



Report of Board and Financial Statements 31 March 2017



Albyn Housing Society Limited

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ALBYN HOUSING SOCIETY LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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 2017

Contents	Pages
Board, Executives and Advisers	1
Report of the Board	2 - 13
Statement of Board Responsibilities	14
Board's Statement on Internal Financial Controls	15
External Auditors' Report on Corporate Governance Matters	16
Independent Auditors' Report	17
Statement of Comprehensive Income	18
Statement of Financial Position	20
Statement of Cashflows	22
Notes to the Financial Statements	24 - 43

Registration Particulars

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

ALBYN HOUSING SOCIETY LIMITED
BOARD, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2017

Board

D Russell
E Grant
M Smith
I McLaughlan
J Convery
G Sinclair
A McMaster
S Smith
I Fosbrooke
A Gracie

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 2017

The Board presents its report and the audited financial statements for the year ended 31 March 2017.

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, and two dormant entities which have been formed to preserve the name under which certain activities have been branded.

The table below shows the homes that we manage:

Managed Property Numbers	2017	2016
Tenanted Properties	2,841	2,818
Managed on Behalf of Others	22	25
Shared Ownership Properties	142	151
Properties Leased to AEL for Mid Market Rent	65	21
Total	3,070	3,015

ALBYN HOUSING SOCIETY LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2017

Financial Review

Albyn made a surplus of £4,772,000 (2016 – £1,884,000) during the year. The consolidated results of Albyn and its trading subsidiary, Albyn Enterprises Limited (“AEL”) gave a surplus of £4,757,000 (2016 - £1,942,000).

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 have recognised a gain on remeasurement of the deficit of £2,585,000 in the accounts this year. This does not however create any extra cash for the Society. The surplus in Albyn therefore before this adjustment for the year ended 31 March 2017 is **£2,187,000**.

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 (“EESH”) by 2020, as well as maintaining the quality of our homes. We have budgeted for expenditure on improvements to our homes of £1.8m 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 12) 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 2017

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 2017 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.

This year, 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. This year we bedded in the additions to the Customer Services teams working with our tenants, making sure that every Housing Services Officer has a dedicated Housing Services Assistant so that they can work together each day in building up their knowledge of their patch and continuing to deliver the highest possible quality service to our customers. 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 from the Inverness Job Centre has caused difficulties for many of our affected tenants in the South, with many of the lessons learned from the Live Service initial roll-out not being carried over to the Full Service offering. 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

ALBYN HOUSING SOCIETY LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2017

survey last year, which allowed us to target issues and develop solutions more effectively. We have developed a number of specialist focus groups where tenants can participate and gain knowledge in areas of interest to them.

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.

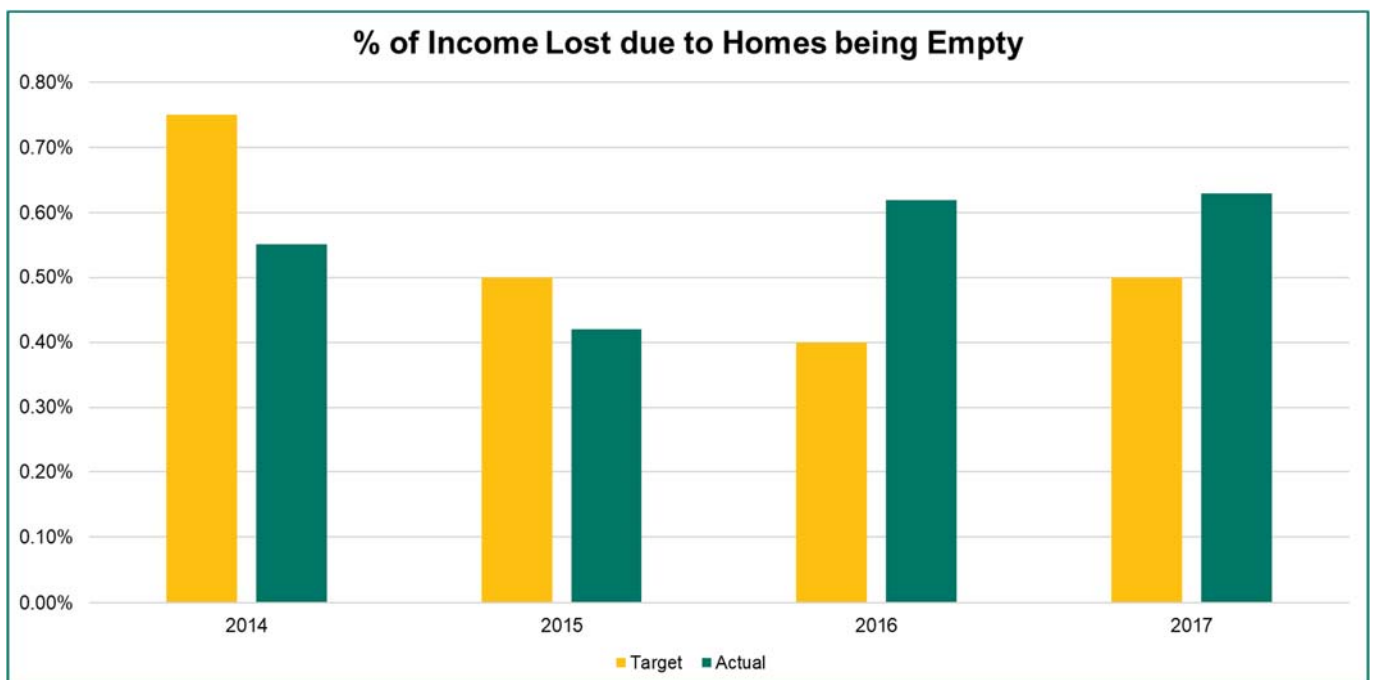
Working with the Tenant Participation Advisory Service Scotland, we helped to create an on-line version of their tenant qualification modules which was trialled with 10 of our tenants. This will assist our tenants who want to become more involved in the day to day running of the Society, to understand in more detail the services we provide and the legal requirements we must fulfil. This will be particularly useful if they want to join our more formal structures through sitting on our Performance Committee or Board.

