

ALMOND HOUSING ASSOCIATION LIMITED

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

YEAR ENDED 31 MARCH 2019

**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

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ADVISORS

Bankers:

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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 2019.

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 2019 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 three years financial results, the total comprehensive income would have been as follows:

	<u>2019</u>	<u>2018</u>
	£	£
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (Under FRS102)	1,362,920	1,541,065
Amortisation of Social Housing Grant (previously all capital grants received were netted off against the cost of housing properties)	(602,520)	(587,971)
Additional depreciation (previously calculated on the net cost of properties after capital grant)	465,693	451,830
SHAPS Pension deficit contributions paid (previously treated as an operating cost)	(158,577)	(153,960)
Movements on provision for Pension Liability (previously recognised in Statement of total recognised gains and losses (STRGL)):		
Unwinding of the discount factor	16,876	9,000
Actuarial loss on pension scheme	292,000	-
Remeasurements - impact of any change in assumptions	-	(2,000)
	<hr/>	<hr/>
SURPLUS FOR THE YEAR (excluding FRS102 adjustments)	1,376,392	1,257,964
	<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 £17,763 (2018: £8,000), 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): guidance for social landlords (revised February 2019).

Our Asset Management Strategy provides the framework to the above and as supported by our 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.

Pension

On 30 September 2015, current members were transferred from the Defined Benefit Scheme onto the Scottish Housing Association Defined Contribution Pension Scheme (SHAPS), in which all other eligible staff were additionally auto-enrolled. The SHAPS pension scheme had previously been treated as a defined contribution scheme in line with FRS 102 with a liability of £629k recognised as at 31st March 2018 based on the Net Present Value of the past service deficit funding agreement.

Due to recent developments as at 1st April 2018 the share of assets and liabilities per employer is now available such that the scheme can now be accounted for on a defined benefit basis. Further detail in relation to this change in accounting is included in the accounting policy on page 25 and Note 20 to the financial statements. The new defined benefit liability as at 31st March 2019 is £779k. This has therefore resulted in an increase in the liability at 31 March of £150k.

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 25 (2018: 26).

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 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, who are also deemed key management personnel along with the Board, and meet 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
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 key management personnel 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*	Mr J Pinkerton (Co-optee, resigned Nov-18)
Mr S Murray*	Ms A Wilson*
Mr J Hewer*	Ms J Robertson
Mrs A Gault	Mrs C Rodgers
Mr M Joyce* (Chairman)	Mr A Turner*

* Member of the Audit and Finance Sub-Committee at 2 August 2019.

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. All regulatory returns are prepared, authorised and reviewed prior to being submitted to the relevant regulatory bodies.

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.

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, and any improvement areas are identified and appropriate action is agreed. As part of our external audit, the auditors raise any weaknesses identified during the audit within their audit findings reports (Management Letter) and appropriate action is agreed.

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 2019. 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 – February 2019. 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 5th September 2019 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:

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

Secretary

Date: 11/8/2019

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 2019 there were 95 active members.

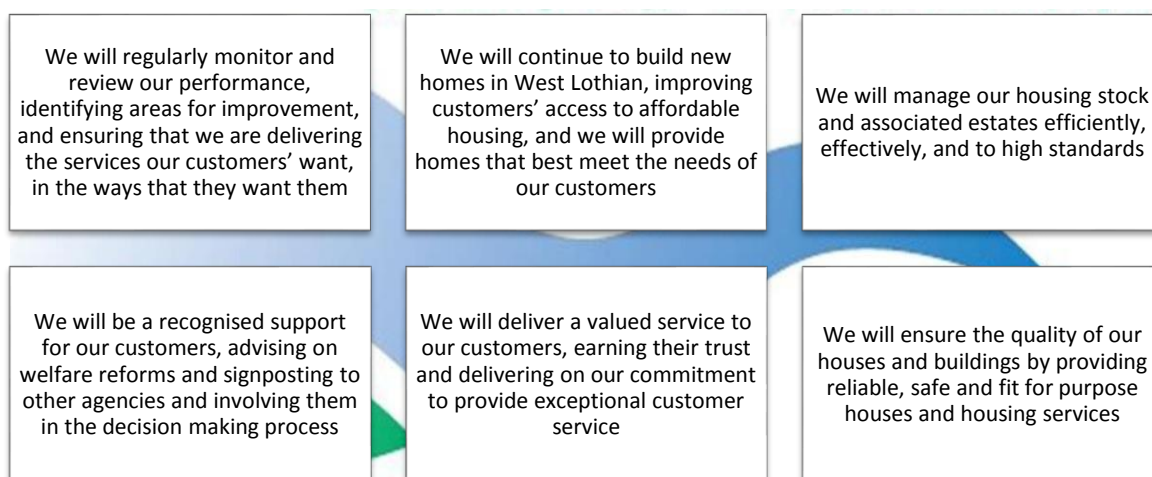
In addition to maintaining 2,510 properties, the Association continues to develop new affordable housing and has built and continues to lease specially designed accommodation, which provides a base for residential care for elderly people. The Association has a subsidiary Almond Enterprises Limited which 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:



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.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Financial performance

The Association's Statement of Comprehensive Income and Statement of Financial Position are summarised in Table 1 (page 14). The Board of Management had budgeted for a surplus of £0.8million this year to meet its medium term strategic objectives and we achieved an actual surplus of £1.4million. This variance was primarily due to maintenance underspend and general savings on major works contracts and landscaping. 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 currently identifiable projected spend profiles, relating to the West Lothian Development Alliance (WLDA) and the Energy Efficiency Standard for Social Housing (EESH). Adequate funding is in place for the new development programme as profiled within our long term plans. New funding for any additional acquisitions, will be assessed and progressed during the next twelve to eighteen months.

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 EESH 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 £1.2million directly in a range of energy efficiency measures, notably EWI and new boilers, with a further £1.1million spent directly on windows and electrical upgrades.

