

ALBYN HOUSING SOCIETY LIMITED

Report of the Committee of Management and Financial Statements

For the Year ended 31 March 2010

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Financial Services Authority	Industrial and Provident Society Act 1965 Registration number – 1776 R (S)
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registration number – 64
Office of Scottish Charities Register	Recognised as a Scottish Charity Registration number – SC027123

ALBYN HOUSING SOCIETY LIMITED

Report of the Committee of Management and Financial Statements

For the Year ended 31 March 2010

The Committee of Management presents its report and the audited financial statements for the year ended 31 March 2010.

Principal Activities

The principal activity of Albyn is the development, management and maintenance of housing in the Highlands of Scotland for people in housing need.

Albyn is registered with the Financial Services Authority as a Friendly Society, The Office of the Scottish Charities Regulator (OSCR) as a Scottish Charity and Scottish Housing Regulator as a Registered Social Landlord

The table below shows the property we own

Managed Property Numbers	2010	2009
Tenanted Property	2,397	2,222
Managed on behalf of others	26	48
Shared Ownership Properties	180	192
Total	2,603	2,462

Financial Review

Albyn made a surplus of £913,000 (2009 £1,070,000) during the year. The surplus was made by Albyn after investment in major repairs for its properties in Easter Ross and Nairn. The total expenditure for this year amounted to £1,605,000 (2009 - £705,000). This expenditure is written off in the year it is incurred and not capitalised.

Despite this expenditure Albyn is in a strong financial position with a large and diverse development programme. Albyn has invested its own cash surplus in the LIFT programme. This investment is currently in excess of £5m. Albyn continues to have a substantial major repair investment programme with work to comply with the Scottish Housing Quality Standards being next. We will continue to invest substantial funds over the next five years to meet our continuing commitment to reach the Scottish Housing Quality Standards where ever economically feasible. Cash surpluses will be made, subject to our planned major repair programme over the next few years.

Surplus for the year

The financial results of Albyn are as follows: -

Financial Results	2010	2009
	£000s	£000s
Surplus for the year	913	1,070
Transfer (to) designated reserves – major repairs	(850)	(1,000)
Transfer (to) designated reserves – furniture replacement	(9)	(1)
Retained Reserves	54	69

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Our Strategic Aims

Our Vision

Our vision is of everyone in the Highlands well housed within sustainable communities.

Our Mission

Our mission is to build, manage and maintain quality housing in the Highlands, and to support communities to thrive.

Our Strategic Objectives

The Society has as its Strategic Objectives:

- ♦ Addressing the shortage of affordable housing in the Highlands
- ♦ Maintaining a sustainable housing stock
- ♦ Achieving successful tenancies
- ♦ Supporting communities to thrive

The Society also has a wholly owned subsidiary, Albyn Enterprises Limited, whose objective is to undertake activities of a non charitable nature that will help Albyn to meet its objectives.

Business and Operational Review

Corporate Governance

Albyn has a Committee of Management who is elected by the members of the Society (as listed on page 14). It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Society. They also monitor the operational activities of the Society. The members of the Committee of Management undertake this work in a voluntary, unpaid capacity.

The Albyn Executive Team (as listed on page 15) is responsible for achieving the set strategy, undertaking the operational activities in line with the agreed policies.

Our governing body is our Committee of Management, which is responsible to the wider membership. The Committee of Management Members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work.

Planning for improvements in our governance arrangements has begun. We adopted updated "Rules" based on the SFHA Model Rules for Charitable Registered Social Landlords in August 2009. These rules have enabled Albyn to improve our Corporate Governance. We will continue to review our recruitment and selection, training, and monitoring of Committee Members.

The revised Regulatory Plan, issued in April 2010 by the Scottish Housing Regulator, defined their engagement with Albyn as Medium on the basis of their risk assessment. The plan identified Albyn's high level of new build development activity as a particular area of risk.

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This report details issues that have arisen during the year relating to the main activities undertaken by Albyn.

Corporate Issues

Our Corporate Services staff team objective is to support the Committee of Management and Executive Team to deliver the Society's Objectives. It also includes the Human Resources Management for Albyn.

Albyn are committed to involving staff in decision making and policy making. The Staff Consultative Forum (SCF) which is made up of both Committee Members and Staff enables employer and employee involvement in these decisions.

Albyn Enterprises Limited (AEL) is our wholly owned subsidiary. AEL successfully marketed LIFT shared equity properties on our behalf and Cairn Housing Association Limited selling 132 (2009 - 56) properties in the year. AEL made a donation to Albyn Housing Society Limited of £58,000 (2009 - £2,000).

During 2009/10 Albyn was involved in a series of discussions with other agencies on potential social enterprise ventures, primarily in Inverness. These discussions and more detailed planning will continue in 2010/11.

Customer Services Issues

Direct input from our customers has remained central to the development and delivery of our services.

We have continued to develop different aspects of our new Involving Customers in Service Delivery Strategy. A new working group has been set up including staff from different teams across the organisation and also tenants, who meet to review progress on the action plan on a regular basis. We also involve through a range of formal and informal consultation processes. These have included:

- meetings with registered resident groups
- focus groups with other tenants not normally part of organised groups
- discussions with staff teams
- policy consultation questionnaires and regular resident satisfaction surveys.

We also continue to consult with and involve residents in our communities in a variety of ways, provide high quality information to customers and support new resident groups. We have carried out formal and informal consultations on a number of issues during the year, including Policy consultations with all tenants on issues ranging from property maintenance policies, rent increases, allocations, managing anti social behaviour and information for tenants.

We have also successfully achieved accreditation for the National Information and Advice Standards as a Type 1 provider in 13 separate areas of housing law.

We carry out a rolling program of Customer Satisfaction Surveys of all tenants and home owners over a three year cycle. We are now in our third year. The key results from our 2010 survey are:

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- 93% of tenants are satisfied with the Society as their landlord
- 93% of residents think the quality of services we provide is good
- 80% of tenants think their rent is good value for money
- 85% of tenants are satisfied with our repairs service
- 93% of residents are satisfied with the overall design of their home
- 97% of residents think we are good at keeping them informed
- 90% of residents think we are good at taking account of their views
- 89% of residents think their neighbourhood is a good place to live

The independent research company, CA Market Research, who carry out our resident satisfaction surveys, have benchmarked us against other housing organisations in Scotland. Our results continue to be well above average in all areas.

We have continued our contract for Highland-wide Interpretation and Translation service for customers of Public Services (including Housing and Health). We update our website on an ongoing basis.

Development Issues

Despite continuing uncertainty about the progress about reform of the system of investing in affordable housing and downward pressure on the level of the Approved Housing Investment programme (AHIP) in the Highlands, 2009/10 has been one of the busiest for our Development team. We continue to work in partnership with The Highland Council and the Housing Investment Division of the Scottish Government towards meeting the objectives of the Council's Local Housing Strategy. This work is done against the strategic background of priorities agreed and reviewed at various development forums and programme meetings. We spent £20,215,000 (2009 - £21,898,000) during the year on new build and other development activity. £11,326,000 (2009 - £15,459,000) of this was principally funded by grants received from the Scottish Government (Housing Association Grant) and grants from The Highland Council (including support from their Landbank and Second Home Council Tax funds).

Albyn remains one of the leading providers of the Scottish Government's low cost ownership Shared Equity initiative called LIFT (Low Cost Initiatives for First Time Buyers). The scheme is aimed at first time buyers or those whose circumstances have changed. The scheme allows the purchaser to acquire title to the property and an equity share normally between 60% and 80%. The remaining equity share is funded by a grant from Scottish Government administered by us. Since April 2008, changes to the legal arrangements of the scheme mean that Scottish Ministers, rather than Albyn, are the equity holders.

A total of 91 shared equity sales were completed for Albyn using the services of Albyn Enterprises Limited for marketing and sales administration. Albyn Enterprises Ltd also marketed and sold 41 new build LIFT properties for Cairn Housing Association Ltd. In addition, Albyn Enterprises Ltd operates the Open Market Shared Equity Pilot (OMSEP) in the Highlands and Western Isles. In 2009/10 a total of 148 OMSEP passports were issued to prospective purchasers resulting in the purchase of 92 properties in the OMSEP programme.

LIFT Expenditure	2010	2009
	£000s	£000s
Expenditure on LIFT Properties	12,265	14,359
Grant received from Scottish Government	6,543	7,996

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2009/10 was characterised by a further significant slow-down in the wider construction sector and private sector development activity. This led to a concentration by Albyn on Section75 partnership projects with private sector developers and a resultant slowdown in the rate of development of Albyn's own landbank. At the same time the Committee of Management were able to consider the impact of the revised HAG model and elected to continue to develop new affordable rented units at the rate of 160 new unit approvals per year.

