

**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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

**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**Registration Particulars**

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

**ALBYN HOUSING SOCIETY LIMITED**  
**BOARD, EXECUTIVES AND ADVISERS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**Board**

D Russell  
M Smith  
I McLaughlan  
J Convery  
S Smith  
I Fosbrooke  
A Gracie  
J Carr

**Executive Officers**

M Macaulay  
R Nairn

**Registered Office**

98-104 High Street  
Invergordon  
IV18 0DL

**Auditor**

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

**Bankers**

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

**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT OF THE BOARD**  
**FOR THE YEAR ENDED 31 MARCH 2018**

The Board presents its report and the audited financial statements for the year ended 31 March 2018.

**Principal Activities**

The principal activity of Albyn Housing Society Limited ("Albyn") is the development, management and maintenance of housing in the Highlands of Scotland for people in housing need.

Albyn is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society, The Office of the Scottish Charities Regulator ("OSCR") as a Scottish Charity and the Scottish Housing Regulator as a Registered Social Landlord ("RSL").

**Our Strategic Aims**

Our Vision

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:

- Achieving successful tenancies through quality customer/landlord relationships
- Building and maintaining a sustainable, quality housing stock
- Supporting neighbourhoods and communities to thrive
- Providing access to housing and support in the Highlands
- Delivering good value for money in rents and other charges

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

The table below shows the homes that we manage:

<b>Managed Property Numbers</b>	<b>2018</b>	<b>2017</b>
Tenanted Properties	2,913	2,841
Managed on Behalf of Others	16	22
Shared Ownership Properties	133	142
Properties Leased to AEL for Mid Market Rent	90	65
<b>Total</b>	<b>3,152</b>	<b>3,070</b>

**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT OF THE BOARD**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**Financial Review**

Albyn made a surplus of £2,649,000 (2017 – £4,772,000) during the year. The consolidated results of Albyn and its trading subsidiaries, Albyn Enterprises Limited (“AEL”) and Highland Residential (Inverness) Limited (HRL) gave a surplus of £2,623,000 (2017 - £4,757,000).

Until 31 March 2014, Albyn used to be a member of the SHAPS Defined Benefit Pension Scheme. This scheme was closed to all staff with effect from 1 April 2014, but we are required to contribute to the deficit in funding for this scheme which is a multi-employer scheme. SHAPS has estimated the level of contributions we are required to make and this was recorded as a Provision in the accounts at 31 March 2014. SHAPS received an updated actuarial report which reviewed the assets and liabilities of the scheme as at 30 September 2015. As a result of the improved financial position of the fund, the contributions that SHAPS considers Albyn as being required to make to cover the deficit in funding have reduced substantially.

This means that we recognised a gain on re-measurement of the deficit of £2,585,000 in the accounts for the previous financial year. This does not however create any extra cash for the Society and has not been repeated in the current financial year. The surplus in Albyn for the prior year before this adjustment for the year ended 31 March 2017 was £2,187,000. The comparative surplus for the current financial year is £2,649,000.

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

Albyn remains in a strong financial position; we continue to have a substantial major repair investment programme with work to comply with the Scottish Housing Quality Standards (“SHQS”) and the Energy Efficiency Standard for Social Housing (“EESSH”) by 2020, as well as maintaining the quality of our homes. We have budgeted for expenditure on improvements to our homes of £2.2m in the next financial year, with our ongoing budget for improvements being in excess of £2m each year going forward.

In July 2016 the Board of Albyn approved an increase to our plans for building new homes, increasing the original target of 500 homes over five years between 2016 and 2020 to **750** homes. We obtained £30m of new Private Placement funding in February 2017 and this is expected to fund at least 500 of our planned new homes. There is a possibility that the Board might increase the new home target to 1,000 if our plans progress well and we are able to secure the funding (both public and private) needed to enable us to fund the costs of the extra homes.

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

**Development and Performance**

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

Corporate Governance

Albyn has a Board (detailed on page 13) which is elected by the members of Albyn. It is the responsibility of the Board to undertake the strategy, setting of policy and overall direction for Albyn. They also monitor the operational activities of Albyn. The members of the Board undertake this work in a voluntary, unpaid capacity.

**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT OF THE BOARD**  
**FOR THE YEAR ENDED 31 MARCH 2018**

The Executive Team (listed on page 13) together with the managers has been responsible for achieving the set strategy and undertaking the operational activities in line with the agreed policies throughout the year.

The revised Regulatory Plan, issued in March 2018 by the Scottish Housing Regulator, defined their engagement with Albyn as Medium on the basis of their risk assessment. The plan identified Albyn's level of new build development activity as a particular area of risk.

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

#### Operational Review

During the past several years Albyn has implemented a review of the way that it operates internally. This review was undertaken to:

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

We created a Customer Services Team, Asset Management & Investment Team and a Finance & Corporate Services Team. We implemented these changes during the last six months of 2013. We have continued to bed-in new operational and job processes, and performance reporting processes, with training tailored to individual requirements. During the year we continued to make impressive improvements in our rent collection figures. We also reviewed our void procedures and these have almost halved the number of days that a property is empty. We also continued to improve our knowledge of our properties with continued surveys and implementation of SAP 12 as our basis for rating the energy efficiencies of our properties. All of these changes are delivering the improvements aimed for above.

#### Customer Services Team

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

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

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

We are committed to ensuring our tenants have direct input into our service delivery and are continually looking for new ways to enable them to do this. We undertook a full customer satisfaction survey in 2015, which allowed us to target issues and develop solutions more effectively.

## ALBYN HOUSING SOCIETY LIMITED

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2018

We have developed a number of specialist focus groups where tenants can participate and gain knowledge in areas of interest to them. We will be undertaking a full survey during 2018-19.

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

#### *Allocations*

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

Families re-homed in the year	2018	2017
Re-lets	254	259
New Build / other Acquisitions	56	17
Total	340	276
Average Days taken to fill an empty home	11	23

The average number of days taken to fill our empty homes has resulted in rents and other charges lost due to homes being empty being 0.50% in the year (2017 - 0.63%) of collectable rent across the year as illustrated in the graph below:



