



Report of Board and Financial Statements 31 March 2015



Albyn Housing Society Limited

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ALBYN HOUSING SOCIETY LIMITED
REPORT OF THE BOARD
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

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

ALBYN HOUSING SOCIETY LIMITED
REPORT OF THE BOARD AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

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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
	Registration number – 64
Office of Scottish Charities Register	Recognised as a Scottish Charity
	Registration number – SC027123

ALBYN HOUSING SOCIETY LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2015

The Board presents its report and the audited financial statements for the year ended 31 March 2015.

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 a wholly owned subsidiary, 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.

The table below shows the property we own:

Managed Property Numbers	2015	2014
Tenanted Properties	2,782	2,782
Managed on Behalf of Others	22	22
Shared Ownership Properties	157	167
Properties Leased to AEL for Mid Market Rent	9	6
Total	2,970	2,977

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FOR THE YEAR ENDED 31 MARCH 2015

Financial Review

Albyn made a surplus of £890,000 (2014 – deficit of £2,060,000) during the year. This surplus continues to be reinvested in homes for our tenants through our new build programme and our investment in the quality of our existing homes.

The key reason for the deficit in the previous year was the increase in the provision required for the Past Service Deficit on the defined benefit pension scheme of which Albyn was a member until 31 March 2014. The Board therefore took professional advice and consulted with staff, and made the decision to close the scheme to all staff with effect from 31 March 2014 to try to limit any further growth in the deficit on this fund. Staff are now offered a defined contribution pension option which will not create any deficits in the future as staff only receive the value of the contributions made to their pension at the time they retire, not a guaranteed future income.

Albyn offers a graduated contribution rate where Albyn will contribute double the employee rate up to a maximum employer rate of 7.5%. Albyn also offers a salary sacrifice option to employees. The new pension arrangements commenced on 1 April 2014.

	2015	2014
	£000's	£000's
Surplus before Exceptional Item	890	1,072
Exceptional Item – provision for past service deficit	-	(3,132)
Surplus / (Deficit) for the year	890	(2,060)

Albyn remains in a strong financial position. Albyn continues to have a substantial major repair investment programme with work to comply with the Scottish Housing Quality Standards (SHQS) by 2015 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 of £2.7m in the next financial year, and we continue to have a development programme for next year with plans to build an extra 500 homes by 2020.

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.

Business and Operational Review

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

Corporate Governance

Albyn has a Board (as listed on page 12) 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.

The Albyn Executive Team (as listed on page 12) 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 2015 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.

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Operational Review

During the past few 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, job processes and performance reporting processes, with training tailored to individual requirements. All of these changes are now beginning to deliver the improvements listed above.

As part of the ongoing review of our operations, we created a new post of Chief Operating Officer to replace the previous departmental director posts, with the Customer Services Director and Finance & Corporate Services Director posts being made redundant.

This new post has been introduced to further improve the Society's focus on Customer Service while ensuring that our operational and financial performance is strong, and staff job satisfaction levels are high. On 1 April 2015, Robin Nairn, previously the Finance & Corporate Services Director and who has been with Albyn for over 20 years, was appointed to the post of Chief Operating Officer.

Customer Services Team

High quality customer service is central to the success of our business. Over the last year, 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.

Taking previous customer feedback into account, we have restructured 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.

We are committed to ensuring our tenants have direct input into our service delivery and are continually looking for new ways to enable them to do this. We undertook a full customer satisfaction survey within the last year, which will allow 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 have consulted with our tenants both through face to face meetings and questionnaires to ensure that we have understood what our tenants' main priorities are within The Scottish Social Housing Charter. We then worked in partnership with them to create a Tenants' Report Card that delivered that information in an easy to read format.

Working with the Tenant Participation Advisory Service Scotland, we have helped to create an on-line version of their tenant qualification modules which will be trialled with 10 of our tenants in the next 12 months. 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.

ALBYN HOUSING SOCIETY LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2015

Allocations

We have achieved an improvement in reducing the period of time taken to let empty homes, to make sure that we maximise our effectiveness in housing people in need, and to reduce our costs.

Empty properties in the year	2015	2014
Re-lets	255	263
New Build / other Acquisitions	4	61
Total	259	324

Our performance on allocating has continued to show improvement with the average time taken to re-let a home (including our homes for which demand is low) now reduced further to 19 days (2014 – 22 days). This has resulted in rents and other charges lost due to homes being empty reducing to below 0.42% of collectable rent across the year as illustrated in the graph below:



Following on from working in partnership with three social landlord partners to develop joint approaches to managing lower demand homes in the Caithness area, a choice based lettings initiative was agreed and implemented. From Monday 16 February 2015 all houses and flats in Wick and Landward Caithness, and flats in Thurso are being allocated through Choice Based Lettings. Vacant homes are advertised and applicants register an interest in that home. The homes are then allocated to the person with the most points, then whichever applicant has been on the waiting list the longest if more than one person has the same or no points. Preliminary indications show that the more desirable homes are being let more quickly but that the less desirable / lower demand homes remain difficult to let. The project outcomes are under regular review.

