

ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2020

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

SC031696
HAL 285
SP2471R(S)
PF000181

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

CONTENTS	PAGE
Report of the Board of Management	2-7
Operating and Financial Review	8-17
Report of the Independent Auditors on Corporate Governance Matters	18
Report of the Independent Auditors	19-20
Statement of Comprehensive Income	21
Statement of Financial Position	22
Statement of Cashflows	23
Statement of Change in Reserves	24
Notes to the financial statements	25-46

ADVISORS

Bankers:

Royal Bank of Scotland plc
36, St Andrew Square
Edinburgh
EH2 2YB

Nationwide Building Society
Caledonia House, Carnegie Avenue
Dunfermline
KY11 8PJ

Legal advisors:

Brodies LLP
15 Atholl Crescent
Edinburgh
EH3 8HA

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

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

External Auditors:

RSM UK Audit LLP
First Floor, Quay 2
139 Fountainbridge
Edinburgh. Scotland
EH3 9QG

Internal Auditors:

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

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2020.

Principal Activities

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

Legal structure

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

Business review

Details of the Association's performance for the year and future plans, are set out in the Operating and Financial Review that follows this Board of Management report. The financial statements for the year ended 31 March 2020 have been prepared in accordance with the Financial Reporting Standard 102 ('FRS 102') and the Statement of Recommended Practice for Registered Social Landlords 2018. The transition to FRS102 impacted a number of accounting policies when it was first introduced to the Association's financial statements in 2015/16. Were we to exclude the impact of its changes on the last three years financial results, the total comprehensive income would have been as follows:

	<u>2020</u> £	<u>2019</u> £
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (Under FRS102)	2,068,842	1,362,920
Amortisation of Social Housing Grant (previously all capital grants received were netted off against the cost of housing properties)	(603,640)	(602,520)
Additional depreciation (previously calculated on the net cost of properties after capital grant)	465,114	465,693
SHAPS Pension deficit contributions paid (previously treated as an operating cost)	(163,336)	(158,577)
Movements on provision for Pension Liability (previously recognised in Statement of total recognised gains and losses (STRGL)):		
Unwinding of the discount factor	16,336	16,876
Actuarial (gain)/ loss on pension scheme	(434,000)	292,000
	<hr/>	<hr/>
SURPLUS FOR THE YEAR (excluding FRS102 adjustments)	1,349,316	1,376,392
	<hr/> <hr/>	<hr/> <hr/>

Covid-19 Response

There is no doubt that every single one of us has been and continues to be impacted by Covid-19. In such uncertain times, now more than ever, our community has looked towards us to do what we do best and provide support to those in need, particularly the most vulnerable members of our society. At the outset, the Association, in line with its Business Continuity Plan, prepared a specific and detailed risk assessment outlining what key tasks and activities would be carried out in response to several expected trigger points.

We advised all our tenants on Monday 23 March 2020 that in line with Westminster and Holyrood guidelines our offices were closing, and all our staff began homeworking. Our staff will continue homeworking to keep operations running for the duration of the Covid-19 Recovery Plan. As the restrictions ease, we will begin to provide a restricted service within the appropriate safety constraints and based on Government guidance, contractor availability, and staff/tenant infection rates. The latest Government advice would suggest that some of our key staff will be able to return to our offices mid-summer, though we anticipate some form of social distancing will be in place for some months thereafter.

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

The parameters within which the Association's services can now be delivered, means there may be a number of areas where we are or will be unable to comply with best practice or legislative requirements. The Scottish Housing Regulator (SHR) is aware that many social landlords are in this situation, and ongoing guidance has been issued in respect of how this may be dealt with. Ultimately the impact of coronavirus on the ability to deliver these services and/or meet these requirements will mean a significant change to the Association's Annual Assurance Statement for 2020.

In the meantime, we are liaising with West Lothian Council to allocate void properties to those categorised as homeless. This has involved extensive discussions with the Council's Allocations Team, as well as negotiations with contractors, in terms of getting them to agree to necessary void works to ensure the properties are safe and secure for new tenants. Our major planned works and new-build development programmes, though delayed by several weeks, have now been largely resumed on the vast majority of admissible projects.

We will continue to work at retaining full compliance with our annual gas servicing requirements, a service which has been delayed due to access issues, predominantly arising where tenants are shielding, self-isolating or otherwise vulnerable. The situation remains one of uncertainty and, as such, our plans remain flexible. Every day we will continue to carefully monitor the ability of the Association to deliver our services, and liaise closely with our staff to ensure they are healthy and working safely and our contractors to ensure they are meeting tenant expectations.

The impacts of Covid-19 have accelerated the Association's already planned focus on investing in digital services during 20/21, which will offer tenants additional routes to transact with us as they are launched.

Rental Income

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

Donations

The Association donated £36,496 (2019: £17,763), directly to several good causes and made no political donations.

Housing property assets

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

Asset Management

The Association seeks to maintain its properties to the highest standard. To this end, we introduced new programmes of cyclical and major repairs works, to ensure we maintain the standard of our stock and the aspirations of our tenants. The major repairs programme is based on an independent Stock Condition Survey carried out every 4-5 years and supplemented by in-house surveys. The programme also takes into account legislative changes, such as the Energy Efficiency Standing for Social Housing (EESH): guidance for social landlords (revised February 2019).

Our Asset Management Strategy provides the framework to the above, supported by our software package, QL.

Treasury Management

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

Financial instruments

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

Creditor payment policy

In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier. The average number of days between receipt and payment of purchase invoices this year was 19 (2019: 25).

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

Pension

On 30 September 2015, current members were transferred from the Defined Benefit Scheme onto the Scottish Housing Association Defined Contribution Pension Scheme (SHAPS), in which all other eligible staff were additionally auto-enrolled. As at 1st April 2018 the share of assets and liabilities per employer were made available, such that the scheme could be accounted for on a defined benefit basis. The defined benefit liability as at 31st March 2020 was £198k, a reduction of £581K attributable to gains in interest and investment returns, and actuarial gains due to changes in financial assumptions.

Given the recent market volatility as a result of the Covid-19 pandemic, significant changes in the valuation of pension scheme assets and in actuarial assumptions are expected. However, we have obtained assurances that the SHAPS growth assets portfolio (GAP) is diversified which provides some protection against market volatility. Although the GAP value has fallen in recent weeks, the falls have been lower than those across general equity markets.

Further detail in relation to this pension scheme are included in the accounting policy on page 28 and Note 19 to the financial statements.

Employees

The ability of the Association to meet its objectives and commitment towards tenants is dependent on both the contribution and quality of all its employees. The Association shares information on its objectives, progress and activities through regular office and departmental meetings involving Board of Management members, the Senior Management Team and staff.

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

Health and Safety

The Board of Management is aware of its responsibilities on all matters relating to health and safety. The Association has a robust Health & Safety Framework and as a member of Employer's in Voluntary Housing (EVH), we also receive external support and updates to help maintain our Framework, that continues to be current and robust.

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. We continue to monitor the financial impact and risks of the Covid-19 pandemic on all areas of our business but do not consider they provide us any material financial uncertainty at this stage.

Staffing Structure, Service Contracts and Benefits

The Chief Executive and Heads of Section comprise the following Senior Management Team, who are also deemed key management personnel along with the Board, and meet regularly to review progress on priorities, co-ordinate the day-to-day management of all activities, and prepare proposals for the Board of Management.

George Webster - Chief Executive
Sandy Young - Head of Housing Management
Joanna Voisey - Head of Asset Management
Craig Porter - Head of Finance and ICT
Angela Coutts - Head of Corporate Services

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

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

Board of Management

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

Mr M Joyce* (Chairman)	Mr S Murray* (resigned Sept-19)
Mr A Saunders*	Mr J Hewer*
Mr A Turner*	Ms A Wilson*
Mrs A Gault	Mrs C Rodgers
Ms J Robertson (resigned July-20)	Ms J Dickson (Co-opted Sept-19, resigned Feb-20)
Mr C Boyle (Co-opted Sept-19)	Mr S Prevost (Co-opted Sept-19)

* Member of the Audit and Finance Sub-Committee at 6 August 2020.