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

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

## ALBYN HOUSING SOCIETY LIMITED

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2018

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

##### *Rent Arrears*

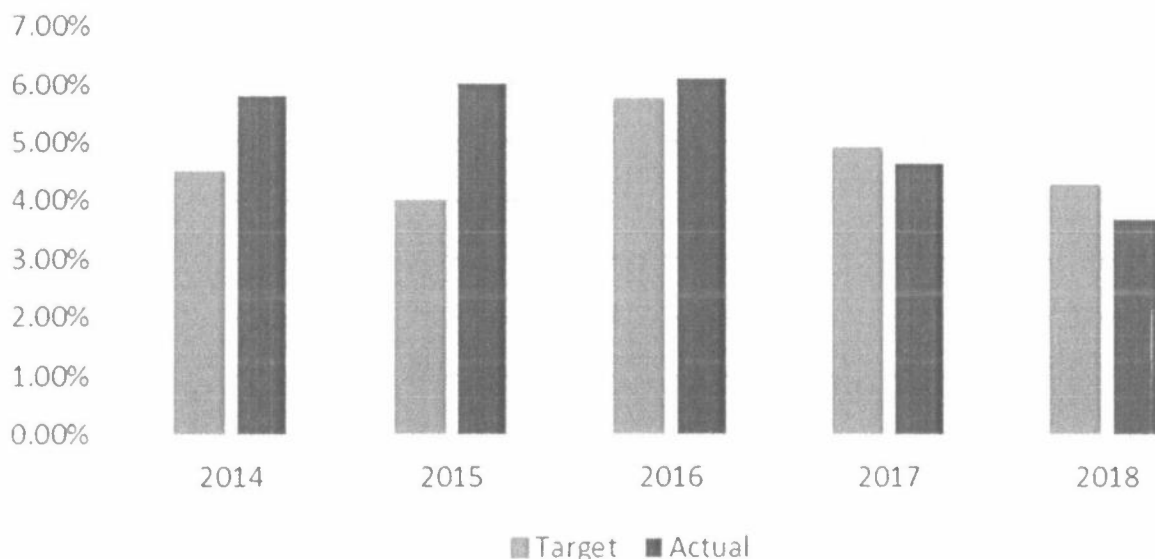
Rent arrears performance has continued to improve greatly during the year. The allocation of arrears workload has been spread across the Officer and Assistant group, we have continued to improve our internal reporting and monitoring processes, and we have developed stronger early-intervention processes.

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

At the end of the year a total of 596 tenants (2017 - 176) were UC claimants. This number has grown as UC has been rolled out across our whole customer base in the Highlands. We have been working on a number of initiatives with local RSLs and the Highland Council to establish good working relationships and practices with the Department for Work and Pensions.

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

#### **Rent owed to Albyn by current tenants as % of rental income**





# ALBYN HOUSING SOCIETY LIMITED

## REPORT OF THE BOARD

### FOR THE YEAR ENDED 31 MARCH 2018

#### *Tenancy Management*

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

Number of ASB Cases opened in the year		2018	2017
Category 1	Most serious and involves criminal activity	47	33
Category 2	Deliberate attempt to cause disturbance or annoyance	100	99
<b>Total</b>		<b>147</b>	<b>132</b>

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

The number of tenancies created in the financial year that were still successfully in place after a year remains high at 93.63% (2017 – 91.9%).

#### *Reactive Repairs*

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

Category	Performance Measure	Target	2018	2017
Emergency	Average time to complete	8 hours	3.40 hrs	4.07 hrs
Non-Emergency	Average time to complete	10 days	4.60 days	5.17 days
Right First Time			88.90%	92.06%

The total number of reactive repairs completed during the reporting year was 6,307 (2017 – 5,817). 93.88% (2017 – 96.4%) of tenants who returned satisfaction slips were satisfied with the overall quality of our repairs service.

The number of repairs completed Right First Time has fallen compared to last year. This is mainly due to us changing the way in which we monitor and report on our repairs and so being able to produce a more accurate statistic, rather than an actual fall in the quality of the repairs we carry out.

#### *Communities*

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

At the end of the 2015 financial year, we were the lead partner in a successful funding bid for £880,000 from The Big Lottery to AEL in partnership with the four other main RSL's in Highland for a project entitled Money Matters Highland. This funding has been enabling us to deliver support to our tenants across the Highlands from 1 April 2015, specifically focusing on the negative impacts of the introduction of UC and the effects of fuel poverty in the area.

We continued our success in sustaining our positive outcomes through Making Advice Work.

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

**ALBYN HOUSING SOCIETY LIMITED**

**REPORT OF THE BOARD**

**FOR THE YEAR ENDED 31 MARCH 2018**

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

Asset Management & Investment Team

During 2014 we received the results of our stock condition survey. The survey covered over 1,000 properties, including all house types in all our estates. This has allowed us to fully assess our homes against the SHQS and EESSH standards, allowing us to plan our improvement programme through to the 2020 deadline for EESSH compliance. Our Property Surveyor has been busy working towards the other 2,000 properties all being inspected and ensuring the information we hold is as accurate as possible

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

<b>Replacement Type</b>	<b>2018</b>	<b>2017</b>
	£000's	£000's
Energy Efficiency Measures	1,104	1,356
Window and Door Replacements	650	427
Kitchen Replacements	121	164
Bathroom Replacements	1	15
Individual Property Upgrades and Other Costs	175	239
<b>Total</b>	<b>2,050</b>	<b>2,201</b>

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

<b>Category</b>	<b>Performance Measure</b>	<b>Target</b>	<b>2018</b>	<b>2017</b>
Gas Servicing	Within 12 Mths of previous inspection	100%	100.0%	100.0%
	Within 13 Mths of previous inspection	100%	100.0%	100.0%

In July 2016 the Board approved an increase to the new build development programme from 500 homes for rent over the five years ending March 2020 up to 750 new homes. These plans were given a major boost when we secured the £30m of new Private Placement funding in February 2017. We completed or purchased 98 homes for rent during the year to 31 March 2018 (2017 - 64) and no LIFT homes (2016 - 22):

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

**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT OF THE BOARD**  
**FOR THE YEAR ENDED 31 MARCH 2018**

<b>Developments completed in the year</b>	<b>Rented</b>	<b>MMR</b>	<b>Total</b>
Flora Gardens, Invergordon	13	-	13
Woodside Village, Inverness	10	4	14
Carbisdale Gardens, Inverness	22	2	24
Dornoch Road, Inverness	-	7	7
Gilbert Court, Dingwall	16	6	22
Castle Heather Drive, Inverness	-	1	1
Kendall Crescent, Alness	-	1	1
Sydney's Way, Poolewe	2	-	2
Matheson Drive, Fortrose	4	-	4
Clyde Street, Invergordon	1	-	1
Station Court	-	1	1
Inverlochry Crescent, Inverness	8	-	8
<b>Total</b>	<b>76</b>	<b>22</b>	<b>98</b>

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

<b>Development Funding</b>	<b>2018</b>	<b>2017</b>
	£000's	£000's
Expenditure	8,408	16,584
Grant	4,554	10,626
Loan	3,854	5,958
<b>Own resources</b>	<b>-</b>	<b>-</b>

#### Finance & Corporate Services Team

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

The team has continued to work with the operational teams both in Albyn, AEL and HRL to provide up to date and streamlined processes and systems to help them provide good service to our customers on a day to day basis. As part of this process, we installed a new document storage and workflow management system for the entire organisation. This now means that all our purchase invoices are scanned when they are received and all the authorisation procedures can now be done electronically, giving a significant improvement in efficiency.

The Board approved a new ICT strategy in March 2016, and we have continued to work with users to strive towards the improvements envisaged in this document. A step in this process has been the implementation of Office 365 and we are working towards realising the security and other benefits which this software provides for staff working while out and about.

#### Albyn Enterprises Limited

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

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

**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT OF THE BOARD**  
**FOR THE YEAR ENDED 31 MARCH 2018**

Highland Residential (Inverness) Limited

At the start of the year the property related business and related assets and liabilities undertaken by AEL was transferred to HRL. The Mid Market Rent business transferred at the start of July. The staff undertaking the activities were transferred with the activities.

HRL continue to increase its activities in the Mid Market Rental market.

