

ALMOND HOUSING ASSOCIATION LIMITED

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

YEAR ENDED 31 MARCH 2018

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

**SC031696
HAL 285
SP2471R(S)
PF000181**

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

CONTENTS	PAGE
Report of the Board of Management	2-6
Operating and Financial Review	7-14
Report of the Independent Auditors on Corporate Governance Matters	15
Report of the Independent Auditors	16-17
Statement of Comprehensive Income	18
Statement of Financial Position	19
Statement of Cashflows	20
Statement of Change in Reserves	21
Notes to the financial statements	22-42

ADVISORS

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:

Brodies LLP
15 Atholl Crescent
Edinburgh
EH3 8HA

T C Young
69A, George Street
Edinburgh
EH2 2JG

DWF LLP
No 2 Lochrin Square
9b Fountainbridge
Edinburgh
EH3 9QA

External Auditors:

RSM UK Audit LLP
Third Floor, Centenary House
69 Wellington Street
Glasgow, G2 6HG

Internal Auditors:

TIAA Ltd
Artillery House, Fort Fareham
Newgate Lane
Fareham, PO14 1AH

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2018.

Principal Activities

Almond Housing Association Limited ('the Association') is a not-for-profit Registered Social Landlord (RSL) governed by a voluntary Board of Management. The Association's principal activities are the development and management of affordable housing.

Legal structure

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

Business review

Details of the Association's performance for the year and future plans, are set out in the Operating and Financial Review that follows this Board of Management report. The financial statements for the year ended 31 March 2018 have been prepared in accordance with the Financial Reporting Standard 102 ('FRS 102') and the Statement of Recommended Practice for Registered Social Landlords 2014. The transition to FRS102 impacted a number of accounting policies when it was first introduced to the Association's financial statements in 2015/16. Were we to exclude the impact of its changes on the last two years financial results, the total comprehensive income would have been as follows:

	<u>2018</u>	<u>2017</u>
	£	£
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (Under FRS102)	1,541,065	2,407,462
Amortisation of Social Housing Grant (previously all capital grants received were netted off against the cost of housing properties)	(587,971)	(571,280)
Additional depreciation (previously calculated on the net cost of properties after capital grant)	451,830	440,149
SHAPS Pension deficit contributions paid (previously treated as an operating cost)	(153,960)	(137,429)
Movements on provision for Pension Liability (previously recognised in Statement of total recognised gains and losses (STRGL)):		
Unwinding of the discount factor	9000	37,000
Remeasurements - impact of any change in assumptions	(2,000)	17,000
Remeasurements - amendments to the contribution schedule	-	(758,000)
	<hr/>	<hr/>
SURPLUS FOR THE YEAR (excluding FRS102 adjustments)	1,257,964	1,434,902
	<hr/> <hr/>	<hr/> <hr/>

Housing property assets

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

Rental Income

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The points value is reviewed annually to ensure that the rents are both affordable and cover the required costs. This policy follows the generally accepted practice/principles of the Housing sector.

Donations

The Association donated £8,000 (2017: £21,707), directly to several good causes and made no political donations.

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

Asset Management

The Association seeks to maintain its properties to the highest standard. To this end, we have programmes of cyclical and major repairs works to ensure we maintain the standard of our stock and the aspirations of our tenants. The major repairs programme is based on an independent Stock Condition Survey carried out every 4-5 years and supplemented by in house surveys. The programme also takes into account of Legislative changes such as the Energy Efficiency Standing for Social Housing (ESSH) and now ESSH2.

Our Asset Management Strategy provides the framework to the above and this will increasingly be supported by our new software package, QL.

Treasury Management

A comprehensive Treasury Management Policy is in place. The main aim of the strategy is to control the associated risks to the Association of borrowing and investing activities, thus minimising risk before maximising return.

Financial instruments

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

Provisions

The Association has provided £628,701 for the cumulative past service deficit on the Scottish Housing Association Defined Benefit Pension Scheme (SHAPS). On 30 September 2015, current members were transferred from the Defined Benefit Scheme onto the SHAPS Defined Contribution Scheme, in which all other eligible staff were additionally auto-enrolled.

Creditor payment policy

In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier. The average number of days between receipt and payment of purchase invoices this year was 26 (2017: 27).

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 our recruitment and retention practices support the development of a diverse workforce. Levels of staff turnover, sickness absence, ethnic mix and gender and age profile are closely monitored on a regular basis and these indicators make up part of our annual return to the Scottish Housing Regulator.

Health and Safety

The Board of Management is aware of its responsibilities on all matters relating to health and safety. The Association has detailed health and safety policies and procedures but has recently made the decision to join Employer's in Voluntary Housing and receive their H&S support. This will assist staff to ensure that our H&S framework is robust.

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

Staffing Structure, Service Contracts and Benefits

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

George Webster - Chief Executive
Sandy Young - Head of Housing Management
Joanna Voisey- Head of Asset Management (appointed Oct-17)
Stephen Hawkins - Head of Asset Management (retired Oct-17)
Craig Porter - Head of Finance and ICT
Angela Coutts - Head of Corporate Services

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

Board of Management

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

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

* Member of the Audit and Finance Sub-Committee at 2 August 2018.

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

Internal financial controls assurance

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

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

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

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

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

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

Risk management – the Board of Management and senior personnel have a clear responsibility for identifying risks facing the Association and for putting in place procedures to mitigate and monitor risks. Major risks are formally assessed every year through a process involving the Board of Management and senior personnel, in accordance with the risk management policy. See page 11 for an analysis of the key risks to our strategic objectives.

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

Internal audit – The Association contracted The Internal Audit Association (TIAA) Limited, 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 and Finance Sub-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 Audit and Finance Sub-Committee is shown on page 4.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2018. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors report on the financial statements

Going concern

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

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

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

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

The maintenance and integrity of the website in relation to the contents of the financial statements is the responsibility of the Board of Management. The work carried out by the auditors does not involve consideration of these matters and, accordingly, they accept no responsibility for any changes that may have occurred in the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Annual general meeting

The annual general meeting will be held on Thursday 6th September 2018 at New Almond House, 44, Etive Walk, Craigshill, Livingston, West Lothian, EH54 5AB.

Statement as to disclosure of information to auditors

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

External auditors

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

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



Secretary

Date: 2/8/2018

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

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 2018 there were 101 active members.

In addition to maintaining 2,508 properties, the Association continues to develop new affordable housing and has built and continues to lease specially designed accommodation, which provides a base for residential care for elderly people. The Association has a subsidiary Almond Enterprises Limited which provides cleaning services in the local area, and is committed to providing jobs and improving the environment in the local community.