2009/10 saw the completion of 232 new units of housing across Albyn's area of operation. These were as far apart as Poolewe in the west and Glenmore in the south. The development programme included projects as small as 2 homes for rent to 30 homes of mixed tenure housing.

Development highlights of the year included the completion of 2 new homes for rent in the Glenmore which won Sustainable Smaller Social Housing Project of the Year at Inside Housing's Sustainable Housing Awards 2009 and a bronze award for sustainable design at the Roses Design Awards.

The handover of homes in Smithton Inverness in June 2009 saw completion of Albyn's partnership with the NHS and Highland Council, of the provision of new homes under the New Craigs Hospital Reprovisioning programme. July 2009 saw the completion of the first 4 homes purchased from the Highland Housing Alliance under the branding of New Energy Homes demonstrating the merits of off-site manufacturing and sustainable design. Completion was also achieved of additional phases of houses at Torridon and Shieldaig and continuing progress was made in the programme of utilising former school buildings and property by the handover of Tulloch School near Nethy Bridge purpose-designed for a family with special needs.

Housing Issues

Allocations

We continue to work on reducing the period of time taken to re-let or let new properties, to make sure that we maximise our effectiveness in housing people in need, and to reduce our costs.

The number of void properties (which includes both new and re-lets) let has increased by over 30% to 410 (2009 – 315) during the year.

The proportion of those let within 4 weeks or less fell slightly to 54% (all lets), due to an increase in the overall volume of work, and also as a backlog of longer term vacancies was cleared at the start of the year (2009 - 56%). Our average days to re-let existing properties remained at 57 days (reducing to 35 days when new lets also included, which were let within an average of 11 working days from completion). Our rent loss, due to empty homes reduced to 1.5% (£119,846) of our gross rental income (2009 - £118,000 - 1.73%).

Our overall void losses have improved over the whole year, and our team have worked hard to achieve this within static resources, given the significant increase in lets to be made relative to previous years. We are optimistic that with new procedures and monitoring systems being developed, and as the HHR settles into its third full year of operation, we will be able to sustain and continue to improve on this performance in the coming year.

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We continue to work in partnership with 5 other Highland housing associations and The Highland Council to operate a shared Highland Housing Register (HHR) with a shared allocations policy. Albyn managed 13% of all applicants to the register, and made 22% of all allocations made through the HHR policy across the Highlands, in over 20 separate lettings zones. This included 87 transfer applicants, and 225 applicants assessed as being in priority homeless need.

68 properties in Caithness (Wick and Bettyhill) remain low demand, and difficult to let. We have strong demand and competition for new tenancies in all other areas.

Rent Arrears

Over the last few years, our rent arrears performance has remained relatively stable, despite an unstable economic climate. We have had difficulty in making any substantial progress to reduce our debts. Our levels of overall debt are high relative to Scottish averages, though similar to comparable organisations working within the same area. Our proportion of tenants in receipt of housing benefit is relatively low compared to national averages. We know from our work with others on Financial Inclusion that the area has higher than average employment, with significantly higher than average levels of people in low paid, seasonal and multiple employment compared to national trends.

Our housing management team are now working with new Debt Prevention and Recovery Policy during the year, which places greater emphasis on earlier intervention and only escalating to issuing legal notices when we have a real intention of moving to court action. New initiatives have also been established with our own allocations team and housing support teams, and with the local housing benefit department, to minimise delays in processing claims for new tenants. Our staff have received housing benefit verification training, and make sure claims are completed at tenancy sign up.

Our overall debt increased at the year end as a result of the volume of new-build completions and new tenancies commencing within the last quarter, for which housing benefit claims were not fully processed before the year end. The overall collection rate has increased to 95.1 % (2009 – 93.6%) and our outstanding net current non-technical arrears at the year end fell to 4.8 % (2009 – 5.28%) of the total rent roll.

We have seen a substantial reduction in the number of notices and court proceedings being raised under our new procedures. This has been a change of culture for both staff and tenants alike, but it is hoped that with continued application and promotion, tenants will become aware that receiving notice means that we are ultimately considering eviction action and not just issuing an idle threat. Only 1 eviction was carried out during the year.

Tenancy Management

Whilst we work in increasing partnership with other local agencies to tackle anti-social behavior and to manage our estates, we also actively manage a caseload of between 60 and 90 complaints at any time. Our policy for managing anti-social behaviour complaints has been subject to extensive consultation and review with a new policy approved at the start of 2009. This has set a clear definition, prioritisation and timescales for managing complaints.

The number of tenancies created in the previous financial year that were still successfully in place increased to 90% during 2009/10 (2009 – 83%). We received 3 court orders for

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repossession (2009 – 19), carried-out 1 eviction (2009 – 11) and 13 properties were abandoned (2009-11).

Housing Support

Our Housing Plus Officer helps over 160 tenants a year offering support to manage multiple debts, mediates on low level neighbour complaints and acts as a source of specialist advice on housing and welfare benefits for both tenants and staff.

The Highland Rent Deposit Guarantee Scheme (managed on behalf of the Highland Housing and Community Care Trust for The Highland Council) has continued to grow and develop during its second full year of operation. By the end of the year, we had received 185 referrals to the scheme. We assisted 27 people (33 – 2009) to get access to tenancies in the private sector through the scheme, and had provided advice and information to assist 158 others (2009 – 130) with their housing options.

Our Support Workers provide short term housing support each year to 223 of the most vulnerable clients in the Inverness and Nairn areas to gain the skills they need to manage tenancies independently. Around half are our own tenants, the rest being in private sector or other social housing accommodation, including temporary homeless and bed and breakfast accommodation. The service is valued highly by clients, and received a Level 5 (Very Good) grading following a Care Commission inspection.

We have also carried out 110 adaptations at an average value of £1,991 each for existing tenants or their household members to meet their medical needs and allow them to sustain their tenancies within existing communities.

Community Engagement Issues

Albyn is committed to supporting groups and communities within our area of operation. We do this by supporting wider role bids for projects which help our tenants and the communities they live and work in. Also we work in partnership with agencies and communities throughout Highland to provide services that help create employment opportunities, regeneration work and community sustainability. Some of the projects that have been supported by us with "Wider Role Grants" are detailed below.

Calman Cafe - The project involves development by Calman Trust of a young people's training base in Inverness, incorporating a range of training workshops in which young people can develop appropriate skills and behaviours for the workplace and for community integration. The project will provide training within the challenging environment of 'real-life' work, via a commercial Cafe and mixed workspace. Funding of £96,000 over two years from the Scottish Government has been approved.

For The Right Reasons - To purchase recycling containers placed on prepared ground behind the charity's premises in which waste can be sorted and stored prior to collection by a recycling agency, plus purchasing a vehicle in which to collect waste materials to increase the through-put of recycling. The charity is looking to recruit and train volunteers for the local area who are currently unemployed and suffering from social exclusion. The Merkinch area is a deprived area and this project aims to tackle worklessness, build capacity and social skills and train people so that they are able to become effective members of the labour force. Funding of £5,000 has been allocated by the Scottish Government.

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New Start Bike Recycle Project – This Project will use recycled bikes as a medium to provide training and equip people to enter sustained employment. 6 week training courses and longer term placements, delivered by bike mechanic trainer/workers, will offer the opportunity to master skills in building and maintaining bikes whilst gaining real work experience, increased skills and an introduction to a social network. Through the utilisation of referral services with Albyn housing and other sources, New Start will continue to work with people at risk of social exclusion and provide structured opportunities, such as this bike project through which they can become more integrated within their community. Training in Job Search and personal development will be provided through sessions with a Progression Support Worker. Funding from the Scottish Government of £50,000 is being provided over two years.

Sportability Merkinch - The project will work with the local community from the Merkinch area of Inverness to build up a programme of sports and activities. The project will be called Sportability Merkinch. The aim of the project is to recruit volunteers to run and coach sessions within the project. These volunteers will be recruited from Merkinch. Merkinch is a socio-economically deprived area of Inverness and is the only area of Inverness that qualifies for Fairer Scotland Funding. These volunteers will themselves undertake training and qualifications where appropriate. This will encourage young people to participate in activities and training who would not otherwise do so. Merkinch is a disadvantaged area and many young people can't afford to join clubs outwith the Merkinch area. Funding of £22,000 was approved by the Scottish Government.

