

**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT OF THE BOARD**  
**AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2011**

Registered Housing Association Number 64  
Financial Services Authority Number 1776 R (S)  
Charity Number SC027123

# **ALBYN HOUSING SOCIETY LIMITED**

## **Report of the Board and Financial Statements**

**For the Year ended 31 March 2011**

<b>Contents</b>	<b>Pages</b>
Report of the Board and Financial Statements	2 - 15
Statement of Board Responsibilities	16
Statement of Internal Financial Control and Financial Reporting	17
Auditors' Reports	18 - 20
Income and Expenditure Account	21
Balance Sheet	22
Cash Flow Statement	23
Notes to the Financial Statements	24 - 42

### **Registration Particulars**

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 Board and Financial Statements

For the Year ended 31 March 2011

The Board presents its report and the audited financial statements for the year ended 31 March 2011.

### 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 the Scottish Housing Regulator as a Registered Social Landlord

The table below shows the property we own

Managed Property Numbers	2011	2010
Tenanted Property	2,499	
Managed on behalf of others	26	
Shared Ownership Properties	175	
Total	2,700	

### Financial Review

Albyn made a surplus of £1,382,000 (2010 £913,000) 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 £504,000 (2010 - £1,605,000). This expenditure is written off in the year it is incurred and not capitalised.

Albyn is in a strong financial position. Albyn continues to have a substantial major repair investment programme with work to comply with the Scottish Housing Quality Standards which includes an estimated expenditure of £3m next year and will continue to invest substantial funds over the following years to meet our continuing commitment to reach the Scottish Housing Quality Standards where ever economically feasible. Albyn continues to have a large and diverse development programme for next year but with the tightening of public expenditure the future size of the programme is anticipated to be reduced. Albyn has continued to invest its own cash surplus in the LIFT programme.

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	2011	2010
	£000s	
Surplus for the year	1,382	
Transfer (to) designated reserves – major repairs	(1,200)	
Transfer (to) designated reserves – furniture replacement	0	
Retained Reserves	182	

# **ALBYN HOUSING SOCIETY LIMITED**

## **Report of the Board and Financial Statements**

**For the Year ended 31 March 2011**

### **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:

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

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 Board (as listed on page 14) who are elected by the members of the Society. It is the responsibility of the Board 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 Board undertake this work in a voluntary, unpaid capacity.

Our governing body is our Board, which is responsible to the wider membership. The Board 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.

The Albyn Executive Team (as listed on page 14) is responsible for achieving the set strategy and undertaking the operational activities in line with the agreed policies.

The revised Regulatory Plan, issued in April 2011 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.

During the year the Board has reorganised its committee structure to include a Performance Committee with specific responsibilities to monitor performance and a Staffing Issues Committee to deal with all staffing issues including terms and conditions, discipline and grievance, job evaluation, and staff consultation issues.

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

# **ALBYN HOUSING SOCIETY LIMITED**

## **Report of the Board and Financial Statements**

**For the Year ended 31 March 2011**

### **Corporate Issues**

During the year we undertook a Society Wide review of how we meet our Strategic Objectives. This review was titled "Our People Delivering Our Business Plan." Resulting from the recommendations of the review we have reorganised our Human Resources function and we have placed it under the Finance function.

We also reviewed the support function for the Board, Chief Executive, Executive Team including reception etc which was directly managed by the Chief Executive. These support functions were also moved to be managed by the Finance Director and Finance Manager. The new department was renamed Finance & Corporate Services.

Albyn are committed to involving staff in decision making and policy making. The Staff Consultative Forum (SCF) which is made up of both Board 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 that of Cairn Housing Association Limited and Servite Housing Association Limited, selling 116 (2010 - 132) properties in the year. AEL made a donation to Albyn Housing Society Limited of £30,000 (2010 - £58,000).

During 2010/11 Albyn continued to be involved in a series of discussions with other agencies on potential social enterprise ventures, primarily in Inverness. This includes detailed business planning for the creation of a Social Enterprise Hotel on the Beechwood Campus site in Inverness. These discussions and more detailed planning will continue in 2011/12.

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

# ALBYN HOUSING SOCIETY LIMITED

## Report of the Board and Financial Statements

For the Year ended 31 March 2011

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, 2010/11 has seen activity level remaining high for the 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. We spent £19,486,000 (2010 - £20,215,000) during the year on new build and other development activity. £12,209,000 (2010 - £11,326,000) 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 and, in particular, existing Local Authority or housing association tenants with increased priority for former members of the armed services. 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.

A total of 62 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 a total of 54 new build LIFT properties for Cairn Housing Association Ltd, Servite Housing Association Ltd and the Highland Housing Alliance. In addition, Albyn Enterprises Ltd operates the Open Market Shared Equity Pilot (OMSEP) in the Highlands and Western Isles. In 2010/11 a total of 27 OMSEP passports were issued to prospective purchasers resulting in the purchase of 15 properties in the OMSEP programme.

LIFT Expenditure	2011 £000s	2010
Expenditure on LIFT Properties	8,671	
Grant received from Scottish Government	5,180	
Net Value included in Stock	3,491	

2010/11 was characterised by a continuing slow-down in the wider construction sector and private sector development activity leading to some business failures in that sector impacting upon Albyn. This slow-down continues to lead to a concentration by Albyn on Section 75 partnership projects with private sector developers and a resultant slow-down in the rate of development of Albyn's own landbank. Albyn's landbank at the end of 2010/11 included sites in Alness, Inverness, Conon Bridge and Cromarty. With the publication at the end of 2010/11 of the Government's strategy document on housing *Homes Fit for the 21<sup>st</sup> Century* proposing radical changes to the grant funding regime for RSL's, the Board felt it necessary to reduce the size of the future development commitment significantly in response to less favourable grant funding conditions. As a result of these changes, Development commenced a thorough ongoing review of its future structure and activities which will report later in 2011.

