

ALBYN HOUSING SOCIETY LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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

ALBYN HOUSING SOCIETY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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Registration Particulars

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014
Scottish Housing Regulator	Registration number – 1776 R (S)
	Housing (Scotland) Act 2010
	Registration number – 64
Charity Number	SC027123

ALBYN HOUSING SOCIETY LIMITED
BOARD, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020

Board

M Smith
JA Convery
I Fosbrooke
D Smith
R Bremner
G Sinclair
P Adams

Executive Officers

M Macaulay (Left 31/05/2019)
R Nairn (Left 08/01/2020)
L Buchanan (Started 10/06/2019)

Registered Office

98-104 High Street
Invergordon
IV18 0DL

Auditor

RSM UK Audit LLP
Third Floor Centenary House
69 Wellington Street
Glasgow
G2 6HG

Internal Auditor

Mazars LLP
One St Peters Square
Manchester
M2 3DE

Bankers

Royal Bank of Scotland
Fifth Floor Kirkstane House
139 St Vincent Street
Glasgow
G2 5JF

Solicitors

Harper MacLeod LLP
Citypoint 65
Haymarket Terrace
Edinburgh
EH12 5HD

ALBYN HOUSING SOCIETY LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2020

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

Principal Activities

The principal activity of Albyn Housing Society Limited (“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 Conduct Authority as a Co-operative and Community Benefit Society, The Office of the Scottish Charities Regulator (“OSCR”) as a Scottish Charity and the Scottish Housing Regulator as a Registered Social Landlord (“RSL”).

Our Strategic Aims

Our Vision

We are a best in class social landlord that reinvests our surpluses into better quality and more homes for future generations of tenants in the Highlands.

Our Mission

To provide affordable, high quality homes to people who need them.

Our Purpose

To make a positive difference to peoples’ lives through housing and related services.

Our Strategic Objectives

Albyn has as its Strategic Objectives:

- **Our homes** - We will provide high quality, affordable, sustainable, and energy-efficient homes by implementing an asset management strategy driven by tactical analysis of data and targeted investment
- **Customer experience** – The customer experience is driven by an integrated platform of customer and specialist housing services. We provide omni-channel services available all year, any time aimed at reducing customer effort and driving tenancy sustainment.
- **Our people** – Our working culture is respectful, effective, engaging, and inclusive and driven by our tenants’ needs. We embrace agile and flexible working and the lessons we are learning from COVID 19, enabling cultural change, and driving the people agenda.
- **Our finances** – We will be efficient and effective stewards of our tenants’ money and charitable resources to enable the delivery of affordable, quality services for our tenants. We will support the business to invest in stock improvement, systems, and our people.
- **Our partnerships** - We will use our expertise to influence social housing policy and develop partnerships across the Highlands that add value to our communities.

Albyn reviewed its core values and behaviours in 2019 and as a result revised its values to ensure:

- We are responsible and accountable for our actions
- We are open and honest in how we conduct our business
- We are inclusive, fair, and respectful in how we treat each other and our customers
- We are open to challenge
- We make a difference and improve the lives of our tenants

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FOR THE YEAR ENDED 31 MARCH 2020

- We listen to our tenants and partners and respond effectively to feedback
- We celebrate success and recognise our achievements
- We work together to be the best we can working as a team to drive excellence

Albyn also has three wholly owned subsidiaries. Albyn Enterprises Limited (“AEL”), the objective of which is to undertake activities of a non-charitable nature that will help Albyn to meet its objectives, Highland Residential (Inverness) Limited (“HRL”), the objective of which is to undertake factoring and low cost home ownership and rental and one dormant entity, Suund Limited, which has been formed for the potential exploitation of innovation and currently remains a dormant company.

The table below shows the homes that we manage:

Managed Property Numbers	2020	2019
Tenanted Properties	3,229	3,072
Managed on Behalf of Others	15	16
Shared Ownership Properties	122	124
Properties Leased to HRL for Mid Market Rent	159	127
Total	3,525	3,339

Financial Review

Albyn made a surplus of £3,697,000 (2019 – £1,997,000) during the year. The consolidated results of Albyn and its trading subsidiaries, Albyn Enterprises Limited and Highland Residential (Inverness) Limited gave a surplus of £3,697,000 (2019 - £1,956,000).

The surplus recorded for the financial year to 31 March 2020 includes charges and actuarial gains to the statement of comprehensive income for the defined benefit pension scheme. The surplus for the year prior to these gains and charges was £2,265,000 (2019 - £2,688,000) for the Society and £2,264,000 (2019 – 2,647,000) for the consolidated result of the Society and trading subsidiaries.

The treatment of the Society’s SHAPS pension scheme changed in line with FRS102 from a defined contribution scheme to a defined benefit scheme in the previous financial year. The defined benefit liability as at 31st March 2020 is £291k (2019 - £2,109k). This has therefore resulted in a decrease in the liability at 31 March 2020 of £1,818k.

During the financial year deficit reduction payments have been made of £429k which have been supplemented by an actuarial gain of £1,433k and other charges to the Statement of Comprehensive Income of £44k, arriving at a closing liability at 31 March 2020 of £291k (2019: £2,109k).

Future deficit reduction payments will be made during the 2020/21 financial year of £429,000 as advised by the scheme Trustees.

Due to the unpredictable nature of the underlying assumptions in calculating the future liability, there is likely to be some volatility in the pension liability at each financial year end.

Albyn has held discussion with its main bankers and as the movement on the liability is a non-cash movement, it does not anticipate there being any adverse impact on the societies loan covenants.

The cash surplus generated By Albyn Housing Society in the year continues to be reinvested in homes for our tenants through our new build programme and our investment in the quality of our existing homes.

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Albyn remains in a strong financial position; we continue to have a substantial major repair investment programme with work to comply with the Scottish Housing Quality Standards ("SHQS") and the Energy Efficiency Standard for Social Housing ("EESH") by 2020, as well as maintaining the quality of our homes. We have budgeted for expenditure on improvements to our homes of £2.3m in the next financial year, with our ongoing budget for improvements being in excess of £2m each year going forward.

In July 2016 the Board of Albyn approved an increase to our plans for building new homes, increasing the original target of 500 homes over five years between 2016 and 2020 to 750 homes. We obtained £30m of new Private Placement funding in February 2017 and this is expected to fund at least 500 of our planned new homes. The Board reached agreement in principle to continue to develop after the end of the 2019/20 financial year subject to the political and grant funding climate. This was expected to be at the rate of around 150 units per year.

Cash surpluses will continue to be made, subject to our planned major repair programme over the next few years and we will continue to make efficiency savings in our operational costs wherever possible.

Following the worldwide coronavirus pandemic, The Board have considered several measures to protect the Society and maintain financial resilience in light of significant economic uncertainty that the pandemic has caused. On 31 March 2020, the Board met to approve the budget for the forthcoming year and the future financial forecast. In addition, a number of specific measures were agreed and will be reviewed as the operating environment becomes clearer. This includes a pause on the commitment to new build development in 2020/21, a pause on the component replacement programme and the fulfilment of only emergency or urgent repairs in the short term.

As restrictions are lifted during the 20/21 financial year and the impact of the pandemic on the business can be better assessed, the Board will consider changing these revised policy positions.

Development and Performance

This report details developments that have occurred during the year relating to the main activities undertaken by Albyn and how we have performed.

Corporate Governance

Albyn has a Board (detailed on page 14) which is elected by the members of Albyn. It is the responsibility of the Board to undertake the strategy, setting of policy and overall direction for Albyn. They also monitor the operational activities of Albyn. The majority of members of the Board undertake this work in a voluntary, unpaid capacity. During the financial year, the Board agreed that it would make limited payments to some post holders on the Board. This includes the role of Chair and Audit Committee Chair. The payments made in the financial year are disclosed in note 8 to the accounts.

The Executive Team (listed on page 14) together with the managers has been responsible for achieving the set strategy and undertaking the operational activities in line with the agreed policies throughout the year.

On 31 May 2019 the current Chief Executive left the Society after 28 years of service. The Board completed a successful recruitment process and Lisa Buchanan joined the Society as new Group Chief Executive from 10 June 2019.

On 08 January 2020 The Chief Operating Officer resigned from his position. The Board have approved a restructure of the leadership team and will seek to implement the new structure in the

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latter half of the 2020/21 financial year. In the meantime, an interim Leadership team has been created to lead the business for the next 12 months.

The revised Regulatory Plan, issued in March 2019 by the Scottish Housing Regulator, defined their engagement with Albyn as Medium on the basis of their risk assessment. The plan identified Albyn's level of new build development activity as a particular area of risk.

The Regulator has classified Albyn as being of "systemic importance". The Regulator refers to a small number of RSLs as 'systemically important' because of their stock size, turnover or level of debt or because of their significance within their area of operation. They need to maintain a comprehensive understanding of how our business model operates and the risks we face, so they seek some additional assurance through our regulation plans. It is important to bear in mind that higher levels of regulatory engagement do not therefore mean we are poorly performing.

Operational Review

Albyn operates with an operational structure covering three core teams. These include a Customer Services Team, Asset Management & Investment Team and a Finance & Corporate Services Team. This structure has remained in place for the past six years. We have continued to develop operational and job processes, and performance reporting processes, with training tailored to individual requirements.

