ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

SCOTTISH CHARITY REGISTRATION NUMBER	**SC031696**
SCOTTISH HOUSING REGULATOR	**HAL 285**
FINANCIAL CONDUCT AUTHORITY	**SP2471R(S)**
SCOTTISH PROPERTY FACTOR NUMBER	**PF000181**

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

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ADVISORS

Auditors	**RSM UK Audit LLP** (formerly Baker Tilly UK Audit LLP) Third Floor, Centenary House 69 Wellington Street Glasgow, G2 6HG
Bankers	**Royal Bank of Scotland plc** 36, St Andrew Square Edinburgh EH2 2YB
	Nationwide Building Society Caledonia House, Carnegie Avenue Dunfermline KY11 8PJ
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	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2016.

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

Legal structure
The Association is established under the Co-operative and Community Benefit Societies Act 2014 and was incorporated in Scotland, for the purpose of providing housing and any associated amenities for persons in necessitous circumstances. The Association became a registered Scottish Charity from 12 June 2001, and was registered as a Scottish property factor from 7 December 2012. The Financial Conduct Authority has granted the Association exemption from the requirement to prepare group accounts including its subsidiary company Almond Enterprises Limited, due to its immateriality.

Business review
The financial statements reflect the introduction of Financial Reporting Standard 102 ('FRS 102') and the Statement of Recommended Practice for registered social landlords 2014 for the first time. Comparative figures have been updated accordingly. See note 28 to the financial statements for further detail.

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 11 and 12 to the financial statements. Housing property values are considered in the Operating and Financial Review.

Rental Income
The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The 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 £11,275 (2015: £15,893), to several good causes 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 Statement of Comprehensive Income.

In addition, the Association has a long term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. We plan the requirements, taking account of the Energy Efficiency Standard for Social Housing 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.

Creditors
The Association has provided £1,617,090 for the cumulative past service deficit on the Scottish Housing Association Defined Benefit Pension Scheme (SHAPS). On 30 September 2015, current members were transferred from the Defined Benefit Scheme onto the SHAPS Defined Contribution Scheme, in which all other eligible staff were additionally auto-enrolled.

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 26 (2015: 25).

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

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.

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

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

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

Mr A Saunders*(Chairman)	Ms J Marnie* (Vice-Chair)
Mrs M Earl* (Retired Sept 2015)	Mrs A Gault
Mr A Gray (Retired Sept 2015)	Mr J Hewer
Ms A Wilson*	Mr W Mitchell*
Mr S Murray*	Mrs B Cameron (from Sept 2015)
Mrs A McIntyre* (Chair of Finance Audit Sub-Committee)	Mr M Joyce (from Sept 2015)

* Member of the Finance Audit Sub-Committee at 31 March 2016 (Mr A Saunders in attendance only).

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

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

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.

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.

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

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

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

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

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

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

Risk management – the Board of Management and senior personnel have a clear responsibility for identifying risks facing the Association and for putting in place procedures to mitigate and monitor risks. Major risks are formally assessed every year through a process involving the Board of Management and senior personnel, in accordance with the risk management policy. See page 10 for an analysis of the key risks to our strategic objectives.

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

Internal audit – The Association 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.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors report on the financial statements

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

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefits Society Act 2014, Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements - 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 29th September 2016 at New Almond House, 44, Etive Walk, Craigshill, Livingston, West Lothian, EH54 5AB.

Statement as to disclosure of information to auditors
The Board Members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the 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 RSM UK Audit LLP (formerly 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: 1/9/2016

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 2016 there were 99 active members.

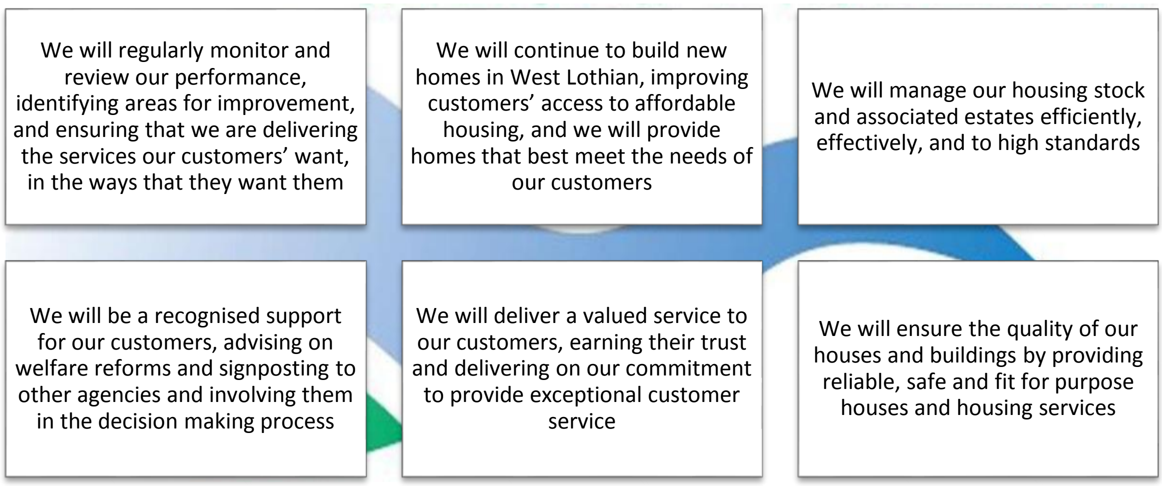
In addition to managing 2,489 properties, the Association is a major developer of new affordable housing. In addition to providing social housing for rent (which constitutes over 90% of the Association's activities by turnover), it has also built and leases specially designed accommodation, which provides 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 strategy focusses on continuing to build on the success of our business; making sure that it remains sustainable in the future. We will do this by engaging with our customers, our people and the wider community to provide high quality services focussed on delivering the very best. In doing this we believe that we will ensure that our organisation is valued and successful now and in the future.

