest payable	957,155	990,195
	<hr/>	<hr/>
	957,155	990,195
	<hr/> <hr/>	<hr/> <hr/>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

9 (LOSS)/GAIN ON SALE OF FIXED ASSETS

	<u>2015</u> £	<u>2014</u> £
Gain on sale of housing properties	38,365	81,738
Loss on disposal of tangible fixed assets	(52,795)	(72,689)
	<hr/>	<hr/>
	(14,430)	9,049
	<hr/> <hr/>	<hr/> <hr/>

10 FIXED ASSET INVESTMENTS

	<u>2015</u> £	<u>2014</u> £
Subsidiary company (Cost at 31 March 2015 and 31 March 2014)	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 2015 was:

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

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

	<u>2015</u> £	<u>2014</u> <u>As restated</u> £
Profit on ordinary activities after taxation	657	1,483
	<hr/>	<hr/>
Net assets	167,987	167,330
	<hr/> <hr/>	<hr/> <hr/>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

11 TANGIBLE FIXED ASSETS

During the year £1,669,073 (2014: £2,994,800) was spent on major repairs and enhancements, of which replacement components totalling £629,789 (2014: £1,647,749) 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. <u>Housing Properties</u>	Housing properties held for letting	Housing properties in course of construction	Total
	£	£	£
COST			
At 1 April 2014	78,075,963	1,179,449	79,255,412
Additions	688,749	2,445,813	3,134,562
Disposals	(103,418)	-	(103,418)
At 31 March 2015	<u>78,661,294</u>	<u>3,625,262</u>	<u>82,286,556</u>
DEPRECIATION			
At 1 April 2014	11,963,147	197,000	12,160,147
Charge for period	1,599,068	-	1,599,068
Disposals	(30,263)	-	(30,263)
At 31 March 2015	<u>13,531,952</u>	<u>197,000</u>	<u>13,728,952</u>
NET	<u>65,129,342</u>	<u>3,428,262</u>	<u>68,557,604</u>
HOUSING ASSOCIATION GRANT			
At 1 April 2014	21,448,464	776,347	22,224,811
Additions	-	2,395,401	2,395,401
At 31 March 2015	<u>21,448,464</u>	<u>3,171,748</u>	<u>24,620,212</u>
OTHER GRANTS			
At 1 April 2014	3,471,975	171,727	3,643,702
Additions	-	-	-
At 31 March 2015	<u>3,471,975</u>	<u>171,727</u>	<u>3,643,702</u>
NET BOOK AMOUNT			
At 31 March 2015	<u>40,208,903</u>	<u>84,787</u>	<u>40,293,690</u>
At 31 March 2014	<u>41,192,377</u>	<u>34,375</u>	<u>41,226,752</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 2015. The recoverable amounts of the IGU are determined from net present value (NPV) calculations using a 30 year term based on our business model.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

11 TANGIBLE FIXED ASSETS (CONTINUED)

b. Other Fixed Assets

	Office Property £	Office furniture & fittings £	Computer equipment £	Total £
COST				
At 1 April 2014	3,126,878	161,239	337,569	3,625,686
Additions	-	-	1,893	1,893
Disposals	-	(981)	(48,155)	(49,136)
At 31 March 2015	<u>3,126,878</u>	<u>160,258</u>	<u>291,307</u>	<u>3,578,443</u>
 DEPRECIATION				
At 1 April 2014	801,038	134,746	295,862	1,231,646
Charge for period	55,454	25,667	28,556	109,677
Disposals	-	(981)	(48,155)	(49,136)
At 31 March 2015	<u>856,492</u>	<u>159,432</u>	<u>276,263</u>	<u>1,292,187</u>
 NET BOOK AMOUNT				
At 31 March 2015	<u>2,270,386</u>	<u>826</u>	<u>15,044</u>	<u>2,286,256</u>
At 31 March 2014	<u>2,325,840</u>	<u>26,493</u>	<u>41,707</u>	<u>2,394,040</u>

12 WORK IN PROGRESS

	<u>2015</u> £	<u>2014</u> £
Properties for sale to RSLs:		
Properties under construction at cost	156,197	141,105
Housing Association Grant	(119,616)	(119,616)
	<u>36,581</u>	<u>21,489</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

13 DEBTORS

	<u>2015</u> £	<u>2014</u> £
Rental debtors	185,732	229,713
- Provision for doubtful rental debtors	(60,368)	(78,102)
Net rental debtors	<u>125,364</u>	<u>151,611</u>
Other debtors	423,154	566,269
Prepayments and accrued income	132,734	81,205
Capital grant receivable	549,427	278,670
	<u>1,230,679</u>	<u>1,077,755</u>

