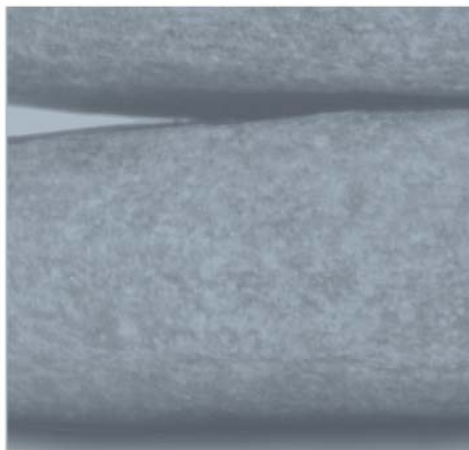




Report of Committee and Financial Statements

31 March 2009



Albyn Housing Society Ltd

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ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

Contents	Pages
Report of the Committee of Management and Financial Statements	2 - 13
Statement of Committee of Management Responsibilities	14
Statement of Internal Financial Control and Financial Reporting	15
Auditors' Reports	16 - 17
Income and Expenditure Account	18
Balance Sheet	19
Cash Flow Statement	20
Notes to the Financial Statements	21 - 37

Registration Particulars

Financial Services Authority	Industrial and Provident Society Act 1965 Registration number – 1776 R (S)
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registration number – 64
Office of Scottish Charities Register	Recognised as a Scottish Charity Registration number – SC027123

ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

The Committee of Management presents its report and the audited financial statements for the year ended 31 March 2009.

Principal Activities

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

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

The table below shows the properties we own:

Managed Property Numbers	2009	2008
Tenanted properties	2,222	2,058
Managed on behalf of others	48	48
Shared ownership properties	<u>192</u>	<u>204</u>
Total	2,462	2,310

Financial Review

Albyn made a surplus of £1,070,000 (2008 - £1,237,000) during the year. The surplus was made by Albyn after investment in major repairs for its properties in Easter Ross. The total expenditure for this year amounted to £705,000 (2008 - £242,000). This expenditure is written off in the year it is incurred and not capitalised.

Despite this expenditure, Albyn is in a strong financial position with a large and diverse development programme. Albyn has invested its own cash surplus in the LIFT programme. This investment is currently in excess of £6m. Albyn continues to have a substantial major repair investment programme with work to comply with the Scottish Housing Quality Standards being next. We will continue to invest substantial funds over the next five years to meet our continuing commitment to reach the Scottish Housing Quality Standards wherever economically feasible. Cash surpluses will be made, subject to our planned major repair programme over the next few years.

Surplus for the Year

The financial results of Albyn are as follows:

Financial Results	2009 £000s	2008 £000s
Surplus for the year	1,070	1,237
Transfer (to) designated reserves – major repairs	(1,000)	(1,200)
Transfer (to) designated reserves – furniture replacement	(1)	(7)
Retained Reserves	69	30

ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

Our Strategic Aims

Albyn has as its Strategic Aims:

- ◆ Meeting housing needs through the supply, management and maintenance of good quality, affordable homes
- ◆ Delivering good quality, customer-focused services
- ◆ Continuing to build new housing, with an emphasis on good design and reduced environmental impact
- ◆ Doing lots more than housing, by expanding our role to deliver additional services associated with housing to help sustain communities across the Highlands
- ◆ Being well governed as demonstrated by clear direction, ensuring accountability, promoting diversity, and working effectively and in partnership with others.

Our vision is of everyone in the Highlands being well housed in sustainable communities. Our mission is to build, manage and maintain quality housing in the Highlands, and to support communities to thrive. To help achieve this, we want to assist the drive to innovation and quality in accessible housing and support in the Highlands. Some of the main objectives which we think can help achieve this aim include:

- demonstrating innovation in housing design, including energy efficiency and where possible influencing the practice of others and helping to raise standards generally
- rethinking business models; moving away from traditional patterns to greater application of partnering and collaborative working, where appropriate
- achieving continuous improvement in all the services we deliver, and achieving and maintaining high standards of business efficiency and effectiveness
- creating new opportunities for significant levels of user involvement in what we do; and
- being recognised by regulators and strategic partners as delivering excellent performance

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

ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

Business and Operational Review

Corporate Governance

Albyn has a Committee of Management (as listed on page 12) which is elected by the members of the Society. It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Society. The Committee also monitors the operational activities of the Society. The members of the Committee of Management undertake this work in a voluntary, unpaid capacity.

Albyn's Executive Team (as listed on page 12) is responsible for achieving the set strategy, undertaking the operational activities in line with the agreed policies. We appointed a new Property Maintenance Director, Mr John Clarke, in January 2009.

Our governing body is our Committee of Management, which is responsible to the wider membership. The Committee of Management members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. Mr Nigel Campbell was co-opted on to the Committee of Management in January 2009.

Planning for improvements in our governance arrangements has begun. We are currently preparing revised "Rules" upon which we will seek approval from the members. These rules if adopted will enable Albyn to have up to date Rules which will allow us to improve our Corporate Governance. We will continue to review our recruitment and selection, training, and monitoring of Committee Members.

The first Regulatory Plan, issued in June 2008 by the Scottish Housing Regulator, defined their engagement with Albyn as Medium on the basis of their risk assessment. The plan identified Albyn's high level of new build development activity as a particular area of risk.

The Committee of Management hosted a Parliamentary Reception, at the Scottish Parliament building in March 2009, at which the Minister for Communities, Mr Alex Neil, spoke.

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

Corporate Issues

Our Corporate Services staff team has expanded during the year with four new posts created to improve our support for our Committee of Management and to develop Human Resources management.