During the year we continued to focus on our rent collection figures. We also implemented our void procedures, and these have maintained the number of days that a property is empty at low levels, minimising the cost to the society. We also continued to improve our knowledge of our properties with continued surveys and implementation of SAP 2012 as our basis for rating the energy efficiencies of our properties.

Customer Services Team

High quality customer service is central to the success of our business. Over the last few years, we have been developing new ways to improve our service delivery, both through changes to organisational structures and through building on the successful methods we currently use.

We have continued to restructure our Customer Services Team to push day to day decision making through to the front-line staff, enabling them to respond more effectively and efficiently to our customers' needs. Local initiatives on arrears accounts and new, improved ways of ensuring that our new tenants have the best possible chance of sustaining a successful tenancy have delivered a reduction in our overall rent arrears balances for our customers who are living in our homes.

During the financial year we ran an open tender process to procure a new Housing management System which is now in the implementation phase with a projected go-live date of September 2021. This will enable further progress to be made to improve effectiveness of our processes for the benefit of our tenants and services.

The roll-out of Universal Credit ("UC") Full Service continues to impact on all locations where we have properties. We are continuing to work with the DWP and fellow social landlords to try and get our tenants' voices heard and minimise the impact all of this is having on their personal lives.

We are committed to ensuring our tenants have direct input into our service delivery and are continually looking for new ways to enable them to do this. We have developed a number of specialist focus groups where tenants can participate and gain knowledge in areas of interest to them. We have carried out five full tenant surveys during the financial year ranging from customer satisfaction, to gas

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safety and rent affordability. Responses to our surveys have been consistently strong with a response rate of around 40% providing valuable information on which to drive further service improvement.

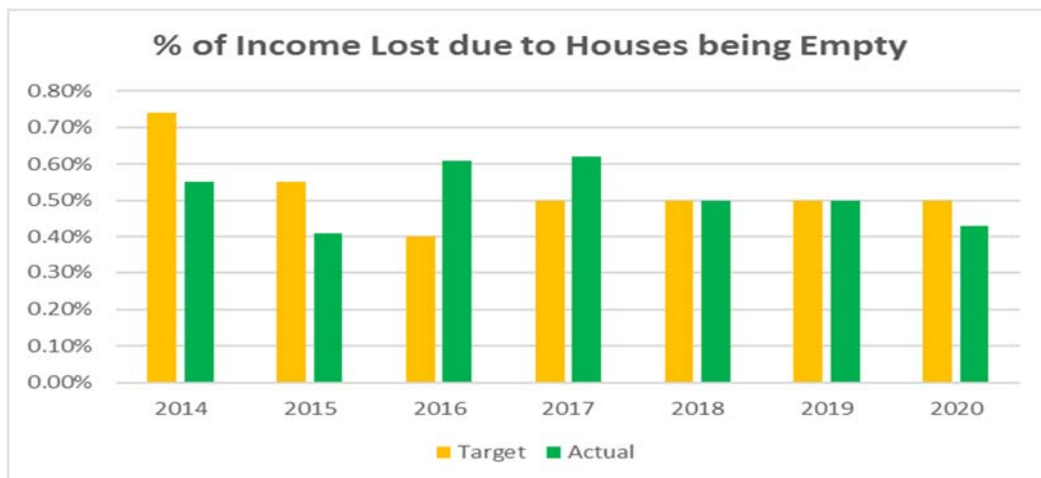
We continued to work in partnership with our tenants to be able to publish a Tenants' Report Card that delivers the information that matters to them on our performance against the requirements of the Scottish Social Housing Charter in an easy to read format.

Allocations

We undertook a process review on the time it takes us to let empty homes. The objective of the review was to house applicants on the waiting list as quickly as possible and to reduce the lost income when a property is empty. With the increase in development activity both within Albyn and our partner organisations in the Highlands, we continued to re-house a large number of families in the year. They were however still good overall and improved compared to last year:

Families re-homed in the year	2020	2019
Re-lets	216	237
New Build / other Acquisitions	142	161
Total	358	398
Average Days taken to fill an empty home	6	8

The average number of days taken to fill our empty homes has resulted in rents and other charges lost due to homes being empty falling to 0.43% (2019 - 0.50%) of collectable rent across the year despite an increase in the total number of properties that became void as illustrated in the graph below:



Historically we have found that it takes us longer to allocate homes in Caithness and a handful of developments in the more rural parts of the Highlands. With experienced officers dealing with the homes in these areas, and the Choice Based Lettings initiative implemented in Caithness since 2015, we continue to work hard to keep our lost income as low as possible.

We achieve high levels of satisfaction with the condition of our homes, with over 85% of tenants responding to new tenancy surveys indicating that they are satisfied with the condition of their home when they move in.

We constantly review the performance of our homes in terms of the amount of money they cost us and how happy our tenants are with them, so that we can be proactive in deciding the future use of our homes.

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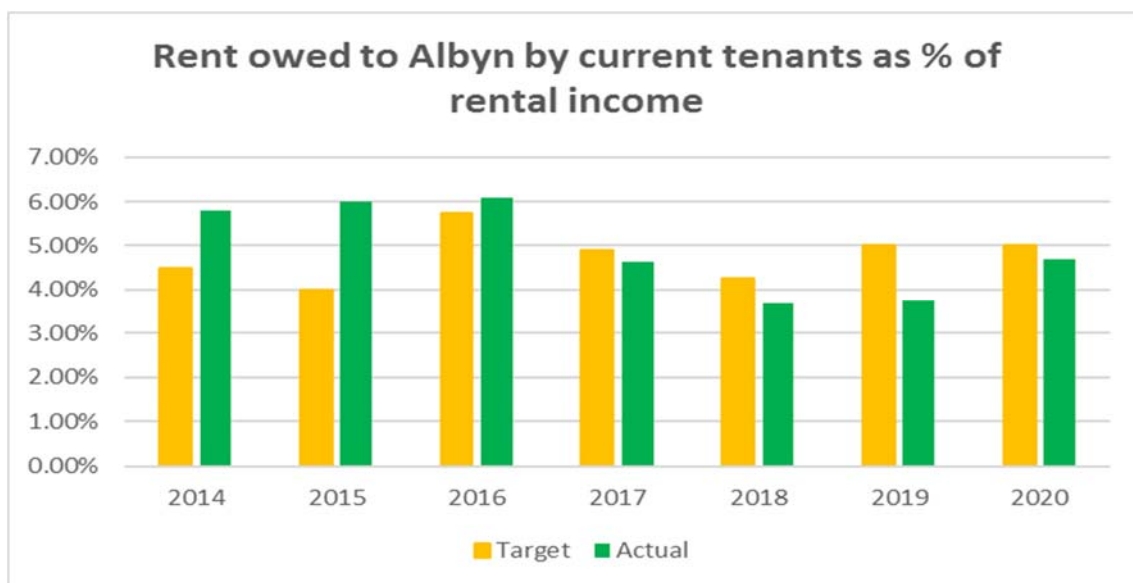
Rent Arrears

Rent arrears performance has weakened compared with the previous year as we see a greater proportion of tenants experiencing the challenges of migration to Universal Credit. The allocation of arrears workload has been spread across the Officer and Assistant group, we have continued to improve our internal reporting and monitoring processes, and we have developed stronger early-intervention processes.

Many of our customers remain affected by the “bedroom tax”. Discretionary Housing Payments have been in place for those affected and this helped to alleviate the shortfall in Housing Benefit and the negative financial impact on the tenants concerned.

At the end of the year a total of 1,178 tenants (2019 - 864) were UC claimants with this number continuing to rise. We expect a further accelerated increase in 2020/21 due to the economic impact of the coronavirus pandemic. We have been working on a number of initiatives with local RSLs and the Highland Council to establish good working relationships and practices with the Department for Work and Pensions and continue to refer tenants to access the support they need to manage rents.

The graph below details our recent performance on rent arrears for tenants in our homes:



Tenancy Management

We continue to work in partnership with other local agencies to tackle Anti-Social Behaviour (“ASB”) and to manage our estates.

Number of ASB Cases opened in the year		2020	2019
Category 1	Most serious and involves criminal activity	23	41
Category 2	Deliberate attempt to cause disturbance or annoyance	96	80
Total		119	121

The number of reported nuisance and anti-social behaviour cases we have to deal with at any one time remains fairly constant, a low percentage of all tenancies, and predominantly in the less serious category, Category 2. It is always worth noting that whilst the ASB cases can be small in numeric terms as a proportion of the overall number of homes we manage, the cases often require a disproportionate amount of time and effort to find a resolution. These cases invariably require close customer liaison and support.

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The number of tenancies created in the financial year that were still successfully in place after a year remains high at 93.44% (2019 – 97.27%).

Reactive Repairs

Our performance in Reactive Repairs remains good and is detailed in the following tables:

Category	Performance Measure	Target	2020	2019
Emergency	Average time to complete	8 hours	5.81 hrs	3.90 hrs
Non-Emergency	Average time to complete	10 days	3.10 days	3.27 days
Right First Time			90.38%	90.38%

The total number of reactive repairs completed during the reporting year was 5,847 (2019 – 6,606). 77.65% (2019 – 87.4%) of tenants who returned the satisfaction survey were satisfied with the overall quality of our repairs service.

The number of repairs completed Right First Time has improved compared to last year.

