

ALBYN HOUSING SOCIETY LIMITED
REPORT OF THE BOARD
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

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

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

Contents	Pages
Report of the Board and Financial Statements	2 - 15
Statement of Board Responsibilities	16
Statement of Internal Financial Control and Financial Reporting	17
Auditors' Reports	18 - 20
Income and Expenditure Account	21
Balance Sheet	22
Cash Flow Statement	23
Notes to the Financial Statements	24 - 42
 Registration Particulars	
Financial Services Authority	Industrial and Provident Society Act 1965 Registration number – 1776 R (S)
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registration number – 64
Office of Scottish Charities Register	Recognised as a Scottish Charity Registration number – SC027123

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

The Board presents its report and the audited financial statements for the year ended 31 March 2012.

Principal Activities

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

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

The table below shows the property we own

Managed Property Numbers	2012	2011
Tenanted Property	2,611	2,499
Managed on behalf of others	26	26
Shared Ownership Properties	175	175
Total	2,812	2,700

Financial Review

Albyn made a surplus of £482,000 (2011 restated £526,000) during the year. The 2011 results have been restated following adoption of Component Accounting.

Following the implementation of the Statement of Recommended Practice – Accounting by Registered Social Providers – Updates 2010 (SORP 2010). Albyn have implemented Component Accounting for its property portfolio. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, Albyn has adopted a new accounting policy, which has resulted in a prior period adjustment. Component Accounting splits the cost of each property into its basic components such as land, main fabric, roof, kitchens, bathrooms, windows and doors, and other mechanical and engineering works, and allocates an expected life for each of these components and writes the cost of these components over the expected life, in the anticipation that these components would be replaced at the end of the expected life. The replacement cost of the component would be capitalised as part of the overall costs of the property and the process is repeated. Albyn has properties that were built over 30 years ago and have had a series of replacement components over the intervening period therefore we have reviewed the history of each property and have undertaken an exercise to split and allocate previous expenditure to each individual property.

The adoption of Component Accounting is a change of accounting policies and as such requires to be reflected in the accounts as if the policy had been in place in previous years. This leads to changes to the results previously reported. The "Prior Period Adjustment" has been shown in the relevant notes to the Financial Statements and detailed in note 11.

Albyn continues to be in a strong financial position. Albyn continues to have a substantial major repair investment programme with work to comply with the Scottish Housing Quality Standards which includes an estimated expenditure of £2.5m next year continuing our commitment to reach the Scottish Housing Quality Standards where ever economically feasible. Albyn continues to have a development programme for next year. Albyn has continued to invest its

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

own cash surplus in the LIFT programme.

Cash surpluses will continue to be made, subject to our planned major repair programme over the next few years.

Our Strategic Aims

Our Vision

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

Our Mission

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

Our Strategic Objectives

Albyn has as its Strategic Objectives:

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

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

Business and Operational Review

Corporate Governance

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

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

The revised Regulatory Plan, issued in April 2012 by the Scottish Housing Regulator, defined their engagement with Albyn as Medium on the basis of their risk assessment. The plan identified Albyn's high level of new build development activity as a particular area of risk.

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

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

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

Albyn Enterprises Limited (AEL) is our wholly owned subsidiary. AEL successfully marketed LIFT shared equity properties on our behalf and that of Cairn Housing Association Limited and Servite (now Caledonia) Housing Association Limited. AEL made a donation to Albyn Housing Society Limited of nil (2011 - £30,000).

During 2011/12 Albyn continued to be involved in a series of discussions with other agencies on potential social enterprise ventures, primarily in Inverness. This includes detailed business planning for the creation of a Social Enterprise Hotel on the Inverness Campus site in Inverness. These discussions and more detailed planning will continue in 2012/13.

Operational Review

During the year Albyn converted the Inverness office to operate as a housing and maintenance hub. Following the success of this change Albyn is undertaking a review of how we deliver our operations especially the front line services currently being undertaken by the Housing Management and the Property Maintenance Service. This has focused on improvement in our services and our performance of the services. Albyn will over the next few months start to implement these changes. Albyn is also reviewing its development service in light of the continuing cuts in Government spending and changes to staffing and the duties performed will be made during 2012-13.

Customer Services Issues

Direct input from our customers has remained central to the development and delivery of our services. We continue to involve our customers through a range of formal and informal consultation processes. These have included

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

We also continue to consult with and involve residents in our communities in a variety of ways, provide high quality information to customers and support new resident groups. We have carried out formal and informal consultations on a number of issues during the year, including Policy consultations with all tenants on issues including rent increases, housing debts and support to take part.

We continue to receive very positive results from the various satisfaction surveys that we issue on a periodic basis.

- 94% of residents are satisfied with our overall landlord services
- 96% of residents are satisfied with our overall repairs services
- 96% of new tenants are satisfied with the overall allocations process
- 91% of new tenants are satisfied with their home when they accept the keys
- 100% of tenants moving into newly built properties are satisfied with their homes

We continue to be accredited for the National Information and Advice Standards as a Type 1 provider in 13 separate areas of housing law and to hold TPAS Landlord accreditation.

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

We have also continued our contract for Highland-wide Interpretation and Translation services for customers of Public Services (including Housing and Health).

During the year we have comprehensively reviewed our information for tenants and other customers. We have completely updated our Tenant Handbook and Website with input from tenants and staff on our Customer Involvement Strategy monitoring group. Our customers are now additionally able to obtain information and communicate with us through Facebook and Twitter.