HRI acted as agent for the Scottish Government under the Open Market Shared Equity (OMSE) until 30 September 2017 and Help to Buy (HTB) initiatives which offer grants to individuals to help them buy property on the open market and from non-RSL developers.

In the year to 31 March 2018, the Factoring Services team continued to deliver services to tenants of Albyn as well as the owners of homes in our developments, and grew their business locally by becoming the factor of choice for a number of local home builders.

Other Matters

*Credit Payment Policy*

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

*Rental Income*

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

*Sales of Housing Properties*

We sold 3 (2016 - 3) homes to the sitting tenants under Right to Buy and 9 (2016 - 3) Shared Ownership properties in the year. We did not sell any homes under the Mortgage to Rent regulations (2016 - 4).

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

**Management Structure**

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

**Risk Management Policy**

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

**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT OF THE BOARD**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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

- consideration of the type of risks Albyn faces
- the level of risks which they regard as acceptable
- the likelihood of the risks concerned materialising
- Albyn's ability to reduce the incidence and impact on the business of risks that do materialise
- management of the costs of operating particular controls relative to the benefit obtained.

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

- clarified the responsibility of management to implement the Board's policies and to identify and evaluate risks for the Board's consideration
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives
- embedded the control system in the organisation's operations so that it becomes part of the culture of Albyn
- developed systems to respond quickly to evolving risks arising from factors within the charity and to changes in the external environment
- included procedures for reporting failings immediately to appropriate levels of management and the Board together with details of corrective action being undertaken.

#### **Sustainability and Asset Management**

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

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

#### **Budgetary Process**

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

#### **Treasury Management**

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

Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2018, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT OF THE BOARD**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**Going Concern**

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

**Quality and Integrity of Staff**

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

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

**Employee Involvement and Health and Safety**

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

**Disabled Employees**

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

**Future Prospects**

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

The Board has approved ambitious plans to build 750 homes over five years between 2016 and 2020, to contribute to the government's overall targets for growth in affordable housing in Scotland. We have secured 30-year lending at a fixed rate which will enable us to build at least 500 of these homes. We are well into having plans to delivery a further 250 properties over the next two to achieve the target of 750.

Albyn was one of the first social landlords to experience the introduction of Universal Credit ("UC") for some of its tenants. This new system presents challenges to us and our tenants and so we have used the operational review and changes to the staffing structure in Customer Services to hopefully put us in a strong position to deal with new challenges as UC begins to be rolled out more widely in the next few years.

**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT OF THE BOARD**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**Board**

The Board of Albyn during the year to 31 March 2018 and up to 14 August 2018 was as follows:

		<b>Committees</b>
Mr D Russell	Chair Person	Performance, SHSE
Mrs E Grant	Vice Chair Person and retired 22/5/18	SHSE, A&RM
Mr S Smith	Vice Chair Person from 22/5/18	A&RM
	Secretary	
Ms M Smith		SHSE
Mr I Fosbrooke		Performance, SHSE
Mrs I McLaughlan		Performance, SHSE
Mr J A Convery		Performance, A&RM
Ms J Carr	(appointed 21/11/17)	
Mr A McMaster	(retired 22/05/2018)	A&RM
Mr A Gracie		Performance, SHSE
Mr G Sinclair	(retired 11/09/2017)	

**Committees**

*Performance Committee*

*Staffing Health & Safety and the Environment Committee ("SHSE")*

*Audit & Risk Management Committee ("A&RM")*

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

**Board and Officers' Insurance**

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

**Executive Team**

The Directors of Albyn at 31 March 2018 were as follows:

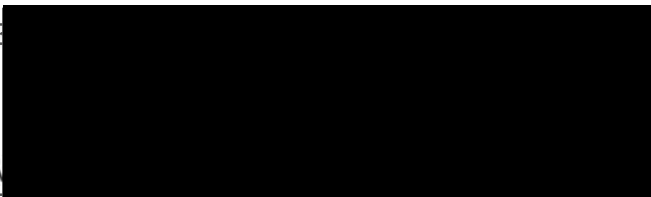
Mr Calum Macaulay	Chief Executive
Mr Robin Nairn	Chief Operating Officer

**Disclosure of Information to the Auditor**

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

**Auditor**

The provision of audit is subject to formal tender during the Autumn of 2018 with the selected provider expected to be appointed at the Annual General meeting on 11 September 2018.

B  


N  
 Secretary

14 August 2018



**ALBYN HOUSING SOCIETY LIMITED**  
**STATEMENT OF BOARD'S RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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

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

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



## ALBYN HOUSING SOCIETY LIMITED

### BOARD'S STATEMENT OF INTERNAL FINANCIAL CONTROL

#### FOR THE YEAR ENDED 31 MARCH 2018

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

- the reliability of financial information used within the Society, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial misstatement or loss or failure to meet objectives. Key elements of the Society's systems include ensuring that:

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

The effectiveness of the Society's system of internal financial control has been reviewed by the Audit & Risk Management Committee for the year ended 31 March 2018. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By order of the Board

A large black rectangular box redacting the signature and name of the person authorized by the Board.

M  
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14 August 2018

**REPORT BY THE AUDITOR TO THE MEMBERS OF  
ALBYN HOUSING SOCIETY LIMITED  
ON CORPORATE GOVERNANCE MATTERS  
FOR THE YEAR ENDED 31 MARCH 2018**

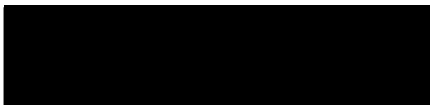
In addition to our audit of the Financial Statements, we have reviewed your statement on page 15 concerning the Society's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

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

**Opinion**

In our opinion the Statement on Internal Financial Control on page 15 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



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

Date



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

## **ALBYN HOUSING SOCIETY LIMITED**

### **FOR THE YEAR ENDED 31 MARCH 2018**

#### **Opinion**

We have audited the financial statements of Albyn Housing Society Limited (the 'Society') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise the statements of comprehensive income, the statements of financial position, the statements of cashflow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Society's affairs as at 31 March 2018 and of the income and expenditure of the Group and the income and expenditure of the Society for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

#### **Other information**

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**ALBYN HOUSING SOCIETY LIMITED**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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

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

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

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

**Responsibilities of the Board**

As explained more fully in the Statement of Board's Responsibilities set out on page 14, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

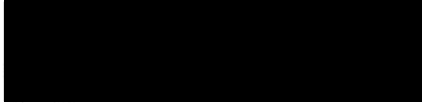
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

**Use of our report**

This report is made solely to the Society's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ALBYN HOUSING SOCIETY LIMITED  
FOR THE YEAR ENDED 31 MARCH 2018



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

Date



ALBYN HOUSING SOCIETY LIMITED

STATEMENT OF COMPREHENSIVE INCOME - GROUP

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
<b>Turnover</b>	2	16,572	17,702
Operating expenditure	2	(11,568)	(13,794)
		<u>5,004</u>	<u>3,908</u>
Remeasurement of Pension Deficit	22	-	2,585
<b>Operating Surplus</b>	7	<u>5,004</u>	<u>6,493</u>
Gain on disposal of fixed assets	6	289	198
Interest receivable	9	14	13
Interest and financing costs	10	(2,686)	(1,938)
<b>Surplus before tax</b>		<u>2,621</u>	<u>4,766</u>
Taxation	11	2	(9)
<b>Total Comprehensive Income for the year</b>	24	<u>2,623</u>	<u>4,757</u>