Communities

Albyn is committed to working with our tenants and communities to develop innovative solutions to enable people to live in their own homes as long as it is safe for them to do so. During the year we have worked closely with our subsidiary AEL to assist it in achieving a number of innovative projects.

Since 2015, we have been the lead partner in a successful funding bid for £880,000 from The Big Lottery to AEL in partnership with the four other main RSL's in Highland for a project entitled Money Matters Highland. This funding has been enabling us to deliver support to our tenants across the Highlands, specifically focusing on the negative impacts of the introduction of UC and the effects of fuel poverty in the area.

The success of this project has led to a further extension into the 2020/21 financial year when the original end date of the programme was 31 March 2020. This extension will allow those in need of money advice to access professional services to assist in managing personal finances.

We are continuing to develop our software platform to assist people to live safely in their homes, as well as working on an innovative design for homes to enable people who are unwell to live at home for as long as is possible, rather than being in a bed in hospital.

The software will support them to do this by giving them on-line access to the services they need. We continue to work with partners such as the NHS, Scottish Government and the Highland Council with financial and other support being given by Highlands & Islands Enterprise.

Asset Management & Investment Team

We have now covered the majority of our housing stock in carrying out an extensive stock condition survey with our Property Surveyor working towards ensuring that all properties have been inspected and ensuring the information we hold is as accurate as possible.

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During the year we incurred expenditure on improvements to our homes as follows:

Replacement Type	2020	2019
	£000's	£000's
Energy Efficiency Measures	1,052	1,066
Window and Door Replacements	571	676
Kitchen Replacements	329	152
Bathroom Replacements	508	240
Individual Property Upgrades and Other Costs	81	81
Total	2,541	2,215

It is essential that all properties with Gas Central Heating are serviced within 12 months of the previous time, and we put in place procedures this year which ensured that we hit this target every month in the year.

Category	Performance Measure	Target	2020	2019
Gas Servicing	Within 12 Mths of previous inspection	100%	100.0%	100.0%
	Within 13 Mths of previous inspection	100%	100.0%	100.0%

In July 2016 the Board approved an increase to the new build development programme from 500 homes for rent over the five years ending March 2020 up to 750 new homes. These plans were given a major boost when we secured the £30m of new Private Placement funding in February 2017. We completed or purchased 193 homes for rent during the year to 31 March 2020 (2019 - 196).

In addition to the new properties we built or purchased below, we bought back 1 shared ownership property to be rented out by HRL under the Mid-Market Rent (MMR) provisions.

Developments completed in the year	Rented	MMR	Total
David Oag grove	13	-	13
Drovers Square	2	2	4
Drummosie Road	40	-	40
Matheson Way	9	2	11
Revoan Court	2	2	4
Sandy Macrae Street	8	4	12
Spey House	20	2	22
David Ross Street	1	4	5
Aignish Drive	11	2	13
Manse Road	-	1	1
Kennedy Avenue	-	1	1
Millburn Court	-	1	1
Dellmhor	6	-	6
Balvonie Brae	25	-	25
Sullivan Street	4	-	4
Aignish Road	5	-	5
Balvonie Street	11	9	20
Colin Young Place	-	2	2
King Brude Gardens	1	-	1
Benbecula Place	3	-	3
Total	161	32	193

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The table below details our spend in the year on these completed projects together with projects that are currently being built:

Development Funding	2020	2019
	£000's	£000's
Expenditure	23,471	25,723
Grant	14,220	14,463
Loan	9,251	11,260
Own resources	-	-

Finance & Corporate Services Team

Albyn's Finance & Corporate Services Team, which includes ICT, continued to support the Albyn Group throughout the year. The team supported the Board in reviewing the number of houses we would build and ensuring that the corporate and financial governance of the Society remained strong.

The team has continued to work with the operational teams in Albyn, AEL and HRL to provide up to date and streamlined processes and systems to help them provide good service to our customers on a day to day basis.

Within the financial year, the corporate finance system has been upgraded to enable a migration to a more modern platform and in addition we have introduced a new system for managing the housing assets that is a core part of our business. Further upgraders have been made to payment systems software and we will seek to develop further effectiveness and efficiency gains through the integration of our systems in the coming years.

Albyn Enterprises Limited

Albyn Enterprises Limited (AEL), is a wholly owned subsidiary.

During the year employees of AEL continued to support Albyn in its innovation activities and to further its aim to enable people to live in their own homes as long as it is safe for them to do so. They also continued to manage "Money Matters Highland" funded by the Big Lottery to provide advice and help to those requiring money advice.

Highland Residential (Inverness) Limited

Following the transfer of activities from AEL to HRL at the beginning of 2017, the team has continued to develop its offering to the affordable homes market through expansion of MMR and further development of the factoring service.

In the year to 31 March 2020, the Factoring Services team continued to deliver services to tenants of Albyn as well as the owners of homes in our developments and grew their business locally by becoming the factor of choice for a number of local home builders.

Other Matters

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.

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Rental Income

Albyn's Rent Policy is based on the size, type and facilities available to each home. The policy ensures that the rent structure is easy to administer and covers the wide variations of properties that we own and manage. The rent charged is reviewed annually to ensure that the rents cover the required costs. The rent increase was consulted with tenants for the 2020/21 financial year and we will be developing our rent setting policy to improve rent affordability across our tenancies. This policy follows the generally accepted practice / principles of the RSL Sector.

Sales of Housing Properties

We sold 3 homes in the year on the open market (2019 – 1) and 2 (2019 - 4) Shared Ownership properties in the year. We did not sell any homes under the Mortgage to Rent regulations (2019 - Zero).

Properties are disposed of under the appropriate legislation and guidance. All costs, first tranche sales, and grants relating to the share of the 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.

Management Structure

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

Risk Management Policy

The Board has a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the six critical success factors for Albyn then analysing 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.

In order to ensure that these policies are adhered to, management has:

- clarified the responsibility of management to implement the Board's policies and to identify and evaluate risks for the Board's consideration
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives
- embedded the control system in the organisation'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.

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Albyn holds a full strategic risk register but has identified the following key risks in the year and their mitigation is as follows:

- **Inadequate resourcing – finances**
This risk is associated with the financing of the current development programme and the potential extension of the programme into period 2020 to 2023. We will plan a strategy for funding, including alternative plans if the initial plan is not achievable.
- **Objectives of the Society being misaligned or unsupported by behaviours**
The introduction of significant business change projects requires a focus on outcomes and behaviours in order to reach a successful completion.
- **Inadequate or ineffective Performance Management**
This risk requires the appropriate skills and training support of managers to develop capacity and capability to support business objectives.
- **Focus on the Effectiveness of non-core Activities**
This risk has been identified to ensure that non-core activities retain a clear focus on objectives and outcomes avoiding unnecessary misalignment with the Albyn core business.
- **The impact of the Coronavirus pandemic**
This risk has been identified following the onset of a national lockdown in response to the pandemic at the end of March 2020 which is likely to result in significant economic damage and hardship for the tenants of the Society. In addition, impact is likely to become apparent on the services and materials on which Albyn relies to build and maintain its assets.

Sustainability and Asset Management

Albyn has a Sustainability Strategy, with a focus on sustaining Albyn as a business whilst helping improve the quality of life for the residents in our communities. This Strategy is supported by an Asset Management Plan which identifies initiatives for sustaining / improving the performance of our property assets. We updated our Asset Management Strategy in the Winter of 2016 and will provide a further update when the new Leadership team is appointed.

In addition, Albyn has a long-term programme of major repairs to cover work which has become necessary since the original development was completed, including works required for subsequent legislative changes such as SHQS and EESSH. This includes replacement or repairs to parts of the properties which have come to the end of their useful 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 five-year budgets 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 where necessary 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 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.

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Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2020, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Going Concern

The impact of the Coronavirus pandemic has provided a significant risk since it emerged at the end of March 2020 resulting in a lockdown of many aspects of the economy and society and the impact that this period will bring to bear on the Society's operation and its tenants may be significant.

The approval of the budget and specific responsive measures in March 2020 by the Board and further sensitivity modelling indicates that based on a number of scenarios, and evidence emerging after the end of the financial year, the Board have a reasonable basis on which make judgements on this impact.

Based on the budgetary processes detailed above, the Board has a reasonable expectation that Albyn has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Quality and Integrity of Staff

The integrity and competence of staff is ensured through high recruitment standards and subsequent training and development. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Chief Executive. Our staff also have the opportunity to take part in a range of training opportunities to develop their skills and knowledge.

Albyn is committed to involving staff in decision-making and drafting policy. The Staff Consultative Forum ("SCF") includes both Board and staff members to enable employer and employee involvement in these decisions.

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.

Future Prospects

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.

The Board approved ambitious plans to build 750 homes over five years between 2016 and 2020, to contribute to the government's overall targets for growth in affordable housing in Scotland. This programme is reaching the end of its delivery and the Board are considering the scale of development and balancing this against the on-going needs to upgrade and improve the quality of existing housing stock.

Albyn was one of the first social landlords to experience the introduction of Universal Credit ("UC") for some of its tenants. This new system presents challenges to us and our tenants and so we have used the operational review and changes to the staffing structure in Customer Services to hopefully put us in a strong position. More recent developments are likely to push more of our tenants towards

ALBYN HOUSING SOCIETY LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2020

reliance on UC and we will call on skills and abilities of our staff to support tenants to manage rental payments.