In March, we completed the groundwork for our St Paul's Church, Ladywell development of twelve 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 three 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. We continued our partnership with the Youth Action Project, supporting them to develop and maintain community growing and landscaping areas for us in Craigshill.

Repair response times

We recognise that our performance in terms of repairs has a direct impact on the satisfaction levels tenants have with the association. This year we carried out in total 9,104 reactive repairs (as per the ARC definition) and we are pleased to report that satisfaction has remained high with 92% of those receiving a repair in the last year reporting they were satisfied (ARC definition).

This year we have continued to adapt our working methodology to reduce admin and make better use of our new software package, QL and our performance in repair terms is as follows:

Key Performance Indicator: Average length of time to complete	
Emergency repair	3.0 hours (2018: 3.4 hours)
Other repair	7.1 days (2018: 6.3 days)
Right First Time	86% (2018: 70%)

Rent losses and arrears

Rent losses (including bad debts and voids), were well below other RSLs in our peer group at 0.6% of rental income receivable (2018: 0.9%). The Association's rent loss for void periods at 0.2% of rental income receivable (2018: 0.2%), also remained comfortably below our 0.3% target. Gross rent arrears, including former tenant arrears after write offs, were slightly lower at the year-end at 2.2% (2018: 2.3%) an excellent figure given the current operating environment.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Accounting policies

The Association's principal accounting policies are set out on pages 22 to 26 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 2019 the Association owned 2,510 housing properties (2018: 2,508). The properties were carried in the balance sheet at cost (after depreciation), of £65.2million (2018: £66.4million). Our total investment in housing improvements and developments this year of £2.8million 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 £27.5million, two thirds of which is due to mature by 2033, with the remaining third maturing fully by 2046. Interest was fixed long term (at 3.97% on average), for 67% of our total borrowings with the remaining 33% 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 inflows during the year amounted to £3.2million (2018: £0.5million outflow), details of which are shown in the cash flow statement (page 20). Gross inflows included £4.0million from operating activities and £2.4million of grants received. Cash outflows included £1.0million interest payable, £1.2million of loan repayments and £1.1million expenditure on developments and housing improvements.

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, encouraging our tenants to think differently about us and generate recommendations for service improvements.

The requirement to regularly self-assess has long been in place and the Association have worked with internal auditors to assess and evaluate key business risks and monitor these via a robust programme of internal audit, performance management, and regular updates considered at Senior Management level as well as Board level. Going forward, and mindful of the Scottish Housing Regulator's explicit requirement for Board's to sign off on an Annual Self-Assurance Statement, the Association has worked with our Governance Advisor, Linda Ewart, to pull together a bank of evidence to demonstrate our compliance with the Regulatory Standards. For 2019/20, this evidence will be tested by our internal auditors, TIAA, and examined by the Board at their awayday in October 2019. Regular monitoring of the Association's performance via risk mapping, performance management, practice reviews, etc, will continue with regular reports provided at key points during the year, and these will also feed into the annual consideration of our compliance by the Board.

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 housing and maintenance teams, allowing us to better focus on improving tenant engagement and support in the face of ongoing welfare reforms.

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. We 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 our 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.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Our communities

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 across all areas of the business, helping us identify areas for improvement and implement lasting change.

In 2018 the Association helped establish a Community Fridge at the newly refurbished Riverside Community Wing, where items donated by businesses and individuals can be shared among the local community. Our Winter Wellbeing packs went out to almost 300 households this year and our Housing officers delivered food parcels, providing essential groceries to keep struggling families going over Christmas and the New Year. These steps, in addition to a number of community cooking initiatives being run, will continue throughout 2019 as we do our bit to reduce food poverty and promote life skills within West Lothian.

The Association takes domestic abuse extremely seriously, and we do everything we can to support tenants and others who reach out to us for help. In April 2018 we introduced a dedicated Domestic Abuse Policy and Procedure, an approach that was reviewed and approved by Scottish Women's Aid, the lead organisation in Scotland working towards the prevention of domestic abuse. To date we have provided support and assistance in nineteen cases.

Financial and social inclusion

In partnership with Edinburgh-based youth homelessness charity, Rock Trust we continued to expand the innovative and ground breaking Housing First for Youth project, which has so far seen six young care leavers housed independently, whilst receiving much needed day-to-day support. In 2019 we aim to double the pilot to accommodate a total of ten young care leavers within our stock. The project is the first of its kind in Europe and we're hopeful of being able to support others to adopt the model once the pilot has been evaluated.

With funding from the 'People and Communities Fund' we worked with the energy charity Changeworks, delivering energy cost and efficiency advice to tenants in the Craigshill area. In relation to financial inclusion, we continued to provide our tenants with a benefits and money advice service and a tenancy sustainment service in partnerships with respectively 'The Action Group' and CHAI (Community Help & Advice Initiative).

Last year we recruited and trained eight fantastic Story Starters as part of a new volunteer-led program, designed to inspire a love of books from an early age. We were also proud to continue working in partnership with the Dolly Parton Imagination Library, providing free books for tenants' children under 5.

The Almond Gives grant programme provides grants to support our tenants and to help local groups/organisations to grow and enrich the communities where we work. So far we've been able to assist with educational support in the form of materials and supplies to support tenants at college or on apprenticeships, and have supported others with safety improvements around the home.

