

ALBYN HOUSING SOCIETY LIMITED
REPORT OF THE BOARD
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

Registered Housing Association Number 64
Financial Conduct 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 2013

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Registration Particulars

Financial Conduct Authority	Industrial and Provident Society Act 1965 Registration number – 1776 R (S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 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 2013

The Board presents its report and the audited financial statements for the year ended 31 March 2013.

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.

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.

The table below shows the property we own:

Managed Property Numbers	2013	2012
Tenanted Property	2,715	2,611
Managed on behalf of others	26	26
Shared Ownership Properties	175	175
Total	2,916	2,812

Financial Review

Albyn made a surplus of £843,000 (2012 - £482,000) during the year.

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 over the next two years continuing our commitment to reach the Scottish Housing Quality Standards wherever economically feasible.

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Albyn continues to have a development programme for next year.

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

Business and Operational Review

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

Corporate Governance

Albyn has a Board (as listed on page 12) who are elected by the members of Albyn. It is the responsibility of the Board to undertake the strategy, setting of policy and overall direction for Albyn. They also monitor the operational activities of Albyn. The members of the Board undertake this work in a voluntary, unpaid capacity.

The Albyn Executive Team (as listed on page 12) 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 2013 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.

Operational Review

During the year Albyn has implemented an operational review. This review was undertaken:

- to improve our service to our customers
- to improve our performance
- to improve our staff satisfaction

We created a Customer Services Team, Asset Management and Investment Team and a Finance & Corporate Services Team. The re-organisation led to a limited number of redundancies within Albyn. We have implemented these changes within the last six months of the financial year and we are now bedding in new operational processes, job processes and performance reporting processes which will deliver the improvements that are listed above.

We have reported this review under the new team structure.

Customer Services Team

Direct input from our customers will remain 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

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For the Year ended 31 March 2013

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.

Our tri-annual survey of our customers published earlier this year reported:

- 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 are accredited for the National Information and Advice Standards as a Type 1 provider in 13 separate areas of housing law and we hold TPAS Landlord accreditation. We continue to use the Highland-wide Interpretation and Translation services for customers of Public Services (including Housing and Health).

At the start of the year we issued our Tenant Handbook and have updated our website. These have been done 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.

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.

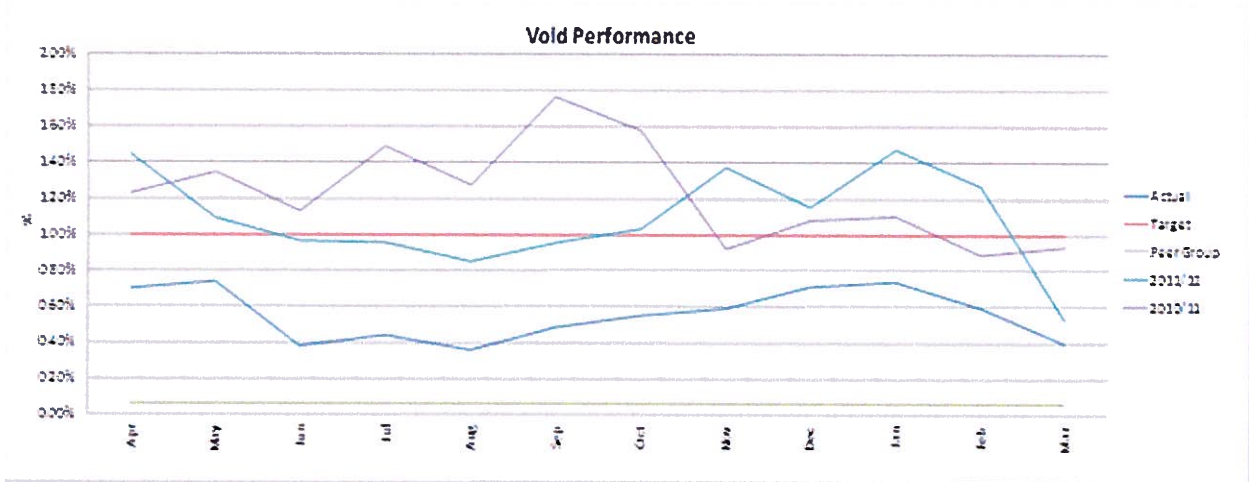
Void properties in the year	2013	2012
Re-lets	220	256
New Build	100	104
Total	330	360