Merkinch Employment Training - Merkinch Enterprises provides training skills through a dedicated Information Technology (IT) section directed towards the unemployed within the Merkinch area. Training has shown to increase the skills of the clients in this area when combined with appropriate soft skills developed during the training period. This has led not only to an increase in their employability status but has also improved their confidence through working towards greater social inclusion. The application is specifically for necessary ICT equipment in their "*Community Unemployed Training Centre*". This will enable the training to continue. The current equipment has reached the end of its life and will be recycled locally. This will also enable the organisation to upgrade the older publicly accessible equipment used by members of the local community through their "*ICT Access for All*" policy. Funding of £9,000 has been allocated to this by the Scottish Government.

Pulteneytown Regeneration Centre - A regeneration centre built in Wick to meet the following needs:-

Social Economy Space: - where people can learn new skills and undertake training
Crèche, Child Unit and Soft Play Centre – key groups include breakfast club and after school club, childcare for college students, children of people attending sport and healthy eating classes, children of people attending appointments, e.g. health, legal, etc

Youth Services Facility – aimed at residents of Wick High School catchment area aged 12-18

Lifelong Learning – providing courses and training for everyone in the area.

Funding of £210,000 has been obtained via the Scottish Government.

Live, Learn, Work - Working with Pulteneytown Peoples Project, this project is to provide a 'stepping stone' that will help the severely disadvantaged with the transition from home to having their own tenancy. Many of these young people do not have basic 'gate keeping' skills and most do not have a routine because of their chaotic lifestyle. We want to bridge this gap

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and help them through this transition. Young people would be targeted coming out of care or other institutions. These young adults will be given a short assured tenancy of a furnished house. Benefits will be applied for. They will also sign an agreement to attend daily training sessions. Funding of £36,000 has been allocated by the Scottish Government.

Wick Afterschool Tuition - This project is being set up to ensure that children from deprived areas get access to specialized tutors and equipment after school to ensure they have the best chance possible of securing the maximum number and level of qualifications possible. It is a 'one off' one week course being run at Wick Academy over the Easter break dedicated at tutoring pupils for their Highers. The course will provide the time, space and tutors required for the pupils in an area where private tuition would not normally be an option because of the cost involved. Funding of £5,000 is in place via the Scottish Government.

Working Rite - To set up a work experience/mentoring project in Caithness and Sutherland focusing on 16 – 18 year olds who are turned off by the education system and want mainly to access construction and manual trades. Funding of £30,000 has been approved by the Scottish Government.

Caithness Maintenance Scheme - Start a small social enterprise company targeting young disadvantaged people giving them 'hands-on' skills and allowing them to develop in a supported placement. The Enterprise company will employ a maintenance/tutor person to assist the young people build up their skills and learn new skills, thus maximising their opportunities. The service will be provided throughout Caithness and will include grass cutting, ground maintenance, washing windows, power washing and cleaning stairwells. Funding of £57,000 is allocated by the Scottish Government.

In addition to this, we have been working towards establishing a community needs assessment framework that can be used by communities to enable them to establish which priorities to take forward in their areas. We have also been working, as a partner of the Financial Inclusion Steering Group to commission a feasibility study into the provision of affordable credit in Highland.

Property Maintenance

Financial year 2009/10 saw continued success of the Major Repairs Programme. Tenants in Invergordon and Tain had new bathrooms installed as part of a £3.1million contract which completed in July 2009. Attention then turned towards replacement of 525 external doors in Invergordon to meet the Scottish Housing Quality Standards (SHQS). This project was successfully completed within budget and on time in February 2010. A partnership approach was once more adopted to help ensure that the objectives of this Major Repairs project were met. Also, the cyclical programme of external redecoration was successfully completed.

Despite the prolonged period of adverse weather in the winter months, tenant satisfaction levels for both Responsive Repairs and Major Repairs again achieved or exceeded the target of 95%.

Improving the Energy Performance of our housing stock has increasingly become a priority for the Property Maintenance Service. Therefore we arranged for five members of staff to be trained in Domestic Energy Assessment. All five successfully achieved Accreditation status in June 2009 and we now produce Energy Performance Certificates in-house at change of tenancy. The use of hand-held computers also allowed our Maintenance Officers to

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undertake a total of 353 stock condition surveys within the year. The information gathered will help us plan Major Repairs works in future years.

Finance and IT Issues

Albyn had two funding packages approved in previous years not yet drawn down in full. These are a £5 million facility to be drawn down on a revolving basis with the Royal Bank of Scotland when required, together with a £10 million facility to be drawn down over the next three years with the DBS Bank (formerly the Dunfermline Building Society) for completed rented property. These loans have been drawn down to fund the development programme.

During the year, Albyn agreed a funding package with Santander Bank for £8m to be drawn down over a fifteen month period.

Also during the year we entered into a series of arrangements with two of our funders to fix the rate of interest for some of our loan portfolio which will safeguard the Society against interest rate increases in the short and medium term. The society has approximately £20m (50% of its borrowings) fixed in this way.

Developing Best Practice

Policy reviews have been completed for: Allocations, Managing Anti Social Behaviour, Property Maintenance, Decoration Allowances and Alterations and Improvements by Tenants

We have also continued to benchmark our performance to monitor our progress more effectively year-on-year and against our peers. We continue to subscribe to The Housing Manual, an on-line service available from the Chartered Institute of Housing, to make sure we have access to most up to date guidance on legislation, regulatory requirements and best practice models when updating and reviewing our practices.

A second group of staff from across the organisation have now achieved a Level 2 certificate in Housing through the Chartered Institute of Housing.

We have undertaken a number of internal audits. We have also had successful visits from external auditors and regulators. We received a Very Good grade 5 from the Care Commission for our housing support activities. We have also successfully achieved accreditation under the National Information and Advice Standards as a Type 1 provider in 13 areas of housing law

Other Issues

Management Structure

The Committee of Management has overall responsibility for the Society and there is a formal schedule of matters specifically reserved for decision by the Committee.

Internal Financial Control

The Committee of Management is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of Albyn and the risks to which it is exposed. By their very nature they can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the

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Committee of Management has established with a view to providing effective internal financial control are outlined on pages 16 and 17.

Risk Management Policy

The Committee of Management has a formal risk management process to assess business risks and implement risk management strategies. This involved identifying the types of risks Albyn faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee of Management has reviewed the adequacy of Albyn's current internal controls.

The Committee of Management has set policies on internal controls which cover the following:-

- consideration of the type of risks Albyn faces
- the level of risks which they regard as acceptable
- the likelihood of the risks concerned materialising
- Albyn's ability to reduce the incidence and impact on the business of risks that do materials
- and the costs of operating particular controls relative to the benefit obtained
- clarified the responsibility of management to implement the trustees' policies and identify and to evaluate risks for their consideration
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives
- embedded the control system in the charity's operations so that it becomes part of the culture of Albyn
- developed systems to respond quickly to evolving risks arising from factors within the charity and to changes in the external environment
- included procedures for reporting failings immediately to appropriate levels of management and the Committee of Management together with details of corrective action being undertaken.

Credit Payment Policy

Albyn's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is within thirty days.

Rental Income

Albyn's Rent Policy is 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 of properties. The rent charged is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the Housing Association Sector.

Property Maintenance Policies

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

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In addition, Albyn has a long term programme of major repairs to cover for work which has become necessary since the original development was completed, including works required for subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The costs of these repairs are charged to the Income and Expenditure Account, unless it is agreed they be capitalised within the terms outlined in the Statement of Recommended Practice for Registered Social Landlords.

Budgetary Process

Each year the Committee of Management approves the annual budget and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of Management of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Treasury Management

Albyn has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way Albyn manages its borrowing arrangements to ensure that it is always in a position to meet financial obligations as they fall due, whilst minimising excess cash and liquid resources held. During the year, Albyn agreed a funding package with Santander Bank for £8m to be drawn down over a fifteen month period.

Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2010, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Chief Executive.

Sales of Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs, first tranche sales, and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements

Employee Involvement and Health and Safety

Albyn encourages employee involvement in all major initiatives and maintaining Health & Safety standards in all areas.

Disabled Employees

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Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with Albyn may continue. It is the policy of Albyn that training, career development and promotion opportunities should be available to all employees.

Home Ownership

We sold nil (2009 – 2) properties under right to buy and 12 (2009 – 13) sharing-owners have bought their homes outright in the year, thereby enabling some sharing-owners to achieve their aspiration of becoming outright home owners.