Allocations

We continue to work on the time it takes us to let empty homes, to make sure that we maximise our effectiveness in housing people in need, and to reduce our costs. 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, and this activity means that our re-let times were not as good as in the years when we were not building many homes. They were however still good overall and improved compared to last year:

Families re-homed in the year	2017	2016
Re-lets	259	232
New Build / other Acquisitions	17	43
Total	276	275
Average Days taken to fill an empty home	23	25

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 0.63% in the year (2016 - 0.62%) of collectable rent across the year as illustrated in the graph below:



ALBYN HOUSING SOCIETY LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2017

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 85% of tenants responding to new tenancy surveys indicating that they are satisfied with the condition of their home when they move in.

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

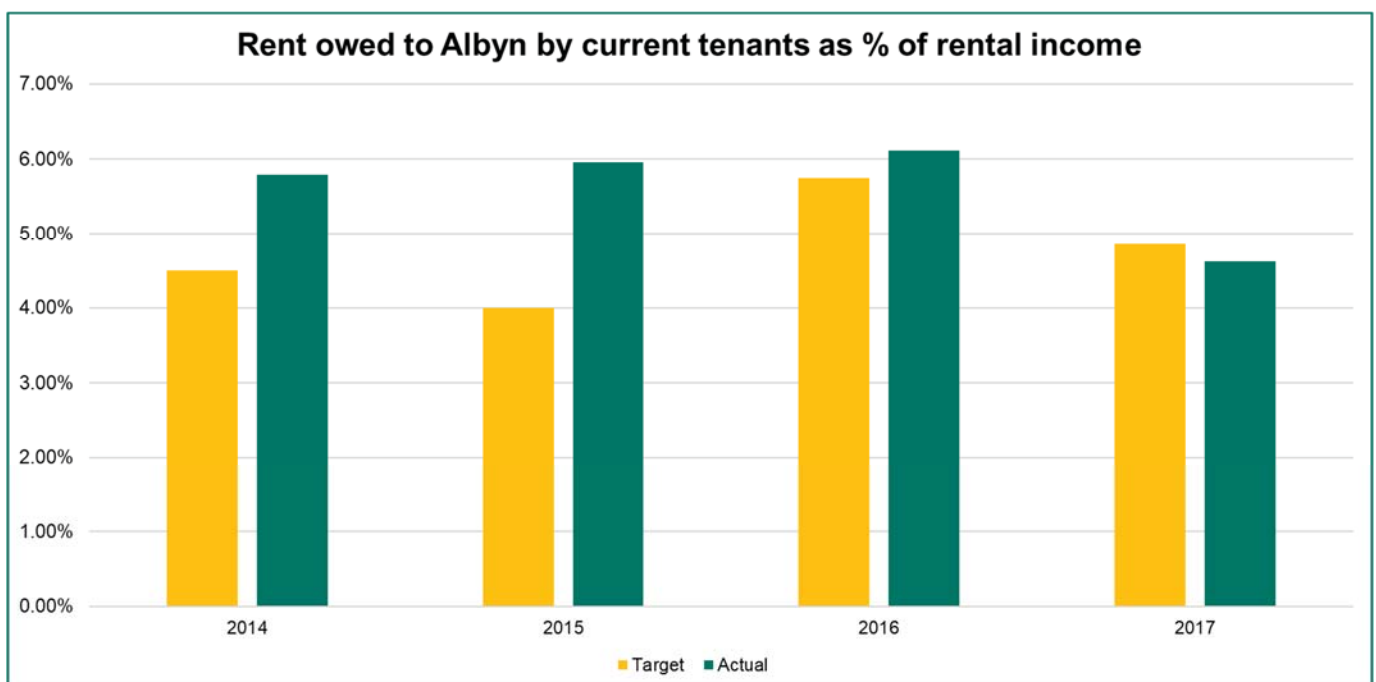
Rent Arrears

Rent arrears performance has improved 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 176 tenants (2016 - 84) were UC claimants. This number will grow as UC continues to be rolled out across the 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:



ALBYN HOUSING SOCIETY LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2017

We have increased our recovery of former tenancy debts by 16% in value compared to the previous year through the targeted use of resources within the team.

Collected during 2015/16	£67,140
Collected during 2016/17	£78,715

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		2017	2016
Category 1	Most serious and involves criminal activity	17	9
Category 2	Deliberate attempt to cause disturbance or annoyance	49	87
Total		66	96

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 91.9% (2016 – 89.9%).

Reactive Repairs

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

Category	Performance Measure	Target	2017	2016
Emergency	Average time to complete	8 hours	4.07 hrs	3.95 hrs
Non-Emergency	Average time to complete	10 days	5.17 days	4.50 days
Right First Time			92.06%	98.97%

The total number of reactive repairs completed during the reporting year was 5,817 (2016 - 6,673). 96.4% (2016 – 93.7%) 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 company 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. Following the Scottish Legal Aid Board giving us an extension for a further 18 months, adding

ALBYN HOUSING SOCIETY LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2017

£200,000 grant to the £210,000 we had already received in AEL, this project was then funded for a further six months after that. This continuation funding allowed us to broaden the scope of the project targeting a larger number of vulnerable tenants. The project came to an end on 31 March 2017.

We are continuing to develop our software platform to assist people to live safely in their homes, as well as working on an innovative design for homes to enable people who are unwell to live at home for as long as is possible, rather than being in a bed in hospital. The software will support them to do this by giving them on-line access to the services they need. We continue to work with partners such as the NHS, Scottish Government and the Highland Council with financial and other support being given by Highlands & Islands Enterprise.