Albyn is committed to involving staff in decision making and policy making. The Staff Consultative Forum (SCF), which is made up of both Committee members and staff, enables employer and employee involvement in these decisions.

Albyn Enterprises Limited (AEL) is our wholly owned subsidiary. AEL successfully markets LIFT shared equity properties on behalf of Albyn and Cairn Housing Association Limited; selling 56 properties in the year. AEL made a donation to Albyn Housing Society Limited of £2,000.

During 2008/09 Albyn was involved in a series of discussions with other agencies on potential social enterprise ventures, primarily in Inverness. These discussions and more detailed planning will continue in 2009/10.

ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

Customer Services Issues

Involvement and participation of tenants and other customers in influencing our work remains a major part of our Aims and Objectives.

We have continued to develop different aspects of our new Involving Customers in Service Delivery Strategy through a range of formal and informal consultation processes. These have included:

- meetings with registered resident groups
- focus groups with other tenants not normally part of organised groups
- development of topic-based area forums for East Ross, Inverness and Nairn and Badenoch and Strathspey
- discussions with staff teams
- a second Tenant's Conference facilitated by TPAS (Scotland)
- policy consultation questionnaires and regular resident satisfaction surveys.

We also continue to consult with and involve residents in our communities in a variety of ways, providing high quality information to customers and support to new resident groups.

Albyn undertakes a rolling programme of Customer Satisfaction Surveys of all tenants and home owners over a three year cycle. We are now in our third year. The key results from our 2009 survey are:

- 95% of residents think we are good at keeping them informed
- 84% of residents think we are good at taking account of their views
- 93% of tenants are satisfied with the Society as their landlord
- 91% residents think the quality of services we provide is good
- 83% of tenants think their rent is good value for money
- 83% of tenants are satisfied with our repairs service
- 90% of residents are satisfied with the overall design of their home
- 89% of residents think their neighbourhood is a good place to live

The independent research company, CA Market Research, who carry out our resident satisfaction surveys, have benchmarked us against other housing organisations in Scotland. Our results continue to be above average in all areas.

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

Development Issues

The year just completed has been one of the busiest for our Development team. We work in partnership with The Highland Council and the Housing Investment Division of the Scottish Government towards meeting the objectives of the Council's Local Housing Strategy. This work is done against the strategic background of priorities agreed and reviewed at various development forums and programme meetings. We spent £21,898,000 (2008 - £18,940,000) during the year on new build and other development activity. £15,459,000 (2008 - £15,515,000) of this was principally funded by grants received from the Scottish Government (Housing Association Grant) and grants from The Highland Council (including support from their Land-banking and Second Home Council Tax funds).

ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

Albyn is one of the leading providers of the Scottish Government's low cost ownership shared equity initiative called LIFT (Low Cost Initiatives for First Time Buyers). The scheme is aimed at first time buyers or those whose circumstances have changed. The scheme allows the purchaser to acquire title to the property and an equity share, normally between 60% and 80%. The remaining equity share is funded by a grant from Scottish Government and administered by us. Since April 2008, changes to the legal arrangements of the scheme mean that Scottish Ministers, rather than Albyn, are the equity holders.

A total of 56 shared equity sales were completed for Albyn using the services of Albyn Enterprises Limited for marketing and sales administration. Albyn Enterprises Ltd also market and sell new build LIFT properties for Cairn Housing Association Ltd.

LIFT Expenditure	2009 £000s	2008 £000s
Expenditure on LIFT properties	10,563	9,795
Grant received from Scottish Government	2,827	5,132

Together with the maintenance of close-to-record levels of subsidy through the Housing Association Grant, 2008/09 was characterised by a significant slow-down in the wider construction sector and private sector development activity. This led to considerable opportunities for Albyn in land banking and partnership projects with private sector developers. This coincided with efforts within Albyn to reconcile the changes to the HAG appraisal system which had the effect of constraining the level of new unit approvals after April 2008.

Despite that, and largely as a result of pre-April 2008 approvals, 2008/09 saw the completion of 245 new units of housing across Albyn's area of operation. These were as far apart as Kishorn in the west and Grantown on Spey in the south. They ranged in scale and complexity from the final phase completion of Albyn's flagship sustainable project of 100 homes at Aviemore North to one house purchased with a sitting tenant from the British Waterways Board in Dochgarroch, Inverness.

Other development highlights of the year included the completion of five new homes for rent in the village of Farr near Inverness following the gift of the site to the Highlands Small Communities Housing Trust for the exclusive purpose of providing affordable housing. The properties are also the first in Albyn's ownership to be equipped with Swedish exhaust-air heat pumps to provide a low energy, low carbon affordable heating solution for the residents. Also, we saw continuing progress on Albyn's partnership with the NHS and Highland Council, in 2008/09, in the provision of new homes under the New Craigs Hospital Reprovisioning programme. There was the completion of four bespoke, new homes from the conversion of former hospital buildings at Leachkin, Inverness. Completion was also finally achieved at long-term development projects providing important new affordable housing for rent and low cost ownership at Strathpeffer, Dingwall and Portmahomack.

Housing Issues

Allocations

We continue to work on reducing the period of time taken to re-let or let new properties, to make sure that we maximise our effectiveness in housing people in need, and to reduce our costs. The number of void properties (which includes both new and re-lets) let has decreased to 315 (2008 - 368) during the year. The proportion of those let within four weeks or less is increasing steadily to 56% (including new builds) (2008 - 52%) this year. Work is continuing to improve this figure still further.

ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

Our rent loss, due to empty homes, increased to £118,000 - 1.73% of the rental income (2008: £107,000 - 1.72%). The average time taken to re-let an existing property or to let a new property rose to be an average of 56 days (2008 - 45 days).

We have also been highly involved in the work to implement a common Highland Housing Register, which went live in May 2009. This involved our allocations staff in significant levels of work with other partners as all existing applicants had to complete new applications to re-register with the new system. Six social landlords' separate practices have been brought together with one shared application form, a single policy framework and a growing number of shared processes under one IT system. This exceptional, new initiative was recognised as 'Excellent' by The Highland Council and won their Quality Award for Joint Service Delivery in November 2008.

Rent Arrears

Over the last three years, our rent arrears performance has remained stable, despite an unstable economic climate. However, we have had difficulty in making any substantial progress to reduce our debts. Our levels of overall debt are high relative to Scottish averages, though similar to comparable organisations working within the same area. Our proportion of tenants in receipt of housing benefit is relatively low compared to national averages.

We know from our work with others on Financial Inclusion that the area has higher than average employment, with significantly higher than average levels of people in low paid, seasonal and multiple employment compared to national trends.

The overall collection rate is 93.6% (2008 - 94%) and our outstanding net current arrears at the year end represents 5.28% (2008 - 4.45%) of the total rent roll.

Our long term vacant Housing Manager post was filled in March 2008, by Ms Catriona Naughton, and the resulting Team Leader vacancy recruited to in May 2008. Since then senior staff have worked with the team to identify remaining workload pressures and solutions to them. This has resulted in some operational changes to our use of existing resources and IT applications.

Also, we have comprehensively reviewed our Debt Prevention and Recovery Policy and Procedures during the year. This included assessment of our socio-economic context, risk profiling and significant changes to how our arrears cases will be managed. We have made a strong commitment to the prevention and early intervention on debts when they arise. We have also clarified and simplified our processes to give a clear message to tenants that repeated broken arrangements are no longer tolerated. This will result in legal processes coming earlier for those tenants for whom our early interventions fail.

Estate Management

Whilst we work in increasing partnership with other local agencies to tackle anti-social behaviour and to manage our estates, we also actively manage a caseload of between 60 and 90 complaints at any time. An internal audit carried out in early 2009 found many positive practices. Also, it identified a need (already recognised by us) to bring our policy and procedures up to date, which will happen during 2009/10.

Housing Support

Our Housing Plus Officer helps over 140 tenants a year, offering support to manage multiple debts, mediates on low level neighbour complaints and acts as a source of specialist advice on housing and welfare benefits for both tenants and staff. The Highland Rent Deposit Guarantee Scheme (managed on behalf of the Highland Housing and Community Care Trust for The Highland Council) has continued to grow and develop during its first full year of operation.

ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

By the end of the year, we had assisted 33 people to get access to tenancies in the private sector through the scheme, and had provided advice and information to assist more than 130 others with their housing options.

Our Support Workers provide short term housing support each year to over 200 of the most vulnerable clients in the Inverness and Nairn areas to gain the skills they need to manage tenancies independently. Around half are our own tenants, the rest being in the private sector or other social housing accommodation, including temporary homeless or bed and breakfast accommodation. The service was highly valued in an externally-led satisfaction focus group of supported clients held during the summer of 2008.

Community Engagement Issues

Albyn is committed to supporting groups and communities within our area of operation. We do this by supporting wider role bids for projects which help our tenants and the communities they live and work in. In addition, we work in partnership with agencies and communities throughout Highland to provide services that help create employment opportunities, regeneration work and community sustainability.

During the last year we have supported a number of wider role bids, including:

- Three village hall projects in Sutherland Fountain – totalling £120,000
- A variety of training and tutoring programmes for a woodlands trust, bicycle re-cycling and after-school support in Easter Ross, Caithness and Inverness – totalling over £83,000
- Other projects providing sports and recreation facilities in Easter Ross and supporting communities to sustain themselves in Ross & Cromarty – totalling over £46,000

In addition to this, we have been working towards establishing a community needs assessment framework that can be used by communities to enable them to establish which priorities to take forward in their areas. We have also been working, as a partner of the Financial Inclusion Steering Group, to commission a feasibility study into the provision of affordable credit in Highland.

Property Maintenance

Financial year 2008/09 saw continued success of the Major Repairs Programme. Tenants in Nairn, Dingwall, Alness, Evanton and Invergordon had new bathrooms installed in an ongoing £1m contract. At the end of the financial year, progress was ahead of schedule and within budget. It is intended that the successful partnership approach is adopted for future Major Repairs projects.

The cyclical programme of external redecoration was successfully completed, with £177,000 being spent, primarily on external paintwork. Responsive repairs requests were demanding on the service. Nonetheless, 98.24% of Emergency Repairs were successfully completed within the target of eight working hours.

Collation and analysis of Energy Performance information for the Albyn housing stock has taken longer than anticipated. However, the process has been a valuable experience for all Property Maintenance Officers as they prepare to undertake a Comprehensive Stock Condition Survey during 2009/10.

ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

Finance and IT Issues

Albyn has two funding packages approved in previous years not yet drawn down in full. These are a £5 million facility to be drawn down on a revolving basis with the Royal Bank of Scotland when required, together with a £10 million facility to be drawn down over the next three years with the DBS Bank (formerly the Dunfermline Building Society) for completed rented property. These loans are being drawn down to fund the development programme.

During 2009/10 we shall upgrade our finance software which will include document management for all basic finance information. We will also commence to adopt document management techniques for corporate issues.