Our performance on allocating has continued to show improvement with the average time taken to re-let a property being 29 days. This has led the loss of rent due to properties reducing as illustrated in the graph below:

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

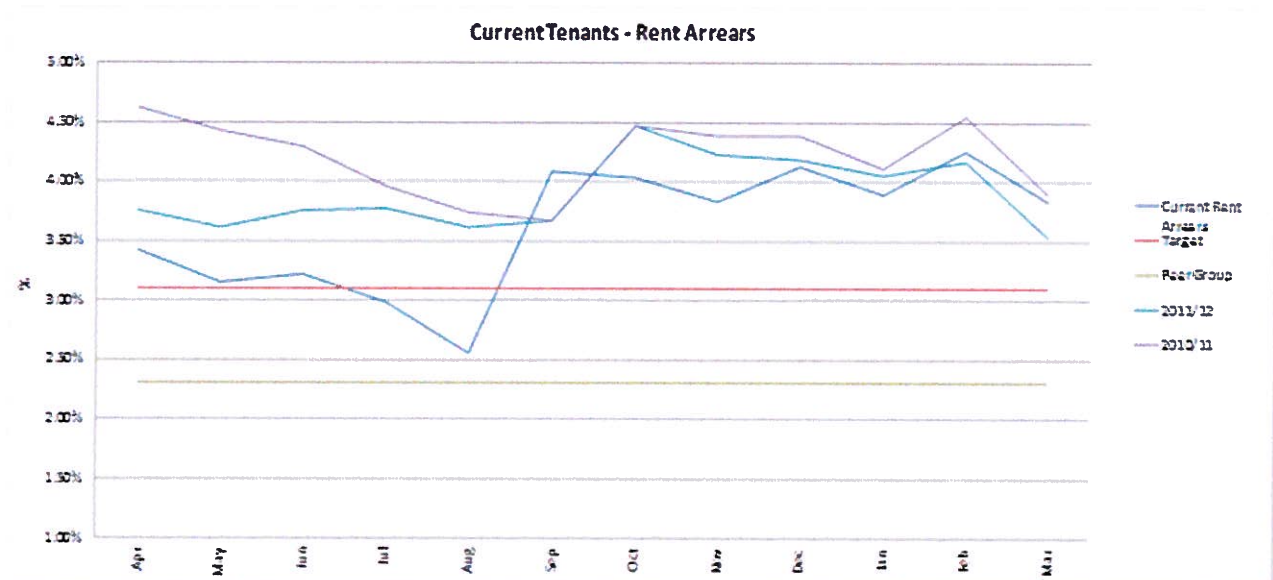
For the Year ended 31 March 2013



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.

The graph below details our monthly performance



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For the Year ended 31 March 2013

Tenancy Management

We continue to work in partnership with other local agencies to tackle anti-social behaviour and to manage our estates.

Number of Anti-social Cases		2013	2012
Category 1	Most serious and involves criminal activity	22	16
Category 2	Deliberate attempt to cause disturbance or annoyance	89	146
Total		111	162

The number of tenancies created in the previous financial year that were still successfully in place remained very high and increased to 98.9% (2012 – 92.7%).

Number of actions taken		2013	2012
Number of New Tenancies Created		320	469
Tenancies ending within 12 months		31	112
Abandoned tenancies		8	4
Evictions		4	6

Tenancy Sustainment

The table below summarises the caseload of our tenancy sustainability team:

Caseload		2013	2012
Start of year		115	102
New cases		335	431
Closed cases		362	418
End of year		88	115

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.