Asset Management & Investment Team

During 2014 we received the results of our stock condition survey. The survey covered over 1000 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. This year we recruited a Property Surveyor to work with us full time and he 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:

Replacement Type	2017	2016
	£000's	£000's
Energy Efficiency Measures	1,356	454
Window and Door Replacements	427	203
Kitchen Replacements	164	123
Bathroom Replacements	15	284
Individual Property Upgrades and Other Costs	239	161
Total	2,201	1,225

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. From February 2016, the management of this activity was passed from the Customer Services team to the Asset Management & Investment team.

Category	Performance Measure	Target	2017	2016
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 64 homes for rent during the year to 31 March 2017 (2016 - 52) and 22 LIFT homes (2016 - 12):

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

ALBYN HOUSING SOCIETY LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2017

Developments completed in the year	Rented	LIFT	Total
Market Court, Grantown on Spey	4	-	4
Feddon Hill, Fortrose	4	-	4
Urquhart Close, Kildary	1	-	1
Larch Crescent, Alness	2	-	2
Hawthorn Place, Alness	2	-	2
Hugh Mackenzie Avenue / David Ross Street, Alness	12	10	22
Carbisdale Gardens, Inverness	8	12	20
Castle Heather, Inverness	21	-	21
Farmhouse Court, North Kessock	10	-	10
Total	64	22	86

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

Development Funding	2017	2016
	£000's	£000's
Expenditure	16,584	5,301
Grant	10,626	2,308
Loan	5,958	2,993
Own resources	-	-

At the end of the 2016 financial year the Board approved the signing of a new management contract for the Biomass plant in Aviemore with a specialist renewables company. As a result of this new agreement, a new boiler was installed in the plant house which has proven to be more reliable than the older, bigger boiler we were using before. We have also bought and installed new smart meters in all the customers' homes during the Summer of 2016; these meters are much more accurate and give customers more flexibility in how they pay for their heat.

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 numbers 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 and AEL 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), trading as Highland Residential, is our wholly owned subsidiary.

ALBYN HOUSING SOCIETY LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2017

Under the Low Cost Initiative for First Time Buyers programme AEL marketed 19 homes for Albyn (2016 – 12).

AEL also acts as agent for the Scottish Government under the Open Market Shared Equity (OMSE) 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. AEL helped 268 households (2016 - 298) by delivering grants to the value of £9,730,000 (2016 - £11,639,000).

In the year to 31 March 2017, the Factoring Services team in AEL 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.

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.

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 4 (2016 - 3) Shared Ownership properties in the year. We also sold nil (2016 - 4) homes which had previously been bought under the Mortgage to Rent regulations when they became void. Four homes were marketed for sale to the public and one was sold before the end of the year. These homes were reviewed under our energy efficiency standards and were deemed to be too expensive to bring to an acceptable standard for our tenants; we therefore arranged for four new homes to be built in that town, and the cost of these homes will be partly funded by the sales of the older homes.

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 2017

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 2017, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

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.

ALBYN HOUSING SOCIETY LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2017

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. This will enable us to build the new homes while continuing to use our existing resources to refurbish and upgrade our existing homes, ensuring that all our tenants have good quality homes to live in.

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.

All the trading activities of AEL, which were operated under the Highland Residential banner in the year, have been transferred to a new company, Highland Residential (Inverness) Limited ("HRIL") with effect from 1 April 2017. The innovation and community focussed activities remain in AEL.

Board

The Board of Albyn during the year to 31 March 2017 and up to 27 June 2017 was as follows:

		Committees
Mr D Russell	Chair Person	Performance, SHSE
Mrs E Grant	Vice Chair Person	SHSE, A&RM
Ms M Smith	Secretary	SHSE
Mrs I McLaughlan		Performance, SHSE
Mr J A Convery		Performance, A&RM
Mr G Sinclair		A&RM
Mr A McMaster		A&RM
Mr S Smith	(elected 13/09/2016)	A&RM

ALBYN HOUSING SOCIETY LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2017

Mr I Fosbrooke	(elected 13/09/2016)	Performance, SHSE
Mr A Gracie	(elected 13/09/2016)	Performance, SHSE
Ms K Williams	(retired 13/09/2016)	

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 2017 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

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

By order of the Board



Maxine Smith
Secretary
27 June 2017

ALBYN HOUSING SOCIETY LIMITED

STATEMENT OF BOARD'S RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2017

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 2017

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 2017. 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



Maxine Smith
Secretary
27 June 2017

**REPORT BY THE AUDITOR TO THE MEMBERS OF
ALBYN HOUSING SOCIETY LIMITED
ON CORPORATE GOVERNANCE MATTERS
FOR THE YEAR ENDED 31 MARCH 2017**

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 Registered Social Landlords in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Controls on page 15 has provided the disclosures required by the relevant Regulatory Standards for systemically important Registered Social Landlords 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

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

4/7/17.
Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

ALBYN HOUSING SOCIETY LIMITED

FOR THE YEAR ENDED 31 MARCH 2017

We have audited the group and parent financial statements of Albyn Housing Society for the year ended 31 March 2017 on pages 18 to 43. 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).

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and the Society's affairs as at 31 March 2017 and of the Group's and the Society's income and expenditure for the year ended; and
- 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

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.