Our three strategic priorities are summarised as follows:

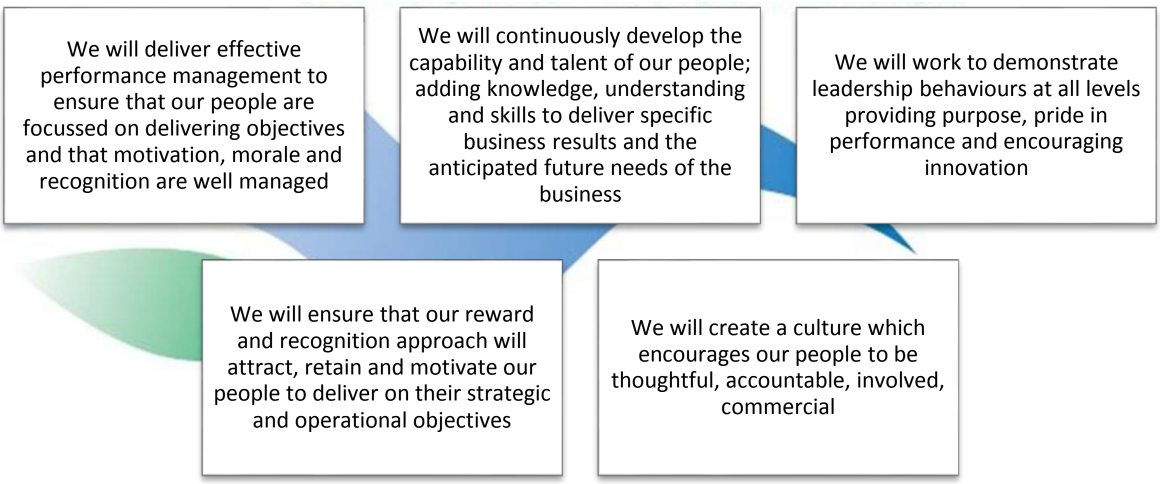
1. Making Almond houses great homes to live in: Our aim is to provide high quality homes at an affordable rent which will support our tenants to sustain their tenancies



OPERATING AND FINANCIAL REVIEW (CONTINUED)

OBJECTIVES AND STRATEGY (CONTINUED)

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



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

PERFORMANCE AND DEVELOPMENT

Value for Money

Value for Money for us means that we use our rental income and assets in the best way possible to deliver excellent services, excellent homes and growth. Our tenants are at the heart of everything we do with decisions on how we use our resources based on achieving the best possible results for them. We look to drive an effective, efficient and economic business delivering the best returns and value from our assets whilst continuing to deliver excellent customer service. We are ambitious and believe that driving value and efficiency will free up resources to enable us to build and invest in our homes. Our ambition is to achieve top quartile performance when benchmarking against other Registered Social Landlords and in comparison with commercial housing providers and developers.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Financial performance
The Association's Statement of Comprehensive Income and Statement of Financial Position are summarised in Table 1 (page 12). The Board of Management had budgeted for a surplus of £0.8million this year to meet its medium term strategic objectives and we achieved an actual surplus of £1.2million. The £0.4million underspend was due primarily to year-end weather related delays on our extensive external wall insulation programme. The Association is pleased to report that it met the lenders' loan covenants at all times during the year.

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

Human Resources and customer service
The 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 heavily in smarter systems and allocated additional temporary staff resources. We aim to provide our field staff with the latest in communications technology, to increase reactivity and support tenants through these changes.

A small team of our key staff have been busy testing and implementing our replacement core business system, for housing, asset management and finance, with planned completion and integration planned in 2017.

We continued to focus on the management of arrears and voids, and with the excellent work of our tenancy support and money advice services we were able to maintain high levels of customer satisfaction and sustained tenancies throughout the year. We collected information throughout the year and were able to successfully submit our Annual Return on the Charter (ARC) in May 2016.

The Association has a loyal and dedicated workforce with a wide range of skills and experience and we recognise the importance of investing in employees to build upon and refresh those skills. During the year our management team received a number of management coaching workshops, which should yield further improvements in operating efficiency and customer satisfaction.

We continued our drive to increase the level of tenant involvement and feedback throughout the organisation, utilising where relevant; complaints feedback, local community strategy, feedback from organised tenant and resident groups and tenant consultations including surveys, questionnaires and roadshows. This year specifically we created the post of a Tenant Engagement Officer.

To engage with and identify the needs of our tenants aged 16-25, we undertook a comprehensive consultation list review and a consultation exercise. A group of Tenant Focus Group members participated in scrutiny training, attending a training event with the Tenant Participation Advisory Service (TPAS). Tenants' representatives also attended the TPAS (Scotland) Tenants' Conference & AGM in November 2015.

Digital inclusion
Over the past year we have worked on various projects to reduce financial and digital exclusion amongst tenants. We have worked in partnership with West Lothian Council and West Lothian College to provide tenants with computer and online basics training, and have made links with 'Reusing IT' a local charity, who were able to provide refurbished pcs and laptops to tenants in need of them. We also provided one to one digital support through West Lothian Council's 'IT volunteers', who are based at the Almond office one afternoon a week.

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Investment Programme, Planned & Cyclical Maintenance
Our planned maintenance programmes are designed to maximise the life of our properties and improve the efficiency of key property elements. We surveyed all our properties and ensure their ongoing compliance 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.

The Scottish Government has now published the Energy Efficiency standard for Social Housing (EESSH) 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.