14 CREDITORS: Amounts falling due within one year

	<u>2015</u> £	<u>2014</u> £
Bank loans (see Note 15)	614,184	308,726
Trade creditors	933,890	1,114,795
Other taxation and social security	40,865	33,424
Net pension liability (see Note 21)	493,000	-
Rents in advance	262,345	250,347
Amounts owed to subsidiary undertaking	24,792	37,627
Other creditors	56,623	47,919
Accruals and deferred income	1,106,939	1,183,482
	<u>3,532,638</u>	<u>2,976,320</u>

15 CREDITORS: Amounts falling due after more than one year

	<u>2015</u> £	<u>2014</u> £
Bank loans:		
Due under 1 year (see Note 14)	614,184	308,726
Due within 1 to 2 years	819,061	614,184
Due within 2 to 5 years	3,724,425	2,654,182
Due after five years or more	26,549,079	28,438,379
	<u>31,706,749</u>	<u>32,015,471</u>

	<u>2015</u> £	<u>2014</u> £
Bank loan instalments are due as follows:		
Due under 1 year	614,184	308,726
Due over 1 year	31,092,565	31,706,745
	<u>31,706,749</u>	<u>32,015,471</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (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 had 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. On 28 April 2015 we reached agreement to fix £10.8Million of this loan at 2.71% (including margin), for the next thirty years commencing 1 December 2016.

	£	<u>Repayment date</u>
Business Term Loan	2,628,277	20 January 2034
Business Term Loan	2,200,000	20 January 2034
Business Term Loan	1,880,000	20 January 2034
Business Term Loan	3,000,000	20 January 2034
Business Term Loan	3,000,000	20 January 2034
Business Term Loan	2,850,000	20 January 2034
Business Term Loan	150,000	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	1 November 2046
	<hr/>	
	31,706,749	
	<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 £14.028m of the bank borrowings. The banks' valuation of the fair value of these loans is £3.370m.

The rate payable is fixed where applicable at rates between 3.47% and 5.99%. The average fixed rate of interest was 4.94% (2014 5.25%). The loans are all currently at rates between 4.13% and 6.33% (2014 4.57% and 6.33%). The terms of the agreements are as follows:

Loan Facility	Amount	SWAP Rate	Term
Facility –D-	£1,000,000	3.81%	02/01/2015 – 02/01/2035
Facility –A-	£3,000,000	3.63%	22/01/2014 - 22/01/2034
Facility –A-	£3,000,000	4.64%	19/01/2009 - 20/01/2016
Facility –A-	£3,000,000	4.62%	20/01/2009 - 20/01/2019
Facility –B-	£2,628,277	5.99%	20/01/2008 - 28/06/2022
Facility –B-	£2,200,000	3.47%	22/01/2013 - 24/01/2033

ALMOND HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)****16 CALLED UP SHARE CAPITAL**

	<u>2015</u> £	<u>2014</u> £
Shares of £1 each Issued and Fully Paid At 1 April 2014	99	94
Shares issued during the year	2	8
Shares cancelled during the year	(3)	(3)
	<hr/>	<hr/>
At 31 March 2015	98	99
	<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>2015</u> £	<u>2014</u> £
<u>Major Repairs</u>		
At 1 April	-	8,553,411
Release to revenue reserve (Note 18)	-	(8,553,411)
Transfer from revenue reserve (Note 18)	-	-
	<hr/>	<hr/>
At 31 March	-	-
	<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>2015</u> £	<u>2014</u> £
<u>SHAPS Past Service Deficit</u>		
At 1 April	1,757,947	1,806,264
Transfer from revenue reserve in year (see Note 18)	-	-
Release to revenue reserve in year (see Note 18)	(83,056)	(48,317)
	<hr/>	<hr/>
At 31 March	1,674,891	1,757,947
	<hr/> <hr/>	<hr/> <hr/>

The amount transferred to the SHAPS Past Service Deficit Reserve ensures it totals the Net Present Value of the past service deficit of the SHAPS pension scheme, payable over the next 12 years 6 months.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