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 14, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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



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

4/7/17.
Date

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF COMPREHENSIVE INCOME - GROUP
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	17,702	16,550
Operating expenditure	2	(13,794)	(13,096)
		<u>3,908</u>	<u>3,454</u>
Remeasurement of Pension Deficit	22	2,585	-
Operating Surplus	7	<u>6,493</u>	<u>3,454</u>
Gain on disposal of fixed assets	6	198	271
Interest receivable	9	13	15
Interest and financing costs	10	(1,938)	(1,793)
Surplus before tax		<u>4,766</u>	<u>1,947</u>
Taxation	11	(9)	(5)
Total Comprehensive Income for the year	24	<u><u>4,757</u></u>	<u><u>1,942</u></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 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	17,120	16,003
Operating expenditure	2	(13,256)	(12,637)
		<u>3,864</u>	<u>3,366</u>
Remeasurement of Pension Deficit	22	2,585	-
Operating Surplus	7	<u>6,449</u>	<u>3,366</u>
Gain on disposal of fixed assets	6	198	271
Interest receivable	9	63	40
Interest and financing costs	10	(1,938)	(1,793)
Surplus before tax		<u>4,772</u>	<u>1,884</u>
Taxation	11	-	-
Total Comprehensive Income for the year	24	<u>4,772</u>	<u>1,884</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 2017

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible assets	12		14		21
Housing properties	13		215,232		200,689
Other tangible fixed assets	14		2,222		2,284
Investments	15		1		-
			<u>217,469</u>		<u>202,994</u>
Current Assets					
Stock and Work in Progress	16	3,708		4,423	
Trade and other debtors	17	1,565		2,488	
Cash and cash equivalents		<u>21,530</u>		<u>5,045</u>	
		26,803		11,956	
Current Liabilities					
Creditors due within one year	18	<u>(10,577)</u>		<u>(10,048)</u>	
Net Current Assets					
			16,226		1,908
Total Assets Less Current Liabilities					
			<u>233,695</u>		<u>204,902</u>
Creditors: amounts falling due after more than one year					
	19		(204,488)		(177,610)
Provisions for Liabilities	22		(2,358)		(5,200)
Total Net Assets					
			<u>26,849</u>		<u>22,092</u>
Capital and Reserves					
Share capital	23		1		1
Income and Expenditure Reserve	24		26,848		22,091
			<u>26,849</u>		<u>22,092</u>

The financial statements on pages 18 to 43 were approved by the Board and authorised for issue on 27 June 2017 and are signed on its behalf by:

Douglas Russell - Chair

Erin Grant - Vice Chair

Maxine Smith - Secretary

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF FINANCIAL POSITION - SOCIETY

AT 31 MARCH 2017

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
Fixed Assets					
Housing properties	13		215,232		200,689
Other tangible fixed assets	14		2,106		2,158
Investments	15		1		-
			<u>217,339</u>		<u>202,847</u>
Current Assets					
Stock and Work in Progress	16	3,705		4,423	
Trade and other debtors	17	1,574		2,841	
Cash and cash equivalents		<u>21,087</u>		<u>4,372</u>	
		26,366		11,636	
Current Liabilities					
Creditors due within one year	18	<u>(10,209)</u>		<u>(9,798)</u>	
Net Current Assets			16,157		1,838
Total Assets Less Current Liabilities			<u>233,496</u>		<u>204,685</u>
Creditors: amounts falling due after more than one year					
	19		(204,488)		(177,610)
Provisions for Liabilities	22		(2,342)		(5,181)
Total Net Assets			<u>26,666</u>		<u>21,894</u>
Capital and Reserves					
Share capital	23		1		1
Income and Expenditure Reserve	24		26,665		21,893
			<u>26,666</u>		<u>21,894</u>

The financial statements on pages 18 to 43 were approved by the Board and authorised for issue on 27 June 2017 and are signed on its behalf by:

Douglas Russell - Chair



Erin Grant - Vice Chair



Maxine Smith - Secretary



ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF CASHFLOWS - GROUP
FOR THE YEAR ENDED 31 MARCH 2017

	2017		2016	
	£'000	£'000	£'000	£'000
Surplus before Tax for the year		4,766		1,947
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	3,778		3,716	
Amortisation of capital grants	(2,284)		(2,332)	
Increase / (Decrease) in provisions	(2,560)		687	
Gain on disposal of tangible fixed assets	(198)		(271)	
Interest receivable	(13)		(15)	
Interest payable	1,938		1,793	
Taxation paid	(7)		(7)	
		<u>654</u>		<u>3,571</u>
Operating cash flows before movements in working capital		5,420		5,518
Decrease / (increase) in properties held for sale	718		(123)	
Decrease / (increase) in stock	(3)		-	
Decrease / (increase) in trade and other debtors	956		(1,031)	
(Decrease) / increase in trade and other creditors	(936)		1,148	
		<u>735</u>		<u>(6)</u>
Cash generated from operations		6,155		5,512
Cash flow from investing activities				
Development of own property	(17,320)		(6,497)	
Purchase of other fixed assets	(44)		(129)	
Proceeds from sale of tangible fixed assets	724		600	
Grants received	10,037		2,347	
Interest received	13		15	
Gift Aid donation received / (made)	-		-	
		<u>-</u>		<u>-</u>
Net cash used in investing activities		(6,590)		(3,664)
Cash flow from financing activities				
Interest paid	(1,788)		(1,902)	
Loans received	34,000		3,040	
Loans repaid	(14,898)		(867)	
Payments to pension past service deficit	(394)		(470)	
		<u>-</u>		<u>-</u>
Net cash from / (used in) financing activities		16,920		(199)
Net increase in cash and cash equivalents		<u>16,485</u>		<u>1,649</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 2017