We also achieve high levels of satisfaction with the condition of our homes, with 94% of tenants responding to new tenancy surveys indicating that they are satisfied with the condition of their home when they move in.

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FOR THE YEAR ENDED 31 MARCH 2015

Rent Arrears

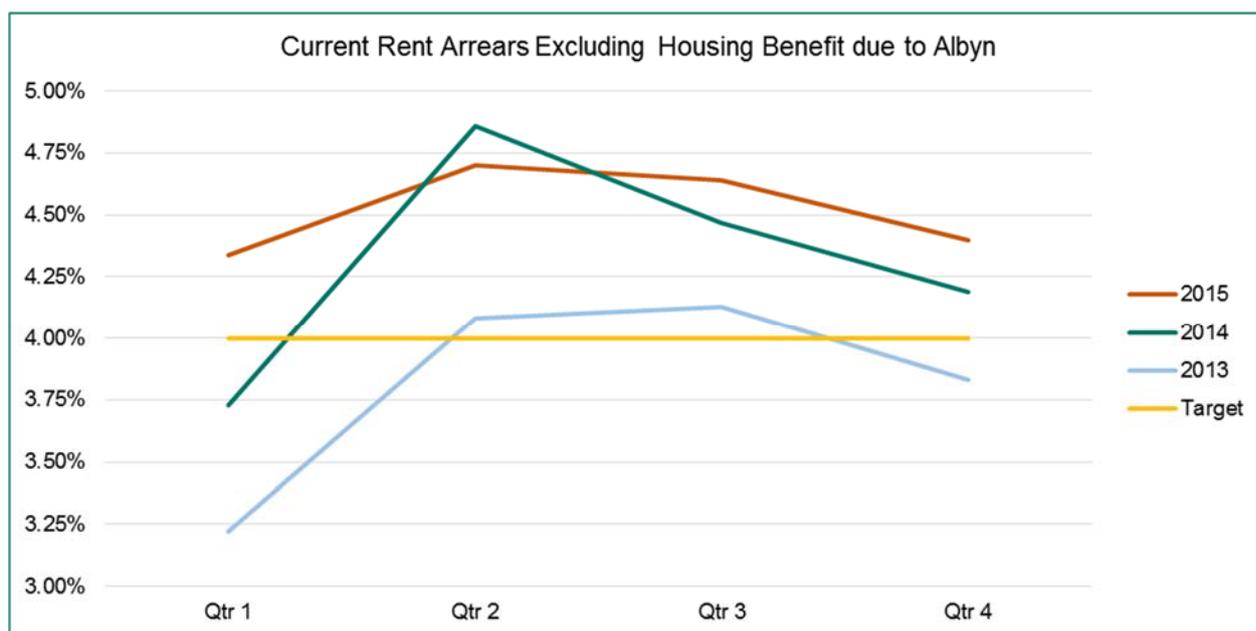
Rent arrears performance has held steady over the year. The allocation of arrears workload has been spread across the Customer Services Assistant and Officer base. We have improved our internal reporting and monitoring processes.

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 year end a total of 39 tenants were claimants of Universal Credit (“UC”). This number will grow as UC is 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 Internal Audit Report from February 2015 identified a number of priorities for the management of our rent arrears. The report has reinforced to the management team that there is a lot of work to be done internally in order to improve our processes and procedures which will then have a positive impact on our arrears levels. The Chief Operating Officer will be focussing on this over the coming months and a report on an Arrears Improvement Plan is going to the Board in June 2015.

The graph below details our current rent arrears quarterly performance:



We have increased our recovery of former tenancy debts by 26% in value compared to the previous year through the targeted use of resources within the team.

Collected during 2013/14	£46,662
Collected during 2014/15	£58,779

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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		2015	2014
Category 1	Most serious and involves criminal activity	10	23
Category 2	Deliberate attempt to cause disturbance or annoyance	94	117
Total		104	140

The number of reported nuisance and anti-social behaviour cases we have to deal with at any one time remains fairly constant and 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 eventual resolution. These cases invariably require close customer liaison and support.

The number of tenancies created in the previous financial year that were still successfully in place after a year remains high at 89.7% (2014 – 92%).

Tenancy Sustainment

Our Tenancy Sustainment (“TS”) Officers and Assistants continue to support the work of colleagues across the organisation. The majority of referrals come from colleagues and continue to be mostly for assistance with benefit claims and for help with housing debt and household budgeting advice, followed by assisting colleagues and contractors with access for essential safety checks and improvement contracts and for energy advice. The TS Assistants also have specific responsibility around New Tenancy Visits and settling tenants in their new homes.