Future Developments

Albyn will continue with its policy of improving the quality of housing and housing services within its area of activity working with its existing and new partners.

Committee of Management

The Committee of Management of Albyn during the year to 31 March 2010 was as follows:

		Sub-Committees
Mrs I M MacRae	Chair Person	SCF, Complaints, Job Evaluation
Mrs I McLaughlan	Vice-Chair Person	Disciplinary Hearings, Complaints
Mr G Kelman	Secretary	Audit, SCF, Job Evaluation, H&S
Mrs M Cairney		Disciplinary, Complaints
Miss C J Cameron		Complaints, Job Evaluation
Mr N Campbell		SCF, Disciplinary, Job Evaluation
Mr J A Convery		Audit, Disciplinary Hearings
Mr W M Milne	Resigned 26 March 2009	Disciplinary, Complaints, H&S
Mr J W Oag		Audit, SCF, Complaints, Job Evaluation
Mr W Shand	Resigned 18 August 2009	
Mrs S Slimon	Appointed 28 September 2009	Audit, Disciplinary, Complaints
Ms M Smith		Disciplinary, Complaints, H&S
Mr B Summerfield		Audit, Complaints, Job Evaluation, H&S

Sub-Committees

Audit Sub-Committee	Staff Consultative Forum (SCF)
Disciplinary Hearings Sub-Committee	Complaints Sub-Committee
Job Evaluation	Health & Safety Sub-Committee (H&S)

Each member of the Committee of Management holds one fully paid share of £1.00 in Albyn. The executive officers of Albyn hold no interest in Albyn's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Committee.

Committee and Officers' Insurance

Albyn has purchased and maintains insurance to cover its Committee and officers against liabilities in relation to their duties on behalf of Albyn, as authorised by the Society's rules.

ALBYN HOUSING SOCIETY LIMITED

**Report of the Committee of Management
and Financial Statements**

For the Year ended 31 March 2010

Directors

The Directors of Albyn during the year to 31 March 2010 were as follows:

Mr Calum Macaulay	Chief Executive
Mr Robin Nairn	Finance & IT Director & Deputy Chief Executive
Ms Helen Barton	Housing & Communities Director
Mr John Clarke	Property Maintenance Director
Mr Donald Lockhart	Development Director

Information for Auditors

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Committee of Management

George Kelman
Secretary
29 June 2010



98 - 100 High Street
INVERGORDON
IV18 0DL

ALBYN HOUSING SOCIETY LIMITED

**STATEMENT OF COMMITTEE OF
MANAGEMENT RESPONSIBILITIES**

31 MARCH 2010

Statute requires the Committee of Management to prepare financial statements for each financial year which give a true and fair view of the affairs of Albyn and of the surplus or deficit for that period. In preparing those financial statements, the Committee of Management are required to fulfil the following obligations:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- 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 Albyn will continue in business.

The Committee of Management confirm that the financial statements comply with the requirements.

The Committee of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Albyn and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of Albyn and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Committee of Management

George Kelman
Secretary
29 June 2010



ALBYN HOUSING SOCIETY LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

31 MARCH 2010

The Committee of Management acknowledges its ultimate responsibility for ensuring that Albyn has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:-

- The reliability of financial information used within Albyn or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets (against unauthorised use or disposition).

It is the Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material mis-statement or loss. Key elements include ensuring that:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of Albyn's assets.
- Experienced and suitably qualified staff take responsibility for important business functions.
- Forecasts and budgets are prepared regularly which allow the Committee and staff to monitor the key business risks and financial objectives and progress towards the financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variance from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Committee reviews reports from management and from both internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Committee of Management has reviewed the system of internal financial control in Albyn during the year ended 31 March 2010. No weaknesses were found in internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Committee of Management

George Kelman
Secretary
29 June 2010



ALBYN HOUSING SOCIETY LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

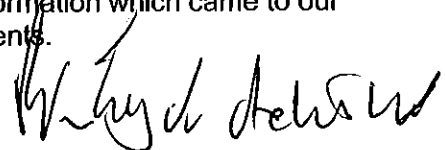
In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on page 17 concerning Albyn's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the Bulletin 2006 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of Albyn's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non compliance.

Opinion

In our opinion the statement on internal financial control on page 17 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow
29 June 2010

**ALBYN HOUSING SOCIETY LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
ALBYN HOUSING SOCIETY LIMITED**

We have audited the financial statements on pages 21 to 42, which have been prepared under the accounting policies set out on pages 24 to 27.

This report is made solely to Albyn's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to Albyn'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 responsibility to anyone other than Albyn and Albyn's members as a body, for our audit work, for this report or for the opinion we have formed.

Respective responsibilities of Committee of Management and auditors

The Committee of Management's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Management Committee's Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

Basis of opinion

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

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

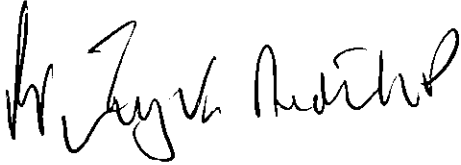
Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Society that it would be of no real value to the members of the Society to consolidate or include the accounts of the Society's subsidiary, in the group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2010, because of the insignificant amounts involved

**ALBYN HOUSING SOCIETY LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
ALBYN HOUSING SOCIETY LIMITED**

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of Albyn's affairs as at 31 March 2010 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.



Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow
29 June 2010

ALBYN HOUSING SOCIETY LIMITED

Income and Expenditure Account

For the Year ended 31 March 2010

	Notes	2010 £000's	2009 £000's
Turnover	2	19,961	15,482
Operating Costs	2	(18,614)	(13,223)
Operating Surplus	6	<u>1,347</u>	<u>2,259</u>
Sale of fixed assets	5	420	430
Interest receivable	8	1	54
Interest payable and other charges	9	(913)	(1,675)
Surplus on ordinary activities		<u>855</u>	<u>1,068</u>
Donations		58	2
Surplus on ordinary activities before tax		<u>913</u>	<u>1,070</u>
Taxation on surplus on ordinary activities	10	0	0
Surplus for the year		<u><u>913</u></u>	<u><u>1,070</u></u>

The results relate to continuing activities.

The Society has no recognised gains or losses other than those included in the surplus above, and therefore no separate statement of total recognised gains and losses has been presented.

ALBYN HOUSING SOCIETY LIMITED

Balance Sheet

As at 31 March 2010

	Notes	2010 £000's	2009 £000's
Tangible fixed assets	11		
Housing properties - gross cost less depreciation		170,248	150,284
less Housing Association Grant		(117,000)	(105,917)
less Other Grants		(7,838)	(7,432)
		<u>45,410</u>	<u>36,935</u>
Investments			
Homestake Loan	12	3,868	3,868
Homestake Grant	12	(3,868)	(3,868)
		0	0
Other fixed assets	13	2,104	2,159
		<u>47,514</u>	<u>39,094</u>
Current assets			
Stock - LIFT Properties in Development	14	5,722	6,363
Debtors	15	3,038	5,139
Bank and Cash in hand		1,701	22
		<u>10,461</u>	<u>11,524</u>
Current liabilities			
Creditors due within one year	16	(6,235)	(9,492)
Provisions	17	(250)	0
		<u>(6,485)</u>	<u>(9,492)</u>
Net current assets		3,976	2,032
Total assets less current liabilities		<u>51,490</u>	<u>41,126</u>
Creditors:	18	(41,199)	(31,748)
amounts falling due after more than one year			
Net assets		<u>10,291</u>	<u>9,378</u>
Capital and reserves			
Share capital	19	1	1
Designated reserves - major repairs	20	9,560	8,710
Designated reserves - furniture replacement	20	225	216
Revenue reserves	20	505	451
		<u>10,291</u>	<u>9,378</u>

These financial statements were approved and authorised for issue by the Committee of Management on 29 June 2010

