

ALMOND HOUSING ASSOCIATION LIMITED

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

YEAR ENDED 31 MARCH 2009

SCOTTISH CHARITY REGISTRATION NUMBER
SCOTTISH HOUSING REGULATOR
FINANCIAL SERVICES AUTHORITY

SCO31696
HAL 285
2471R(S)

ALMOND HOUSING ASSOCIATION LIMITED

**REPORT OF THE COMMITTEE OF MANAGEMENT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009**

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ADVISORS

Auditors	Baker Tilly UK Audit LLP First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG
Bankers	Royal Bank of Scotland plc 36, St Andrew Square EDINBURGH EH2 2YB
Legal advisors	Biggart Baillie LLP 7, Castle Street EDINBURGH Eh2 3AP T C Young 69A, George Street Edinburgh EH2 2JG Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA

ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

The Committee of Management presents its report and the audited financial statements for the year ended 31 March 2009.

Principal Activities

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

Legal structure

The Association was registered on 22 March 1994 under the Industrial and Provident Societies Act 1965 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. The Financial Services Authority has granted the Association exemption from the requirement to prepare group accounts including its subsidiary company Almond Enterprises Limited, due to 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 Committee of Management report.

Housing property assets

Details of changes to the Association's fixed assets are shown in notes 10 and 11 to the financial statements. Housing property values are considered in the Operating and Financial Review.

Reserves

The income and expenditure account for the year is set out on page 17. After the transfer of the surplus for the year of £852,124 (2008: £901,378), at the year-end the reserves of the Association amounted to £9.9million (2008: £9.1million). Our Reserves are important for several reasons. We need to have funds to carry out cyclical and major repairs to our properties. We also need free reserves to allow us to react to any unexpected or unplanned costs. Our policy on designated reserves is laid out in note 1, Accounting Policies.

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 cover the required costs. This policy follows the generally accepted practice/principles of the Housing Movement.

Maintenance Policy

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure Account.

In addition the Association has a long term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. We plan the requirements, taking account of the Scottish Housing Quality Standards and our assessment of how our properties can be made to meet these using stock condition surveys. This includes replacement or repairs to features of the properties which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure Account, unless it was agreed they could be capitalised within the terms outlined in the Statement of Recommended Practice (SORP).

Donations

The Association donated £1,200 to several good causes (2008: £9,711) and made no political donations.

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.

Payment of creditors

In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier. Our performance against this policy is shown in note 14 to the financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT (CONTINUED)

Financial instruments

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

Treasury Management

There is a comprehensive Treasury Management Policy 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.

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 Committee of Management members, the Senior Management Team and staff.

We are committed to equal opportunities and support the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Association. Levels of staff turnover, sickness absence, ethnic mix and gender and age profile are closely monitored and benchmarked against available statistics on a regular basis. The Association's staff turnover rates are in line with industry averages.

Health and Safety

The Committee of Management is aware of its responsibilities on all matters relating to health and safety. The Association has prepared detailed health and safety policies and provides staff training and education on health and safety matters. The Association's internal 'Healthy Working Lives' group, made up of staff from all sections of the organisation, have regular meetings and during the year implemented a number of policies, training initiatives and screening events in line with the NHS Led 'Healthy Working Lives' Bronze Award.

Staffing Structure, Service Contracts and benefits

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

The Senior Management Team are employed on the same terms as other staff, their notice periods ranging from three to six months and are members of either the SFHA Pension Scheme or the Lothian Pension Fund, both defined benefit final salary pension schemes. They participate in the schemes on the same terms as all other eligible staff and the Association contributes to the schemes on behalf of its employees. Full details of their individual remuneration packages are included in note 6 to the financial statements.

Committee of Management

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

Mr I Bremner	Mr A Gray
Mr J Chittleburgh* (Vice-Chair)	Ms J Marnie* (Secretary)
Mrs E Dickson	Mr S Murray* (Chairman)
Mrs M Earl *	Mrs R Orr
Mrs A Gault	Mr A Saunders*
Mr A Godden *	Mr I Stewart*
Mr A Turner (resigned 2 April 2009)	

* member of the Audit Committee at 31 March 2009. (Mr S Murray in attendance only).

The Committee of Management are drawn from a wide background bringing together professional, commercial and local experience. Eligible members can stand for election to the Committee 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 Committee. Association insurance policies indemnify members of the Committee of Management and officers against liability when acting for the Association. The current skills level of Committee Members is assessed on an ongoing basis and necessitous training is provided as and when required.

The Association's affairs are run by the Committee of Management, which has up to 15 Members and normally meets monthly. Some of the detailed work of the Committee of Management is delegated to Sub-Committees or to "short life" working groups with a specific remit.

ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT (CONTINUED)

Internal financial controls assurance

The Committee of Management is responsible for the Association's system of internal financial control which is designed to provide reasonable, but not absolute, assurance regarding:

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

Key procedures that have been established and are designed to provide effective internal financial control are:

Control environment – the Association has an organisational structure with clearly defined lines of responsibility, job descriptions and delegation of authority. These are set out in accordance with the Association's Standing Orders and Policy and Procedure Manuals. The Association has complied with the Scottish Federation of Housing Associations "Raising Standards in Housing."

Risk management – the Committee 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 Committee of Management and senior personnel in accordance with the guidance issued jointly by Scottish Housing Regulator and the Scottish Federation of Housing Associations most recent guidance in February 2002.

Information systems – the Association has a comprehensive system of financial reporting. The annual budget and 30 year projections are approved by the Committee 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, and revised budget forecasts are considered as at 30 September each year.

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

Internal audit – The Association has continued its contract with The Internal Audit Association (TIAA) Limited for the provision of internal audit services. A Strategic Audit Plan has been prepared and approved by the Committee of Management to ensure that all major risk areas are examined in accordance with the Scottish Federation of Housing Associations "Raising Standards in Housing."

Monitoring systems – the Audit Committee reviews reports from management, internal audit and external audit to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to address weaknesses identified in the above reports. The membership of the Audit Committee is shown on page 3.

Going concern

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

ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT (CONTINUED)

STATEMENT OF COMMITTEE OF MANAGEMENT'S RESPONSIBILITIES

Housing Association legislation requires the Committee of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association as at the end of the financial year and the income and expenditure of the Association for the year ended on that date. In preparing those financial statements, the Committee of Management are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 company will continue in business.

The Committee of Management is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the Association's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Association's books of account and transactions. The Committee of Management is also responsible for ensuring that arrangements are made to safeguard the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the web site in relation to the contents of the financial statements is the responsibility of the Committee 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 web site. 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 3 September 2009 at Centrex House, Kirkton Campus, Livingston.

Statement as to disclosure of information to auditors

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

External auditors

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

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

Secretary

Date:

Registered Office:
Shiel House
Craigshill
Livingston
West Lothian
EH54 5EH

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW

BACKGROUND

Activities

Almond Housing Association was set up in March 1994 to provide Livingston tenants with the opportunity of continuity in the provision of housing services following the wind up of Livingston Development Corporation (LDC). In the 1996 ballot for LDC housing stock we were successful in two of the three areas under our management and became the second largest landlord in West Lothian, after West Lothian Council (WLC), with 2,326 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, which totalled 354 active Members at 31 March 2009.