Risks and uncertainties

The Association has developed an organisational structure, a range of policies and procedures, and comprehensive insurances, which together make up our 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 four 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.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

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. The risk represented by this change is partially mitigated by the number of tenants who will be exempt from Universal Credit.</p> <p>We have prepared for the ongoing impact of welfare reform, by investing in our Housing Management and Support team, who have so far been able to provide tailored support to tenants receiving this new benefit. We have also budgeted for worst case scenario rises in our arrears and bad debts levels, to ensure we are able to retain control and avoid any 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 on our Nationwide loan.</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 are identified by our ongoing stock condition surveys, then we would work to control costs, phase major works accordingly and revisit our levels of rental growth.</p>
Loss of budgetary control/ Loss of control over major capital works	<p>Variations from budget primarily from our major capital works programme could affect our overall financial stability or lead to greater rises in rents or borrowing. However our projects are in line with our long term investment strategy, and are supported by fact based assessment and projection. Other mitigating activities include monthly monitoring of expenditure carried out by budget holders, our management team and the Board.</p>

FUTURE DEVELOPMENTS

The Association will continue to report healthy surpluses during the next five year period, providing on average a 148% interest cover ratio. This level allows an element of headroom over our loan covenants during 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 five years we have budgeted to complete 5 new developments in West Lothian, providing us with 118 new properties to let. The capital spend for these sites is budgeted at £15.3million, with £9.1million of public subsidy and £6.2million 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 2019/20 alone, we have allocated £1.1million to the replacement programme of older inefficient boilers and external render. A further £1.7million 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)

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 new core IT system now fully integrated, our next project will be to provide all our 'roaming' staff with cross functional visibility of information and options, via mobile working solutions.

Our customers

This year will see us carry out a full Tenant Satisfaction Survey and we will be working hard to encourage all of our customers to get involved. Throughout 2019/20 we will be step changing our customer service, focusing on strengthening our in-house capabilities and improving our systems to better monitor our performance and evidence our results. The responses that we receive from our customers as part of the Tenant Satisfaction Survey will direct our customer service priorities well beyond 2020.

Though our new core IT system went live in October 2017, we continue to review and develop its functionality, embracing data and agile working initiatives to keep making customer interactions simpler and quicker. Launching Contractor Portals and investigating the appetite for a Customer Portal are just two examples of initiatives we'll be exploring in 2019. We hope that improvements like these will be recognised through our Tenant Satisfaction Survey results as well as delivering further efficiencies within our business. The development of our social media channels means that we have more ways than ever before to reach our customers, but more importantly, for them to reach us.

In 2019 we will conclude the pilot of our Tenancy Sustainment project which has been a great success in supporting our customers with non-traditional housing needs. As a result 2019 will see us enter year one of a three year programme to deliver this service, in conjunction with one of our trusted partners. We'll also continue to work with our partners to deliver our Money Advice and Budgeting project throughout 2019/20, which has been invaluable in helping our customers negate the detrimental impact of welfare reform and the continued roll out of the Universal Credit full service across West Lothian.

Rapid Rehousing is a policy direction set out by the Homelessness and Rough Sleeping Action Group (HARSAG) and adopted by the Scottish Government to provide the homeless with fast-tracked access to settled housing and support. Access to these resources at the right level and right time will be key to the success of this endeavour and it is one of the areas that will pose a welcome challenge for the Association in the year ahead.

Our communities

Our ambitious Community Benefits clauses mean that we are able to make an ever-growing contribution to the communities in which we operate. To date these have included apprenticeships, work placements, careers fairs, renovations to community clubs and venues, as well as financial and non-financial contributions to many of our Wider Role initiatives.

Throughout 2019 we'll continue to focus on our partnership working with local community groups to deliver support and services which will benefit our tenant population as well as the communities we serve. Spring 2019 saw us run a unique 'Community Soup' event, at which local groups and charities had the opportunity to pitch for much needed funding for their projects. We understand the 'Soup' to be the first of its kind in West Lothian and will look to repeat the event again in 2019/20.

Our partnership with the West Lothian Foodbank will continue into 2019/20, ensuring that those who need it have access to food and essential toiletry products. This work is further supported by our partnership with Dignity Boxes, which means that visitors to our offices and to the Community Fridge can pick up basic living essentials. During 2018/19 we started to roll out a number of projects aimed at eliminating food poverty in West Lothian. These have proven to be very popular and so we'll continue with this important work throughout 2019/20, delivering more 'Food Fridays' and 'Cook With Us' courses at the Riverside Community Wing.

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				
	2019	2018	2017	2016	2015
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Statement of Comprehensive Income					
Total turnover	12,169	11,740	11,495	12,143	12,241
Income from lettings	11,185	10,797	10,477	10,083	9,742
Operating surplus	2,664	2,491	3,110	2,057	1,860
Surplus for the year transferred to reserves	1,363	1,541	2,407	1,183	831
Statement of financial Position					
Housing properties, net of depreciation					
HAG and other capital grants	65,217	66,428	67,234	67,321	65,788
Other fixed assets	2,096	2,183	2,265	2,329	2,286
Fixed assets net of depreciation	67,313	68,611	69,499	69,650	68,074
Net currents assets/ (liabilities)	5,679	2,624	2,689	1,778	2,581
Total assets less current liabilities	72,987	71,235	72,188	71,428	70,655
Long term loans and liabilities and Reserves					
Creditors (due over one year)	(52,015)	(51,775)	(54,122)	(54,929)	(55,281)
Pension liability	(779)	(629)	(776)	(1,617)	(1,675)
Revenue reserves	(20,193)	(18,831)	(17,290)	(14,882)	(13,699)
Long term loans and liabilities and Reserves	(72,987)	(71,235)	(72,188)	(71,428)	(70,655)
Accommodation figures					
Total housing stock owned at year end (<i>number of dwellings</i>) : Social housing	2,510	2,508	2,498	2,489	2,441
Statistics					
Surplus for the year as % of turnover	11.2%	13.1%	20.9%	9.9%	5.6%
Surplus for the year as % of income from lettings	12.2%	14.3%	23.0%	11.7%	6.6%
<u>Rent losses</u> (<i>voids and bad debts as % of rent and service charges receivable</i>)	0.6%	0.9%	0.6%	0.8%	0.5%
<u>Rent arrears</u> (<i>gross arrears as % of rent and service charges receivable</i>)	2.2%	2.3%	1.6%	1.7%	1.6%
<u>Interest cover</u> (<i>surplus before interest payable divided by interest payable</i>)	2.6	2.7	3.4	1.9	1.7
<u>Liquidity</u> (<i>current assets / current liabilities</i>)	2.5	1.7	1.8	1.5	2.2
Total reserves per home owned	£8,045	£7,508	£6,922	£5,979	£5,968

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 13/3/19

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 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cashflows, Statement of 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 2019 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 - February 2019.