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

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

Internal financial controls assurance

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

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

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

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

Control procedures – policies and procedures are maintained for all areas of operations. In particular, there are clearly defined policies for development projects and capital expenditure as well as new business initiatives. Large or unusual capital expenditure projects require Board of Management approval. The Association's treasury and investment policies have been approved by the Board of Management. All regulatory returns are prepared, authorised and reviewed prior to being submitted to the relevant regulatory bodies.

Risk management – the Board of Management and senior personnel have a clear responsibility for identifying risks facing the Association and for putting in place procedures to mitigate and monitor risks. Major risks are formally assessed every year through a process involving the Board of Management and senior personnel, in accordance with the risk management policy. See page 13 for an analysis of the key risks to our strategic objectives.

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

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

Audit – The Association contracted The Internal Audit Association (TIAA) Limited, for the provision of internal audit services during the current financial year. A Strategic Audit Plan has been prepared and approved by the Board of Management to ensure that all major risk areas are examined, and any improvement areas are identified and appropriate action is agreed. As part of our external audit, the auditors raise any weaknesses identified during the audit within their audit findings reports (Management Letter) and appropriate action is agreed.

Monitoring systems – the Audit and Finance Sub-Committee reviews reports from management, internal audit and external audit to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to address weaknesses identified in the above reports. The membership of Audit and Finance Sub-Committee is shown on page 5.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2020. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors report on the financial statements

Going concern

As a consequence of the Covid-19 outbreak, the Board requested all forecasts be revisited, with stress-tests performed and sensitivity analysis applied, to reflect the impact of the pandemic across all pertinent time horizons. From a financial perspective Covid-19 is not expected to significantly impact the Association, as most of our income is being maintained through payment of Universal Credit and consequently cashflow has not been, nor is expected to be significantly adversely affected.

The Association also maintains a healthy cash position and our forecasts estimate it highly unlikely that the financial impact of Covid-19 will affect liquidity, loan covenant compliance or trigger modifications of our contractual loan terms. The Board of Management therefore, has a reasonable expectation that the Association will maintain 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.

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefits Society Act 2014, Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements – February 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

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

Annual general meeting

The annual general meeting will be held on Thursday 3rd September 2020 at New Almond House, 44, Etive Walk, Craigshill, Livingston, West Lothian, EH54 5AB.

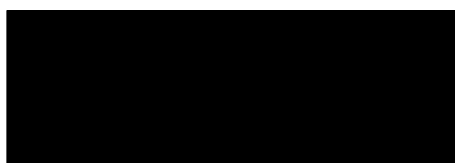
Statement as to disclosure of information to auditors

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

External auditors

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

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



Secretary

Date:

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

OPERATING AND FINANCIAL REVIEW

BACKGROUND

Activities

Almond Housing Association was set up in March 1994 to provide Livingston tenants with the opportunity of continuity in the provision of housing services following the wind up of Livingston Development Corporation (LDC). In the 1996 ballot for LDC housing stock we were successful in two of the three areas under our management and became the second largest landlord in West Lothian, after West Lothian Council (WLC), with 2,323 properties and 654 garages.

Our overall aim since has been to provide the right to rent quality housing in West Lothian. In addition, we endeavour to promote the interests of tenants and provide other opportunities for local people to work together for the benefit of our community. The Association's head office is based in Craigshill, Livingston and its properties are primarily in Livingston and the nearby surrounding areas of West Lothian. The Association is accountable to its Members and at 31 March 2020 there were 99 active members.

In addition to maintaining 2,514 properties, the Association continues to develop new affordable housing and has built and continues to lease specially designed accommodation, which provides a base for residential care for elderly people. The Association has a subsidiary Almond Enterprises Limited, which provides cleaning services in the local area and is committed to providing jobs and improving the environment in the local community.

OBJECTIVES AND STRATEGY

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

Our three strategic priorities are summarised as follows:

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



OPERATING AND FINANCIAL REVIEW (CONTINUED)

OBJECTIVES AND STRATEGY (CONTINUED)

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



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



PERFORMANCE AND DEVELOPMENT

Value for Money

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Financial performance

The Association's Statement of Comprehensive Income and Statement of Financial Position are summarised in Table 1 (page 17). The Board of Management had budgeted for a surplus of £0.6million this year to meet its medium-term strategic objectives and we achieved an actual surplus of £1.6million. This variance was due to maintenance underspend, primarily an inability for our contractors to carry out major works due to the immediate Covid-19 restrictions. The Association is pleased to report that it met the lenders' loan covenants at all times during the year.

30-year financial projections were produced, incorporating all currently identifiable projected spend profiles, relating to the West Lothian Development Alliance (WLDA) and the Energy Efficiency Standard for Social Housing (EESH). Adequate funding is in place for the new development programme as profiled within our long-term plans, with new funding for additional acquisitions successfully received from our lenders during the financial year.

Investment Programme, Planned & Cyclical Maintenance

Our planned maintenance programmes are designed to maximise the life of our properties and improve the efficiency of key property components. The Association carried out an extensive Stock Condition Survey in 2017, which substantiates that all our properties are in a satisfactory state of repair, energy efficient, modern, safe and secure and therefore on track to comply with the EESH standard, (to be met by all social housing by 2020). We continue to update outstanding Energy Performance Certificates, to provide us with ever more precise spending projections for the thirty-year lifecycle projections.

To improve the quality of our homes we invested £2.5million in stock this year, continuing our focus on improving energy efficiency, through a £1.0million extensive Window replacement programme. We also invested £0.8million directly in a range of energy efficiency measures, notably solar panels and new boilers, with a further £0.7million spent directly on fencing, external walls and electrical upgrades. Our staff completed regular inspections of estates and open spaces and encouraged all our tenants to take pride in the environment in which they live.

We successfully progressed our St Paul's Church, Ladywell development of twelve properties, as part of our strategy to satisfy the waiting list for social housing in the local area. The homes will benefit from high levels of insulation, photovoltaic solar cells, modern boiler systems and reduced water consumption apparatus, all of which will result in lower running costs for future tenants. We also purchased land in preparation to build twenty-five homes on our Polbeth Farm site and acquired a further four properties on the open market within Livingston.

As a result of Covid-19, delays to our development programmes were experienced, but these were not exceptional enough to impact rental cash flows or final projected spend, or therefore indicate any impairment.

Repair response times

We recognise that our performance in terms of repairs has a direct impact on the satisfaction levels tenants have with the association. This year we carried out in total 7,274 reactive repairs (as per the ARC definition) and we are pleased to report that satisfaction has remained high with 92% of those receiving a repair in the last year reporting they were satisfied (ARC definition).

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

Key Performance Indicator: Average length of time to complete	
Emergency repair	3.8 hours (2019: 3.0 hours)
Other repair	7.9 days (2019: 7.1 days)
Right First Time	84% (2019: 86%)

Rent losses and arrears

Gross rent arrears, including former tenant arrears after write offs, were slightly higher at the year-end at 2.5% (2019: 2.2%), reflecting the early impact of Covid-19. Rent losses (including bad debts and voids) were correspondingly higher at 0.9% of rental income receivable (2019: 0.6%), reflecting our prudent approach to recoverability during this period of uncertainty. The Association's rent loss for void periods increased slightly to 0.3% of rental income receivable (2019: 0.2%) but remained within our target range.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Accounting policies

The Association's principal accounting policies are set out on pages 24 to 28 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include housing depreciation and amortisation of Housing Association Grant.

Housing properties

At 31 March 2020 the Association owned 2,514 housing properties (2019: 2,510). The properties were carried in the balance sheet at a cost (after depreciation), of £65.3million (2019: £65.2million). Our total investment in housing improvements and developments this year of £2.5million was funded through a mixture of housing association grant, loan finance and working capital, where we continue to show a strong current asset balance, an important indicator of liquidity. The Association's treasury management arrangements are considered below.

Capital structure and treasury policy

By the year end Association borrowings amounted to £29.3million, 63% of which is due to mature by 2036, with the remaining 37% maturing fully by 2046. Interest was fixed long term (at 3.75% on average) for two thirds of our total borrowings, with the remaining third variable (at LIBOR+1.04% on average). Funding is fully in place for the development programme, with considerable flexibility over the drawdown and repayment profile.

Cash flows

Net cash inflows during the year amounted to £3.7million (2019: £3.2million outflow), details of which are shown in the cash flow statement (page 22). Gross inflows included £4.3million from operating activities, £0.9million of grants received and £1.9million of loans received (net of loans repaid). Cash outflows included £1.0million interest payable and £2.4million expenditure on developments and housing improvements.