In addition to managing over 2,288 properties, the Association is a major developer of new affordable housing. In addition to providing social housing for rent (which constitutes over 99% of the Association's activities by turnover), it has also built and leased specially designed accommodation, which provides a base for residential care for elderly people managed by the Health Board. The Association has a subsidiary Almond Enterprises which provides cleaning, recycling and crèche 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 Committee of Management each year. The five key objectives are summarised as follows:

Finance - to ensure that the Association continues to be financially viable, meeting current commitments and creating sufficient reserves to fund future maintenance and stock improvement programmes.

Development - to provide, by improvement of existing housing stock or by new building, high quality homes at rents which are reasonable and comparable to those of other local landlords, helping to meet West Lothian's housing needs. Also, to contribute to the development of our communities through participating in 'wider role' activities and providing opportunities for local people to meet non-housing needs.

Environment - to contribute to the sustainable development of the area through the design and standards of our properties, and through the choices we make in maintaining and improving them.

Asset management - to manage our housing stock efficiently and effectively, maintaining the stock and associated estates to high standards for the comfort, safety and benefit of our tenants, and for the well-being of the community as a whole.

Customer service - to seek continuous improvement in standards of customer service and maintain a skilled, experienced and well-motivated staff and Committee of Management. Opportunities for tenants and other members of the community to be involved in the management of our stock are clearly encouraged.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT

The key indicators used by senior management and the Committee of Management to monitor achievement of the Association's objectives are set out below. The Committee of Management agrees targets each year that are designed to manage development and deliver continuous service improvement.

	Objective	Key Performance Indicator
Finance	<ul style="list-style-type: none"> achieve planned operating surplus meet lenders' covenants ensure sufficient reserves to meet future funding requirements complete debt recovery review develop and improve financial and information systems 	<ul style="list-style-type: none"> monitor results to budget performance against loan covenants identify requirements and prepare 30 year budget projections review completed and changes implemented new housing management system and development modelling software to be implemented
Development	<ul style="list-style-type: none"> contribute to meeting housing need in West Lothian, and deliver target homes for 2008/09 develop our role in wider community activities progress plans for new office 	<ul style="list-style-type: none"> achieve Alliance programme targets and timely submission of all subsequent planning applications for two new Almond sites develop services provided by Almond Enterprises and encourage local recruitment source required funding and submit planning application for approval
Environment	<ul style="list-style-type: none"> develop and implement sustainability measures, including energy efficiency and the reduction of our carbon footprint 	<ul style="list-style-type: none"> research, design and incorporate energy efficiency features in new developments, using building materials from local sustainable sources used where economical
Asset management	<ul style="list-style-type: none"> develop and maintain high quality housing management services continue to provide high quality housing maintenance services implement the planned maintenance programme (including the SHQS delivery plan) cultivate skilled, experienced and motivated staff 	<ul style="list-style-type: none"> review housing management roles and responsibilities, evaluate participation in the common housing register (CHR) and develop Allocations 'outcome' measures Finalise preparations for the changeover to digital TV and the introduction of Energy performance Certificates continue the SHQS programme, completed stock condition survey and achieved planned & cyclical maintenance programme targets complete staff terms & conditions review, salary review and induction review
Customer service	<ul style="list-style-type: none"> improve organisational efficiency and manage our risk profile continue to develop and maintain high standards of service in all our activities 	<ul style="list-style-type: none"> to have met various financial performance indicators listed below develop range of 'customer care' information, plus ongoing 'benchmarking'. Landscaping improvements plan

Performance against these indicators is set out below.

Finance

The Committee of Management had budgeted for a surplus of £201k this year, which was significantly lower than the actual surplus achieved of £852k. Of this variance approximately £450k was attributable to delays (until mid 2009), in the completion of aerial and door entry system upgrades, and the painting programmes thereon. Gains on the sale of properties were lower than budgeted, generating £140k in revenue against a budget of £190k with 5 units sold (budget 8).

By the year-end Association reserves amounted to £9.9million (2008: £9.2million), of which we were required to designate £7.2m as a reserve to provide for the estimated costs of future major repairs. The Association is able to report that it met the lenders' loan covenants at all times during the year.

30 year financial projections were produced on schedule and incorporated all the currently identifiable projected spend profiles relating to the West Lothian Strategic Alliance, Scottish Housing Quality Standards (SHQS) and new office proposals.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

The increase in the Association's loans in the medium term, has arisen from high capital programme spend, rising staff costs, higher maintenance inflation and the envisaged cost of building new office premises. These factors and associated risks continue to be monitored closely to look at areas in which savings can be made. The G8 group (comprised of eight similar RSLs) continued to identify differences and explore efficiencies through the analysis of performance indicators.

An external treasury management consultant has recently been commissioned to carry out a complete review of our Treasury Management Policy & Procedures in addition to recommending investment/borrowing vehicles to optimise our long term capital returns.

To enhance the production of management information, an upgraded Housing Management & Maintenance system has been installed and new development financial modelling software implemented.

Development

As a consequence of the current market conditions, some private developers have suspended further work to their existing sites. The Association has taken the initiative and recently purchased from private developers two 'off the shelf' developments, both of which have been approved for funding by the Scottish Government.

Three major alliance projects were completed during the year and although we were unable to meet the targets set at the beginning of the year for some of the individual projects, we have been able to successfully bring other projects forward within very short timescales. Formal planning permission has been approved for two sites predominantly for the Association, tenders have since been scheduled/approved and work is planned to commence on each site, late 2009.

The formal planning application for the new office was approved in April 2009, detailed work is underway to finalise the design and competitive tenders are scheduled for issue in June 2009. Preliminary discussions have been held with our current lenders and external Treasury Management consultants, with a view to securing private finance to fund the new office development.

Almond Enterprises is a social enterprise employing local people in hygiene, cleaning/house clearances and other property services. It has continued to return a profit, maintain high standards of customer satisfaction in line with targets, renewed existing contracts and is currently researching two projects related to services to tenants.

Asset management

In total we invested £1.9m this year on major works, to ensure all our homes continued to meet the high standards promised to our tenants and to comply where applicable with Scottish Housing Quality Standards. The stock condition survey has now been completed and the results are currently being analysed.

Targets in relation to the ongoing planned and cyclical maintenance programme were principally met, however there was a substantial delay in commencing procurement for the bathroom replacement contract due to staff resource issues. This programme is approximately six months behind schedule and the intention, is that the work on site will be accelerated in order to achieve the original programme by the end of 2010.

The extensive rolling kitchen renewals contract is well underway, with 161 properties being completed in the current phase and the replacement programme of windows, front and back doors in Craigshill now also completed. Notable contracts postponed until 2009 included the front door renewals, door entry upgrades (plus painting thereon) and aerial upgrades. The landscaping improvement plan being worked on in conjunction with an agreed contractor is now overdue and the contractor has been reminded of their commitment.

The West Lothian Common Housing Register (WLCHR), was implemented in 2007 to streamline the related administrative process. A report on the first year of operation is currently being compiled which suggests the initiative has made the process much easier for local people to use, while stressing the need for enhanced communications links with West Lothian Council.

During the year an analysis of the reasons for termination of tenancies was completed, to identify ways to help tenants sustain their tenancies for longer. As part of this work a 'Sustainable Tenancies' policy is being produced to outline measures to minimise the risk of tenants losing their tenancy.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

The results of the staff salary review were implemented in June 2008 and a review of the staff terms and conditions also completed. A staff forum has now been established, held preliminary meetings and the group is currently establishing a regular basis of operation.

Environment

As part of our successful bid for Preferred Development status, the WLSA made a commitment to, and commissioned a report on renewable energy technology and materials in new build housing, the recommendations of which have been incorporated to some degree in each new development. In relation to reducing our 'carbon footprint', staff awareness has been raised through activities such as increased and focused recycling. The specification of our new office has been developed with the 'carbon footprint' in mind.