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For the Year ended 31 March 2013

Property Maintenance

The reactive repair service now forms part of the Customer Services Team. The performance of the Reactive Repairs is detailed in the following table.

Category	Performance Measure	Target	2013	2012
Emergency	8 hours	97%	95.64%	93.22%
Urgent	2 days	97%	92.13%	92.25%
Routine	10 days	97%	95.26%	95.34%
Void	21 days	97%	96.14%	95.48%
Gas Servicing	Within 12 Mths of previous inspection	100%	99.26%	99.34%
	Within 13 Mths of previous inspection	0%	0.74%	0.66%
			100.00%	100.00%

Asset and Investment Team

The re-organisation that we implemented over the past few months has brought together the development and the major component replacement contracts under one team who will have the responsibility to build and upgrade our property portfolio so that they all achieve modern standards. This will be achieved by providing the best designed specifications of components when building the property and then ensuring that they are maintained during their life. Albyn has undertaken over 1400 property surveys over the past few years, the results of which have been used to extrapolate across all of our properties. These surveys results have also fed into our current programme of works to meet our obligations under Scottish Housing Qualities Standards (SHQS).

During the year we have undertaken the following:

Replacement Type	Value
Energy Efficiency Measures	£1,339,000
Kitchen Replacements	£723,000
Bathroom Replacements	£229,000
Individual Property Upgrades and Other Costs	£134,000
Total	£2,425,000

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Report of the Board and Financial Statements

For the Year ended 31 March 2013

We have continued to build and complete properties as affordable rented properties 100 (2012 – 132) and as LIFT properties 25 (2012 - 31) throughout the year with completions in the following communities:

Developments completed in year	Rented	LIFT	Total
Westercraigs, Inverness	32	10	42
Clachnaharry, Inverness	4	0	4
Leachkin, Inverness	8	0	8
Sellar Place, Conon Bridge	18	11	29
Joss Street, Invergordon	14	0	14
Craigwood, Dingwall	12	0	12
Simpsons, Beauly	8	0	8
Invercarron, Alness	4	4	8
Total	100	25	125

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

Development Funding	2013	2012
Expenditure	7,570,000	15,683,000
Grant	2,335,000	8,398,000
Loan	2,000,000	7,960,000
Own resources	3,235,000	-675,000

Finance and Corporate Services Team

Albyn's Finance and Corporate Team which includes IT and Human Resources continued to support the Albyn Group throughout the year.

Albyn undertook a tender for insurance services under EU procurement rules. The new insurance broker was appointed for a three year period commencing 1 October 2012. Unfortunately due to insurance market conditions and our claims history over the past few years the costs of our insurance has increased by more than 30%, however this would have been greater if the tender operation had not been undertaken.

We undertook a full review of our ICT Infrastructure which recommended that we upgrade our IT hardware and improve our connection between the two main offices. We also took the opportunity to effectively make the Inverness office able to act as the main office if the Invergordon office could not be operated for any reason thus providing an effective and robust plan in case of a disaster and enable business continuity.

HR was pivotal in supporting Albyn through the re-organisation process.

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For the Year ended 31 March 2013

Albyn Enterprises Limited

Albyn Enterprises Limited (AEL) is our wholly owned subsidiary.

In addition to the properties sold on behalf of Albyn (detailed above) AEL also sold 21 (2012 – 16) for Cairn Housing Association. It also acts as agent for the Scottish Government with Open Market Shared Equity (OMSE) which offers grants to individuals to help them buy property on the open market. AEL helped 43 households by delivering grants to the value of £1,758,000 (2012 - £1,597,000).

AEL secured the contract from the Scottish Government for the delivery of the OMSE programme for Highland and Shetland for the next two years.

It also undertook work on behalf of Albyn to review the impact of the Factoring Act on the Albyn Group and how we deliver our Factoring and Service Charge Activities. This work will enable Albyn to refocus this activity so that a better service is delivered and a sustainable business is achieved.

During 2012/13 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 2013/14.

Other Issues

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.

Sales of Housing Properties

We sold 4 (2012 – 1) properties under Right to Buy and nil (2012 – nil) Shared Ownership properties.