Human Resources and customer service

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

The requirement to regularly self-assess has long been in place, and the Association has worked with internal auditors to assess and evaluate key business risks and monitor these via a robust programme of internal audit, performance management, and regular updates considered at Senior Management level, as well as Board level. Mindful of the Scottish Housing Regulator's explicit requirement for our Board to sign off on an Annual Self-Assurance Statement, the Association worked with our Governance Advisors, to pull together a bank of evidence to demonstrate our compliance with the Regulatory Standards. For 2019/20, this evidence was tested by our internal auditors, TIAA, and examined by the Board at their awayday in October 2019.

Regular monitoring of the Association's performance via risk mapping, performance management, practice reviews, etc, continued, with regular reports provided at key points during the year which were fed into the annual consideration of our compliance by the Board. Our ambition is to maintain top quartile performance when benchmarking against other Registered Social Landlords and in comparison with commercial housing providers and developers.

The Association has a loyal and dedicated workforce with a wide range of skills and experience, and we recognise the importance of investing in employees to build upon and refresh those skills. This year we welcomed new staff to our corporate services and IT teams, allowing us to better focus on improving digital engagement and tenant support in the face of ongoing welfare reforms and this challenging mid pandemic environment.

Our most recent Tenant Satisfaction Survey revealed that the Association is performing to a high standard with more than 9 out of 10 tenants very or fairly satisfied with the levels of service we provide and the overall quality of their homes. We were also very proud that very high levels of satisfaction (on average 98%), were reported about our staff response time, friendliness, helpfulness and professional conduct.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Universal Credit (UC) was intended to simply replace means-tested benefits and tax credits, but regrettably has left many vulnerable tenants confused on how to access welfare and ultimately worse off. This has represented a significant challenge to our staff, tenants and wider community, and threatened to disrupt our income streams particularly as the Covid-19 pandemic began, when a large number of additional tenants were forced onto UC.

Having previously invested heavily in smarter systems and additional staff resources, we have been well prepared to minimize rising arrears. Introducing alternative payment methods and early intervention. The excellent work of our tenancy support and money advice services have enabled us to mitigate the risks further, whilst continuing to maintain high levels of customer satisfaction and tenancy sustainment throughout the year. We will continue to provide our field staff with the latest in communications technology, to maintain reactivity and support our tenants through this challenging time.

Our communities

Our Community Engagement function leads on our relationships with community groups and local charities, and has helped us to become a true anchor in the local area. Working with our dedicated group of tenant volunteers, we have helped foster a culture of continuous improvement across all areas of the business, helping us identify areas for improvement and implement lasting change.

This year we have been able to reach out further to those in need than ever before, with the provision of hundreds of Starter Packs provided for all our tenants in need of extra assistance and Winter Wellbeing packs of essential items, gifted to all our tenants aged sixty five and over. Our Housing officers delivered food parcels providing essential groceries to keep struggling families going over Christmas and again during the Covid-19 pandemic. We continued to support a Community Fridge at the newly refurbished Riverside Community Wing, where items donated by businesses and individuals are shared locally to alleviate food poverty.

We had a great attendance at our unique 'Community Soup' event, at which local groups and charities receive the opportunity to pitch for much needed funding for their projects. Our 'Operation: Happy Christmas' event which included winter welfare checks, panto tickets, festive food hampers and an in-house Christmas event for our tenants, also enjoyed great local support.

Our Community Planting Sessions have encouraged local residents to get involved in our community gardens and our cookery classes have proved a great success, in showing our tenants the best way to prepare the produce they grow. Encouraged by the success of this pilot, we applied for and were granted £100,000 from the Scottish Government (over two years), to greatly expand the Community Growing Project and support the Craigshill community in proactively tackling food poverty, in a dignified and holistic manner.

As part of our community engagement activity, we are actively involved in the West Lothian Open Space Group where we work together with a number of local organisations, services and volunteers to develop outdoor spaces, with one of the initiatives under development being the Secret Walled Garden in Howden. A series of gardening events which are open to everyone, including those from out-with the Howden area, are being held to encourage local people to get involved and we have been co-ordinating gift in kind materials and support from our contractors.

Financial and social inclusion

In partnership with Edinburgh-based youth homelessness charity, Rock Trust we continued to expand the innovative and ground-breaking Housing First for Youth project, which independently houses young care leavers, whilst continuing to provide them with much needed day-to-day support. This year we doubled the pilot, the first of its kind in Europe, to accommodate a total of ten young care leavers. Housing representatives from Almond have been in great demand this year advising other organisations and even countries, on how to replicate our model, develop their own projects and ultimately reduce the number of young homeless people.

With funding from the 'People and Communities Fund' we worked with the energy charity Changeworks, delivering energy cost and efficiency advice to tenants in the Craigshill area. In terms of financial inclusion this year, our Welfare Rights and Benefits Advisor has obtained for Almond's tenants hundreds of thousands of pounds, via assisted claims and successful tribunals. These figures are potentially life changing and show the tremendous benefit of having this tenancy sustainment service in place (in partnership with respectively 'The Action Group' and CHAI (Community Help & Advice Initiative)).

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

The Association takes domestic abuse extremely seriously, and we do everything we can to support tenants and others who reach out to us for help. This year we provided additional properties to Scottish Women's Aid, the lead organisation in Scotland working towards the prevention of domestic abuse, to provide them with emergency accommodation in our community. Our successful partnership with the Dolly Parton Imagination Library continued. This initiative sees a child receive a new book every month from birth until they turn five, which has the potential to make a real impact on childhood literacy.

Risks and uncertainties

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

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

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

Area of risk	Description and examples of mitigating activity
Negative impact on rental streams of Welfare Reforms, particularly Covid-19 and Universal Credit	We have prepared for the ongoing impact of welfare reform and Covid-19, by adding resources to our Housing teams, increasing direct support services to enable tenants easier access to UC and working closely with related government agencies. Finally, we have also budgeted for worst case scenario rises in our arrears and bad debts levels, to ensure we are able to retain control and avoid any loan covenant breaches.
Failure to deliver full reactive repairs service and/or annual gas safety checks as a result of Covid-19 restrictions	We continue to record all gas services and non-emergency repairs, review them on an ongoing basis and aim to carry them out as soon as restrictions are lifted. New procedures regarding access for gas servicing and forced access, have been agreed to reduce the risk of fails.
Failure to deliver developments at agreed time and cost, due to the impact of Covid-19	Should the local economy and contractors be negatively impacted to the extent that quality was suffering, or costs were escalating, we would seek out new venture partnerships with contractors still operating, whilst carefully assessing each developments financial viability and vulnerability, before proceeding.
Rent increases restricted or real rent reductions / Loss of budgetary control	Our regular scenario plans check for potential loan covenant breaches and if required we re-phase expenditure, to manage the levels of surplus available each year. If further costs were identified by our ongoing stock condition surveys, we would also work to control costs, phase major works accordingly and revisit our levels of rental growth.
Loss of control over major capital works	Variances from budget primarily from our major capital works programme could affect our overall financial stability or lead to greater rises in rents or borrowing. However our projects are in line with our long term investment strategy, and are supported by fact based assessment and projection. Other mitigating activities include monthly monitoring of expenditure carried out by budget holders, our management team and the Board.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FUTURE DEVELOPMENTS

Firstly, we would like to announce the forthcoming retirement of our founding Chief Executive Mr George Webster and thank him for his 43 years of service to the Housing sector, including 26 years as Chief Executive of our Association alone. His insight and leadership will be much missed by staff and Board Members, but his accomplishments in brick, stone and in thousands of tenants lives will remain and we thank him for his remarkable achievement, in safeguarding the organisation in such a strong position, at such an uncertain time.

Reaching 25 years as an organisation was an important milestone in our progress. Alongside the forthcoming retirement of our dedicated Chief Executive, it has provided a valuable opportunity to reflect on our journey, our achievements, and to consider where we want to be in the future. Above all, we want to be recognised as a trusted landlord offering quality homes and services, and our customers to have the best possible experience when dealing with us.

Following an extensive, wide-ranging and competitive recruitment process, the Board of Management were delighted to name John Davidson as our new Chief Executive, who will join us in September 2020. John is currently Director of Customer Services at Cairn Housing Association and brings a breadth of experience in the housing sector and the attributes, vision and ambition to take Almond forward as we begin a new chapter.