# **ALBYN HOUSING SOCIETY LIMITED**

## **Report of the Board and Financial Statements**

**For the Year ended 31 March 2011**

Despite this however with the progress of previously approved projects, 2010/11 saw the completion of 153 (2010- 232) new units of housing across Albyn's area of operation from Gairloch to Fort Augustus. The development programme included projects as small as a single property purchased from the Highland Housing Alliance to 45 homes of mixed tenure housing.

Notable achievements for 2010/11 included completion of our former schools conversion project with important conservation and new-build work at Bunoich School Fort Augustus and the former Glenurquhart High School at Drumnadrochit. August 2010 saw the completion of a long standing commitment to the community of Nethybridge to provide low energy, highly sustainable, senior housing on a site which had been designated in a very early use of Section 75 Planning powers for that purpose in the heart of the village. On a national stage, in August 2010 Inverness hosted the Scottish Housing Expo at Balvonie Braes where Albyn was the developer of 11 new homes for Shared Equity sale. 2010/11 also saw the culmination of significant partnership activity in Gairloch and Golspie with the Highlands Small Communities Housing Trust and the Highland Alliance respectively. This resulted in first phases of new housing including in Golspie a development of the innovative New Energy Home brand created by a consortium of Highland RSL's and the Highland Housing Alliance.

### **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 let (which includes both new and re-lets) has remained high, despite a significant reduction in our new-build programme at 339 lets (2010 – 410) during the year.

The proportion of new and existing properties let within 4 weeks or less improved to 73% of all lets (54% 2010). This includes a number of long term and more difficult to allocate vacancies let during the year as our new development handovers reduced.

Our average time to re-let existing properties not classified as low demand reduced significantly to 34 days (57 in 2010) This reduces again from 35 to 26 days when new lets are also included, which were let within an average of 7 working days from completion (11 in 2010).

Our rent loss, due to all empty properties (including low demand and garage units) reduced to 1.2% (£108,000) of our gross rental income over the whole year (2010 - £119,000 - 1.5%), and was 0.93% in the year end quarter.

Our overall void management performance has improved significantly over the whole year, and our team have worked hard with their colleagues in our maintenance team to achieve this within static resources. We are optimistic that with new procedures and monitoring systems now in place, we will be able to sustain and continue to improve on this performance in the coming year.

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, which was reviewed and updated during the year. Albyn manage around

# **ALBYN HOUSING SOCIETY LIMITED**

## **Report of the Board and Financial Statements**

### **For the Year ended 31 March 2011**

12% of all applicants to the register, and continue to make just under a fifth (18%) of all allocations made through the HHR policy across the Highlands, in 19 separate lettings zones. This included 49 (2010 – 87) transfer applicants, and 159 (2010 – 225) applicants assessed as being in priority homeless need.

Properties in parts of Caithness and Sutherland remain low demand, and difficult to let (Wick, Bettyhill and Aultbea in particular). But we have let 21 properties in these areas during the year, reducing the overall number of long term voids, and continue to work actively with partners organisations in these areas to develop lettings plans and make best use of overall stock. We have extremely strong demand and competition for new tenancies in all other areas.

From Surveys carried out involving those who have been allocated a house 93% of new tenants were satisfied with the overall allocations process.

#### **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 areas in which we let have higher than average employment, with significantly higher than average levels of people in low paid, seasonal and multiple employment compared to national trends.

Our overall debt reduced during the year. Our overall collection rate has remained consistent at 95.1% (2010 – 95.1%) and our outstanding net current non-technical arrears at the yearend fell to 3.96% (2010 – 4.8%) of the total rent roll.

We received 15 court orders for repossession (2010 – 3), and enforced 3 evictions (2010 – 1). These actions were up from our previous year, which was exceptionally low due to new prevention policies still in introduction. However they still remain below previous years, and we are confident that our early intervention approaches continue to be successful. The numbers of tenants in higher level arrears band, the percentage of all tenants in arrears and the percentage of tenancies ending with arrears all reduced during the year.

#### **Tenancy Management**

We continue to work in partnership with other local agencies to tackle anti-social behaviour and to manage our estates. Our active caseload of anti social behaviour complaints reduced to an average of 40 (2010 – 75), and at the end of the year represented less than 1.5% of all tenancies. Of these around two thirds are lower category complaints in any period.

The number of tenancies created in the previous financial year that were still successfully in place remained very high at 91% (2010 – 90%). 3 tenants were evicted and 11 properties were abandoned (2010-14).

#### **Housing Support**

In early 2010, our Board took a decision that we would no longer be a direct housing support provider after March 2011. The main reasons for this were to do with increasing financial



# **ALBYN HOUSING SOCIETY LIMITED**

## **Report of the Board and Financial Statements**

**For the Year ended 31 March 2011**

uncertainty, employment issues and a movement over time away from our core business objectives in response to externally driven funding and contract conditions. Through close working with The Highland Council, the Care Commission and partner Housing Support Providers (The Calman Trust and Newstart Highland), we have been able to negotiate a successful handover through short term subcontracting arrangements that has provided continuity of service provision for our vulnerable clients, and also provided employment opportunities for 3 agency workers.