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.

Opinion on other matters under the Co-operative and Community Benefit Societies Act 2014

In our opinion, the following continued to apply throughout the year of account:

- the reason given by the Board in respect of a previous year of account for the subsidiary to not be dealt with in the financial statements (having been approved by the FCA under section 99, subsection (3)); and
- the grounds given by the Board for that reason.

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 13/8/19

STATEMENT OF COMPREHENSIVE INCOME

	<u>Notes</u>	<u>2019</u> £	<u>2018</u> £
TURNOVER	2	12,169,175	11,739,827
Operating expenditure	2	(9,505,300)	(9,248,861)
OPERATING SURPLUS	6	<u>2,663,875</u>	<u>2,490,966</u>
(Loss) on disposal of property, plant and equipment	7	(10,102)	(26,788)
Interest receivable	10a	32,469	3,749
Interest and financing costs	10b	(1,031,322)	(926,862)
SURPLUS FOR THE YEAR		<u>1,654,920</u>	<u>1,541,065</u>
 OTHER COMPREHENSIVE INCOME			
		<u>2019</u> £	<u>2018</u> £
Surplus for the year		1,654,920	1,541,065
Initial recognition of multi-employer defined benefit scheme	19	-	-
Actuarial (loss) on pension scheme	20	(292,000)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,362,920</u>	<u>1,541,065</u>

The results relate wholly to continuing activities.

The accompanying notes on pages 22 to 44 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	£	<u>2019</u> £	£	<u>2018</u> £
FIXED ASSETS					
Intangible fixed assets	12a		32,852		60,603
Housing properties	12b		65,216,892		66,428,211
Other tangible fixed assets	12c		2,063,217		2,121,749
Investment in subsidiaries	11		1		1
			<u>67,312,962</u>		<u>68,610,564</u>
CURRENT ASSETS					
Properties held for sale	13	-		19,947	
Trade and other debtors	14	479,549		424,053	
Cash and cash equivalents		9,025,410		5,851,230	
			<u>9,504,959</u>	<u>6,295,230</u>	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	15	(3,831,352)		(3,671,188)	
			<u>5,673,607</u>	<u>2,624,042</u>	
NET CURRENT ASSETS					
			<u>72,986,569</u>	<u>71,234,606</u>	
LONG TERM LIABILITIES					
Creditors: amounts falling due after more than one year	16		(52,014,089)		(51,775,339)
Pension - deficit funding liability	19		-		(628,701)
Pension - defined benefit liability	20		(779,000)		-
TOTAL NET ASSETS			<u>20,193,480</u>		<u>18,830,566</u>
RESERVES					
Share capital	22		95		101
Revenue reserves			20,193,385		18,830,465
TOTAL RESERVES			<u>20,193,480</u>		<u>18,830,566</u>

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

Date: 1/8/2019

The accompanying notes on pages 22 to 44 form part of these financial statements.

STATEMENT OF CASHFLOWS

	<u>Notes</u>	<u>2019</u> £	<u>2018</u> £
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operating activities	28	3,936,228	3,391,759
Proceeds from properties held for sale		37,850	771,403
Net cash inflow from operating activities		<u>3,974,078</u>	<u>4,163,162</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(1,059,807)	(2,750,431)
Proceeds from sale of tangible fixed assets		-	36,721
Grants received		2,443,604	924,539
Interest received		29,955	4,780
Net cash inflow/(outflow) from investing activities		<u>1,413,752</u>	<u>(1,784,391)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(977,756)	(917,597)
Repayments of borrowings		(1,235,894)	(1,971,005)
Proceeds from issue of shares		-	-
Net cash outflow from financing activities		<u>(2,213,650)</u>	<u>(2,888,602)</u>
NET INCREASE/(DECREASE) IN CASH		3,174,180	(509,831)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,851,230	6,361,061
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>9,025,410</u>	<u>5,851,230</u>

The accompanying notes on pages 22 to 44 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

	<u>Share Capital</u>	<u>Revenue Reserves</u>	<u>Total Reserves</u>
	£	£	£
Balance at 1 April 2018	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>
Balance at 1 April 2018	101	18,830,465	18,830,566
Total comprehensive income for the year	-	1,362,920	1,362,920
Cancelled shares during the year	(6)	-	(6)
Balance at 31 March 2019	<u>95</u>	<u>20,193,385</u>	<u>20,193,480</u>

The accompanying notes on pages 22 to 44 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 2019, 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:

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 20). The net defined benefit pension liability at 31 March 2019 was £779k.

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 12b.

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
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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 24. Related party transactions with Almond Enterprises Limited, the Association's fully owned subsidiary, can also be found in note 24.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

In previous years, the Association was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHAPS. For the year ended 31 March 2018, the Association had recognised a past service deficit liability of £629k, within provisions, based on the present value of the Association's deficit funding agreement.

For the year ended 31 March 2019, the Association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability that was previously recognised within provisions of £629k was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £629k was recognised at this date in the statement of financial position. The resulting net difference of £Nil on initial recognition of the SHAPS obligation was recognised in other comprehensive income.

