ALMOND HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

SCOTTISH CHARITY REGISTRATION NUMBER	**SC031696**
SCOTTISH HOUSING REGULATOR	**HAL 285**
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REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

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REPORT OF THE BOARD OF MANAGEMENT

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2021.

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 2021 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 two years financial results, the total comprehensive income would have been as follows:

	2021 £	2020 £
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (Under FRS102)	**1,418,768**	**2,068,842**
Amortisation of Social Housing Grant (previously all capital grants received were netted off against the cost of housing properties)	(611,751)	(603,640)
Additional depreciation (previously calculated on the net cost of properties after capital grant)	472,748	465,114
SHAPS Pension deficit contributions paid (previously treated as an operating cost)	(169,159)	(163,336)
Movements on provision for Pension Liability (previously recognised in Statement of total recognised gains and losses (STRGL)):		
Unwinding of the discount factor	3,159	16,336
Actuarial loss/(gain) on pension scheme	520,000	(434,000)
SURPLUS FOR THE YEAR (excluding FRS102 adjustments)	1,633,765	1,349,316

Covid-19 operational response

The pandemic has had a lengthy and traumatic impact on our tenants, a significant proportion of whom are elderly and vulnerable or at risk from unemployment and unforeseen financial detriment. 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 detailed risk assessment to ensure we provided the highest quality level of services possible within each tier of Covid restrictions.

We advised our tenants in March 2020 that in line with government guidelines our offices were closing, and since then our staff have been working from home to keep operations running smoothly. We continued to carefully monitor the ability of the Association to deliver our services, and liaised closely with our staff to ensure they were healthy and working safely, and our contractors to ensure they met quality standards and tenant expectations.

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

We are pleased to report that emergency repairs, most urgent repairs and all gas, electric and safety compliance works have been carried out as required, throughout the pandemic. As the restrictions eased in June 2020, we returned to a full repairs service and pushed ahead with as much of our internal planned investment works (notably boilers, smoke alarms and window replacements), as possible.

These works were scaled back or halted in September 2020 when the local level restrictions system was implemented and throughout the second lockdown period. In line with the Scottish Government roadmap, we returned to a full repairs service from April 2021 and our maintenance team continue to work hard with our contractors to deal with the backlog of repairs and delivering our planned property improvements.

The Scottish Government passed emergency legislation in Scotland during the outbreak, making it clear that no landlord should evict a tenant because they have suffered financial hardship due to Covid-19. The Association is fully supportive of this approach, as we are aware that many of our tenants are very worried about a drop in their income, and we continue to deal with each case on its merits. We have adopted a flexible and supportive approach with tenants facing financial hardship and ensure that they receive all the necessary advice and assistance that they require.

Having previously invested heavily in smarter systems and additional staff resources, we have been well prepared to minimize rising arrears through early intervention and the introduction of alternative payment systems. The excellent work of our tenancy support and money advice services, along with high levels of tenant engagement, have enabled us to mitigate the risks further, whilst retaining high levels of customer satisfaction and tenancy sustainment during this challenging period.

Property allocations continued throughout the pandemic, and we worked closely with contractors to complete necessary void works to ensure properties were safe and secure for all new tenants, and with West Lothian Council's Allocation's Teams to allocate void properties to those categorised as homeless. A skeleton team of staff have vigilantly remained working at our office premises when permissible this year, providing administration and support to colleagues and tenants.

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

Donations
The Association donated £16,990 (2020: £36,496), 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 introduce new programmes of cyclical and major repairs works, to ensure we maintain the standard of our stock and meet 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 (EESSH): 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.

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

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 21 (2020: 19).

Pension
On 30 September 2015, current members were transferred from the Defined Benefit Scheme onto the Scottish Housing Association Defined Contribution Pension Scheme (SHAPS), in which all other eligible staff were additionally auto enrolled. The defined benefit liability as at 31st March 2021 was £552K, reflecting an adverse increase of £354k attributable to £960k of actuarial losses due to changes in financial assumptions (e.g. recalibrating the rate(s) of risk/ return).

The SHAPS growth assets portfolio (GAP) is diversified which provides some protection against market volatility. Despite the inconsistent market fluctuations since the beginning of the pandemic, the pension scheme assets have increased resulting in a gross investment return of 10%. Further detail in relation to this pension scheme are included in the accounting policy on page 29 and Note 18 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 long-term financial impact and risks of the Covid-19 pandemic on all areas of our business but do not consider they present us with any material financial uncertainty.

Staffing Structure, Service Contracts and Benefits
The Chief Executive and Directors 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.

John Davidson - Chief Executive (appointed September 20)
George Webster - Chief Executive (retired January 21)
Sandy Young - Director of Housing Management
Iona Taylor- Director of Asset Management (appointed May 21)
Joanna Voisey- Director of Asset Management (resigned February 21)
Craig Porter - Director of Finance and ICT
Angela Coutts - Director 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)	Mrs C Rodgers (resigned May-21)
Mr A Saunders*	Mr J Hewer*
Mr A Turner*	Ms A Wilson*
Mrs A Gault	Mr S Prevost
Ms J Robertson (resigned July-20)	Mr N Tulloch
Mr C Boyle	Mr C Morton (Co-opted Nov-20)
Ms B Stocker (Co-opted Nov-20)	Ms V Bluck (Co-opted Nov-20)

* Member of the Audit and Finance Sub-Committee at 5 August 2021.

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 14 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 2021. 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

To measure the ongoing impact of the pandemic across all pertinent time horizons, the Board requested all forecasts be revisited, stress-tests performed, and sensitivity analysis applied. The results confirm that from a financial perspective Covid-19 will not adversely impact the Association, as most of our income is paid via Universal Credit and consequently neither cashflows or asset values are expected to be significantly impaired.

The Association also maintains a healthy cash position and our forecasts estimate it highly unlikely that the residual 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 30th September 2021.

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

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

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

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

[redacted]

Secretary

Date: 5th August 2021

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 2021 there were 99 active members.

In addition to maintaining 2,529 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 2020-21 objectives and strategy are set out in a business plan that is reviewed and approved by the Board of Management each year. Our current strategy focusses on consolidating our current position as a successful and independent organisation, by engaging with our customers, our people and the wider community to provide high quality services focussed on delivering the very best. In doing so we believe that we will ensure that our organisation remains remain vital, successful, and resilient.

Our key 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 help our tenants sustain their tenancies.