	2017		2016	
	£'000	£'000	£'000	£'000
Surplus for the year		4,772		1,884
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	3,760		3,708	
Amortisation of capital grants	(2,284)		(2,332)	
Increase / (Decrease) in provisions	(2,556)		688	
Gain on disposal of tangible fixed assets	(198)		(271)	
Interest receivable	(63)		(40)	
Interest payable	1,938		1,793	
		<u>597</u>		<u>3,546</u>
Operating cash flows before movements in working capital		5,369		5,430
Decrease / (increase) in properties held for sale	718		(123)	
Decrease / (increase) in trade and other debtors	623		(656)	
(Decrease) / increase in trade and other creditors	(396)		210	
		<u>945</u>		<u>(569)</u>
Cash generated from operations		6,314		4,861
Cash flow from investing activities				
Development of own property	(17,320)		(6,497)	
Purchase of other fixed assets	(43)		(89)	
Proceeds from sale of tangible fixed assets	724		600	
Grants received	10,037		2,347	
Interest received	13		15	
Gift Aid donation received / (made)	50		25	
		<u>(6,539)</u>		<u>(3,599)</u>
Net cash used in investing activities		(6,539)		(3,599)
Cash flow from financing activities				
Interest paid	(1,781)		(1,896)	
Loans received	34,000		3,000	
Loans repaid	(14,885)		(864)	
Payments to pension past service deficit	(394)		(470)	
		<u>16,940</u>		<u>(230)</u>
Net cash from / (used in) financing activities		16,940		(230)
Net increase in cash and cash equivalents		<u>16,715</u>		<u>1,032</u>

Note 25 should be read in conjunction with this statement.

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

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 - December 2014, 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 subsidiary, Albyn Enterprises Limited ("AEL").

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

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

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.

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.

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

i. Intangible Fixed Assets – Website & Branding

In the previous year AEL underwent an exercise to create a distinctive brand which would set it apart in the local market place and represent the business activities being undertaken. The brand “Highland Residential” was created and a new website designed which would properly promote the company’s activities and provide adequate information and contact opportunities for customers. The brand was officially launched through events and marketing in February and March 2016. The cost of this work was capitalised and is being written off over its expected useful life of three years.

j. 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.

k. 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

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

i. Impairments of Fixed Assets

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

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

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

m. 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.

n. Sales of Housing Accommodation

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

o. 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.

p. 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

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

q. Leases and Hire Purchase Contracts

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

r. 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.

s. Taxation

Albyn has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities. AEL is a commercial subsidiary and is liable to Corporation Tax and has the option to donate its profits to the charity through the gift aid scheme once all other liabilities due to the Society are settled.

t. Deferred Taxation

Deferred taxation is provided using the rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Deferred tax assets and liabilities have not been discounted.

u. 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.

v. 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.

w. 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.

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

x. 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.

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.

y. Financial Instruments

The Society has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Society becomes a party to the contractual provisions of the instrument, and are offset only when the Society currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

z. 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.

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

2.1 Particulars of Turnover, Operating Costs and Operating Surplus - Group				2017	2016
	Notes	Turnover £'000	Operating costs £'000	Operating surplus £'000	Operating surplus £'000
Affordable Letting Activities	3	14,393	(9,919)	4,474	3,801
Other Activities	4	3,309	(3,875)	(566)	(347)
		<u>17,702</u>	<u>(13,794)</u>	<u>3,908</u>	<u>3,454</u>
Remeasurement of Pension Deficit	22	-	2,585	2,585	-
Total		<u>17,702</u>	<u>(11,209)</u>	<u>6,493</u>	<u>3,454</u>
2016		<u>16,550</u>	<u>(13,096)</u>	<u>3,454</u>	

2.2 Particulars of Turnover, Operating Costs and Operating Surplus - Society				2017	2016
	Notes	Turnover £'000	Operating costs £'000	Operating surplus £'000	Operating surplus £'000
Affordable Letting Activities	3	14,360	(9,912)	4,448	3,786
Other Activities	4	2,760	(3,344)	(584)	(420)
		<u>17,120</u>	<u>(13,256)</u>	<u>3,864</u>	<u>3,366</u>
Remeasurement of Pension Deficit	22	-	2,585	2,585	-
Total		<u>17,120</u>	<u>(10,671)</u>	<u>6,449</u>	<u>3,366</u>
2016		<u>16,003</u>	<u>(12,637)</u>	<u>3,366</u>	

3.1 Particulars of Turnover, Operating Costs and Operating Surplus from Affordable Letting Activities - Group				2017	2016
		General Needs Housing £'000	Shared Ownership Housing £'000	£'000	£'000
Rent Receivable Net of Service Charges		11,498	313	11,811	11,588
Service Charges		370	-	370	360
Gross Income from Rents and Service Charges		<u>11,868</u>	<u>313</u>	<u>12,181</u>	<u>11,948</u>
Less Voids		<u>(72)</u>	<u>-</u>	<u>(72)</u>	<u>(71)</u>
Net Income from Rents and Service Charges		11,796	313	12,109	11,877
Grants Released from Deferred Income		2,236	48	2,284	2,332
Total Turnover from Affordable Letting Activities		<u>14,032</u>	<u>361</u>	<u>14,393</u>	<u>14,209</u>
Management and Maintenance Administration Costs		3,360	169	3,529	3,501
Service Costs		667	-	667	693
Planned and Cyclical Maintenance including Major Repairs Costs		677	-	677	725
Reactive Maintenance Costs		1,239	-	1,239	1,676
Bad Debts - Rents and Service Charges		142	-	142	216
Depreciation of Affordable Let Properties		3,626	39	3,665	3,597
Operating Costs for Affordable Letting Activities		<u>9,711</u>	<u>208</u>	<u>9,919</u>	<u>10,408</u>
Operating Surplus for Affordable Lettings Activities		<u>4,321</u>	<u>153</u>	<u>4,474</u>	<u>3,801</u>
2016		<u>3,650</u>	<u>151</u>	<u>3,801</u>	