Developing Best Practice

Policy reviews have been completed for: Rechargeable Repairs, Debt Prevention and Recovery, Abandoned Tenancies, Human Resources and Health & Safety. We have implemented an innovative Allocations Policy shared by all partners of The Highland Housing Register, which has adopted a unique approach to taking homelessness and community connection into account, alongside other individual applicants' personal housing needs.

We have collated better information on our customers and communities so we can target the development of our services more effectively. We have also developed better benchmarking to monitor our performance more effectively against our peers. We have subscribed to The Housing Manual, an on-line service available from the Chartered Institute of Housing, to make sure we have access to the most up to date guidance on legislation, regulatory requirements and best practice models when updating and reviewing our practices.

A second group of staff from across the organisation are now working towards a Level 2 Certificate in Housing through the Chartered Institute of Housing, and a number of housing staff are now continuing to study for further housing qualifications, having completed the certificate the previous year. A number of our senior managers have completed professional training to achieve Level 5 Certificates in Leadership with the Institute of Leadership and Management.

Other Issues

Management Structure

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

Internal Financial Control

The Committee of Management is responsible for establishing and maintaining Albyn's system of internal control. Internal control systems are designed to meet the particular needs of Albyn and the risks to which it is exposed. By their very nature they can provide reasonable but not absolute assurance against material mis-statement or loss. The key procedures which the Committee of Management have established with a view to providing effective internal financial are outlined on pages 15 and 16.

Risk Management Policy

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

ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

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

Credit Payment Policy

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

Rental Income

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

Maintenance Policies

Albyn seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs will be charged to the Income and Expenditure Account.

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

Budgetary Process

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

ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

Treasury Management

Albyn has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. 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. At 31 March 2009 Albyn has drawn down £7m of loans against a facility of £10m. The remaining facility requires to be drawn down by 31 March 2010. A further facility of £5m is available to be drawn down, of which £3.5m has been drawn down to date.

Albyn is funding £7,824,000 (2008 - £2,972,000) of development expenditure of which £6,362,000, (2008 - £2,966,000) relates to our Homestake activities.

Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2009, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Quality and Integrity of Personnel

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

Sales of Housing Properties

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

Employee Involvement and Health and Safety

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

Disabled Employees

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

Home Ownership

We sold two (2008 - seven) properties under the right to buy and 13 (2008 - 18) sharing owners have bought their properties outright in the year, thereby enabling some tenants and sharing owners to achieve their aspiration of becoming home owners.

Future Developments

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

ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

Committee of Management

The Committee of Management of Albyn during the year to 31 March 2009 was as follows:

Name	Sub-Committee Membership	Position on Committee / Date of Appointment or Resignation
Mrs I M Macrae	2	Chair Person
Mrs I Mclaughlan	3	Vice-Chair Person
Mr G Kelman	1,2	Secretary
Mrs M Cairney	3	
Miss C J Cameron	3	
Mrs J C Cameron	2,3	Resigned 29 April 2008
Mr N Campbell		Appointed 27 January 2009
Mr J A Convery	1,3	
Ms M Duncan	1,2	Resigned 24 February 2009
Ms E A Maclean		Resigned 19 August 2008
Mr W M Milne	2, 3	
Mr J W Oag	1	
Ms F Samson	3	Resigned 29 April 2008
Mr W Shand		Appointed 19 August 2009
Ms M Smith	3	
Mr B Summerfield	1	

- Sub-Committees**
- 1: Audit Sub-Committee
 - 2: Staff Consultative Forum
 - 3: Disciplinary Hearings Sub-Committee

Each member of the Committee of Management 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 Committee.

Committee and Officers' Insurance

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

Directors

The Directors of Albyn during the year to 31 March 2009 were as follows:

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

ALBYN HOUSING SOCIETY LIMITED
**Report of the Committee of Management
and Financial Statements**



For the year ended 31 March 2009

Information for Auditors

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

Auditors

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

On behalf of the Committee of Management

George Kelman
Secretary
30 June 2009

98 - 100 High Street
INVERGORDON
IV18 0DL

ALBYN HOUSING SOCIETY LIMITED

Statement of Committee of Management Responsibilities

31 March 2009



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

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

The Committee of Management confirm that the financial statements comply with the requirements.

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

By order of the Committee of Management

George Kelman
Secretary
30 June 2009

ALBYN HOUSING SOCIETY LIMITED
Statement of Committee of Management
on Internal Financial Control



31 March 2009

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

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

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

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

The Committee of Management has reviewed the system of internal financial control in Albyn during the year ended 31 March 2009. No weaknesses were found in internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Committee of Management

George Kelman
Secretary
30 June 2009

**Auditors' Report on
Corporate Governance Matters**



Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on page 15 concerning Albyn's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the Bulletin 1999/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of Albyn's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the statement on internal financial control on page 15 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow
30 June 2009

ALBYN HOUSING SOCIETY LIMITED

Independent Auditors' Report to the Members of Albyn Housing Society Limited



We have audited the financial statements on pages 18 to 37, which have been prepared under the accounting policies set out on pages 21 to 24.