Our Board also approved the creation of a smaller but core funded Tenancy Sustainment team from April 2011. This new team retains the expertise of our former permanent housing support and housing plus staff, and will work closely with colleagues in our housing, maintenance and development teams. They will provide practical short term assistance to new tenants settling in and to existing tenants facing difficult changes in circumstances. The housing support handover arrangements afforded a two month lead in period, at the end of which the team was formally launched with an active caseload of over 70 referrals, for issues ranging from assistance with benefits and budgeting advice to energy efficiency and neighbour disputes.

During this transition year, our Housing Plus Officer helped 140 tenants, offering support to manage multiple debts, mediate on low level neighbour complaints and act as a source of specialist advice on housing and welfare benefits for both tenants and staff. Our Support Workers provided short term housing support to over 200 of the most vulnerable clients in the Inverness and Nairn areas to gain the skills they need to manage tenancies independently.

We continued to manage the Highland Deposit Guarantee Scheme (on behalf of the Highland Housing and Community Care Trust for The Highland Council) until November 2010, at which point management was taken back in-house by The Highland Council due to budget restrictions. Up to the point of handover, we managed over 150 referrals, and assisted at least 13 people to get access to tenancies in the private sector through the scheme and provided advice and information to assist around 130 others.

We have also carried out 93 adaptations (2010 – 110) at an average value of £620 each (2010 – £1,991) for existing tenants or their household members to meet their medical needs and allow them to sustain their tenancies within existing communities. The number and overall value of adaptations was lower than in previous years due to restrictions on the grant funding available.

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.

### **Community Engagement Issues**

Albyn is committed to supporting groups and communities within our area of operation. We do this by helping with advice and giving in kind support, and also through supporting wider role bids for projects. We work in partnership with agencies and communities throughout the Highlands to provide services that help create employment opportunities, regeneration work and community sustainability. Our last wider role bid for the period 2009-2011 has just ended and has been very successful. We are now developing our future bids. The outcomes for the last round are as follows:-

Calman Café: This project incorporated on-the-job training for young people who have been marginalised from mainstream education, with a fully functioning high quality café. The café had its official opening in March 2011 and has proved very successful. The café is seen as the first

# **ALBYN HOUSING SOCIETY LIMITED**

## **Report of the Board and Financial Statements**

### **For the Year ended 31 March 2011**

step in bigger social enterprise ventures of this nature we are currently developing. Funding of £96,000 was secured from Wider Role for this project.

**For The Right Reasons:** This charity was looking to develop recycling facilities in order to recruit and train volunteers who are currently unemployed and suffering from social exclusion in the Merkinch area of Inverness. Funding of £5,000 was awarded through wider role.

**New Start Bike Recycle Project:** This Project uses recycled bikes as a medium to provide training and equip people to enter sustained employment. The project targeted current residents of Albyn and Cairn Housing as well as those at risk of homelessness. Funding from the Wider Role budget of £50,000 was secured.

**Sportability Merkinch:** The project worked with the local community from the Merkinch area of Inverness to build up a programme of sports and activities. Funding of £22,000 was approved through Wider Role.

**Merkinch Employment Training:** Funding of £9,000 has been awarded through wider role for the purchase of IT equipment for this centre. It will be used to ensure that residents in the Merkinch area of Inverness have access to up to date training on IT functions and opportunities for enhancing qualifications and available in this area.

**Pulteneytown Regeneration Centre:** Funding of £210,000 was secured for the development of a new regeneration centre in Wick. The development is underway and due to complete in February 2012.

**Live, Learn, Work:** This highly successful project for vulnerable young people involved integrating somewhere to live, with support, training and employment opportunities in Caithness. Although originally targeted at Wick, the model is now being developed in Thurso as well. The project is now being mainstreamed by Pulteneytown Peoples Project and Albyn, and will continue after the Wider Role funding of £36,000 ends.

**Wick Afterschool Tuition:** This was set up as a 'one off' one week course run at Wick Academy targeted at tutoring pupils for their Highers. Funding of £5,000 was secured from Wider Role.

**Working Rite:** This project was set up in conjunction with Pulteneytown Peoples Project (PPP) to provide an enhanced Get Ready for Work project in Caithness and Sutherland using the contacts of Albyn to secure training opportunities. Funding of £30,000 was secured through Wider Role and the project will now continue with PPP having gained enough experience to be awarded their own GRfW placements.

**Caithness Maintenance Scheme:** This project was awarded £57,000 to 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 project is now up and running and proving very successful.

In September we were invited to the Scottish Parliament with a number of other housing associations to showcase the work we have done through our Wider Role work. We were one of only two RSLs in Scotland to speak on the platform with the government ministers at that event.

# **ALBYN HOUSING SOCIETY LIMITED**

## **Report of the Board and Financial Statements**

**For the Year ended 31 March 2011**

We have also seen the culmination of our work with the Older People for Older People (040) project which has involved us joining the Highland group of a European Periphery Project looking at supporting social enterprise in rural areas to establish service delivery methods that involve working with older people in these areas.

In addition, we have been working with various other public and voluntary sector representatives on the Rural Inverness and Nairn LEADER group, ensuring that communities are supported in the development initiatives.

### **Property Maintenance**

Financial year 2010/11 saw an emphasis on the importance of Maintaining a Sustainable Housing Stock. The programme of stock condition surveys, undertaken by in-house staff, continued and the Society collated energy efficiency information for over 2,300 of our properties. This information was used to help plan the future Major Repairs Programme. Phase 1 of a Thermal Upgrade Programme commenced in February 2011 when contractors started on site in South Lodge, Invergordon, laying gas pipes to over 190 homes. This will help facilitate energy efficiency improvements of approx 300 homes later in 2011 when gas central heating systems are installed or upgraded.