OBJECTIVES AND STRATEGY

The Association's objectives and strategy are set out in a business plan that is reviewed and approved by the Board of Management each year. Our strategy focusses on continuing to build on the success of our business; making sure that it remains sustainable in the future. We will do this by engaging with our customers, our people and the wider community to provide high quality services focussed on delivering the very best. In doing this we believe that we will ensure that our organisation is valued and successful now and in the future.

Our three strategic priorities are summarised as follows:

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



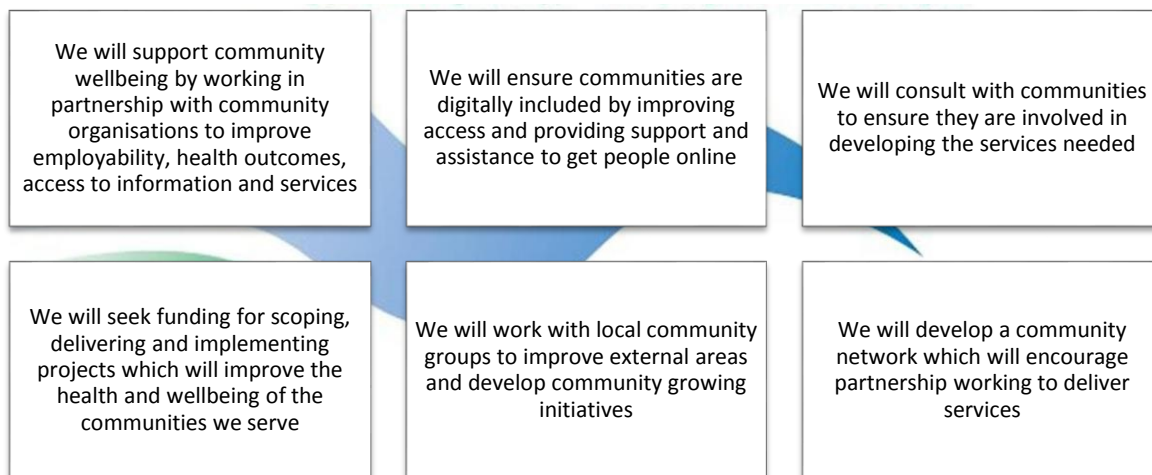
OPERATING AND FINANCIAL REVIEW (CONTINUED)

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:



OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT

Value for Money

Value for Money for us means that we use our rental income and assets in the best way possible to deliver quality housing, excellent services and growth. Our tenants are at the heart of everything we do and decisions on how we use our resources based on achieving the best possible results for them. We are ambitious and believe that driving value and efficiency, will free up resources to enable us to build and invest further in our housing stock.

Financial performance

The Association's Statement of Comprehensive Income and Statement of Financial Position are summarised in Table 1 (page 14). The Board of Management had budgeted for a surplus of £1.0million this year to meet its medium term strategic objectives and we achieved an actual surplus of £1.5million. This variance was primarily due to maintenance underspend on major works contracts and landscaping as a result of adverse weather conditions. 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, incorporating all the currently identifiable projected spend profiles relating to the West Lothian Development Alliance (WLDA) and the Energy Efficiency Standard for Social Housing (ESSH). Adequate funding remains available for the new development programme, with agreement reached to extend our flexible borrowing facility until June 2019.

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 components. The Association carried out an extensive Stock Condition Survey in 2017, which substantiates that all our properties are in a satisfactory state of repair, energy efficient, modern, safe and secure and therefore on track to comply with the ESSH standard, (to be met by all social housing by 2020). The Survey provides us with more precise spending projections for the thirty year lifecycle projections.

To improve the quality of our homes we invested £2.6million in our housing properties this year, continuing our focus on improving energy efficiency, through an accelerated External Wall Insulation (EWI) programme. We invested £2.2million directly in a range of energy efficiency measures, notably external wall insulation, roughcasting and new boilers, with a further £0.4million being spent on kitchens, electrical upgrades and roofing.

In July, we completed our Forth Drive, Craigshill development of nine, one bedroom properties as part of our strategy to satisfy the waiting list for social housing in the local area. The homes benefit from high levels of insulation, photovoltaic solar cells, 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 two properties on the open market within Livingston.

Our staff completed regular inspections of estates and open spaces and encouraged all our tenants to take pride in the community in which they live. During the year, in partnership with West Lothian Council we completed work on site in respect of the environmental improvement of the Craigsark area. This included work to access routes and the creation of new soft landscaped and planted areas

Repair response times

We recognise that our performance in terms of repairs has a direct impact in the satisfaction levels tenants have with the association. This year we are pleased to confirm that satisfaction has remained high with 95% of those receiving a repair in the last year reporting they were satisfied (ARC definition).

This year we have and continue to adapt our working methodology to reduce admin and make better use of our new software package, QL. The impact of has been a reduction in the number of reactive repair works orders issued (as per the ARC definition) to 8,426 reactive repairs. Our performance in repairs terms has also been maintained despite the challenges of new software.

Key Performance Indicator: Average length of time to complete	
Emergency repairs:	3.7 hours (2017: 3.4 hours)
Other repairs:	7.1 days (2017: 6.8 days)
Right First Time	97%

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Rent losses and arrears

Rent losses (including bad debts and voids), were well below other RSLs in our peer group at 0.9% of rental income receivable (2017: 0.6%). The Association's rent loss for void periods at 0.2% of rental income receivable (2017: 0.3%), also remained comfortably below our 0.3% target. Gross rent arrears, including former tenant arrears after write offs, were slightly higher at the year-end at 2.3% (2017: 1.6%) but have now receded.

Human Resources and customer service

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

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 invested heavily in smarter systems and additional staff resources to minimize the associated risks. This year we successfully completed installation of our replacement core business system, for housing, asset management and finance, and we will continue to provide our field staff with the latest in communications technology, to increase reactivity and support our tenants through this transitional period.

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

Our most recent Tenant Satisfaction Survey showed that more than 93% of our tenants were satisfied with the levels of service we provided. Our Community Engagement function leads on our relationships with community groups and local charities and has helped us to become a true anchor in the local area. Working with our dedicated group of tenant volunteers, we have helped foster a culture of continuous improvement right across all areas of the business, helping us identify areas for improvement and implement lasting change.

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

Digital, financial and social inclusion

We believe that connecting people to the digital world makes life better for them, and we are committed to making this happen for as many of our tenants as possible. To date we have made significant inroads with digital classes, drop in surgeries, partnerships with West Lothian College, Reusing IT.org, and others providing a range of education, refurbished equipment and accessibility solutions. In November 2017, we were proud to be awarded the TPAS' National Good Practice Award for Best Practice in Digital Involvement.