We will manage our housing stock and associated estates efficiently, effectively, and to a constently high standard	We will maintain the quality of our houses and buildings by providing reliable, safe and fit for purpose houses and mainenance services	We will deliver effective component replacement programmes to ensure that tenants homes are modern, efficient, easy to live in and represent value for money
We will build new homes in West Lothian, improving customers' access to affordable housing, and we will provide homes that best meet the needs of the vulnerable	We will regularly monitor and review our performance, identifying areas for improvement, and ensuring that we are delivering the services our customers' want	We will deliver a valued service to our customers, earning their trust and delivering on our commitment to provide exceptional customer service

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 and by engaging positively with all our staff, we aim to foster a culture where they can fulfil their potential, be their best and together we can achieve great things.

- We will deliver effective performance management to ensure that our people are focussed on delivering objectives and that motivation, morale and recognition are well managed
- We will create a culture which encourages our people to be thoughtful, accountable, involved, and customer focussed
- We will work to demonstrate leadership behaviours at all levels providing purpose, pride in performance and encouraging innovation
- We will ensure that our reward and recognition approach will attract, retain and motivate our people to deliver
- We will continuously develop the capability and talent of our people; adding knowledge and skills to deliver specific business results and meet the future needs of our business
- We will ensure that our staff are well equipped and supported to the best possible standard to do their jobs well

3. Delivering Excellence - We want to maintain our high levels of customer satisfaction, expand the levels of services and engagement we can provide, and continue to improve the communities we serve.

- We will ensure communities are digitally inclusive, by improving access and providing support and assistance to help people get online
- We will support community wellbeing and partner with others keen to improve employability, financial resilience and access to information and services
- We will support and develop projects which will improve the health and wellbeing of the communities we serve
- We will work with local community groups to rejuvenate open spaces and develop community growing initiatives
- We will reduce carbon emissions and promote greener lifestyles, as we develop ever more sustainable housing, operations and communities

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 originally budgeted for a surplus of £1.2million this year to meet its medium-term strategic objectives a figure which was revised downwards to £0.7million in our June 2020 emergency Covid-19 budget, as we stress-tested the impact of the developing pandemic.

Our final surplus for the year (after pension scheme adjustments), was ultimately £1.4million. The variances were due to maintenance underspend, primarily an inability for our contractors to carry out major works due to the Covid-19 restrictions, coupled with the immobilising effect on tenants and their subsequent reluctance to report repairs, allow access, or even terminate their tenancies.

The result of these delays in major works and reactive repairs directly affect our tenants, so future programmes have been amended to ensure delivery of this work is undertaken as soon as permissible. 30-year financial projections were updated, incorporating all currently identifiable projected spend profiles, relating to our development programme and the Energy Efficiency Standard for Social Housing (EESSH).

The Association is pleased to report that it met the lenders' loan covenants at all times during the year and has adequate funding resources in place to complete the development programme, as profiled within our long-term plans.

Investment Programme, Planned & Cyclical Maintenance
Our planned maintenance programmes are designed to ensure legal compliance, improve the efficiency of key property components and maximise the useful life of our properties. Despite lockdowns we achieved 89% of our planned programme and invested £2.7million in property improvements this year. We invested £0.7million upgrading smoke, CO and wired heat detectors ensuring each of our properties remain safe and LD2 compliant. Continuing our focus on improving energy efficiency, we also spent £0.7million on modern render, £0.4million upgrading heating systems and £0.3million on new windows.

In November 2020, we carried out a comprehensive Stock Condition Survey, to help target future investment in our properties, ensuring they remain in a satisfactory state of repair, energy efficient, modern, safe and secure. These results will also be used to inform the EESSH2 (Energy Efficiency for Social Housing - 2032 target) delivery strategy which is currently being developed. At year end 98% of our properties met the EESSH 2020 target and it is intended that the remaining 47 properties will be brought up to standard when the restrictions are lifted.

As a result of Covid-19, delays to our development programmes were experienced, though these were not exceptional enough to significantly impact rental cash flows or final projected spend, or therefore indicate any impairment. Despite lockdowns, we were very proud to complete our Piriebank, Ladywell development, with tenants able to settle into their new homes before Christmas 2020. These 12 properties 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 tenants.

With regards to other sites, we have increased our efforts in trying to progress pipeline projects, to ensure that despite the challenges of the last year, we do not have any significant gaps in our programme and can continue to contribute to meeting the housing shortage within West Lothian. Our priority has been to progress the 25 new homes development being constructed at Polbeth, where despite a very positive site start, delays have crept in due to pandemic related material and labour shortages. We are satisfied all involved are using their best endeavours to minimise disruption where possible but, we do foresee a short delay to the contracted completion date.

We were also able to acquire 3 properties on the open market within Livingston and an advance grant for an additional 4 in the future.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Repair response times
The challenges of this year have seen our housing and asset management teams rapidly adapt to new software, more efficient performance management and digital working, making regular and in some cases more productive, contact with tenants and contractors than previously.

Our performance in terms of repairs has a direct impact on the satisfaction levels tenants have with the association and this year we carried out in total 4,952 reactive repairs (as per the ARC definition). We are pleased to report that satisfaction has remained high with 89% of those receiving a repair in the last year reporting they were satisfied (ARC definition). The time taken to complete non-essential repairs worsened with the suspension of so many jobs during each lockdown. Oddly enough this setback improved the response times for emergency repairs as our contractors were able to utilise their spare capacity more effectively, to the benefit of our tenants.

Our performance in repair terms is as follows:

Key Performance Indicator: Average length of time to complete		Target
Emergency repair	2.8 hours (2020: 3.8 hours)	4 hours
Other repair	10.1 days (2020: 7.9 days)	5 days
Right First Time	89% (2020: 84%)	90%

Rent losses and arrears
Although gross rent arrears (including former tenant arrears), increased in the first few months of the pandemic, our housing team worked closely with our tenants, lowering our year-end arrears to 2.2% (2020: 2.5%). Rent losses (including bad debts and voids) were considerably lower at 0.4% of rental income receivable (2020: 0.9%), reflecting the historically low level of arrears at the year-end. The Association's annual rent loss for void periods compared favourably with our peer group, remaining well within our target range at just 0.3% of rental income receivable (2020: 0.3%), despite unavoidably disruptive health and safety constraints on void works.

Accounting policies
The Association's principal accounting policies are set out on pages 26 to 30 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 2021 the Association owned 2,529 housing properties (2020: 2,514). The properties were carried in the balance sheet at a cost (after depreciation), of £65.9million (2020: £65.4million). Our total investment in housing improvements and developments this year of £2.8million was funded through a mixture of housing association grant, loan finance and working capital, where we continue to show a strong current asset balance, an important indicator of liquidity. The Association's treasury management arrangements are considered below.

Capital structure and treasury policy
By the year end Association borrowings amounted to £28.2million (2020: £29.3million), 62% of which is due to mature by 2036, with the remaining 38% 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+1.09% on average). Funding is fully in place for the development programme, with considerable flexibility over the drawdown and repayment profile.