Preparations for the introduction of digital TV and Energy Performance Certificates have been piloted and implemented respectively, as planned.

Customer service

The Association continues to monitor its high standards of service undertaking regular self assessments of its service standards. A review of Housing staff roles and responsibilities was completed during the year and a full time administrative member of staff appointed to provide additional support. Research is currently underway to procure a new improved phone system with a view for it to be implemented mid 2009.

Following the setting up of tenant Focus groups, a range of 'customer care' information leaflets has now been drafted and others will be added during the current year. Our role in the Older Persons Advice project (which aims to increase the levels of benefit take up amongst older tenants) began in July 2008, since which we have helped a number of older tenants obtain an additional £12k in unclaimed benefits. In future we hope to raise the awareness of this project to increase recoverability for more of our older tenants.

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

Rent losses and arrears

Rent losses (including bad debts) for the year were in line with last years, at 1.6% of rental income receivable (2008: 1.6%). The Associations rent loss for void periods at 0.66% of rental income receivable (2008: 0.68%), was in line with our historical target of 0.6%.

Rent arrears at the year-end have decreased to 3.7% (2008: 4.4%), due to improved staff performance.

Repair response times

Performance against this indicator has a direct impact on the Association's service to its customers and in total almost 10,000 repairs, gas servicing, repairs to void properties and social work adaptations were carried out in the last 12 months. The time taken to complete repairs has increased slightly overall, as the effects of measuring the time from the point at which a tenant reports the repair to completion reduces the percentage of repairs completed on time. Entering into new contract arrangements in late 2009 will allow adjustments in targets to be made.

Key Performance Indicator: Percentage of repairs completed within target response time	
Emergency: target 100% of jobs completed within 24 hours	Actual: 93.9% (2008: 95.7%)
Urgent: target 95% of jobs completed within 3 days	Actual: 84.6% (2008: 78.3%)
Routine: target 95% of jobs completed within 10 days	Actual: 86.5% (2008: 88.3%)

Financial position

The Association's income and expenditure account and balance sheet are summarised in Table 1 (page 13) and the following paragraphs highlight key features of the Association's financial position as at 31 March 2009.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Risks and uncertainties

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

The main risks that may prevent the Association achieving its objectives are assessed on an ongoing basis in terms of their impact and probability, and reviewed regularly by the senior management team and Committee of Management as part of the internal management plan. Additionally, the Committee of Management receive regular reports from management and from the external and internal auditors, to provide reasonable assurance that specific control procedures are in place and are being followed, whilst major risks are similarly identified and presented together with action taken or required to manage the risks and the outcome of the action.

The Association has identified the major risks to successful achievement of its objectives and the action to mitigate them is considered below.

Key Risk	Status	Impact on strategic objectives
External influences	We have attempted to mitigate any adverse changes in HAG levels or failure to meet the requirements of the HAR Directorate, by continuously monitoring developments to ensure targets are met, financially viable and that value for money is being achieved.	Finance Development Asset management
Strategic	Non-compliance with housing legislation, OSCR or Scottish Housing Regulator performance standards and best practice, would impact safety, service and future funding. Policies are in place to ensure compliance with legislation through professional advice, publications and Charitable Rules.	Development Asset management
Development contracts	We require the viability and proficiency of our contractors to a high standard, to ensure that units are properly constructed and maintained. This risk is alleviated by regular analysis of the relevant companies Financial Performance Indicators and mitigated by their status on our Approved Contractor list. To minimise delays and ensure high standards in our developments, we liaise closely with planning departments in the first instance to ensure requirements are viable/desirable and closely monitor design briefs against actual projects construction.	Finance Development Asset management
Funding strategy	To ensure private finance is in place and good value for money, we have contracted an independent company to scrutinise our loan portfolio and future funding requirements.	Finance
Competition risks	Other Housing Associations and Authorities potentially threaten future viability, by increasing the rental supply (thereby reducing rentals), whilst also increasing the pressure on land prices. Market testing, assessing land costs as part of the new business risk appraisal process, participation in the Mortgage to Rent Scheme and the creation of working groups, notably the West Lothian Strategic Alliance are some of the innovations undertaken to alleviate these risks.	Finance Development Customer service
Property maintenance procurement	To verify our procurement commitments are good value we ensure compliance with tendering procedures and clear specification in tender documents. To ensure sufficient reserves are available we carry out regular life cycle costing exercises, the results of which are annually examined in our 30 year projections. We consistently track all significant operating costs and compare performance with our peers via benchmarking exercises.	Finance Maintenance Asset management

Accounting policies

The Association's principal accounting policies are set out on pages 20 to 21 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include housing depreciation and deduction of capital grant from the cost of assets. Each of these policies has remained unchanged during the period under review.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Housing properties

At 31 March 2009 the Association owned 2,288 housing properties (2008: 2,236). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £27.7million (2008: £25million). The Committee of Management appointed professional valuers to value the Association's housing properties as at June 2003 and at that date the value of the properties, on an existing use for social housing basis was £22.4million. An additional existing use basis valuation carried out April 2004, of a new 40 unit development added a further £1.2million to the total value of the Association's properties.

Our investment in housing property improvements and developments this year of £12.8million 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.

During the year the association took possession of a further five houses under the Mortgage-to-Rent scheme, funded through the Scottish Housing Regulator and actively encouraged to provide help to those households in mortgage difficulties by offering them the flexibility to change the tenure of their home, from ownership to a tenancy in the social rented sector.

Pension costs

The Association participates in two pension schemes, the SFHA Pension Scheme (SFHAPS) with 21 active members and the Lothian Pension Scheme (LPS) with 2. Both of these are final salary schemes, offering good benefits for our staff. The Association has contributed to the schemes in accordance with levels set by the actuaries, of between 15.4% and 18.8% respectively.

The SFHAPS was formally valued as at 30 September 2006 and provisional results indicate that despite an increase in the assets of the Scheme, a significant shortfall of assets compared with liabilities remains. The Association in line with other members agreed to pay an additional 1.4% of personable salaries from April 2008. A pension expense calculation was carried out as at 31 March 2009 specifically for our current LPS members, which showed a reduction in the Net Pension liability to £132,000. This has been recognised in the financial statements for the first time this year, as previously the liability was regarded as immaterial.

Capital structure and treasury policy

The Association received Housing Association Grant of £6.9million for development funding purposes. By the year end Association borrowings amounted to £18.3million, 63% of which is fixed (at LIBOR + 0.388% on average) and all of which is due to mature in 2034. Funding is in place for the major development programme with flexibility over the interest rate type and repayment term.

Cash flows

During the year net cash outflows amounted to £2.8million (2008: a £1.1million inflow) details of which are shown in the consolidated cash flow statement (page 19). Gross inflows comprised £3million from operating activities, £7million of grants received and £1.3million from the sale of RTB properties. Cash outflows included £0.9million net servicing of finance interest, less a further £12.7million expenditure on developments and housing improvements.

Future developments

To achieve the current targets for the West Lothian Strategic Alliance's development programme, the Association plans over the next three years to complete 428 new homes, progress with plans for the existing sites and secure 7 additional sites for future development. We will address the issues of fuel poverty and environmental impact by incorporating energy efficient technologies throughout our development programme and continue research into sustainability issues and the reduction of our 'carbon footprint'.