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

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2013

Management Structure

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

Risk Management Policy

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

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

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

Sustainability and Asset Management

The Albyn Sustainability Strategy was revised in May 2011, with a focus on sustaining Albyn as a business whilst helping improve the quality of life for the residents in our communities. This Strategy is supported by an Asset Management Plan which identifies initiatives for sustaining/improving the performance of our property assets.

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.

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2013

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 2013, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Quality and Integrity of Staff

The integrity and competence of staff 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.

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

Albyn is committed to involving staff in decision making and 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.

Employee Involvement and Health and Safety

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

Disabled Employees

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

Future Developments

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

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2013

Board

The Board of Albyn during the year to 31 March 2013 was as follows:

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

Committees (from 11 September 2012)

Audit Committee	Performance Committee
Staffing Issues Committee	Health & Safety Committee

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

Board and Officers' Insurance

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

Directors

The Directors of Albyn at 31 March 2013 were as follows:

Mr Calum Macaulay	Chief Executive
Mr Robin Nairn	Finance & Corporate Services Director and Deputy Chief Executive
Ms Helen Barton	Customer Services Director
Mr Donald Lockhart	Asset and Investment Director

Mr John Clarke was Property Maintenance Director until 30 November 2012.

Internal Financial Controls

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).

ALBYN HOUSING SOCIETY LIMITED

Report of the Board and Financial Statements

For the Year ended 31 March 2013

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 2013. 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.

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
25 June 2013

ALBYN HOUSING SOCIETY LIMITED

STATEMENT OF BOARD RESPONSIBILITIES

31 MARCH 2013

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 confirms 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 2010 and the Determination of Accounting Requirements – April 2012. 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
25 June 2013

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 2013 (the "financial statements") on pages 17 to 38. 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 Albyn's members as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Albyn's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Albyn and the Albyn'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 14, the Board is 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 Albyn's affairs as at 31 March 2013 and of the income and expenditure of the Albyn for the year then ended;
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012.

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
- Albyn has not kept proper accounting records; or
- The financial statements are not in agreement with the books of account of the Albyn; 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

16 July 2013

ALBYN HOUSING SOCIETY LIMITED**Income and Expenditure Account****For the Year ended 31 March 2013**

	Notes	2013 £000's	2012 £000's
Turnover	2	15,863	14,040
Operating Costs	2	(13,487)	(12,155)
Operating Surplus	6	<u>2,376</u>	<u>1,885</u>
Sale of fixed assets	5	42	(529)
Interest receivable	8	17	5
Interest payable and other charges	9	(1,592)	(879)
Surplus on ordinary activities		<u>843</u>	<u>482</u>
Donations		-	-
Surplus on ordinary activities before tax		<u>843</u>	<u>482</u>
Taxation on surplus on ordinary activities	10	-	-
Surplus for the year		<u><u>843</u></u>	<u><u>482</u></u>

The results relate to continuing activities.

ALBYN HOUSING SOCIETY LIMITED

Balance Sheet

As at 31 March 2013

	Notes	2013		2012	
		£000's	£000's	£000's	£000's
Tangible fixed assets	11				
Housing properties - gross cost less depreciation			206,314		198,643
less Housing Association Grant			(136,283)		(133,993)
less Other Grants			<u>(9,216)</u>		<u>(10,140)</u>
			60,815		54,510
Investments					
Homestake Loan	12	3,307		3,552	
Homestake Grant	12	<u>(3,307)</u>		<u>(3,552)</u>	
			-		-
Other fixed assets	13		<u>2,191</u>		<u>2,128</u>
			63,006		56,638
Current assets					
Stock - LIFT Properties in Development	14	1,981		3,754	
Debtors	15	3,376		4,230	
Bank and Cash in hand		<u>1,549</u>		<u>3,360</u>	
		6,906		11,344	
Current liabilities					
Creditors due within one year	16	<u>(5,748)</u>		<u>(6,045)</u>	
Net current assets			1,158		5,299
Total assets less current liabilities			<u>64,164</u>		<u>61,937</u>
Creditors:	17		(52,149)		(50,765)
amounts falling due after more than one year					
Net assets			<u><u>12,015</u></u>		<u><u>11,172</u></u>
Capital and reserves					
Share capital	18		1		1
Revenue reserves	19		12,014		11,171
			<u><u>12,015</u></u>		<u><u>11,172</u></u>