With funding from the 'People and Communities Fund' we have been able to work with the energy charity Changeworks, in delivering energy cost and efficiency advice to tenants in the Craigshill area. In relation to financial inclusion, we also began working in partnership with the Community Help and Advice Initiative (CHAI), now 'The Action Group', providing our tenants with a benefits and money advice service and a housing support service. We are also excited to be working in partnership with the Dolly Parton Imagination Library, providing free books for tenants' children under 5.

In partnership with us, Edinburgh-based youth homelessness charity, Rock Trust, launched the UK's first ever Housing First for Youth project in West Lothian, a scheme which has successfully placed vulnerable young care leavers into our permanent housing, rather than having them rely on temporary accommodation elsewhere. Feedback so far has been hugely positive and we'll be looking to formally launch the project in 2018, supporting others to learn from our successes.

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
Negative impact of Welfare Reforms, particularly Universal Credit	<p>As Universal Credit-roll out continues, more tenants who are not currently of state pension credit age, or in receipt of Disability Allowance will move on to Universal Credit and thereby be responsible for making their own arrangements to pay rent. Should a significant proportion of these tenants not punctually remit these funds to the Association, this will significantly impact our operating cash flows and increase the level of rent arrears and ultimately bad debts.</p> <p>The risk represented by this change is partially mitigated by the number of tenants who will be exempt from Universal Credit. In addition, we have prepared for the impact of Universal Credit by investing in our Housing Management team, who have so far been able to provide tailored support to tenants receiving this new benefit.</p> <p>An increase in the level of arrears and bad debts, has also been incorporated within our budget and long term plans and is not expected to result in loan covenant breaches.</p>
Interest rates incurred higher than projected	<p>Our financial plan assumes a LIBOR rate within the short, medium and long term based upon information obtained from our treasury advisors. The Association's loans are either at fixed rate or LIBOR plus the associated margin applicable to the loans. Subject to other factors, the Association could accommodate increases in LIBOR rates above the levels predicted without affecting loan covenants. This is due to the assumption that our interest rate exposure is managed by implementing fixed rates during the current year, which will be fully converted by 2020.</p>
Rent increases restricted or real rent reductions	<p>When reviewing our 30 year plan we considered an assumption of rental growth of RPI minus 0.5% whilst costs were increasing by RPI. This resulted in potential loan covenant breaches, therefore we re-phased expenditure to manage the levels of surplus available each year. If further costs were identified by our stock condition survey in 2017/18, then we would work to control costs and revisit our levels of rental growth.</p>
Unsuccessful development & implementation of new Core IT System	<p>Installation of the new system was significantly protracted, but is now live and performing operationally in line with our immediate requirements. A post go live issues log has been established to progress and resolve remaining issues and we will establish a Project team to meet phase two goals.</p>

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Accounting policies

The Association's principal accounting policies are set out on pages 21 to 25 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include housing depreciation and amortisation of Housing Association Grant.

Housing properties

At 31 March 2018 the Association owned 2,508 housing properties (2017: 2,498). The properties were carried in the balance sheet at cost (after depreciation), of £66.4million (2017: £67.2million). Our total investment in housing 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 £28.7million, two thirds of which is due to mature by 2033, with the remaining third maturing fully by 2046. Interest was fixed long term (at 4.10% on average), for 64% of our total borrowings with the remaining 36% variable (at LIBOR+0.54% 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 £0.5million (2017: £1.8million inflow), details of which are shown in the cash flow statement (page 19). Gross inflows included £3.4million from operating activities, with £0.9million of grants received and £0.8million proceeds from the sale of completed developments to RSL's. Cash outflows included £0.9million interest payable, £2.0million of loan repayments and £2.8million expenditure on developments and housing improvements.

FUTURE DEVELOPMENTS

The Association will continue to report healthy surpluses during the period, providing on average a 181% 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.

Developments

Providing quality homes throughout West Lothian for those who need them, remains our key priority and during the next 4 years we are planning to complete 3 new developments in Livingston, providing us with 57 new properties to let. The capital spend for these sites is budgeted at £7.3million, with £4.1million of public subsidy and £3.2million of cash/private finance.

Scottish Housing Quality Standard (SHQS) – revenue costs

Our 5 year Investment Plan has a continued focus on Energy Efficiency as part of our overall aim of meeting the Energy Efficiency Standard for Social Housing (EESH) by 2020 and ensuring our homes are warm, safe and inviting. In 2018/19 alone, we have allocated £7.5million to the replacement programme of older inefficient boilers, external wall insulation and external render. A further £7million is to be spent on general replacements and upgrades, mostly to electrical systems, windows and doors.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Our Customers

We believe we can bring people together and can change lives for the better. For our tenants we've already seen the real benefits that many of our initiatives have brought including savings in fuel costs, income maximisation and signposting to additional support services. We are currently piloting a Tenancy Sustainment project to support our customers with non-traditional housing needs.

We are fortunate to have been successful in obtaining funding from the People and Communities Fund which has allowed us to continue with our Almond Energy Action project in partnership with Changeworks. This project, now in its fourth consecutive year, has been well received by our tenants and provides added value to our boiler replacement programme as well as continuing to alleviate issues of fuel poverty throughout our communities.

Connecting people to the digital world makes life better for them and we are committed to making this happen for as many of our customers as possible. In 2018 we will be launching Digitalmond – a new digital facility in our Reception area where tenants will be able to access the internet via a series of laptops available during office hours. We'll continue to work with The Action Group, to deliver our Money Advice and Welfare Benefits project throughout 2018/19, a project we consider critical at this time of increasing challenges for our customers.

Our communities

Our strategy for 2018/19 is to continue to broaden our business, offering a more holistic range of services to address our tenants needs as we aim to go beyond traditional housing provision services. Going forward, we will also explore how the recent changes in procurement legislation can help us to maximise community benefit clauses in our contracts, for works and services to benefit local groups and charities in our communities.

From our involvement with a number of community groups and local charities we've been able to ensure that children in our communities have access to everything they need for a school day; emergency access to food and personal hygiene items; free books on a monthly basis until children turn 5, and the opportunity to make a real difference to the physical environment of local areas.

As the pressures on our customers have increased we, and other local community organisations, have also tried to respond via sponsorships and donations. This has proven to be hugely valuable to local groups and good causes and in 2018 we will formalise arrangements for distributing these funds, to help alleviate some of the problems faced by those in need in our community.