The Committee of Management has approved plans to spend almost £26million during the next financial year to develop the remaining approved general housing projects. £8million of the investment needed will be through new borrowings, with the balance funded through housing association grant, stakeholder contributions and income from sales on completion. The Association plans to move on briskly with plans to build new offices now that formal planning permission has been approved, with competitive tenders scheduled for issue in June 2009.

We have budgeted to spend £802k in 2009/10 on planned and cyclical maintenance, with a further £964k earmarked for capital works notably the renewal of many kitchens and bathrooms as part of our current 10-year capital programme.

ALMOND HOUSING ASSOCIATION LIMITED

OPERATING & FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

We intend to implement the results of the stock condition survey and continue our programme to achieve planned and cyclical programme targets, which will enable us to achieve the Scottish Housing Quality Standards.

To improve organisational efficiency we will be researching a number of communication, management and 'quality control' systems throughout the year, with the aim of implementing those demonstrably beneficial. Reviews will also be progressing in relation to our Governance and Treasury Management arrangements.

To build upon our existing high quality housing management services the Association is planning this year to develop allocations outcome measures, improve the range of 'customer care' information produced (including our website) and review Allocations and rent policies.

Statement of compliance

In preparing this Operating and Financial Review, the Committee of Management has followed the principles set out in Part 2 of the SORP 'Accounting by Registered Social Landlords' (Update 2008). While it is not currently a statutory requirement to produce this Operating and Financial Review, the Committee of Management notes that it is considered best practise and on this basis have chosen to include it.

ALMOND HOUSING ASSOCIATION LIMITED

Table 1 – Annual results and KPI, five year summary

For the year ended 31 March	2009	2008	2007	2006	2005
Income and Expenditure account (£'000)					
Total turnover	7,557	6,994	6,443	6,226	6,005
Income from lettings	6,898	6,508	6,096	5,827	5,618
Operating surplus	1,659	1,506	1,185	1,685	1,398
Surplus for the year transferred to reserves	852	901	680	950	800
Balance sheet (£'000)					
Housing properties, net of depreciation HAG and other capital grants	43,288 (15,634)	39,646 (14,666)	37,598 (14,311)	35,106 (11,206)	30,092 (6,765)
Housing properties, net of depreciation & grants Other fixed assets	27,654 55	24,980 38	23,287 75	23,900 124	23,327 153
Fixed assets net of capital grants & depreciation	27,709	25,018	23,362	24,024	23,480
Net current assets	622	2,783	2,175	745	262
Total assets less current liabilities	28,331	27,801	25,537	24,769	23,742
Loans (due over one year)	18,297	18,620	17,257	17,169	17,093
Pension liability	132	37	120	190	-
Reserves : designated : revenue : pension : total	7,178 2,855 (132) 9,901	6,379 2,802 (37) 9,144	6,546 1,734 (120) 8,160	5,879 1,721 (190) 7,410	5,277 1,372 - 6,649
	28,331	27,801	25,537	24,769	23,742
Accommodation figures					
Total housing stock owned at year end (<i>number of dwellings</i>): Social housing	2,288	2,236	2,252	2,252	2,248
Statistics					
Surplus for the year as % of turnover	11.3%	12.9%	10.6%	15.3%	13.3%
Surplus for the year as % of income from lettings	12.4%	13.9%	11.2%	16.3%	14.2%
<u>Rent losses</u> (<i>voids and bad debts as % of rent and service charges receivable</i>)	1.6%	1.6%	1.1%	1.3%	1.4%
<u>Rent arrears</u> (<i>gross arrears as % of rent and service charges receivable</i>)	3.7%	4.4%	5.4%	5.2%	5.1%
<u>Interest cover</u> (<i>surplus before interest payable divided by interest payable</i>)	1.6	1.6	1.2	1.6	1.4
<u>Liquidity</u> (<i>current assets divided by current liabilities</i>)	1.2	2.2	2.1	1.6	1.2
Total reserves per home owned	£4,327	£4,089	£3,644	£3,375	£2,958

ALMOND HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALMOND HOUSING ASSOCIATION LIMITED

To the members of Almond Housing Association Limited

We have audited the financial statements which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and related notes, which have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report and for the opinion we have formed.

Respective responsibilities of Committee of Management and auditors

The Committee's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Committee of Management's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007. We also report to you if, in our opinion, the Committee of Management Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Committee of Management Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Group Accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary, in the group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2009, because of the insignificant amounts involved.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALMOND HOUSING ASSOCIATION LIMITED (CONTINUED)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Association's affairs as at 31 March 2009 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements)(Scotland) Order 2007.

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
First Floor, Quay 2
Fountainbridge
EDINBURGH
EH3 9QG

Date

ALMOND HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

In addition to the audit of the financial statements, we have reviewed the Committee of Management's statement on page 4 on the Association's compliance with the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the publication not otherwise disclosed.

Basis of opinion

We carried out our review having regard to the Bulletin 1999/5 issued by the Auditing Practices Board. 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 reasons given for non-compliance.

Opinion

In our opinion the statement on internal financial control on page 4 has provided the disclosures required by the Section on Internal Financial Controls within SFHA's document "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
First Floor, Quay 2
Fountainbridge
EDINBURGH
EH3 9QG

Date

ALMOND HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	<u>Notes</u>	<u>2009</u> £	<u>2008</u> £
TURNOVER	2	7,557,032	6,994,326
Operating costs		(5,898,013)	(5,487,944)
OPERATING SURPLUS	5	1,659,019	1,506,382
Gain on sale of fixed assets	9	140,309	206,565
Interest receivable and other income	8(a)	84,803	158,860
Interest payable and similar charges	8(b)	(1,031,007)	(970,429)
Other financing income/(costs)	20	(1,000)	-
SURPLUS FOR YEAR	18	852,124	901,378

The results for the year relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED SHEET AS AT 31 MARCH 2009**

		<u>2009</u> £	<u>2008</u> £
Surplus for the financial year		852,124	901,378
Share capital issued during the year	16	5	1
Actuarial (loss)/gain on Pension Fund	20	(132,000)	-
Total recognised surpluses relating to the year		720,129	901,379

The notes on pages 20 to 36 form part of these financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31 MARCH 2009

	Notes	2009		2008	
		£	£	£	£
TANGIBLE FIXED ASSETS					
Housing properties	11				
- Gross cost less depreciation			43,108,998		39,645,801
Less: HAG			(13,833,363)		(13,245,878)
Less: EHI and Mortgage-to-rent Grant			(1,801,019)		(1,420,099)
			<u>27,474,616</u>		<u>24,979,824</u>
Other fixed assets	11		234,575		38,489
Investments	10		1		1
			<u>27,709,192</u>		<u>25,018,314</u>
CURRENT ASSETS					
Work in progress	12	1,073,411		312,905	
Debtors	13	733,221		566,232	
Cash at bank and in hand		1,402,145		4,223,544	
			<u>3,208,777</u>		<u>5,102,681</u>
CREDITORS: Amounts falling due within one year	14	(2,586,789)		(2,319,621)	
			<u>621,988</u>		<u>2,783,060</u>
NET CURRENT ASSETS					
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>28,331,180</u>		<u>27,801,374</u>
CREDITORS: Amounts falling due after more than one year	15	(18,297,677)		(18,620,000)	
Net Pension liability	20	(132,000)		-	
			<u>9,901,503</u>		<u>9,181,374</u>
NET ASSETS					
CAPITAL AND RESERVES					
Share capital	16		354		349
Designated reserves	17		7,178,039		6,378,855
Revenue reserve	18		2,855,110		2,802,170
Pension reserve	27		(132,000)		-
			<u>9,901,503</u>		<u>9,181,374</u>