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

**ALBYN HOUSING SOCIETY LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME - SOCIETY**

**FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	<b>2018</b> £'000	<b>2017</b> £'000
<b>Turnover</b>	2	15,970	17,120
Operating expenditure	2	(10,982)	(13,256)
		<u>4,988</u>	<u>3,864</u>
Remeasurement of Pension Deficit	22	-	2,585
<b>Operating Surplus</b>	7	<u>4,988</u>	<u>6,449</u>
Gain on disposal of fixed assets	6	289	198
Interest receivable	9	57	63
Interest and financing costs	10	(2,685)	(1,938)
<b>Surplus before tax</b>		<u>2,649</u>	<u>4,772</u>
Taxation	11	-	-
<b>Total Comprehensive Income for the year</b>	24	<u>2,649</u>	<u>4,772</u>

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

ALBYN HOUSING SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION - GROUP

AT 31 MARCH 2018

	Notes	2018		2017	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Intangible assets	12		7		14
Housing properties	13		235,093		215,232
Other tangible fixed assets	14		2,149		2,222
Investments	15		1		1
			<u>237,250</u>		<u>217,469</u>
<b>Current Assets</b>					
Stock and Work in Progress	16	4,604		3,708	
Trade and other debtors	17	2,214		1,565	
Cash and cash equivalents		<u>10,172</u>		<u>21,530</u>	
		16,990		26,803	
<b>Current Liabilities</b>					
Creditors due within one year	18	<u>(10,305)</u>		<u>(10,577)</u>	
<b>Net Current Assets</b>			6,685		16,226
<b>Total Assets Less Current Liabilities</b>			<u>243,935</u>		<u>233,695</u>
<b>Creditors: amounts falling due after more than one year</b>	19		(212,537)		(204,488)
Provisions for Liabilities	22		(1,928)		(2,358)
<b>Total Net Assets</b>			<u>29,470</u>		<u>26,849</u>
<b>Capital and Reserves</b>					
Share capital	23		1		1
Income and Expenditure Reserve	24		29,469		26,848
			<u>29,470</u>		<u>26,849</u>

The financial statements on pages 20 to 42 were approved by the Board and authorised for issue on 14 August 2018 and are signed on its behalf by:

Douglas Russell - Chair

Shaun Smith - Vice Chair

Maxine Smith - Secretary



**ALBYN HOUSING SOCIETY LIMITED**

**STATEMENT OF FINANCIAL POSITION - SOCIETY**

**AT 31 MARCH 2018**

	Notes	<b>2018</b>		<b>2017</b>	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Housing properties	13		235,093		215,232
Other tangible fixed assets	14		2,040		2,106
Investments	15		<u>1</u>		<u>1</u>
			237,134		217,339
<b>Current Assets</b>					
Stock and Work in Progress	16	4,601		3,705	
Trade and other debtors	17	2,641		1,574	
Cash and cash equivalents		<u>9,204</u>		<u>21,087</u>	
		16,446		26,366	
<b>Current Liabilities</b>					
Creditors due within one year	18	<u>(9,819)</u>		<u>(10,209)</u>	
<b>Net Current Assets</b>			6,627		16,157
<b>Total Assets Less Current Liabilities</b>			<u>243,761</u>		<u>233,496</u>
<b>Creditors: amounts falling due after more than one year</b>	19		(212,537)		(204,488)
Provisions for Liabilities	22		(1,912)		(2,342)
<b>Total Net Assets</b>			<u>29,312</u>		<u>26,666</u>
<b>Capital and Reserves</b>					
Share capital	23		1		1
Income and Expenditure Reserve	24		29,311		26,665
			<u>29,312</u>		<u>26,666</u>

The financial statements on pages 20 to 42 were approved by the Board and authorised for issue on 14 August 2018 and are signed on its behalf by:

Douglas Russell - Chair

Shaun Smith - Vice Chair

Maxine Smith - Secretary

**ALBYN HOUSING SOCIETY LIMITED**  
**STATEMENT OF CASHFLOWS - GROUP**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	<b>2018</b>		<b>2017</b>	
	£'000	£'000	£'000	£'000
<b>Surplus before Tax for the year</b>		2,620		4,766
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	3,660		3,778	
Amortisation of capital grants	(2,556)		(2,284)	
Increase / (Decrease) in provisions	22		(2,560)	
Gain on disposal of tangible fixed assets	(289)		(198)	
Interest receivable	(13)		(13)	
Interest payable	2,686		1,938	
Taxation paid	<u>2</u>		<u>(7)</u>	
		<u>3,512</u>		<u>654</u>
<b>Operating cash flows before movements in working capital</b>		6,132		5,420
(Increase) / decrease in properties held for sale	(896)		718	
Decrease / (increase) in stock	-		(3)	
(Increase) / decrease in trade and other debtors	(1,026)		956	
Increase / (decrease) in trade and other creditors	<u>1,547</u>		<u>(936)</u>	
		<u>(375)</u>		<u>735</u>
<b>Cash generated from operations</b>		<u>5,757</u>		<u>6,155</u>
<b>Cash flow from investing activities</b>				
Development of own property	(25,477)		(17,320)	
Purchase of other fixed assets	(70)		(44)	
Proceeds from sale of tangible fixed assets	879		724	
Grants received	11,578		10,037	
Interest received	13		13	
Gift Aid donation received / (made)	<u>-</u>		<u>-</u>	
<b>Net cash used in investing activities</b>		(13,077)		(6,590)
<b>Cash flow from financing activities</b>				
Interest paid	(2,664)		(1,788)	
Loans received	-		34,000	
Loans repaid	(897)		(14,898)	
Payments to pension past service deficit	<u>(477)</u>		<u>(394)</u>	
<b>Net cash (used in) / from financing activities</b>		(4,038)		16,920
<b>Net (Decrease) / increase in cash and cash equivalents</b>		<u>(11,358)</u>		<u>16,485</u>

Note 25 should be read in conjunction with this statement.

**ALBYN HOUSING SOCIETY LIMITED**  
**STATEMENT OF CASHFLOWS - SOCIETY**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	<b>2018</b>		<b>2017</b>	
	£'000	£'000	£'000	£'000
<b>Surplus for the year</b>		2,649		4,772
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	3,629		3,760	
Amortisation of capital grants	(2,556)		(2,284)	
Increase / (Decrease) in provisions	22		(2,556)	
Gain on disposal of tangible fixed assets	(289)		(198)	
Interest receivable	(57)		(63)	
Interest payable	<u>2,686</u>		<u>1,938</u>	
		<u>3,435</u>		<u>597</u>
<b>Operating cash flows before movements in working capital</b>		6,084		5,369
(Increase) / decrease in properties held for sale	(896)		718	
(Increase) / decrease in trade and other debtors	(1,443)		623	
Increase / (decrease) in trade and other creditors	<u>1,426</u>		<u>(396)</u>	
		<u>(913)</u>		<u>945</u>
<b>Cash generated from operations</b>		<u>5,171</u>		<u>6,314</u>
<b>Cash flow from investing activities</b>				
Development of own property	(25,477)		(17,320)	
Purchase of other fixed assets	(24)		(43)	
Proceeds from sale of tangible fixed assets	850		724	
Grants received	11,578		10,037	
Interest received	13		13	
Gift Aid donation received / (made)	<u>44</u>		<u>50</u>	
<b>Net cash used in investing activities</b>		(13,016)		(6,539)
<b>Cash flow from financing activities</b>				
Interest paid	(2,664)		(1,781)	
Loans received	-		34,000	
Loans repaid	(897)		(14,885)	
Payments to pension past service deficit	<u>(477)</u>		<u>(394)</u>	
<b>Net cash (used in) / from financing activities</b>		(4,038)		16,940
<b>Net (Decrease) / increase in cash and cash equivalents</b>		<u>(11,883)</u>		<u>16,715</u>

Note 25 should be read in conjunction with this statement.