As part of our Successful Tenancies strategy we have also set up a 'Community Fund' for the award of discretionary small grants to local groups to support events and facilities with a community benefit in target areas. Local knowledge of the pot is still developing, and awards have been relatively low in the first year, but have included the following:

- £200 to Milton Woodlands Trust to support a Masquerade Ball
- £200 to the Merkats Centre at Milton to support their Winter Lunch Club for older residents
- £30 to Strathpeffer Primary School for garden equipment

Development Issues

Despite continuing uncertainty about the progress about reform of the system of investing in affordable housing and subsidy reductions in the Affordable Housing Supply Programme (AHSP) in the Highlands, 2011/12 has seen activity level remaining high for the Development team. We continue to work in partnership with The Highland Council and the Housing Supply Division of the Scottish Government towards meeting the objectives of the Council's Local Housing Strategy and our Programme delivery milestones respectively. We spent £15,683,000 (2011 - £19,486,000) during the year on new build and other development activity. £8,398,000 (2011 - £12,209,000) of this was principally funded by grants received from the Scottish Government (Housing Association Grant).

The publication at the end of 2010/11 of the Government's strategy document on housing *Homes Fit for the 21st Century* proposing radical changes to the grant funding regime for RSL's was followed by the launch by the Government of its Innovation and Investment Fund bidding process. Based on the previous Board decision to reduce the size of the future development commitment significantly in response to less favourable grant funding conditions, we were limited to a bid for a total of 9 development projects of which 8 have proceeded to grant approval stage representing a total of 68 new units of housing for affordable rent and shared equity. Most of these projects will reach completion in 2012/13 as will the last of the Housing Association Grant funded projects. As a result of these changes, Development continues to explore and implement means of downsizing its operations in line with reducing programme commitments as part of a wider ongoing review by Albyn of its future structure.

Despite this however, with the progress of previously approved projects, 2011/12 saw the completion of 132 (2011- 153) new units of housing mainly within Inverness and the Inner Moray Firth area but extending as far as Grantown on Spey. Of these completions, 31 were developed for shared equity sale under the LIFT (Low Cost Initiatives for First Time Buyers) initiative. Of the remaining affordable rented units, 19 were provided as full amenity for the elderly and 4 were provided as bespoke wheelchair-adapted properties to meet the special needs of individual clients in line with our ongoing commitment to these Highland Council priorities.

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

Notable achievements for 2011/12 included the completion of urban gap site projects at Telford Street Inverness and Jubilee Park Road, Dingwall. Telford Street in particular represents a significant enhancement to the Inverness city streetscape and a flexible response to a very demanding funding and commercial development environment.

Albyn remains one of the leading providers of the Scottish Government's low cost ownership Shared Equity initiative called LIFT (Low Cost Initiatives for First Time Buyers). The scheme is aimed at first time buyers or those whose circumstances have changed and, in particular, existing Local Authority or housing association tenants with increased priority for former members of the armed services. The scheme allows the purchaser to acquire title to the property and an equity share normally between 60% and 80%. The remaining equity share is funded by a grant from Scottish Government administered by us.

A total of 57 (2011 – 62) LIFT shared equity sales were completed for Albyn using the services of Albyn Enterprises Limited for marketing and sales administration and included 39 new build homes across 7 developments and 18 individual resale properties. Albyn Enterprises Ltd also marketed and sold a total of 16 LIFT properties for Cairn Housing Association Ltd and Servite (now Caledonia) Housing Association Ltd. In addition, Albyn Enterprises Ltd continues to operate the Open Market Shared Equity Pilot (OMSEP) in the Highlands and Western Isles on behalf of Scottish Ministers. In 2011/12 a total of 54 (2011 – 27) OMSEP passports were issued to prospective purchasers resulting in the purchase of 38 (2011 – 15) properties in the OMSEP programme. These purchases were assisted using Scottish government funds totalling £1,597,372 from an allocated annual sum for the Highlands and Western Isles of £1,600,000.

LIFT Expenditure	2012	2011
	£000s	£000s
Expenditure on LIFT Properties	8,393	8,671
Grant received from Scottish Government	4,639	5,180
Net Value included in Stock	3,754	3,491

Housing Issues

Allocations

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

The number of void properties let (which includes both new and re-lets) has remained high, at 360 lets (2011 – 339) during the year, an increase of 6.2% on the previous year, 104 of which were new build properties

The proportion of new and existing properties let within 4 weeks continues at 67.5% of all lets. The time to let new properties after completion has fallen from 7 to 3 days. The length of time our more difficult to let and low demand properties remain empty has also reduced.

Our average time to let all properties that are not classified as low demand has reduced for a second consecutive year from 26 days to 24 days. Our rent loss, due to all empty properties (including low demand and garage units) reduced to just over 1% (£103k) of our gross rental income over the whole year (2011 - £108k - 1.2%), and was 0.53% in the year end quarter.

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

We continue to work in partnership with 5 other Highland housing associations and The Highland Council to operate a shared Highland Housing Register (HHR) with a shared allocations policy, which was reviewed and updated during the year. Albyn continue to manage 12% of all applicants to the register, and to make just under a fifth (18%) of all allocations made through the HHR policy, in 19 separate lettings zones. This included 83 transfer applicants (2011 – 49) and 36 mutual exchanges between existing tenants. This resulted in almost one third (30%) of all our lets being used to rehouse existing tenants during the year. This has been a significant increase and helped us to make best use of our available housing stock to meet the changing housing needs of our residents. We have also housed 152 applicants assessed as being in priority homeless need (175 in 2011)

Properties in parts of Caithness and Sutherland remain low demand, and difficult to let (Wick, Bettyhill and Aultbea in particular). But we have let a further 24 properties in these areas during the year (21 in 2011). We also continue to work actively with partner organisations in these areas to let our properties and make best use of overall stock. We continue to have very strong demand and competition for new tenancies in most other areas.

Rent Arrears

Over the last few years, our rent arrears performance has seen a slow but steady improvement in our arrears performance, despite an unstable economic climate. Our levels of overall debt are still higher than Scottish averages, though similar to comparable organisations working within the same area. Our proportion of tenants in receipt of housing benefit has increased during the economic downturn, but is still relatively low compared to national averages. We also know from our work with others on Financial Inclusion that the areas in which we let have higher than average employment, with significantly higher than average levels of people in low paid, seasonal and multiple employment compared to national trends.

Our overall debt reduced during the year. Our overall collection rate has remained consistent and our outstanding net current non-technical arrears at the yearend fell to 3.62% (2011 – 3.96%) of the total rent roll.