These financial statements were approved and authorised for issue by the Board on 25 June 2013

Isabell McLaughlan - Chair



Gavin Sinclair - Vice Chair



George Kelman - Secretary



ALBYN HOUSING SOCIETY LIMITED

Cash Flow Statement

For the Year ended 31 March 2013

	2013		2012	
	£000's	£000's	£000's	£000's
Operating Surplus		2,376		1,885
Depreciation	2,104		1,727	
Movement in stock	1,773		(263)	
Movement in debtors	(292)		(255)	
Movement in creditors	32		292	
		<u>3,617</u>		<u>1,501</u>
Net cash inflows from operating activities		5,993		3,386
Donations received	-		-	
Interest received	17		5	
Interest paid	(1,592)		(879)	
		<u>(1,575)</u>		<u>(874)</u>
Net cash inflows from returns on investments and servicing of finance		4,418		2,512
Taxation		<u>-</u>		<u>-</u>
		4,418		2,512
Capital expenditure and financial investment				
Development of own property	9,895		18,553	
Less Grants on own property	(2,350)		(9,491)	
	<u>7,545</u>		<u>9,062</u>	
Disposal of property	(129)		(29)	
	<u>7,416</u>		<u>9,033</u>	
Acquisition of other fixed assets	163		104	
		<u>(7,579)</u>		<u>(9,137)</u>
Net cash (outflows) from investing activities		(7,579)		(9,137)
Net cash (outflows) before financing		(3,161)		(6,625)
Financing				
Loans received for housing	2,000		7,960	
Loans repaid	(650)		(357)	
		1,350		7,603
Movement in cash		<u>(1,811)</u>		<u>978</u>

Note 20 should be read in conjunction with this statement

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2013

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 Determination of Accounting Requirements – April 2012. 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 22. The accounts represent the results of Albyn Housing Society Limited and not of the group.

c Turnover

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

d Mortgages

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

e Tangible Fixed Assets - Housing properties [Note 11]

Housing Properties are stated at cost 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 2013

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 2013

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 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.

m 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.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2013

n Leases and Hire Purchase Contracts

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

o Taxation

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

p 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.

q 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 2013

2 Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover £000s	Operating Costs £000s	2013 £000s	2012 £000s
Social Lettings Activities	10,390	(7,674)	2,716	2,261
Other Activities	5,473	(5,813)	(340)	(376)
Total	<u>15,863</u>	<u>(13,487)</u>	<u>2,376</u>	<u>1,885</u>
2012	<u>14,040</u>	<u>(12,155)</u>	<u>1,885</u>	

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

	General Needs Housing £000s	Shared Ownership Housing £000s	2013 £000s	2012 £000s
Income				
Rent Receivable Net of Service Charges	9,745	339	10,084	9,153
Service Charges	342	20	362	320
Gross Income from Rents and Service Charges	<u>10,087</u>	<u>359</u>	<u>10,446</u>	<u>9,473</u>
Less Voids	(56)	-	(56)	(103)
Total Turnover from Social Letting Activities	<u>10,031</u>	<u>359</u>	<u>10,390</u>	<u>9,370</u>
Expenditure				
Management and Maintenance Administration Costs	3,095	198	3,293	3,217
Service Costs	432	20	452	346
Planned and Cyclical Maintenance including Major Repairs Costs	274	-	274	412
Reactive Maintenance Costs	1,427	-	1,427	1,401
Bad Debts - Rents and Service Charges	224	-	224	78
Depreciation of Social Housing	1,990	14	2,004	1,655
Operating Costs for Social Letting Activities	<u>7,442</u>	<u>232</u>	<u>7,674</u>	<u>7,109</u>
Operating Surplus for Social Lettings	<u>2,589</u>	<u>127</u>	<u>2,716</u>	<u>2,261</u>
2012	<u>2,154</u>	<u>107</u>	<u>2,261</u>	