**ALBYN HOUSING SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2018**

**1 Accounting Policies**

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

**a. Legal Status**

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

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

**b. Basis of Accounting**

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2015, and under the historical cost convention.

The financial statements are prepared in Sterling (£).

**c. Basis of Consolidation**

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

**d. Critical Accounting Estimates and Areas of Judgement**

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

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

**i. Useful lives of properties**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on industry averages and our review of our stock. Uncertainties in these estimates relate to the length of time certain components in our homes will last, with varying levels of use potentially lengthening or shortening the lives of these components.

**ii. Recoverable amount of rent arrears and debtors**

Management considers the reasonable likelihood of rent arrears and debtors being recoverable based on past experience. While every effort is made not to over-estimate the amounts which will be recovered by the Society in the future, the actual amounts which

**ALBYN HOUSING SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2018**

might be received are often outwith the Society's control.

**iii. Past Service Deficit for Defined Benefit Scheme**

The current provision is based on an estimate by SHAPS of the likely future payments needed to reduce the Society's share of the deficit to nil over a number of years. These future payments have then been discounted based on an estimated discount value to create a Net Present Value which is the liability reflected in the accounts. Both the payments needed and the discount percentage are estimates and assumed based on unknown future events. The final liability and the payments to clear this to £nil are therefore subject to change.

**e. Going Concern**

Each year the Board approves the five-year budgets and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Board of variances from the budget, updated forecasts for the year where necessary together with information on the key risk areas.

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

**f. Turnover and Revenue Recognition**

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

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

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

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

**g. Government Grants**

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

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

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

**ALBYN HOUSING SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2018**

**h. Other Grants**

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

**i. Tangible Fixed Assets - Housing Properties**

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

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

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

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

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

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

**j. Depreciation of Housing Properties**

Freehold land or assets under construction are not depreciated.

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

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

**k. Impairments of Fixed Assets**

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

**ALBYN HOUSING SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2018**

recoverable amount of the asset.

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

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

**I. 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.

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

**m. Sales of Housing Accommodation**

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

**n. Shared Ownership**

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

**o. Other Tangible Fixed Assets**

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

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

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

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useful life.

**p. Leases and Hire Purchase Contracts**

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

**q. Borrowing Costs**

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

All other borrowing costs are expensed as incurred.

**r. Value Added Tax**

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

**s. Deposits and Liquid Resources**

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

**t. Employee Benefits**

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

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

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

**u. Retirement Benefits**

Defined contribution plans

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

Defined benefit plans

Until 31 March 2014 the Society participated in a funded multi-employer defined benefit schemes the Scottish Housing Association Pension Scheme ("SHAPS").

A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the Society will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.



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Asset/Liability

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

**v. Provisions**

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

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

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

	Notes	Turnover £'000	Operating costs £'000	2018 Operating surplus £'000	2017 Operating surplus £'000
Affordable Letting Activities	3	14,755	(9,663)	5,092	4,474
Other Activities	4	1,816	(1,905)	(89)	(566)
		<u>16,572</u>	<u>(11,568)</u>	<u>5,004</u>	<u>3,908</u>
Remeasurement of Pension Deficit	22	-	-	-	2,585
<b>Total</b>		<u><b>16,572</b></u>	<u><b>(11,568)</b></u>	<u><b>5,004</b></u>	<u><b>6,493</b></u>
<b>2017</b>		<u><b>17,702</b></u>	<u><b>(11,209)</b></u>	<u><b>6,493</b></u>	

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

	Notes	Turnover £'000	Operating costs £'000	2018 Operating surplus £'000	2017 Operating surplus £'000
Affordable Letting Activities	3	15,404	(9,663)	5,741	4,448
Other Activities	4	567	(1,319)	(753)	(584)
		<u>15,970</u>	<u>(10,982)</u>	<u>4,988</u>	<u>3,864</u>
Remeasurement of Pension Deficit	22	-	-	-	2,585
<b>Total</b>		<u><b>15,970</b></u>	<u><b>(10,982)</b></u>	<u><b>4,988</b></u>	<u><b>6,449</b></u>
<b>2017</b>		<u><b>17,120</b></u>	<u><b>(10,671)</b></u>	<u><b>6,449</b></u>	

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

	General Needs Housing £'000	Shared Ownership Housing £'000	2018 £'000	2017 £'000
Rent Receivable Net of Service Charges	11,518	302	11,820	11,811
Service Charges	400	-	400	370
Gross Income from Rents and Service Charges	<u>11,918</u>	<u>302</u>	<u>12,220</u>	<u>12,181</u>
Less Voids	(56)	-	(56)	(72)
Net Income from Rents and Service Charges	<u>11,862</u>	<u>302</u>	<u>12,164</u>	<u>12,109</u>
Grants Released from Deferred Income	2,576	16	2,591	2,284
<b>Total Turnover from Affordable Letting Activities</b>	<u><b>14,438</b></u>	<u><b>318</b></u>	<u><b>14,755</b></u>	<u><b>14,393</b></u>
Management and Maintenance Administration Costs	3,243	165	3,409	3,529
Service Costs	608	-	608	667
Planned and Cyclical Maintenance including Major Repairs Costs	213	-	213	677
Reactive Maintenance Costs	1,388	-	1,388	1,239
Bad Debts - Rents and Service Charges	171	-	171	142
Depreciation of Affordable Let Properties	3,834	41	3,875	3,665
<b>Operating Costs for Affordable Letting Activities</b>	<u><b>9,456</b></u>	<u><b>207</b></u>	<u><b>9,663</b></u>	<u><b>9,919</b></u>
<b>Operating Surplus for Affordable Lettings Activities</b>	<u><b>4,981</b></u>	<u><b>111</b></u>	<u><b>5,092</b></u>	<u><b>4,474</b></u>
<b>2017</b>	<u><b>4,321</b></u>	<u><b>153</b></u>	<u><b>4,474</b></u>	