To improve the quality of our homes we invested £3.2million in our housing properties this year, continuing our focus on improving the energy efficiency of homes through an accelerated insulation programme. £0.9million was invested directly in a range of energy efficiency measures, notably external wall insulation, roughcasting and new tanks/cylinders, with a further £0.6million being spent on electrical upgrades and roofing.

In addition to this expenditure, we acted as an agent to channel 'green' grants from various sources to provide a further £0.8million of new thermally efficient external cladding to 140 owner occupied properties in Howden.

A major development comprising 49 social housing units at Whitburn was completed towards the end of 2015, which included a variety of accommodation, aimed to satisfy the requirements of the waiting list for social housing in the area. The homes benefit from high levels of insulation, modern boiler systems and reduced water consumption apparatus, all of which will result in lower running costs for future tenants. We were also able to acquire 8 open market purchases within Livingston.

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

Rent losses and arrears
Rent losses (including bad debts and voids), were well below other RSLs in our peer group at just 0.8% of rental income receivable (2015: 0.5%). The Association's rent loss for void periods at 0.3% of rental income receivable (2015: 0.3%), remained comfortably below our historical target of 0.6%.

Gross rent arrears, including former tenant arrears after write off, at the year-end were relatively constant at 1.7% (2015: 1.6%).

Repair response times
Performance against this indicator has a direct impact on the Association's service to its customers and in total over 9,000 reactive repairs, gas servicing, repairs to void properties and improvements were carried out in this year. The time taken to complete both emergency and other repairs has improved during this financial year (see below). The target time for the completion of 'Other repairs' wasn't fully met due to an unforeseen change in contractors during the year.

Key Performance Indicator: Average length of time to complete	
Emergency repairs: Target 6.0 hours to complete	Actual: 4.8 hours (2015: 5.8 hours)
Other repairs: Target 5.5 days to complete	Actual: 5.7 days (2015: 5.8 days)

Retirement benefits
During the year the Association alleviated any future pension risks going forward, by withdrawing from the Lothian Pension Scheme (LPS) and transferring staff within the Scottish Housing Association Pension Scheme (SHAPS) defined benefit pension scheme into the SHAPS defined contribution scheme instead. This scheme is open to all new and current employees. The pension costs within the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Risks and uncertainties

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

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

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

Area of risk	Description and examples of mitigating activity
Tenancy sustainment/ Income collection	Direct payment of Housing Benefit to our customers and the potential of having benefit levels capped could result in reduced income for Almond, and necessitate an increase in resource costs to minimise the impact of these welfare reforms. Mitigating activities include: - Proposals for increased borrowing to take account of potential increase in bad debts and the resulting impact on the operating cash flow - Incorporation of increased arrears and bad debts into budget and long term plans to establish levels of sustainability (without resulting in breaches of loan covenants) - Increasing the staff resource within our Housing Management team - Continuing to host a member of West Lothian Council's (WLC) Benefits Team in our Livingston offices to directly advise and support our customers - Accessing SLAB funding to provide a Financial Inclusion support service to our customers in partnership with CAB
Lack of budgetary control/ Lack of control of major capital works programme	Variances from budget for our major capital works could affect our overall financial stability or lead to greater rises in rents or borrowing. However our projects are in line with our long term investment strategy, and are supported by fact based assessment and projection. Other mitigating activities include: - Co-ordination meetings with Scottish Government and WLC to ensure programmes in line with national objectives and strong relationships maintained with partners - Appointment of qualified consultants to manage workload - 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 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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Accounting policies
The Association's principal accounting policies are set out on pages 18 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 amortisation of Housing Association Grant.

Housing properties
At 31 March 2016 the Association owned 2,489 housing properties (2015: 2,441). The properties were carried in the balance sheet at cost (after depreciation) of £67.3million (2015 £65.8million). Our investment in housing property improvements and developments this year of £3.2million, was funded through a mixture of housing association grant, loan finance and working capital, where we continue to show a strong current asset balance, an important indicator of liquidity. The Association's treasury management arrangements are considered below.

Capital structure and treasury policy
By the year end Association borrowings amounted to £31.2million, two thirds of which is due to mature by 2036 and one third by 2046. Interest was fixed long term (at 4.94% on average), for 84% of our total borrowings with the remaining 16% variable (at LIBOR+0.90% on average). Funding is fully in place for the development programme, with considerable flexibility over the drawdown and repayment profile.

Cash flows
Net cash outflows during the year amounted to £0.8million (2015: £1.3million inflow), details of which are shown in the cash flow statement (page 17). Gross inflows included £3.0million from operating activities, with £1.2million of grants received. Cash outflows included £1.0million interest payable, plus a further £3.9million expenditure on developments and housing improvements.

FUTURE DEVELOPMENTS

Developments
In 2016/17 the Association will spend £1.0m of cash/private finance, completing two developments which will boost our stock by a further 26 properties. During the 5 years of the forecast there are a 8 developments projected to be completed. This represents 128 new properties to let, which includes 4 developments that we will undertake for our partners in the West Lothian Development Alliance (WLDA).

Staffing
As part of the implementation of a new computer system during 2015/16 and 2016/17 it has been assumed that temporary staff cover will continue to be employed, to ensure a smooth transition to this system. It has been assumed that the implementation of the QL project will occur on 1 October 2016.

Scottish Housing Quality Standard (SHQS) – revenue costs
We are assuming that we will spend £1.63m on maintaining the SHQS standard / component replacements for all stock and will continue to improve our stock in preparation of the Energy Efficiency Target of 2020. The Association will continue to report healthy surpluses during the period, providing on average a 148% interest cover ratio. This level allows an element of headroom over our loan covenant over the period, and provides sufficient funds for future investment in our stock.