Cash flows
Net cash outflows during the year amounted to £0.2million (2020: £3.7million inflow), details of which are shown in the cash flow statement (page 24). Gross cash outflows included £1.2million of loans repaid and £0.9million of interest payable, with a further £3.0million outflow on developments and housing improvements. Cash inflows comprised £4.7million from operating activities.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Human Resources and customer service

The Board of Management were pleased to appoint John Davidson as our new Chief Executive, who joined us in September 2020. John was previously Director of Customer Services at Cairn Housing Association and brings with him a wealth of experience in the housing sector, combined with the attributes, vision and ambition required to take Almond Housing Association forward.

Our founding Chief Executive Mr George Webster retired in January 2021, and we 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, and we thank him for his remarkable achievement in building and maintaining such a conscientious, robust and socially essential organisation.

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 throughout the pandemic. During the year, we worked remotely with our Tenant Focus Groups and our Customer Review Groups, to appraise crisis management solutions and progress new communication channels to rapidly engage with all our tenants.

The compilation and submission of the Annual Return on the Charter (ARC) serves to evidence, both to the regulator and to tenants, that the Association complies with the Standards of Governance and Financial Management required by the Scottish Social Housing Charter. Throughout 2020/21, we improved recording, reporting and understanding of the indicators and working closely with our external consultants compiled a meticulous bank of evidence to demonstrate our compliance with the Regulatory Standards.

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. The overall results have been very positive with the Association achieving the 'ideal' outcome of relatively low cost and top quartile performance, across a broad range of indicators when benchmarked against both our peer group and indeed nationally.

The Association retains 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 invested £16k in staff training, delivering leadership development and carbon literacy coaching, providing us with the ability and awareness to reduce our emissions, on an individual, community and organisational basis.

A year ago when the pandemic began, we had no choice but to quickly move to homeworking and with every challenge since, we've found new, innovative ways of working that have enabled us to better connect with our customers and provided a customer service that has exceeded targets.

Within weeks of working from home we conducted staff surveys to find out how staff were coping practically and mentally with the dramatic changes to their working environment. The response rate was very high and despite the rapid adjustments and steep learning curve the feedback was very positive on working from home. We anticipate going forward that a more blended working model will emerge, as we aim to deliver more accessible and enhanced customer services, which will retain the key benefits such as more flexibility and a better work-life balance for colleagues.

As part of our culture improvement journey, we signed up to be part of the SFHA's recently launched 'Brilliant Scotland' project with Dolphin Index. This scheme will initially enable us to realize our strengths and levels of innovation and staff engagement, as we move toward developing ever more effective 'One Team' working. The next stage of the project will provide us with a benchmarking platform to share, compare and help solve the numerous tough challenges faced across the Housing sector.

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)

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, 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 elderly and vulnerable tenant as part of a winter home visit to check they are OK. Our Housing officers delivered festive food parcels, providing essential groceries to keep struggling families going over Christmas and throughout the Covid-19 pandemic, whilst continuing to support our local community fridges who have been delivering over 200 meals and 30 food parcels each week via contactless doorstop deliveries to help our tenants who are self-isolating.

To raise spirits further over the Christmas period we engaged with community partners to deliver a range of online festive activities for local children including a Professional Storyteller who delivered a series of themed stories for all ages and gifted panto tickets to local schools for each class to participate in an online panto. Our in-house Santa Claus took to social media to tell stories, delivered messages to children, and enlisted the help of RiverKids, and other local charities in ensuring that families in crisis were able to provide Christmas presents for their children.

We held our first digital ‘Community Soup’ event in February 2021, at which local groups and charities receive the opportunity to pitch for much needed funding for projects designed to support our tenants and community. Our successful partnership with the Dolly Parton Imagination Library continued, providing each child a new book every month to help create their own library, in addition to Story Starter events and volunteers in place to further promote and encourage a love of reading.

We applied for and were granted £107k from the Scottish Government (over two years), to greatly expand the Community Growing Project and help the Craigshill community grow and cook their own produce, thus proactively tackling food poverty in a dignified and holistic manner. Although designed to be based on small groups working together throughout Craigshill on plot-to-plate initiatives, once lockdown came into effect, we expanded it into a community food initiative with emphasis on providing organic food and meals to those in need.

As part of our community engagement activity, we were actively involved with the West Lothian Open Space Group where we work together with several local organisations, services and volunteers to develop outdoor spaces. In partnership with WL Youth Action Project and with support, donations and training from our contractors we have created and now maintain 4 community gardens in Craigshill. Young people remain actively involved in the project gaining skills and experience with community volunteering and children's activity plans devised to engage local people further

Financial, digital and social inclusion
For over a decade we believed that connecting people to the digital world could transform their lives for the better and we committed to making this happen for as many of our tenants as possible. To date we had made significant inroads into moving all our ‘digital latecomer’ tenants online, by sourcing and providing direct digital services and hundreds of reconditioned laptops free of charge, running free digital skills training and supporting our community based digital champions. These measures combined have proved invaluable in making the digital world accessible to all our tenants, helping them navigate the rapid shift online of virtually all local support services and better sustain the repressive nature of the lockdowns.

This year we went all out to support tenants facing financial uncertainty or poverty strengthening links with multiple community groups to support financial inclusion. We utilised ‘Housing Options Scotland’s’ services, to provide our vulnerable tenants with a person-centred tenancy support service to help them sustain their tenancies and prevent homelessness in our community.

Our Welfare Rights and Benefits Advisor continued to offer an invaluable support and advice service to our tenants and helped them recover hundreds of thousands of pounds, via assisted claims and successful tribunals this year. We also retained the Fuel Poverty Support charity ‘Changeworks’, to provide fuel vouchers, pressure cookers, energy advice and tailored support to struggling tenants.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PERFORMANCE AND DEVELOPMENT (CONTINUED)