Staffing

Excellence in customer service is at the very heart of what we do and we aim to regularly review and renew our service delivery, striving to give our customers the very best service. With the implementation of the new core IT system now complete, we look forward to capitalising on its multifaceted benefits, which will enable us to share resources in a way that has not previously existed, accelerating our progress and furthering our ambitions.

The change in legislation in respect of General Data Protection Regulations (GDPR), will be a key consideration for us going forward. We are responsible for safeguarding the personal data relating to our customers and staff and as threats of data breaches are escalating, we have partnered with an expert in the field to ensure the information of our stakeholders is kept safely and securely stored.

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	FRS102 and SORP 2014 Compliant			SORP 2010 Compliant	
	2018 (£'000)	2017 (£'000)	2016 (£'000)	2014 (£'000)	2013 (£'000)
Statement of Comprehensive Income					
Total turnover	11,740	11,495	12,143	12,241	10,015
Income from lettings	10,797	10,477	10,083	9,742	9,610
Operating surplus	2,491	3,110	2,057	1,860	1,601
Surplus for the year transferred to reserves	1,541	2,407	1,183	831	632
Statement of financial Position					
Housing properties, net of depreciation HAG and other capital grants	66,428	67,234	67,321	65,788	67,095 (25,868)
Housing properties, net of depreciation & grants	66,428	67,234	67,321	65,788	41,227
Other fixed assets	2,183	2,265	2,329	2,286	2,394
Fixed assets net of depreciation (from 2014/15)	68,611	69,499	69,650	68,074	43,621
Net currents assets/ (liabilities)	2,624	2,689	1,778	2,581	2,212
Total assets less current liabilities	71,235	72,188	71,428	70,655	45,833
Long term loans and liabilities and Reserves					
Creditors (due over one year)	(51,775)	(54,122)	(54,929)	(55,281)	(31,707)
Pension liability	(629)	(776)	(1,617)	(1,675)	(187)
Reserves : designated	-	-	-	-	(1,758)
: revenue	(18,831)	(17,290)	(14,882)	(13,699)	(12,368)
: pension	-	-	-	-	187
: total	(18,831)	(17,290)	(14,882)	(13,699)	(13,939)
Long term loans and liabilities and Reserves	(71,235)	(72,188)	(71,428)	(70,655)	(45,833)
Accommodation figures					
Total housing stock owned at year end (<i>number of dwellings</i>) : Social housing	2,508	2,498	2,489	2,441	2,442
Statistics					
Surplus for the year as % of turnover	13.1%	20.9%	9.9%	5.6%	6.3%
Surplus for the year as % of income from lettings	14.3%	23.0%	11.7%	6.6%	6.6%
<u>Rent losses</u> (<i>voids and bad debts as % of rent and service charges receivable</i>)	0.9%	0.6%	0.8%	0.5%	0.6%
<u>Rent arrears</u> (<i>gross arrears as % of rent and service charges receivable</i>)	2.3%	1.6%	1.7%	1.6%	2.3%
<u>Interest cover</u> (<i>surplus before interest payable divided by interest payable</i>)	2.7	3.4	1.9	1.7	1.6
<u>Liquidity</u> (<i>current assets / current liabilities</i>)	1.7	1.8	1.5	2.2	1.7
Total reserves per home owned	£7,508	£6,922	£5,979	£5,968	£5,708

REPORT BY THE AUDITORS TO THE MEMBERS OF ALMOND HOUSING ASSOCIATION ON CORPORATE GOVERNANCE MATTERS

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

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee 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 4-5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



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

Date 14/8/18

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

Opinion

We have audited the financial statements of Almond Housing Association Limited (the 'Association') for the year ended 31 March 2018 which comprise the Statements of Comprehensive Income, Financial Position, Cashflows and Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 6, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

Date

14/2/18

STATEMENT OF COMPREHENSIVE INCOME

	<u>Notes</u>	<u>2018</u> £	<u>2017</u> £
TURNOVER	2	11,739,827	11,495,330
Operating expenditure	2	(9,248,861)	(9,143,798)
Pension remeasurements	21	-	758,000
		_____	_____
OPERATING SURPLUS	6	2,490,966	3,109,532
(Loss) / Gain on disposal of property, plant and equipment	7	(26,788)	194,642
Interest receivable	10a	3,749	20,140
Interest and financing costs	10b	(926,862)	(916,852)
		_____	_____
SURPLUS FOR THE YEAR		1,541,065	2,407,462
		_____	_____
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,541,065	2,407,462
		=====	=====


The results relate wholly to continuing activities.


The accompanying notes on pages 22 to 42 form part of these financial statements.


STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	£	<u>2018</u> £	£	<u>2017</u> £
FIXED ASSETS					
Intangible fixed assets	12a		60,603		80,662
Housing properties	12b		66,428,211		67,234,291
Other tangible fixed assets	12c		2,121,749		2,183,762
Investment in subsidiaries	11		1		1
			_____		_____
			68,610,564		69,498,716
CURRENT ASSETS					
Properties held for sale	13	19,947		488,337	
Trade and other debtors	14	424,053		551,908	
Cash and cash equivalents		5,851,230		6,361,061	
			_____		_____
			6,295,230		7,401,306
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	15	(3,671,188)		(4,712,316)	
			_____		_____
NET CURRENT ASSETS					
			2,624,042		2,688,990
			_____		_____
TOTAL ASSETS LESS CURRENT LIABILITIES					
			71,234,606		72,187,706
Creditors: amounts falling due after more than one year	16		(51,775,339)		(54,122,542)
Provision for pension liabilities	21		(628,701)		(775,661)
			_____		_____
TOTAL NET ASSETS					
			18,830,566		17,289,503
			=====		=====
RESERVES					
Revenue reserves			18,830,566		17,289,503
			_____		_____
TOTAL RESERVES					
			18,830,566		17,289,503
			=====		=====

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


Mr A Saunders
Chairman


Mr M Joyce
Board Member


Mr G Webster
Secretary

Date: 2/8/2018

The accompanying notes on pages 22 to 42 form part of these financial statements.

STATEMENT OF CASHFLOWS

	<u>Notes</u>	<u>2018</u> £	<u>2017</u> £
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operating activities	25	3,391,759	4,685,493
Proceeds from properties held for sale		771,403	-
		-----	-----
Net cash inflow from operating activities		4,163,162	4,685,493
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(2,750,431)	(2,768,877)
Proceeds from sale of tangible fixed assets		36,721	364,884
Grants received		924,539	965,151
Interest received		4,780	19,937
		-----	-----
Net cash outflow from investing activities		(1,784,391)	(1,418,905)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(917,597)	(886,531)
Repayments of borrowings		(1,971,005)	(576,012)
Proceeds from issue of shares		-	4
		-----	-----
Net cash outflow from financing activities		(2,888,602)	(1,462,539)
		-----	-----
NET INCREASE/(DECREASE) IN CASH		(509,831)	1,804,049
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,361,061	4,557,012
		-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR		5,851,230	6,361,061
		-----	-----

The accompanying notes on pages 22 to 42 form part of these financial statements.