Pensions
The Association auto-enrolled during 2015/16 and offers a defined contribution scheme in line with the Pension Quality Mark Plus standard. It is assumed that all staff are enrolled into the pensions (at 29 February 2016 – 93%). Within the plan period it is also assumed that the SHAPS past service deficit will increase resulting in an additional payment of £50k per annum increasing at each triennial valuation.

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

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

Table 1 – Annual results and KPI, five year summary

For the year ended 31 March	**2016**	**2015**	**2014**	**2013**	**2012**
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Statement of Comprehensive Income					
Total turnover	12,143	12,241	10,015	9,590	9,228
Income from lettings	10,083	9,742	9,610	9,242	8,786
Operating surplus	2,057	1,860	1,601	1,912	1,442
Surplus for the year transferred to reserves	1,183	831	632	872	397
Statement of financial Position					
Housing properties, net of depreciation	67,321	65,788	67,095	66,514	65,976
HAG and other capital grants			(25,868)	(24,817)	(25,554)
Housing properties, net of depreciation & grants	67,321	65,788	41,227	41,071	41,159
Other fixed assets	2,329	2,286	2,394	2,530	2,681
Fixed assets net of capital grants & depreciation	69,650	68,074	43,621	43,601	43,840
Net currents assets/ (liabilities)	1,778	2,581	2,212	1,984	1,095
Total assets less current liabilities	**71,428**	**70,655**	**45,833**	**45,585**	**44,935**
Loans, Long term liabilities and Reserves					
Creditors (due over one year)	(54,929)	(55,281)	(31,707)	(32,094)	(32,138)
Pension liability	(1,617)	(1,675)	(187)	(145)	(281)
Reserves : designated	-	-	(1,758)	(10,360)	(8,158)
: revenue	(14,882)	(13,699)	(12,368)	(3,131)	(4,639)
: pension	-	-	187	145	281
: total	(14,882)	(13,699)	(13,939)	(13,346)	(12,516)
Loans, Long term liabilities and Reserves	**(71,428)**	**(70,655)**	**(45,833)**	**(45,585)**	**(44,935)**
Accommodation figures					
Total housing stock owned at year end *(number of dwellings)* : Social housing	**2,489**	**2,441**	**2,442**	**2,442**	**2,403**
Statistics					
Surplus for the year as % of turnover	9.9%	5.6%	6.3%	9.1%	4.3%
Surplus for the year as % of income from lettings	11.7%	6.6%	6.6%	9.4%	4.6%
Rent losses *(voids and bad debts as % of rent and service charges receivable)*	0.8%	0.5%	0.6%	0.8%	0.9%
Rent arrears *(gross arrears as % of rent and service charges receivable)*	1.7%	1.6%	2.3%	2.6%	2.9%
Interest cover *(surplus before interest payable divided by interest payable)*	1.9	1.7	1.6	2.0	1.5
Liquidity *(current assets divided by current liabilities)*	1.5	2.2	1.7	1.6	1.4
Total reserves per home owned	£5,979	£5,968	£5,708	£5,465	£5,125

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 2016 on pages 15 to 36. 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 2016 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 December 2014.

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.

RSM UK Audit LLP

RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP)
Statutory Auditor
Chartered Accountants
Third Floor, Centenary House
69 Wellington Street
Glasgow, G2 6HG

Date 21/9/16

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.

RSM UK Audit LLP

RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP)
Statutory Auditor
Chartered Accountants
Third Floor, Centenary House
69 Wellington Street
Glasgow, G2 6HG

Date 21/9/16

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2016 £	2015 £
TURNOVER	2	12,142,858	12,240,512
Operating expenditure	2	(10,085,958)	(10,398,118)
Other income	22	-	18,000
OPERATING SURPLUS	6	2,056,900	1,860,394
Gain / (loss) on disposal of property, plant and equipment	7	169,963	(14,430)
Interest receivable	10(a)	19,934	17,238
Interest and financing costs	10(b)	(1,064,040)	(1,003,155)
SURPLUS FOR THE YEAR		1,182,757	860,047
Actuarial loss in respect of pension scheme		-	(29,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,182,757	831,047

The results relate wholly to continuing activities.

The accompanying notes on pages 18 to 36 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes		2016		2015
		£	£	£	£
FIXED ASSETS					
Housing properties	12(a)		67,321,222		65,787,939
Other fixed assets	12(b)		2,329,384		2,286,256
Investment in subsidiaries			1		1
			69,650,607		68,074,196
CURRENT ASSETS					
Properties held for sale	13	62,968		36,581	
Trade and other debtors	14	730,989		1,230,679	
Cash and cash equivalents		4,557,012		5,344,988	
		5,350,969		6,612,248	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	15	(3,573,460)		(4,031,047)	
NET CURRENT ASSETS			1,777,509		2,581,201
TOTAL ASSETS LESS CURRENT LIABILITIES			71,428,116		70,655,397
Creditors: amounts falling due after more than one year	16		(54,928,989)		(55,281,226)
Provision for pension liabilities	22		(1,617,090)		(1,674,891)
TOTAL NET ASSETS			14,882,037		13,699,280
RESERVES					
Income and expenditure reserve	20		14,882,037		13,699,280
TOTAL RESERVES			14,882,037		13,699,280

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

A Saunders
Chairman

Board Member

Secretary

Date: 1/9/2016

The accompanying notes on pages 18 to 36 form part of these financial statements.