Ella MacRae - Chair

E. M. MacRae

Isabell McLaughlan - Vice Chair

I. McLaughlan

George Kelman - Secretary

G. Kelman

ALBYN HOUSING SOCIETY LIMITED

Cash Flow Statement

For the Year ended 31 March 2010

	2010		2009	
	£000's	£000's	£000's	£000's
Operating Surplus		1,347		2,259
Depreciation	629		563	
Movement in stock	399		(3,325)	
Movement in debtors	(234)		400	
Movement in creditors	2,555		(888)	
Movement in provisions	<u>(250)</u>		<u>0</u>	
		<u>3,099</u>		<u>(3,250)</u>
Net cash inflows from operating activities		4,446		(991)
Donations received	58		1	
Interest received	1		54	
Interest paid	<u>(913)</u>		<u>(1,675)</u>	
		<u>(854)</u>		<u>(1,620)</u>
Net cash inflows from returns on investments and servicing of finance		3,592		(2,611)
Taxation		<u>0</u>		<u>0</u>
		3,592		(2,611)
Investing activities				
Development of own property	20,920		21,536	
Less Grants on own property	(12,289)		(14,831)	
Less Initial Tranches	<u>0</u>		<u>0</u>	
	8,631		6,705	
Disposal of property	<u>(532)</u>		<u>(601)</u>	
	8,099		6,104	
Acquisition of other fixed assets	30		38	
Grants on Offices	0		0	
Disposal of other fixed assets	<u>0</u>		<u>0</u>	
Net cash (outflows) from investing activities		<u>(8,129)</u>		<u>(6,142)</u>
Net cash (outflows) before financing		(4,537)		(8,753)
Financing				
Loans received for housing		10,671		6,093
Loans repaid		(3,213)		(330)
Movement in cash		<u>2,921</u>		<u>(2,990)</u>

Note 21 should be read in conjunction with this statement

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

1 Principal Accounting Policies

Albyn is registered under the Industrial and Provident Societies Act 1965 with the Financial Services Authority and with Communities Scotland as a Registered Social Landlord. Albyn adopted Charitable Rules on 18 March 1997 and its Charity Number is SC 027123.

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom including the Statement of Recommended Practice (SORP) and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the accounting policies which have been applied consistently is stated below.

a Basis of Accounting

The Financial Statements are prepared on the historical cost basis of accounting.

b Consolidation

Albyn and its subsidiary (Albyn Enterprises Limited) comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts represent the results of Albyn Housing Society Limited and not of the group.

c Turnover

Turnover represents rental and service charge income, fees and revenue based grants receivable.

d Mortgages

Mortgage loans are advanced by private lenders under the terms of individual mortgage deeds in respect of each property. Advances are available only in respect of those developments that have been given approval for Housing Association Grant.

e Tangible Fixed Assets - Housing properties [Note 11]

Housing properties are stated at cost. The development costs of housing properties include the following:

- i] Cost of acquiring land and buildings
- ii] Development expenditure
- iii] Interest charged on the mortgage loans raised to finance the scheme to the date of completion

Expenditure on schemes that are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

f Housing Association Grants (HAG)

HAG is receivable from the grant awarding body and are utilised to reduce the capital costs of housing properties. Grants received in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate. Where following the sale of a property, HAG becomes repayable subject to abatement; it is included as a current liability until repaid. HAG is subordinated in respect of loans on agreement with grant awarding body.

g Other Grants

These include grants from local authorities and other organisations. The capital costs of housing properties are stated net of grant receivable on these properties. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

h Depreciation

i) Housing Properties

Housing properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic lives of the properties, estimated at 75 years. No depreciation is charged on land.

ii) Other Fixed Assets

Depreciation of other fixed assets is charged by equal annual instalments commencing with the year of acquisition at rates estimated to write off their cost or valuation less residual value over the expected useful lives, which are as follows:

Buildings - for own occupation	2%
Computer Equipment	25%
Equipment	15%

i Impairment of Fixed Assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets would be recognised in the income and expenditure account.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

j Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income or
- 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 income and expenditure account.

k Low Cost Initiatives for First Time Buyers (LIFT)

LIFT transactions are grants received from grant making body and passed on to an eligible beneficiary. Grant making body has a benefit of a fixed charge on the property entitling grant making body to a share of the proceeds on the sale of the property by the beneficiary. These are classified as investments and are carried at historical cost with the linked finance cost (the grant received) being deducted from the gross amount of the LIFT asset.

l Properties for Sale

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

m Properties for Outright Sale

Completed properties for outright sale (mainly LIFT Properties) and work in progress are valued at the lower of cost and net realisable value. Cost comprises the cost of land, development and interest. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.

n Designated reserves (note 20)

Major Repairs Reserve

Albyn maintains its housing properties in a state of repair, which at least maintains their residual value at prices prevailing at the time of acquisition and construction. Provision is made for such future repair expenditure and the actual cost of repairs is charged to the reserve.

Furniture Replacement Reserve

Albyn has furnished properties. Included within the monthly charge for these properties is an element relating to the replacement of furniture. The income arising in the year has been set aside in a designated reserve to meet the costs of future furniture replacement.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

o Sales of Housing Accommodation

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grant removed from the financial statements.

p Leases and Hire Purchase Contracts

Rentals paid under operating leases are charged to income as incurred.

q Taxation

Albyn is a registered charity and therefore is not liable to tax on its charitable activities.

r Value Added Tax

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

s Pension Schemes

The Society participates in the centralised SFHA defined benefit pension scheme. Retirement benefits for employees of Albyn are funded by contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The expected cost to Albyn Housing Society Limited of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

2 Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover £000s	Operating Costs £000s	2010 £000s	2009 £000s
Social Lettings Activities	7,900	(6,147)	1,753	2285
Other Activities	12,061	(12,467)	(406)	(26)
Total	19,961	(18,614)	1,347	2259
2009	15,482	(13,223)	2,259	

3 Particulars of Turnover, Operating Costs and Operating Surplus from Social Letting Activities

	General Needs Housing £000s	Shared Ownership Housing £000s	2010 £000s	2009 £000s
Income				
Rent Receivable Net of Service Charges	7,426	322	7,748	7,033
Service Charges	249	18	267	242
Gross Income from Rents and Service Charges	7,675	340	8,015	7,275
Less Voids	(115)	0	(115)	(118)
Total Turnover from Social Letting Activities	7,560	340	7,900	7,157
Expenditure				
Management and Maintenance Administration Costs	2,281	157	2,438	2377
Service Costs	249	18	267	223
Planned and Cyclical Maintenance including Major Repairs Costs	1,605	0	1,605	705
Reactive Maintenance Costs	1,212	0	1,212	1032
Bad Debts - Rents and Service Charges	64	0	64	63
Depreciation of Social Housing	545	16	561	472
Operating Costs for Social Letting Activities	5,956	191	6,147	4,872
Operating Surplus for Social Lettings	1,604	149	1,753	2,285
2009	2,146	139	2,285	

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

4 Particulars of Turnover, Operating Costs and Operating Surplus from Other Activities

	Supporting People Activities £000s	Wider Role Activities £000s	Development Activities £000s	Properties for Sale £000s	Other activities £000s	2010 £000s	2009 £000s
Grants from Scottish Ministers	0	329	0	0	0	329	145
Supporting People Income	277	0	0	0	0	277	269
Other Income	0	0	629	10,786	40	11,455	7,911
Total Income	277	329	629	10,786	40	12,061	8,325
Other Operating Costs	(391)	(336)	(914)	(10,786)	(40)	(12,467)	(8,351)
Operating Surplus/ (Deficit)	(114)	(7)	(285)	0	0	(406)	(26)
2009	(135)	0	109	0	0	(26)	

The Accounting Order includes additional information lines to that shown in notes 3 and 4 above. The Committee of Management do not feel that any additional information is required with regard to these notes.

5 Sale of Housing Properties

Sale proceeds	829	960
Cost of sales	(409)	(530)
Gain on disposal	420	430

6 Operating surplus

Operating surplus is stated after charging

Staff costs [see note 7]	2,321	2,160
Auditors' remuneration	14	14
Depreciation on heritable property	544	474
Depreciation on other fixed assets	85	89

Baker Tilly received £nil (2009 - £605) for professional services other than audit.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

7 Directors and employees	2010	2009
	£000's	£000's
[a] Staff costs including Directors' emoluments		
Wages	1,914	1,776
Social security	152	151
Other pension costs	255	233
	<u>2,321</u>	<u>2,160</u>
Temporary, seconded and agency staff costs	226	262
	<u>2,547</u>	<u>2,422</u>
	No	No
Average full time equivalent number employed	<u>62</u>	<u>58</u>
[b] Directors' emoluments		
The Directors are defined as the members of the Committee of Management, the Chief Executive and any other person reporting directly to the Chief Executive or the Committee of Management whose total emoluments excluding pension contributions exceed £60,000 per year		
	£	£
Aggregate Emoluments payable to Directors (excluding pension contributions and benefits in kind)	<u>241,758</u>	<u>182,364</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>74,046</u>	<u>73,668</u>
Albyn's contribution to the pension scheme for this director is £10,377 (2009 - £10,376)		
Other Directors excluding pension contributions	Salary Bands	No
	60,001 70,000	3 2
No member of the Committee of Management received any emoluments in respect of their services to the Society. Expenses paid to Committee Members totaled £ 5,412 (2009 - £7,427).		