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

	General Needs Housing £'000	Shared Ownership Housing £'000	2018 £'000	2017 £'000
Rent Receivable Net of Service Charges	12,151	302	12,453	11,778
Service Charges	400	-	400	370
Gross Income from Rents and Service Charges	12,551	302	12,853	12,148
Less Voids	(56)	-	(56)	(72)
Net Income from Rents and Service Charges	12,494	302	12,797	12,076
Grants Released from Deferred Income	2,591	16	2,607	2,284
<b>Total Turnover from Affordable Letting Activities</b>	<b>15,086</b>	<b>318</b>	<b>15,404</b>	<b>14,360</b>
Management and Maintenance Administration Costs	3,243	165	3,409	3,522
Service Costs	608	-	608	667
Planned and Cyclical Maintenance including Major Repairs Costs	213	-	213	677
Reactive Maintenance Costs	1,388	-	1,388	1,239
Bad Debts - Rents and Service Charges	171	-	171	142
Depreciation of Affordable Let Properties	3,834	41	3,875	3,665
<b>Operating Costs for Affordable Letting Activities</b>	<b>9,456</b>	<b>207</b>	<b>9,663</b>	<b>9,912</b>
<b>Operating Surplus for Affordable Lettings Activities</b>	<b>5,630</b>	<b>111</b>	<b>5,741</b>	<b>4,448</b>
<b>2017</b>	<b>4,295</b>	<b>153</b>	<b>4,448</b>	

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

	Grants from		Other			2018	2017
	Scottish Ministers £'000	Revenue Grants £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	Operating Surplus /(Loss) £'000	Operating Surplus /(Loss) £'000
Factoring	-	-	226	226	(216)	10	4
Contracted out activities undertaken for registered social landlords	-	-	7	7	-	7	7
Contracted out activities undertaken for other organisations	-	-	-	-	-	-	3
Uncapitalised Development Administration Costs	-	-	-	-	(749)	(749)	(594)
NSSE Properties for Sale	376	-	-	376	(376)	-	-
Other Activities	-	-	1,207	1,207	(565)	642	14
<b>Operating Deficit</b>	<b>376</b>	<b>-</b>	<b>1,440</b>	<b>1,816</b>	<b>(1,905)</b>	<b>(89)</b>	<b>(566)</b>
<b>2017</b>	<b>891</b>	<b>92</b>	<b>2,326</b>	<b>3,309</b>	<b>(3,875)</b>	<b>(566)</b>	

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

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

	Grants from				2018	2017
	Scottish Ministers £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	Operating Surplus /(Loss) £'000	Operating Surplus /(Loss) £'000
Contracted out activities undertaken for registered social landlords	-	7	7	-	7	7
Contracted out activities undertaken for other organisations	-	-	-	-	-	3
Uncapitalised Development Administration Costs	-	-	-	(749)	(749)	(594)
Other Activities	-	183	183	(195)	(11)	-
NSSE Properties for Sale	376	-	376	(376)	-	-
<b>Operating Deficit</b>	<b>376</b>	<b>191</b>	<b>567</b>	<b>(1,319)</b>	<b>(753)</b>	<b>(584)</b>
<b>2017</b>	<b>891</b>	<b>1,869</b>	<b>2,760</b>	<b>(3,344)</b>	<b>(584)</b>	

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

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**5 Accommodation in Management - Group and Society**

	Tenanted	Mid-Market Rent	Managed on behalf of others	Shared Ownership	2018 No	2017 No
The number of properties in management were as follows:						
1 April 2017	2,841	65	22	142	3,070	3,015
Additions during the year	76	22	-	-	98	66
Conversion from Shared Ownership	-	3	-	(3)	-	-
Disposals	(4)	0	(6)	(6)	(16)	(11)
31 March 2018	<u>2,913</u>	<u>90</u>	<u>16</u>	<u>133</u>	<u>3,152</u>	<u>3,070</u>

**6 a Surplus on Sale of Fixed Assets - Housing Properties**

	Group		Society	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Sale proceeds	850	724	850	724
Carrying value of fixed assets	<u>(257)</u>	<u>(130)</u>	<u>(257)</u>	<u>(130)</u>
	593	594	593	594
Capital Grant repaid	<u>(132)</u>	<u>(356)</u>	<u>(132)</u>	<u>(356)</u>
	<u>461</u>	<u>238</u>	<u>461</u>	<u>238</u>

**6 b Deficit on Replacement of Components**

	<u>(172)</u>	<u>(40)</u>	<u>(172)</u>	<u>(40)</u>
	<u>289</u>	<u>198</u>	<u>289</u>	<u>198</u>

**7 Operating surplus**

Operating surplus is stated after charging:

Auditors' remuneration	29	23	21	20
Operating lease rentals [note 29]	72	72	72	72
Surplus on disposal of tangible fixed assets [note 6]	461	238	461	238
Depreciation of housing properties	3,875	3,665	3,875	3,665
Depreciation of other tangible fixed assets	107	106	90	95
Depreciation of intangible fixed assets	<u>7</u>	<u>7</u>	<u>-</u>	<u>-</u>

RSM UK Audit LLP's associated company received £1,000 (2017 - £1,000) for professional services other than audit.

**8 Key Management Personnel and Employees**

	Group		Society	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
[a] Staff costs including Key Management Personnel's emoluments				
Salaries	2,441	2,376	2,161	2,112
Social security costs	223	216	204	197
Defined contribution pension cost	212	198	208	196
Other pension costs	-	29	-	29
	<u>2,875</u>	<u>2,819</u>	<u>2,573</u>	<u>2,534</u>
Temporary, seconded and agency staff costs	79	11	79	11
Development administration costs capitalised	<u>(86)</u>	<u>(141)</u>	<u>(86)</u>	<u>(141)</u>
	<u>2,868</u>	<u>2,689</u>	<u>2,566</u>	<u>2,404</u>

	No	No	No	No
Average monthly number of full time equivalent persons employed				
Asset Management and Investment	13	13	13	13
Customer Services	38	37	38	37
Factoring	3	3	-	-
Sales and Letting	4	4	-	-
Innovative Projects	2	2	-	-
Finance and Corporate Services	<u>17</u>	<u>17</u>	<u>16</u>	<u>16</u>
	<u>77</u>	<u>76</u>	<u>67</u>	<u>66</u>

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**[b] Key Management Personnel**

Key Management Personnel 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 employers' pension contributions exceed £60,000 per year.

	Salary Bands		Group and Society	
	£ 60,001	£ 70,000	No	No
Number of Key Management Personnel earning:	£ 80,001	£ 90,000	1	1
			1	1
			<b>2018</b>	<b>2017</b>
			£	£
Aggregate emoluments payable to key management personnel (excluding pension contributions but including benefits in kind)			<u>161,125</u>	<u>155,740</u>
Aggregate pension contributions in relation to the above key management personnel			<u>12,438</u>	<u>12,212</u>
Emoluments payable to the Chief Executive (excluding pension contributions)			<u>88,334</u>	<u>85,867</u>

No payment of fees or other remuneration was made to the Board members during the year. Expenses paid to Board Members totalled £3,595 (2017 - £5,135).