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

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

	General Needs Housing £'000	Shared Ownership Housing £'000	2017 £'000	2016 £'000
Rent Receivable Net of Service Charges	11,465	313	11,778	11,567
Service Charges	370	-	370	360
Gross Income from Rents and Service Charges	11,835	313	12,148	11,927
Less Voids	(72)	-	(72)	(71)
Net Income from Rents and Service Charges	11,763	313	12,076	11,856
Grants Released from Deferred Income	2,236	48	2,284	2,332
Total Turnover from Affordable Letting Activities	13,999	361	14,360	14,188
Management and Maintenance Administration Costs	3,353	169	3,522	3,495
Service Costs	667	-	667	693
Planned and Cyclical Maintenance including Major Repairs Costs	677	-	677	725
Reactive Maintenance Costs	1,239	-	1,239	1,676
Bad Debts - Rents and Service Charges	142	-	142	216
Depreciation of Affordable Let Properties	3,626	39	3,665	3,597
Operating Costs for Affordable Letting Activities	9,704	208	9,912	10,402
Operating Surplus for Affordable Lettings Activities	4,295	153	4,448	3,786
2016	3,635	151	3,786	

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

	Grants from		Other	Total	Operating	2017	2016
	Scottish Ministers £'000	Revenue Grants £'000	Income £'000	Turnover £'000	Costs £'000	Operating Surplus /(Loss) £'000	Operating Surplus /(Loss) £'000
Factoring	-	-	219	219	(215)	4	11
Contracted out activities undertaken for registered social landlords	-	-	7	7	-	7	114
Contracted out activities undertaken for other organisations	-	-	3	3	-	3	87
Uncapitalised Development Administration Costs	-	-	1	1	(595)	(594)	(605)
NSSE Properties for Sale	891	-	1,858	2,749	(2,749)	-	-
Other Activities	-	92	238	330	(316)	14	46
Operating Deficit	891	92	2,326	3,309	(3,875)	(566)	(347)
2016	595	95	1,652	2,342	(2,689)	(347)	

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.

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

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

	Grants from			Operating Costs £'000	2017	2016
	Scottish Ministers £'000	Other Income £'000	Total Turnover £'000		Operating Surplus /(Loss) £'000	Operating Surplus /(Loss) £'000
Contracted out activities undertaken for registered social landlords	-	7	7	-	7	98
Contracted out activities undertaken for other organisations	-	3	3	-	3	87
Uncapitalised Development Administration Costs	-	1	1	(595)	(594)	(605)
NSSE Properties for Sale	891	1,858	2,749	(2,749)	-	-
Operating Deficit	891	1,869	2,760	(3,344)	(584)	(420)
2016	595	1,220	1,815	(2,235)	(420)	

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.

5 Accommodation in Management - Group and Society

	Tenanted	Managed on behalf of others	Shared Ownership	2017 No	2016 No
The number of properties in management were as follows:					
1 April 2016	2,839	25	151	3,015	2,970
Additions during the year	66	-	-	66	56
Conversion from Shared Ownership	5	-	(5)	-	-
Disposals	(4)	(3)	(4)	(11)	(11)
31 March 2017	<u>2,906</u>	<u>22</u>	<u>142</u>	<u>3,070</u>	<u>3,015</u>

6 a Surplus on Sale of Fixed Assets - Housing Properties

	Group		Society	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Sale proceeds	724	789	724	789
Carrying value of fixed assets	(130)	(200)	(130)	(200)
	<u>594</u>	<u>589</u>	<u>594</u>	<u>589</u>
Capital Grant repaid	(356)	(258)	(356)	(258)
	<u>238</u>	<u>331</u>	<u>238</u>	<u>331</u>
6 b Deficit on Replacement of Components	<u>(40)</u>	<u>(60)</u>	<u>(40)</u>	<u>(60)</u>
	<u>198</u>	<u>271</u>	<u>198</u>	<u>271</u>

7 Operating surplus

Operating surplus is stated after charging:

Auditors' remuneration	23	21	20	18
Operating lease rentals [note 30]	72	89	72	89
Surplus on disposal of tangible fixed assets [note 6]	198	271	198	271
Depreciation of housing properties	3,665	3,597	3,665	3,597
Depreciation of other tangible fixed assets	106	119	95	111
Depreciation of intangible fixed assets	7	-	-	-

RSM UK Audit LLP's associated company received £1,000 (2016 - £1,000) for professional services other than audit.

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

8 Key Management Personnel and Employees

	Group		Society	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
[a] Staff costs including Key Management Personnel's emoluments				
Salaries	2,376	2,099	2,112	1,888
Social security costs	216	238	197	223
Defined contribution pension cost	198	194	196	194
Other pension costs	29	473	29	473
	<u>2,819</u>	<u>3,004</u>	<u>2,534</u>	<u>2,778</u>
Temporary, seconded and agency staff costs	11	56	11	56
Development administration costs capitalised	(141)	(140)	(141)	(140)
	<u>2,689</u>	<u>2,920</u>	<u>2,404</u>	<u>2,694</u>
	No	No	No	No
Average monthly number of full time equivalent persons employed				
Asset Management and Investment	13	11	13	11
Customer Services	37	33	37	33
Factoring	3	3	-	-
Sales and Letting	4	3	-	-
Innovative Projects	2	2	-	-
Finance and Corporate Services	17	16	16	15
	<u>76</u>	<u>68</u>	<u>66</u>	<u>59</u>

[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
			2017	2016
			£	£
Aggregate emoluments payable to key management personnel (excluding pension contributions but including benefits in kind)			<u>155,740</u>	<u>154,717</u>
Aggregate pension contributions in relation to the above key management personnel			<u>12,212</u>	<u>12,091</u>
Emoluments payable to the Chief Executive (excluding pension contributions)			<u>85,867</u>	<u>85,434</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 (2016 - £5,135).