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

Respective responsibilities of Committee of Management and auditors

The Committee of Management's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Management Committee's Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002 the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Committee of Management's Report is not consistent with the financial statements, if Albyn has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions with Albyn is not disclosed. We read the Committee of Management's Report and consider the implications for our report if we become aware of any apparent mis-statements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to Albyn's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Society that it would be of no real value to the members of the Society to consolidate or include the accounts of the Society's subsidiary, in the group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2009, because of the insignificant amounts involved

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of Albyn's affairs as at 31 March 2009 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow
30 June 2009

ALBYN HOUSING SOCIETY LIMITED**Income and Expenditure Account****For the Year ended 31 March 2009**

	Notes	2009 £000s	2008 £000s
Turnover	2	15,482	13,901
Operating Costs	2	(13,223)	(11,758)
Operating Surplus	6	<u>2,259</u>	<u>2,143</u>
Sale of fixed assets	5	430	650
Interest receivable	8	54	89
Interest payable and other charges	9	(1,675)	(1,689)
Surplus on ordinary activities		<u>1,068</u>	<u>1,193</u>
Donations		2	44
Surplus on ordinary activities before tax		<u>1,070</u>	<u>1,237</u>
Taxation on surplus on ordinary activities	10	0	0
Surplus for the year		<u><u>1,070</u></u>	<u><u>1,237</u></u>

The results relate to continuing activities.

The Society has no recognised gains or losses other than those included in the surplus above and therefore no separate statement of total recognised gains and losses has been presented.

ALBYN HOUSING SOCIETY LIMITED



Balance Sheet

As at 31 March 2009

	Notes	2009 £000s	2008 £000s
Tangible fixed assets	11		
Housing properties - gross cost less depreciation		150,284	129,247
less Housing Association Grant		(105,917)	(91,329)
less Other Grants		(7,432)	(6,705)
		<u>36,935</u>	<u>31,213</u>
Investments			
Homestake Loan	12	3,868	3,843
Homestake Grant	12	(3,868)	(3,843)
		0	0
Other fixed assets	13	<u>2,159</u>	<u>2,210</u>
		39,094	33,423
Current assets			
Stock - Homestake	14	6,363	2,966
Debtors	15	5,139	3,828
Bank and Cash in hand		22	1,770
		<u>11,524</u>	<u>8,564</u>
Current liabilities			
Creditors due within one year	16	<u>(9,492)</u>	<u>(4,682)</u>
Net current assets		2,032	3,882
Total assets less current liabilities		<u>41,126</u>	<u>37,305</u>
Creditors:	17	(31,748)	(28,997)
amounts falling due after more than one year			
Net assets		<u>9,378</u>	<u>8,308</u>
Capital and reserves			
Share capital	18	1	1
Designated reserves - major repairs	19	8,710	7,710
Designated reserves - furniture replacement	19	216	215
Revenue reserves	19	451	382
		<u>9,378</u>	<u>8,308</u>

These financial statements were approved and authorised for issue by the Committee of Management on 30 June 2009

Ella MacRae - Chair

Isabell McLaughlan - Vice Chair

George Kelman - Secretary

ALBYN HOUSING SOCIETY LIMITED



Cash Flow Statement

For the Year ended 31 March 2009

	2009		2008	
	£000s	£000s	£000s	£000s
Operating Surplus		2,259		2,143
Depreciation	563		508	
Movement in Stock	(3,325)		(194)	
Movement in debtors	400		(628)	
Movement in creditors	(888)		(185)	
		<u>(3,250)</u>		<u>(499)</u>
Net cash inflows from operating activities		(991)		1,644
Donations received	1		84	
Interest received	54		89	
Interest paid	(1,675)		(1,689)	
		<u>(1,620)</u>		<u>(1,516)</u>
Net cash inflows from returns on investments and servicing of finance		(2,611)		128
Taxation		<u>0</u>		<u>0</u>
		(2,611)		128
Investing activities				
Development of own property	21,536		19,059	
Less Grants on own property	(14,831)		(14,248)	
Less Initial Tranches	0		0	
	<u>6,705</u>		<u>4,811</u>	
Disposal of property	(601)		(869)	
	<u>6,104</u>		<u>3,942</u>	
Acquisition of other fixed assets	38		442	
Grants on Offices	0		0	
Disposal of other fixed assets	0		0	
		<u>(6,142)</u>		<u>(4,384)</u>
Net cash (outflows) from investing activities		(6,142)		(4,384)
Net cash (outflows) before financing		(8,753)		(4,256)
Financing				
Loans received for housing		6,093		5,254
Loans repaid		(330)		(413)
		<u>(2,990)</u>		<u>585</u>

Note 20 should be read in conjunction with this statement

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2009



1. Principal Accounting Policies

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

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

a Basis of Accounting

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

b Consolidation

Albyn and its subsidiary (Albyn Enterprises Limited) comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts represent the results of Albyn Housing Society Limited and not of the group.

c Turnover

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

d Mortgages

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

e Tangible Fixed Assets - Housing properties [Note 11]

Housing properties are stated at cost. The development costs of housing properties include the following:

- i) Cost of acquiring land and buildings
- ii) Development expenditure
- iii) Interest charged on the mortgage loans raised to finance the scheme to the date of completion

Expenditure on schemes that are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

f Housing Association Grants (HAG)

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

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2009



g Other Grants

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

h Depreciation

i) Housing Properties

Housing properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic lives of the properties, estimated at 75 years. No depreciation is charged on land.

ii) Other Fixed Assets

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

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

i Impairment of Fixed Assets

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

j Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:

- an increase in rental income; or
- a material reduction in future maintenance costs; or
- a significant extension of the life of the property

Works to existing properties which fail to meet the above criteria are charged to the income and expenditure account.

k 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.

l Properties for Sale

Completed properties for outright sale and property under construction are valued at the lower of costs and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on an estimated sales price after allowing for all further costs of completion and disposal.

m Properties for Outright Sale

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

n Designated Reserves (Note 19)

Major Repairs Reserve

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

Furniture Replacement Reserve

Albyn has furnished properties. Included within the monthly charge for these properties is an element relating to the replacement of furniture. The income arising in the year has been set aside in a designated reserve to meet the costs of future furniture replacement.