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2013

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	2013 £000s	2012 £000s
Grants from Scottish Ministers	-	-	-	-	-	-	139
Supporting People Income	-	-	-	-	-	-	-
Other Income	-	-	433	4,992	48	5,473	4,531
Total Income	-	-	433	4,992	48	5,473	4,670
Other Operating Costs	-	-	(773)	(4,992)	(48)	(5,813)	(5,046)
Operating Deficit	-	-	(340)	-	-	(340)	(376)
2012	(7)	-	(369)	-	-	(376)	

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	186	34
Cost of sales	(120)	(12)
Gain on disposal	<u>66</u>	<u>22</u>

5 b Loss on disposal of components

	<u>(24)</u>	<u>(551)</u>
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6 Operating surplus

Operating surplus is stated after charging

Staff costs [see note 7]	2,679	2,574
Auditors' remuneration	16	17
Depreciation on heritable property	2,004	1,653
Depreciation on other fixed assets	<u>100</u>	<u>74</u>

Baker Tilly received £nil (2012 £4,000) for professional services other than audit.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2013

7 Directors and employees

	2013 £000's	2012 £000's
[a] Staff costs including Directors' emoluments		
Wages	2,131	2,049
Social security	185	171
Other pension costs	363	354
	<u>2,679</u>	<u>2,574</u>
Temporary, seconded and agency staff costs	83	80
	<u>2,762</u>	<u>2,654</u>

	No	No
Average full time equivalent number employed		
Finance and Corporate Services	15	15
Housing and Communities	24	24
Property Maintenance	12	11
Development	11	12
	<u>62</u>	<u>63</u>

[b] Directors' emoluments

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

	£	£
Aggregate Emoluments payable to Directors (excluding pension contributions but including benefits in kind)	<u>353,739</u>	<u>341,491</u>
Pension Contributions payable on behalf of Directors	<u>61,460</u>	<u>57,246</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>81,666</u>	<u>82,080</u>

Albyn's contribution to the pension scheme for this director is £16,091 (2012 - £15,539)

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

No member of the Committee of Management received any emoluments in respect of their services to the Society. Expenses paid to Committee Members totalled £6,567 (2012 - £7,100).

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2013

	2013 £000's	2012 £000's
8 Interest receivable and other income		
Interest receivable from banks	<u>17</u>	<u>5</u>
9 Interest payable and other charges		
Banks and Building Society loans	1,592	879
Interest Capitalised as part of Development Costs	137	497
	<u>1,729</u>	<u>1,376</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.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2013

11 Fixed Assets - Housing Property

	Housing Properties			Total £000's
	Rented Occupation £000's	Shared Ownership £000's	Under Construction £000's	
Cost				
31 March 2012	188,028	6,005	16,202	210,235
Additions	100	-	9,708	9,808
Transfers	13,012	-	(13,012)	-
Disposals	(181)	-	-	(181)
31 March 2013	<u>200,959</u>	<u>6,005</u>	<u>12,898</u>	<u>219,862</u>
Depreciation				
31 March 2012	11,404	188	-	11,592
Charge for year	1,990	14	-	2,004
Disposals	(48)	-	-	(48)
31 March 2013	<u>13,346</u>	<u>202</u>	<u>-</u>	<u>13,548</u>
Housing Association Grant				
31 March 2012	118,513	4,429	11,051	133,993
Additions	-	-	2,336	2,336
Transfers	7,139	-	(7,139)	-
Disposals	(46)	-	-	(46)
31 March 2013	<u>125,606</u>	<u>4,429</u>	<u>6,248</u>	<u>136,283</u>
Other Grants				
31 March 2012	8,734	21	1,385	10,140
Additions	-	-	-	-
Transfers	320	-	(320)	-
Disposals	-	-	(924)	(924)
31 March 2013	<u>9,054</u>	<u>21</u>	<u>141</u>	<u>9,216</u>
Net Book Value				
31 March 2013	<u>52,953</u>	<u>1,353</u>	<u>6,509</u>	<u>60,815</u>
31 March 2012	<u>49,377</u>	<u>1,367</u>	<u>3,766</u>	<u>54,510</u>