**9 Interest Receivable and Similar Income**

	Group		Society	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Interest receivable from banks	14	13	13	13
Gift Aid Donation from Subsidiary	-	-	44	50
	<u>14</u>	<u>13</u>	<u>57</u>	<u>40</u>

**10 Interest and Financing Costs**

Bank and Building Society loans and overdrafts	2,839	1,896	2,839	1,896
Defined Benefit pension charge	22	111	22	111
	<u>2,861</u>	<u>2,007</u>	<u>2,861</u>	<u>2,007</u>
Less: Interest Capitalised on housing properties constructed	(175)	(69)	(175)	(69)
	<u>2,686</u>	<u>1,938</u>	<u>2,686</u>	<u>1,938</u>

**11 Taxation**

Current Tax:				
UK corporation tax on profits of current year	6	12	-	-
Deferred Tax:				
Origination and reversal of timing differences	1	(3)	-	-
	<u>7</u>	<u>9</u>	<u>-</u>	<u>-</u>
Reconciliation of Current Tax charge:				
Profit on ordinary activities before taxation	17	4,766		
Profits exempt due to charitable exemption	-	(4,722)		
	<u>17</u>	<u>44</u>		
Effects of depreciation in excess of capital allowances	15	8		
Tax adjustments and other timing differences	-	9		
Profits subject to Corporation Tax	<u>32</u>	<u>61</u>		
Tax charge at 19% / 20%	<u>6</u>	<u>12</u>		

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

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**12 Intangible Fixed Assets - Group**

**Website &  
Branding  
£'000**

**Cost**

1 April 2017	21
Additions	-
Disposals	-
31 March 2018	<u>21</u>

**Depreciation**

1 April 2017	7
Charge	7
Disposals	-
31 March 2018	<u>14</u>

**Net Book Value**

31 March 2018	<u>7</u>
31 March 2017	<u>14</u>

**13 Tangible Fixed Assets - Housing Properties - Group and Society**

	<b>Rented Occupation £'000</b>	<b>Shared Ownership £'000</b>	<b>Under Construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
1 April 2017	230,425	4,745	17,360	252,530
Additions	44		24,538	24,582
Transfers	11,366		(11,775)	(409)
Properties acquired				-
Works to existing properties	1,888		(4,033)	(2,145)
Schemes completed	2,145		-	2,145
Disposals	(868)	(159)	-	(1,027)
31 March 2018	<u>245,000</u>	<u>4,586</u>	<u>26,090</u>	<u>275,676</u>

**Depreciation**

1 April 2017	36,518	780	-	37,298
Depreciation charged in year	3,834	41	-	3,875
Released on disposal	(581)	(10)	-	(590)
31 March 2018	<u>39,771</u>	<u>812</u>	<u>-</u>	<u>40,582</u>

**Net Book Value**

31 March 2018	<u>205,229</u>	<u>3,774</u>	<u>26,090</u>	<u>235,093</u>
31 March 2017	<u>193,907</u>	<u>3,965</u>	<u>17,360</u>	<u>215,232</u>

**Expenditure on works to existing properties**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Improvement work capitalised	165	95
Replacement component spend capitalised	1,871	2,106
Amounts charged to income and expenditure	15	29
Total major repairs spend	<u>2,050</u>	<u>2,230</u>

**Finance costs**

Aggregate amount of finance costs included in the cost of housing properties	<u>948</u>	<u>773</u>
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The cost of land included in the costs above totals £38,282,981 (2016/17: £34,076,000)

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

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**14.1 Tangible Fixed Assets - Other Fixed Assets - Group**

	Offices £'000	Equipment £'000	Total £'000
<b>Cost</b>			
1 April 2017	2,437	873	3,310
Additions	-	34	34
Disposals	-	-	-
31 March 2018	<u>2,437</u>	<u>907</u>	<u>3,344</u>
<b>Depreciation</b>			
1 April 2017	447	641	1,088
Charge	38	68	107
Disposals	-	-	-
31 March 2018	<u>485</u>	<u>709</u>	<u>1,195</u>
<b>Net Book Value</b>			
31 March 2018	<u>1,952</u>	<u>198</u>	<u>2,149</u>
31 March 2017	<u>1,990</u>	<u>232</u>	<u>2,222</u>

**14.2 Tangible Fixed Assets - Other Fixed Assets - Society**

	Offices £'000	Equipment £'000	Total £'000
<b>Cost</b>			
1 April 2017	2,437	721	3,158
Additions	-	25	25
Disposals	-	-	-
31 March 2018	<u>2,437</u>	<u>746</u>	<u>3,183</u>
<b>Depreciation</b>			
1 April 2017	447	605	1,052
Charge	38	52	90
Disposals	-	-	-
31 March 2018	<u>485</u>	<u>657</u>	<u>1,142</u>
<b>Net Book Value</b>			
31 March 2018	<u>1,951</u>	<u>89</u>	<u>2,040</u>
31 March 2017	<u>1,990</u>	<u>116</u>	<u>2,106</u>

**15 Fixed Assets Investments**

**Other Investments - Group and Society**

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

**Subsidiary Undertakings - Society**

Albyn Housing Society Limited's subsidiary undertakings are:

<i>Name of undertaking</i>	<i>Class of shareholding</i>	<i>Proportion of nominal value held directly</i>	<i>Nature of business</i>
Albyn Enterprises Ltd	Ordinary	100% (2017: 100%)	Property related activities
Highland Residential (Inverness) Ltd	Ordinary	100% (2017: 100%)	Renting and operating of housing association real estate
Sunnd Ltd	Ordinary	100% (2017: 100%)	Dormant

**16 Stock and Work in Progress**

	<b>Group</b>		<b>Society</b>	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Properties for Sale	4,601	3,705	4,601	3,705
Stock	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>
	<u>4,604</u>	<u>3,708</u>	<u>4,601</u>	<u>3,705</u>

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**17 Debtors**

	<b>Group</b>		<b>Society</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>				
Rent and service charges receivable	929	921	717	723
Less: provision for bad and doubtful debts	(329)	(233)	(301)	(214)
	<u>600</u>	<u>688</u>	<u>416</u>	<u>509</u>
HAG receivable	202	483	202	483
Other debtors	395	101	373	77
Prepayments and accrued income	1,017	293	1,013	289
Amounts due from Group undertakings	-	-	517	82
	<u>2,214</u>	<u>1,565</u>	<u>2,521</u>	<u>1,440</u>
<b>Amounts falling due after more than one year</b>				
Amounts due from Group undertakings	-	-	120	134
	<u>2,214</u>	<u>1,565</u>	<u>2,641</u>	<u>1,574</u>

**18 Creditors: amounts falling due within one year**

Debt [note 20]	1,440	1,373	1,440	1,373
Rent and service charges received in advance	365	298	365	298
Deferred capital grants [note 21]	3,659	4,059	3,659	4,059
Trade creditors	2,299	1,863	2,238	1,789
Corporation tax [note 11]	6	12	-	-
Other taxation and social security costs	62	77	56	71
Other creditors	2,026	2,407	1,685	2,261
Accruals and deferred income	447	488	375	358
Amounts due to Group undertakings	-	-	-	-
	<u>10,305</u>	<u>10,577</u>	<u>9,819</u>	<u>10,209</u>

Included in creditors is an amount of £534,000 (2017 - £887,000) relating to payments due to the Scottish Government. £159,000 (2017 - £588,000) relates to capital and £375,000 (2017 - £300,000) to revenue activities.