As at the year ended 31 March 2019, the net defined benefit pension deficit liability was £779k, which has been included within the provisions for pension's liability in the financial statements. In the year ended 31 March 2019, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 20 for more details.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

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	Turnover £	Operating costs £	Operating surplus/ (loss) 2019 £	Operating surplus/ (loss) 2018 £
Affordable letting activities	3	11,870,347	(9,088,356)	2,781,991	2,571,548
Other activities	4	298,828	(416,944)	(118,116)	(80,582)
Total		<u>12,169,175</u>	<u>(9,505,300)</u>	<u>2,663,875</u>	<u>2,490,966</u>
Total for previous period of account		<u>11,739,827</u>	<u>(9,248,861)</u>	<u>2,490,966</u>	

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>2019</u>	<u>2018</u>
	£	£	£	£
Rent receivable net of service charges	11,161,189	23,407	11,184,596	10,797,425
Service charges receivable	102,786	4,107	106,893	118,044
	-----	-----	-----	-----
Gross income from rent and service charges	11,263,975	27,514	11,291,489	10,915,469
Less Voids	(23,662)	-	(23,662)	(19,608)
	-----	-----	-----	-----
Net income from rents and service charges	11,240,313	27,514	11,267,827	10,895,861
Grants released from deferred income	595,117	7,403	602,520	587,971
	-----	-----	-----	-----
Total turnover from affordable letting activities	11,835,430	34,917	11,870,347	11,483,832
Management & Maintenance administration costs	2,600,917	27,322	2,628,239	2,771,308
Service costs	57,858	-	57,858	75,543
Planned & cyclical maintenance	2,219,684	2,497	2,222,181	1,980,279
Reactive maintenance costs	1,921,084	7,386	1,928,470	1,839,919
Bad debts – rents and service charges	45,039	-	45,039	78,031
Depreciation of affordable let properties	2,147,715	58,854	2,206,569	2,167,204
	-----	-----	-----	-----
Operating costs for affordable letting activities	8,992,297	96,059	9,088,356	8,912,284
	-----	-----	-----	-----
Operating surplus/(loss) for affordable letting activities	2,843,133	(61,142)	2,781,991	2,571,548
	=====	=====	=====	=====
Operating surplus or deficit for affordable letting activities for previous reporting period	2,587,184	(15,636)	2,571,548	
	=====	=====	=====	

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 2019	Operating (deficit) or surplus 2018
	£	£	£	£	£	£	£	£	£
Wider role activities	-	45,040	-	-	45,040	-	(158,528)	(113,488)	(115,756)
Care and repair of property	77,688	-	-	91,629	169,317	-	(170,325)	(1,008)	(5,464)
Investment property activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	46,186	46,186	-	(33,091)	13,095	12,889
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Contracted out services undertaken for RSLs	-	-	-	7,245	7,245	-	(7,245)	-	-
Contracted out services undertaken for other organisations	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-	-
Uncapitalised development administration costs	-	-	-	-	-	-	(47,755)	(47,755)	(28,310)
Other activities (includes £24K Gift Aid in 2019, (2018: £53K Gift Aid))	-	-	-	31,040	31,040	-	-	31,040	56,059
Total from other activities	77,688	45,040	-	176,100	298,828	-	(416,944)	(118,116)	(80,582)
Total from other activities for the previous period of account	57,885	40,000	-	158,110	255,995	-	(336,577)	(80,582)	

NOTES TO THE FINANCIAL STATEMENTS

5 ACCOMMODATION IN MANAGEMENT

The number of units in Management at 31 March was as follows:	<u>2019</u>	<u>2018</u>
General needs housing – units owned and managed	2,501	2,504
Supported housing – units, owned and managed	9	4
Total	<u>2,510</u>	<u>2,508</u>

6 OPERATING SURPLUS

	<u>2019</u>	<u>2018</u>
	£	£
The operating surplus is arrived at after charging/(crediting):		
Depreciation of housing properties (note 12b)	2,206,569	2,167,204
Depreciation of other tangible fixed assets (note 12c)	68,134	66,486
Amortisation of intangible fixed assets (Note 12a)	33,631	34,219
Operating lease rentals	41,189	35,885
Audit services - statutory audit of the Association	15,350	14,926
	<u>2,365,133</u>	<u>2,422,720</u>

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

	<u>2019</u>	<u>2018</u>
	£	£
Disposal proceeds	37,850	36,721
Carrying value of fixed assets	(19,947)	(11,120)
Deficit on disposal of replaced components	(28,005)	(52,389)
	<u>(10,102)</u>	<u>(26,788)</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>2019</u>	<u>2018</u>
£60,001 to £70,000	2	-
£70,001 to £80,000	2	2
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-

NOTES TO THE FINANCIAL STATEMENTS

8 KEY MANAGEMENT PERSONNEL (CONTINUED)

	<u>2019</u>	<u>2018</u>
	£	As restated £
Aggregate emoluments for key management personnel (excluding pension contributions)	399,515	384,266
	=====	=====
Aggregate pension contributions in relation to key management personnel	50,620	52,752
	=====	=====
The emoluments of the Chief Executive (excluding pension contributions)	120,106	110,909
	=====	=====
Total emoluments paid to key management personnel	493,524	480,154
	=====	=====

None of the Board of Management received any emoluments during the year (2018: £Nil). During the year the Board of Management were reimbursed expenses of £678 (2018: £767).

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>2019</u>	<u>2018</u>
Housing, support and care	17	16
Maintenance	10	10
Office and management/Administration	12	12
Development	1	1
	-----	-----
	40	39
	=====	=====

The actual average weekly number of persons employed by the Association was 40 (2018: 41).

Staff costs for the above persons:

	<u>2019</u>	<u>2018</u>
	£	£
Wages and salaries	1,490,812	1,551,465
Social security costs	146,900	154,752
Defined contribution (current service) pension costs	204,687	205,688
<u>Defined benefit (past service) pension costs:-</u>		
Scheme expenses	4,907	4,907
Remeasurements - impact of any change in assumptions	-	(2,000)
	-----	-----
	1,847,306	1,914,812
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

10a INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2019</u>	<u>2018</u>
	£	£
Interest on bank deposits	32,469	3,749
	<u> </u>	<u> </u>

10b INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2019</u>	<u>2018</u>
	£	£
Interest arising on bank loans and overdrafts	1,014,446	917,862
Unwinding of discounted pension liabilities	-	9,000
Net interest expense on defined benefit pension liabilities	16,876	-
	<u> </u>	<u> </u>
	1,031,322	926,862
	<u> </u>	<u> </u>