No properties are held under lease.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2013

11 Fixed Assets - Housing Property (continued)	2013 £000's	2012 £000's
Total cost of development administration	(773)	(912)
Development income from third parties	168	29
Development administration capitalised	265	514
Deficit on development administration	<u>(340)</u>	<u>(369)</u>
HAG received against this expenditure	<u>265</u>	<u>514</u>
Interest capitalised	<u>137</u>	<u>497</u>

As at 1 April 2010, valuations were obtained from external valuers DTZ Peda 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 2013 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>

12 Investments	2013 £000's	2012 £000's
Homestake Loans made to the Homestaker	3,307	3,552
Homestake Grants	(3,307)	(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 2013

13 Fixed Assets

Other Fixed Assets

	Office £000's	Equipment £000's	Total £000's
Cost			
31 March 2012	2,339	595	2,934
Additions	52	111	163
Disposals	-	(157)	(157)
31 March 2013	<u>2,391</u>	<u>549</u>	<u>2,940</u>
Grant			
31 March 2012	75	-	75
Additions	-	-	-
Disposals	-	-	-
31 March 2013	<u>75</u>	<u>-</u>	<u>75</u>
Depreciation			
31 March 2012	285	446	731
Charge	43	57	100
Disposals	-	(157)	(157)
31 March 2013	<u>328</u>	<u>346</u>	<u>674</u>
Net Book Value			
31 March 2013	<u>1,988</u>	<u>203</u>	<u>2,191</u>
31 March 2012	<u>1,979</u>	<u>149</u>	<u>2,128</u>

14 Stock - LIFT Properties in Development

	2013 £000's	2012 £000's
Cost of developing properties	5,114	8,393
Grant received to develop properties	(3,133)	(4,639)
	<u>1,981</u>	<u>3,754</u>

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2013

15 Debtors	2013 £000's	2012 £000's
Rent in Arrears	1,072	934
less Bad debt provision	<u>(400)</u>	<u>(270)</u>
	672	664
Other debtors	2,425	3,471
Prepayments and accrued income	279	95
	<u>3,376</u>	<u>4,230</u>

Included in other debtors is an amount of £615,000 (2012 - £1,966,000) relating to payments due from Scottish Government. £615,000 (2012 - £1,966,000) relates to capital and £ nil (2012 - £ nil) to revenue activities.

Included in other debtors is £127,000 (2012- £ 128,000) due from Albyn Enterprises Limited which is due greater than 1 year.

16 Creditors due within one year	2013 £000's	2012 £000's
Loans (see note 17)	1,343	1,377
Trade creditors	1,079	1,160
Other taxation and social security	57	60
Other creditors	2,649	2,848
Accruals and deferred income	620	600
	<u>5,748</u>	<u>6,045</u>

Included in other creditors is an amount of £576,000 (2012 - £734,000) relating to payments due to Scottish Government. £576,000 (2012 - £734,000) relates to capital and £ nil (2012 - £ nil) to revenue activities.

**17 Creditors:
Amounts falling due after more than one year**

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% (2012 - 0.0% to 5.47%).