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

	2010 £000's	2009 £000's
8 Interest receivable and other income		
Interest receivable from banks	<u>1</u>	<u>54</u>
9 Interest payable and other charges		
Banks and Building Society loans	913	1,675
Interest Capitalised as part of Development Costs	94	1
	<u>1,007</u>	<u>1,676</u>

10 Corporation Tax

Albyn was recognized as a Charity on 18 March 1997. Albyn does not undertake any activities outwith those associated with its charitable activities. Albyn has no liability to Corporation Tax.

Notes to the Financial Statements

31 March 2010

11 Fixed Assets - Heritable Property

	Housing Properties			Total £000's
	Rented Occupation £000's	Shared Ownership £000's	Under Construction £000's	
Cost				
31 March 2009	122,577	6,399	24,256	153,232
Additions	0	0	20,215	20,215
Transfers	29,449	195	(28,971)	673
Disposals	0	(389)	0	(389)
31 March 2010	152,026	6,205	15,500	173,731
Depreciation				
31 March 2009	2,792	156	0	2,948
Charge for year	528	16	0	544
Disposals	0	(9)	0	(9)
31 March 2010	3,320	163	0	3,483
Housing Association Grant				
31 March 2009	81,417	4,838	19,662	105,917
Additions	0	17	10,975	10,992
Transfers	19,060	(19)	(18,682)	359
Disposals		(268)	0	(268)
31 March 2010	100,477	4,568	11,955	117,000
Other Grants				
31 March 2009	6,754	19	659	7,432
Additions	18	0	316	334
Transfers	1,009	2	(939)	72
Disposals	0		0	0
31 March 2010	7,781	21	36	7,838
Net Book Value				
31 March 2010	40,448	1,453	3,509	45,410
31 March 2009	31,614	1,386	3,935	36,935

No properties are held under lease.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

11 Fixed Assets - Heritable Property (continued)	2010 £000's	2009 £000's
Total cost of development administration	629	800
Development income from third parties	0	(4)
Development administration capitalised	<u>(914)</u>	<u>(905)</u>
Deficit/(surplus) on development administration	<u>(285)</u>	<u>(109)</u>
HAG received against this expenditure	<u>(914)</u>	<u>(905)</u>
Interest capitalised	<u>94</u>	<u>1</u>

As at 1 April 2010, valuations were obtained from external valuers DTZ Pieda Consulting on the basis of Existing Use Value - Social Housing (EUV - SH). This valuation was undertaken in accordance with the RIC Statement of Assets Practice and Guidance Notes. In determining the valuation, the valuers made use of discounted cash flow methodology and key assumptions were made concerning the level of future rents, the rate of turnover of existing tenants, the level of further right to buy and shared ownership equity sales and the discount rate. The assumed discount rate was 6.5%. These valuations have been undertaken on a consistent basis to that undertaken previously. Properties developed since April 2010 have not been included in the valuation.

The valuation has not been incorporated in the financial statements.

Albyn would not be able to sell its properties at these values without repaying HAG from the proceeds of the sale. At 31 March 2010 total HAG received in respect of these properties amounted to £ 105 million.

The amount of the valuation	Valuation £000's	Net Book Value £000's	Uplift of Value £000's
EUV - SH	<u>61,572</u>	<u>41,901</u>	<u>19,671</u>

Major component repairs are not capitalised but are written off in the year they are incurred.

12 Investments	2010 £000's	2009 £000's
Homestake Loans made to the Homestaker	3,868	3,868
Homestake Grants	<u>(3,868)</u>	<u>(3,868)</u>
	<u>0</u>	<u>0</u>

These amounts represent the amount granted to the Homestake owner and the corresponding grant Albyn has received from Communities Scotland and Highland Council. Albyn is responsible for the administration of these grants.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

13 Fixed Assets

Other Fixed Assets

	Office £000's	Equipment £000's	Total £000's
Cost			
31 March 2009	2,292	437	2,729
Additions	0	30	30
Disposals	0	0	0
31 March 2010	<u>2,292</u>	<u>467</u>	<u>2,759</u>
Grant			
31 March 2009	75	0	75
Additions	0	0	0
Disposals	0	0	0
31 March 2010	<u>75</u>	<u>0</u>	<u>75</u>
Depreciation			
31 March 2009	158	337	495
Charge	43	42	85
Disposals	0	0	0
31 March 2010	<u>201</u>	<u>379</u>	<u>580</u>
Net Book Value			
31 March 2010	<u>2,016</u>	<u>88</u>	<u>2,104</u>
31 March 2009	<u>2,059</u>	<u>100</u>	<u>2,159</u>

14 Stock - LIFT Properties in Development

	2010 £000's	2009 £000's
Cost of developing properties	12,265	14,359
Grant received to develop properties	(6,543)	(7,996)
	<u>5,722</u>	<u>6,363</u>

15 Debtors

Rent in Arrears	880	733
less Bad debt provision	(220)	(159)
	660	574
Other debtors	2,146	4,342
Prepayments and accrued income	232	223
	<u>3,038</u>	<u>5,139</u>

Included in other debtors is an amount of £ 1,805,000 (2009 - £4,105,000) relating to payments due from Scottish Government. £ 1,805,000 (2009 - £4,105,000) relates to capital and £ nil (2009 - £ nil) to revenue activities.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

16 Creditors due within one year	2010 £000's	2009 £000's
Bank Overdraft	0	1,242
Loans [see note 18]	1,555	3,548
Trade creditors	1,933	2,088
Other taxation and social security	59	55
Other creditors	2,243	2,116
Accruals and deferred income	445	443
	<u>6,235</u>	<u>9,492</u>

Included in other creditors is an amount of £ 1,190,000 (2009 - £1,788,000) relating to payments due to Scottish Government. £ 1,190,000 (2009 - £1,788,000) relates to capital and £ nil (2009 - £ nil) to revenue activities.

17 Provisions	2010	2009
31 March 2009	0	0
Increase in Provision	250	0
31 March 2010	<u>250</u>	<u>0</u>

18 Creditors:

Amounts falling due after more than one year

The loans are secured by specific charges on Albyn's properties and the capital installments are repayable over periods as indicated at varying rates of interest ranging from 0% to 5.2% (2009 - 0.0% to 5.2%).

Loans	<u>41,199</u>	<u>31,748</u>
Analysis of loan repayments		
In the next year	1,555	3,548
In the second year	1,078	736
In the third to fifth year	3,633	2,310
In more than five years	36,488	28,702
	<u>42,754</u>	<u>35,296</u>

19 Called up Share Capital

	2010		2009	
	No	£	No	£
Allocated, allotted, called up and fully paid Ordinary shares of £1 each				
31 March 2009	153	153	150	150
Issue of share capital in year	9	9	6	6
Cancelled shares	(25)	(25)	(3)	(3)
31 March 2010	<u>137</u>	<u>137</u>	<u>153</u>	<u>153</u>

Each member of Albyn holds one share of £1 in Albyn. 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 Albyn. Each member has a right to vote at a members' meeting.

20 Reserves	Major Repairs £000's	Furniture Replacement £000's	Revenue Reserve £000's	Total £000's
31 March 2009	8,710	216	451	9,377
Transfers to Income & Expenditure Account	850	9	54	913
31 March 2010	<u>9,560</u>	<u>225</u>	<u>505</u>	<u>10,290</u>

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

21 Cashflow analysis

Analysis of changes in Cash during the year	2010 £000's	2009 £000's
31 March 2009	(36,516)	(27,763)
Movement	(4,537)	(8,753)
31 March 2010	<u>(41,053)</u>	<u>(36,516)</u>

Analysis of the balances of cash as shown in the balance sheet.

	2010 £000's	Change £000's	2009 £000's
Bank and Cash in hand	1,701	2,921	(1,220)
Loans	(42,754)	(7,458)	(35,296)
	<u>(41,053)</u>	<u>(4,537)</u>	<u>(36,516)</u>

Treasury Management

Albyn has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way Albyn manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2010 Albyn had drawdown £5.5m of loans against a facility of £8m. The remaining facility requires to be drawn down by 31 October 2010.