The Cyclical Maintenance programme was successfully concluded well within budget and the Digital Switchover programme was met without problems. A new contractor was appointed to undertake gas safety inspections and performance in this regard continued to improve throughout the financial year.

Despite the prolonged and severe period of adverse weather in the winter months, our contractors completed all Emergency and Urgent repairs whilst keeping tenant satisfaction levels high.

### **Finance and IT Issues**

During the year, Albyn completed the drawdown of the funding package with Santander Bank for £8m.

In August 2010 we agreed a funding package with the Royal Bank of Scotland for a further £20m to fund our development programme and on lend to Albyn Enterprises Limited where appropriate. This funding has yet to be utilised.

We have continued to review our exposure to interest rate movements and have approximately £20m (50% of its borrowings) on fixed rates which have various end dates.

### **Developing Best Practice**

New strategies have been developed and approved for: Successful Tenancies; Asset Management and Home Energy Efficiency.

Policy reviews have been completed and approved for: Property maintenance; Allocations, including a pilot downsizing policy and Contracted properties.

We have ensured good governance and management with the review and approval of: Cost Control Policy; Risk Management Policy and Framework; Construction, design and

# **ALBYN HOUSING SOCIETY LIMITED**

## **Report of the Board and Financial Statements**

**For the Year ended 31 March 2011**

Management regulations and authorised approval limits.

We have also continued to benchmark our performance to monitor our progress more effectively year-on-year and against our peers. In 2010 we subscribed to the Scottish Housing Benchmark Network (SHBN) and have started to receive annual benchmarking assessments for registered social landlords, and invitations to best practice events and discussions.

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. Our senior staff are also members of a number of best practice forums and networks, with access to on-line information and small group discussions to identify areas for continual improvement.

We have undertaken a number of internal audits. We have also had successful visits from external auditors and regulators, and continue to receive externally validated accreditation awards for key areas of customer service (see above).

### **Other Issues**

#### **Management Structure**

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

#### **Internal Financial Control**

The Board is responsible for establishing and maintaining the Society'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 Board has established with a view to providing effective internal financial control are outlined on page 17.

#### **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.

# **ALBYN HOUSING SOCIETY LIMITED**

## **Report of the Board and Financial Statements**

**For the Year ended 31 March 2011**

### **Risk Management Policy**

The Board 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 Board has reviewed the adequacy of Albyn's current internal controls.

The Board 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 materialise
- management of 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 Board together with details of corrective action being undertaken.

### **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.

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 Board 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 Board 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.

# **ALBYN HOUSING SOCIETY LIMITED**

## **Report of the Board and Financial Statements**

**For the Year ended 31 March 2011**

### **Treasury Management**

Albyn has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Board. 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.

Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2011, 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**

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 (2010 – nil) properties under Right to Buy and 5 (2010 – 12) 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.

# **ALBYN HOUSING SOCIETY LIMITED**

## **Report of the Board and Financial Statements**

**For the Year ended 31 March 2011**

### **Board**

The Board of Albyn during the year to 31 March 2011 was as follows:

		<b>Committees</b>
Mrs I McLaughlan	Chair Person	Performance, Staffing Issues
Mrs S Slimon	Vice-Chair Person	Performance, Health & Safety
Mr G Kelman	Secretary	Performance, Audit
Mrs M Cairney		Performance, Staffing Issues
Miss C J Cameron		Staffing Issues, Audit
Mr N Campbell	Resigned 7 September 2010	
Mr J A Convery		Performance, Audit
Mrs I M MacRae		Staffing Issues, Health & Safety
Mr J W Oag		Performance, Audit
Ms M Smith		Performance, Staffing Issues
Mr B Summerfield		Staffing Issues, Health & Safety

### **Committees (from 26 October 2010)**

Audit Committee	Performance Committee
Staffing Issues Committee	Health & Safety Committee

Each member of the Board 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 Board.

### **Board and Officers' Insurance**

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

### **Directors**

The Directors of Albyn during the year to 31 March 2011 were as follows:

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

**ALBYN HOUSING SOCIETY LIMITED**

**Report of the Board  
and Financial Statements**

**For the Year ended 31 March 2011**

**Information for Auditors**

As far as the Board members are aware there is no relevant audit information of which the auditors are unaware and the Board 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.

By order of the Board

A handwritten signature in black ink, appearing to be 'GK' or 'George Kelman'.

George Kelman  
Secretary  
28 June 2011



**ALBYN HOUSING SOCIETY LIMITED**  
**STATEMENT OF BOARD RESPONSIBILITIES**

**31 MARCH 2011**

Statute requires the Board 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 Board 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 Board confirm that the financial statements comply with the requirements.

The Board 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 Board



George Kelman  
Secretary  
28 June 2011

# **ALBYN HOUSING SOCIETY LIMITED**

## **BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROL**

**31 MARCH 2011**

The Board 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:-

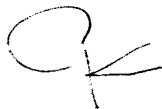
- The reliability of financial information used within Albyn or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets (against unauthorised use or disposition).

It is the Board'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 Board 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 Board 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 Board has reviewed the system of internal financial control in Albyn during the year ended 31 March 2011. 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 Board



George Kelman  
Secretary  
28 June 2011

## 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 Board'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*

Baker Tilly UK Audit LLP  
Statutory Auditors  
Chartered Accountants  
Glasgow

.....30/6/11.....  
Date

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

We have audited the financial statements of Albyn Housing Society Limited for the year ended 31 March 2011 on pages 21 to 42. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Society's members as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Board and auditor**

As explained more fully in the Board's Responsibilities Statement set out on page 16, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007;
- We agree with the opinion of the Board 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 2011, because of the insignificant amounts involved.