We received 6 court orders for repossession in the year, (2011 – 15), and also enforced 6 evictions (2011 – 3). These evictions enforced have increased slightly from our previous year, as our processes for pursuing actions once early interventions have been exhausted become more streamlined. The numbers of tenants in highest level arrears band (£750 or over) has fallen from 174 to 134 during the year. The percentage of all tenants in arrears and the percentage of tenancies ending with arrears all reduced during the year.

Tenancy Management

We continue to work in partnership with other local agencies to tackle anti-social behaviour and to manage our estates. Our active caseload of anti-social behaviour complaints reduced again to an average of 36 (2011 – 40), and at the end of the year represented less than 1% of all tenancies. Of these almost all are lower category complaints, with only between 1 and 5 cases in the most serious category in any period.

The number of tenancies created in the previous financial year that were still successfully in place remained very high and increased to 92.7% (2011 – 91%). 6 tenants were evicted but only 2 properties were abandoned (2011-14) during the year. The number of new tenants

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

visited within 10 weeks of a tenancy starting has also increased from 30% to over 70% by the end of the year.

Tenancy Sustainment

In April 2011, our Board approved the creation of a small core funded Tenancy Sustainment team. This new team retained the expertise of our former housing support and housing plus staff, and works very closely alongside colleagues in our housing, maintenance and development teams to support our core objectives of successful tenancies, sustainable properties and thriving communities. They provide practical short term assistance both to new tenants settling in to new tenancies; and to existing tenants facing difficult changes in circumstances or needing assistance with short term property related issues.

During this first full year, the team have provided help to over 400 tenants, around 16% of all households. They have provided help to manage housing debts, mediate on low level neighbour complaints and act as a source of specialist advice on housing and welfare benefits for both tenants and staff. Their core casework has been in helping tenants to make successful housing benefit claims (212 clients), to sustain rent arrears payments (205 clients), and to manage household budgets (108 clients). This has resulted in backdated housing benefit revenue to Albyn of almost £42,000, and over £4,000 in additional benefits income to clients.

In addition, the team have provided valuable energy efficiency advice to 84 tenants across the Highlands, helped to negotiate on repairs issues and to arrange access for inspections to over 60 properties, and assisted over 50 tenants to explore alternative housing options where their housing needs have changed.

The team have also helped to release valuable capacity for colleagues in the wider housing team so that we are becoming more successful in our proactive early interventions and preventative work. Some of this is seen in our performance figures already stated.

We have also carried out 109 adaptations to our properties (2011 – 93) with £104,000 of grant funding for existing tenants or their household members to meet their medical needs and allow them to sustain their tenancies within existing communities.

Community Engagement Issues

Albyn is committed to working with our communities in Highland to improve the social, economic and environmental opportunities of the people living in them. We work with a wide range of organisations from community groups through social enterprises to the public sector. We do this by helping with advice and giving in kind support, partnership working and also through supporting and developing funding bids and projects that meet our aims. This past year we have been involved with projects that target employment opportunities for young people and for people with learning difficulties, regeneration work in areas with high levels of deprivation and community sustainability initiatives. Our last wider role bid, which was a one year bid for the period 2011-2012, has just ended and has been very successful. We are now developing our future bids. The outcomes for the last round are as follows:-

Pulteneytown Peoples Project ("PPP") Caithness Drop-In Centre and Training Unit

PPP work extensively with young people who are potentially homeless or new tenants. These young people have no financial resources and it is difficult for them to fill their day and build up

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

their skills. PPP were awarded a wider role grant of £47,812 to provide 4 days of drop-in sessions per week – 2 in Wick and 2 in Thurso, as well as night time and weekend sessions so young people will have activities they can be involved in. This will be based within the PPP offices in Wick and Thurso which are situated in the heart of the community. The work will initially work on direct contact with the young people and will build on this to include SCQF Living Alone courses and progress to SQA in Steps to Work and/or SQA Employability which will allow them to use their skills in sport, music, art, along with the sessions they have learned through the initial group course to complete their SQA Award.

Young people who are potentially homeless and then move into their first tenancy are very vulnerable and it is essential that they build positive relations with people who can support them and help them to make the best of their opportunities. This project allows that to happen.

Calman Invergordon Training Centre

The project secured £54,000 of wider role funding to establish an enterprise centre in Alness as an early skills training centre for young, unemployed adults who are identified as not yet having the capacity to engage in existing training opportunities, and are especially disadvantaged in attempting to progress towards the workplace. Many of these young people are, or will become, tenants of Albyn Housing Society. The centre incorporates micro businesses which will provide an environment in which young people can have real work experience within a production team, and be trained 'on the job' in the skills and behaviours ultimately to progress towards employment. The centre will be developed by Calman Trust as an SQA accredited learning centre, so that in addition to building a track record of appropriate workplace behaviour and evidence of the skills they require, young people can gain a nationally recognised qualification.

Caberfeidh Horizons Training Centre

Caberfeidh Horizons opened The Bookshop in Kingussie High Street in October 2005. They sell second hand books and give person centred training to adults and young people with learning disabilities and mental health issues who are experiencing long term unemployment. In partnership with Cairn Housing Association and Caberfeidh Horizons, and with wider role grant assistance of £4,500 Albyn Housing Society has piloted a structured 3 month employability/personal skills development training programme to support 9 young people and adults with learning disabilities or mental health issues that have been long-term unemployed. The Project was based in Kingussie, and has supported RSL tenants in the Badenoch and Strathspey area. The pilot Project ran from 9am - 5pm Monday to Friday until the end of March 2012. Thereafter, the project is to continue on a longer term basis.

The Project has established training programmes in a working environment to increase tenants' capabilities and self-confidence, and established work opportunities with local employers and will support tenant participants on to sustainable employment in the future. The pilot was a success and Caberfeidh Horizons have now gone on to further develop their training arm assisted by this experience.