Risks and uncertainties
The Association has developed an organisational structure, a range of policies and procedures, and comprehensive insurances, which together make up 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 and the impact of Covid-19, and/or real rent increase restrictions	Our mitigating actions include adding resources to our Housing team and working closely with related government agencies to help our tenants sustain their tenancies through initial application screening, arrears control and early intervention. We also provide direct resources for tenants to access such as money advice, benefits advice and tenancy support, in addition to, providing practical assistance such as home-starter packs. Finally, we budget for worst case scenarios with minimal rent increases, and higher arrears/ bad debts and review regularly to ensure we are able to retain control and avoid any loan covenant breaches.
Failure to fully deliver planned programme, reactive repairs service or annual gas safety due to Covid-19 restrictions	Monthly performance review meetings are held utilising contractor performance data and contractor performance is reported to the board annually. Contractor insolvency procedures and contract management procedures are adhered to and evidenced. We continue to record all gas services and non-emergency repairs, review them on an ongoing basis and carry them out as soon as restrictions permit. New procedures regarding access for gas servicing and forced access have been agreed, to reduce the risk of fails.
Failure to maintain secure and effective ICT systems, networks and support, resulting in the Association's staff and tenants, not achieving optimum benefits	Our key priority this year has been providing the right ICT kit and robust ICT systems to enable staff to work remotely. We have layered cyber security and safeguards over both our ICT access systems and the third-party banking systems to mitigate theft, credential theft and data loss. From this secure base, we have begun assembling a digital transformation team to deliver ICT infrastructure, that supports the effective management of data and the agile development of customer focused services in support of our aim to connect all tenants to services they value, trust and benefit from.
Loss of control over income or expenditure, resulting in an inability to meet business needs or fund future developments/ strategic activity	We are aware of rising material and labour prices and continue to appraise the financial impacts as they unfold, to ensure our long-term investment strategy and projections remain current and future proof. 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. Regular monitoring of contract expenditure, against budgets are carried out by budget holders, our management team and the Board to ensure disparities (primarily from our development and major capital works programmes), do not adversely affect our overall financial stability, or lead to greater rises in rents or borrowing.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FUTURE DEVELOPMENTS

With our new Chief Executive joining the Association and the seismic changes and uncertainties resulting from the ongoing pandemic, we have continued to employ an interim 'consolidation' plan which will conclude in 2022. Thereafter we will be embarking on an ambitious 3-5 year strategic plan which will see us 'delivering excellence' in the provision of the highest quality homes and throughout our services, giving our customers the very best possible experience.

Delivering Covid-19 renewal
The coronavirus pandemic has had a devasting impact on our tenants, a significant number being over 60, with many more declaring pre-existing medical conditions which placed them in high-risk groups. 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. In addition, many tenants have been socially isolated, living alone with little regular, meaningful contact with others. It is hoped that by maintaining our three-stage Covid plan, we will be able to continue to offer a wide range of services to attempt to mitigate these residual consequences.

The Association's Tenancy Sustainment Officer will continue to work full time and has adapted their services to include doorstep deliveries of essential items. This service will continue to be publicised and Housing Officers will make referrals as required. We will also continue to work with our partners to deliver our Money Advice and Welfare Benefits project, which has been invaluable in helping our tenants contend with income insecurity and the continued roll out of full Universal Credit service across West Lothian.

There has been an enormous increase in demand for both Community Fridges (Craigshill and Ladywell) and we continue to support these projects with donations of essential toiletry items and non-perishable foods. At the beginning of the coronavirus pandemic several emergency food, fuel and grant providers launched schemes appropriate to our tenants and we will continue to promote and aid access to these resources.

Delivering excellence
Our response to the Covid-19 crisis was decisive and swift, with our overriding focus being the safety and wellbeing of our tenants and staff. In order to maintain continuity of service in this environment we shifted to remote working almost overnight, the success of which has demonstrated the appetite and ability of our staff to embrace change, take ownership and put our customer needs first despite challenging personal circumstances.

Following a positive response to these new ways of working we envisage implementing permanent changes to our working arrangements, as we engage further with our staff to increase empowerment and build new skills as we complete the programme of culture change we commenced in 2020-21.

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 2021-22, ensuring that those who most need it, have access to food and essential toiletry products.

In 2021 we are hopeful of a more hands on approach to 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 introduce a self-referral process for aids and adaptations, which we believe will help customers live more independently even when faced with medical issues.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FUTURE DEVELOPMENTS (CONTINUED)

Excellence in customer service is at the very heart of what we do and this year we will be reviewing and renewing the access times of our service delivery, to ensure we give our customers the very best service. This year we will be analysing the profiles of our tenants to improve our customer relationships and enable us to deliver services tailored to their needs, removing any barriers to effective service delivery amongst specific tenant groups.

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, as we embed a culture of continuous improvement will be particularly important over the coming years.

In partnership with Edinburgh-based youth homelessness charity, Rock Trust we hope to expand the innovative Housing First for Youth project, the first of its kind in Europe, which independently housed and supported a total of ten young care leavers. We will continue our partnership with the Rock Trust this year, as we evaluate the long-term success of our original pilot scheme, to help others to learn from our experiences.

Delivering digitally
The impact of the pandemic accelerated the Association's already planned focus on investing in digital services during 2020-21. Going forward we look to review our core systems functionality, embracing new tech to promote more accessible and agile working initiatives to help keep make customer interactions quicker, easier and more productive. Our key priorities will be future proofing our ICT infrastructure, a thorough review of Customer Relationship Management software and developing effective storage and reporting solutions for better knowing our tenants and our properties.

When lockdown eases our front-line staff, armed with upgraded communications tech will have more scope than ever to connect with tenants, help them get online and obtain better access to support services, such as Universal Credit. We will engage with our tenants as we seek their input and feedback into new mediums of service delivery, including a tenant portal. To ensure these concepts lead to real business enhancements we want to make sure that they are user friendly, genuinely add value to the services we provide and makes our tenants lives easier and their interaction with us, as their landlord, a very positive one.

Delivering future homes
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 132 new properties to let. The final capital spend for these sites is budgeted at £19.0million, financed with £8.9million of public subsidy and £10.1million 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 keeping an active interest in West Lothian, seeking appropriate and suitable opportunities here.

Our latest Asset Management Strategy will see us finally complete the current EESSH programme as we invest £0.2million in direct compliance works including fire safety and electrical best practice. We aim to provide major maintenance work that replaces components before they fail and in 2021-22, we have allocated £1.5million to the replacement programme of older inefficient boilers, windows and external render. A further £0.8million is budgeted for general replacements and upgrades, mostly bathrooms, kitchens, fencing and painter work.

This year we will fully evaluate the results of the extensive stock condition survey, which will form the basis of our 5 and 30 year plans as we establish a post SHQS standard for all our homes and invest to improve our stock to meet the future requirements of EESSH 2, engineer energy resilience and ultimately reduce fuel poverty.

Building on the knowledge obtained from our Carbon Literacy training programme, we will launch our sustainability strategy and journey, to ensure our staff, housing stock and community are ready to meet Scotland's commitment to achieve net-zero emissions of all greenhouse gases by 2045 (per the Climate Change Act 2019). The first step on this ambitious path will be an action plan to determine how much of our stock we can afford to make suitably energy efficient to comply with EESSH 2, between now and 2032.