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

S Murray
Chairman

J Chittleburgh
Vice Chairman

J Marnie
Secretary

Date:

The notes on pages 20 to 36 form part of these financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	<u>Notes</u>	<u>2009</u>		<u>2008</u>	
		£	£	£	£
Net cash inflow from operating activities	25(a)	2,996,425		2,336,368	
Return on investments and servicing of finance					
Interest received		90,729		157,306	
Interest paid		(1,021,453)		(981,078)	
		<hr/>		<hr/>	
Net cash outflow from returns on investment and servicing of finance		(930,724)		(823,772)	
Capital expenditure					
Payments to acquire housing properties		(12,740,718)		(6,814,622)	
Payments to acquire other fixed assets		(44,612)		(15,188)	
Receipts from sale of housing properties		1,285,349		272,445	
		<hr/>		<hr/>	
Net cash outflow from capital expenditure		(11,499,981)		(6,557,365)	
Net cash outflow before use of liquid Resources and financing		(9,434,280)		(5,044,769)	
Management of liquid resources	25(c)	(23,317)		23,317	
Financing					
Issue of share capital		5		1	
Grants received		6,974,410		4,439,012	
Loans (repaid)/ received		(338,217)		1,692,570	
		<hr/>		<hr/>	
Net cash inflow from financing		6,636,198		6,131,583	
(Decrease)/Increase in cash	25(c)	(2,821,399)		1,110,131	
		<hr/> <hr/>		<hr/> <hr/>	

The notes on pages 20 to 36 form part of these financial statements.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Landlords (update 2008), the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and with applicable Accounting Standards. A summary of the principal accounting policies, which have been applied consistently, is set out below.

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

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting.

Turnover

Turnover represents rental income receivable, income from factoring fees, repair costs recharged to tenants, revenue grants and insurance settlements.

Fixed assets and depreciation

Housing properties are stated at the lower of cost and net realisable value where cost includes the cost of acquiring land and buildings and development expenditure. Depreciation is charged on housing properties, based on actual cost less estimated cost of land less HAG and other capital grants. The Association's policy and practice is to maintain properties to a high standard by implementing a continuing programme of refurbishment and maintenance and the estimated life of new housing properties is considered to be approximately 50 years. Residual values for properties are assumed to be land value plus 15% of the land value for site services.

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of the property sold are removed from the financial statements at the date of sale. The acquisition and sale of properties is recognised on the date of entry. Other tangible fixed assets are stated at cost less accumulated depreciation and depreciated on a straight line basis to write off the cost of assets, less their estimated residual value at the end of their estimated useful economic life to the Association. Works to existing properties (Major Repairs) are capitalised under Housing fixtures, where the economic benefits of the additional works are in excess of the standard of performance attained by the asset when it was first acquired, constructed or last replaced.

The estimated lives are as follows:-

Housing properties	at least 30 years, 50 years for New-build
Housing fixtures	between 12 and 29 years (depending on category)
Office furniture and fittings	4 years
Computer equipment	4 years

Improvements to property

The Association capitalises expenditure on housing properties which is either capable of generating increased future rents, extends its useful life, or significantly reduces future maintenance costs. All other expenditure incurred in respect of general repairs to its housing stock is charged to the income and expenditure account in the year in which it is incurred.

Work in progress

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

Costs are capitalised as fixed assets under construction and transferred with related grant in work in progress on a pro rata basis.

Shared Equity Home Ownership (Low-cost initiative for First-Time Buyers – LIFT (formerly undertaken under homestake))

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

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Scottish Housing Regulator has the benefit of a fixed charge on the property entitling Scottish Housing Regulator to a share of the proceeds on the sale of the property by the beneficiary. These are classified as investments and are carried at historical cost with the linked finance cost (the grant received) being deducted from the gross amount of the asset.

Completed properties that are not sold or are work in progress are valued at the lower of cost and net realisable value. Cost comprises of cost of land and construction. Net realisable value is based on estimated sale price after allowing for all further costs of competition and disposal.

Repairs and maintenance

The costs of routine maintenance, cyclical and major repairs are charged to the income and expenditure account in the year in which they are incurred. Transfers between income and expenditure account and a designated reserve are made to reflect reserves set aside for future major repairs and maintenance costs.

Grants

For schemes developed under the terms of the 1988 Housing Act, Housing Association Grant (HAG) is paid directly to the Association as required, to meet its liabilities during the development process. HAG is repayable under certain circumstances primarily following the sale of property, but will normally be restricted to net proceeds of sale. HAG received is deducted from the cost of Housing Properties in the balance sheet. Where HAG has been received in respect of revenue expenditure, it is credited to the Income & Expenditure Account in the same period as the expenditure to which it relates.

Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

Operating leases

Operating lease rentals are charged to the Income and Expenditure account on a straight line basis over the period of the lease.

Value Added Tax

The Association is VAT registered. However, a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT.

Defined benefit pension scheme and pension reserve

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

The Association also participates in the Lothian Pension Fund (LPF) which is a defined benefit scheme. Contributions are charged to the Income and expenditure account so as to spread the cost of pensions over the employees' working lives within the Association. The pension scheme deficit is recognised in full. A pension reserve was set up to account for this deficit by transferring an amount from the revenue reserves. The movement in the pension deficit in the year is reflected in a transfer between the revenue reserve and the pension reserve.

Designated Reserves

As major repair social housing grant is not available to the Association for schemes developed with social housing grant after the Housing Act 1988 or funded by private finance, a reserve has been specifically designated to meet the future major repair costs of these schemes. Our designated reserves policy takes account of the condition of our stock and the requirements for repairs not only to meet the Scottish Housing Quality Standards as defined by Scottish Executive but also aims to incorporate innovation in design and the requirements of housing for varying needs.

The reserve has been established principally to provide for the estimated costs of future major repairs expenditure for schemes. The level of reserve required is reappraised annually and a transfer to/from the Income and Expenditure Account made as appropriate.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	<u>Turnover</u>	(Operating costs)	Operating surplus <u>2009</u>	<u>2008</u>
	£	£	£	£
Social lettings	7,003,744	(5,387,507)	1,616,237	1,111,324
Other activities	553,288	(510,506)	42,782	395,058
	<hr/>	<hr/>	<hr/>	<hr/>
Total	7,557,032	(5,898,013)	1,659,019	1,506,382
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total for previous year	6,994,326	(5,487,944)	1,506,382	1,184,715
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Sales income of £890,000 and corresponding costs of £890,000, in relation to the sale of eight shared equity LIFT units, has not been recognised in the income and expenditure account as the Association has no beneficial interest in these properties.