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

9 Interest Receivable and Similar Income	Group		Society	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Interest receivable from banks	13	15	13	15
Gift Aid Donation from Subsidiary	-	-	50	25
	<u>13</u>	<u>15</u>	<u>63</u>	<u>40</u>
10 Interest and Financing Costs				
Bank and Building Society loans and overdrafts	1,896	1,781	1,896	1,781
Defined Benefit pension charge	111	115	111	115
	<u>2,007</u>	<u>1,896</u>	<u>2,007</u>	<u>1,896</u>
Less: Interest Capitalised on housing properties constructed	(69)	(103)	(69)	(103)
	<u>1,938</u>	<u>1,793</u>	<u>1,938</u>	<u>1,793</u>
11 Taxation				
Current Tax:				
UK corporation tax on profits of current year	12	7	-	-
Deferred Tax:				
Origination and reversal of timing differences	(3)	(2)	-	-
	<u>9</u>	<u>5</u>	<u>-</u>	<u>-</u>
Reconciliation of Current Tax charge:				
Profit on ordinary activities before taxation	4,766	1,947		
Profits exempt due to charitable exemption	(4,722)	(1,858)		
	44	89		
Effects of depreciation in excess of capital allowances	8	(14)		
Tax adjustments and other timing differences	9	(40)		
Profits subject to Corporation Tax	<u>61</u>	<u>35</u>		
Tax charge at 20%	<u>12</u>	<u>7</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.

12 Intangible Fixed Assets - Group	Website & Branding £'000
Cost	
1 April 2016	21
Additions	-
Disposals	-
31 March 2017	<u>21</u>
Depreciation	
1 April 2016	-
Charge	7
Disposals	-
31 March 2017	<u>7</u>
Net Book Value	
31 March 2017	<u>14</u>
31 March 2016	<u>21</u>

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

13 Tangible Fixed Assets - Housing Properties - Group and Society

	Rented Occupation £'000	Shared Ownership £'000	Under Construction £'000	Total £'000
Cost				
1 April 2016	221,350	5,072	8,151	234,573
Additions	3,167	-	10,909	14,076
Transfers	2,586	-	(2,586)	-
Properties acquired	2,509	-	-	2,509
Works to existing properties	443	-	1,758	2,201
Schemes completed	699	-	(699)	-
Disposals	(329)	(327)	(173)	(829)
31 March 2017	<u>230,425</u>	<u>4,745</u>	<u>17,360</u>	<u>252,530</u>
Depreciation				
1 April 2016	33,089	795	-	33,884
Depreciation charged in year	3,626	39	-	3,665
Released on disposal	(197)	(54)	-	(251)
31 March 2017	<u>36,518</u>	<u>780</u>	<u>-</u>	<u>37,298</u>
Net Book Value				
31 March 2017	<u>193,907</u>	<u>3,965</u>	<u>17,360</u>	<u>215,232</u>
31 March 2016	<u>188,261</u>	<u>4,277</u>	<u>8,151</u>	<u>200,689</u>
			2017 £'000	2016 £'000
Expenditure on works to existing properties				
Improvement work capitalised			95	-
Replacement component spend capitalised			2,106	1,225
Amounts charged to income and expenditure			29	51
Total major repairs spend			<u>2,230</u>	<u>1,276</u>
Finance costs				
Aggregate amount of finance costs included in the cost of housing properties			<u>773</u>	<u>704</u>

The cost of land included in the costs above totals £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.

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

14.1 Tangible Fixed Assets - Other Fixed Assets - Group

	Offices £'000	Equipment £'000	Total £'000
Cost			
1 April 2016	2,436	830	3,266
Additions	1	43	44
Disposals	-	-	-
31 March 2017	<u>2,437</u>	<u>873</u>	<u>3,310</u>
Depreciation			
1 April 2016	409	573	982
Charge	38	68	106
Disposals	-	-	-
31 March 2017	<u>447</u>	<u>641</u>	<u>1,088</u>
Net Book Value			
31 March 2017	<u>1,990</u>	<u>232</u>	<u>2,222</u>
31 March 2016	<u>2,027</u>	<u>257</u>	<u>2,284</u>

14.2 Tangible Fixed Assets - Other Fixed Assets - Society

	Offices £'000	Equipment £'000	Total £'000
Cost			
1 April 2016	2,436	679	3,115
Additions	1	42	43
Disposals	-	-	-
31 March 2017	<u>2,437</u>	<u>721</u>	<u>3,158</u>
Depreciation			
1 April 2016	409	548	957
Charge	38	57	95
Disposals	-	-	-
31 March 2017	<u>447</u>	<u>605</u>	<u>1,052</u>
Net Book Value			
31 March 2017	<u>1,990</u>	<u>116</u>	<u>2,106</u>
31 March 2016	<u>2,027</u>	<u>131</u>	<u>2,158</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% (2016 - 100%)	Property related activities
Highland Residential (Inverness) Ltd	Ordinary	100%	Dormant
Sundd Ltd	Ordinary	100%	Dormant

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

16 Stock and Work in Progress	Group		Society	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Properties for Sale	3,705	4,423	3,705	4,423
Stock	3	-	-	-
	<u>3,708</u>	<u>4,423</u>	<u>3,705</u>	<u>4,423</u>

17 Debtors

Amounts falling due within one year

Rent and service charges receivable	921	1,020	723	879
Less: provision for bad and doubtful debts	(233)	(207)	(214)	(197)
	688	813	509	682
HAG receivable	483	1,105	483	1,105
Other debtors	101	344	77	331
Prepayments and accrued income	293	226	289	222
Amounts due from Group undertakings	-	-	82	354
	<u>1,565</u>	<u>2,488</u>	<u>1,440</u>	<u>2,694</u>

Amounts falling due after more than one year

Amounts due from Group undertakings	-	-	134	147
	<u>1,565</u>	<u>2,488</u>	<u>1,574</u>	<u>2,841</u>

18 Creditors: amounts falling due within one year

Debt [note 20]	1,373	1,363	1,373	1,363
Rent and service charges received in advance	298	230	298	230
Deferred capital grants [note 21]	4,059	3,901	4,059	3,901
Trade creditors	1,863	2,297	1,789	2,208
Corporation tax [note 11]	12	7	-	-
Other taxation and social security costs	77	60	71	56
Other creditors	2,407	1,923	2,261	1,783
Accruals and deferred income	488	267	358	257
Amounts due to Group undertakings	-	-	-	-
	<u>10,577</u>	<u>10,048</u>	<u>10,209</u>	<u>9,798</u>

Included in creditors is an amount of £887,000 (2016 - £1,833,000) relating to payments due to the Scottish Government. £588,000 (2016 - £1,289,000) relates to capital and £300,000 (2016 - £544,000) to revenue activities.