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	2021	2020	2019	2018	2017
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Statement of Comprehensive Income					
Total turnover	12,857	12,489	12,169	11,740	11,495
Income from lettings	11,790	11,530	11,185	10,797	10,477
Operating surplus	2,767	2,496	2,664	2,491	3,110
Surplus for the year transferred to reserves	1,419	2,069	1,363	1,541	2,407
Statement of financial Position					
Housing properties, net of depreciation					
HAG and other capital grants	65,890	65,383	65,217	66,428	67,234
Other fixed assets	2,041	2,019	2,096	2,183	2,265
Fixed assets net of depreciation	67,931	67,402	67,313	68,611	69,499
Net currents assets/ (liabilities)	8,897	9,341	5,674	2,624	2,689
Total assets less current liabilities	**76,828**	**76,743**	**72,987**	**71,235**	**72,188**
Long term loans and liabilities and Reserves					
Creditors (due over one year)	(52,595)	(54,283)	(52,015)	(51,775)	(54,122)
Pension liability	(552)	(198)	(779)	(629)	(776)
Revenue reserves	(23,681)	(22,262)	(20,193)	(18,831)	(17,290)
Long term loans and liabilities and Reserves	**(76,828)**	**(76,743)**	**(72,987)**	**(71,235)**	**(72,188)**
Accommodation figures					
Total housing stock owned at year end *(number of dwellings)*: Social housing	**2,529**	**2,514**	**2,510**	**2,508**	**2,498**
Statistics					
Surplus for the year as % of turnover	11.1%	16.6%	11.2%	13.1%	20.9%
Surplus for the year as % of income from lettings	12.1%	17.9%	12.2%	14.3%	23.0%
Rent losses *(voids and bad debts as % of rent and service charges receivable)*	0.4%	0.9%	0.6%	0.9%	0.6%
Rent arrears *(gross arrears as % of rent and service charges receivable)*	2.2%	2.5%	2.2%	2.3%	1.6%
Interest cover *(surplus before interest payable divided by interest payable)*	3.2	2.7	2.6	2.7	3.4
Liquidity *(current assets / current liabilities)*	3.1	3.4	2.5	1.7	1.8
Total reserves per home owned	£9,364	£8,855	£8,045	£7,508	£6,922

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 pages 5-6 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.

[redacted]

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

Date: 7/9/2021

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

Opinion
We have audited the financial statements of Almond Housing Association (the 'Association') for the year ended 31 March 2021 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 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 2021 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
In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt about the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect of going concern are described in the relevant sections of this report.

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 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 (CONTINUED)

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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

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

The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the Association operates in and how the Association is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019, Housing SORP 2018 and Housing (Scotland) Act 2010. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the Housing (Scotland) Acts 2006 and 2014, the Co-operative and Community Benefit Societies Act 2014 and the Scottish Housing Regulator's Regulatory Framework (published 2019). We performed audit procedures to inquire of management and those charged with governance whether the Association is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is provided 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.

[redacted]

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

Date: 7/9/2021

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021 £	2020 £
TURNOVER	2	12,857,354	12,489,142
Operating expenditure	2	(10,090,591)	(9,993,297)
OPERATING SURPLUS	6	2,766,763	2,495,845
Interest receivable	10a	28,004	69,627
Interest and financing costs	10b	(855,999)	(930,630)
SURPLUS FOR THE YEAR		1,938,768	1,634,842

OTHER COMPREHENSIVE INCOME

		2021 £	2020 £
Surplus for the year		1,938,768	1,634,842
Actuarial (loss)/gain on pension scheme	18	(520,000)	434,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,418,768	2,068,842

The results relate wholly to continuing activities.

The accompanying notes on pages 26 to 47 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes		2021		2020
		£	£	£	£
FIXED ASSETS					
Intangible fixed assets	12a		19,141		12,640
Housing properties	12b		65,889,583		65,383,404
Other tangible fixed assets	12c		2,022,520		2,005,794
Investment in subsidiary	11		1		1
			67,931,245		67,401,839
CURRENT ASSETS					
Trade and other debtors	13	500,876		426,330	
Cash and cash equivalents		12,553,297		12,748,352	
		13,054,173		13,174,682	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	14	(4,157,644)		(3,833,488)	
NET CURRENT ASSETS			8,896,529		9,341,194
TOTAL ASSETS LESS CURRENT LIABILITIES			76,827,774		76,743,033
LONG TERM LIABILITIES					
Creditors: amounts falling due after more than one year	15		(52,594,680)		(54,282,707)
Pension - defined benefit liability	18		(552,000)		(198,000)
TOTAL NET ASSETS			23,681,094		22,262,326
RESERVES					
Share capital	19		99		99
Revenue reserves			23,680,995		22,262,227
TOTAL RESERVES			23,681,094		22,262,326

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

[redacted]
Mr M Joyce
Chairman

[redacted]
Mr A Turner
Board Member

[redacted]
Mr J Davidson
Secretary

Date: 5th August 2021

The accompanying notes on pages 26 to 47 form part of these financial statements.

STATEMENT OF CASHFLOWS

	Notes	2021 £	2020 £
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash inflow from operating activities	25	4,696,867	4,295,388
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(2,958,820)	(2,423,773)
Grants received		50,847	883,652
Interest received		31,562	68,349
Net cash (outflow)/inflow from investing activities		(2,876,411)	(1,471,772)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(865,065)	(968,117)
New secured loans		-	3,000,000
Repayments of borrowings		(1,150,450)	(1,132,561)
Proceeds from issue of shares		4	4
Net cash (outflow)/inflow from financing activities		(2,015,511)	899,326
NET (DECREASE)/INCREASE IN CASH		(195,055)	3,722,942
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		12,748,352	9,025,410
CASH AND CASH EQUIVALENTS AT END OF YEAR		12,553,297	12,748,352

The accompanying notes on pages 26 to 47 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

	Share Capital £	Revenue Reserves £	Total Reserves £
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	99	22,262,227	22,262,326
Balance at 1 April 2020	99	22,262,227	22,262,326
Total comprehensive income for the year	-	1,418,768	1,418,768
Shares issued during the year	4	-	4
Cancelled shares during the year	(4)	-	(4)
Balance at 31 March 2021	99	23,680,995	23,681,094

The accompanying notes on pages 26 to 47 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 assumptions, recast budgets, and modelled stress tests based on prevailing scenarios. After assessing all the resulting information and outcomes, we can 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'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 18). The net defined benefit pension liability at 31 March 2021 was £552k (2020: £198k).

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. £27k of investing in Communities Fund income was recognised during the year.

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 and losses are recorded in the Statement of Comprehensive Income as 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, the resultant government initiatives and our balanced recovery approach, a handful of our tenants have built up higher than normal arrears. 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

Computer Software	4 years

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 21. Related party transactions with Almond Enterprises Limited, the Association's fully owned subsidiary, can also be found in note 21.