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

	<u>General Needs Housing</u>	Supported <u>Housing</u>	Total <u>2009</u>	<u>2008</u>
	£	£	£	£
Income from lettings				
Rent receivable net of service charges	6,833,823	105,579	6,939,402	6,504,640
Service charges receivable	110,978	-	110,978	108,014
	<hr/>	<hr/>	<hr/>	<hr/>
	6,944,801	105,579	7,050,380	6,612,654
Less: Rent losses from Voids	(46,636)	-	(46,636)	(44,997)
	<hr/>	<hr/>	<hr/>	<hr/>
Net rents receivable	6,898,165	105,579	7,003,744	6,567,657
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditure on letting activities				
Service costs	119,161	-	119,161	115,202
Management & Maintenance administration costs	1,686,969	26,469	1,713,438	1,652,940
Reactive maintenance costs	2,100,460	18,226	2,118,686	2,513,363
Rent losses from bad debt	63,030	-	63,030	61,640
Planned & cyclical maintenance, major repair costs	443,665	2,962	446,627	287,543
Depreciation on housing properties	913,529	13,036	926,565	825,645
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure on lettings	5,326,814	60,693	5,387,507	5,456,333
	<hr/>	<hr/>	<hr/>	<hr/>
Operating surplus on letting activities	1,567,351	44,886	1,616,237	1,111,324
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Operating surplus on letting activities for previous year	1,068,614	42,710	1,111,324	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	(Operating costs – bad debts)	(Other operating costs)	Operating surplus or (deficit) 2009	2008
	£	£	£	£	£	£	£	£	£
Wider role activities	3,419	-	-	-	3,419	-	(22,441)	(19,022)	(24,036)
Care and repair of property (Aids and adaptations)	144,202	-	-	167,876	312,078	-	(298,721)	13,357	(27,501)
Factoring	-	-	-	46,245	46,245	-	(43,110)	3,135	4,806
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	3,369	3,369	-	-	3,369	5,523
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	138,081	-	-	-	138,081	-	(138,081)	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities (Insurance settlements received)	-	-	-	49,690	49,690	-	-	49,690	59,352
Other (reversal of permanent diminution in value)	-	-	-	-	-	-	-	-	382,199
Other activities	-	-	-	406	406	-	(8,153)	(7,747)	(5,285)
Total from other activities	285,702	-	-	267,586	553,288	-	(510,506)	42,782	395,058
Total from other activities for the previous year	158,519	-	-	268,150	426,669	-	(31,611)	395,058	

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

5 OPERATING SURPLUS FOR YEAR

	<u>2009</u>	<u>2008</u>
	£	£
The operating surplus is arrived at after charging/ (crediting):		
Depreciation	954,330	877,620
Reversal in permanent diminution in value from prior year	-	(382,199)
Auditors remuneration: - for audit services	9,775	9,253
- for non audit services	2,075	2,485
- internal audit services (TIAA)	8,865	9,062

In 2008 a VAT liability provision was withdrawn, hence the previous year's posting of a £382,199 reversal in permanent diminution in value.

6 DIRECTORS' EMOLUMENTS

The Chief Executive, Section Heads, and any other person reporting directly to the Committee of Management, are ordinary members of the Association's pension scheme described in note 20. No enhanced or special terms apply to their memberships and they have no other pension arrangements to which the Association contributes. Retirement benefits are accruing to 5 Senior Managers (2008: 5) under the funds referred to in note 20.

The number of senior staff (including the highest paid senior staff member) who received emoluments in excess of £60,000 (excluding pension contributions) were in the following ranges -

	2009	2008
£60,001 to £65,000	1	-
£80,001 to £85,000	1	1

None of the Committee of Management received any emoluments during the year (2008: £Nil). During the year the Committee of Management were reimbursed expenses of £246 (2008: £403).

	<u>2009</u>	<u>2008</u>
	£	£
Emoluments of the Chief Executive and Section Heads, excluding pension contributions	314,825	287,138
Contributions to the pension scheme for the Chief Executive and Section Heads	43,851	39,755
Emoluments of the Chief Executive, who was the highest paid member of staff, excluding pension contributions	87,884	81,179
Contributions to the pension scheme for the Chief Executive	11,543	10,604

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

7 EMPLOYEE INFORMATION

Average monthly number of employees expressed in full time equivalents:	<u>2009</u>	<u>2008</u>
Housing	14	13
Maintenance	7	7
Chief Executive and Corporate & Development	7	6
Finance	4	5
	<hr/>	<hr/>
	32	31
	<hr/>	<hr/>

The actual average weekly number of persons employed by the Association was 33 (2008: 33).

Employee costs:

	<u>2009</u>	<u>2008</u>
	£	£
Wages and salaries	994,257	880,414
Social security costs	88,890	78,191
Other pension costs	115,124	97,214
	<hr/>	<hr/>
	1,198,271	1,055,819
	<hr/>	<hr/>

8(a) INTEREST RECEIVABLE AND OTHER INCOME

	<u>2009</u>	<u>2008</u>
	£	£
Interest receivable	84,803	158,860
	<hr/>	<hr/>

8(b) INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2009</u>	<u>2008</u>
	£	£
Bank loans and overdrafts payable in over 5 years by instalments	1,031,007	970,429
	<hr/>	<hr/>

9 GAIN ON SALE OF FIXED ASSETS

	<u>2009</u>	<u>2008</u>
	£	£
Gain on sale of housing properties	170,689	205,565
(Loss) on sale of other fixed assets	(30,380)	-
	<hr/>	<hr/>
	140,309	206,565
	<hr/>	<hr/>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

10 FIXED ASSET INVESTMENTS

	<u>2009</u> £	<u>2008</u> £
Subsidiary company (Cost at 31 March 2009 and 31 March 2008)	1	1
Shared equity loans (LIFT) made to dweller	324,800	-
Shared equity grants	(324,800)	-
	<u>1</u>	<u>1</u>

The subsidiary company at 31 March 2009 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>2009</u> £	<u>2008</u> £
Profit on ordinary activities after taxation	17,097	55,372
Net assets	<u>148,917</u>	<u>134,820</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

11 TANGIBLE FIXED ASSETS

	Housing fixtures & fittings	Housing properties held for letting	Housing properties in course of construction	Office Property in course of construction	Office furniture & fittings	Computer equipment	Total
	£	£	£	£	£	£	£
COST							
At 1 April 2008	8,105,274	34,462,080	4,475,755	25,796	75,785	302,664	47,447,354
Additions	2,308,767	-	10,319,566	153,443	7,297	37,315	12,826,388
Transfers (to)/from WIP	-	-	(4,153,125)	-	-	-	(4,153,125)
Transfers	-	4,752,008	(4,752,008)	-	-	-	-
Disposals	(37,617)	(614,321)	(3,446,542)	-	-	(12,650)	(4,111,130)
At 31 March 2009	10,376,424	38,599,767	2,443,646	179,239	83,082	327,329	52,009,487
DEPRECIATION							
At 1 April 2008	2,169,637	5,253,467	-	-	71,949	268,011	7,763,064
Charge for period	375,855	550,710	-	-	2,965	24,800	954,330
Disposals	(8,686)	(30,144)	-	-	-	(12,650)	(51,480)
At 31 March 2009	2,536,806	5,774,033	-	-	74,914	280,161	8,665,914
NET	7,839,618	32,825,734	2,443,646	179,239	8,168	47,168	43,343,573
HOUSING ASSOCIATION GRANT							
At 1 April 2008	-	10,534,824	2,711,054	-	-	-	13,245,878
Additions	-	-	6,894,714	-	-	-	6,894,714
Transfers (to)/from WIP	-	-	(3,392,619)	-	-	-	(3,392,619)
Transfers	-	1,024,346	(1,024,346)	-	-	-	-
Disposals	-	-	(2,914,610)	-	-	-	(2,914,610)
At 31 March 2009	-	11,559,170	2,274,193	-	-	-	13,833,363
EMPTY HOMES INITIATIVE GRANT & MORTGAGE TO RENT SCHEME							
At 1 April 2008	-	1,420,099	-	-	-	-	1,420,099
Additions	-	380,920	-	-	-	-	380,920
At 31 March 2009	-	1,801,019	-	-	-	-	1,801,019
NET BOOK AMOUNT							
At 31 March 2009	7,839,618	19,465,545	169,453	179,239	8,168	47,168	27,709,191
At 31 March 2008	5,935,637	17,253,690	1,764,701	25,796	3,836	34,653	25,018,313

Included within Housing Properties held for letting is land of £865,000 relating to a site which it is planned will in the future be part used by the Association as a new office, the area of which cannot be quantified at this current time. Properties held for resale were transferred at the year end to Work in Progress, and are detailed in Note 12.