11 FIXED ASSET INVESTMENTS

	<u>2019</u>	<u>2018</u>
	£	£
Subsidiary company (Cost at 31 March 2019 and 31 March 2018)	1	1
	<u> </u>	<u> </u>

The subsidiary company at 31 March 2019 was:

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

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

	<u>2019</u>	<u>2018</u>
	£	As restated £
Profit on ordinary activities after taxation	18,993	24,523
	<u> </u>	<u> </u>
Net assets	171,743	169,191
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

12a INTANGIBLE FIXED ASSETS

	Computer Software
	£
Cost	
At 1 April 2018	162,888
Additions	5,880
	<hr/>
At 31 March 2019	168,768
	<hr/>
Depreciation	
At 1 April 2018	102,285
Charge in the year	33,631
	<hr/>
At 31 March 2019	135,916
	<hr/>
Net book value	
At 31 March 2019	32,852
	<hr/> <hr/>
At 31 March 2018	60,603
	<hr/> <hr/>

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 2018	88,810,575	59,239	88,869,814
Additions – housing units	174,056	152,055	326,111
Additions – components	696,922	-	696,922
Disposals – components	(271,297)	-	(271,297)
At 31 March 2019	<u>89,410,256</u>	<u>211,294</u>	<u>89,621,550</u>
Depreciation and impairment			
At 1 April 2018	22,441,603	-	22,441,603
Depreciation charged in year	2,206,569	-	2,206,569
Released on disposal	(243,514)	-	(243,514)
At 31 March 2019	<u>24,404,658</u>	<u>-</u>	<u>24,404,658</u>
Net book value			
At 31 March 2019	<u>65,005,598</u>	<u>211,294</u>	<u>65,216,892</u>
At 31 March 2018	<u>66,368,972</u>	<u>59,239</u>	<u>66,428,211</u>

Land comprises £8,861,108 of Social housing properties held for letting (2018: £8,834,270) and £50,060 of Housing properties in course of construction (2018: £Nil).

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 2019. 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>2019</u>	<u>2018</u>
	£	£
Enhanced component spend capitalised	696,922	652,629
Replaced component spend capitalised	-	219,614
	<u>696,922</u>	<u>872,243</u>
Additions – components (as above)	696,922	872,243
Amounts charged to income and expenditure	1,936,636	1,732,959
	<u>2,633,558</u>	<u>2,605,202</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 2018	3,126,878	130,488	69,163	3,326,529
Additions	-	-	9,602	9,602
Disposals	-	(1,571)	(975)	(2,546)
At 31 March 2019	<u>3,126,878</u>	<u>128,917</u>	<u>77,790</u>	<u>3,333,585</u>
Depreciation				
At 1 April 2018	1,022,854	129,721	52,205	1,204,780
Charge in the year	55,453	214	12,467	68,134
Released on disposal	-	(1,571)	(975)	(2,546)
At 31 March 2019	<u>1,078,307</u>	<u>128,364</u>	<u>63,697</u>	<u>1,270,368</u>
Net book value				
At 31 March 2019	<u>2,048,571</u>	<u>553</u>	<u>14,093</u>	<u>2,063,217</u>
At 31 March 2018	<u>2,104,024</u>	<u>767</u>	<u>16,958</u>	<u>2,121,749</u>

NOTES TO THE FINANCIAL STATEMENTS

13 PROPERTIES HELD FOR SALE (TO RSL'S)

	<u>2019</u>	<u>2018</u>
	£	£
Work in Progress - at cost		
At 1 April 2018	19,947	488,337
Additions – housing units	-	1,357,835
Transfer between asset classes	-	19,947
Disposals – housing units	(19,947)	(1,846,172)
	<hr/>	<hr/>
At 31 March 2019	-	19,947
	<hr/> <hr/>	<hr/> <hr/>

The Housing Association grant in relation to Work in Progress totals £Nil (2018: £8,461) and is disclosed previously within Accruals and deferred income (note 15).

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

	<u>2019</u>	<u>2018</u>
	£	£
Rent and service charges receivable	264,251	270,515
Less: provision for bad and doubtful debts	(141,924)	(149,035)
	<hr/>	<hr/>
	122,327	121,480
Social housing grant receivable	14,164	30,000
Other debtors	94,896	183,936
Prepayments and accrued income	248,162	88,637
	<hr/>	<hr/>
	479,549	424,053
	<hr/> <hr/>	<hr/> <hr/>

15 CREDITORS: amounts falling due within one year

	<u>2019</u>	<u>2018</u>
	£	£
Debt (note 17)	1,168,396	958,436
Trade creditors	644,379	646,273
Rent and service charges received in advance	321,513	305,523
Amounts owed to subsidiary undertaking	8,863	13,747
Deferred grant income (note 18)	599,831	595,957
Other taxation and social security	54,089	50,116
Other creditors	26,361	24,294
Accruals and deferred income	1,007,920	1,076,842
	<hr/>	<hr/>
	3,831,352	3,671,188
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

16 CREDITORS: Amounts falling due after more than one year

	<u>2019</u> £	<u>2018</u> £
Debt (note 17)	26,291,250	27,737,104
Deferred capital grant (note 18)	25,722,839	24,038,235
	<u>52,014,089</u>	<u>51,775,339</u>

17 DEBT ANALYSIS – BORROWINGS

	<u>2019</u> £	<u>2018</u> £
Bank loan instalments due within one year (note 15)	1,168,396	958,436
Bank loan instalments due after more than one year (note 16)	26,291,250	27,737,104
	<u>27,459,646</u>	<u>28,695,540</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. £11.3million Business Term Loan had interest charged at the fixed rate of LIBOR + 0.375% on £3.2Million, with the remaining £8.1million at the fixed rate of 2.705%.