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

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

*Baker Tilly UK Audit LLP*

Baker Tilly UK Audit LLP  
Statutory Auditors  
Breckenridge House  
274 Sauchiehall Street  
Glasgow, G2 3EH

*30/6/11*

.....  
Date

**ALBYN HOUSING SOCIETY LIMITED**

**Income and Expenditure Account**

**For the Year ended 31 March 2011**

	Notes	2011 £000's	2010 £000's
<b>Turnover</b>	2	18,341	19,961
Operating Costs	2	(15,877)	(18,614)
<b>Operating Surplus</b>	6	<u>2,464</u>	<u>1,347</u>
Sale of fixed assets	5	177	420
Interest receivable	8	5	1
Interest payable and other charges	9	(1,294)	(913)
<b>Surplus on ordinary activities</b>		<u>1,352</u>	<u>855</u>
Donations		30	58
<b>Surplus on ordinary activities before tax</b>		<u>1,382</u>	<u>913</u>
Taxation on surplus on ordinary activities	10	0	0
<b>Surplus for the year</b>		<u><u>1,382</u></u>	<u><u>913</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 2011

	Notes	2011 £000's	2010 £000's
<b>Tangible fixed assets</b>	11		
Housing properties - gross cost less depreciation		183,857	170,248
less Housing Association Grant		(125,750)	(117,000)
less Other Grants		<u>(8,518)</u>	<u>(7,838)</u>
		49,589	45,410
<b>Investments</b>			
Homestake Loan	12	3,552	3,868
Homestake Grant	12	<u>(3,552)</u>	<u>(3,868)</u>
		0	0
<b>Other fixed assets</b>	13	<u>2,098</u>	<u>2,104</u>
		51,687	47,514
<b>Current assets</b>			
Stock - LIFT Properties in Development	14	3,491	5,722
Debtors	15	3,244	3,038
Bank and Cash in hand		<u>2,382</u>	<u>1,701</u>
		9,117	10,461
<b>Current liabilities</b>			
Creditors due within one year	16	(5,767)	(6,235)
Provisions	17	<u>0</u>	<u>(250)</u>
		(5,767)	(6,485)
<b>Net current assets</b>		3,350	3,976
Total assets less current liabilities		<u>55,037</u>	<u>51,490</u>
<b>Creditors:</b>	18	(43,364)	(41,199)
amounts falling due after more than one year			
<b>Net assets</b>		<u>11,673</u>	<u>10,291</u>
<b>Capital and reserves</b>			
<b>Share capital</b>	19	1	1
<b>Designated reserves - major repairs</b>	20	10,985	9,560
<b>Designated reserves - furniture replacement</b>	20	0	225
<b>Revenue reserves</b>	20	687	505
		<u>11,673</u>	<u>10,291</u>

These financial statements were approved and authorised for issue by the Board on 28 June 2011

Isabell McLaughlan - Chair

*Isabell McLaughlan*

Sheena Slimon - Vice Chair

*Sheena Slimon*

George Kelman - Secretary

*GK*

**ALBYN HOUSING SOCIETY LIMITED**

**Cash Flow Statement**

**For the Year ended 31 March 2011**

	2011	2010
	£000's	£000's
<b>Operating Surplus</b>	2,464	1,347
Depreciation	703	629
Movement in stock	2,123	399
Movement in debtors	103	(234)
Movement in creditors	<u>(1,447)</u>	<u>2,305</u>
	<u>1,482</u>	<u>3,099</u>
<b>Net cash inflows from operating activities</b>	3,946	4,446
Donations received	30	58
Interest received	5	1
Interest paid	<u>(1,294)</u>	<u>(913)</u>
	<u>(1,259)</u>	<u>(854)</u>
<b>Net cash inflows from returns on investments and servicing of finance</b>	2,687	3,592
<b>Taxation</b>	<u>0</u>	<u>0</u>
	2,687	3,592
<b>Capital expenditure and financial investment</b>		
Development of own property	14,387	20,920
Less Grants on own property	<u>(10,455)</u>	<u>(12,289)</u>
	3,932	8,631
Disposal of property	<u>(212)</u>	<u>(532)</u>
	3,720	8,099
Acquisition of other fixed assets	<u>71</u>	<u>30</u>
<b>Net cash (outflows) from investing activities</b>	<u>(3,791)</u>	<u>(8,129)</u>
<b>Net cash (outflows) before financing</b>	(1,104)	(4,537)
<b>Financing</b>		
Loans received for housing	2,500	10,671
Loans repaid	<u>(715)</u>	<u>(3,213)</u>
<b>Movement in cash</b>	<u><u>681</u></u>	<u><u>2,921</u></u>

Note 21 should be read in conjunction with this statement



# **ALBYN HOUSING SOCIETY LIMITED**

## **Notes to the Financial Statements**

**31 March 2011**

### **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 properties on which they are secured. 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 2011**

### **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 the 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 2011**

### **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 (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.

### **m 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. During the year ended 31 March 2011 the Society ceased to provide furnished accommodation and the remaining reserves have been transferred to the Major Repairs Reserve.