During the year the amount of works to existing properties that were capitalised was £2,308,767 (2008: £695,897) out of a total spend of £4,144,228 (2008: £2,798,729). In accordance with the Statement of Recommended Practice on Accounting by Registered Social Landlords 2005, HAG received in respect of capital costs has been deducted from gross costs, except where stated otherwise.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

12 WORK IN PROGRESS

	<u>2009</u>	<u>2008</u>
	£	£
Properties for sale:		
At 1 April 2008	312,905	-
Properties under construction at cost (see Note 11)	4,153,125	3,869,643
Housing Association Grant (see Note 11)	(3,392,619)	(3,556,738)
	<hr/>	<hr/>
At 31 March 2009	1,073,411	312,905
	<hr/> <hr/>	<hr/> <hr/>

13 DEBTORS

	<u>2009</u>	<u>2008</u>
	£	£
Rental debtors	283,336	310,226
- Provision for doubtful rental debtors	(131,625)	(133,928)
Other debtors	44,342	45,279
Prepayments and accrued income	123,625	232,336
Capital grant receivable	413,543	112,319
	<hr/>	<hr/>
	733,221	566,232
	<hr/> <hr/>	<hr/> <hr/>

14 CREDITORS: Amounts falling due within one year

	<u>2009</u>	<u>2008</u>
	£	£
Bank overdraft	-	23,317
Housing loans (see Note 15)	314,106	330,000
Trade creditors	894,840	899,022
Other taxation and social security	28,549	25,915
Rents in advance	225,093	222,524
Grants repayable	282,691	-
Other creditors and accruals	841,510	818,843
	<hr/>	<hr/>
	2,586,789	2,319,621
	<hr/> <hr/>	<hr/> <hr/>

The Association's policy is to pay purchase invoices within 30 days of receipt, or earlier if alternative payment terms have been agreed. The average number of days between receipt and payment of purchase invoices this year was 36 (2008: 34).

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

15 CREDITORS: Amounts falling due after more than one year

	<u>2009</u>	<u>2008</u>
	£	£
Bank loans:		
Due within 1 to 2 years	264,726	330,000
Due within 2 to 5 years	964,125	990,000
Due after five years or more	17,068,826	17,300,000
	<u>18,297,677</u>	<u>18,620,000</u>

The bank loans are secured by a first charge over specific properties of the Association. Interest on the £2.9Million loan is fixed for 15 years at 6.33%, thereafter LIBOR plus 0.3%, whilst the £5Million loan is variable for its term at LIBOR + 0.3%. Interest is fixed for one further year on the three £3Million loans at LIBOR plus a margin of between 0.3% and 0.45% per annum, rising to LIBOR plus 0.325% and 0.5% per annum, thereafter.

The Business loan facility is due to crystallise into a term loan on the final drawdown for the applicable developments at which point we have the flexibility to choose the loan term and whether a fixed or floating rate (linked to LIBOR) is to be applied. It is envisaged this loan will be repaid over a twenty five year period and phased in line with working capital requirements.

This entire loan is disclosed as repayable after five years or more, though this repayment term could be accelerated (through negotiation), on completion of the attributable developments.

	£	
Business Term Loan	2,935,850	20 January 2034
Business Term Loan	4,987,500	20 January 2034
Business Term Loan	3,000,000	20 January 2034
Business Term Loan	3,000,000	20 January 2034
Business Term Loan	3,000,000	20 January 2034
Business Loan Facility	1,374,327	(to be agreed)
	<u>18,297,677</u>	

16 CALLED UP SHARE CAPITAL

Each member holds one share of £1 in the Association.

	<u>2009</u>	<u>2008</u>
	£	£
Allotted, issued and fully paid		
At 1 April 2008	349	348
Issued during the year	5	1
	<u>354</u>	<u>349</u>
At 31 March 2009	<u>354</u>	<u>349</u>

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

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

17 DESIGNATED RESERVES

	<u>2009</u> £	<u>2008</u> £
Major Repairs		
At 1 April 2008	6,378,855	6,545,242
Transfer from the income and expenditure account (see Note 18)	2,337,953	1,765,426
Less: actual spend in current year (see note 18)	(1,538,769)	(1,931,813)
	<u>799,184</u>	<u>(166,387)</u>
At 31 March 2009	<u>7,178,039</u>	<u>6,378,855</u>

These reserves represent designated amounts set aside by the Committee of Management which together with future transfers from the income and expenditure account are currently expected to meet the anticipated cost of major repairs as they occur during the life of the properties. The average annual reactive and cyclical repairs have been calculated using the 30 year expenditure projections adjusted for inflation. The expected spend over the next 3 years is £5.56million.

18 RECONCILIATION OF MOVEMENT IN ACCUMULATED SURPLUS

	<u>2009</u> £	<u>2008</u> £
Revenue reserve at 1 April 2008	2,802,170	1,734,405
Surplus for the year	852,124	901,378
Transfer (to)/from designated reserves (see Note 17)	(799,184)	166,387
Actuarial (losses)/gain on pension scheme	(132,000)	-
Transfer from/(to) pension reserve	132,000	-
	<u>2,855,110</u>	<u>2,802,170</u>
Revenue reserve at 31 March 2009	<u>2,855,110</u>	<u>2,802,170</u>

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

19 CAPITAL COMMITMENTS

	<u>2009</u> £	<u>2008</u> £
Authorised and contracted for	8,564,354	9,960,915
	<u>8,564,354</u>	<u>9,960,915</u>

20 PENSION COSTS

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

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

PENSION COSTS (CONTINUED)

Scottish Federation of Housing Associations Pension Scheme Standard Employees

General

Almond Housing Association Ltd participates in the SFHA Pension Scheme. The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the state scheme. Almond Housing Association Ltd continues to operate the final salary benefit structure with a 1/60th accrual rate benefit structure for active members and new entrants.

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

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

During the accounting period Almond Housing Association Ltd paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%. As at the balance sheet date there were 21 active members of the Scheme employed by Almond Housing Association Ltd. Almond Housing Association Ltd continues to offer membership of the Scheme to its employees.

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

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million (equivalent to a past service funding level of 83.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. 4 Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

	<u>% pa</u>
▪ investment return pre retirement	7.2
▪ investment return post retirement	4.9
▪ rate of salary increases	4.6
▪ rate of price inflation	2.6
▪ The rate of pension increases are 2.6% pa for pensions accrued from 6 April 2005, 2.25% pa for pension accrued from 6 April 2005 and 5.0% for leavers before 1 October 1993)	

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

PENSION COSTS (CONTINUED)

	Males	Females
	Assumed life expectancy in years at age 65	Assumed life expectancy in years at age 65
Non- pensioners	21.6	24.4
Pensioners	20.7	23.6

Future funding requirements

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as 17.8% of pensionable salaries.

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

Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the standard employer contribution rate is 15.4% of pensionable salaries and member contributions are 7.7% of pensionable salaries.