18 RECONCILIATION OF MOVEMENT IN ACCUMULATED SURPLUS

	<u>2015</u> £	<u>2014</u> £
Revenue reserve at 1 April	12,368,020	3,131,251
Surplus for year	656,927	632,041
Transfer from/(to) designated reserve - Major Repairs (Note 17)	-	8,553,411
Transfer from/(to) designated reserve - SHAPS Past Service Deficit (Note 17)	83,056	48,317
Actuarial loss on pension scheme (see Note 21)	(29,000)	(39,000)
Transfer (to)/from pension reserve (see Note 19)	(187,000)	42,000
Revenue reserve at 31 March	<u>12,892,003</u>	<u>12,368,020</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>2015</u> £	<u>2014</u> £
At 1 April	(187,000)	(145,000)
Transfer from/(to) Income and Expenditure account (see Notes 18 & 21)	187,000	(42,000)
At 31 March	<u>-</u>	<u>(187,000)</u>

20 CAPITAL COMMITMENTS

	<u>2015</u> £	<u>2014</u> £
Authorised and contracted for	<u>1,180,632</u>	<u>2,342,025</u>
Authorised not contracted for	<u>1,561,041</u>	<u>-</u>

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

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (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 Limited participates in the Scottish Housing Association Pension Scheme (the scheme). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in
- Defined Contribution

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Almond Housing Association Limited elected to operate the Final Salary with a 1/60th accrual rate from 31 March 2014, with the defined contribution option available to new entrants from 1 April 2015.

During 2014/15 Almond Housing Association Limited gave the Pensions Trust notice of its intention to close the Scottish Housing Associations' Pension Scheme defined benefit Final Salary option to new members. The Association remains a member of the scheme, but on 30 September 2015 will switch from a defined benefit option to a defined contribution (DC) benefit option for all future pension accruals.

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

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Almond Housing Association Limited paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were also 12.3%. As at the balance sheet date there were 24 active members of the Scheme employed by Almond Housing Association Limited. The annual pensionable payroll in respect of these members was £742,743.

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

The last formal valuation of the Scheme was performed as at 30 September 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%.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

21 PENSION COSTS (CONTINUED)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2014. 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 £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

Financial Assumptions

The key valuation assumptions used to determine the assets and liabilities of the Scheme are:

2012 Valuation Assumptions	% p.a.
- Investment return pre retirement	5.3
- Investment return post retirement - Non-pensioners	3.4
- Investment return post retirement - Pensioners	3.4
- Rate of pension increases	3.4
	2.0
- Pension accrued pre 6 April 2005 in excess of GMP	
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
- Rate of price inflation	2.6

Mortality Tables

Non-pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

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

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

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

21 PENSION COSTS (CONTINUED)

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

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 £138,011 from 1 April 2015 and will increase to £142,151 from 1 April 2016. These annual deficit contributions will increase by 3.0% per annum and are expected to be cleared in 12 years and 6 months hence. This therefore equates to a Net Present Value (NPV) of £1,674,891.

Lothian Pension Fund

General

Almond Housing Association Ltd gave formal notice on 31 March 2015 of its intention to withdraw from participation in the Lothian Pension Fund Scheme (the "Scheme") as from 30 September 2015. The Scheme was a multi-employer defined benefit scheme and the Association had 2 active members remaining as at the balance sheet date. The Scheme is funded and is contracted out of the state scheme. Almond Housing Association Ltd paid contributions at the rate of 19.2% 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 2015 by a professionally qualified actuary using the projected unit method, resulting in a net pension deficit of £207,000. 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.

An additional valuation was carried out at 30 September 2014 on the proposed cessation basis, which leads to a higher value being placed on the liabilities than if assessed on an ongoing funding basis. The cessation deficit was calculated at £493,000, which represents the payment due as at 30 September 2014, creating an additional £295K of pension costs which has been provided for in full in the Income and Expenditure account. We expect this payment to be made within one year and acknowledge that although the liability is based on the best information currently available, the actual final liability may be more than estimated.

The main financial assumptions used by the actuary were:

	31 Mar 15 % p.a.	31 Mar 14 % p.a.	31 Mar 13 % p.a.	31 Mar 12 % p.a.	31 Mar 11 % p.a.
Inflation / Pension increase rate	2.1%	2.6%	2.8%	2.5%	2.8%
Rate of increase in salaries	4.0%	4.9%	5.1%	4.8%	5.1%
Expected return on assets	3.1%	6.1%	5.3%	5.8%	7.0%
Discount rate	3.1%	4.1%	4.5%	4.8%	5.5%
Expected return on assets:					
	31 Mar 15 % p.a.	31 Mar 14 % p.a.	31 Mar 13 % p.a.	31 Mar 12 % p.a.	31 Mar 11 % p.a.
Equities	3.1%	6.6%	5.7%	6.2%	7.5%
Bonds	3.1%	3.9%	3.5%	4.0%	4.9%
Property	3.1%	4.8%	3.9%	4.4%	5.5%
Cash	3.1%	3.7%	3.0%	3.5%	4.6%