The period of social lockdown which began at the end of March 2020 will bring about challenges into the future in how we deliver services to tenants and we will follow all applicable guidance in ensuring that once restrictions on activities are lifted we are able to operate and deliver our services in a manner which is safe to both our tenants and our staff.

Board

The Board of Albyn during the year to 31 March 2020 and up to 16 September 2020 was as follows:

Name	Date Appointed	Committees
Ms M Smith	Appointed Chair Person from 03/09/19 – Present	SHSE, Perf
Mr J A Convery	Appointed Board Mbr 01/09/03 – Present	Perf, A&RM
Mr I Fosbrooke	Appointed Vice Chair – 03/09/19 – Present	SHSE, A&RM
Ms J Goleworthy	Appointed Board Sec 03/09/19 Resigned 07/06/20	A&RM, Perf
Ms J Carr	Appointed Board Mbr 21/11/17 Resigned 03/09/19	SHSE
Mrs L Clow	Appointed Board Mbr 11/09/18 Resigned 03/09/19	A&RM, SHSE
Mrs S Endeacott	Appointed Co Optee 15/10/19 Resigned 01/05/20	SHSE
Ms D Smith	Appointed Co-Optee 15/10/19 – Present	SHSE, A&RM
Mr R Bremner	Appointed Board Mbr 25/06/19 – Present	Perf, A&RM
Ms G Sinclair	Appointed Board Mbr 03/09/19 - Present	SHSE, Perf
Mr P Adams	Appointed Co-Optee 17/12/19 – Present	Board
Ms A Boon	Appointed Board Mbr 03/09/19 Resigned 09/06/20	A&RM, Perf
Ms M MacPherson	Appointed Board Mbr 03/05/19 Resigned 11/07/19	Board
Mr D Russell	Appointed Board Mbr 16/08/11 Resigned 03/09/19	A&RM
Mr S Smith	Appointed Chair prsn 11/08/18 Resigned 31/05/19	Board, SHSE, Perf

Committees

Performance Committee (“Perf”)

Staffing Health & Safety and the Environment Committee (“SHSE”)

Audit & Risk Management Committee (“A&RM”)

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.

Executive Team

The Director of Albyn at 31 March 2020 was as follows:

Ms Lisa Buchanan Chief Executive

Disclosure of Information to the Auditor

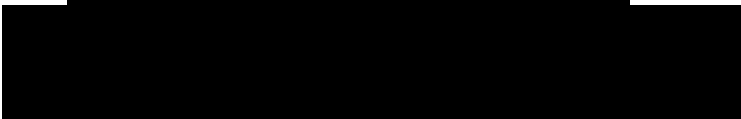
The members of the Board at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

ALBYN HOUSING SOCIETY LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2020

Auditor

A resolution for the reappointment of RSM UK Audit LLP, as auditors of the Society, will be proposed at the Annual General meeting.

By order of the Board

A large black rectangular redaction box covering the signature of the Secretary.

Secretary
16 September 2020

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF BOARD'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2020

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Society's state of affairs and of the surplus or deficit of the Society for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Society will continue in business.

The Board is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Society. The Board must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2019. It is responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ALBYN HOUSING SOCIETY LIMITED

BOARD'S STATEMENT OF INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 31 MARCH 2020

The Board acknowledges its ultimate responsibility for ensuring that the Society has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Society, 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 financial misstatement or loss or failure to meet objectives. Key elements of the Society's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority which allow the monitoring of controls and restrict the unauthorised use of the Society's assets;
- experienced and suitably qualified staff take responsibility for the important business functions and annual appraisal procedures that have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Management Team and Board to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Board;
- the Audit & Risk Management Committee receives reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed, and that a general review of the major risks facing the Society is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal and external audit reports.

The effectiveness of the Society's system of internal financial control has been reviewed by the Audit & Risk Management Committee for the year ended 31 March 2020. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By order of the Board



Secretary
16 September 2020

**REPORT BY THE AUDITOR TO THE MEMBERS OF
ALBYN HOUSING SOCIETY LIMITED
ON CORPORATE GOVERNANCE MATTERS
FOR THE YEAR ENDED 31 MARCH 2020**

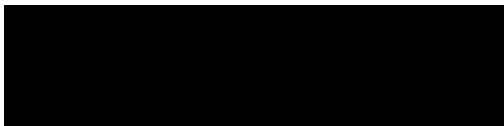
In addition to our audit of the Financial Statements, we have reviewed your statement on page 16 concerning the Society's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 16 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Third Floor Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date 20 October 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ALBYN HOUSING SOCIETY LIMITED
FOR THE YEAR ENDED 31 MARCH 2020

Opinion

We have audited the financial statements of Albyn Housing Society Limited (the 'Society') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the statements of comprehensive income, the statements of financial position, the statements of cashflow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Society's affairs as at 31 March 2020 and of the income and expenditure of the Group and the income and expenditure of the Society for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ALBYN HOUSING SOCIETY LIMITED
FOR THE YEAR ENDED 31 MARCH 2020

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the 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.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 16, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

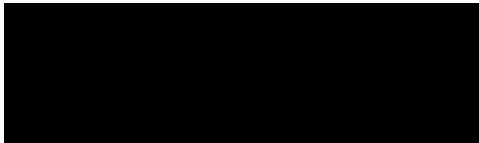
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ALBYN HOUSING SOCIETY LIMITED
FOR THE YEAR ENDED 31 MARCH 2020

Use of our report

This report is made solely to the Society's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the 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.



RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date 20 October 2020

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF COMPREHENSIVE INCOME - GROUP
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Turnover	2	21,919	20,960
Operating expenditure	2	(16,829)	(15,690)
Operating Surplus	7	<u>5,090</u>	<u>5,270</u>
(Loss) on disposal of fixed assets	6	(35)	(22)
Interest receivable	9	11	20
Interest and financing costs	10	(2,802)	(2,625)
Surplus before tax		<u>2,264</u>	<u>2,643</u>
Taxation	11	-	4
Surplus for the Year		<u>2,264</u>	<u>2,647</u>
<i>Other Comprehensive Income</i>			
Initial recognition of multi-employer defined benefit scheme	31	-	(351)
Actuarial Gain/(Loss) in respect of pension schemes	31	1,433	(340)
Total Comprehensive Income for the year	24	<u>3,697</u>	<u>1,956</u>

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF COMPREHENSIVE INCOME - SOCIETY
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Turnover	2	21,411	20,537
Operating expenditure	2	(16,331)	(15,246)
Operating Surplus	7	<u>5,080</u>	<u>5,291</u>
(Loss)/Gain on disposal of fixed assets	6	(35)	(22)
Interest receivable	9	21	44
Interest and financing costs	10	(2,802)	(2,625)
Surplus before tax		<u>2,264</u>	<u>2,688</u>
Taxation	11	-	-
Surplus for the Year		<u><u>2,264</u></u>	<u><u>2,688</u></u>
<i>Other Comprehensive Income</i>			
Initial recognition of multi-employer defined benefit scheme	31	-	(351)
Actuarial Losses in respect of pension schemes	31	1,433	(340)
Total Comprehensive Income for the year	24	<u><u>3,697</u></u>	<u><u>1,997</u></u>

The results relate wholly to continuing activities.

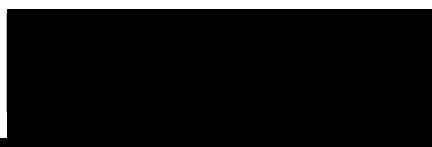
The accompanying notes form part of these financial statements.

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF FINANCIAL POSITION - GROUP
AT 31 MARCH 2020

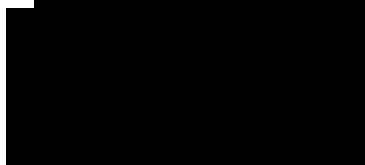
	Notes	2020 £'000	2019 £'000
Fixed Assets			
Intangible assets	12	-	-
Housing properties	13	275,232	255,928
Other tangible fixed assets	14	2,284	2,155
Investments	15	1	1
		<u>277,517</u>	<u>258,084</u>
Current Assets			
Stock and Work in Progress	16	2,259	3,352
Trade and other debtors	17	1,973	4,838
Cash and cash equivalents	25	7,998	5,665
		<u>12,230</u>	<u>13,855</u>
Current Liabilities			
Creditors due within one year	18	<u>(11,031)</u>	<u>(11,094)</u>
Net Current Assets		1,199	2,761
Total Assets Less Current Liabilities		<u>278,716</u>	<u>260,845</u>
Creditors: amounts falling due after more than one year	19	(243,168)	(227,182)
Provision For Liabilities	22	(134)	(128)
Provisions for Liabilities - Pension Deficit Funding Liability	31	-	-
Provisions for Liabilities - Defined Benefit Liability	31	(291)	(2,109)
Total Net Assets		<u>35,123</u>	<u>31,426</u>
Capital and Reserves			
Share capital	23	1	1
Income and Expenditure Reserve	24	35,122	31,425
		<u>35,123</u>	<u>31,426</u>

The financial statements on pages 22 to 45 were approved by the Board and authorised for issue on 16 September 2020 and are signed on its behalf by:

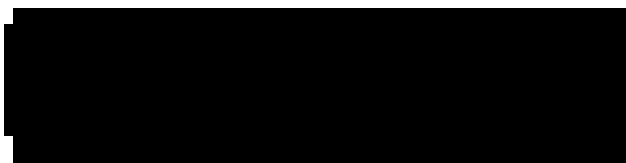
Maxine Smith - Chair



Carl Patching - Vice Chair



Ian Fosbrooke - Secretary

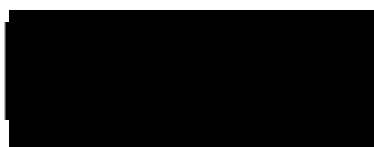


ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF FINANCIAL POSITION - SOCIETY
AT 31 MARCH 2020

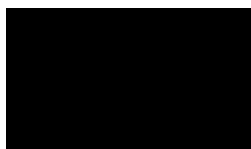
	Notes	2020 £'000	2019 £'000
Fixed Assets			
Housing properties	13	275,232	255,928
Other tangible fixed assets	14	2,188	2,052
Investments	15	<u>1</u>	<u>1</u>
		277,421	257,981
Current Assets			
Stock and Work in Progress	16	2,259	3,350
Trade and other debtors	17	2,269	4,829
Cash and cash equivalents	25	<u>7,402</u>	<u>5,213</u>
		11,930	13,392
Current Liabilities			
Creditors due within one year	18	<u>(10,769)</u>	<u>(10,661)</u>
Net Current Assets		1,161	2,731
Total Assets Less Current Liabilities		<u>278,582</u>	<u>260,712</u>
Creditors: amounts falling due after more than one year	19	(243,168)	(227,183)
Provisions for Liabilities	22	(117)	(111)
Provisions for Liabilities - Pension Deficit Funding Liability	31	-	-
Provisions for Liabilities - Defined Benefit Liability	31	(291)	(2,109)
Total Net Assets		<u>35,006</u>	<u>31,309</u>
Capital and Reserves			
Share capital	23	1	1
Income and Expenditure Reserve	24	35,005	31,308
		<u>35,006</u>	<u>31,309</u>

The financial statements on pages 22 to 45 were approved by the Board and authorised for issue on 16 September 2020 and are signed on its behalf by:

Maxine Smith - Chair



Carl Patching - Vice Chair



Ian Fosbrooke - Secretary



ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF CASHFLOWS - GROUP
FOR THE YEAR ENDED 31 MARCH 2020

	2020		2019	
	£'000	£'000	£'000	£'000
Surplus before Tax for the year		2,265		2,647
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	4,937		4,280	
Amortisation of capital grants	(2,996)		(2,664)	
Increase in provisions	6		7	
Gain on disposal of tangible fixed assets	(35)		22	
Interest receivable	(12)		(15)	
Interest payable	2,802		2,625	
Taxation paid	-		-	
		<u>4,702</u>		<u>4,255</u>
Operating cash flows before movements in working capital		6,967		6,902
Decrease in properties held for sale	1,091		1,251	
Decrease in stock	3		-	
Decrease in trade and other debtors	71		653	
Increase /(decrease) in trade and other creditors	<u>2,820</u>		<u>(2,586)</u>	
		<u>3,985</u>		<u>(682)</u>
Cash generated from operations		10,952		6,220
Cash flow from investing activities				
Development of own property	(25,128)		(24,944)	
Purchase of other fixed assets	(270)		(113)	
Proceeds from sale of tangible fixed assets	637		291	
Grants received	10,235		16,940	
Interest received	<u>11</u>		<u>15</u>	
Net cash used in investing activities		(14,515)		(7,811)
Cash flow from financing activities				
Interest paid	(2,758)		(2,560)	
Loans received	10,000		1,000	
Loans repaid	(917)		(901)	
Payments to pension past service deficit	<u>(429)</u>		<u>(454)</u>	
Net cash from/(used in) financing activities		5,896		(2,915)
Net Increase/(decrease) in cash and cash equivalents		<u>2,333</u>		<u>(4,506)</u>

Note 25 should be read in conjunction with this statement.

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF CASHFLOWS - SOCIETY
FOR THE YEAR ENDED 31 MARCH 2020

	2020		2019	
	£'000	£'000	£'000	£'000
Surplus for the year		2,264		2,689
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	4,925		4,262	
Amortisation of capital grants	(2,996)		(2,665)	
Increase in provisions	6		7	
Gain on disposal of tangible fixed assets	(35)		22	
Interest receivable	(21)		(44)	
Interest payable	2,802		2,625	
		<u>4,681</u>		<u>4,206</u>
Operating cash flows before movements in working capital		6,945		6,895
Decrease in properties held for sale	1,091		1,251	
Decrease in trade and other debtors	24		1,088	
Increase / (decrease) in trade and other creditors	2,733		(2,534)	
		<u>3,849</u>		<u>(195)</u>
Cash generated from operations		10,794		6,700
Cash flow from investing activities				
Development of own property	(25,129)		(24,944)	
Purchase of other fixed assets	(266)		(108)	
Proceeds from sale of tangible fixed assets	637		291	
Grants received	10,235		16,940	
Interest received	15		19	
Gift Aid donation received	6		25	
		<u></u>	<u></u>	<u></u>
Net cash used in investing activities		(14,502)		(7,777)
Cash flow from financing activities				
Interest paid	(2,758)		(2,560)	
Loans received	10,000		1,000	
Loans repaid	(916)		(901)	
Payments to pension past service deficit	(429)		(454)	
		<u></u>	<u></u>	<u></u>
Net cash from/(used in) financing activities		5,897		(2,915)
Net (Decrease) / increase in cash and cash equivalents		<u>2,189</u>		<u>(3,991)</u>

Note 25 should be read in conjunction with this statement.

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020

1 Accounting Policies

The principal accounting policies of the Group and the Society are set out in the paragraphs below.

a. Legal Status

Albyn Housing Society Limited is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society, and the Scottish Housing Regulator as a Registered Social Landlord under the Housing (Scotland) Act 2010. Albyn Housing Society Limited adopted Charitable Rules on 18 March 1997 and its Charity Number is SC 027123.

The Society's address is listed on page 1. Its principal activities and the nature of its operations are detailed on page 2.

b. Basis of Accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2019, and under the historical cost convention.

Albyn Housing Society Limited is a public benefit entity (PBE).

The financial statements are prepared in Sterling (£).

c. Basis of Consolidation

The consolidated financial statements consolidate the accounts of the Society and its commercial subsidiaries, Albyn Enterprises Limited ("AEL") and Highland Residential (Inverness) Limited ("HRL").

d. Critical Accounting Estimates and Areas of Judgement

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below:

- i. Useful lives of properties
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on industry averages and our review of our stock. Uncertainties in these estimates relate to the length of time certain components in our homes will last, with varying levels of use potentially lengthening or shortening the lives of these components.
- ii. Recoverable amount of rent arrears and debtors
Management considers the reasonable likelihood of rent arrears and debtors being

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

recoverable based on past experience. While every effort is made not to over-estimate the amounts which will be recovered by the Society in the future, the actual amounts which might be received are often outwith the Society's control.

iii. Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 31). The net defined benefit pension liability at 31 March 2020 was £291k.

e. Going Concern

Each year the Board approves the five-year budgets 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 where necessary together with information on the key risk areas.

On 31 March 2020, the Board approved the annual budget and financial forecast in addition to a series of specific measures implemented to provide a response to the coronavirus pandemic. These measures and the wider impact of the pandemic have been further tested with a number of differing scenarios after which the Board has further considered the impact on the business as a going concern.

On that basis the Board has a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. As a result, we continue to adopt the going concern basis of accounting in preparing the annual financial statements.

f. Turnover and Revenue Recognition

Turnover comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sale of properties built for sale, other services provided at the invoice value (excluding VAT) and revenue grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

g. Government Grants

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received, such as relevant costs being incurred and paid for.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

ALBYN HOUSING SOCIETY LIMITED

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On disposal of an asset for which a government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant a liability is included in the Statement of Financial Position to recognise this obligation.

h. Other Grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

i. Tangible Fixed Assets - Housing Properties

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover.

The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

j. Depreciation of Housing Properties

Freehold land or assets under construction are not depreciated.

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

Land	Nil
Assets under Construction	Nil
Structure	100 Years
Roof	70 Years
Windows and Doors	30 Years
Heating	15 Years
Kitchen	20 Years
Bathroom	30 Years
Other Mechanical and Engineering Works	30 Years

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k. Impairments of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Society estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

l. Low Cost Initiatives for First Time Buyers ("LIFT")

LIFT transactions are grants received from a grant making body and passed on to an eligible beneficiary. A grant making body has a benefit of a fixed charge on the property entitling the 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.

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. 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.

n. Shared Ownership

Proceeds from first tranche disposals of shared ownership properties are accounted for in the Income and Expenditure account of the period in which the disposal occurs, with any surpluses on disposal recognised in the Income and Expenditure account as turnover. The cost of disposal of first tranche disposals is included within cost of sales. The first tranche element of any unsold properties is shown as a current asset.

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o. Other Tangible Fixed Assets

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

Freehold buildings	50 years
Computer equipment	4 years
Fixtures, fittings and equipment	7 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

p. Leases and Hire Purchase Contracts

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

q. Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale.