	£	<u>Repayment date</u>
Business Term Loan	2,301,027	28 June 2029
Business Term Loan	2,200,000	28 March 2034
Business Term Loan	920,001	28 June 2029
Business Term Loan	3,000,000	30 March 2034
Business Term Loan	2,683,300	21 April 2029
Business Term Loan	2,066,600	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)	3,168,325	1 November 2046
Business Term Loan (Nationwide B.S)	8,120,393	1 November 2046
	<u>27,459,646</u>	

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

	<u>2019</u> £	<u>2018</u> £
Bank loans:		
Due less than 1 year	1,168,396	958,436
Due within 1 to 2 years	1,251,081	1,048,923
Due within 2 to 5 years	3,737,188	4,154,263
Due after five years or more	21,302,981	22,533,918
	<u>26,291,250</u>	<u>27,737,104</u>
Bank loan instalments due after more than one year (note 16)	<u>27,459,646</u>	<u>28,695,540</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 set a limit on the interest payable on £9.50million of the bank borrowings. The banks' valuation of the fair value of these loans is £2.55m. The rate payable is fixed where applicable at rates between 3.47% and 5.99%. The average fixed rate of interest was 5.06% (2018: 4.96%). The loans are all currently at rates between 4.00% and 6.33% (2018: 4.00% and 6.33%). The terms of the agreements are as follows:

Loan Facility	Amount	SWAP Rate	Term
Facility –C-	£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 –B-	£2,301,027	5.99%	20/01/2008 - 28/06/2022
Facility –B-	£2,200,000	3.47%	22/01/2013 - 22/01/2033

At 31 March 2019 the Association had undrawn loan facilities of £9million (2018: £9million).

18 DEFERRED CAPITAL GRANT INCOME

	<u>2019</u>	<u>2018</u>
	£	£
At 1 April	24,634,192	25,598,694
Grant received in the year – Retained developments	2,290,998	117,018
Grant received in the year – Developments for sale to RSLs	-	586,432
Transfer between asset classes	-	(5,212)
Released to income in the year	(602,520)	(587,971)
Disposals	-	(1,074,769)
At 31 March	<u>26,322,670</u>	<u>24,634,192</u>
	<u>2019</u>	<u>2018</u>
	£	£
Amounts to be released within one year (note 15)	599,831	595,957
Amounts to be released in more than one year (note 16)	25,722,839	24,038,235
	<u>26,322,670</u>	<u>24,634,192</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

18 DEFERRED CAPITAL GRANT INCOME (CONTINUED)

	<u>2019</u>	<u>2018</u>
	£	£
Grant (at cost)		
At 1 April	29,876,159	30,255,939
Received in year	2,290,998	703,450
Transfer between asset classes	-	(8,461)
Disposals	-	(1,074,769)
At 31 March	<u>32,167,157</u>	<u>29,876,159</u>
Grant released to income (cumulative)		
At 1 April	(5,241,967)	(4,657,245)
Released in year	(602,520)	(587,971)
Transfer between asset classes	-	3,249
At 31 March	<u>(5,844,487)</u>	<u>(5,241,967)</u>
Grant Net Book Value	<u>26,322,670</u>	<u>24,634,192</u>

19 PROVISION FOR PENSION PAST SERVICE DEFICIT LIABILITY

	<u>2019</u>
	£
At 1 April 2018	628,701
Initial recognition of multi-employer defined benefit scheme (note 20)	(628,701)
At 31 March 2019	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

20 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. 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

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. 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.

For the year ended 31 March 2018, the SHAPS obligation was being accounted for as a defined contribution scheme as there was not sufficient information available to identify each employer’s share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the association to the SHAPS under the terms of its funding agreement for past deficits was recognised as a liability within provisions in the Association’s financial statements. The net present value for this contractual obligation was £628,701.

For the year ended 31 March 2019, sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2015 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2019 by a qualified independent actuary. Under the defined benefit pension accounting approach, the SHAPS liability as at 1 April 2018 is £628,701 and is £779,000 as at 31 March 2019.

The amendment to FRS 102 issued in May 2019 requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. This amendment is effective for accounting periods beginning on or after 1 January 2020 with early application permitted. The Association has chosen to apply this amendment in this financial year. The change on transition has resulted in a re-measurement difference of £Nil, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	<u>2019</u>	<u>2018</u>
	%	%
Fair value of plan assets	5,251,000	4,887,000
Present value of defined benefit obligation	6,030,000	5,515,701
Net defined benefit liability to be recognised	<u>(779,000)</u>	<u>(628,701)</u>

NOTES TO THE FINANCIAL STATEMENTS

20 RETIREMENT BENEFIT SCHEMES (CONTINUED)

Reconciliation of opening and closing balances of the fair value of plan assets

	<u>2019</u>
	£
Fair value of plan assets at start of period	4,887,000
Interest income	112,000
Experience on plan assets – gain	178,000
Contributions by the employer	159,000
Benefits paid and expenses	(85,000)
	<hr/>
Fair value of plan assets at end of period	5,251,000
	<hr/> <hr/>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £292,000.

Reconciliation of opening and closing balances of the defined benefit obligation

	<u>2019</u>
	£
Defined benefit obligation at start of period	5,516,000
Expenses	4,000
Interest expense	125,000
Actuarial losses due to scheme experience	777,000
Actuarial losses due to changes in demographic assumptions	16,000
Actuarial (gains) due to changes in financial assumptions	(323,000)
Benefits paid and expenses	(85,000)
	<hr/>
Defined benefit obligation at end of period	6,030,000
	<hr/> <hr/>

Defined benefit costs recognised in Statement of Comprehensive Income

	<u>2019</u>
	£
Expense	4,000
Net interest expense	12,876
	<hr/>
Defined benefit costs recognised in Statement of Comprehensive Income	16,876
	<hr/> <hr/>

Defined benefit costs recognised in Other Comprehensive Income

	<u>2019</u>
	£
Experience on plan - gain	178,000
Experience gains and losses arising on the plan liabilities - (loss)	(777,000)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss)	(16,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	323,000
	<hr/>
Total amount recognised in other comprehensive income - (loss)	(292,000)
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