o 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.

p Leases and Hire Purchase Contracts

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

q Taxation

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

r Value Added Tax

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

s Pension Schemes

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

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

31 March 2009

2 Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover £000s	Operating Costs £000s	2009 £000s	2008 £000s
Social Lettings Activities	7,157	(4,872)	2,285	2393
Other Activities	8,325	(8,351)	(26)	(250)
Total	15,482	(13,223)	2,259	2143
2008	13,901	(11,758)	2,143	

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

	General Needs Housing £000s	Shared Ownership Housing £000s	2009 £000s	2008 £000s
Income				
Rent Receivable Net of Service Charges	6,703	330	7,033	6,313
Service Charges	223	19	242	246
Gross Income from Rents and Service Charges	6,926	349	7,275	6,559
Less Voids	(118)	0	(118)	(105)
Total Turnover from Social Letting Activities	6,808	349	7,157	6,454
Expenditure				
Management and Maintenance Administration Costs	2,201	176	2,377	2011
Service Costs	204	19	223	233
Planned & Cyclical Maintenance including Major Repairs Costs	705	0	705	242
Reactive Maintenance Costs	1,032	0	1,032	1093
Bad Debts - Rents and Service Charges	62	1	63	54
Depreciation of Social Housing	458	14	472	428
Operating Costs for Social Letting Activities	4,662	210	4,872	4,061
Operating Surplus for Social Lettings	2,146	139	2,285	2,393
2008	2,214	179	2,393	

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

	Supporting People Activities £000s	Wider Role Activities £000s	Development Activities £000s	Properties for Sale £000s	Other activities £000s	2009 £000s	2008 £000s
Grants from Scottish Ministers	0	145	0	0	0	145	20
Other Revenue Grants	0	0	0	0	0	0	-
Supporting People Income	269	0	0	0	0	269	264
Other Income	0	0	909	6,967	35	7,911	7,163
Total Income	269	145	909	6,967	35	8,325	7,447
Other Operating Costs	(404)	(145)	(800)	(6,967)	(35)	(8,351)	(7,697)
Operating Surplus/(Deficit)	(135)	0	109	0	0	(26)	(250)
2008	(98)	0	(152)	0	0	(250)	(13,223)

31 March 2009

5 Sale of Housing Properties

Sale proceeds	960	1,327
Cost of sales	(530)	(677)
Gain on disposal	<u>430</u>	<u>650</u>

6 Operating surplus

Operating surplus is stated after charging

Staff costs [see note 7]	2,160	1,794
Auditors' remuneration	14	14
Depreciation on heritable property	474	429
Depreciation on other fixed assets	<u>89</u>	<u>79</u>

Baker Tilly received £605 (2008 - £2,353) for professional services other than audit.

7 Directors and employees

	2009 £000s	2008 £000s
[a] Staff costs including Directors' emoluments		
Wages	1,776	1,479
Social security	151	120
Other pension costs	<u>233</u>	<u>195</u>
	2,160	1,794
Temporary, seconded and agency staff costs	262	192
	<u>2,422</u>	<u>1,986</u>
	No	No
Average full time equivalent number employed	<u>58</u>	<u>50</u>

[b] Directors' emoluments

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

	£	£
Aggregate Emoluments payable to Directors (excluding pension contributions and benefits in kind)	<u>182,364</u>	<u>63,720</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>67,380</u>	<u>63,720</u>

Albyn's contribution to the pension scheme for this director is £10,376 (2008 - £8,425)

Other Directors excluding pension contributions	Salary Bands	No	No
	60,001 - 70,000	2	0

No member of the Committee of Management received any emoluments in respect of their services to the Society. Expenses paid to Committee Members totalled £ 7,427 (2008 - £8,603).

31 March 2009

8 Interest receivable and other income	2009 £000s	2008 £000s
Interest receivable from banks	<u>54</u>	<u>89</u>
9 Interest payable and other charges		
Banks and Building Society loans	1,675	1,689
Interest Capitalised as part of Development Costs	1	2
	<u>1,676</u>	<u>1,691</u>

10 Corporation Tax

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

11 Fixed Assets - Heritable Property

	Housing Properties			Total
	Rented Occupation £000s	Shared Ownership £000s	Under Construction £000s	£000s
Cost				
31 March 2008	109,134	6,848	15,748	131,730
Additions	29	50	21,819	21,898
Transfers	13,446	0	(13,311)	135
Disposals	(32)	(499)	0	(531)
31 March 2009	<u>122,577</u>	<u>6,399</u>	<u>24,256</u>	<u>153,232</u>
Depreciation				
31 March 2008	2,332	151	0	2,483
Charge for year	460	14	0	474
Disposals	0	(9)	0	(9)
31 March 2009	<u>2,792</u>	<u>156</u>	<u>0</u>	<u>2,948</u>
Housing Association Grant				
31 March 2008	72,234	5,105	13,990	91,329
Additions	0	79	14,629	14,708
Transfers	9,184	0	(8,957)	227
Disposals	(1)	(346)	0	(347)
31 March 2009	<u>81,417</u>	<u>4,838</u>	<u>19,662</u>	<u>105,917</u>
Other Grants				
31 March 2008	6,238	23	444	6,705
Additions	36	0	715	751
Transfers	480	0	(500)	(20)
Disposals	0	(4)	0	(4)
31 March 2009	<u>6,754</u>	<u>19</u>	<u>659</u>	<u>7,432</u>
Net Book Value				
31 March 2009	<u>31,614</u>	<u>1,386</u>	<u>3,935</u>	<u>36,935</u>
31 March 2008	<u>28,330</u>	<u>1,569</u>	<u>1,314</u>	<u>31,213</u>

No properties are held under lease.