# **ALBYN HOUSING SOCIETY LIMITED**

## **Notes to the Financial Statements**

**31 March 2011**

### **n 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.

### **o Leases and Hire Purchase Contracts**

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

### **p Taxation**

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

### **q 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.

### **r 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 2011**

**2 Particulars of Turnover, Operating Costs and Operating Surplus**

	Turnover £000s	Operating Costs £000s	2011 £000s	2010 £000s
Social Lettings Activities	8,696	(5,592)	3,104	1,753
Other Activities	9,645	(10,285)	(640)	(406)
<b>Total</b>	<b>18,341</b>	<b>(15,877)</b>	<b>2,464</b>	<b>1,347</b>
<b>2010</b>	<b>19,961</b>	<b>(18,614)</b>	<b>1,347</b>	

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

	General Needs Housing £000s	Shared Ownership Housing £000s	2011 £000s	2010 £000s
<b>Income</b>				
Rent Receivable Net of Service Charges	8,184	316	8,500	7,748
Service Charges	282	18	300	267
<b>Gross Income from Rents and Service Charges</b>	<b>8,466</b>	<b>334</b>	<b>8,800</b>	<b>8,015</b>
Less Voids	(104)	0	(104)	(115)
<b>Total Turnover from Social Letting Activities</b>	<b>8,362</b>	<b>334</b>	<b>8,696</b>	<b>7,900</b>
<b>Expenditure</b>				
Management and Maintenance Administration Costs	2,598	181	2,779	2,438
Service Costs	282	18	300	267
Planned and Cyclical Maintenance including Major Repairs Costs	504	0	504	1,605
Reactive Maintenance Costs	1,306	0	1,306	1,212
Bad Debts - Rents and Service Charges	77	1	78	64
Depreciation of Social Housing	610	15	625	561
<b>Operating Costs for Social Letting Activities</b>	<b>5,377</b>	<b>215</b>	<b>5,592</b>	<b>6,147</b>
<b>Operating Surplus for Social Lettings</b>	<b>2,985</b>	<b>119</b>	<b>3,104</b>	<b>1,753</b>
<b>2010</b>	<b>1,604</b>	<b>149</b>	<b>1,753</b>	

**ALBYN HOUSING SOCIETY LIMITED**

**Notes to the Financial Statements**

**31 March 2011**

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

	Supporting People Activities £000s	Wider Role Activities £000s	Develop- ment Activities £000s	Properties for Sale £000s	Other activities £000s	2011 £000s	2010 £000s
Grants from Scottish Ministers	0	357	0	0	0	357	329
Supporting People Income	227	0	0	0	0	227	277
Other Income	0	0	373	8,646	42	9,061	11,455
<b>Total Income</b>	<b>227</b>	<b>357</b>	<b>373</b>	<b>8,646</b>	<b>42</b>	<b>9,645</b>	<b>12,061</b>
Other Operating Costs	(318)	(357)	(922)	(8,646)	(42)	(10,285)	(12,467)
<b>Operating Surplus/ (Deficit)</b>	<b>(91)</b>	<b>0</b>	<b>(549)</b>	<b>0</b>	<b>0</b>	<b>(640)</b>	<b>(406)</b>
<b>2010</b>	<b>(114)</b>	<b>(7)</b>	<b>(285)</b>	<b>0</b>	<b>0</b>	<b>(406)</b>	

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

**5 Sale of Housing Properties**

Sale proceeds	346	829
Cost of sales	(169)	(409)
<b>Gain on disposal</b>	<b>177</b>	<b>420</b>

**6 Operating surplus**

Operating surplus is stated after charging

Staff costs [see note 7]	2,523	2,321
Auditors' remuneration	15	14
Depreciation on heritable property	626	544
Depreciation on other fixed assets	77	85

Baker Tilly received £3,000 (2010 - £nil) for professional services other than audit.

**ALBYN HOUSING SOCIETY LIMITED**

**Notes to the Financial Statements**

**31 March 2011**

**7 Directors and employees**

	2011 £000's	2010 £000's
[a] Staff costs including Directors' emoluments		
Wages	2,089	1,914
Social security	176	152
Other pension costs	<u>258</u>	<u>255</u>
	2,523	2,321
Temporary, seconded and agency staff costs	<u>179</u>	<u>226</u>
	<u><u>2,702</u></u>	<u><u>2,547</u></u>
	No	No
Average full time equivalent number employed	<u>63</u>	<u>62</u>

[b] Directors' emoluments

The Directors are defined as the members of the Board, the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments excluding pension contributions exceed £60,000 per year

	£	£
Aggregate Emoluments payable to Directors (excluding pension contributions and benefits in kind)	<u>340,276</u>	<u>241,758</u>
Pension Contributions payable for Directors	<u>46,784</u>	<u>44,565</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>84,194</u>	<u>74,046</u>

Albyn's contribution to the pension scheme for this director is £11,675 (2010 - £10,377)

Other Directors excluding pension contributions	Salary Bands		No	No
	60,001	70,000	4	3

No member of the Board received any emoluments in respect of their services to the Society. Expenses paid to Board Members totalled £ 7,057 (2010 - £5,412).

**ALBYN HOUSING SOCIETY LIMITED**

**Notes to the Financial Statements**

**31 March 2011**

**8 Interest receivable and other income**

2011	2010
£000's	£000's

Interest receivable from banks

<u>5</u>	<u>1</u>
----------	----------

**9 Interest payable and other charges**

Banks and Building Society loans

1,294	913
-------	-----

Interest Capitalised as part of Development Costs

75	94
----	----

<u>1,369</u>	<u>1,007</u>
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**10 Corporation Tax**

Albyn was recognised 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.



ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2011

11 Fixed Assets - Heritable Property

	Housing Properties			Total
	Rented Occupation £000's	Shared Ownership £000's	Under Construction £000's	£000's
<b>Cost</b>				
31 March 2010	152,026	6,205	15,500	173,731
Additions	0	(22)	14,142	14,120
Transfers	13,256	0	(12,967)	289
Disposals	0	(178)	0	(178)
31 March 2011	165,282	6,005	16,675	187,962
<b>Depreciation</b>				
31 March 2010	3,320	163	0	3,483
Charge for year	611	15	0	626
Disposals	0	(4)	0	(4)
31 March 2011	3,931	174	0	4,105
<b>Housing Association Grant</b>				
31 March 2010	100,477	4,568	11,955	117,000
Additions	0	0	8,708	8,708
Transfers	8,681	0	(8,500)	181
Disposals	0	(139)	0	(139)
31 March 2011	109,158	4,429	12,163	125,750
<b>Other Grants</b>				
31 March 2010	7,781	21	36	7,838
Additions	0	0	680	680
Transfers	215	0	(215)	0
Disposals	0	0	0	0
31 March 2011	7,996	21	501	8,518
<b>Net Book Value</b>				
31 March 2011	44,197	1,381	4,011	49,589
31 March 2010	40,448	1,453	3,509	45,410

No properties are held under lease.

**ALBYN HOUSING SOCIETY LIMITED**

**Notes to the Financial Statements**

**31 March 2011**

<b>11 Fixed Assets - Heritable Property (continued)</b>	<b>2011</b>	<b>2010</b>
	<b>£000's</b>	<b>£000's</b>
Total cost of development administration	(922)	(914)
Development income from third parties	42	0
Development administration capitalised	<u>331</u>	<u>629</u>
Deficit/(surplus) on development administration	<u>(549)</u>	<u>(285)</u>
 HAG received against this expenditure	 <u>331</u>	 <u>629</u>
 Interest capitalised in the year	 <u>144</u>	 <u>94</u>
 Total finance costs included in Heritable Property	 <u>451</u>	 <u>307</u>

As at 1 April 2010, valuations were obtained from external valuers DTZ Pida 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 2011 total HAG received in respect of these properties amounted to £ 113 million.

The amount of the valuation	Valuation	Net Book	Uplift of
	£000's	Value	Value
		£000's	£000's
EUV - SH	<u>61,572</u>	<u>45,578</u>	<u>15,994</u>

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

<b>12 Investments</b>	<b>2011</b>	<b>2010</b>
	<b>£000's</b>	<b>£000's</b>
Homestake Loans made to the Homestaker	3,552	3,868
Homestake Grants	<u>(3,552)</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 the Scottish Government and the Highland Council. Albyn is responsible for the administration of these grants.

**ALBYN HOUSING SOCIETY LIMITED**

**Notes to the Financial Statements**

**31 March 2011**

**13 Fixed Assets**  
**Other Fixed Assets**

	Office £000's	Equipment £000's	Total £000's
<b>Cost</b>			
31 March 2010	2,292	467	2,759
Additions	17	54	71
Disposals	0	0	0
31 March 2011	<u>2,309</u>	<u>521</u>	<u>2,830</u>
<b>Grant</b>			
31 March 2010	75	0	75
Additions	0	0	0
Disposals	0	0	0
31 March 2011	<u>75</u>	<u>0</u>	<u>75</u>
<b>Depreciation</b>			
31 March 2010	201	379	580
Charge	42	35	77
Disposals	0	0	0
31 March 2011	<u>243</u>	<u>414</u>	<u>657</u>
<b>Net Book Value</b>			
31 March 2011	<u>1,991</u>	<u>107</u>	<u>2,098</u>
31 March 2010	<u>2,016</u>	<u>88</u>	<u>2,104</u>

**14 Stock - LIFT Properties in Development**

	2011 £000's	2010 £000's
Cost of developing properties	8,671	12,265
Grant received to develop properties	(5,180)	(6,543)
	<u>3,491</u>	<u>5,722</u>

**15 Debtors**

Rent in Arrears	826	880
less Bad debt provision	<u>(190)</u>	<u>(220)</u>
	636	660
Other debtors	2,374	2,146
Prepayments and accrued income	234	232
	<u>3,244</u>	<u>3,038</u>

Included in other debtors is an amount of £ 1,412,000 (2010 - £1,805,000) relating to payments due from Scottish Government. £ 1,412,000 (2010 - £1,805,000) relates to capital and £ nil (2010 - £ nil) to revenue activities.

**ALBYN HOUSING SOCIETY LIMITED**

**Notes to the Financial Statements**

**31 March 2011**

**16 Creditors due within one year**

	2011 £000's	2010 £000's
Bank Overdraft	0	0
Loans [see note 18]	1,175	1,555
Trade creditors	1,356	1,933
Other taxation and social security	61	59
Other creditors	2,663	2,243
Accruals and deferred income	512	445
	<u>5,767</u>	<u>6,235</u>

Included in other creditors is an amount of £ 796,000 (2010 - £1,190,000) relating to payments due to Scottish Government. £ 796,000 (2010 - £1,190,000) relates to capital and £ nil (2010 - £ nil) to revenue activities.

**17 Provisions**

31 March 2010	250	0
Settlement of the Dilapidation Provision	(250)	250
31 March 2011	<u>0</u>	<u>250</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 5.47% (2010 - 0.0% to 5.2%).