During 2019/20, an independent strategic review was undertaken to assess the Association's current strategic position and to shape and inform its strategic direction over the next ten years. The resulting recommendations of this report will see us commence an interim strategic plan, that focuses on consolidating our current position as a successful and independent organisation. This will provide us with a solid foundation, on which we can build and expand our future sustainable developments programme.

The initial recommendations of the strategic review, will see us focus on building further capacity within the Board, obtaining clear assurance on the stock condition data, ensuring stock is fit for purpose in the long term, improving the responsive repairs service, continuing to focus on wider role activities and continuing with the current planned scale of the development programme.

Meeting the Covid-19 challenge

The coronavirus pandemic has had an enormous impact on our tenants, a significant number being over 60, with many more declaring pre-existing medical conditions, putting them in the key risk group. In addition, many tenants are socially isolated, living alone with little regular, meaningful contact with others. We know that many of our tenants work in less secure forms of employment, and sadly are therefore most at risk from unemployment and immediate unforeseen financial detriment.

It is hoped that by adopting our three-stage Covid-19 plan, we will be able to continue to offer a wide range of services to attempt to mitigate some of these issues. The Association's Tenancy Sustainment Officer will continue to work full time and has adapted their service to also include doorstep deliveries of essential items. This service will continue to be publicised and Housing Officers will make referrals as required. Our Welfare Benefits and Money Advice service will also continue, albeit via telephone rather than in person and specific information has been drawn up to support tenants who have been impacted by coronavirus-related issues. This is available on our website where a separate webpage has been set up, devoted to reporting coronavirus matters.

We are aware of an enormous increase in demand for both Community Fridges (Craigshill and Ladywell) and continue to support these projects with donations of essential toiletry items and non-perishable foods where possible. There are also a number of emergency grant providers which have opened schemes appropriate to our tenants since the beginning of the coronavirus pandemic and we have been able to access these for the benefit of tenants in emergency situations. These schemes provide emergency funding for food and fuel and have very quick turnaround times.

The Scottish Housing Minister wrote to all landlords stating that he would not expect any evictions to take place as a result of tenants losing their job due to the virus, not that we would take such punitive actions. We are very aware, from most calls made to housing staff, that our tenants are very worried about a drop in their income and we are dealing with each case on its merits. The guidance given to staff is to ensure that tenants are assisted with getting any help they need and we have relaxed our arrears process to take this extraordinary situation into account.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FUTURE DEVELOPMENTS (CONTINUED)

Delivering excellence

Our 5 year Investment Plan has a continued focus on Energy Efficiency as part of our overall aim of meeting the Energy Efficiency Standard for Social Housing (EESHS) by 2020 and ensuring our homes are warm, safe and inviting. Our latest Asset Management Strategy will see us finally complete the current EESHS programme as we invest £0.4million in direct compliance works with a further £0.8million devoted to fire safety and electrical best practice.

We will then begin an ongoing internally conducted survey of our stock, establishing a post SHQS standard for all our homes and look to invest and improve our stock to meet the future requirements of EESHS 2 and ultimately reduce fuel poverty. We want to provide cyclical maintenance work that replaces components before they fail and in 2020/21 we have allocated £0.9million to the replacement programme of older inefficient boilers and external render. A further £0.8million is to be spent on general replacements and upgrades, mostly bathrooms, kitchens, windows and doors.

Excellence in customer service is at the very heart of what we do and we aim to regularly review and renew our service delivery, striving to give our customers the very best service. Investment in our people is key, so delivering organisation-wide training and development initiatives to ensure our people have the right skills to deliver our services and embedding a culture of continuous improvement will be particularly important over the coming years.

With the help of our tenants we plan to develop a customer charter to achieve the highest standards of customer service, based on what that means to them. Already we have carried out a robust procurement exercise, detailing very clearly our expectations of our partners in delivering excellence in reactive repairs and customer relations, and we will now be establishing robust measures to monitor their performance.

Throughout the year we will continue to focus on our partnership working with local community groups to deliver support and services which will benefit our tenant population as well as the communities we serve. Our partnership with the West Lothian Foodbank will continue into 2020/21, ensuring that those who most need it, have access to food and essential toiletry products. This work is further supported by our partnership with Dignity Boxes, which means that visitors to our offices and to the Community Fridge can pick up basic living essentials

In 2020 we also will launch our plot-to-plate initiative, 'Growing Together'. This project, delivered in partnership with the Youth Action Group, sees volunteers and young people work together on a wide range of food-based activities, growing plants from seed, harvesting produce, cooking and sharing the fruits of their labour. We hope that the project will empower and inspire, supporting the community to understand the ways in which they can make the most effective use of available food resources.

With an aging customer population, we want to do more to help the elderly stay in their homes for as long as they wish, so we will be introducing a self-referral process for aids and adaptations, which we believe will help customers live more independently even when faced with medical issues. We'll also continue to work with our partners to deliver our Money Advice and Budgeting project, which has been invaluable in helping our customers negate the detrimental impact of welfare reform and the continued roll out of the full Universal Credit service across West Lothian.

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FUTURE DEVELOPMENTS (CONTINUED)

Delivering digitally

Though our new core IT system went live in October 2017, we continue to review and develop its functionality, embracing data and agile working initiatives to help keep making customer interactions easier and more productive. In 2020/21, our First Touch project will see new tablet computers rolled out to all our housing officers, providing them with more scope than ever before to be in their communities, engaging directly with tenants in their homes, helping them get online and obtaining better access for them to support services, such as Universal Credit.

Our strategy for delivering on our digital priorities, Click + Connect, will see us work with our partners as we consult and engage with our tenants to get their feedback as we roll out a new tenant app and tenant portal. We recognise that it can sometimes be hard to visualise these concepts and link them to service delivery and we want to make sure that this is user friendly, genuinely adds value to the services we provide and makes our tenants lives easier and their interaction with us, as their landlord, a positive one.

Delivering for the future

Providing quality homes throughout West Lothian for those who need them, remains a key priority and the Association has a significant development programme scheduled for the next four years to complete 6 new developments in West Lothian, providing us with 134 new properties to let. The final capital spend for these sites is budgeted at £19.1million, with £10.9million of public subsidy and £8.2million of cash/private finance.

Our future growth plans for the Association are far more ambitious as we aim to further meet the high demand for social housing throughout West Lothian, building at the rate of approximately 50 new homes per year on average, over a minimum period of 5 years. We will do this by expanding our area of operation, whilst still keeping an active interest in West Lothian, seeking appropriate and suitable opportunities here.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Statement of compliance

In preparing this Operating and Financial Review, the Board of Management has followed the principles set out in Chapter 4 of the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018.

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

Table 1 – Annual results and KPI, five year summary

For the year ended 31 March	2020	2019	2018	2017	2016
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Statement of Comprehensive Income					
Total turnover	12,489	12,169	11,740	11,495	12,143
Income from lettings	11,530	11,185	10,797	10,477	10,083
Operating surplus	2,523	2,664	2,491	3,110	2,057
Surplus for the year transferred to reserves	2,069	1,363	1,541	2,407	1,183
Statement of financial Position					
Housing properties, net of depreciation					
HAG and other capital grants	65,383	65,217	66,428	67,234	67,321
Other fixed assets	2,019	2,096	2,183	2,265	2,329
Fixed assets net of depreciation	67,402	67,313	68,611	69,499	69,650
Net currents assets/ (liabilities)	9,341	5,674	2,624	2,689	1,778
Total assets less current liabilities	76,743	72,987	71,235	72,188	71,428
Long term loans and liabilities and Reserves					
Creditors (due over one year)	(54,283)	(52,015)	(51,775)	(54,122)	(54,929)
Pension liability	(198)	(779)	(629)	(776)	(1,617)
Revenue reserves	(22,262)	(20,193)	(18,831)	(17,290)	(14,882)
Long term loans and liabilities and Reserves	(76,743)	(72,987)	(71,235)	(72,188)	(71,428)
Accommodation figures					
Total housing stock owned at year end (<i>number of dwellings</i>): Social housing	2,514	2,510	2,508	2,498	2,489
Statistics					
Surplus for the year as % of turnover	16.6%	11.2%	13.1%	20.9%	9.9%
Surplus for the year as % of income from lettings	17.9%	12.2%	14.3%	23.0%	11.7%
<u>Rent losses</u> (<i>voids and bad debts as % of rent and service charges receivable</i>)	0.9%	0.6%	0.9%	0.6%	0.8%
<u>Rent arrears</u> (<i>gross arrears as % of rent and service charges receivable</i>)	2.5%	2.2%	2.3%	1.6%	1.7%
<u>Interest cover</u> (<i>surplus before interest payable divided by interest payable</i>)	2.7	2.6	2.7	3.4	1.9
<u>Liquidity</u> (<i>current assets / current liabilities</i>)	3.4	2.5	1.7	1.8	1.5
Total reserves per home owned	£8,855	£8,045	£7,508	£6,922	£5,979