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement. If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 31 March 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2009.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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

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

Lothian Pension Fund

General

Almond Housing Association Ltd participates in the Lothian Pension Fund Scheme (the "Scheme") with 2 active members as at the balance sheet date. The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. Almond Housing Association Ltd paid contributions at the rate of 18.8% during the accounting period and individual members paid contributions of 6%.

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

PENSION COSTS (CONTINUED)

The last formal valuation of the Associations share of the Scheme assets and liabilities was performed at 31 March 2009 by a professionally qualified actuary using the projected unit method. The next valuation will be as at 31 March 2010 and the results will be available after December 2010. The employers contributions to be paid to the scheme for the next accounting period have been increased to 20.8%.

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

The main financial assumptions used by the actuary were:

	31 Mar 09 % p.a.	31 Mar 08 % p.a.	31 Mar 07 % p.a.	31 Mar 06 % p.a.
Inflation / Pension increase rate	3.1%	3.6%	3.2%	3.1%
Rate of increase in salaries	4.6%	5.1%	4.7%	4.6%
Expected return on assets	6.6%	7.2%	3.2%	3.1%
Discount rate	6.9%	6.9%	5.4%	4.9%

Expected return on assets:	at 31 Mar 09 % p.a.	at 31 Mar 08 % p.a.	at 31 Mar 07 % p.a.	at 31 Mar 06 % p.a.
Equities	7.0%	7.7%	7.8%	7.4%
Bonds	5.4%	5.7%	4.9%	4.6%
Property	4.9%	5.7%	5.8%	5.5%
Cash	4.0%	4.8%	4.9%	4.6%

Fair value of scheme assets:	at 31 Mar 09 £(000's)	at 31 Mar 08 £(000's)	at 31 Mar 07 £(000's)	at 31 Mar 06 £(000's)
Equities	409	473	484	472
Bonds	57	55	34	35
Property	52	74	78	63
Cash	-	21	35	6
Total Estimated Employer Assets (A)	518	623	631	576
Value placed on Scheme Liabilities (B)	(650)	(660)	(751)	(766)
Net Pension liability (A-B)	(132)	(37)	(120)	(190)

Movement in deficit during the year

	<u>2009</u> £	<u>2008</u> £
Deficit in scheme at beginning of year	(37,000)	(120,000)
<u>Movements during the year:</u>		
Current service cost	(14,000)	(18,000)
Contributions paid	15,000	14,000
Other finance (costs)/income	(1,000)	5,000
Actuarial (loss)/gain	(95,000)	82,000
Deficit at the end of the year	<u>(132,000)</u>	<u>(37,000)</u>

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

PENSION COSTS (CONTINUED)

Analysis of the amount charged to operating surplus

	<u>2009</u>	<u>2008</u>
	£	£
Current service cost	(14,000)	(18,000)

Analysis of the amount charged to other finance costs

Expected return on pension scheme assets	45,000	46,000
Interest on pension scheme liabilities	(46,000)	(41,000)
	<hr/>	<hr/>
Net finance (charge)/return	(1,000)	5,000

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

Actuarial (losses)/gains	(95,000)	82,000
Experience loss arising on scheme liabilities	-	(1,000)
	<hr/>	<hr/>
	(95,000)	81,000

History of experience gains and losses

Actual return less expected return on scheme assets	(95,000)	82,000
Percentage of scheme assets at year end	(18.3%)	13.2%
Experience loss arising on scheme liabilities	-	(1,000)
Percentage of scheme liabilities at year end	-	(0.2%)
Total actuarial gains recognised in statement of total recognised surpluses and deficits	(95,000)	81,000

Contributions totalling £1,805 (2008: £1,605) were payable to the fund at the year end and are included in creditors.

21 RELATED PARTY DISCLOSURES

Five members of the Committee of Management are tenants of the Association. Rental charges are made on an arms length basis. There were no rent balances outstanding at the year-end (2008: £25).

Almond Enterprises Limited, a wholly owned subsidiary of the Association, continues to manage cleaning and clearance contracts for the Association which amounted to £135,267 of turnover this year (2008: £154,779), with a year-end purchase ledger balance of £16,234 (2008: £27,600).

ALMOND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2009 (CONTINUED)

22 LEASE OBLIGATIONS

The Association is committed to make the following payments during the year ending 31 March 2009 in relation to operating leases which expire:

	<u>Land & Buildings</u>		<u>Plant & Machinery</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	£	£	£	£
Within one year	93,951	85,752	5,140	10,383
Between two and five years	-	-	23,820	16,112
	<u>93,951</u>	<u>85,752</u>	<u>28,960</u>	<u>26,495</u>

23 HOUSING STOCK

	<u>2009</u>	<u>2008</u>
The number of units in Management at 31 March was as follows:		
General needs housing	2,279	2,227
Supported housing accommodation (comprising 107 bedspaces in total)	9	9
Total	<u>2,288</u>	<u>2,236</u>

24 AVERAGE RENTS

	<u>2009</u>	<u>2008</u>
Average weekly rent for housing accommodation	£56.63	£53.97
Increase	5%	5%
Average number of Units	2,264	2,237

25 CASH FLOW STATEMENT

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

	<u>2009</u>	<u>2008</u>
	£	£
Operating surplus for the year	1,659,019	1,506,382
Depreciation charges	954,330	877,620
Decrease/(Increase) in debtors	128,309	(63,020)
Increase in creditors	254,767	15,386
	<u>2,996,425</u>	<u>2,336,368</u>

ALMOND HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT (CONTINUED)

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

	<u>2009</u>	<u>2008</u>
	£	£
(Decrease)/Increase in cash in the period	(2,821,399)	1,110,131
Cash inflow from decrease in other liquid resources (note 25c)	23,317	(23,317)
Cash inflow/(outflow) from decrease/(increase) in debt (note 25c)	338,217	(1,692,570)
	<hr/>	<hr/>
Change in net debt from cash flows	(2,459,865)	(605,756)
	<hr/>	<hr/>
Movements in net debt in period	(2,459,865)	(605,756)
Net debt at 1 April	(14,749,773)	(14,144,017)
	<hr/>	<hr/>
Net debt at 31 March	(17,209,638)	(14,749,773)
	<hr/> <hr/>	<hr/> <hr/>

(c) Analysis of changes in net debt

	At 1 April <u>2008</u>	Cash <u>flows</u>	Other non <u>cash changes</u>	At 31 March <u>2009</u>
	£	£	£	£
Cash in hand, at bank	4,223,544	(2,821,399)	-	1,402,145
Other liquid resources	(23,317)	23,317	-	-
Debt due within 1 year	(330,000)	-	15,894	(314,106)
Debt due after 1 year	(18,620,000)	338,217	(15,894)	(18,297,677)
	<hr/>	<hr/>	<hr/>	<hr/>
	(14,749,773)	(2,459,865)	-	(17,209,638)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

26 CONTINGENT LIABILITIES

Almond Housing Association Ltd has been notified by the Pensions Trust (which administers the SFHA Pension Scheme), that the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2006 has been calculated as £1,270,658. The Pensions Trust acknowledges and stress that this figure is very approximate. Given that such a debt would only crystallise in the unlikely event that the Association were to withdraw from the SFHA Pension Scheme, no provision is required at this time.

27 PENSION RESERVE

	<u>2009</u>	<u>2008</u>
	£	£
At 1 April 2008	-	-
Transfer (to)/from the income and expenditure account (see Note 18 & 20)	(132,000)	-
	<hr/>	<hr/>
At 31 March 2009	(132,000)	-
	<hr/> <hr/>	<hr/> <hr/>