All other borrowing costs are expensed as incurred.

r. Value Added Tax

The Society is VAT registered, however a large proportion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of VAT.

s. Deposits and Liquid Resources

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

t. Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to five days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Society is demonstrably committed to terminating the employment of an employee or to provide termination benefits.

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u. Retirement Benefits

Defined contribution plans

For defined contribution schemes the amount charged to income and expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit plans

Scottish Housing Association Pension Scheme (SHAPS)

In previous years, the Association was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHAPS. Since the year ended 31 March 2018, the Association has recognised a past service deficit liability based on the present value of the Association's deficit funding agreement.

As at the year ended 31 March 2020, the net defined benefit pension deficit liability was £291k, which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2020, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 31 for more details.

v. Provisions

Provisions are recognised when Albyn Housing Society Limited has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

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2.1 Particulars of Turnover, Operating Costs and Operating Surplus - Group

	Notes	Turnover £'000	Operating costs £'000	2020 Operating surplus £'000	2019 Operating surplus £'000
Affordable Letting Activities	3	18,352	(11,740)	6,612	5,741
Other Activities	4	3,567	(5,089)	(1,522)	(470)
Total		21,919	(16,829)	5,090	5,271
2019		20,961	(15,690)	5,271	

2.2 Particulars of Turnover, Operating Costs and Operating Surplus - Society

	Notes	Turnover £'000	Operating costs £'000	2020 Operating surplus £'000	2019 Operating surplus £'000
Affordable Letting Activities	3	18,215	(12,258)	5,957	5,663
Other Activities	4	3,196	(4,073)	(877)	(371)
Total		21,411	(16,331)	5,080	5,292
2019		20,537	(15,246)	5,292	

3.1 Particulars of Turnover, Operating Costs and Operating Surplus from Affordable Letting Activities - Group

	General Needs Housing £'000	Shared Ownership Housing £'000	2020 £'000	2019 £'000
Rent Receivable Net of Service Charges	14,561	287	14,848	13,742
Service Charges	566	-	566	485
Gross Income from Rents and Service Charges	15,127	287	15,414	14,227
Less Voids	(58)	-	(58)	(65)
Net Income from Rents and Service Charges	15,069	287	15,356	14,162
Grants Released from Deferred Income	2,996	-	2,996	2,664
Total Turnover from Affordable Letting Activities	18,065	287	18,352	16,826
Management and Maintenance Administration Costs	3,668	151	3,819	3,626
Service Costs	103	-	103	623
Planned and Cyclical Maintenance including Major Repairs Costs	752	-	752	689
Reactive Maintenance Costs	1,710	-	1,710	1,693
Bad Debts - Rents and Service Charges	29	-	29	(21)
Depreciation of Affordable Let Properties	5,295	32	5,327	4,475
Operating Costs for Affordable Letting Activities	11,557	183	11,740	11,085
Operating Surplus for Affordable Lettings Activities	6,508	104	6,612	5,741
2019	5,626	115	5,741	

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3.2 Particulars of Turnover, Operating Costs and Operating Surplus from Affordable Letting Activities - Society

	General Needs Housing £'000	Shared Ownership Housing £'000	2020 £'000	2019 £'000
Rent Receivable Net of Service Charges	14,424	287	14,711	13,664
Service Charges	566	-	566	485
Gross Income from Rents and Service Charges	14,990	287	15,277	14,149
Less Voids	(58)	-	(58)	(65)
Net Income from Rents and Service Charges	14,932	287	15,219	14,084
Grants Released from Deferred Income	2,996	-	2,996	2,664
Total Turnover from Affordable Letting Activities	17,928	287	18,215	16,748
Management and Maintenance Administration Costs	3,668	151	3,819	3,626
Service Costs	621	-	621	623
Planned and Cyclical Maintenance including Major Repairs Costs	752	-	752	689
Reactive Maintenance Costs	1,710	-	1,710	1,693
Bad Debts - Rents and Service Charges	29	-	29	(21)
Depreciation of Affordable Let Properties	5,295	32	5,327	4,475
Operating Costs for Affordable Letting Activities	12,075	183	12,258	11,085
Operating Surplus for Affordable Lettings Activities	5,853	104	5,957	5,663
2019	5,548	115	5,663	

4.1 Particulars of Turnover, Operating Costs and Operating Surplus from Other Activities - Group

	Grants from Scottish Ministers £'000	Revenue Grants £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2020 Operating Surplus /(Loss) £'000	2019 Operating Surplus /(Loss) £'000
Factoring	-	-	174	174	(499)	(325)	50
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	-
Contracted out activities undertaken for other organisations	-	-	12	12	-	12	-
Uncapitalised Development Administration Costs	-	-	-	-	(852)	(852)	(355)
NSSE Properties for Sale	2,984	-	-	2,984	(2,984)	-	-
Other Activities	-	-	397	397	(754)	(357)	(165)
Operating Deficit	2,984	-	583	3,567	(5,089)	(1,522)	(470)
2019	3,598	-	537	4,135	(4,605)	(470)	

The Determination includes additional information lines to those shown in notes 3 and 4 above.
The Board does not feel that any additional information is required with regards to these notes.

4.2 Particulars of Turnover, Operating Costs and Operating Surplus from Other Activities - Society

	Grants from Scottish Ministers £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2020 Operating Surplus /(Loss) £'000	2019 Operating Surplus /(Loss) £'000
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-
Contracted out activities undertaken for other organisations	-	12	12	-	12	-
Uncapitalised Development Administration Costs	-	-	-	(851)	(851)	(355)
Other Activities	-	200	200	(238)	(38)	(16)
NSSE Properties for Sale	2,984	-	2,984	(2,984)	0	-
Operating Deficit	2,984	212	3,196	(4,073)	(877)	(371)
2019	3,598	192	3,790	(4,161)	(371)	

The Determination includes additional information lines to those shown in notes 3 and 4 above.
The Board does not feel that any additional information is required with regards to these notes.

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5 Accommodation in Management - Group and Society

	Tenanted	Mid-Market Rent	Managed on behalf of others	Shared Ownership	2020 No	2019 No
The number of properties in management were as follows:						
1 April	3,072	127	16	124	3,339	3,151
Additions during the year	161	32	-	-	193	193
Conversion from Shared Ownership	-	0	-	-	-	-
Disposals	(4)	0	(1)	(2)	(7)	(5)
31 March 2020	<u>3,229</u>	<u>159</u>	<u>15</u>	<u>122</u>	<u>3,525</u>	<u>3,339</u>

6 a Surplus on Sale of Fixed Assets - Housing Properties

	Group		Society	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Sale proceeds	637	291	637	291
Carrying value of fixed assets	<u>(523)</u>	<u>(57)</u>	<u>(523)</u>	<u>(57)</u>
	114	234	114	234
Capital Grant repaid	<u>-</u>	<u>(115)</u>	<u>-</u>	<u>(115)</u>
	<u>114</u>	<u>119</u>	<u>114</u>	<u>119</u>

6 b Deficit on Replacement of Components

	<u>(149)</u>	<u>(141)</u>	<u>(149)</u>	<u>(141)</u>
	<u>(35)</u>	<u>(22)</u>	<u>(35)</u>	<u>(22)</u>

7 Operating surplus

Operating surplus is stated after charging:

Auditors' remuneration	29	31	22	26
Operating lease rentals [note 29]	43	47	43	47
Surplus on disposal of tangible fixed assets [note 6]	114	119	114	119
Depreciation of housing properties	5,327	4,475	5,327	4,475
Depreciation of other tangible fixed assets	92	108	80	97
Depreciation of intangible fixed assets	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>

RSM UK Audit LLP's associated company received £8,490 (2019 - £2,820) for professional services other than audit.

8 Key Management Personnel and Employees

	Group		Society	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
[a] Staff costs including Key Management Personnel's emoluments				
Salaries	2,780	2,547	2,429	2,225
Social security costs	270	246	234	219
Defined contribution pension cost	220	217	210	206
Other pension costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,270</u>	<u>3,010</u>	<u>2,873</u>	<u>2,650</u>
Temporary, seconded and agency staff costs	102	119	74	109
Development administration costs capitalised	<u>(413)</u>	<u>(488)</u>	<u>(413)</u>	<u>(489)</u>
	<u>2,959</u>	<u>2,641</u>	<u>2,534</u>	<u>2,270</u>

	No	No	No	No
Average monthly number of full time equivalent persons employed				
Asset Management and Investment	15	16	15	16
Customer Services	39	36	39	36
Factoring	5	3	-	-
Sales and Letting	5	4	-	-
Innovative Projects	2	2	-	-
Finance and Corporate Services	<u>20</u>	<u>16</u>	<u>19</u>	<u>14</u>
	<u>86</u>	<u>77</u>	<u>73</u>	<u>66</u>

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[b] Key Management Personnel

Under FRS102 Albyn Housing Society has defined "key management personnel" as the members of the senior management team whose posts are set out on page 14 of the Report and Financial Statements.