Albyn Money and Welfare Advice Project

We set up this project in partnership with Cairn Housing Association, Pulteneytown Peoples Project and the CAB to develop and provide a Money and Welfare Rights Service to maximise the income and benefit entitlement of the older and more vulnerable tenants and prospective tenants of Albyn Housing Society and Cairn Housing Association throughout Highland.

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

The wider role grant of £32,047 enabled us to provide an independent, free, impartial and confidential advice, information and advocacy service, to RSL and National Standards that assisted individuals and families to deal with poverty related issues affecting their lives. The Money and Welfare Advice identified and then assisting tenants over the age of 55 to access income to which they had an entitlement. The project further assisted tenants to have Cheaper Fuel Checks carried out, advice given and awards made through Warm Home Discount, Common Good Fund Winter Payment scheme, Energy Efficiency, Fuel Payment methods, Dual Fuel and information from Consumer Direct on how to compare and, if of value, change supplier.

Innovation Grants

We also had a successful bid in partnership with the Centre for Rural Health department of the UHI for an Innovation Voucher. This looked at the opportunities that exist around the tele-care innovations and what that meant for Albyn tenants and future service provision in Highland. The outcome of this will be used to inform further development and research on this subject in partnership with Highlands and Island Enterprise and the University of the Highlands and Islands. Associated with this, we were invited to become part of the growing P4 digital sector in Highland being developed through HIE. This has involved discussion with the private sector who are developing the new technology to ensure our tenants are included in this developing field and benefit from innovative ways to help people stay in their homes in a safe environment for as long as possible.

Tenants Handbook

NHS Tenants Handbook – We have partnered with the NHS through our tenants handbook to encourage our tenants in healthy eating and lifestyles.

Other Activities

We have worked with Invergordon Academy to provide opportunities for the development of social awareness and employability skills for pupils. In May 2011, pupils from upper primary and lower secondary years worked together to provide garden tidy ups to older and disabled residents in their local community. In the early part of 2012, our Housing Manager and Human Resource Officer have also worked with senior pupils to provide training on completing job applications and interview skills, and in providing work experience.

Property Maintenance

Financial year 2011/12 saw an emphasis on the importance of Maintaining a Sustainable Housing Stock. The programme of stock condition surveys, undertaken by in-house staff, continued and the Society collated energy efficiency information for over 2,300 of our properties. This information was used to help plan the future Major Repairs Programme. Phase 1 of a Thermal Upgrade Programme commenced in February 2011 when contractors started on site in South Lodge, Invergordon, laying gas pipes to over 190 homes. This helped facilitate energy efficiency improvements of approx. 300 homes in the year to 31 March 2012 when gas central heating systems are installed or upgraded.

The Cyclical Maintenance programme was successfully concluded well within budget and the Digital Switchover programme was met without problems. A new contractor was appointed to

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

undertake gas safety inspections and performance in this regard continued to improve throughout the financial year.

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

Finance and ICT Issues

The implementation of Component Accounting for all our rented stock has been a very extensive exercise and has taken a significant amount of time to undertake. However despite this commitment we have commenced a tendering exercise for both our insurance services and our ICT infrastructure. Both of these exercises will be completed in the new year. We have also introduced various environmental improvements to our daily work with reduction in carbon emissions for both our vehicle fleet and our printing and photocopies.

In August 2010 we agreed a funding package with the Royal Bank of Scotland for a further £20m to fund our development programme and on lend to Albyn Enterprises Limited where appropriate. £8m of this facility has been utilised.

We have continued to review our exposure to interest rate movements and have approximately £20m (40% of the borrowings) on fixed rates which have various end dates.

Developing Best Practice

Policy reviews have been completed and approved for Construction and Design Management, Project Management, Contractors Liquidation Policy, Contracted Properties, Dignity at Work, Smoke Free Policy, Finance Regulation Policy, Treasury Management Policy, Alcohol and Drugs Misuse Policy, Core Competencies Framework, Stress Policy, Work and Well-being Survey, ICT Policy, Health and Safety Training.

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

We also continue to subscribe to The Housing Manual, an on-line service available from the Chartered Institute of Housing, to make sure we have access to most up to date guidance on legislation, regulatory requirements and best practice models when updating and reviewing our practices. Our senior staff are members of a number of best practice forums and networks, with access to on-line information and small group discussions to identify areas for continual improvement.

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

Our staff have also taken part in a range of training opportunities to develop their skills and knowledge.

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

Other Issues

Management Structure

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

Internal Financial Control

The Board is responsible for establishing and maintaining the Society's system of internal control. Internal control systems are designed to meet the particular needs of Albyn and the risks to which it is exposed. By their very nature they can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Board has established with a view to providing effective internal financial control are outlined on page 17.

Credit Payment Policy

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

Rental Income

Albyn's Rent Policy is based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations of properties. The rent charged is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the Housing Association Sector.

Risk Management Policy

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

The Board has set policies on internal controls which cover the following:-

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

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

- included procedures for reporting failings immediately to appropriate levels of management and the Board together with details of corrective action being undertaken.

Sustainability and Asset Management

The Albyn Sustainability Strategy was revised in May 2011, with a focus of sustaining the Society 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.

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

Budgetary Process

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

Treasury Management

Albyn has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Board. In this way Albyn manages its borrowing arrangements to ensure that it is always in a position to meet financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2012, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Quality and Integrity of Personnel

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

Sales of Housing Properties

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

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

Employee Involvement and Health and Safety

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

Disabled Employees

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

Home Ownership

We sold one (2011 – nil) properties under Right to Buy and nil (2011 – 5) Sharing Owners have bought their homes outright in the year, thereby enabling some sharing owners to achieve their aspiration of becoming outright home owners.