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 2021, the net defined benefit pension deficit liability was £552k (2020: £198k).

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 18 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.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

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) 2021 £	Operating surplus/ (loss) 2020 £
Affordable letting activities	3	12,495,219	(9,581,884)	2,913,335	2,664,366
Other activities	4	362,135	(508,707)	(146,572)	(168,521)
Total		12,857,354	(10,090,591)	2,766,763	2,495,845
Total for previous period of account		12,489,142	(9,993,297)	2,495,845	

NOTES TO THE FINANCIAL STATEMENTS

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

	General Needs Housing	Supported Housing	Total 2021	2020
	£	£	£	£
Rent receivable net of service charges	11,740,098	49,964	11,790,062	11,530,141
Service charges receivable	110,898	1,369	112,267	113,520
Gross income from rent and service charges	11,850,996	51,333	11,902,329	11,643,661
Less Voids	(39,792)	-	(39,792)	(30,629)
Net income from rents and service charges	11,811,204	51,333	11,862,537	11,613,032
Grants released from deferred income	609,834	1,917	611,751	603,640
Other grants	20,931	-	20,931	-
Total turnover from affordable letting activities	12,441,969	53,250	12,495,219	12,216,672
Management & Maintenance administration costs	3,036,386	12,972	3,049,358	2,875,752
Service costs	94,144	402	94,546	78,336
Planned & cyclical maintenance	2,279,133	1,408	2,280,541	2,147,960
Reactive maintenance costs	1,829,188	6,405	1,835,593	2,112,799
Bad debts – rents and service charges	3,996	-	3,996	71,977
Depreciation of affordable let properties	2,269,066	7,975	2,277,041	2,238,363
Loss on disposal of plant and equipment (Note 7)	40,809	-	40,809	27,119
Operating costs for affordable letting activities	9,552,722	29,162	9,581,884	9,552,306
Operating surplus/(loss) for affordable letting activities	2,889,247	24,088	2,913,335	2,664,366
Operating surplus or deficit for affordable letting activities for previous reporting period	2,685,256	(20,890)	2,664,366	

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 2021 £**	Operating (deficit) or surplus 2020 £
Wider role activities	-	87,507	-	-	**87,507**	-	(226,495)	**(138,988)**	**(130,980)**
Care and repair of property	71,363	-	-	104,924	**176,287**	-	(185,108)	**(8,821)**	**(21,748)**
Investment property activities	-	-	-	-	**-**	-	-	**-**	**-**
Factoring	-	-	-	53,317	**53,317**	-	(39,757)	**13,560**	**13,422**
Support activities	-	-	-	-	**-**	-	-	**-**	**-**
Care activities	-	-	-	-	**-**	-	-	**-**	**-**
Contracted out services undertaken for RSLs	-	-	-	388	**388**	-	(388)	**-**	**-**
Contracted out services undertaken for other organisations	-	-	-	-	**-**	-	-	**-**	**-**
Developments for sale to RSLs	-	-	-	-	**-**	-	-	**-**	**-**
Developments and improvements for sale to other organisations	-	-	-	-	**-**	-	-	**-**	**-**
Uncapitalised development administration costs	-	-	-	-	**-**	-	(56,959)	**(56,959)**	**(50,498)**
Other activities (includes £35k Gift Aid in 2021, (2020: £16k Gift Aid))	-	-	-	44,636	**44,636**	-	-	**44,636**	**21,283**
Total from other activities	71,363	87,507	-	203,265	**362,135**	-	(508,707)	**(146,572)**	**(168,521)**
Total from other activities for the previous period of account	58,925	53,892	-	159,653	**272,470**	-	(440,991)	**(168,521)**	

NOTES TO THE FINANCIAL STATEMENTS

5 ACCOMMODATION IN MANAGEMENT

The number of units in Management at 31 March was as follows:	2021	2020
General needs housing – units owned and managed	2,518	2,501
Supported housing – units, owned and managed	11	13
Total	2,529	2,514

6 OPERATING SURPLUS

	2021	2020
	£	£
The operating surplus is arrived at after charging/(crediting):		
Depreciation of housing properties (note 12b)	2,277,041	2,238,363
Depreciation of other tangible fixed assets (note 12c)	66,271	62,251
Amortisation of intangible fixed assets (Note 12a)	11,681	20,212
Operating lease rentals	23,204	39,428
Audit services - statutory audit of the Association	16,431	17,552

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

	2021	2020
	£	£
Disposal proceeds	-	-
Carrying value of fixed assets	(3,608)	-
Deficit on disposal of replaced components	(37,201)	(27,119)
	(40,809)	(27,119)

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:

	2021	2020
£60,001 to £70,000	1	1
£70,001 to £80,000	3	3
£100,001 to £110,000	1	-
£120,001 to £130,000	-	1

NOTES TO THE FINANCIAL STATEMENTS

8 KEY MANAGEMENT PERSONNEL (CONTINUED)

	2021	2020
	£	£
Aggregate emoluments for key management personnel (excluding pension contributions)	454,590	415,226
Aggregate pension contributions in relation to key management personnel	61,291	59,661
The emoluments of the Chief Executive (excluding pension contributions)	103,040	122,358
Total emoluments paid to key management personnel	562,491	513,946

None of the Board of Management received any emoluments during the year (2020: £Nil). During the year the Board of Management were reimbursed expenses of £47 (2020: £410).

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):

	2021	2020
Housing, support and care	16	17
Maintenance	11	11
Office and management/Administration	15	12
Development	1	1
	43	41

The actual average weekly number of persons employed by the Association was 44 (2020: 43).

Staff costs for the above persons:

	2021	2020
	£	£
Wages and salaries	1,790,946	1,659,905
Social security costs	181,302	166,273
Defined contribution (current service) pension costs	224,516	219,363
Defined benefit (past service) pension costs:-		
Scheme expenses	5,632	4,907
	2,202,396	2,050,448

NOTES TO THE FINANCIAL STATEMENTS

10a INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £	2020 £
Interest on bank deposits	28,004	69,627

10b INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £	2020 £
Interest arising on bank loans and overdrafts	852,840	914,294
Net interest expense on defined benefit pension liabilities	3,159	16,336
	855,999	930,630

11 FIXED ASSET INVESTMENTS

	2021 £	2020 £
Subsidiary company (Cost at 31 March 2021 and 31 March 2020)	1	1

The subsidiary company at 31 March 2021 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:

	2021 £	2020 £
Profit on ordinary activities after taxation	79,090	15,735
Net assets	231,565	187,476