	Salary Bands		2020 Group and Society No	2019 No
Number of Key Management Personnel earning:	£ 60,001	£ 70,000	-	1
	£ 70,001	£ 80,000	1	-
	£ 80,001	£ 90,000	1	1
	£ 90,001	£ 100,000	1	-
			2020 £	2019 £
Aggregate emoluments payable to key management personnel (excluding pension contributions but including benefits in kind)			<u>149,755</u>	<u>165,089</u>
Aggregate pension contributions in relation to the above key management personnel			<u>10,490</u>	<u>12,768</u>
Emoluments payable to the Chief Executive (excluding pension contributions)			<u>88,190</u>	<u>90,581</u>

A total of £9,839 was paid to 5 Board members during the year under a contract for services in the year. Expenses paid to Board Members totalled £2,962 (2019 - £7,023).

9 Interest Receivable and Similar Income

	Group		Society	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest receivable from banks	11	20	15	19
Gift Aid Donation from Subsidiary	-	-	6	25
	<u>11</u>	<u>20</u>	<u>21</u>	<u>44</u>

10 Interest and Financing Costs

Bank and Building Society loans and overdrafts	2,921	2,911	2,921	2,911
Defined Benefit pension charge	44	65	44	65
	<u>2,965</u>	<u>2,976</u>	<u>2,965</u>	<u>2,976</u>
Less: Interest Capitalised on housing properties constructed	(163)	(351)	(163)	(351)
	<u>2,802</u>	<u>2,625</u>	<u>2,802</u>	<u>2,625</u>

11 Taxation

Current Tax:				
UK corporation tax on profits of current year	-	(5)	-	-
Deferred Tax:				
Origination and reversal of timing differences	-	1	-	-
	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>-</u>
Reconciliation of Current Tax charge:				
Profit on ordinary activities before taxation	5	5		
Profits exempt due to charitable exemption	(2)	(10)		
	<u>3</u>	<u>(5)</u>		
Effects of depreciation in excess of capital allowances	2	5		
Tax adjustments and other timing differences	(5)	-		
Profits subject to Corporation Tax	<u>-</u>	<u>-</u>		
Tax charge at 19% / 20%	<u>-</u>	<u>-</u>		

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

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12 Intangible Fixed Assets - Group

	Website & Branding £'000
Cost	
1 April 2019	21
Additions	-
Disposals	-
31 March 2020	<u>21</u>
Amortisation	
1 April 2019	21
Charge	-
Disposals	-
31 March 2020	<u>21</u>
Net Book Value	
31 March 2020	<u>-</u>
31 March 2019	<u>-</u>

13 Tangible Fixed Assets - Housing Properties - Group and Society

	Rented Occupation £'000	Shared Ownership £'000	Under Construction £'000	Total £'000
Cost				
1 April 2019	272,861	4,252	23,572	300,685
Additions	-	-	25,589	25,589
Transfers	74	(31)	(43)	-
Properties acquired	407	-	-	407
Works to existing properties	2,541	-	(2,541)	-
Schemes completed	23,471	-	(23,471)	-
Adjustments	(333)	-	-	(333)
Disposals	(833)	(44)	(673)	(1,550)
31 March 2020	<u>298,187</u>	<u>4,177</u>	<u>22,433</u>	<u>324,796</u>
Depreciation				
1 April 2019	43,922	835	-	44,757
Depreciation charged in year	5,295	32	-	5,327
Released on disposal	(518)	(2)	-	(520)
31 March 2020	<u>48,699</u>	<u>865</u>	<u>-</u>	<u>49,564</u>
Net Book Value				
31 March 2020	<u>249,488</u>	<u>3,311</u>	<u>22,433</u>	<u>275,232</u>
31 March 2019	<u>228,940</u>	<u>3,416</u>	<u>23,572</u>	<u>255,928</u>
Expenditure on works to existing properties			2020 £'000	2019 £'000
Improvement work capitalised			120	81
Replacement component spend capitalised			2,341	2,431
Amounts charged to income and expenditure			28	77
Total major repairs spend			<u>2,489</u>	<u>2,589</u>
Finance costs				
Aggregate amount of finance costs included in the cost of housing properties			<u>1,462</u>	<u>1,299</u>

The cost of land included in the costs above totals £43,705,974 (2019: £41,000,071)

Albyn Housing Society Limited considers individual schemes to be separate cash generating units when assessing for impairment, in accordance with Statement of Recommended Practice 2014.

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14.1 Tangible Fixed Assets - Other Fixed Assets - Group

	Offices £'000	Equipment £'000	Total £'000
Cost			
1 April 2019	2,437	1,022	3,459
Additions	-	267	267
Disposals	-	-	-
31 March 2020	<u>2,437</u>	<u>1,289</u>	<u>3,726</u>
Depreciation			
1 April 2019	524	780	1,304
Charge	38	102	140
Disposals	-	-	-
31 March 2020	<u>562</u>	<u>882</u>	<u>1,444</u>
Net Book Value			
31 March 2020	<u>1,875</u>	<u>407</u>	<u>2,282</u>
31 March 2019	<u>1,913</u>	<u>242</u>	<u>2,155</u>

14.2 Tangible Fixed Assets - Other Fixed Assets - Society

	Offices £'000	Equipment £'000	Total £'000
Cost			
1 April 2019	2,437	855	3,292
Additions	-	264	264
Disposals	-	-	-
31 March 2020	<u>2,437</u>	<u>1,119</u>	<u>3,556</u>
Depreciation			
1 April 2019	524	716	1,240
Charge	38	89	127
Disposals	-	-	-
31 March 2020	<u>562</u>	<u>805</u>	<u>1,367</u>
Net Book Value			
31 March 2020	<u>1,875</u>	<u>314</u>	<u>2,188</u>
31 March 2019	<u>1,913</u>	<u>139</u>	<u>2,052</u>

15 Fixed Assets Investments

Other Investments - Group and Society

Apple Juice (Applecross) Ltd 1,000 shares in Community Benefit Society Community Hydro Scheme

Subsidiary Undertakings - Society

Albyn Housing Society Limited's subsidiary undertakings are:

<i>Name of undertaking</i>	<i>Class of shareholding</i>	<i>Proportion of nominal value held directly</i>	<i>Nature of business</i>
Albyn Enterprises Ltd	Ordinary	100% (2019: 100%)	Property related activities
Highland Residential (Inverness) Ltd	Ordinary	100% (2019: 100%)	Renting/operating of housing real estate
Sunnd Ltd	Ordinary	100% (2019: 100%)	Dormant

16 Stock and Work in Progress

	Group		Society	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Properties for Sale	2,259	3,350	2,259	3,350
Stock	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>
	<u>2,259</u>	<u>3,353</u>	<u>2,259</u>	<u>3,350</u>

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17 Debtors

	Group		Society	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Rent and service charges receivable	977	939	856	713
Less: provision for bad and doubtful debts	(148)	(165)	(91)	(127)
	<u>829</u>	<u>774</u>	<u>765</u>	<u>586</u>
HAG receivable	755	3,291	755	3,291
Other debtors	90	484	82	477
Prepayments and accrued income	299	288	297	275
Amounts due from Group undertakings	-	-	271	97
	<u>1,973</u>	<u>4,838</u>	<u>2,170</u>	<u>4,726</u>
Amounts falling due after more than one year				
Amounts due from Group undertakings	-	-	99	103
	<u>1,973</u>	<u>4,838</u>	<u>2,269</u>	<u>4,829</u>

18 Creditors: amounts falling due within one year

Debt [note 20]	2,538	1,409	2,538	1,409
Rent and service charges received in advance	480	484	480	484
Deferred capital grants [note 21]	2,994	3,832	2,994	3,832
Trade creditors	1,969	1,909	1,928	1,894
Corporation tax [note 11]	-	-	-	-
Other taxation and social security costs	91	70	84	63
Other creditors	2,598	2,329	2,395	2,205
Accruals and deferred income	361	1,061	350	773
Amounts due to Group undertakings	-	-	-	-
	<u>11,031</u>	<u>11,094</u>	<u>10,769</u>	<u>10,660</u>

Included in creditors is an amount of £1,058,776 (2019 - £641,532) relating to payments due to the Scottish Government. £154,554 (2019 - £154,554) relates to capital and £904,222 (2019 - £486,978) to revenue activities.

19 Creditors: amounts falling due after more than one year

Debt [note 20]	80,850	72,895	80,850	72,895
Deferred capital grants [note 21]	<u>162,318</u>	<u>154,287</u>	<u>162,318</u>	<u>154,287</u>
	<u>243,168</u>	<u>227,182</u>	<u>243,168</u>	<u>227,182</u>
Included in creditors are:				
Amounts repayable other than by instalments falling due after more than five years	178,851	206,426	178,851	206,426
Amounts repayable by instalments falling due after more than five years	<u>41,987</u>	<u>35,702</u>	<u>41,987</u>	<u>35,702</u>
	<u>220,838</u>	<u>242,128</u>	<u>220,838</u>	<u>242,128</u>

20 Debt Analysis - Borrowings

	Group		Society	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Creditors: amounts falling due within one year				
Bank Loans	<u>2,538</u>	<u>1,409</u>	<u>2,538</u>	<u>1,409</u>
Creditors: amounts falling due after more than one year				
Bank Loans	<u>80,850</u>	<u>72,895</u>	<u>80,850</u>	<u>72,895</u>

The loans are secured by specific charges on Albyn Housing Society Limited's properties and the capital instalments are repayable over periods as indicated at varying rates of interest ranging from 0% to 5.82% (2019 - 0% to 5.47%).