STATEMENT OF CASHFLOWS

	Notes	2016 £	2015 £
Net cash generated from operating activities	26	3,020,116	3,479,703
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(3,875,652)	(3,159,119)
Proceeds from sale of tangible fixed assets		328,440	58,725
Grants received		1,205,597	2,124,643
Interest received		19,977	16,858
		(2,321,638)	(958,893)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(1,022,263)	(956,193)
Repayments of borrowings		(464,192)	(308,722)
Proceeds from issue of shares		1	(1)
		(1,486,454)	(1,264,916)
NET (DECREASE)/ INCREASE IN CASH		(787,976)	1,255,894
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,344,988	4,089,094
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,557,012	5,344,988

The accompanying notes on pages 18 to 36 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

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

The Association has formal authority from the Financial Conduct Authority to exclude its subsidiary from inclusion or consolidation into its group accounts. In addition, the Association does not need to prepare consolidated accounts, due to the immateriality of the amounts involved in Almond Enterprises Limited. These financial statements therefore present information about the Association as an individual undertaking and not about its group.

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

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

Change in Accounting Policy
These financial statements are the first financial statements of Almond Housing Association Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Almond Housing Association Limited for the year ended 31 March 2014 were prepared in accordance with previous UK GAAP. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Consequently, the board have amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made. Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) reserves at the date of transition to FRS 102; (ii) reserves at the end of the comparative period; and (iii) income or expenditure for the comparative period reported under previous UK GAAP are given in note 28.

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

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

On this basis, the board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

Turnover and revenue recognition
Turnover comprises rental and service charge income receivable in the period, income from factoring fees, sale of properties built for sale and revenue grants receivable in the period. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from sales of properties built for sale is recognised at the point of legal completion of the transaction. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People, are recognised as they fall due under the contractual arrangements with Administering Authorities.

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

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

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

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

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

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property. Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

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

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

Freehold land or assets under construction are not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

Office property - by component, as per Housing properties component lives (page 19)
Furniture, fixtures and fittings 4 years
Computers and office equipment 4 years

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

Properties held for sale
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.

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

Related Party Transactions
Some members of the Board of Management are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their position to their personal advantage. Transactions with the Board of Management members are included in note 23. Related party transactions with Almond Enterprises Limited, the Association's fully owned subsidiary, can also be found in note 23.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

Operating leases
All leases are operating leases and the annual rentals are charged to income and expenditure on a straight line basis over the lease term

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

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

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

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

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

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

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

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

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover	Operating costs	Operating surplus/ (loss) 2016	2015
		£	£	£	£
Affordable letting activities	3	10,962,414	(8,882,352)	2,080,062	1,834,464
Other activities	4	1,180,444	(1,203,606)	(23,162)	7,930
Total		12,142,858	(10,085,958)	2,056,900	1,842,394
Total for previous period of account		12,240,512	(10,398,118)	1,842,394	

Other activities turnover and operating costs, includes the matching sums of £842,625 (2015: £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 Programme', installing external insulated wall render to owner occupier properties constructed of no-fines concrete.

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

	General Needs Housing	Supported Housing	Total 2016	2015
	£	£	£	£
Rent receivable net of service charges	9,915,573	167,956	10,083,529	9,741,672
Service charges receivable	162,925	-	162,925	205,016
Gross income from rent and service charges	10,078,498	167,956	10,246,454	9,946,688
Less Voids	(33,161)	-	(33,161)	(28,116)
Net income from rents and service charges	10,045,337	167,956	10,213,293	9,918,572
Grants released from deferred income	454,016	55,105	509,121	498,409
Revenue grants from Scottish Ministers	240,000	-	240,000	-
Total turnover from affordable letting activities	10,739,353	223,061	10,962,414	10,416,981
Management & Maintenance administration costs	2,922,173	51,233	2,973,406	2,844,579
Service costs	135,907	-	135,907	180,254
Planned & cyclical maintenance	1,847,650	10,744	1,858,394	1,610,096
Reactive maintenance costs	1,842,373	19,511	1,861,884	1,944,551
Bad debts – rents and service charges	42,676	-	42,676	25,677
Depreciation of affordable let properties	1,939,750	70,335	2,010,085	1,977,360
Operating costs for affordable letting activities	8,730,529	151,823	8,882,352	8,582,517
Operating surplus for affordable letting activities	2,008,824	71,238	2,080,062	1,834,464
Operating surplus or deficit for affordable letting activities for previous reporting period	1,785,540	48,924	1,834,464	

NOTES TO THE FINANCIAL STATEMENTS

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

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	**Total turnover £**	Operating costs – bad debts £	Other operating costs £	**Operating (deficit) or surplus 2016 £**	2015 £
Wider role activities	-	94,786	-	-	**94,786**	-	(114,971)	**(20,185)**	**(4,659)**
Care and repair of property	69,476	842,625	-	56,907	**969,008**	-	(979,553)	**(10,545)**	**3,690**
Investment property activities	-	-	-	-	**-**	-	-	**-**	**-**
Factoring	-	-	-	70,260	**70,260**	-	(56,440)	**13,820**	**19,030**
Support activities	-	-	-	760	**760**	-	-	**760**	**692**
Care activities	-	-	-	-	**-**	-	-	**-**	**-**
Contracted out services undertaken for RSLs	-	-	-	5,651	**5,651**	-	(5,651)	**-**	**-**
Contracted out services undertaken for other organisations	-	-	-	-	**-**	-	-	**-**	**-**
Developments for sale to RSLs	-	-	-	-	**-**	-	-	**-**	**-**
Developments and improvements for sale to other organisations	-	-	-	-	**-**	-	-	**-**	**-**
Uncapitalised development administration costs	-	-	-	-	**-**	-	(46,991)	**(46,991)**	**(39,966)**
Other activities (includes £34K Gift Aid in 2016, (2015: £26K Gift Aid))	-	-	-	39,979	**39,979**	-	-	**39,979**	**29,143**
Total from other activities	69,476	937,411	-	173,557	**1,180,444**	-	(1,203,606)	**(23,162)**	**7,930**
Total from other activities for the previous period of account	73,733	1,549,927	-	199,871	**1,823,531**	-	(1,815,601)	**7,930**	