19 Creditors: amounts falling due after more than one year

Debt [note 20]	73,729	54,624	73,729	54,624
Deferred capital grants [note 21]	130,759	122,986	130,759	122,986
	<u>204,488</u>	<u>177,610</u>	<u>204,488</u>	<u>177,610</u>

Included in creditors are:

Amounts repayable other than by instalments falling due after more than five years	166,006	139,395	166,006	139,395
Amounts repayable by instalments falling due after more than five years	38,482	49,902	38,482	49,902
	<u>204,488</u>	<u>189,297</u>	<u>204,488</u>	<u>189,297</u>

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

20 Debt Analysis - Borrowings

	Group		Society	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Creditors: amounts falling due within one year				
Bank Loans	<u>1,373</u>	<u>1,363</u>	<u>1,373</u>	<u>1,363</u>
Creditors: amounts falling due after more than one year				
Bank Loans	<u>73,729</u>	<u>54,624</u>	<u>73,729</u>	<u>54,624</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% (2016 - 0% to 5.47%).

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

In the next year	1,373	1,363	1,373	1,363
In the second year	898	887	898	887
In the third to fifth year	4,349	3,835	4,349	3,835
In more than five years	<u>68,482</u>	<u>49,902</u>	<u>68,482</u>	<u>49,902</u>
	<u>75,102</u>	<u>55,987</u>	<u>75,102</u>	<u>55,987</u>

21 Deferred Capital Grant

1 April 2016	126,887	127,262	126,887	127,262
Grants received in the year	11,079	2,863	11,079	2,863
Grants reduced in the year	(864)	(1,001)	(864)	(1,001)
Grant released in the year	<u>(2,284)</u>	<u>(2,332)</u>	<u>(2,284)</u>	<u>(2,332)</u>
31 March 2017	<u>134,818</u>	<u>126,887</u>	<u>134,818</u>	<u>126,887</u>
Amounts to be released within one year	4,059	3,901	4,059	3,901
Amounts to be released in more than one year	<u>130,759</u>	<u>122,986</u>	<u>130,759</u>	<u>122,986</u>
	<u>134,818</u>	<u>126,887</u>	<u>134,818</u>	<u>126,887</u>

Capital Grants received to 31 March 2017 total £164,172,000 (2016 - £154,045,000); 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	2,242	5,081	2,242	5,081
Biomass Infrastructure Replacement Fund	100	100	100	100
Deferred Tax	16	19	-	-
	<u>2,358</u>	<u>5,200</u>	<u>2,342</u>	<u>5,181</u>
1 April 2016	5,200	4,984	5,181	4,963
Unwinding of the discount factor	111	115	111	115
Deficit contributions paid in the year	(394)	(470)	(394)	(470)
Added in the year	-	100	-	100
Deferred tax charge in statement of comprehensive income	(3)	(2)	-	-
Remeasurements - impact of change in assumptions	29	473	29	473
Remeasurements - amendments to contribution assumptions	<u>(2,585)</u>	<u>-</u>	<u>(2,585)</u>	<u>-</u>
31 March 2017	<u>2,358</u>	<u>5,200</u>	<u>2,342</u>	<u>5,181</u>

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

23 Share Capital

	Group		Society	
	2017	2016	2017	2016
Allocated, allotted, called up and fully paid Ordinary shares of £1 each	No	No	No	No
1 April 2016	67	71	67	71
Joined during the year	4	1	4	1
Left during the year	(11)	(5)	(11)	(5)
31 March 2017	60	67	60	67

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

24 Reserves

	Group		Society	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
1 April 2016	22,091	20,149	21,893	20,009
Surplus for the year	4,757	1,942	4,772	1,884
31 March 2017	26,848	22,091	26,665	21,893

25.1 Cash and Cash Equivalents - Group

	2017	Change	2016
	£'000	£'000	£'000
Analysis of the balance of Cash as shown in the balance sheet.			
Bank and Cash in hand	21,530	16,485	5,045
	21,530	16,485	5,045

25.2 Cash and Cash Equivalents - Society

	2017	Change	2016
	£'000	£'000	£'000
Analysis of the balance of Cash as shown in the balance sheet.			
Bank and Cash in hand	21,087	16,715	4,372
	21,087	16,715	4,372

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 2016 Albyn Housing Society Limited has a loan facility in place which is available to be drawn down. The amount available is £5m.

Albyn Housing Society Limited is self funding £895,000 (2016 - £1,432,000) 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 2017 Albyn Housing Society Limited has a mix of fixed and variable rate finance, which it considers appropriate at this time.

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

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

Ms M Smith 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	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Capital expenditure contracted for but not provided in the financial statements	<u>11,602</u>	<u>5,362</u>	<u>11,602</u>	<u>5,362</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:

Land and Buildings	Expiring				
	In the next year	51	60	51	60
	In the second year	33	26	33	26
	In the third to fifth year	39	42	39	42
	In more than five years	218	231	218	231
		<u>341</u>	<u>359</u>	<u>341</u>	<u>359</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
	859

At 31 March 2017, we had received £42,000 of funding (2016 - £36,000) 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.

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

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 £196,000 (2016 - £194,000). Contributions totalling £17k (2016 - £nil) 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 1.06% (2016 – 2.29%)

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

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

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.

32 Post Balance Sheet Event

On 1 April 2017 all the business activities of Albyn Enterprises Limited were transferred to another wholly owned subsidiary, Highland Residential (Inverness) Limited, as a going concern.

The innovation and community focussed activities remain in Albyn Enterprises Limited.