NOTES TO THE FINANCIAL STATEMENTS

12a INTANGIBLE FIXED ASSETS

	Computer Software £
Cost	
At 1 April 2020	166,702
Additions	18,401
Disposals	(16,817)
At 31 March 2021	168,286
Depreciation	
At 1 April 2020	154,062
Charge in the year	11,681
Released on disposal	(16,598)
At 31 March 2021	149,145
Net book value	
At 31 March 2021	19,141
At 31 March 2020	12,640

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 2020	90,005,617	1,839,094	91,844,711
Additions – housing units	217,349	2,181,653	2,399,002
Additions – components	421,419	-	421,419
Schemes completed	1,939,380	(1,939,380)	-
Disposals – components	(117,939)	-	(117,939)
At 31 March 2021	92,465,826	2,081,367	94,547,193
Depreciation and impairment			
At 1 April 2020	26,461,307	-	26,461,307
Depreciation charged in year	2,277,041	-	2,277,041
Released on disposal	(80,738)	-	(80,738)
At 31 March 2021	28,657,610	-	28,657,610
Net book value			
At 31 March 2021	63,808,216	2,081,367	65,889,583
At 31 March 2020	63,544,310	1,839,094	65,383,404

Land comprises £8,971,730 of Social housing properties held for letting (2020: £8,894,892) and £255,380 of Housing properties in course of construction (2020: £305,440).

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 2021. 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

	2021 £	2020 £
Enhanced component spend capitalised	421,419	531,349
Amounts charged to income and expenditure	2,057,632	1,925,273
	2,479,051	2,456,622

12c TANGIBLE FIXED ASSETS –OTHER

	Freehold office £	Furniture, fixtures and fittings £	Computers and office equipment £	**Total** £
Cost				
At 1 April 2020	3,126,878	128,917	82,618	3,338,413
Additions	-	-	86,386	86,386
Disposals	-	(11,269)	(71,967)	(83,236)
At 31 March 2021	3,126,878	117,648	97,037	3,341,563
Depreciation				
At 1 April 2020	1,133,761	128,578	70,280	1,332,619
Charge in the year	55,453	214	10,604	66,271
Released on disposal	-	(11,269)	(68,578)	(79,847)
At 31 March 2021	1,189,214	117,523	12,306	1,319,043
Net book value				
At 31 March 2021	1,937,664	125	84,731	2,022,520
At 31 March 2020	1,993,117	339	12,338	2,005,794

NOTES TO THE FINANCIAL STATEMENTS

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

	2021 £	2020 £
Rent and service charges receivable	276,229	318,434
Less: provision for bad and doubtful debts	(174,641)	(196,060)
	101,588	122,374
Social housing grant receivable	51,697	76,198
Other debtors	76,362	87,956
Prepayments and accrued income	271,229	139,802
	500,876	426,330

14 CREDITORS: amounts falling due within one year

	2021 £	2020 £
Debt (note 16)	1,166,135	1,153,070
Trade creditors	833,052	1,034,008
Rent and service charges received in advance	397,467	327,402
Amounts owed to subsidiary undertaking	15,487	8,586
Deferred grant income (note 17)	625,960	602,631
Other taxation and social security	59,148	69,684
Other creditors	26,869	25,830
Accruals and deferred income	1,033,526	612,277
	4,157,644	3,833,488

15 CREDITORS: Amounts falling due after more than one year

	2021 £	2020 £
Debt (note 16)	27,010,500	28,174,015
Deferred capital grant (note 17)	25,584,180	26,108,692
	52,594,680	54,282,707

16 DEBT ANALYSIS – BORROWINGS

	2021 £	2020 £
Bank loan instalments due within one year (note 14)	1,166,135	1,153,070
Bank loan instalments due after more than one year (note 15)	27,010,500	28,174,015
	28,176,635	29,327,085

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

16 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 0.33% and 1.85% 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. £10.7million Business Term Loan had interest charged at the fixed rate of LIBOR + 0.375% on £0.7Million, with the remaining £10.0million at the fixed rate of 2.705%.

	£	Repayment date
Business Term Loan	2,105,004	28 June 2029
Business Term Loan	2,200,000	28 March 2034
Business Term Loan	440,001	28 June 2029
Business Term Loan	3,000,000	30 March 2034
Business Term Loan	3,716,500	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)	671,891	1 November 2046
Business Term Loan (Nationwide B.S)	10,043,240	1 November 2046
	28,176,636	

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

	2021 £	2020 £
Bank loans:		
Due less than 1 year	1,166,135	1,153,070
Due within 1 to 2 years	1,125,201	1,249,468
Due within 2 to 5 years	3,481,600	3,687,101
Due after five years or more	22,403,699	23,237,446
Bank loan instalments due after more than one year (note 15)	27,010,500	28,174,015
	28,176,635	29,327,085

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 several interest rate swaps in place which set a limit on the interest payable on £9.31million of the bank borrowings. The banks' valuation of the fair value of these loans is £2.28m (2020: £2.98m). The rate payable is fixed where applicable at rates between 3.47% and 5.99%. The average fixed rate of interest was 4.52% (2020: 4.52%). The loans are all currently at rates between 3.79% and 6.32% (2020: 3.79% and 6.32%). The terms of the agreements are as follows:

Loan Facility	Amount	SWAP Rate	Term
Facility –B-	£2,105,004	5.99%	20/01/2008 - 28/06/2022
Facility –A-	£3,000,000	3.63%	22/01/2014 - 22/01/2034
Facility –B-	£2,200,000	3.47%	22/01/2013 - 22/01/2033
Facility –C-	£2,000,000	3.81%	02/01/2015 – 02/01/2035

At 31 March 2021, the Association had undrawn loan facilities of £Nil (2020: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

17 DEFERRED CAPITAL GRANT INCOME

	2021	2020
	£	£
At 1 April	26,711,323	26,322,670
Grant received in the year – Retained developments	110,568	992,293
Released to income in the year	(611,751)	(603,640)
At 31 March	26,210,140	26,711,323

	2021	2020
	£	£
Amounts to be released within one year (note 14)	625,960	602,631
Amounts to be released in more than one year (note 15)	25,584,180	26,108,692
	26,210,140	26,711,323

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.

	2021	2020
	£	£
Grant (at cost)		
At 1 April	33,159,450	32,167,157
Received in year	110,568	992,293
At 31 March	33,270,018	33,159,450
Grant released to income (cumulative)		
At 1 April	(6,448,127)	(5,844,487)
Released in year	(611,751)	(603,640)
At 31 March	(7,059,878)	(6,448,127)
Grant Net Book Value	26,210,140	26,711,323

NOTES TO THE FINANCIAL STATEMENTS

18 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 the 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.

For financial years ending on or after 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.

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 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.

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.