NOTES TO THE FINANCIAL STATEMENTS

5 ACCOMMODATION IN MANAGEMENT

The number of units in Management at 31 March was as follows:	2016	2015
General needs housing – units owned and managed	2,473	2,425
Supported housing (comprising 143 bedspaces in total) – owned, not managed	16	16
Total	2,489	2,441

6 OPERATING SURPLUS

	2016	2015
	£	£
The operating surplus is arrived at after charging/(crediting):		
Depreciation of housing properties (note 12a)	2,010,085	1,977,357
Depreciation of other tangible fixed assets (note 12b)	83,573	109,677
(Surplus)/Deficit on disposal of tangible fixed assets (note 7)	(169,963)	14,430
Operating lease rentals	36,112	35,429
Audit services - statutory audit of the Association	14,340	13,685
Taxation compliance services	243	4,896
	14,583	18,581

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

	2016	2015
	£	£
Disposal proceeds	328,439	58,725
Carrying value of fixed assets	(113,700)	(20,360)
Deficit on disposal of replaced components	(44,776)	(52,795)
	169,963	(14,430)

8 DIRECTORS' EMOLUMENTS

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

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

	2016	2015
£60,001 to £70,000	4	3
£100,001 to £110,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	2016	2015
	£	£
Aggregate emoluments for the above key management personnel (excluding pension contributions)	373,475	357,989
Aggregate pension contributions in relation to the above key management personnel	34,652	68,627
The emoluments of the Chief Executive (excluding pension contributions)	105,671	103,135
The pension contributions of the Chief Executive	9,819	19,278

None of the Board of Management received any emoluments during the year (2015: £Nil). During the year the Board of Management were reimbursed expenses of £1,052 (2015: £865).

9 EMPLOYEE INFORMATION

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

	2016	2015
Housing, support and care	16	16
Maintenance	13	10
Office and management/Administration	11	11
Development	1	1
	41	38

The actual average weekly number of persons employed by the Association was 43 (2015: 41).

The Association introduced a salary sacrifice scheme for their pension scheme during the financial year 2015/16, which employee members were given the option of joining. Under the salary sacrifice scheme the employee agrees to reduce their gross contractual pay by the amount of their regular pension contribution. The Association then increases its contributions to the pension scheme by an amount equivalent to the employees' regular pension contribution.

Staff costs for the above persons:

	2016	2015
	£	£
Wages and salaries	1,514,644	1,428,003
Social security costs	135,008	132,612
Other pension costs and current service cost	196,199	277,770
Cessation loss on closure of Lothian Pension Fund	202,482	286,000
	2,048,333	2,124,385

NOTES TO THE FINANCIAL STATEMENTS

10(a) INTEREST RECEIVABLE AND SIMILAR INCOME

	2016	2015
	£	£
Interest on bank deposits	19,934	17,238

10(b) INTEREST PAYABLE AND SIMILAR CHARGES

	2016	2015
	£	£
Interest arising on bank loans and overdrafts	1,021,040	957,155
Unwinding of discounted pension liabilities	43,000	46,000
	1,064,040	1,003,155

11 FIXED ASSET INVESTMENTS

	2016	2015
	£	£
Subsidiary company (Cost at 31 March 2016 and 31 March 2015)	1	1

The subsidiary company at 31 March 2016 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:

	2016	2015
	£	£
Profit on ordinary activities after taxation	184	657
Net assets	168,172	167,987

NOTES TO THE FINANCIAL STATEMENTS

12a TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting	Housing properties in course of construction	Total
	£	£	£
Cost			
At 1 April 2015	78,661,294	3,625,262	82,286,556
Additions – housing units	749,794	2,513,390	3,263,184
Additions – components	438,661	-	438,661
Schemes completed	5,261,652	(5,261,652)	-
Disposals – housing units	(162,506)	-	(162,506)
Disposals – components	(62,007)	-	(62,007)
At 31 March 2016	84,886,888	877,000	85,763,888
Depreciation and impairment			
At 1 April 2015	16,301,617	197,000	16,498,617
Depreciation charged in year	2,207,085	(197,000)	2,010,085
Released on disposal	(66,036)	-	(66,036)
At 31 March 2016	18,442,666	-	18,442,666
Net book value			
At 31 March 2016	66,444,222	877,000	67,321,222
At 31 March 2015	62,359,677	3,428,262	65,787,939

The Association reviews asset carrying values annually for impairment, and more frequently should there be indicators that assets might be impaired. All income generating units (IGUs) have been reviewed for impairment for the year ended 31 March 2016. The recoverable amounts of the IGU are determined from net present value (NPV) calculations using a 30 year term based on our business model.

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2016	2015
	£	£
Improvement work capitalised	352,514	467,156
Replacement component spend capitalised	86,147	162,633
Additions – components (as above)	438,661	629,789
Amounts charged to income and expenditure	1,044,588	980,324
	1,483,249	1,610,113

NOTES TO THE FINANCIAL STATEMENTS

12b TANGIBLE FIXED ASSETS –OTHER

	Freehold office	Furniture, fixtures and fittings	Computers and office equipment	Total
	£	£	£	£
Cost				
At 1 April 2015	3,126,878	160,258	291,307	3,578,443
Additions	-	-	128,184	128,184
Disposals	-	-	(210,422)	(210,422)
At 31 March 2016	3,126,878	160,258	209,069	3,496,205
Depreciation				
At 1 April 2015	856,492	159,432	276,263	1,292,187
Charge in the year	55,454	803	27,316	83,573
Released on disposal	-	-	(208,939)	(208,939)
At 31 March 2016	911,946	160,235	94,640	1,166,821
Net book value				
At 31 March 2016	2,214,932	23	114,429	2,329,384
At 31 March 2015	2,270,386	826	15,044	2,286,256