Albyn is self funding £5,722,000 (2009 - £6,362,000) relates to Albyn's LIFT Activities

Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2010, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

22 Obligations under lease agreements

The following payments are committed to be paid within one year:

		2010 £000's	2009 £000's
Land and Buildings	Expiring		
	In the next year	8	58
	In the second year	0	0
	In the third to fifth year	0	0
	In more than five years	39	39
		<u>47</u>	<u>97</u>
Other assets	Expiring		
	In the next year	18	5
	In the second year	55	19
	In the third to fifth year	34	69
	In more than five years	0	0
		<u>107</u>	<u>93</u>

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

23 Related Parties Transactions

Committee Members

A number of the Committee of Albyn Housing Society Limited are also tenants of Albyn. All matters arising from their tenancies are dealt with under the laid down Policies and Procedures of Albyn which applies to all tenants.

Councillors

Ms M Smith is a councillor with the Highland Council. Any transactions with the Highland Council are made at arm's length, on a normal commercial terms and Ms M Smith cannot use her position to her advantage.

Albyn Enterprises Limited

Albyn Enterprises Limited is a wholly owned subsidiary of Albyn Housing Society Limited. Three of the four directors of Albyn Enterprises Limited are Committee Members of Albyn. During the year end Albyn Enterprises Limited has made a profit of £114,000. The company made a donation of donations to Albyn amounting to £55,000 and £30,000 to Cairn Housing Association Limited under the provisions of Gift Aid. A further donation is expected. The company's retained surplus in the year will be nil leaving reserves of £9,000. At the year end Albyn Enterprises Limited owes Albyn Housing Society Limited £16,000.

24 Housing Stock	Tenanted	Managed on behalf of others	Shared Ownership	2010 No	2009 No
The number of properties in management were as follows					
31 March 2009	2,222	48	192	2,462	2,310
Additions during year	175	0	0	175	167
Disposal	0	(22)	(12)	(34)	(15)
31 March 2010	<u>2,397</u>	<u>26</u>	<u>180</u>	<u>2,603</u>	<u>2,462</u>

25 Capital Commitments

	2010 £000's	2009 £000's
Expenditure contracted less certified	<u>16,123</u>	<u>34,846</u>

All developments in progress have been approved by Scottish Government for payment of HAG. Albyn expects that Scottish Government will finance most of the expenditure by HAG with the remaining expenditure being financed by loans from lenders.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

26. Pension Obligations – SFHA Scheme

Albyn Housing Society Limited participates in the SFHA Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

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

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in the Autumn 2010.

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

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

Albyn Housing Society Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Albyn Housing Society Limited was £8,667,000.

The SFHA Scheme is a multi-employer defined benefit scheme. The Scheme offers three benefit structures to employers, namely:

- Final Salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any given time. An open benefit structure is one which new entrants are able to join.

Albyn Housing Society Limited has elected to continue to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2009 and Career average revalued earnings with a 1/60th accrual rate for any new entrants.

During the accounting period Albyn Housing Society Limited paid contributions at the rate of 13.3% to 15.4% of pensionable salaries. Member contributions varied between 6.6% and 7.7%.

As at the balance sheet date there were 62 active members of the Scheme employed by Albyn Housing Society Limited. Albyn Housing Association Limited continues to offer membership of the Scheme to its employees.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

2006 Valuation Assumptions	% p.a.
Investment return pre retirement	7.2
Investment return post retirement	4.9
Rate of salary increases	4.6
Rate of pension increases	
- pension accrued pre 6 April 2005	2.6
-pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	2.6

Mortality Tables	
Non-pensioners	PA92C2025 short
Pensioners	PA92C2013 short

Contribution Rates for Future Service	%
Final Salary 1/60ths	17.8
Career average revalued earnings 1/60ths	14.6
Career average revalued earnings 1/70ths	12.6
Additional rate for deficit contributions	5.3

Albyn Housing Society Limited participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

Albyn Housing Society Limited paid no contributions to the Growth Plan during the accounting period. Members paid contributions at the rate of 5% during the accounting period. Albyn Housing Society Limited continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	%pa
- Investment return pre retirement	7.6
- Investment return post retirement	
Active/deferreds	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2009. The market value of the Plan's assets at that date was £765 million and the Plan's Technical Provisions (i.e. past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £55 million, equivalent to a funding level of 93%.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2010

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

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in-line with the 'best estimate' assumptions. 'Best estimate' means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

A copy of the recovery plan must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

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

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Albyn Housing Society Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2009. As of this date the estimated employer debt for the Society was £39,439.

Our Ref.: RVN/Annual 6

19 July 2010

Linda Scott
The Scottish Housing Regulator
Highlander House
58 Waterloo Street
GLASGOW
G2 7DA



Dear Linda

Annual Report - 2010

I enclose the following information

- One set of the Report of the Committee of Management and Financial Statements for the year ended 31 March 2010 which are signed
- A copy of the Report of the Committee of Management and Financial Statements for the year ended 31 March 2010
- Audit Findings Report for the Year ended 31 March 2010

If you have any questions please call

Yours sincerely



Robin V Nairn
Finance & IT Director

Please Reply To:

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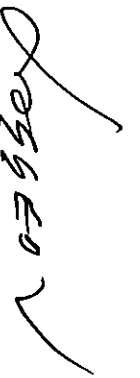
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Albyn Housing Society Limited
Audit Findings Report
Year ended 31 March 2010

Presented to the Audit Committee
By Baker Tilly UK Audit LLP
June 2010



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This report has been prepared for the sole use of Albyn Housing Society and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.

1 Introduction and coverage

This report summarises our key findings in connection with the audit of the financial statements of Albyn Housing Society Limited in respect of the year ended 31 March 2010.

The scope of our work has already been communicated to you via our Audit Plan document dated March 2010.

A summary of adjusted and unadjusted misstatements identified during the audits has been prepared and is included in Section 8.

We consider that the audit approach adopted will provide the Audit Committee with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report, we anticipate no modifications from our pro-forma audit report provided in the Audit Plan previously communicated to you.

2 Qualitative aspects of earnings

The purpose of this section is to bring to your attention not only those matters that properly fall to be treated as exceptional items, but also those matters of significance that are non-recurring on their nature

The table below sets out the significant one-off items that have affected reported results for the year:

	£' 000
Surplus for the Year	913
Adjustments:	
Profit on sale of property	(420)
Revised Surplus for the Year	<u>493</u>

3 Audit and accounting issues identified at planning stage

Key area of audit focus	Our approach	Resolution
<p>Internal Controls It is crucial that the Committee of Management continue to formally review their risk management and governance procedures in conjunction with Internal Audit to assist in preparing their statement on Internal Controls Assurance and to satisfy themselves that the Society continues to maintain good internal controls.</p>	<p>We will review your risk matrix, Committee minutes and internal control reports to comment on the information available to the Committee in making its statement on Internal Controls Assurance.</p>	<p>Risk management practices, Board minutes and findings of internal audits were reviewed with no significant issues being identified. In the prior year only limited assurance was provided by Internal Auditors on the area of Corporate Governance, but the Society has implemented the action plan in place to remedy this.</p>
<p>Impairment In view of the current housing market, there is an increased risk of impairment.</p>	<p>We will be reviewing your procedures for identifying and assessing impairment of properties to ensure that they are robust and will identify any possible impairment to ensure that no material error is made in the financial statements.</p>	<p>We have reviewed the indicators of impairment and are satisfied that there has been no impairment to housing properties.</p>
<p>Credit Crunch With the recent unprecedented changes in the financial markets, resulting in a reduction in the number of lenders, increased cost of borrowing, falling housing prices and less demand for housing for sale, there is an increased risk of failure in the sector generally. Whilst we have no specific concerns regarding the Society, financial stability will be a key focus of our audit effort for all Housing Associations.</p>	<p>We will review your future cash flow forecasts to see what headroom there is in your finance facilities, and enquire whether there have been any breaches in loan/banking covenants. We will also discuss or review your own assessment of the heightened risks which you face in the light of these changes in the market place. Thereby we will assess whether the disclosures in the financial statements are adequate and whether there is any impact upon our audit report.</p>	<p>From a review of your forecasts and covenants in place, no issues have been identified.</p>

Key area of audit focus	Our approach	Resolution
<p>Rent arrears Following the recent Regulators Report it was highlighted that a lack of control existed over rent arrears which had led them to increase to a level which requires additional provision to be made at the year end.</p>	<p>We will review the controls and provision in place around rent arrears to ensure that both are now adequate.</p>	<p>Our audit work on rent arrears has confirmed an increasing rent arrears balance and therefore provision at the year end. We identified that there were a number of overdue balances greater than £2,000 relating to former tenants which have not yet been passed to the Debt Collection Agency.</p>

4 **Audit and accounting issues identified during the audit**

Issue	Resolution
No issues identified during the audit.	