31 March 2009

11 Fixed Assets - Heritable Property Continued

	2009 £000s	2008 £000s
Total cost of development administration	800	597
Development income from third parties	(4)	(12)
Development administration capitalised	(905)	(433)
Deficit/(surplus) on development administration	<u>(109)</u>	<u>152</u>
HAG received against this expenditure	<u>(905)</u>	<u>(433)</u>
Interest capitalised	<u>1</u>	<u>2</u>

As at 1 April 2005, valuations were obtained from external valuers DTZ Pineda Consulting on the basis of Existing Use Value - Social Housing (EUV - SH). This valuation was undertaken in accordance with the RIC Statement of Assets Practice and Guidance Notes. In determining the valuation, the valuers made use of discounted cash flow methodology and key assumptions were made concerning the level of future rents, the rate of turnover of existing tenants, the level of further right to buy and shared ownership equity sales and the discount rate. The assumed discount rate was 6.5%. Properties completed since the 1 October 2004 have been included in the valuation total below, at cost less grants. These valuations have been undertaken on a consistent basis to that undertaken 1 April 1999 and 2001. Properties developed since April 2005 have not been included in the valuation.

The valuation has not been incorporated in the financial statements.

Albyn would not be able to sell its properties at these values without repaying HAG from the proceeds of the sale. At 31 March 2009 total HAG received in respect of these properties amounted to £ 51,943,000.

The amount of the valuation	Valuation £000s	Net Book Value £000s	Uplift of Value £000s
EUV - SH	<u>41,895</u>	<u>26,990</u>	<u>14,905</u>

Major component repairs are not capitalised but are written off in the year they are incurred.

12 Investments

	2009 £000s	2008 £000s
Homestake Loans made to the Homestaker	3,868	3,843
Homestake Grants	(3,868)	(3,843)
	<u>0</u>	<u>0</u>

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

31 March 2009

13 Fixed Assets
Other Fixed Assets

	Office £000s	Equipment £000s	Total £000s
Cost			
31 March 2008	2,289	402	2,691
Additions	3	35	38
Disposals	0	0	0
31 March 2009	<u>2,292</u>	<u>437</u>	<u>2,729</u>
Grant			
31 March 2008	75	0	75
Additions	0	0	0
Disposals	0	0	0
31 March 2009	<u>75</u>	<u>0</u>	<u>75</u>
Depreciation			
31 March 2008	115	291	406
Charge	43	46	89
Disposals	0	0	0
31 March 2009	<u>158</u>	<u>337</u>	<u>495</u>
Net Book Value			
31 March 2009	<u>2,059</u>	<u>100</u>	<u>2,159</u>
31 March 2008	<u>2,099</u>	<u>111</u>	<u>2,210</u>

14 Stock - Homestake

	2009 £000's	2008 £000's
Cost of developing properties	14,359	10,787
Grant received to develop properties	(7,996)	(7,821)
	<u>6,363</u>	<u>2,966</u>

15 Debtors

Rent in Arrears	733	648
less Bad debt provision	(159)	(160)
	<u>574</u>	<u>488</u>
Other debtors	4,342	2,746
Prepayments and accrued income	223	594
	<u>5,139</u>	<u>3,828</u>

Included in other debtors is an amount of £ 4,105,000 (2008 - £2,441,000) relating to payments due from Scottish Government. £ 4,105,000 (2008 - £2,441,000) relates to capital and £ nil (2008 - £ nil) to revenue activities.

16 Creditors due within one year

	2009 £000s	2008 £000s
Bank Overdraft	1,242	0
Loans [see note 17]	3,548	536
Trade creditors	2,088	1,394
Other taxation and social security	55	52
Other creditors	2,116	2,299
Accruals and deferred income	443	401
	<u>9,492</u>	<u>4,682</u>

Included in other creditors is an amount of £ 1,788,000 (2008 - £1,916,000) relating to payments due to Scottish Government. £ 1,788,000 (2008 - £1,916,000) relates to capital and £ nil (2008 - £ nil) to revenue activities.

31 March 2009

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

The loans are secured by specific charges on Albyn's properties and the capital instalments are repayable over periods as indicated at varying rates of interest ranging from 0% to 5.2% (2008 - 5.8% to 6.5%).

	2009 £000s	2008 £000s
Loans	<u>31,748</u>	<u>28,997</u>
Analysis of loan repayments		
In the next year	3,548	536
In the second year	736	337
In the third to fifth year	2,310	1,092
In more than five years	28,702	27,568
	<u>35,296</u>	<u>29,533</u>

18 Called up Share Capital

	2009		2008	
	No	£	No	£
Allocated, allotted, called up and fully paid Ordinary shares of £1 each				
31 March 2008	150	150	254	254
Issue of share capital in year	6	6	2	2
Cancelled shares	<u>(3)</u>	<u>(3)</u>	<u>(106)</u>	<u>(106)</u>
31 March 2009	<u>153</u>	<u>153</u>	<u>150</u>	<u>150</u>

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

19 Reserves

	Major Repairs £000s	Furniture Replacement £000s	Revenue Reserve £000s	Total £000s
31 March 2008	7,710	215	382	8,307
Transfers to Income & Expenditure Account	1,000	1	69	1,070
31 March 2009	<u>8,710</u>	<u>216</u>	<u>451</u>	<u>9,377</u>

20 Cashflow analysis

	2009 £000s	2008 £000s
Analysis of changes in Cash during the year		
31 March 2008	(27,763)	(23,507)
Movement	(8,753)	(4,256)
31 March 2009	<u>(36,516)</u>	<u>(27,763)</u>

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

	2009 £000s	Change £000s	2008 £000s
Bank and Cash in hand	(1,220)	(2,990)	1,770
Loans	(35,296)	(5,763)	(29,533)
	<u>(36,516)</u>	<u>(8,753)</u>	<u>(27,763)</u>

Treasury Management

Albyn has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way Albyn manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2009 Albyn had drawn down £7m of loans against a facility of £10m. The remaining facility requires to be drawn down by 31 March 2010. A further facility of £5m is available to be drawn down on a revolving basis of which £3.5m has been drawn down to date.