Almond Housing Association Limited
Financial Statements for the year ended 31 March 2018

STATEMENT OF CHANGES IN RESERVES

	<u>Share Capital</u>	<u>Revenue Reserves</u>	<u>Total Reserves</u>
	£	£	£
Balance at 1 April 2016	99	14,881,938	14,882,037
Total comprehensive income for the year	-	2,407,462	2,407,462
Shares issued during the year	4	-	4
Balance at 31 March 2017	<u>103</u>	<u>17,289,400</u>	<u>17,289,503</u>
Balance at 1 April 2017	103	17,289,400	17,289,503
Total comprehensive income for the year	-	1,541,065	1,541,065
Cancelled shares during the year	(2)	-	(2)
Balance at 31 March 2018	<u>101</u>	<u>18,830,465</u>	<u>18,830,566</u>

The accompanying notes on pages 22 to 42 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 (Registered Number: HAL 285). 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 holds formal authority from the Financial Conduct Authority, to exclude its subsidiary from inclusion or consolidation into its group accounts, due to the immateriality of the amounts involved. These financial statements therefore present information about the Association as an individual undertaking and not about its group.

Basis of accounting

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

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

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

Going Concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Board of Management 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. The carrying value of the pension is disclosed in note 22.

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. The carrying value of the assets is available within note 12 b.

Categorisation of housing properties as investment property or property, plant and equipment – Properties held for social housing lets are considered to be property, plant and equipment. Other lets are assessed based on the characteristics of the lease and classified as property, plant and equipment or investment property as appropriate. At present management have classified all properties as property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Turnover and revenue recognition

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

Government grants

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

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

Other grants

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

Housing properties

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

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 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.

Intangible Fixed Assets

Computer software is recognised as an intangible fixed asset, stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is included within Management & Maintenance administration costs (note 3). Amortisation is provided for evenly on the cost of intangible fixed assets, to write them down to their estimated residual values over their expected useful lives, as follows:

Computer Software	4 years
-------------------	---------

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Depreciation of housing properties

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

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

Freehold land or assets under construction are not depreciated.

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

Other tangible fixed assets

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

Office property - by component, consistent with the Housing properties component lives

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

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

Properties held for sale

Property under construction for outright sale is valued at the lower of cost and net realisable value, and disclosed net of Housing Association grants received. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

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 22. Related party transactions with Almond Enterprises Limited, the Association's fully owned subsidiary, can also be found in note 22.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

Cash and cash equivalents

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

Operating leases

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

Employee benefits

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

Financial assets - Debtors

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities - creditors

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 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 income and expenditure in the period it arises.

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	<u>Turnover</u> £	<u>Operating costs</u> £	Pension remeasure- ments £	Operating surplus/ (loss) <u>2018</u> £	Operating surplus/ (loss) <u>2017</u> £
Affordable letting activities	3	11,483,832	(8,912,284)	-	2,571,548	3,231,559
Other activities	4	255,995	(336,577)	-	(80,582)	(122,027)
		=====	=====	=====	=====	=====
Total		11,739,827	(9,248,861)	-	2,490,966	3,109,532
		=====	=====	=====	=====	=====
Total for previous period of account		11,495,330	(9,143,798)	758,000	3,109,532	
		=====	=====	=====	=====	

NOTES TO THE FINANCIAL STATEMENTS

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

	General Needs <u>Housing</u>	Supported Housing	Total <u>2018</u>	<u>2017</u>
	£	£	£	£
Rent receivable net of service charges	10,788,189	9,236	10,797,425	10,477,412
Service charges receivable	116,804	1,240	118,044	153,265
	-----	-----	-----	-----
Gross income from rent and service charges	10,904,993	10,476	10,915,469	10,630,677
Less Voids	(19,608)	-	(19,608)	(30,872)
	-----	-----	-----	-----
Net income from rents and service charges	10,885,385	10,476	10,895,861	10,599,805
Grants released from deferred income	587,721	250	587,971	571,280
	-----	-----	-----	-----
Total turnover from affordable letting activities	11,473,106	10,726	11,483,832	11,171,085
Management & Maintenance administration costs	2,754,640	16,668	2,771,308	2,799,764
Service costs	75,543	-	75,543	97,195
Planned & cyclical maintenance	1,980,099	180	1,980,279	1,596,577
Reactive maintenance costs	1,831,950	7,969	1,839,919	1,851,081
Bad debts – rents and service charges	78,031	-	78,031	32,934
Impairment of properties held for letting	-	-	-	165,000
Impairment of properties in course of construction	-	-	-	28,700
Depreciation of affordable let properties	2,165,659	1,545	2,167,204	2,126,275
	-----	-----	-----	-----
Operating costs for affordable letting activities	8,885,922	26,362	8,912,284	8,697,526
Pension remeasurements (reduction in deficit)	-	-	-	(758,000)
	-----	-----	-----	-----
Operating surplus/(loss) for affordable letting activities	2,587,184	(15,636)	2,571,548	3,231,559
	=====	=====	=====	=====
Operating surplus or deficit for affordable letting activities for previous reporting period	3,142,157	89,402	3,231,559	
	=====	=====	=====	

The previous years' (2017), Pension remeasurements credit of £758,000, represented a reduction in the provision for pension liabilities, itemised by The Pensions Trust in respect of the Scottish Housing Associations' Pension Scheme (SHAPS), as 'remeasurements - amendments to the contribution schedule'.