5 Significant deficiencies in internal controls

We have set out below those areas of internal control weakness that we consider should be brought to your attention which arose as a result of our audit work. This does not constitute a comprehensive statement of all weaknesses that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to the Audit Committee and accordingly the audit does not ordinarily identify all such matters.

Fact and potential consequence	Possible action	Management response	Timing of implementation and responsibility
No issues identified during the audit.			

6 Significant accounting policies, disclosures and estimates

Accounting policies and estimates

We have reviewed the accounting policies and estimates as included in the financial statements and confirmed that they appear reasonable.

Accounting disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both relevant accounting standards, the requirements of the Statement of Recommended Practice (SORP) – Accounting by registered social landlords 2008 and the Scottish Accounting Order 2007. The following disclosure matters were brought to your attention and subsequently reflected in the revised financial statements:

- Provision for dilapidations required to be disclosed separately in the financial statements and not as part of accruals.
- Note 4 of the financial statements is not an exact replica of the table in the Accounting Order 2007 however we appreciate that the Committee of Management Report comments that there are no additional areas which require to be disclosed.

7 Uncertainties, risks, exposures, judgemental issues and going concern

Set out below are those matters that we have identified in respect of the above, during the course of our work, that we consider should be brought to the attention of the Audit Committee.

Entity	Key Issue	Audit Impact	Resolution
Albyn Housing Society Limited	During the year a provision for dilapidations of £250,000 was included in the financial statements in respect of Jordan House. This was based on surveyors estimate of costs which the Committee have deemed reasonable.	Inclusion of a provision based on an estimate – therefore potential for over or under statement of financial statements.	Having based the provision on their surveyors estimate we are satisfied that the basis of inclusion is reasonable.

8 Unadjusted/adjusted misstatements

A summary of the unadjusted/adjusted errors identified during the course of our work is set out below, analysed between errors of fact and differences in judgement. We have not disclosed below those items that we consider to be "clearly trivial" in the context of our audit. For this purpose we consider "clearly trivial" to be any matter less than £2,000 individually.

Entity	Adjusted misstatements		Unadjusted Misstatements Factual		Unadjusted Misstatements Judgemental	
	Profit & Loss effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	Profit & Loss effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	Profit & Loss effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s
Albyn Housing Society Limited						
Dr Creditors > 1 year Cr Creditors < 1 year <i>Being reclassification of RBS loan balances due < 1 year.</i>		129 (129)				
Dr Accruals Cr Provisions <i>Being reclassification of provisions for dilapidations for disclosure purposes</i>		250 (250)				
Dr Debtors Cr Creditors <i>Being debit balances included within trade creditors.</i>				11 (11)		
Dr Bad debt provision Cr Bad debts (I&E) <i>Being difference between bad debt calculation and that per accounts.</i>			(3)	3		

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Entity	Adjusted misstatements		Unadjusted Misstatements Factual		Unadjusted Misstatements Judgemental	
	Profit & Loss effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	Profit & Loss effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	Profit & Loss effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s
Albyn Housing Society Limited						
Dr Rent in Arrears Cr I&E			(5)	5		
<i>Being difference between tenant arrears per accounts and tenant arrears per listing.</i>						
Dr Other debtors Cr Other creditors				7		
<i>Being reallocation of credit balance from other creditors</i>						
Dr Prepayments Cr Accruals				2		
<i>Being employee expenses showing in prepayments</i>						
Dr I&E Cr Other debtors			10	(10)		
<i>Being other debtor balances older than 3 years continuing to be held</i>						
Totals	<u>0</u>	<u>0</u>	<u>2</u>	<u>(2)</u>	<u>0</u>	<u>0</u>

9 Fees

We confirm that the fees charged during the year in respect of services performed for Albyn Housing Society Limited are consistent with those contained within our Audit Plan submitted to you and dated March 2010.

10 Independence

In accordance with International Standard on Auditing (UK and Ireland) 260 "Communication of audit matters with those charged with governance", there are no changes to the details of relationships between Baker Tilly UK Audit LLP and its related entities and Albyn Housing Society Limited and its related entities that may reasonably be thought to bear on Baker Tilly UK Audit LLP's independence and the objectivity of the audit principal, Mr Mike Blyth and the audit staff and the related safeguards from those disclosed in the Audit Plan dated March 2010.

11 Internal Controls Statement

Scottish Housing Guidance Note (SHGN) 2001/10 requires Scottish Associations with more than 150 units to conduct a review in accordance with the guidance issued by the SFHA 'Raising Standards in Housing' and to make an annual statement on the effectiveness of their internal control systems within their Board Report. The Board is responsible for the system of internal control and the management of risk, including the review of internal control. The Board is also responsible for implementing board policies on risk and control.

We as external auditors will consider the Board's statement on internal control and address any apparent misstatements in it, or material inconsistencies with the audited financial statements, in accordance with The Auditing Practices Board Bulletin 2006/06, September 2006. We are not required to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

In considering the Board's Statement on the effectiveness of internal control we have not identified any apparent misstatements in it or any apparent inconsistencies with the audited financial statements.

Appendix A – Draft letter of representation

Draft letter of representation

Baker Tilly UK Audit LLP
Breckentidge House
274 Sauchiehall Street
Glasgow
G2 3EH

Dear Sirs

AUDIT OF FINANCIAL STATEMENTS – 31 MARCH 2010

This representation letter is provided in connection with your audit of the financial statements of the Albyn Housing Society Limited (“the organisation”) for the year ended 31 March 2010 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the financial statements of the organisation [and the group] is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries of other board members and officials of the organisation:

Financial Statements

- 1 We acknowledge and have fulfilled our responsibilities as the Board members of the organisation (“the board”) as set out in the terms of engagement dated April 2007 for the preparation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
- 2 Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
- 3 Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
 - a. any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans, or credit transactions) for members of the board;
 - b. any guarantee or provision of security for members of the board;
 - c. the identity of the party which controls the organisation, if any;
 - d. transactions and balances with related parties including:

- the names of the transacting parties;
 - a description of the relationship between the parties;
 - a description of the transactions;
 - the amounts involved (even if nil);
 - any other elements of the transactions necessary for an understanding of the financial statements;
 - the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - amounts written off in the period in respect of debts due to or from related parties;
- 4 Full disclosure is made in the financial statements of:
- i. outstanding capital commitments contracted for at the balance sheet date;
 - ii. all contingent liabilities including details of pending litigation and material claims against the organisation;
 - iii. all guarantees or warranties or other financial commitments.
- 5 We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- 6 There have been no events (e.g. loss or reduction of source of income, loss of supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) [other than those already advised to you] since the balance sheet date that would impact on the ability of the organisation to continue as a going concern. Should such events occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the organisation to continue as a going concern.
- 7 All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
- 8 The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements including those in relation to disclosures is attached to this representation letter.

Information Provided

- a. As agreed in the terms of engagement, we have provided you with:
- i. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

- ii. Additional information that you have requested from us for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- b. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
 - c. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - d. We have disclosed to you our knowledge of fraud and suspected fraud affecting the organisation involving:
 - Management;
 - Employees who have significant roles in internal control; and
 - Others where the fraud could have a material effect on the financial statements.
 - e. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
 - f. We have disclosed all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effect on the organisation's ability to conduct its activities
 - g. We have disclosed to you the identity of the organisation's related parties and all the related party relationships and transactions of which we are aware.
 - h. We have disclosed to you the details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.
 - i. We have not conducted, or permitted to be conducted any activities which may call into question the charitable nature of the organisation.
 - j. There have been no communications with the Scottish Housing Regulator or Office of the Scottish Charity Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any administrative duty.
 - k. There have been no events since the balance sheet date which necessitate revision of the figures in the financial statements or inclusion of a note thereto. Should such material events occur prior to your signature of the audit report we will advise you accordingly.
 - l. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms and conditions in the application of such incoming resources.
 - m. All designated fund balances are correctly shown in the accounts.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

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We confirm that we have taken all the steps that we ought to have taken as members of the board in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on [insert date of approval of financial statements].

Yours faithfully

Signed on behalf of the board of Albyn Housing Society Limited

Committee of Management

Date [insert date of approval of financial statements]

Attachment: List of uncorrected misstatements including those in relation to disclosures

Appendix B - Updated financial reporting developments

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There have been no updates in financial reporting developments since those contained within our Audit Plan submitted to you and dated March 2010.