Albyn is self funding £7,824,000 (2008 - £2,972,000) of which £6,362,000 (2008 - £2,966,000) relates to Albyn's Homestake activities.

Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2009, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

21 Obligations under lease agreements

The following payments are committed to be paid within one year:

	2009 £000s	2008 £000s
Land and Buildings		
Expiring		
In the next year	58	20
In the second year	0	0
In the third to fifth year	0	35
In more than five years	39	39
	<u>97</u>	<u>94</u>
Other assets		
Expiring		
In the next year	5	17
In the second year	19	0
In the third to fifth year	69	12
In more than five years	0	0
	<u>93</u>	<u>29</u>

22 Related Parties Transactions

Committee Members

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

Councillors

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

Albyn Enterprises Limited

Albyn Enterprises Limited is a wholly owned subsidiary of Albyn Housing Society Limited. Three of the five directors of Albyn Enterprises Limited are Committee Members of Albyn.

During the year end Albyn Enterprises Limited has made a profit of £23,000, The company made donations to Albyn amounting to £2,000 and £20,000 to Cairn Housing Association Limited under the provisions of Gift Aid. The company's retained surplus in the year was therefore £2,000 leaving reserves of £9,000.

At the year end Albyn Enterprises Limited owes Albyn Housing Society Limited £6,000.

31 March 2009

23 Housing Stock	Tenanted	Managed on behalf of others	Shared Ownership	2009 No	2008 No
The number of properties in management were as follow					
31 March 2008	2,058	48	204	2,310	2,187
Additions during year	166	0	1	167	148
Disposal	(2)	0	(13)	(15)	(25)
31 March 2009	<u>2,222</u>	<u>48</u>	<u>192</u>	<u>2,462</u>	<u>2,310</u>

24 Capital Commitments

	2009 £000s	2008 £000s
Expenditure contracted less certified	<u>34,846</u>	<u>38,957</u>

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

25. Pension Obligations – SFHA Scheme

Albyn Housing Society Limited participates in the SFHA Pension Scheme.

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

The Scheme offers three benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate

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

Albyn Housing Society Limited has elected to operate the final salary with a 1/60th accrual rate, benefit structure for active members as at 31 March 2008 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1 April 2008.

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

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

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

As at the balance sheet date there were 55 active members of the Scheme employed by Albyn Housing Society Limited. Albyn Housing Society Limited continues to offer membership of the Scheme to its employees.

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

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2009



The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million (equivalent to a past service funding level of 83.4%) assets compared with the value of liabilities of £54 million (equivalent to a past service funding level of 83.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However, they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

	% pa
Investment return pre retirement	7.2
Investment return post retirement	4.9
Rate of salary increases	4.6
Rate of pension increases	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.25
Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	Males	Females
	Assumed life expectancy in years at age 65	Assumed life expectancy in years at age 65
Non-pensioners	21.6	24.4
Pensioners	20.7	23.6

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2009



The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

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

Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2008 for each of the benefit structures will be:

Benefit structure	Joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	23.1% comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9% comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9% comprising employer contributions of 11.9% and member contributions of 6.0%

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 31 March 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2009.

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time. Albyn Housing Society Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2006. As of this date the estimated employer debt for Albyn Housing Society Limited was £4,540,000.

26 Pension Obligations – Growth Plan

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

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

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

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

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

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

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them.

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2009



Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

Albyn does not pay into the Growth Plan and paid no contributions during the accounting period. Members paid contributions at the rate of 5% during the accounting period.

As at the balance sheet date there were five active members of the Plan employed by Albyn. Albyn continues to offer membership of the Plan to its employees.

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

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £675 million and the Plan's Technical Provisions (i.e. past service liabilities) were £704 million. The valuation therefore revealed a shortfall of assets compared with the value of the liabilities of £29 million, equivalent to a funding level of 96%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Plan as at 30 September 2006. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £747 million and indicated a surplus of assets compared to liabilities of approximately £2 million, equivalent to a funding level of 100.2%. Annual funding updates of the Growth plan are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However, they will provide a good indication of the financial progress of the Plan since the last full valuation.

Since the contribution rates payable to the Plan have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	%pa
Investment return pre retirement	6.6
Investment return post retirement	4.5
Bonuses on accrued benefits	0.0
Rate of price inflation	2.5

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

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

ALBYN HOUSING SOCIETY LIMITED

Notes to the Financial Statements

31 March 2009



In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities, the Trustee has prepared a recovery plan on the basis that no additional contributions from the participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million will be cleared within five years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 7.6% per annum pre retirement and 4.8% per annum post retirement.

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

The Regulator has reviewed the recovery plan for the Growth Plan and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2008. An Actuarial Report will be prepared as at 30 September 2007 in line with statutory regulations.

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

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

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

Albyn has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2007. As of this date the estimated employer debt for the Society was £39,439.



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