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

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

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 5-6 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh, Scotland
EH3 9QG

Date:

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

Opinion

We have audited the financial statements of Almond Housing Association Limited (the 'Association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cashflows, Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 7, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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


Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh. Scotland
EH3 9QG

Date:

STATEMENT OF COMPREHENSIVE INCOME

	<u>Notes</u>	<u>2020</u> £	<u>2019</u> £
TURNOVER	2	12,489,142	12,169,175
Operating expenditure	2	(9,993,297)	(9,515,402)
OPERATING SURPLUS	6	<u>2,495,845</u>	<u>2,653,773</u>
Interest receivable	10a	69,627	32,469
Interest and financing costs	10b	(930,630)	(1,031,322)
SURPLUS FOR THE YEAR		<u>1,634,842</u>	<u>1,654,920</u>
OTHER COMPREHENSIVE INCOME			
		<u>2020</u> £	<u>2019</u> £
Surplus for the year		1,634,842	1,654,920
Actuarial gain/(loss) on pension scheme	19	434,000	(292,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,068,842</u>	<u>1,362,920</u>

The results relate wholly to continuing activities.

The accompanying notes on pages 25 to 46 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2020 £	2019 £
FIXED ASSETS			
Intangible fixed assets	12a	12,640	32,852
Housing properties	12b	65,383,404	65,216,892
Other tangible fixed assets	12c	2,005,794	2,063,217
Investment in subsidiaries	11	1	1
		<u>67,401,839</u>	<u>67,312,962</u>
CURRENT ASSETS			
Trade and other debtors	14	426,330	479,549
Cash and cash equivalents		12,748,352	9,025,410
		<u>13,174,682</u>	<u>9,504,959</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(3,833,488)	(3,831,352)
		<u></u>	<u></u>
NET CURRENT ASSETS		9,341,194	5,673,607
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>76,743,033</u>	<u>72,986,569</u>
LONG TERM LIABILITIES			
Creditors: amounts falling due after more than one year	16	(54,282,707)	(52,014,089)
Pension - defined benefit liability	19	(198,000)	(779,000)
TOTAL NET ASSETS		<u>22,262,326</u>	<u>20,193,480</u>
RESERVES			
Share capital	20	99	95
Revenue reserves		22,262,227	20,193,385
TOTAL RESERVES		<u>22,262,326</u>	<u>20,193,480</u>

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



Mr M Joyce
Chairman



Mr A Turner
Board Member



Mr G Webster
Secretary

Date: 6/8/2020

The accompanying notes on pages 25 to 46 form part of these financial statements.

STATEMENT OF CASHFLOWS

	<u>Notes</u>	<u>2020</u> £	<u>2019</u> £
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operating activities	26	4,295,388	3,936,228
Proceeds from properties held for sale		-	37,850
Net cash inflow from operating activities		<u>4,295,388</u>	<u>3,974,078</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(2,423,773)	(1,059,807)
Grants received		883,652	2,443,604
Interest received		68,349	29,955
Net cash (outflow)/inflow from investing activities		<u>(1,471,772)</u>	<u>1,413,752</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(968,117)	(977,756)
New secured loans		3,000,000	-
Repayments of borrowings		(1,132,561)	(1,235,894)
Proceeds from issue of shares		4	-
Net cash inflow/(outflow) from financing activities		<u>899,326</u>	<u>(2,213,650)</u>
NET INCREASE IN CASH		3,722,942	3,174,180
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		9,025,410	5,851,230
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>12,748,352</u>	<u>9,025,410</u>

The accompanying notes on pages 25 to 46 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

	Share <u>Capital</u>	Revenue <u>Reserves</u>	Total <u>Reserves</u>
	£	£	£
Balance at 1 April 2018	101	18,830,465	18,830,566
Total comprehensive income for the year	-	1,362,920	1,362,920
Cancelled shares during the year	(6)	-	(6)
Balance at 31 March 2019	<u>95</u>	<u>20,193,385</u>	<u>20,193,480</u>
Balance at 1 April 2019	95	20,193,385	20,193,480
Total comprehensive income for the year	-	2,068,842	2,068,842
Shares issued during the year	4	-	4
Balance at 31 March 2020	<u>99</u>	<u>22,262,227</u>	<u>22,262,326</u>

The accompanying notes on pages 25 to 46 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Legal status

Almond Housing Association Limited constitutes a public benefit entity as defined by FRS 102. The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010 (Registered Number: HAL 285). The Association's principal activities are the development and management of affordable housing. The address of the Association's registered office and principal place of business is New Almond House, 44, Etive Walk, Craigshill, Livingston, West Lothian, EH54 5AB.

The Association holds formal authority from the Financial Conduct Authority, to exclude its subsidiary from inclusion or consolidation into its group accounts, due to the immateriality of the amounts involved. These financial statements therefore present information about the Association as an individual undertaking and not about its group.

Basis of accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2019, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in sterling, which is the functional currency of the Association. Monetary amounts in these financial statements are rounded to the nearest £. The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Going Concern

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

As a result of the uncertainties surrounding the forecasts due to the Covid-19 pandemic, the Association has updated forecasts and modelled stress test scenarios, which confirm sufficient liquidity remains for the Association to continue to meet its obligations as they become due. On this basis, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

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

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the association when considering the income to be recognised. £21k of investing in Communities Fund income was recognised in the year.

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 19). The net defined benefit pension liability at 31 March 2020 was £198k (2019: £779k).

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Components of housing properties - The useful life of housing properties and their components has been estimated using a combination of the National Housing Federation matrix of property components and key management experience in planned maintenance. The carrying value of the assets is available within note 12b. Disposals of both components and properties are regarded as part of Almond's standard operating activities and therefore gains recorded in 2020 and 2019 have been reclassified in the Statement of Comprehensive Income as forming part of the Operating Surplus.

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

Rental and other trade debtors - As a result of Covid-19 and the resultant government initiatives, rent arrears have increased especially for tenants not in receipt of housing benefit. The Association has carefully considered and monitored the recoverability of rental debtors as at the reporting date and up to the date of signing. Conservative provisions for bad debts have been made in line with our existing write off policy.

Turnover and revenue recognition

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

Government grants

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

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

Grants due from government organisations or received in advance are included as current assets or liabilities.

Other grants

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

Housing properties

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

The Association's policy and practice is to maintain properties to a high standard by implementing a continuing programme of refurbishment and maintenance. Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property. Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Intangible Fixed Assets

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

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

Depreciation of housing properties

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

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

Freehold land or assets under construction are not depreciated.

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

Other tangible fixed assets

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

Office property - by component, consistent with the Housing properties component lives	
Furniture, fixtures and fittings	4 years
Computer Hardware and office equipment	4 years

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

Properties held for sale

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

Investment in subsidiary undertaking

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

Related Party Transactions

Some members of the Board of Management are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their position to their personal advantage. Transactions with the Board of Management members are included in note 22. Related party transactions with Almond Enterprises Limited, the Association's fully owned subsidiary, can also be found in note 22.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation

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

VAT

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

Retirement benefits

The majority of employees are members of the Scottish Housing Associations Pension Scheme (SHAPS), a defined contribution scheme. The contributions paid into this scheme are charged to the Statement of Comprehensive Income as incurred. The Association previously participated in the SHAPS defined benefit scheme, which provided benefits based on final pensionable pay. The Association closed the defined benefit element of the scheme to current employees on 30 September 2015 but continues to provide for its obligation to previous members.

The Association was able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore applied defined benefit accounting from this date onwards. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high-quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. This has been recognised within the defined benefit pension liability on the face of the statement of financial position. As at the year ended 31 March 2020, the net defined benefit pension deficit liability was £198k (2019: £779k).