Loans	<u>52,149</u>	<u>50,765</u>
Analysis of loan repayments		
In the next year	1,343	1,377
In the second year	908	583
In the third to fifth year	2,813	2,797
In more than five years	48,428	47,385
	<u>53,492</u>	<u>52,142</u>

18 Called up Share Capital

	2013		2012	
	No	£	No	£
Allocated, allotted, called up and fully paid Ordinary shares of £1 each				
31 March 2012	131	131	129	129
Issue of share capital in year	10	10	3	3
Cancelled shares	<u>(45)</u>	<u>(45)</u>	<u>(1)</u>	<u>(1)</u>
31 March 2013	<u>96</u>	<u>96</u>	<u>131</u>	<u>131</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.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2013

19 Reserves	2013 £000's	2012 £000's
31 March 2012	11,171	10,689
Surplus for the year	843	482
31 March 2013	<u>12,014</u>	<u>11,171</u>

20 Cashflow analysis

Analysis of changes in Cash during the year	2013 £000's	2012 £000's
31 March 2012	(48,782)	(42,157)
Movement	(3,161)	(6,625)
31 March 2013	<u>(51,943)</u>	<u>(48,782)</u>

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

	2013 £000's	Change £000's	2012 £000's
Bank and Cash in hand	1,549	(1,811)	3,360
Loans	(53,492)	(1,350)	(52,142)
	<u>(51,943)</u>	<u>(3,161)</u>	<u>(48,782)</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 2013 Albyn has a loan facility in place which is available to be drawn down. The amount available is £10m.

Albyn is self funding £1,780,000 (2012 - £3,754,000) which relates to Albyn's LIFT Activities.

Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2013, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

21 Obligations under lease agreements

		2013 £000's	2012 £000's
The following payments are committed to be paid within one year:			
Land and Buildings	Expiring		
	In the next year	12	10
	In the second year	-	-
	In the third to fifth year	43	-
	In more than five years	2	40
		<u>57</u>	<u>50</u>
Other assets	Expiring		
	In the next year	5	6
	In the second year	57	20
	In the third to fifth year	16	66
	In more than five years	-	-
		<u>78</u>	<u>92</u>

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2013

22 Related Party 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 Profit after Taxation of £32,000, accumulating reserves of £42,000.

In 2012, 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 15.

At the year end Albyn Enterprises Limited owed Albyn Housing Society Limited £248,000 (2012 £154,000), which is included in other debtors in note 15.

23 Housing Stock

	Tenanted	Managed on behalf of others	Shared Ownership	2013 No	2012 No
The number of properties in management were as follows					
31 March 2012	2,611	26	175	2,812	2,700
Additions during year	104	-	-	104	109
Conversion from LIFT	4	-	-	4	4
Disposals	(4)	-	-	(4)	(1)
31 March 2013	<u>2,715</u>	<u>26</u>	<u>175</u>	<u>2,916</u>	<u>2,812</u>

24 Capital Commitments

Expenditure contracted less certified		<u>6,280</u>	<u>12,964</u>
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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 2013

25 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 on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for Albyn Housing Society Limited was £11,387,611.

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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 53 active members of the Scheme employed by Albyn Housing Society Limited. The annual pensionable payroll in respect of these members was £1,667,886.

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

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

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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.)

26 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.

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. As at the

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balance sheet date there were 3 active members of the Plan employed by Albyn Housing Society Ltd. Albyn Housing Society Ltd continues to offer membership of the Plan to its employees. Albyn Housing Society Ltd has closed the Plan to new entrants.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2011 were completed in 2012 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 £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement:	
Active/Deferred Pensioners	4.2
Bonuses on accrued benefits	4.2
Inflation: Retail Prices Index (RPI)	0.0
Inflation: Consumer Prices Index (CPI)	2.9
	2.4

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 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

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.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

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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 and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

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

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

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

Owing to this situation, we have included 2 figures/calculations, namely:

- The cost of withdrawal if we include Series 3 liabilities in the calculation
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.

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 2012. As of this date the estimated employer debt for the Society was £72,930.

27 Future Liability

Albyn Housing Society Limited has been notified by the Pension Trust of the SHAPS scheme that the present day value of the total committed over the next eleven years, discounted at a rate of 4%, is £2,068,836. This amount may be subject to change following the results of the next valuation exercise and therefore as the liability cannot be properly quantified it has not been accrued or included in the Balance Sheet at 31 March 2013.