Future Developments

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

Board

The Board of Albyn during the year to 31 March 2012 was as follows:

		Committees
Mrs I McLaughlan	Chair Person	Performance, Staffing Issues
Mrs S Slimon	Vice-Chair Person	Performance, Health & Safety
Mr G Kelman	Secretary	Performance, Audit
Mrs M Cairney		Performance, Staffing Issues
Miss C J Cameron		Staffing Issues, Audit
Mr J A Convery		Performance, Audit
Mrs I M MacRae		Staffing Issues, Health & Safety
Mr J W Oag		Performance, Audit
Mr D Russell	(appointed 16 August 2011)	Performance, Staffing Issues
Mr G Sinclair	(appointed 16 August 2011)	Performance, Staffing Issues
Ms M Smith		Performance, Staffing Issues
Mr B Summerfield		Staffing Issues, Health & Safety

Committees (from 8 September 2011)

Audit Committee	Performance Committee
Staffing Issues Committee	Health & Safety Committee

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

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2012

Board and Officers' Insurance

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

Directors

The Directors of Albyn during the year to 31 March 2012 were as follows:

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

Information for Auditors

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

Auditors

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

By order of the Board



George Kelman
Secretary
26 June 2012

ALBYN HOUSING SOCIETY LIMITED

STATEMENT OF BOARD RESPONSIBILITIES

31 MARCH 2012

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

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

The Board confirm that the financial statements comply with the requirements.

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

By order of the Board



George Kelman
Secretary
26 June 2012

ALBYN HOUSING SOCIETY LIMITED

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

31 MARCH 2012

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

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

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

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

The Board has reviewed the system of internal financial control in Albyn during the year ended 31 March 2012. No weaknesses were found in internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Board



George Kelman
Secretary
26 June 2012

ALBYN HOUSING SOCIETY LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

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

Basis of Opinion

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

Opinion

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

Baker Tilly UK Audit Ltd

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

2 July 2012

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

We have audited the financial statements of Albyn Housing Society Limited for the year ended 31 March 2012 on pages 21 to 42. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

Matters on which we are required to report by exception

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

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

Baker Tilly UK Audit LLP

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

2 July 2012

ALBYN HOUSING SOCIETY LIMITED

Income and Expenditure Account

For the Year ended 31 March 2012

	Notes	2012 £000's	2011 £000's as restated
Turnover	2	14,040	18,341
Operating Costs	2	(12,155)	(16,733)
Operating Surplus	6	<u>1,885</u>	<u>1,608</u>
Sale of fixed assets	5	(529)	177
Interest receivable	8	5	5
Interest payable and other charges	9	(879)	(1,294)
Surplus on ordinary activities		<u>482</u>	<u>496</u>
Donations		-	30
Surplus on ordinary activities before tax		<u>482</u>	<u>526</u>
Taxation on surplus on ordinary activities	10	-	-
Surplus for the year		<u><u>482</u></u>	<u><u>526</u></u>

The results relate to continuing activities.

Statement of total recognised surpluses and deficits for the year ended 31 March 2012

	2012 £000's	2011 £000's as restated
Surplus for the year	482	<u>526</u>
Prior period adjustment (note 11)	(983)	
Total surpluses and deficits recognised since the last reporting period	<u><u>(501)</u></u>	

ALBYN HOUSING SOCIETY LIMITED

Balance Sheet

As at 31 March 2012

	Notes	2012		2011	
		£000's	£000's	£000's	£000's
				as restated	
Tangible fixed assets	12				
Housing properties - gross cost less depreciation			198,643		182,739
less Housing Association Grant			(133,993)		(125,615)
less Other Grants			(10,140)		(8,518)
			<u>54,510</u>		<u>48,606</u>
Investments					
Homestake Loan	13	3,552		3,552	
Homestake Grant	13	<u>(3,552)</u>		<u>(3,552)</u>	
			-		-
Other fixed assets	14		<u>2,128</u>		<u>2,098</u>
			56,638		50,704
Current assets					
Stock - LIFT Properties in Development	15	3,754		3,491	
Debtors	16	4,230		3,244	
Bank and Cash in hand		<u>3,360</u>		<u>2,382</u>	
		<u>11,344</u>		<u>9,117</u>	
Current liabilities					
Creditors due within one year	17	(6,045)		(5,767)	
Provisions	18	-		-	
		<u>(6,045)</u>		<u>(5,767)</u>	
Net current assets			5,299		3,350
Total assets less current liabilities			<u>61,937</u>		<u>54,054</u>
Creditors:	19		(50,765)		(43,364)
amounts falling due after more than one year					
Net assets			<u>11,172</u>		<u>10,690</u>
Capital and reserves					
Share capital	20		1		1
Revenue reserves	21		11,171		(296)
Designated reserves: major repairs	21		-		10,985
			<u>11,172</u>		<u>10,690</u>

These financial statements were approved and authorised for issue by the Board on 26 June 2012

Isabell McLaughlan - Chair

J. McLaughlan

Sheena Slimon - Vice Chair

Sheena Slimon

George Kelman - Secretary

G. Kelman

ALBYN HOUSING SOCIETY LIMITED

Cash Flow Statement

For the Year ended 31 March 2012

	2012		2011	
	£000's	£000's	£000's	£000's
			as restated	
Operating Surplus		1,885		1,608
Depreciation	1,727		1,716	
Movement in stock	(263)		2,123	
Movement in debtors	(255)		103	
Movement in creditors	292		(1,447)	
		<u>1,501</u>		<u>2,495</u>
Net cash inflows from operating activities:		3,386		4,103
Donations received	0		30	
Interest received	5		5	
Interest paid	(879)		(1,294)	
		<u>(874)</u>		<u>(1,259)</u>
Net cash inflows from returns on investment and servicing of finance:		2,512		2,844
Taxation		<u>0</u>		<u>0</u>
		2,512		2,844
Capital expenditure and financial investment				
Development of own property	18,553		14,544	
Less Grants on own property	(9,491)		(10,455)	
	<u>9,062</u>		<u>4,089</u>	
Disposal of property	(29)		(212)	
	<u>9,033</u>		<u>3,877</u>	
Acquisition of other fixed assets	104		71	
		<u>(9,137)</u>		<u>(3,948)</u>
Net cash (outflows) from investing activities:		(9,137)		(3,948)
Net cash (outflows) before financing		(6,625)		(1,104)
Financing				
Loans received for housing		7,960		2,500
Loans repaid		(357)		(715)
		<u>978</u>		<u>681</u>
Movement in cash		<u>978</u>		<u>681</u>

Note 22 should be read in conjunction with this statement

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

1 Principal Accounting Policies

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

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

a Basis of Accounting

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

b Consolidation

Albyn and its subsidiary (Albyn Enterprises Limited) comprise a group. The society does not prepared consolidated accounts due to the immateriality of the results of the subsidiary as detailed in note 24. The accounts represent the results of Albyn Housing Society Limited and not of the group.

c Turnover

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

d Mortgages

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

e Tangible Fixed Assets - Housing properties [Note 12]

Housing Properties are stated at cost less social housing and other public grants less accumulated depreciation.