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 19 for more details.

Cash and cash equivalents

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

Operating leases

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

Employee benefits

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

Financial assets - Debtors

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities - Creditors

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

Financial liabilities - Borrowings

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

Derecognition of financial liabilities

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

Provisions for liabilities

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

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

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover £	Operating costs £	Operating surplus/ (loss) 2020 £	Operating surplus/ (loss) 2019 £
Affordable letting activities	3	12,216,672	(9,552,306)	2,664,366	2,771,889
Other activities	4	272,470	(440,991)	(168,521)	(118,116)
		<hr/>	<hr/>	<hr/>	<hr/>
Total		12,489,142	(9,993,297)	2,495,845	2,653,773
		<hr/>	<hr/>	<hr/>	<hr/>
Total for previous period of account		12,169,175	(9,515,402)	2,653,773	
		<hr/>	<hr/>	<hr/>	

NOTES TO THE FINANCIAL STATEMENTS

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

	General Needs Housing £	Supported Housing £	Total 2020 £	2019 £
Rent receivable net of service charges	11,487,197	42,944	11,530,141	11,184,596
Service charges receivable	112,549	971	113,520	106,893
Gross income from rent and service charges	11,599,746	43,915	11,643,661	11,291,489
Less Voids	(30,629)	-	(30,629)	(23,662)
Net income from rents and service charges	11,569,117	43,915	11,613,032	11,267,827
Grants released from deferred income	602,698	942	603,640	602,520
Total turnover from affordable letting activities	12,171,815	44,857	12,216,672	11,870,347
Management & Maintenance administration costs	2,828,462	47,290	2,875,752	2,628,239
Service costs	78,043	293	78,336	57,858
Planned & cyclical maintenance	2,145,472	2,488	2,147,960	2,222,181
Reactive maintenance costs	2,102,984	9,815	2,112,799	1,928,470
Bad debts – rents and service charges	71,977	-	71,977	45,039
Depreciation of affordable let properties	2,232,502	5,861	2,238,363	2,206,569
Loss on disposal of plant and equipment (Note 7)	27,119	-	27,119	10,102
Operating costs for affordable letting activities	9,486,559	65,747	9,552,306	9,098,458
Operating surplus/(loss) for affordable letting activities	2,685,256	(20,890)	2,664,366	2,771,889
Operating surplus or deficit for affordable letting activities for previous reporting period	2,833,031	(61,142)	2,771,889	

NOTES TO THE FINANCIAL STATEMENTS

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating (deficit) or surplus 2020	Operating (deficit) or surplus 2019
	£	£	£	£	£	£	£	£	£
Wider role activities	-	53,892	-	-	53,892	-	(184,872)	(130,980)	(113,488)
Care and repair of property	58,925	-	-	84,492	143,417	-	(165,165)	(21,748)	(1,008)
Investment property activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	47,378	47,378	-	(33,956)	13,422	13,095
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Contracted out services undertaken for RSLs	-	-	-	6,500	6,500	-	(6,500)	-	-
Contracted out services undertaken for other organisations	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-	-
Uncapitalised development administration costs	-	-	-	-	-	-	(50,498)	(50,498)	(47,755)
Other activities (includes £16K Gift Aid in 2020, (2019: £24K Gift Aid))	-	-	-	21,283	21,283	-	-	21,283	31,040
Total from other activities	58,925	53,892	-	159,653	272,470	-	(440,991)	(168,521)	(118,116)
Total from other activities for the previous period of account	77,688	45,040	-	176,100	298,828	-	(416,944)	(118,116)	

NOTES TO THE FINANCIAL STATEMENTS

5 ACCOMMODATION IN MANAGEMENT

The number of units in Management at 31 March was as follows:	<u>2020</u>	<u>2019</u>
General needs housing – units owned and managed	2,501	2,501
Supported housing – units, owned and managed	13	9
Total	<u>2,514</u>	<u>2,510</u>

6 OPERATING SURPLUS

	<u>2020</u>	<u>2019</u>
	£	£
The operating surplus is arrived at after charging/(crediting):		
Depreciation of housing properties (note 12b)	2,238,363	2,206,569
Depreciation of other tangible fixed assets (note 12c)	62,251	68,134
Amortisation of intangible fixed assets (Note 12a)	20,212	33,631
Operating lease rentals	39,428	41,189
Audit services - statutory audit of the Association	17,552	15,350

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

	<u>2020</u>	<u>2019</u>
	£	£
Disposal proceeds	-	37,850
Carrying value of fixed assets	-	(19,947)
Deficit on disposal of replaced components	(27,119)	(28,005)
	<u>(27,119)</u>	<u>(10,102)</u>

8 KEY MANAGEMENT PERSONNEL

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

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

	<u>2020</u>	<u>2019</u>
£60,001 to £70,000	1	2
£70,001 to £80,000	3	2
£120,001 to £130,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

8 KEY MANAGEMENT PERSONNEL (CONTINUED)

	<u>2020</u> £	<u>2019</u> £
Aggregate emoluments for key management personnel (excluding pension contributions)	415,226	399,515
Aggregate pension contributions in relation to key management personnel	59,661	50,620
The emoluments of the Chief Executive (excluding pension contributions)	122,358	120,106
Total emoluments paid to key management personnel	513,946	493,524

None of the Board of Management received any emoluments during the year (2019: £Nil). During the year the Board of Management were reimbursed expenses of £410 (2019: £678).

9 EMPLOYEE INFORMATION

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

	<u>2020</u>	<u>2019</u>
Housing, support and care	17	17
Maintenance	11	10
Office and management/Administration	12	12
Development	1	1
	41	40

The actual average weekly number of persons employed by the Association was 43 (2019: 40).

Staff costs for the above persons:

	<u>2020</u> £	<u>2019</u> £
Wages and salaries	1,659,905	1,490,812
Social security costs	166,273	146,900
Defined contribution (current service) pension costs	219,363	204,687
<u>Defined benefit (past service) pension costs:-</u>		
Scheme expenses	4,907	4,907
	2,050,448	1,847,306

NOTES TO THE FINANCIAL STATEMENTS

10a INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2020</u>	<u>2019</u>
	£	£
Interest on bank deposits	69,627	32,469
	<u> </u>	<u> </u>

10b INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2020</u>	<u>2019</u>
	£	£
Interest arising on bank loans and overdrafts	914,294	1,014,446
Net interest expense on defined benefit pension liabilities	16,336	16,876
	<u> </u>	<u> </u>
	930,630	1,031,322
	<u> </u>	<u> </u>

11 FIXED ASSET INVESTMENTS

	<u>2020</u>	<u>2019</u>
	£	£
Subsidiary company (Cost at 31 March 2020 and 31 March 2019)	1	1
	<u> </u>	<u> </u>

The subsidiary company at 31 March 2020 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>2020</u>	<u>2019</u>
	£	£
Profit on ordinary activities after taxation	15,735	18,993
	<u> </u>	<u> </u>
Net assets	187,476	171,743
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

12a INTANGIBLE FIXED ASSETS

	Computer Software £
Cost	
At 1 April 2019	168,768
Disposals	(2,066)
	<hr/>
At 31 March 2020	166,702
	<hr/>
Depreciation	
At 1 April 2019	135,916
Charge in the year	20,212
Released on disposal	(2,066)
	<hr/>
At 31 March 2020	154,062
	<hr/>
Net book value	
At 31 March 2020	12,640
	<hr/> <hr/>
At 31 March 2019	32,852
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

12b TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting	Housing properties in course of construction	Total
	£	£	£
Cost			
At 1 April 2019	89,410,256	211,294	89,621,550
Additions – housing units	272,845	1,627,800	1,900,645
Additions – components	531,349	-	531,349
Disposals – components	(208,833)	-	(208,833)
At 31 March 2020	90,005,617	1,839,094	91,844,711
	=====	=====	=====
Depreciation and impairment			
At 1 April 2019	24,404,658	-	24,404,658
Depreciation charged in year	2,238,363	-	2,238,363
Released on disposal	(181,714)	-	(181,714)
At 31 March 2020	26,461,307	-	26,461,307
	=====	=====	=====
Net book value			
At 31 March 2020	63,544,310	1,839,094	65,383,404
	=====	=====	=====
At 31 March 2019	65,005,598	211,294	65,216,892
	=====	=====	=====

Land comprises £8,894,892 of Social housing properties held for letting (2019: £8,861,108) and £305,440 of Housing properties in course of construction (2019: £50,060).