13 PROPERTIES HELD FOR SALE (TO RSL'S)

	2016	2015
	£	£
Work in Progress - at cost	182,584	156,197
Work in Progress - Housing Association Grant	(119,616)	(119,616)
	62,968	36,581

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

	2016	2015
	£	£
Rent and service charges receivable	200,201	185,732
Less: provision for bad and doubtful debts	(90,667)	(60,368)
	109,534	125,364
Social housing grant receivable	130,765	549,427
Other debtors	290,494	423,154
Prepayments and accrued income	200,196	132,734
	730,989	1,230,679

NOTES TO THE FINANCIAL STATEMENTS

15 CREDITORS: amounts falling due within one year

	2016	2015
	£	£
Debt (note 17)	769,330	614,184
Trade creditors	916,169	933,890
Rent and service charges received in advance	259,664	262,345
Amounts owed to subsidiary undertaking	14,413	24,792
Deferred grant income (note 18)	509,121	498,409
Other taxation and social security	49,249	40,865
Unpaid contributions for retirement benefits	-	493,000
Other creditors	74,968	56,623
Accruals and deferred income	980,546	1,106,939
	3,573,460	4,031,047

16 CREDITORS: Amounts falling due after more than one year

	2016	2015
	£	£
Debt (note 17)	30,473,227	31,092,565
Deferred capital grant (note 18)	24,455,762	24,188,661
	54,928,989	55,281,226

17 DEBT ANALYSIS – BORROWINGS

	2016	2015
	£	£
Debt falling due within one year (note 15):		
Bank loan instalments due within one year (note 17)	769,330	614,184
	769,330	614,184
Bank loan instalments due after more than one year (note 16)	30,473,227	31,092,565
	31,242,557	31,706,749

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

NOTES TO THE FINANCIAL STATEMENTS

17 DEBT ANALYSIS – BORROWINGS (CONTINUED)

The Nationwide B.S. £12Million Business Term Loan had interest charged at the fixed rate of LIBOR + 0.5875% and is repayable monthly over the next thirty three years, inclusive of the remaining one year capital repayment holiday. On 28 April 2015 we reached agreement to fix £10.8Million of this loan at 2.65% (including margin), for the next thirty years commencing 1 December 2016.

	£	Repayment date
Business Term Loan	2,554,090	28 June 2029
Business Term Loan	2,200,000	28 March 2034
Business Term Loan	1,640,000	28 June 2029
Business Term Loan	3,000,000	30 March 2034
Business Term Loan	3,000,000	21 April 2029
Business Term Loan	2,850,000	21 April 2029
Business Loan Facility	2,000,000	2 April 2036
Business Loan Facility	2,000,000	2 April 2036
Business Term Loan	11,998,467	1 November 2046
	31,242,557	

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

	2016 £	2015 £
Bank loans:		
Due under 1 year	769,330	614,184
Due within 1 to 2 years	1,072,093	819,061
Due within 2 to 5 years	4,083,490	3,724,425
Due after five years or more	25,317,644	26,549,079
Bank loan instalments due after more than one year (note 16)	30,473,227	31,092,565
	31,242,557	31,706,749

The Association's activities expose it to interest rate risk. The Association uses interest rate derivatives to hedge these exposures. The financial instruments are not used for speculative purposes. The Association has a number of interest rate swaps in place which places a limit on the interest payable on £12.754m 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% (2015: 4.94%). The loans are all currently at rates between 4.13% and 6.33% (2015: 4.13% and 6.33%). The terms of the agreements are as follows:

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

At 31 March 2016 the Association had undrawn loan facilities of £9m (2015: £9m).

NOTES TO THE FINANCIAL STATEMENTS

18 DEFERRED GRANT INCOME

	2016 £	2015 £
At 1 April	24,687,070	22,790,078
Grant received in the year	786,934	2,395,401
Released to income in the year	(509,121)	(498,409)
At 31 March	24,964,883	24,687,070

	2016 £	2015 £
Amounts to be released within one year (note 15)	509,121	498,409
Amounts to be released in more than one year (note 16)	24,455,762	24,188,661
	24,964,883	24,687,070

19 CALLED UP SHARE CAPITAL

	2016 £	2015 £
Shares of £1 each Issued and Fully Paid		
At 1 April	98	99
Shares issued during the year	4	2
Shares cancelled during the year	(3)	(3)
At 31 March	99	98

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

20 INCOME AND EXPENDITURE RESERVE

	2016 £	2015 £
At 1 April 2015	13,699,280	12,868,233
Surplus from Statement of Comprehensive Income	1,182,757	831,047
At 31 March 2016	14,882,037	13,699,280

NOTES TO THE FINANCIAL STATEMENTS

21 CAPITAL COMMITMENTS

	2016	2015
	£	£
Authorised and contracted for	1,978,912	1,180,632
Authorised not contracted for	184,717	1,561,041

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

22 RETIREMENT BENEFIT SCHEMES

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

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 155 non associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions from 1 April 2014 to 30 September 2027 of £26.304m per annum (payable monthly and increasing by 3% each on 1st April). The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

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

Based on the 30 September 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 £142,151 from 1 April 2016 and will increase to £146,415 from 1 April 2017. These annual deficit contributions will increase by 3.0% per annum and are expected to be cleared in 11 years and 6 months hence. This therefore equates to a Net Present Value (NPV) of £1,617,090.