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

	2021 £	2020 £
Fair value of plan assets	6,231,000	5,593,000
Present value of defined benefit obligation	6,783,000	5,791,000
Net defined benefit liability to be recognised	(552,000)	(198,000)

NOTES TO THE FINANCIAL STATEMENTS

18 RETIREMENT BENEFIT SCHEMES (CONTINUED)

Reconciliation of opening and closing balances of the fair value of the defined benefit obligation

	2021 £
Defined benefit obligation at start of period	5,791,000
Expenses	6,000
Interest expense	136,000
Actuarial (gains) due to scheme experience	(14,000)
Actuarial losses due to changes in financial assumptions	960,000
Benefits paid and expenses	(96,000)
Defined benefit obligation at end of period	6,783,000

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

	2021 £
Fair value of plan assets at start of period	5,593,000
Interest income	133,209
Experience on plan assets (excluding amounts within interest income) - gain	426,000
Employer contributions – including scheme expenses	174,791
Benefits paid and expenses	(96,000)
Fair value of plan assets at end of period	6,231,000

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £313,000.

Defined benefit costs recognised in Statement of Comprehensive Income

	2021 £
Expenses	5,632
Net interest expense	3,159
Defined benefit costs recognised in Statement of Comprehensive Income	8,791

Defined benefit costs recognised in Other Comprehensive Income

	2021 £
Experience on plan assets (excluding amounts within net interest cost) - gain	426,000
Experience gains and losses arising on the plan liabilities - gain	14,000
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)	(960,000)
Total amount recognised in other comprehensive income – (loss)	(520,000)

NOTES TO THE FINANCIAL STATEMENTS

18 RETIREMENT BENEFIT SCHEMES (CONTINUED)

Pension - defined benefit liability

	2021 £	2020 £
At 1 April	(198,000)	(779,000)
Net interest expense	(3,159)	(16,336)
Employer contributions -net of scheme expenses	169,159	163,336
Defined benefit (costs)/income recognised in other comprehensive income	(520,000)	434,000
At 31 March	(552,000)	(198,000)

Assets

	2021 £	2020 £
Global Equity	964,000	769,000
Absolute Return	307,000	343,000
Distressed Opportunities	213,000	102,000
Credit Relative Value	180,000	135,000
Alternative Risk Premia	250,000	448,000
Fund of Hedge Funds	-	-
Emerging Markets Debt	251,000	199,000
Risk Sharing	223,000	177,000
Insurance-Linked Securities	130,000	150,000
Property	112,000	104,000
Infrastructure	348,000	330,000
Private Debt	147,000	111,000
Opportunistic Illiquid Credit	159,000	136,000
High Yield	163,000	-
Opportunistic Credit	170,000	-
Cash	2,000	-
Corporate Bond Fund	470,000	409,000
Liquid Credit	108,000	147,000
Long Lease Property	145,000	137,000
Secured Income	342,000	310,000
Over 15 Year Gilts	3,000	71,000
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,498,000	1,473,000
Net Current Assets	46,000	42,000
Total assets	6,231,000	5,593,000

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.

NOTES TO THE FINANCIAL STATEMENTS

18 RETIREMENT BENEFIT SCHEMES (CONTINUED)

Key Assumptions

	2021 % per annum	2020 % per annum
Discount rate	2.18%	2.37%
Inflation (RPI)	3.27%	2.80%
Inflation (CPI)	2.87%	1.80%
Salary Growth	3.27%	2.80%
Allowance of commutation of pension for cash or retirement (as a % of maximum allowance)	75%	75%

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.5
Female retiring in 2021	23.4
Male retiring in 2041	22.8
Female retiring in 2041	25.0

19 CALLED UP SHARE CAPITAL

	2021 £	2020 £
Shares of £1 each Issued and Fully Paid		
At 1 April	99	95
Shares issued during the year	4	4
Shares cancelled during the year	(4)	-
At 31 March	99	99

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

20 CAPITAL COMMITMENTS

	2021 £	2020 £
Authorised and contracted for	4,289,313	4,998,779
Authorised not contracted for	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

21 RELATED PARTY TRANSACTIONS

One member of the Board of Management is also a tenant of the Association (2020: 1). Their tenancy is on normal commercial terms. During the year £5,550 (2020: £5,441) of rent was receivable from tenant members. At the year-end there was £109 (2020: £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 £282,701 of turnover this year (2020: £229,165), with a year-end net trade creditor balance of £15,487 (2020: £8,586). Almond Enterprises Limited made a Gift Aid payment of £35,000 during 2020/21 (2020: £16,441) to the Association, in accordance with the Association's policies and procedures. The Association recharged consultancy fees of £2,148 to Almond Enterprises (2020: £3,085).

22 LEASE OBLIGATIONS

The Association is committed to make the following payments during the year ending 31 March 2021 in relation to operating leases:

	Land & Buildings	
	2021	2020
	£	£
Within one year	1,669	1,669

	Plant & Machinery	
	2021	2020
	£	£
Within one year	18,387	23,583
Between two and five years	6,179	22,099
	24,566	45,682

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.

23 AVERAGE RENTS

	2021	2020
Average weekly rent for housing accommodation	£88.05	£86.17
Increase	2.2%	2.7%
Number of Unit at the end of the year:		
General needs social housing	2,518	2,501
Supported Social Housing Accommodation	11	13
	2,529	2,514

NOTES TO THE FINANCIAL STATEMENTS

24 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 2019 actuarial valuation of the Scheme. This contingent liability, crystallisation of which is considered remote due to the continued membership of the Scheme, was estimated at £4.5million. 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 17 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 2021 amounts to £7.1million.

25 CASH FLOW STATEMENT

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

	2021	2020
	£	£
Operating Surplus for the year	2,766,763	2,495,845
Adjustments for non-cash items:		
Amortisation of intangible fixed assets	11,681	20,212
Depreciation/impairment of tangible fixed assets	2,343,312	2,300,614
Government grants utilised in the year	(611,751)	(603,640)
Defined benefit pension schemes	(169,159)	(163,336)
(Increase)/Decrease in trade and other debtors	(42,645)	56,571
Increase/(Decrease) in trade and other creditors	357,857	162,003
Loss on disposal of plant and equipment	40,809	27,119
Net cash generated from operating activities	4,696,867	4,295,388

(b) ANALYSIS OF CHANGES IN NET DEBT

	As at 01/04/20	Cash Flow	Other Changes	As at 31/03/21
	£	£	£	£
Cash at bank and in hand	12,748,352	(195,055)	-	12,553,297
Debt due within one year	(1,153,070)	-	(13,065)	(1,166,135)
Debt due after one year	(28,174,015)	1,150,450	13,065	(27,010,500)
	(16,578,733)	955,395	-	(15,623,338)