The Association reviews asset carrying values annually for impairment, and more frequently should there be indicators that assets might be impaired. All income generating units (IGUs) have been reviewed for impairment for the year ended 31 March 2020. The recoverable amounts of the IGU are determined from net present value (NPV) calculations using a 30-year term based on our business model.

NOTES TO THE FINANCIAL STATEMENTS

12b TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	<u>2020</u>	<u>2019</u>
	£	£
Enhanced component spend capitalised	531,349	696,922
Amounts charged to income and expenditure	1,925,273	1,936,636
	<u>2,456,622</u>	<u>2,633,558</u>

12c TANGIBLE FIXED ASSETS – OTHER

	<u>Freehold office</u>	<u>Furniture, fixtures and fittings</u>	<u>Computers and office equipment</u>	<u>Total</u>
	£	£	£	£
Cost				
At 1 April 2019	3,126,878	128,917	77,790	3,333,585
Additions	-	-	4,828	4,828
At 31 March 2020	<u>3,126,878</u>	<u>128,917</u>	<u>82,618</u>	<u>3,338,413</u>
Depreciation				
At 1 April 2019	1,078,307	128,364	63,697	1,270,368
Charge in the year	55,454	214	6,583	62,251
At 31 March 2020	<u>1,133,761</u>	<u>128,578</u>	<u>70,280</u>	<u>1,332,619</u>
Net book value				
At 31 March 2020	<u>1,993,117</u>	<u>339</u>	<u>12,338</u>	<u>2,005,794</u>
At 31 March 2019	<u>2,048,571</u>	<u>553</u>	<u>14,093</u>	<u>2,063,217</u>

13 PROPERTIES HELD FOR SALE (TO RSL'S)

	<u>2020</u>	<u>2019</u>
	£	£
Work in Progress - at cost		
At 1 April 2019	-	19,947
Disposals – housing units	-	(19,947)
At 31 March 2020	<u>-</u>	<u>-</u>

The Housing Association grant in relation to Work in Progress totals £Nil (2019: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

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

	<u>2020</u>	<u>2019</u>
	£	£
Rent and service charges receivable	318,434	264,251
Less: provision for bad and doubtful debts	(196,060)	(141,924)
	<u>122,374</u>	<u>122,327</u>
Social housing grant receivable	76,198	14,164
Other debtors	87,956	94,896
Prepayments and accrued income	139,802	248,162
	<u>426,330</u>	<u>479,549</u>

15 CREDITORS: amounts falling due within one year

	<u>2020</u>	<u>2019</u>
	£	£
Debt (note 17)	1,153,070	1,168,396
Trade creditors	1,034,008	644,379
Rent and service charges received in advance	327,402	321,513
Amounts owed to subsidiary undertaking	8,586	8,863
Deferred grant income (note 18)	602,631	599,831
Other taxation and social security	69,684	54,089
Other creditors	25,830	26,361
Accruals and deferred income	612,277	1,007,920
	<u>3,833,488</u>	<u>3,831,352</u>

16 CREDITORS: Amounts falling due after more than one year

	<u>2020</u>	<u>2019</u>
	£	£
Debt (note 17)	28,174,015	26,291,250
Deferred capital grant (note 18)	26,108,692	25,722,839
	<u>54,282,707</u>	<u>52,014,089</u>

17 DEBT ANALYSIS – BORROWINGS

	<u>2020</u>	<u>2019</u>
	£	£
Bank loan instalments due within one year (note 15)	1,153,070	1,168,396
Bank loan instalments due after more than one year (note 16)	28,174,015	26,291,250
	<u>29,327,085</u>	<u>27,459,646</u>

NOTES TO THE FINANCIAL STATEMENTS

17 DEBT ANALYSIS – BORROWINGS (CONTINUED)

The bank loans are secured by a first charge over specific properties of the Association. Interest is payable at LIBOR plus varying margins of between 0.30% and 1.75% for all facilities held with RBS. Interest Rate Swaps have been embedded within our loan agreements, to mitigate the exposure to interest rate risk and details of these Swaps are contained in the table below. The Nationwide B.S. £11.0million Business Term Loan had interest charged at the fixed rate of LIBOR + 0.375% on £0.7million, with the remaining £10.3million at the fixed rate of 2.705%.

	£	<u>Repayment date</u>
Business Term Loan	2,206,874	28 June 2029
Business Term Loan	2,200,000	28 March 2034
Business Term Loan	680,001	28 June 2029
Business Term Loan	3,000,000	30 March 2034
Business Term Loan	4,233,200	21 April 2029
Business Loan Facility	1,000,000	2 April 2036
Business Loan Facility	2,000,000	2 April 2036
Business Loan Facility	3,000,000	30 March 2035
Business Term Loan (Nationwide B.S)	696,122	1 November 2046
Business Term Loan (Nationwide B.S)	10,310,888	1 November 2046
	<u>29,327,085</u>	

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

	<u>2020</u>	<u>2019</u>
	£	£
Bank loans:		
Due less than 1 year	1,153,070	1,168,396
Due within 1 to 2 years	1,249,468	1,251,081
Due within 2 to 5 years	3,687,101	3,737,188
Due after five years or more	23,237,446	21,302,981
Bank loan instalments due after more than one year (note 16)	28,174,015	26,291,250
	<u>29,327,085</u>	<u>27,459,646</u>

The Association's activities expose it to interest rate risk. The Association uses interest rate derivatives to hedge these exposures. The financial instruments are not used for speculative purposes. The Association has a number of interest rate swaps in place which set a limit on the interest payable on £9.40million of the bank borrowings. The banks' valuation of the fair value of these loans is £2.98m (2019: £2.55m). The rate payable is fixed where applicable at rates between 3.47% and 5.99%. The average fixed rate of interest was 4.52% (2019: 4.96%). The loans are all currently at rates between 4.13% and 6.33% (2019: 4.00% and 6.33%). The terms of the agreements are as follows:

Loan Facility	Amount	SWAP Rate	Term
Facility –C-	£2,000,000	3.81%	02/01/2015 – 02/01/2035
Facility –A-	£3,000,000	3.63%	22/01/2014 - 22/01/2034
Facility –B-	£2,206,874	5.99%	20/01/2008 - 28/06/2022
Facility –B-	£2,200,000	3.47%	22/01/2013 - 22/01/2033

At 31 March 2020, the Association had undrawn loan facilities of £Nil (2019: £9million).

NOTES TO THE FINANCIAL STATEMENTS

18 DEFERRED CAPITAL GRANT INCOME

	<u>2020</u> £	<u>2019</u> £
At 1 April	26,322,670	24,634,192
Grant received in the year – Retained developments	992,293	2,290,998
Released to income in the year	(603,640)	(602,520)
At 31 March	<u>26,711,323</u>	<u>26,322,670</u>

	<u>2020</u> £	<u>2019</u> £
Amounts to be released within one year (note 15)	602,631	599,831
Amounts to be released in more than one year (note 16)	26,108,692	25,722,839
	<u>26,711,323</u>	<u>26,322,670</u>

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

	<u>2020</u> £	<u>2019</u> £
Grant (at cost)		
At 1 April	32,167,157	29,876,159
Received in year	992,293	2,290,998
At 31 March	<u>33,159,450</u>	<u>32,167,157</u>
Grant released to income (cumulative)		
At 1 April	(5,844,487)	(5,241,967)
Released in year	(603,640)	(602,520)
At 31 March	<u>(6,448,127)</u>	<u>(5,844,487)</u>
Grant Net Book Value	<u>26,711,323</u>	<u>26,322,670</u>

NOTES TO THE FINANCIAL STATEMENTS

19 RETIREMENT BENEFIT SCHEMES

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

The Association participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK. The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate this deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme. Almond Housing Association closed the Final Salary Scheme to future accrual from 30 September 2015 and now offers only a defined contribution pension scheme option.

For the financial year ending 31 March 2019, it was possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme. For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive.

The liabilities are compared, at the relevant accounting date, with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus. Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

Fair value of plan assets, present value of defined benefit obligation, and defined benefit liability.