Loans	<u>43,364</u>	<u>41,199</u>
Analysis of loan repayments		
In the next year	1,175	1,555
In the second year	557	1,078
In the third to fifth year	2,391	3,633
In more than five years	40,416	36,488
	<u>44,539</u>	<u>42,754</u>

**19 Called up Share Capital**

	2011		2010	
	No	£	No	£
Allocated, allotted, called up and fully paid Ordinary shares of £1 each				
31 March 2010	137	137	153	153
Issue of share capital in year	5	5	9	9
Cancelled shares	(13)	(13)	(25)	(25)
31 March 2011	<u>129</u>	<u>129</u>	<u>137</u>	<u>137</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 2010	9,560	225	505	10,290
Transfers to Income & Expenditure Account	1,200	0	182	1,382
Transfer from Furniture Replacement	225	(225)	0	0
31 March 2011	<u>10,985</u>	<u>0</u>	<u>687</u>	<u>11,672</u>

**ALBYN HOUSING SOCIETY LIMITED**

**Notes to the Financial Statements**

**31 March 2011**

**21 Cashflow analysis**

Analysis of changes in Cash during the year	2011 £000's	2010 £000's
31 March 2010	(41,053)	(36,516)
Movement	(1,104)	(4,537)
31 March 2011	<u>(42,157)</u>	<u>(41,053)</u>

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

	2011 £000's	Change £000's	2010 £000's
Bank and Cash in hand	2,382	681	1,701
Loans	(44,539)	(1,785)	(42,754)
	<u>(42,157)</u>	<u>(1,104)</u>	<u>(41,053)</u>

**Treasury Management**

Albyn has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Board 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 2011 Albyn has a loan facility of £20m which is available to be drawn down.

Albyn is self funding £3,491,000 (2010 - £5,722,000) relating to Albyn's LIFT Activities

Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2011, 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:

		2011 £000's	2010 £000's
Land and Buildings	Expiring		
	In the next year	8	8
	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>47</u>
Other assets	Expiring		
	In the next year	32	18
	In the second year	23	55
	In the third to fifth year	9	34
	In more than five years	0	0
		<u>64</u>	<u>107</u>

# ALBYN HOUSING SOCIETY LIMITED

## Notes to the Financial Statements

31 March 2011

### 23 Related Parties Transactions

#### Board Members

A number of the Board 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.

#### Councilors

Ms M Smith is a councilor 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. Four of the five directors of Albyn Enterprises Limited are Board Members of Albyn Housing Society Limited.

During the year the company made a donation to Albyn Housing Society Limited amounting to £30,000 and £nil to Cairn Housing Association Limited under the provisions of Gift Aid. Albyn Enterprises Limited made a profit after Gift Aid but before Corporation Tax of £30,000 in the year.

No further Gift Aid payments will be made by Albyn Enterprises Limited. The company's retained surplus in the year is £24,000, leaving reserves in the company of £32,000.

At the year end Albyn Enterprises Limited owed Albyn Housing Society Limited £48,000.

### 24 Housing Stock

	Tenanted	Managed on behalf of others	Shared Ownership	2011 No	2010 No
The number of properties in management were as follows					
31 March 2010	2,397	26	180	2,603	2,462
Additions during year	102	0	0	102	175
Conversion from LIFT	1	0	0	1	0
Conversion to Offices	(1)	0	0	(1)	0
Disposal	0	0	(5)	(5)	(34)
31 March 2011	<u>2,499</u>	<u>26</u>	<u>175</u>	<u>2,700</u>	<u>2,603</u>

### 25 Capital Commitments

	2011 £000's	2010 £000's
Expenditure contracted less certified	<u>18,832</u>	<u>16,123</u>

All developments in progress have been approved by Scottish Government for payment of HAG. Albyn expects that the 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 2011

### 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 at 30 September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets as at the valuation date was £295 million. The valuation showed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

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 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

## Notes to the Financial Statements

31 March 2011

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 2010. As of this date the estimated employer debt for Albyn Housing Society Limited was £8,998,749.

The Scheme offers five benefit structures to employers, namely:

- Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/70<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/80<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/120<sup>th</sup> accrual rate, contracted in.

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 one time. An open benefit structure is one which new entrants are able to join.

Albyn Housing Society Limited has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate for active members as at 1 April 2009 and the career average revalued earnings with a 1/60<sup>th</sup> accrual rate for 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 53 active members of the Scheme employed by Albyn Housing Society Limited. The annual pensionable payroll in respect of these members was £1,676,853.

Albyn Housing Society Limited continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement – Non pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
<b>Rate of pension increases</b>	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0



# ALBYN HOUSING SOCIETY LIMITED

## Notes to the Financial Statements

31 March 2011

<b>Mortality Tables</b>	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. Minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. Minimum improvement

<b>Contribution Rates for Future Service (payable from 1 April 2011)</b>		<b>% p.a.</b>
Final salary 1/60ths		19.2
Career average revalued earnings 1/60ths		17.1
Career average revalued earnings 1/70ths		14.9
Career average revalued earnings 1/80ths		13.2
Career average revalued earnings 1/120ths		9.4
Additional rate for deficit contributions*		10.4

(\*expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculation the additional contributions).

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

Contributions paid into the 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 Plan or by the purchase of an annuity.

The rules of the 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 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 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.

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 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

# ALBYN HOUSING SOCIETY LIMITED

## Notes to the Financial Statements

31 March 2011

provide that the employer shall pay the whole of them.

Albyn Housing Society Limited paid no contributions during the accounting period. Members paid contributions at the rate of 1.5% to 7.3% during the accounting period.

As at the balance sheet date there were 3 active members of the Plan employed by Albyn Housing Society Limited. Membership of the Plan is no longer offered to employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. 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 were completed in 2009 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:

	% p.a.
Rate of return pre retirement	7.6
Rate of return post retirement:	
Active/Deferred	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 the 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 2010. The market value of the Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95%.

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

# **ALBYN HOUSING SOCIETY LIMITED**

## **Notes to the Financial Statements**

**31 March 2011**

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).

The Pensions 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, as is required by legislation.

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 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 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 2010. As of this date the estimated employer debt for Albyn Housing Society limited was £51,387.