NOTES TO THE FINANCIAL STATEMENTS

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating (deficit) or surplus 2018	Operating (deficit) or surplus 2017
	£	£	£	£	£	£	£	£	£
Wider role activities	-	40,000	-	-	40,000	-	(155,756)	(115,756)	(35,806)
Care and repair of property	57,885	-	-	25,223	83,108	-	(88,572)	(5,464)	591
Investment property activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	49,153	49,153	-	(36,264)	12,889	14,078
Support activities	-	-	-	-	-	-	-	-	333
Care activities	-	-	-	-	-	-	-	-	-
Contracted out services undertaken for RSLs	-	-	-	7,124	7,124	-	(7,124)	-	-
Contracted out services undertaken for other organisations	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	10,853	10,853	-	(10,853)	-	-
Uncapitalised development administration costs	-	-	-	-	-	-	(28,310)	(28,310)	(127,022)
Other activities (includes £53K Gift Aid in 2018, (2017: £16K Gift Aid))	-	-	-	65,757	65,757	-	(9,698)	56,059	25,799
Total from other activities	57,885	40,000	-	158,110	255,995	-	(336,577)	(80,582)	(122,027)
Total from other activities for the previous period of account	78,731	67,404	-	178,110	324,245	-	(446,272)	(122,027)	

NOTES TO THE FINANCIAL STATEMENTS

5 ACCOMMODATION IN MANAGEMENT

The number of units in Management at 31 March was as follows:	<u>2018</u>	<u>2017</u>
General needs housing – units owned and managed	2,504	2,483
Supported housing – units, owned and managed	4	15
Total	<u>2,508</u>	<u>2,498</u>

6 OPERATING SURPLUS

	<u>2018</u>	<u>2017</u>
	£	£
The operating surplus is arrived at after charging/(crediting):		
Depreciation of housing properties (note 12b)	2,167,204	2,126,275
Depreciation of other tangible fixed assets (note 12c)	66,486	66,270
Amortisation of intangible fixed assets (Note 12a)	34,219	30,189
Impairment costs (Note 12b)	-	193,700
Operating lease rentals	35,885	33,566
	<u>2,203,794</u>	<u>2,449,900</u>
Audit services - statutory audit of the Association	14,926	14,352
Taxation compliance services	-	2,484
	<u>14,926</u>	<u>16,836</u>

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

	<u>2018</u>	<u>2017</u>
	£	£
Disposal proceeds	36,721	364,884
Carrying value of fixed assets	(11,120)	(127,347)
Deficit on disposal of replaced components	(52,389)	(42,895)
	<u>(26,788)</u>	<u>194,642</u>

8 KEY MANAGEMENT PERSONNEL

Key management personnel are defined as the members of the Board, the Chief Executive and other members of the senior management team.

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:

	<u>2018</u>	<u>2017</u>
£60,001 to £70,000	2	3
£100,001 to £110,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

8 KEY MANAGEMENT PERSONNEL (CONTINUED)

	<u>2018</u>	<u>2017</u>
	£	£
Aggregate emoluments for key management personnel (excluding pension contributions)	380,175	379,041
Aggregate pension contributions in relation to key management personnel	34,623	34,764
Total emoluments for key management personnel	<u>414,789</u>	<u>413,805</u>
The emoluments of the Chief Executive (excluding pension contributions)	<u>110,159</u>	<u>107,168</u>
The pension contributions of the Chief Executive	<u>10,179</u>	<u>9,969</u>

None of the Board of Management received any emoluments during the year (2017: £Nil). During the year the Board of Management were reimbursed expenses of £767 (2017: £1,380).

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):

	<u>2018</u>	<u>2017</u>
Housing, support and care	16	17
Maintenance	10	11
Office and management/Administration	12	14
Development	1	1
	<u>39</u>	<u>43</u>

The actual average weekly number of persons employed by the Association was 41 (2017: 45).

Staff costs for the above persons:

	<u>2018</u>	<u>2017</u>
	£	£
Wages and salaries	1,551,465	1,605,468
Social security costs	154,752	147,059
Defined contribution (current service) pension costs	205,688	225,095
<u>Defined benefit (past service) pension costs:-</u>		
Scheme expenses	4,907	4,586
Remeasurements - impact of any change in assumptions	(2,000)	17,000
Remeasurements - amendments to the contribution schedule	-	(758,000)
	<u>1,914,812</u>	<u>1,241,208</u>

NOTES TO THE FINANCIAL STATEMENTS

10a INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2018</u>	<u>2017</u>
	£	£
Interest on bank deposits	3,749	20,140
	<u> </u>	<u> </u>

10b INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2018</u>	<u>2017</u>
	£	£
Interest arising on bank loans and overdrafts	917,862	879,852
Unwinding of discounted pension liabilities	9,000	37,000
	<u> </u>	<u> </u>
	<u>926,862</u>	<u>916,852</u>

11 FIXED ASSET INVESTMENTS

	<u>2018</u>	<u>2017</u>
	£	£
Subsidiary company (Cost at 31 March 2018 and 31 March 2017)	1	1
	<u> </u>	<u> </u>

The subsidiary company at 31 March 2018 was:

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

NOTES TO THE FINANCIAL STATEMENTS

11 FIXED ASSET INVESTMENTS (CONTINUED)

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

	<u>2018</u>	<u>2017</u>
	£	£
Profit on ordinary activities after taxation	630	496
	=====	=====
Net assets	169,298	168,870
	=====	=====

12a INTANGIBLE FIXED ASSETS

	Computer Software
	£
Cost	
At 1 April 2017	175,022
Additions	14,160
Disposals	(26,294)
At 31 March 2018	----- 162,888
Depreciation	
At 1 April 2017	94,360
Charge in the year	34,219
Released on disposals	(26,294)
At 31 March 2018	----- 102,285
Net book value	
At 31 March 2018	----- 60,603
At 31 March 2017	----- 80,662

NOTES TO THE FINANCIAL STATEMENTS

12b TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held <u>for letting</u>	Housing properties in course of <u>construction</u>	Total
	£	£	£
Cost			
At 1 April 2017	87,104,078	752,927	87,857,005
Additions – housing units	130,721	438,366	569,087
Additions – components	872,243	-	872,243
Transfer between asset classes	(27,203)	-	(27,203)
Schemes completed	1,132,054	(1,132,054)	-
Disposals – housing units	(16,865)	-	(16,865)
Disposals – components	(384,453)	-	(384,453)
At 31 March 2018	88,810,575	59,239	88,869,814
	=====	=====	=====
Depreciation and impairment			
At 1 April 2017	20,594,014	28,700	20,622,714
Transfer between asset classes	(10,505)	-	(10,505)
Depreciation charged in year	2,167,204	-	2,167,204
Schemes completed	28,700	(28,700)	-
Released on disposal	(337,810)	-	(337,810)
At 31 March 2018	22,441,603	-	22,441,603
	=====	=====	=====
Net book value			
At 31 March 2018	66,368,972	59,239	66,428,211
	=====	=====	=====
At 31 March 2017	66,510,064	724,227	67,234,291
	=====	=====	=====

Land comprises £8,834,270 of Social housing properties held for letting (2017: £8,696,932) and £Nil of Housing properties in course of construction (2017: £120,000).

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 2018. The recoverable amounts of the IGU are determined from net present value (NPV) calculations using a 30 year term based on our business model.