	<u>2020</u> £	<u>2019</u> £
Fair value of plan assets	5,593,000	5,251,000
Present value of defined benefit obligation	5,791,000	6,030,000
Net defined benefit liability to be recognised	<u>(198,000)</u>	<u>(779,000)</u>

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

	<u>2020</u> £
Fair value of plan assets at start of period	5,251,000
Interest income	122,000
Experience on plan assets – gain	191,000
Contributions by the employer	168,000
Benefits paid and expenses	<u>(139,000)</u>
Fair value of plan assets at end of period	<u>5,593,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £313,000.

NOTES TO THE FINANCIAL STATEMENTS

19 RETIREMENT BENEFIT SCHEMES (CONTINUED)

Reconciliation of opening and closing balances of the defined benefit obligation

	<u>2020</u> £
Defined benefit obligation at start of period	6,030,000
Expenses	5,000
Interest expense	138,000
Actuarial losses due to scheme experience	42,000
Actuarial (gains) due to changes in demographic assumptions	(36,000)
Actuarial (gains) due to changes in financial assumptions	(249,000)
Benefits paid and expenses	(139,000)
Defined benefit obligation at end of period	<u>5,791,000</u>

Defined benefit costs recognised in Statement of Comprehensive Income

	<u>2020</u> £
Expense	5,000
Net interest expense	16,336
Defined benefit costs recognised in Statement of Comprehensive Income	<u>21,336</u>

Defined benefit costs recognised in Other Comprehensive Income

	<u>2020</u> £
Experience on plan - gain	191,000
Experience gains and losses arising on the plan liabilities - (loss)	(42,000)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	36,000
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	249,000
Total amount recognised in other comprehensive income - gain	<u>434,000</u>

NOTES TO THE FINANCIAL STATEMENTS

19 RETIREMENT BENEFIT SCHEMES (CONTINUED)

Assets

	<u>2020</u>	<u>2019</u>
	£	£
Global Equity	769,000	845,000
Absolute Return	343,000	445,000
Distressed Opportunities	102,000	90,000
Credit Relative Value	135,000	91,000
Alternative Risk Premia	448,000	293,000
Fund of Hedge Funds	-	15,000
Emerging Markets Debt	199,000	168,000
Risk Sharing	177,000	152,000
Insurance-Linked Securities	150,000	136,000
Property	104,000	104,000
Infrastructure	330,000	220,000
Private Debt	111,000	68,000
Opportunistic Illiquid Credit	136,000	-
Corporate Bond Fund	409,000	368,000
Liquid Credit	147,000	-
Long Lease Property	137,000	64,000
Secured Income	310,000	183,000
Over 15 Year Gilts	71,000	135,000
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,473,000	1,869,000
Net Current Assets	42,000	5,000
Total assets	<u>5,593,000</u>	<u>5,251,000</u>

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

Key Assumptions

	<u>2020</u>	<u>2019</u>
	% per annum	% per annum
Discount rate	2.37%	2.31%
Inflation (RPI)	2.80%	2.99%
Inflation (CPI)	1.80%	1.99%
Salary Growth	2.80%	2.99%
Allowance of commutation of pension for cash or retirement (as a % of maximum allowance)	75%	75%

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	<u>Life expectancy</u> <u>at age 65</u> (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

NOTES TO THE FINANCIAL STATEMENTS

20 CALLED UP SHARE CAPITAL

	<u>2020</u> £	<u>2019</u> £
Shares of £1 each Issued and Fully Paid		
At 1 April	95	101
Shares issued during the year	4	-
Shares cancelled during the year	-	(6)
At 31 March	<u>99</u>	<u>95</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.

21 CAPITAL COMMITMENTS

	<u>2020</u> £	<u>2019</u> £
Authorised and contracted for	4,998,779	4,108,270
Authorised not contracted for	-	-

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

22 RELATED PARTY TRANSACTIONS

One member of the Board of Management is also a tenant of the Association (2019: 1). Their tenancy is on normal commercial terms. During the year £5,441 (2019: £5,308) of rent was receivable from tenant members. At the year-end there was £Nil (2019: £Nil), of rent arrears due from tenant members.

Almond Enterprises Limited, a wholly owned subsidiary of the Association, continues to manage cleaning and clearance contracts for the Association which amounted to £229,165 of turnover this year (2019: £202,502), with a year-end net trade creditor balance of £8,586 (2019: £8,863). Almond Enterprises Limited made a Gift Aid payment of £16,441 during 2019/20 (2019: £24,000) to the Association, in accordance with the Association's policies and procedures. The Association recharged consultancy fees of £3,085 to Almond Enterprises (2019: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

23 LEASE OBLIGATIONS

The Association is committed to make the following payments during the year ending 31 March 2020 in relation to operating leases:

	Land & Buildings	
	<u>2020</u>	<u>2019</u>
	£	£
Within one year	1,669	1,669
	<u> </u>	<u> </u>
	Plant & Machinery	
	<u>2020</u>	<u>2019</u>
	£	£
Within one year	23,583	33,147
Between two and five years	22,099	15,851
	<u>45,682</u>	<u>48,998</u>
	<u> </u>	<u> </u>

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

24 AVERAGE RENTS

	<u>2020</u>	<u>2019</u>
Average weekly rent for housing accommodation	£86.17	£83.93
Increase	2.7%	2.5%
<u>Number of Unit at the end of the year:</u>		
General needs social housing	2,501	2,501
Supported Social Housing Accommodation	13	9
	<u>2,514</u>	<u>2,510</u>
	<u> </u>	<u> </u>

25 CONTINGENT LIABILITIES

Almond Housing Association Limited – Pension Scheme

The Pensions Trust has notified the Association of the latest estimate of the debt on withdrawal potentially due by the Association based on the 30 September 2018 triennial actuarial valuation of the Scheme. This contingent liability, crystallisation of which is considered remote due to the continued membership of the Scheme, is estimated at £3.9million. The past service deficit contributions payable over the deficit recovery plan period to March 2023 are designed to reduce this potential debt.

Housing Association Grant

Grants relating to assets are recognised as a liability which is then amortised or released to income over the lifetime of the related asset. The deferred capital grant disclosed at note 18 represents the remaining capital grants yet to be released to income. The original amounts of these grants become repayable on the sale or disposal of the related assets, unless there is a specific agreement in place to recycle the grant against new property development. Housing Association Grant released to income as at 31 March 2020 amounts to £6.4million.

NOTES TO THE FINANCIAL STATEMENTS

26 CASH FLOW STATEMENT

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

	<u>2020</u> £	<u>2019</u> £
Operating Surplus for the year	2,495,845	2,653,773
<u>Adjustments for non-cash items:</u>		
Amortisation of intangible fixed assets	20,212	33,631
Depreciation/impairment of tangible fixed assets	2,300,614	2,274,703
Government grants utilised in the year	(603,640)	(602,520)
Defined benefit pension schemes	(163,336)	(158,577)
Decrease/(Increase) in trade and other debtors	56,571	(68,818)
Increase/(Decrease) in trade and other creditors	162,003	(206,066)
Loss on disposal of plant and equipment	27,119	10,102
Net cash generated from operating activities	<u>4,295,388</u>	<u>3,936,228</u>

(b) ANALYSIS OF CHANGES IN NET DEBT

	<u>As at</u> <u>01/04/19</u> £	<u>Cash</u> <u>Flow</u> £	<u>Other</u> <u>Changes</u> £	<u>As at</u> <u>31/03/20</u> £
Cash at bank and in hand	9,025,410	3,722,942	-	12,748,352
Debt due within one year	(1,168,396)	-	15,326	(1,153,070)
Debt due after one year	(26,291,250)	(1,867,439)	(15,326)	(28,174,015)
	<u>(18,434,236)</u>	<u>1,855,503</u>	<u>-</u>	<u>(16,578,733)</u>

27 POST BALANCE SHEET EVENTS

The World health Organisation declared the coronavirus (Covid-19) to be a public health emergency on 30th January 2020. Although the Association has established business continuity policies and procedures, the occurrence of Covid-19, and the uncertainty of how it will progress in the future, could still have a material effect on the Housing Sector and it's wider operating environment. As at 3rd September 2020, the date of issuing our financial statements, the Board has no reason however to believe that the Covid-19 pandemic will have a materially adverse effect on the Association's financial condition or operating results.