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

In the next year	2,538	1,409	2,538	1,409
In the second year	2,121	1,688	2,121	1,688
In the third to fifth year	6,742	5,505	6,742	5,505
In more than five years	<u>71,987</u>	<u>65,702</u>	<u>71,987</u>	<u>65,702</u>
	<u>83,388</u>	<u>74,304</u>	<u>83,388</u>	<u>74,304</u>

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21 Deferred Capital Grant

	Group		Society	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
1 April 2019	158,119	143,431	158,119	143,431
Grants received in the year	11,519	18,756	11,519	18,756
Grants reduced in the year	(1,331)	(1,404)	(1,331)	(1,404)
Grant released in the year	(2,996)	(2,664)	(2,996)	(2,664)
31 March 2020	<u>165,311</u>	<u>158,119</u>	<u>165,311</u>	<u>158,119</u>
Amounts to be released within one year	2,994	3,832	2,994	3,832
Amounts to be released in more than one year	<u>162,318</u>	<u>154,287</u>	<u>162,318</u>	<u>154,287</u>
	<u>165,312</u>	<u>158,119</u>	<u>165,312</u>	<u>158,119</u>

Capital Grants received to 31 March 2020 total £204,990,000 (2019 - £194,801,000);
if the Society were to sell its assets this amount would be repayable from the proceeds.

22 Provisions for liabilities and charges

Biomass Infrastructure Replacement Fund	117	111	117	111
Deferred Tax	<u>17</u>	<u>17</u>	<u>-</u>	<u>-</u>
	<u>134</u>	<u>128</u>	<u>117</u>	<u>111</u>
1 April 2019	128	111	111	105
Added in the year	6	16	6	6
Deferred tax charge in statement of comprehensive income	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
31 March 2020	<u>134</u>	<u>128</u>	<u>117</u>	<u>111</u>

23 Share Capital

	Group		Society	
	2020	2019	2020	2019
	No	No	No	No
Allocated, allotted, called up and fully paid Ordinary shares of £1 each				
1 April 2019	52	54	52	54
Joined during the year	7	4	7	4
Left during the year	<u>(9)</u>	<u>(6)</u>	<u>(9)</u>	<u>(6)</u>
31 March 2020	<u>50</u>	<u>52</u>	<u>50</u>	<u>52</u>

Each member of Albyn Housing Society Limited holds one share of £1 in Albyn Housing Society Limited. These shares carry no rights to dividends 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 Housing Society Limited. Each member has a right to vote at a members' meeting.

24 Reserves

	Group		Society	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
1 April 2019	31,425	29,469	31,308	29,311
Surplus for the year	<u>3,697</u>	<u>1,956</u>	<u>3,697</u>	<u>1,997</u>
31 March 2020	<u>35,122</u>	<u>31,425</u>	<u>35,005</u>	<u>31,308</u>

25.1 Cash and Cash Equivalents - Group

Analysis of the balance of Cash as shown in the balance sheet.	2020	Change	2019
	£'000	£'000	£'000
Bank and Cash in hand	7,998	2,333	5,665
	<u>7,998</u>	<u>2,333</u>	<u>5,665</u>

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25.2 Cash and Cash Equivalents - Society

	2020	Change	2019
	£'000	£'000	£'000
Analysis of the balance of Cash as shown in the balance sheet.			
Bank and Cash in hand	7,402	2,189	5,213
	<u>7,402</u>	<u>2,189</u>	<u>5,213</u>

26 Treasury Management

Albyn Housing Society Limited has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Board. In this way Albyn Housing Society Limited 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 2020 Albyn Housing Society Limited has a loan facility in place which is available to be drawn down. The amount available is £10m.

Albyn Housing Society Limited, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2020 Albyn Housing Society Limited has a mix of fixed and variable rate finance, which it considers appropriate at this time.

27 Related Party Transactions

Members of the Board are related parties of the Society as defined by FRS102. The related party relationships of the members of the Board are summarised as:

Mr I Fosbrooke is a member of the Board of Albyn Housing Society Limited and a tenant of Albyn. The rent which tenant Board members pay for their home and any balances on their tenancy accounts are managed at arms' length in accordance with the Society's policies and procedures in force from time to time.

Ms M Smith, Mr R Bremner and Ms G Sinclair are councillors with the Highland Council. Any transactions with the Highland Council are made at arm's length, on normal commercial terms and members cannot use their position to gain advantage.

During the financial year, 5 (2019: 3) Board members received payments under a contract for services for their Board duties. The total amount paid in the financial year was £9,838 (2019: £5,831)

28 Capital Commitments

	Group		Society	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Capital expenditure contracted for but not provided in the financial statements	30,295	25,932	30,295	25,932

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

29 Obligations under Operating Leases

The total future minimum lease payments under non-cancellable operating leases for fixed assets are as follows:

		Group		Society	
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Land and Buildings	Expiring				
	In the next year	40	46	40	46
	In the second year	40	46	40	46
	In the third to fifth year	106	39	106	39
	In more than five years	340	482	340	482
		<u>526</u>	<u>613</u>	<u>526</u>	<u>613</u>

30 Big Lottery Funded Project

On 1 April 2015 Albyn Housing Society Limited and Albyn Enterprises Limited commenced a project with a number of partner organisations, entitled Money Matters Highland. This project is funded by The Big Lottery and payments are receivable by Albyn Housing Society Limited as follows:

	£'000
Year ended 31 March 2016	189
Year ended 31 March 2017	178
Year ended 31 March 2018	182
Year ended 31 March 2019	186
Year ended 31 March 2020	124
	<u>859</u>

At 31 March 2020, we had received £25,063 of funding (2019 - £54,292) which had not yet been allocated against specific costs and is recorded as a creditor in the accounts of Albyn Enterprises Limited, due to be distributed to our working partners on the project.

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31 Retirement Benefits

Scottish Housing Association Pension Scheme (SHAPS)

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

Under the defined benefit pension accounting approach, the SHAPS net deficit as at 1 April 2019 is £2,109k and is £291k as at 31 March 2020.

Present Values Of Defined Benefit Obligation, Fair Value Of Assets And Defined Benefit Asset (Liability)

	2020	2019
	£'000	£'000
Fair value of plan assets	13,219	13,717
Present value of defined benefit obligation	13,510	15,826
(Deficit) in plan	(291)	(2,109)

Reconciliation Of Opening And Closing Balances Of The Defined Benefit Obligation

	2020	2019
	£'000	£'000
Defined benefit obligation at start of period	15,826	15,283
Current service cost	-	-
Expenses	13	15
Interest expense	353	384
Contributions by plan participants	-	-
Actuarial (gains)/losses due to scheme experience	(119)	(253)
Actuarial (gains)/losses due to changes in demographic assumptions	(87)	43
Actuarial (gains)/losses due to changes in financial assumptions	(1,418)	957
Benefits paid and expenses	(1,058)	(603)
Defined benefit obligation at end of period	13,510	15,826

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Reconciliation Of Opening And Closing Balances Of The Fair Value Of Plan Assets

	2020 £'000	2019 £'000
Fair value of plan assets at start of period	13,717	13,125
Interest income	309	334
Experience on plan assets (excluding amounts included in interest income) - gain	(191)	407
Contributions by the employer	442	454
Benefits paid and expenses	(1,058)	(603)
Fair value of plan assets at end of period	13,219	13,717

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £118,000 (2019: £741,000).

Defined Benefit Costs Recognised In Statement Of Comprehensive Income (SoCI)

	2020 £'000	2019 £'000
Expenses	13	15
Net interest expense	44	50
Defined benefit costs recognised in statement of comprehensive income (SoCI)	57	65

Defined Benefit Costs Recognised In Other Comprehensive Income

	2020 £'000	2019 £'000
Experience on plan assets (excl amounts included in net interest cost) - (loss)/gain	(191)	407
Experience gains and losses arising on the plan liabilities - gain	119	253
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	87	(43)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	1,418	(957)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain/(loss)	1,433	(340)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-	-
Total amount recognised in other comprehensive income - gain/(loss)	1,433	(340)

Assets

	2020 £'000	2019 £'000
Absolute Return	812	1,162
Alternative Risk Premia	1,059	766
Corporate Bond Fund	966	962
Credit Relative Value	318	238
Distressed Opportunities	241	234
Emerging Markets Debt	470	440
Fund of Hedge Funds	-	38
Global Equity	1,818	2,207
Infrastructure	779	575
Insurance-Linked Securities	355	356
Liquid Credit	346	-
Liability Driven Investment	3,481	4,881
Long Lease Property	323	166
Net Current Assets	100	14
Over 15 Year Gilts	168	352
Opportunistic Illiquid Credit	322	-
Private Debt	262	177
Property	246	272
Risk Sharing	419	398
Secured Income	734	479
Total assets	13,219	13,717

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

Key Assumptions

	2020 £'000	2019 £'000
Discount Rate	2.38%	2.30%
Inflation (RPI)	2.63%	3.30%
Inflation (CPI)	1.63%	2.30%
Salary Growth	2.63%	2.80%

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	75% of maximum allowance	75% of maximum allowance
Allowance for commutation of pension for cash at retirement		

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

	2020	2019
	Life expectancy at age 65	Life expectancy at age 65
Male retiring now	21.5	21.7
Female retiring now	23.2	23.4
Male retiring in 20 years	22.8	23.1
Female retiring in 20 years	24.5	24.7