**19 Creditors: amounts falling due after more than one year**

Debt [note 20]	72,765	73,729	72,765	73,729
Deferred capital grants [note 21]	<u>139,772</u>	<u>130,759</u>	<u>139,772</u>	<u>130,759</u>
	<u>212,537</u>	<u>204,488</u>	<u>212,537</u>	<u>204,488</u>

Included in creditors are:

Amounts repayable other than by instalments falling due after more than five years	158,417	166,006	158,417	166,006
Amounts repayable by instalments falling due after more than five years	<u>36,418</u>	<u>38,482</u>	<u>36,418</u>	<u>38,482</u>
	<u>194,835</u>	<u>189,297</u>	<u>194,835</u>	<u>189,297</u>

**20 Debt Analysis - Borrowings**

	<b>Group</b>		<b>Society</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Creditors: amounts falling due within one year</b>				
Bank Loans	<u>1,440</u>	<u>1,373</u>	<u>1,440</u>	<u>1,373</u>
<b>Creditors: amounts falling due after more than one year</b>				
Bank Loans	<u>72,765</u>	<u>73,729</u>	<u>72,765</u>	<u>73,729</u>

The loans are secured by specific charges on Albyn Housing Society Limited's properties and the capital instalments are repayable over periods as indicated at varying rates of interest ranging from 0% to 5.47% (2017 - 0% to 5.47%).

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

In the next year	1,440	1,373	1,440	1,373
In the second year	965	898	965	898
In the third to fifth year	5,382	4,349	5,382	4,349
In more than five years	<u>66,418</u>	<u>68,482</u>	<u>66,418</u>	<u>68,482</u>
	<u>74,205</u>	<u>75,102</u>	<u>74,205</u>	<u>75,102</u>



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**21 Deferred Capital Grant**

	<b>Group</b>		<b>Society</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
1 April 2017	134,818	126,887	134,818	126,887
Grants received in the year	11,481	11,079	11,481	11,079
Grants reduced in the year	(267)	(864)	(267)	(864)
Grant released in the year	(2,600)	(2,284)	(2,600)	(2,284)
31 March 2018	<u>143,431</u>	<u>134,818</u>	<u>143,431</u>	<u>134,818</u>
Amounts to be released within one year	3,659	4,059	3,659	4,059
Amounts to be released in more than one year	<u>139,772</u>	<u>130,759</u>	<u>139,772</u>	<u>130,759</u>
	<u>143,431</u>	<u>134,818</u>	<u>143,431</u>	<u>134,818</u>

Capital Grants received to 31 March 2018 total £176,045,000 (2016 - £164,172,000);  
if the Society were to sell its assets this amount would be repayable from the proceeds.

**22 Provisions for liabilities and charges**

SHAPS Pensions liability:

Present Value of Past Service Deficit on Defined Benefit pension fund	1,807	2,242	1,807	2,242
Biomass Infrastructure Replacement Fund	105	100	105	100
Deferred Tax	15	16	-	-
	<u>1,927</u>	<u>2,358</u>	<u>1,912</u>	<u>2,342</u>
1 April 2017	2,358	5,200	2,342	5,181
Unwinding of the discount factor	22	111	22	111
Deficit contributions paid in the year	(477)	(394)	(477)	(394)
Added in the year	5	-	5	-
Deferred tax charge in statement of comprehensive income	1	(3)	-	-
Remeasurements - impact of change in assumptions	20	29	20	29
Remeasurements - amendments to contribution assumptions	-	(2,585)	-	(2,585)
31 March 2018	<u>1,928</u>	<u>2,358</u>	<u>1,912</u>	<u>2,342</u>

**23 Share Capital**

	<b>Group</b>		<b>Society</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>
Allocated, allotted, called up and fully paid Ordinary shares of £1 each				
1 April 2017	60	67	60	67
Joined during the year	2	4	2	4
Left during the year	(8)	(11)	(8)	(11)
31 March 2018	<u>54</u>	<u>60</u>	<u>54</u>	<u>60</u>

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

**24 Reserves**

	<b>Group</b>		<b>Society</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
1 April 2017	26,845	24,903	26,662	21,890
Surplus for the year	2,623	1,942	2,649	4,772
31 March 2018	<u>29,469</u>	<u>26,845</u>	<u>29,311</u>	<u>26,662</u>

**25.1 Cash and Cash Equivalents - Group**

Analysis of the balance of Cash as shown in the balance sheet.

	<b>2018</b>	<b>Change</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank and Cash in hand	10,171	(11,359)	21,530
	<u>10,171</u>	<u>(11,359)</u>	<u>21,530</u>

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**25.2 Cash and Cash Equivalents - Society**

	2018 £'000	Change £'000	2017 £'000
Analysis of the balance of Cash as shown in the balance sheet.			
Bank and Cash in hand	9,204	(11,883)	21,087
	<u>9,204</u>	<u>(11,883)</u>	<u>21,087</u>

**26 Treasury Management**

Albyn Housing Society Limited has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Board. In this way Albyn Housing Society Limited manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2018 Albyn Housing Society Limited has a loan facility in place which is available to be drawn down. The amount available is £15m.

Albyn Housing Society Limited is self funding £895,000 (2017 - £895,000) which relates to Albyn Housing Society Limited's New Supply Shared Equity Activities.

Albyn Housing Society Limited, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2018 Albyn Housing Society Limited has a mix of fixed and variable rate finance, which it considers appropriate at this time.

**27 Related Party Transactions**

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

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

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

**28 Capital Commitments**

	Group		Society	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Capital expenditure contracted for but not provided in the financial statements	<u>23,779</u>	<u>11,602</u>	<u>23,779</u>	<u>11,602</u>

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

**29 Obligations under Operating Leases**

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

		Group		Society	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Land and Buildings	Expiring				
	In the next year	51	51	51	51
	In the second year	16	33	16	33
	In the third to fifth year	26	39	26	39
	In more than five years	218	218	218	218
		<u>311</u>	<u>341</u>	<u>311</u>	<u>341</u>

**30 Big Lottery Funded Project**

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

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

At 31 March 2018, we had received £75,000 of funding (2017 - £83,000) which had not yet been allocated against specific costs and is recorded as a creditor in the accounts of Albyn Enterprises Limited, due to be distributed to our working partners on the project.

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**31 Retirement Benefits**

With effect from 1 April 2014 Albyn Housing Society Limited closed the Defined Benefit pension option to all employees and now offers only the Defined Contribution option. During the accounting period Albyn Housing Society Limited paid contributions at the rate of 2% to 8% of pensionable salaries. Member contributions varied between 1% and 9.6%. As at the balance sheet date there were 66 active members of the Defined Contribution Scheme employed by Albyn Housing Society Limited.

The assets of the scheme are held separately from those of the Society in an independently administered fund. The contributions payable by the Society charged to income and expenditure amounted to £208,000 (2017 - £196,000). Contributions totalling £0k (2017 - £17) were payable to the fund at the year end and are included in creditors.

**Scottish Housing Associations' Pension ("SHAPS") Scheme - Defined Benefit**

Until 31 March 2014 Albyn Housing Society Limited participated in the SHAPS UK defined benefit scheme, a multi-employer scheme which provides benefits to over 150 non-associated employers.

The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

**Deficit contributions**

From 1 April 2017 to 28 February 2022:	£25,735,092 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 31 October 2026:	£1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

Rate of discount assumed based on a full AA corporate bond yield 1.51% (2017 – 1.06%)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

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**32 Post Balance Sheet Event**

There were no post balance sheet events.