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

The adoption of component accounting represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be Land, Main Fabric, Roof, Windows and Doors, Heating, Kitchen, Bathroom and Other Mechanical & Engineering Works. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in Note h. The new accounting policy is compliant with the SORP 2010.

f Housing Association Grants (HAG)

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

g Other Grants

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

h Depreciation

i) Housing Properties

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Main Fabric	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

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

ii) Other Fixed Assets

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

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

i Impairment of Fixed Assets

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

j Low Cost Initiatives for First Time Buyers (LIFT)

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

k Properties for Sale

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

l Designated Reserves (note 21)

Major Repairs Reserve

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

With the adoption of the Component Account policy described at (h) above, this reserve is no longer required, as major repairs are now capitalised to the Housing Properties when they are carried out. As a result, this reserve was released to general reserves during the year ended 31 March 2012.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

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.

o Leases and Hire Purchase Contracts

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

p Taxation

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

q Value Added Tax

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

r Pension Schemes

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

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

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

2 Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover £000s	Operating Costs £000s	2012 £000s	2011 £000s as restated
Social Lettings Activities	9,370	(7,109)	2,261	2,248
Other Activities	4,670	(5,046)	(376)	(640)
Total	14,040	(12,155)	1,885	1,608
2011 - as restated	18,341	(16,733)	1,608	

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

	General Needs Housing £000s	Shared Ownership Housing £000s	2012 £000s	2011 £000s as restated
Income				
Rent Receivable Net of Service Charges	8,828	325	9,153	8,500
Service Charges	301	19	320	300
Gross Income from Rents and Service Charges	9,129	344	9,473	8,800
Less Voids	(103)	-	(103)	(104)
Total Turnover from Social Letting Activities	9,026	344	9,370	8,696
Expenditure				
Management and Maintenance Administration Costs	3,014	203	3,217	2,779
Service Costs	327	19	346	300
Planned and Cyclical Maintenance including Major Repairs Costs	412	-	412	347
Reactive Maintenance Costs	1,401	-	1,401	1,306
Bad Debts - Rents and Service Charges	78	-	78	78
Depreciation of Social Housing	1,640	15	1,655	1,638
Operating Costs for Social Letting Activities	6,872	237	7,109	6,448
Operating Surplus for Social Lettings	2,154	107	2,261	2,248
2011 - as restated	2,129	119	2,248	

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

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

	Supporting People Activities £000s	Wider Role Activities £000s	Developmen t Activities £000s	Properties for Sale £000s	Other activities £000s	2012 £000s	2011 £000s
Grants from Scottish Ministers	-	139	-	-	-	139	357
Supporting People Income	-	-	-	-	-	-	227
Other Income	-	-	543	3,944	44	4,531	9,061
Total Income	-	139	543	3,944	44	4,670	9,645
Other Operating Costs	(7)	(139)	(912)	(3,944)	(44)	(5,046)	(10,285)
Operating Surplus/ (Deficit)	(7)	-	(369)	-	-	(376)	(640)
2011 - as restated	(91)	-	(549)	-	-	(640)	

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

5 a Sale of Housing Properties

Sale proceeds	34	346
Cost of sales	(12)	(169)
Gain on disposal	<u>22</u>	<u>177</u>

5 b Loss on disposal of components

	<u>(551)</u>	<u>-</u>
--	--------------	----------

6 Operating surplus

Operating surplus is stated after charging

Staff costs [see note 7]	2,574	2,523
Auditors' remuneration	17	15
Depreciation on heritable property	1,653	1,638
Depreciation on other fixed assets	<u>74</u>	<u>77</u>

Baker Tilly received £4,000 (2011 £3,000) for professional services other than audit.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

7 Directors and employees	2012 £000's	2011 £000's
[a] Staff costs including Directors' emoluments		
Wages	2,049	2,089
Social security	171	176
Other pension costs	354	258
	<u>2,574</u>	<u>2,523</u>
Temporary, seconded and agency staff costs	80	179
	<u>2,654</u>	<u>2,702</u>
	No	No
Average full time equivalent number employed		
Finance and Corporate Services	15	15
Housing and Communities	24	24
Property Maintenance	11	12
Development	12	12
	<u>62</u>	<u>63</u>

[b] Directors' emoluments

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

	£	£
Aggregate Emoluments payable to Directors (excluding pension contributions but including benefits in kind)	<u>341,491</u>	<u>340,276</u>
Pension Contributions payable on behalf of Directors	<u>57,246</u>	<u>46,784</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>82,080</u>	<u>84,194</u>
Albyn's contribution to the pension scheme for this director is £15,539 (2011 - £11,675)		
Other Directors excluding pension contributions	No	No
Salary Bands		
60,001 70,000	4	4

No member of the Board received any emoluments in respect of their services to the Society. Expenses paid to Board Members totalled £ 7,100 (2011 - £7,057).

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

8 Interest receivable and other income	2012 £000's	2011 £000's
Interest receivable from banks	<u>5</u>	<u>5</u>
9 Interest payable and other charges		
Banks and Building Society loans	879	1,294
Interest Capitalised as part of Development Costs	497	75
	<u>1,376</u>	<u>1,369</u>

10 Corporation Tax

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

11 Prior Period Adjustment

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their individual useful economic life. This change in accounting policy has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge now being recognised.