NOTES TO THE FINANCIAL STATEMENTS

12b TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	<u>2018</u>	<u>2017</u>
	£	£
Enhanced component spend capitalised	652,629	396,166
Replaced component spend capitalised	219,614	171,408
	<u>872,243</u>	<u>567,574</u>
Additions – components (as above)	872,243	567,574
Amounts charged to income and expenditure	1,732,959	1,372,995
	<u>2,605,202</u>	<u>1,940,569</u>

12c TANGIBLE FIXED ASSETS – OTHER

	<u>Freehold office</u>	<u>Furniture, fixtures and fittings</u>	<u>Computers and office equipment</u>	<u>Total</u>
	£	£	£	£
Cost				
At 1 April 2017	3,126,878	134,894	65,546	3,327,318
Additions	-	856	3,617	4,473
Disposals	-	(5,262)	-	(5,262)
At 31 March 2018	<u>3,126,878</u>	<u>130,488</u>	<u>69,163</u>	<u>3,326,529</u>
Depreciation				
At 1 April 2017	967,400	134,894	41,262	1,143,556
Charge in the year	55,454	89	10,943	66,486
Released on disposal	-	(5,262)	-	(5,262)
At 31 March 2018	<u>1,022,854</u>	<u>129,721</u>	<u>52,205</u>	<u>1,204,780</u>
Net book value				
At 31 March 2018	<u>2,104,024</u>	<u>767</u>	<u>16,958</u>	<u>2,121,749</u>
At 31 March 2017	<u>2,159,478</u>	<u>-</u>	<u>24,284</u>	<u>2,183,762</u>

NOTES TO THE FINANCIAL STATEMENTS

13 PROPERTIES HELD FOR SALE (TO RSL'S)

	<u>2018</u>	<u>2017</u>
	£	£
Work in Progress - at cost		
At 1 April 2017	488,337	182,584
Additions – housing units	1,357,835	305,753
Transfer between asset classes	19,947	-
Disposals – housing units	(1,846,172)	-
At 31 March 2018	<u>19,947</u>	<u>488,337</u>

The Housing Association grant in relation to Work in Progress totals £8,461 (2017: £488,337) and is disclosed within Accruals and deferred income (note 15).

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

	<u>2018</u>	<u>2017</u>
	£	£
Rent and service charges receivable	270,515	187,025
Less: provision for bad and doubtful debts	(149,035)	(107,314)
	<u>121,480</u>	<u>79,711</u>
Social housing grant receivable	30,000	251,089
Other debtors	183,936	105,437
Prepayments and accrued income	88,637	115,671
	<u>424,053</u>	<u>551,908</u>

15 CREDITORS: amounts falling due within one year

	<u>2018</u>	<u>2017</u>
	£	£
Debt (note 17)	958,436	1,072,093
Trade creditors	646,273	1,050,484
Rent and service charges received in advance	305,523	288,357
Amounts owed to subsidiary undertaking	13,747	18,855
Deferred grant income (note 18)	595,957	1,070,604
Other taxation and social security	50,116	55,338
Other creditors	24,294	67,032
Accruals and deferred income	1,076,842	1,089,553
	<u>3,671,188</u>	<u>4,712,316</u>

NOTES TO THE FINANCIAL STATEMENTS

16 CREDITORS: Amounts falling due after more than one year

	<u>2018</u>	<u>2017</u>
	£	£
Debt (note 17)	27,737,104	29,594,452
Deferred capital grant (note 18)	24,038,235	24,528,090
	<u>51,775,339</u>	<u>54,122,542</u>

17 DEBT ANALYSIS – BORROWINGS

	<u>2018</u>	<u>2017</u>
	£	£
Bank loan instalments due within one year (note 15)	958,436	1,072,093
Bank loan instalments due after more than one year (note 16)	27,737,104	29,594,452
	<u>28,695,540</u>	<u>30,666,545</u>

The bank loans are secured by a first charge over specific properties of the Association. Interest is payable at LIBOR plus varying margins of between 0.30% and 1.75% for all facilities held with RBS. Interest Rate Swaps have been embedded within our loan agreements, to mitigate the exposure to interest rate risk and details of these Swaps are contained in the table below. The Nationwide B.S. £11.6million Business Term Loan had interest charged at the fixed rate of LIBOR + 0.375% on £5.7Million, with the remaining £5.9million at the fixed rate of LIBOR + 0.3%.

	£	<u>Repayment date</u>
Business Term Loan	2,390,577	28 June 2029
Business Term Loan	2,200,000	28 March 2034
Business Term Loan	1,139,781	28 June 2029
Business Term Loan	3,000,000	30 March 2034
Business Term Loan	3,000,000	21 April 2029
Business Term Loan	2,383,300	21 April 2029
Business Loan Facility	1,000,000	2 April 2036
Business Loan Facility	2,000,000	2 April 2036
Business Term Loan (Nationwide B.S)	5,917,631	1 November 2046
Business Term Loan (Nationwide B.S)	5,664,251	1 November 2046
	<u>28,695,540</u>	

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

	<u>2018</u>	<u>2017</u>
	£	£
Bank loans:		
Due less than 1 year	958,436	1,072,093
Due within 1 to 2 years	1,048,923	1,057,519
Due within 2 to 5 years	4,154,263	4,147,855
Due after five years or more	22,533,918	24,389,078
	<u>27,737,104</u>	<u>29,594,452</u>
Bank loan instalments due after more than one year (note 16)	<u>28,695,540</u>	<u>30,666,545</u>

NOTES TO THE FINANCIAL STATEMENTS

17 DEBT ANALYSIS – BORROWINGS (CONTINUED)

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 £12.59million of the bank borrowings. The banks' valuation of the fair value of these loans is £2.39m. The rate payable is fixed where applicable at rates between 3.47% and 5.99%. The average fixed rate of interest was 4.96% (2017: 4.94%). The loans are all currently at rates between 4.00% and 6.33% (2017: 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 2018 the Association had undrawn loan facilities of £9million (2017: £8million).