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

NOTES TO THE FINANCIAL STATEMENTS

22 RETIREMENT BENEFIT SCHEMES (CONTINUED)

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

Provision for pension liability

	31 March 2016 (£000's)	31 March 2015 (£000's)	31 March 2014 (£000's)
Present value of provision	1,617	1,675	1,758

Reconciliation of opening and closing provision

	2016 £	2015 £
Provision at start of period	1,674,891	1,757,947
Unwinding of the discount factor (interest expense)	43,000	46,000
Deficit contribution paid	(133,500)	(130,000)
Remeasurements - impact of any change in assumptions	32,699	944
Provision at end of period	1,617,090	1,674,891

Income and expenditure impact

	2016 £	2015 £
Interest expense	43,000	46,000
Remeasurements - impact of any change in assumptions	32,643	1,000
Costs recognised in statement of comprehensive income	75,643	47,000

Assumptions

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.36	2.71	2.72

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

NOTES TO THE FINANCIAL STATEMENTS

22 RETIREMENT BENEFIT SCHEMES (CONTINUED)

Lothian Pension Fund

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

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

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

Movement in deficit during the year

	2016	2015
	£	£
Deficit in scheme at beginning of year	(493,000)	(187,000)
Movements during the year:		
Current service cost	-	(35,000)
Contributions paid	657,000	26,000
Cessation loss	(164,000)	(286,000)
Other finance income	-	18,000
Actuarial loss	-	(29,000)
Deficit at the end of the year	-	(493,000)

	2016	2015
	£	£
Analysis of the amount charged to other finance income		
Expected return on pension scheme assets	-	80,000
Interest on pension scheme liabilities	-	(62,000)
Net finance income	-	18,000

23 RELATED PARTY TRANSACTIONS

Four members of the Board of Management are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £9,159 (2015; £8,699) of rent was receivable from these tenant members. At the year-end there were £Nil (2015:£Nil), of rent arrears due from these tenant members.

Almond Enterprises Limited, a wholly owned subsidiary of the Association, continues to manage cleaning and clearance contracts for the Association which amounted to £214,888 of turnover this year (2015: £259,610), with a year-end net trade creditor balance of £14,413 (2015: £28,906). Almond Enterprises Limited made a Gift Aid payment of £34,000 during 2015/16 (2015: £25,800) to the Association, in accordance with the Association's policies and procedures.

NOTES TO THE FINANCIAL STATEMENTS

24 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	
	2016	2015
	£	£
Within one year	14,041	5,900
Between two and five years	18,482	26,463
	32,523	32,363

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

25 AVERAGE RENTS

	2016	2015
Average weekly rent for housing accommodation	£78.5	£74.32
Increase	1.9%	3.2%
Average number of Units	2,442	2,441

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

	2016	2015
	£	£
Surplus for the year	2,056,900	1,860,394
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	2,093,658	2,087,034
Government grants utilised in the year	(509,121)	(498,409)
Defined benefit pension schemes	(593,801)	148,000
Loss on disposal of tangible fixed assets	1,483	-
Decrease in trade and other debtors	80,984	118,214
Decrease in trade and other creditors	(109,987)	(235,530)
Net cash generated from operating activities	3,020,116	3,479,703

27 CONTINGENT LIABILITY

A contractor is claiming the sum of £130,000 for losses they purport to have incurred through their late completion of a development. The Association and its professional advisers dispute this liability. No security exists in connection with this sum.

NOTES TO THE FINANCIAL STATEMENTS

28 TRANSITION TO THE FINANCIAL REPORTING STANDARD

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS102) for the accounting period beginning on 1 April 2015. As a result of this the comparative figures for the period ending 31 March 2015 have been restated in accordance with FRS102. The transition to FRS102 has resulted in a number of changes in accounting policies compared with those used previously.

The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS102 for the period ending 31 March 2016.

Reconciliation of Capital & Reserves

		At 31 March 2015			At 31 March 2014		
		As previously Stated	Effect of Transition	**As restated**	As previously Stated	Effect of Transition	**As restated**
		£	£	**£**	£	£	**£**
Housing properties	(a)	70,843,861	(2,769,665)	**68,074,196**	69,489,306	(2,391,376)	**67,097,930**
HAG & Other grants	(b)	(28,263,914)	28,263,914	**-**	(25,868,513)	25,868,513	**-**
Current assets		6,612,248	-	**6,612,248**	5,188,338	-	**5,188,338**
Current Liabilities		(3,532,638)	(498,409)	**(4,031,047)**	(2,976,320)	(498,409)	**(3,474,729)**
Non-Current Liabilities	(b)	(31,092,565)	(24,188,661)	**(55,281,226)**	(31,706,745)	(22,291,669)	**(53,998,414)**
Provisions for liabilities	(c)	-	(1,674,891)	**(1,674,891)**	(187,000)	-	**(187,000)**
		14,566,992		**13,699,280**	13,939,066		**14,626,125**
Capital & Reserves		14,566,992	(867,712)	**13,699,280**	13,939,066	687,059	**14,626,125**

Reconciliation of Retained Surpluses for the Year

		Year Ended 31 March 2015		
		As previously Stated	Effect of Transition	**As restated**
		£	£	**£**
Turnover	(b)	11,742,103	498,409	**12,240,512**
Operating expenditure	(b,c)	(10,148,829)	(249,289)	**(10,398,118)**
Other income		18,000	-	**18,000**
Loss on disposals		(14,430)	-	**(14,430)**
Interest receivable		17,238		**17,238**
Provisions for liabilities	(c)	(957,155)	(46,000)	**(1,003,155)**
		656,927		**860,047**
Capital & Reserves		656,927	203,120	**860,047**

Notes to the Reconciliations

(a) Tangible fixed assets and depreciation
Social housing grant has been reclassified as deferred income, which results in an increase in the carrying value and also an increase in depreciation.

(b) Deferred income and amortisation
As above, social housing grant has been reclassified as deferred income, which results in an increase in long term creditors and also an increase in income, due to amortisation.

(c) Pension scheme deficit provision
As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS Pension Scheme, this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs. The recognised liability has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS102 para 28.13A.