The effect of this change in accounting policy on the 31 March 2011 financial statements is shown below. The reserves as at 31 March 2010 have been decreased by £127,000 of which £5,478,000 relates to increased depreciation, £5,216,000 relates to major repairs previously expensed to the Income and Expenditure Account now capitalised as components and £135,000 relates to HAG now allocated across components and written off when these components were replaced.

The effect of this change on the comparative year's figures of 2011 has been to:	£000's
Increase depreciation charge	1,013
Decrease major works charged against income and expenditure	(157)
Decrease in the surplus for the year	<u>856</u>
In addition the effect upon the balance sheet has been to:	
Increase fixed asset cost	5,373
Increase fixed asset depreciation	(6,491)
Decrease in HAG	135
Net movement in the balance sheet	<u>(983)</u>

Therefore overall effect of prior period adjustment is £983,000.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

12 Fixed Assets - Housing Property

	Housing Properties			Total £000's
	Rented Occupation £000's	Shared Ownership £000's	Under Construction £000's	
Cost				
31 March 2011 - as originally reported	165,282	6,005	16,675	187,962
Prior period adjustment (note 11)	5,373	-	-	5,373
31 March 2011 as restated	170,655	6,005	16,675	193,335
Additions	1,866	-	16,269	18,135
Transfers	16,742	-	(16,742)	-
Disposals	(1,235)	-	-	(1,235)
31 March 2012	188,028	6,005	16,202	210,235
Depreciation				
31 March 2011 - as originally reported	3,931	174	-	4,105
Prior period adjustment (note 11)	6,491	-	-	6,491
31 March 2011 as restated	10,422	174	-	10,596
Charge for year	1,639	14	-	1,653
Disposals	(657)	-	-	(657)
31 March 2012	11,404	188	-	11,592
Housing Association Grant				
31 March 2011 - as originally reported	109,158	4,429	12,163	125,750
Prior period adjustment (note 11)	(135)	-	-	(135)
31 March 2011 as restated	109,023	4,429	12,163	125,615
Additions	-	-	8,398	8,398
Transfers	9,510	-	(9,510)	-
Disposals	(20)	-	-	(20)
31 March 2012	118,513	4,429	11,051	133,993
Other Grants				
31 March 2011 - as originally reported	7,996	21	501	8,518
Prior period adjustment (note 11)	-	-	-	-
31 March 2011 as restated	7,996	21	501	8,518
Additions	-	-	1,622	1,622
Transfers	738	-	(738)	-
Disposals	-	-	-	-
31 March 2012	8,734	21	1,385	10,140
Net Book Value				
31 March 2012	49,377	1,367	3,766	54,510
31 March 2011 as restated	43,214	1,381	4,011	48,606

No properties are held under lease.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

12 Fixed Assets - Housing Property (continued)	2012 £000's	2011 £000's
Total cost of development administration	(912)	(922)
Development income from third parties	29	42
Development administration capitalised	<u>514</u>	<u>331</u>
Deficit/(surplus) on development administration	<u>(369)</u>	<u>(549)</u>
HAG received against this expenditure	<u>514</u>	<u>331</u>
Interest capitalised	<u>497</u>	<u>75</u>

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

The valuation has not been incorporated in the financial statements.

Albyn would not be able to sell its properties at these values without repaying HAG from the proceeds of the sale. At 31 March 2012 total HAG received in respect of these properties amounted to £ 113 million.

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

13 Investments	2012 £000's	2011 £000's
Homestake Loans made to the Homestaker	3,552	3,552
Homestake Grants	(3,552)	(3,552)
	<u>-</u>	<u>-</u>

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

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

14 Fixed Assets
Other Fixed Assets

	Office £000's	Equipment £000's	Total £000's
Cost			
31 March 2011	2,309	521	2,830
Additions	30	74	104
Disposals	-	-	-
31 March 2012	<u>2,339</u>	<u>595</u>	<u>2,934</u>
Grant			
31 March 2011	75	-	75
Additions	-	-	-
Disposals	-	-	-
31 March 2012	<u>75</u>	<u>-</u>	<u>75</u>
Depreciation			
31 March 2011	243	414	657
Charge	42	32	74
Disposals	-	-	-
31 March 2012	<u>285</u>	<u>446</u>	<u>731</u>
Net Book Value			
31 March 2012	<u>1,979</u>	<u>149</u>	<u>2,128</u>
31 March 2011	<u>1,991</u>	<u>107</u>	<u>2,098</u>

15 Stock - LIFT Properties in Development

	2012 £000's	2011 £000's
Cost of developing properties	8,393	8,671
Grant received to develop properties	(4,639)	(5,180)
	<u>3,754</u>	<u>3,491</u>

16 Debtors

	2012 £000's	2011 £000's
Rent in Arrears	934	826
less Bad debt provision	(270)	(190)
	<u>664</u>	<u>636</u>
Other debtors	3,471	2,374
Prepayments and accrued income	95	234
	<u>4,230</u>	<u>3,244</u>

Included in other debtors is an amount of £ 1,966,000 (2011 - £1,412,000) relating to payments due from Scottish Government. £ 1,966,000 (2011 - £1,412,000) relates to capital and £ nil (2011 - £ nil) to revenue activities.

Included in other debtors is £128,000 (2011- £ nil) due from Albyn Enterprises Limited which is due greater than 1 year.

17 Creditors due within one year

	2012 £000's	2011 £000's
Loans (see note 19)	1,377	1,175
Trade creditors	1,160	1,356
Other taxation and social security	60	61
Other creditors	2,848	2,663
Accruals and deferred income	600	512
	<u>6,045</u>	<u>5,767</u>

Included in other creditors is an amount of £ 734,000 (2011 - £796,000) relating to payments due to Scottish Government. £ 734,000 (2011 - £796,000) relates to capital and £ nil (2011 - £ nil) to revenue activities.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

18 Provisions	2012	2011
	£000's	£000's
31 March 2011	-	250
(Decrease) in Provision	-	(250)
31 March 2012	<u>-</u>	<u>-</u>

19 Creditors:	2012	2011
Amounts falling due after more than one year	£000's	£000's

The loans are secured by specific charges on Albyn's properties and the capital instalments are repayable over periods as indicated at varying rates of interest ranging from 0% to 5.47% (2011 - 0.0% to 5.47%).