20 RETIREMENT BENEFIT SCHEMES (CONTINUED)

Assets

	<u>2019</u>	<u>2018</u>
	£	£
Global Equity	845,000	879,000
Absolute Return	445,000	580,000
Distressed Opportunities	90,000	22,000
Credit Relative Value	91,000	-
Alternative Risk Premia	293,000	185,000
Fund of Hedge Funds	15,000	140,000
Emerging Markets Debt	168,000	167,000
Risk Sharing	152,000	45,000
Insurance-Linked Securities	136,000	134,000
Property	104,000	193,000
Infrastructure	220,000	89,000
Private Debt	68,000	45,000
Corporate Bond Fund	368,000	341,000
Long Lease Property	64,000	-
Secured Income	183,000	179,000
Over 15 Year Gilts	135,000	158,000
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,869,000	1,721,000
Net Current Assets	5,000	9,000
Total assets	<u>5,251,000</u>	<u>4,887,000</u>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key Assumptions

	<u>2019</u>	<u>2018</u>
	% per annum	% per annum
Discount rate	2.31%	2.28%
Inflation (RPI)	2.99%	3.30%
Inflation (CPI)	1.99%	2.30%
Salary Growth	2.99%	3.30%
Allowance of commutation of pension for cash or retirement (as a % of maximum allowance)	75%	75%

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	<u>Life expectancy</u> <u>at age 65</u> (Years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS

	<u>2019</u> £	<u>2018</u> £
Financial assets: Debt instruments measured at amortised cost	254,027	366,115
Financial liabilities: Measured at amortised cost	29,001,937	30,448,234

22 CALLED UP SHARE CAPITAL

	<u>2019</u> £	<u>2018</u> £
Shares of £1 each Issued and Fully Paid		
At 1 April	101	103
Shares issued during the year	-	-
Shares cancelled during the year	(6)	(2)
At 31 March	95	101

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.

23 CAPITAL COMMITMENTS

	<u>2019</u> £	<u>2018</u> £
Authorised and contracted for	4,108,270	867,033
Authorised not contracted for	-	-

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

24 RELATED PARTY TRANSACTIONS

One member of the Board of Management is also a tenant of the Association (2018: 1). Their tenancy is on normal commercial terms. During the year £5,308 (2018: £5,139) of rent was receivable from tenant members. At the year-end there was £Nil (2018: £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 £202,502 of turnover this year (2018: £187,820), with a year-end net trade creditor balance of £8,863 (2018: £13,747). Almond Enterprises Limited made a Gift Aid payment of £24,000 during 2018/19 (2018: £53,000) to the Association, in accordance with the Association's policies and procedures. The Association recharged staff costs of £Nil to Almond Enterprises (2018: £9,697).

NOTES TO THE FINANCIAL STATEMENTS

25 LEASE OBLIGATIONS

The Association is committed to make the following payments during the year ending 31 March 2019 in relation to operating leases:

	Land & Buildings	
	<u>2019</u>	<u>2018</u>
	£	£
Within one year	1,669	1,627
	<u> </u>	<u> </u>
	Plant & Machinery	
	<u>2019</u>	<u>2018</u>
	£	£
Within one year	33,147	38,954
Between two and five years	15,851	33,015
	<u> </u>	<u> </u>
	<u>48,998</u>	<u>71,969</u>

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.

26 AVERAGE RENTS

	<u>2019</u>	<u>2018</u>
Average weekly rent for housing accommodation	£83.93	£81.09
Increase	2.5%	3.3%
<u>Number of Unit at the end of the year:</u>		
General needs social housing	2,501	2,504
Supported Social Housing Accommodation	9	4
	<u> </u>	<u> </u>
	<u>2,510</u>	<u>2,508</u>

27 CONTINGENT LIABILITIES

Almond Housing Association Limited – Pension Scheme

The Pensions Trust has notified the Association of the latest estimate of the debt on withdrawal potentially due be the Association based on the draft 2015 triennial actuarial valuation of the Scheme. This contingent liability, crystallisation of which is considered remote due to the continued membership of the Scheme, is estimated at £4.6million. The past service deficit contributions payable over the deficit recovery plan period to March 2023 are designed to reduce this potential debt.

Housing Association Grant

Grants relating to assets are recognised as a liability which is then amortised or released to income over the lifetime of the related asset. The deferred capital grant disclosed at note 18 represents the remaining capital grants yet to be released to income. The original amounts of these grants become repayable on the sale or disposal of the related assets, unless there is a specific agreement in place to recycle the grant against new property development. Housing Association Grant released to income as at 31 March 2019 amounts to £5.8million.

NOTES TO THE FINANCIAL STATEMENTS

28 CASH FLOW STATEMENT

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

	<u>2019</u>	<u>2018</u>
	£	£
Operating Surplus for the year	2,663,875	2,490,966
<u>Adjustments for non-cash items:</u>		
Amortisation of intangible fixed assets	33,631	34,219
Depreciation/impairment of tangible fixed assets	2,274,703	2,233,692
Government grants utilised in the year	(602,520)	(587,971)
Defined benefit pension schemes	(158,577)	(155,960)
Loss on disposal of tangible fixed assets	-	-
(Increase) in trade and other debtors	(68,818)	(94,265)
(Decrease) in trade and other creditors	(206,066)	(528,922)
Net cash generated from operating activities	<u>3,936,228</u>	<u>3,391,759</u>

(b) ANALYSIS OF CHANGES IN NET DEBT

	As at <u>01/04/18</u>	Cash <u>Flow</u>	Other <u>Changes</u>	As at <u>31/03/19</u>
	£	£	£	£
Cash at bank and in hand	5,851,230	3,174,180	-	9,025,410
Debt due within one year	(958,436)	-	(209,960)	(1,168,396)
Debt due after one year	(27,737,104)	1,235,894	209,960	(26,291,250)
	<u>(22,844,310)</u>	<u>4,410,074</u>	<u>-</u>	<u>(18,434,236)</u>