18 DEFERRED CAPITAL GRANT INCOME

	<u>2018</u>	<u>2017</u>
	£	£
At 1 April	25,598,694	25,084,499
Grant received in the year – Retained developments	117,018	716,754
Grant received in the year – Developments for sale to RSLs	586,432	368,721
Transfer between asset classes	(5,212)	-
Released to income in the year	(587,971)	(571,280)
Disposals	(1,074,769)	-
	—————	—————
At 31 March	24,634,192	25,598,694
	=====	=====
	<u>2018</u>	<u>2017</u>
	£	£
Amounts to be released within one year (note 15)	595,957	1,070,604
Amounts to be released in more than one year (note 16)	24,038,235	24,528,090
	—————	—————
	24,634,192	25,598,694
	=====	=====
	<u>2018</u>	<u>2017</u>
	£	£
Financial Assets held at amortised cost	121,480	79,711
	=====	=====
Financial Assets held at amortised cost	646,273	1,050,484
	=====	=====
Financial Assets held at amortised cost	28,695,540	30,666,545
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

18 DEFERRED CAPITAL GRANT INCOME (CONTINUED)

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

	<u>2018</u>	<u>2017</u>
	£	£
Grant (at cost)		
At 1 April	30,255,939	29,170,464
Received in year	703,450	1,085,475
Transfer between asset classes	(8,461)	-
Disposals	(1,074,769)	-
	<u> </u>	<u> </u>
At 31 March	29,876,159	30,255,939
	<u> </u>	<u> </u>
Grant released to income (cumulative)		
at 1 April	(4,657,245)	(4,085,965)
Received in year	(587,971)	(571,280)
Transfer between asset classes	3,249	-
	<u> </u>	<u> </u>
At 31 March	(5,241,967)	(4,657,245)
	<u> </u>	<u> </u>
Grant Net Book Value	24,634,192	25,598,694
	<u> </u>	<u> </u>

19 CALLED UP SHARE CAPITAL

	<u>2018</u>	<u>2017</u>
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 April	103	99
Shares issued during the year	-	4
Shares cancelled during the year	(2)	-
	<u> </u>	<u> </u>
At 31 March	101	103
	<u> </u>	<u> </u>

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.

NOTES TO THE FINANCIAL STATEMENTS

20 CAPITAL COMMITMENTS

	<u>2018</u>	<u>2017</u>
	£	£
Authorised and contracted for	867,033	1,979,158
	=====	=====
Authorised not contracted for	-	-
	=====	=====

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

21 RETIREMENT BENEFIT SCHEMES

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

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

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

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394million, liabilities of £698million and a deficit of £304million.

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

Deficit contributions

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

Unless a concession has been agreed with the Trustee the term to 28 February 2022 applies.

NOTES TO THE FINANCIAL STATEMENTS

21 RETIREMENT BENEFIT SCHEMES (CONTINUED)

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

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

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

Based on the 30 September 2015 valuation results, the Association has been notified by The Pensions Trust that the amount to be paid annually, in relation to the past service deficit is £158,578 from 1 April 2018 and will increase to £163,336 from 1 April 2019. These annual deficit contributions will increase by 3.0% per annum and are expected to be cleared in 3 years and 11 months hence.

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

Provision for pension liability

	31 March 2018 (£000's)	31 March 2017 (£000's)	31 March 2016 (£000's)
Present value of provision	629	776	1,617
	<u> </u>	<u> </u>	<u> </u>

Reconciliation of opening and closing provision

	<u>2018</u> £	<u>2017</u> £
Provision at start of period	775,661	1,617,090
Unwinding of the discount factor (interest expense)	9,000	37,000
Deficit contribution paid	(153,960)	(137,429)
Remeasurements - impact of any change in assumptions	(2,000)	17,000
Remeasurements - amendments to the contribution schedule	-	(758,000)
Provision at end of period	<u>628,701</u>	<u>775,661</u>

Statement of Comprehensive Income impact

	<u>2018</u> £	<u>2017</u> £
Interest expense	9,000	37,000
Remeasurements - impact of any change in assumptions	(2,000)	17,000
Remeasurements - amendments to the contribution schedule	-	(758,000)
Costs/(Income) recognised in the Statement of Comprehensive Income	<u>7,000</u>	<u>(704,000)</u>

NOTES TO THE FINANCIAL STATEMENTS

21 RETIREMENT BENEFIT SCHEMES (CONTINUED)

Assumptions

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.60	1.41	2.36
	=====	=====	=====

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.

22 RELATED PARTY TRANSACTIONS

One member of the Board of Management is also a tenant of the Association (2017: 2). Their tenancy is on normal commercial terms. During the year £5,139 (2017: £8,958) of rent was receivable from tenant members. At the year-end there was £Nil (2017: £Nil), of rent arrears due from 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 £187,820 of turnover this year (2017: £227,505), with a year-end net trade creditor balance of £13,747 (2017: £18,855). Almond Enterprises Limited made a Gift Aid payment of £53,000 during 2017/18 (2017: £16,000) to the Association, in accordance with the Association's policies and procedures. The Association recharged staff costs of £9,697 to Almond Enterprises (2017: £3,370).

23 LEASE OBLIGATIONS

The Association is committed to make the following payments during the year ending 31 March 2018 in relation to operating leases:

	Land & Buildings	
	<u>2018</u>	<u>2017</u>
	£	£
Within one year	1,627	1,584
	=====	=====
	Plant & Machinery	
	<u>2018</u>	<u>2017</u>
	£	£
Within one year	38,954	34,334
Between two and five years	33,015	35,737
	=====	=====
	71,969	70,071
	=====	=====

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

NOTES TO THE FINANCIAL STATEMENTS

24	AVERAGE RENTS	<u>2018</u>	<u>2017</u>
	Average weekly rent for housing accommodation	£81.09	£80.47
	Increase	3.3%	1.5%
	<u>Number of Unit at the end of the year:</u>		
	General needs social housing	2,504	2,483
	Supported Social Housing Accommodation	4	15
		<u>2,508</u>	<u>2,498</u>

25 CASH FLOW STATEMENT

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

	<u>2018</u>	<u>2017</u>
	£	£
Operating Surplus for the year	2,490,966	3,109,532
<u>Adjustments for non-cash items:</u>		
Amortisation of intangible fixed assets	34,219	30,189
Depreciation/impairment of tangible fixed assets	2,233,692	2,386,245
Government grants utilised in the year	(587,971)	(571,280)
Defined benefit pension schemes	(155,960)	(878,429)
Loss on disposal of tangible fixed assets	-	-
(Increase)/decrease in trade and other debtors	(94,265)	299,608
(Decrease)/increase in trade and other creditors	(528,922)	309,628
Net cash generated from operating activities	<u>3,391,759</u>	<u>4,685,493</u>

(b) ANALYSIS OF CHANGES IN NET DEBT

	As at <u>01/04/17</u>	Cash Flow	Other Changes	As at <u>31/03/18</u>
	£	£	£	£
Cash at bank and in hand	6,361,061	(509,831)	-	5,851,230
Debt due within one year	(1,072,093)	-	113,657	(958,436)
Debt due after one year	(29,594,452)	1,971,005	(113,657)	(27,737,104)
	<u>(24,305,484)</u>	<u>1,461,174</u>	<u>-</u>	<u>(22,844,310)</u>