Loans	<u>50,765</u>	<u>43,364</u>
Analysis of loan repayments		
In the next year	1,377	1,175
In the second year	583	557
In the third to fifth year	2,797	2,391
In more than five years	47,385	40,416
	<u>52,142</u>	<u>44,539</u>

20 Called up Share Capital	2012		2011	
	No	£	No	£
Allocated, allotted, called up and fully paid Ordinary shares of £1 each				
31 March 2011	129	129	137	137
Issue of share capital in year	3	3	5	5
Cancelled shares	(1)	(1)	(13)	(13)
31 March 2012	<u>131</u>	<u>131</u>	<u>129</u>	<u>129</u>

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

21 Reserves	Major Repairs	Revenue Reserve	Total
	£000's	£000's	£000's
31 March 2011 - as originally reported	10,985	687	11,672
Prior Period Adjustment	-	(983)	(983)
31 March 2011 - as restated	<u>10,985</u>	<u>(296)</u>	<u>10,689</u>
Surplus for the year	-	482	482
Transfers to Income & Expenditure Account	(10,985)	10,985	-
31 March 2012	<u>-</u>	<u>11,171</u>	<u>11,171</u>

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

22 Cashflow analysis	2012 £000's	2011 £000's
Analysis of changes in Cash during the year		
31 March 2011	(42,157)	(41,053)
Movement	(6,625)	(1,104)
31 March 2012	<u>(48,782)</u>	<u>(42,157)</u>

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

	2012 £000's	Change £000's	2011 £000's
Bank and Cash in hand	3,360	978	2,382
Loans	(52,142)	(7,603)	(44,539)
	<u>(48,782)</u>	<u>(6,625)</u>	<u>(42,157)</u>

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 its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2012 Albyn has a loan facility in place which are available to be drawn down. The amount available is £12m.

Albyn is self funding £3,754,000 (2011 - £3,491,000) relates to Albyn's LIFT Activities.

Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2012, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

23 Obligations under lease agreements	2012 £000's	2011 £000's
The following payments are committed to be paid within one year:		
Land and Buildings		
Expiring		
In the next year	10	8
In the second year	-	-
In the third to fifth year	-	-
In more than five years	40	39
	<u>50</u>	<u>47</u>
Other assets		
Expiring		
In the next year	6	32
In the second year	20	23
In the third to fifth year	66	9
In more than five years	-	-
	<u>92</u>	<u>64</u>

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

24 Related Parties Transactions

Committee Members

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

Councillors

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

Albyn Enterprises Limited

Albyn Enterprises Limited is a wholly owned subsidiary of Albyn Housing Society Limited, a company incorporated in Scotland. Four of the five directors of Albyn Enterprises Limited are Board Members of Albyn Housing Society Limited.

During the year Albyn Enterprises Limited made a loss of £21,000 leaving reserves of £11,000.

During the year Albyn Housing Society Limited advanced a loan of £128,000 to Albyn Enterprises Limited to enable it to purchase photovoltaic units installed on certain properties owned by Albyn Housing Society Limited. The Loan will be repaid over 25 years funded by receipts of Feed in Tariffs from the Government.

The loan accrues interest at 5% per annum for the first 5 years and 3% over 3-month LIBOR thereafter. This debtor is included in other debtors in note 16.

At the year end Albyn Enterprises Limited owed Albyn Housing Society Limited £154,000 (2011 £48,000), which is included in other debtors in note 16.

25 Housing Stock

	Tenanted	Managed on behalf of others	Shared Ownership	2012 No	2011 No
The number of properties in management were as follows					
31 March 2011 - as originally reported	2,499	26	175	2,700	2,603
Additions during year	109	-	-	109	102
Conversion from LIFT	4	-	-	4	1
Conversion to Offices	-	-	-	-	(1)
Disposal	(1)	-	-	(1)	(5)
31 March 2012	<u>2,611</u>	<u>26</u>	<u>175</u>	<u>2,812</u>	<u>2,700</u>

26 Capital Commitments

	2012 £000's	2011 £000's
Expenditure contracted less certified	<u>12,964</u>	<u>18,832</u>

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

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

27 Pension Obligations – SFHA Scheme

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

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

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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

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

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

Albyn Housing Society Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for Albyn Housing Society Limited was £10,648,120.

Albyn Housing Society Limited participates in the Scottish Housing Associations' Pension Scheme.

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension scheme.

The Scheme offers five benefit structures to employers, namely:

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

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

Albyn Housing Society Limited has elected to operate the final salary with a 1/60th accrual rate benefit option for active members as at 31 March 2009 and the career average revalued earnings with a 1/60th accrual rate benefit option for new entrants from 1 April 2009.

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

As at the balance sheet date there were 59 active members of the Scheme employed by Albyn Housing Society Limited. The annual pensionable payroll in respect of these members was £1,847,048.

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

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

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

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

Mortality Tables	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

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

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

28 Pension Obligations – Pension Trust – Growth Plan

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

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

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

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

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

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

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

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

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

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

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

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

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

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

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

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

In view of the small funding deficit and the level of prudence implicit in the assumption used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in-line with the 'best estimate' assumptions. 'Best

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2012

estimate' means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

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

The next full actuarial valuation will be carried out as at 30 September 2011 and is still to be published.

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

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

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

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

29 Future Liability

Albyn Housing Society Limited has been notified by the Pension Trust of the SHAPS scheme that past service deficit contributions payable for the year to 31 March 2013 is £195,199 and that further amounts may be payable over the next 14 years. This amount is not yet accrued as the total liability in respect of past service deficit is unquantifiable.