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

21 PENSION COSTS (CONTINUED)

Movement in deficit during the year

	<u>2015</u> £	<u>2014</u> £
Deficit in scheme at beginning of year	(187,000)	(145,000)
<u>Movements during the year:</u>		
Current service cost	(35,000)	(31,000)
Contributions paid	26,000	25,000
Cessation loss	(286,000)	-
Other finance income	18,000	3,000
Actuarial loss	(29,000)	(39,000)
Deficit at the end of the year	<u>(493,000)</u>	<u>(187,000)</u>

	<u>2015</u> £	<u>2014</u> £
Analysis of the amount charged to other finance costs		
Expected return on pension scheme assets	80,000	65,000
Interest on pension scheme liabilities	(62,000)	(62,000)
Net finance income	<u>18,000</u>	<u>3,000</u>

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

	Year to 31 March 2015 £(000's)	Year to 31 March 2014 £(000's)	Year to 31 March 2013 £(000's)
Actual return less expected return on pension scheme assets	153	9	87
Experience gains and losses arising on the scheme liabilities	-	-	1
Changes in assumptions underlying the present value of scheme liabilities	(182)	(48)	(130)
Actuarial loss recognised in STRGL	<u>(29)</u>	<u>(39)</u>	<u>(42)</u>

Contributions totalling £2,882 (2014: £2,817) were payable to the fund at the year end and are included in creditors.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

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 (2014: £Nil).

Almond Enterprises Limited, a wholly owned subsidiary of the Association, continues to manage cleaning and clearance contracts for the Association which amounted to £259,610 of turnover this year (2014: £234,126), with a year-end net trade creditor balance of £28,906 (2014: £37,627). Almond Enterprises Limited made a Gift Aid payment of £25,800 (2014: £12,814) to the Association, in accordance with the Association's policies and procedures.

23 LEASE OBLIGATIONS

The Association is committed to make the following payments during the year ending 31 March 2016 in relation to operating leases which expire:

	Plant & Machinery	
	<u>2015</u>	<u>2014</u>
Within one year	5,900	14,257
Between two and five years	26,463	19,308
	<u>32,363</u>	<u>33,565</u>

24 HOUSING STOCK

The number of units in Management at 31 March was as follows:

	<u>2015</u>	<u>2014</u>
General needs housing	2,433	2,434
Supported housing accommodation (comprising 101 bedspaces in total)	8	8
Total	<u>2,441</u>	<u>2,442</u>

25 AVERAGE RENTS

	<u>2015</u>	<u>2014</u>
Average weekly rent for housing accommodation	£74.32	£72.09
Increase	3.2%	4.0%
Average number of Units	2,441	2,442

26 CASH FLOW STATEMENT

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

	<u>2015</u>	<u>2014</u>
	£	£
Operating surplus for the year	1,593,274	1,601,230
Depreciation charges	1,708,745	1,702,484
Diminution in value of land and buildings	-	197,000
Decrease in debtors	118,214	134,173
Increase in creditors	59,470	590,360
	<u>3,479,703</u>	<u>4,225,247</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2015 (CONTINUED)

26 CASH FLOW STATEMENT (CONTINUED)

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

	<u>2015</u>	<u>2014</u>
	£	£
Increase in cash in the period	1,255,894	1,461,758
Cash outflow from decrease in overdraft (note 26c)	-	33,621
Cash outflow from decrease in debt (note 26c)	308,722	365,409
	<u>1,564,616</u>	<u>1,860,788</u>
Change in net debt from cash flows		
	<u>1,564,616</u>	<u>1,860,788</u>
Movements in net debt in period		
Net debt at 1 April	(27,926,377)	(29,787,165)
Net debt at 31 March	<u>(26,361,761)</u>	<u>(27,926,377)</u>

(c) Analysis of changes in net debt

	At 1 April <u>2014</u>	Cash <u>flow</u>	Other <u>changes</u>	At 31 March <u>2015</u>
	£	£	£	£
Cash at bank and in hand	4,089,094	1,255,894	-	5,344,988
Debt due within one year	(308,726)	-	(305,458)	(614,184)
Debt due after one year	(31,706,745)	308,722	305,458	(31,092,565)
	<u>(27,926,377)</u>	<u>1,564,616</u>	<u>-</u>	<u>(26,361,761)</u>