Reactive Repairs

Our performance in Reactive Repairs shows improvement across the piece and is detailed in the following table:

Category	Performance Measure	Target	2015	2014
Emergency	Average time to complete	8 hours	2.42 hrs	3.28 hrs
Non-Emergency	Average time to complete	10 days	4.73 days	6.09 days
Right First Time			96.66%	94.12%

Category	Performance Measure	Target	2015	2014
Gas Servicing	Within 12 Mths of previous inspection	100%	99.8%	98.2%
	Within 13 Mths of previous inspection	100%	100.0%	100.0%

We were unable to complete all gas checks within the 12-month statutory requirement, with some checks falling into month 13 in the first half of the year. We did however complete all gas checks on time in the second six months. Any failure to meet the deadline is unsatisfactory and we have put in place extra safeguards and procedures to try and ensure that we meet the 12-month deadline for all properties going forward.

The total number of reactive repairs completed during the reporting year was 7,520 (2014 – 5,670). 94.2% of tenants who returned satisfaction slips were satisfied with the overall quality of our repairs service.

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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:

We were successful in a bid to Highlands & Islands Enterprise (“HIE”) for funding to recruit an Innovation Officer to take forward ideas and develop partnerships in the wider community. We were awarded £58,000 over the next 2 years for this purpose and the Officer was recruited to AEL in January 2015.

We were also 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 bid will enable us to deliver support to our tenants across Highlands from 1 April 2015, specifically focusing on the negative impacts of the introduction of Universal Credit and the effects of fuel poverty in the area.

We have been successful in sustaining our initial positive outcomes through Making Advice Work. An additional bid to the Scottish Legal Aid Board, secured an extension for a further 18 months, adding £200,000 grant to the £210,000 we have already received in AEL. This continuation funding also allowed us to broaden the scope of the project targeting a larger number of vulnerable tenants.

We are also continuing to develop our software platform to assist people to live safely in their homes. The software will support them to do this by giving them on-line access to the services they need. In this current year we have been successful in partnering with the Digital Health Institute in Scotland to test our assumptions based on need and access by tenants, and have also secured assistance from HIE to access advice around the appropriate legal structure for the project.

Asset Management & Investment Team

During 2014 we received the results of our stock condition survey. The survey covered over 1000 properties, covering 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 2020. The Board has approved a new build development programme of 100 units for rent per annum over the next five years, based on their confidence in our ability to borrow at economic rates as we go forward.

During the year we incurred expenditure as follows:

Replacement Type	2015	2014
	£000's	£000's
Energy Efficiency Measures	926	1,188
Window and Door Replacements	114	-
Kitchen Replacements	17	314
Bathroom Replacements	69	35
Individual Property Upgrades and Other Costs	87	93
Total	1,213	1,630

Due to our cautious assessment of development in terms of reducing grant levels and the availability of private finance during 2014, we had reduced our construction programme for the year ended 31 March 2015. We started work on a number of development projects during the year but the timing of some of these projects was delayed due to external factors and some completions of homes were delayed past the end of the year. We therefore only completed 2 homes for rent during the year to 31 March 2015 (2014 – 61) and no LIFT homes (2014 – 13):

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Developments completed in the year	Rented	LIFT	Total
The Paddock, Teanninich, Alness	2	0	2
Total	2	0	2

Two homes were bought from owners under the Scottish Government's Mortgage to Rent scheme during the year. We also bought back three shared ownership properties to be rented out by AEL under the Mid Market Rent provisions.

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

Development Funding	2015	2014
	£000's	£000's
Expenditure	4,712	2,425
Grant	2,571	1,553
Loan	-	-
Own resources	2,141	872

During the year the Asset & Investment Officers worked closely with Scottish Water ("SW") to review grants which have been unpaid for a number of years, as well as water treatment plants which have not yet been adopted by SW. Great progress has been made, with £126,000 of historic amounts now agreed between Albyn and SW and a further £94,000 of grants considered to be reasonably recoverable in the course of the coming year. We will continue to work with SW to ensure that all the grants due to us are collected in due course.

During the year, work continued on the Biomass Plant at Aviemore to bring it to a standard which means that it is in good working order and providing reliable heat to its 100 customers. The Board and management are now reviewing in detail the future of this plant and the best way to provide green heat to the Aviemore community.

Finance & Corporate Services Team

Albyn's Finance & Corporate Services Team which includes ICT and Human Resources continued to support the Albyn Group throughout the year. The team supported the Board in making further changes to the organisational structure and harmonising terms and conditions of employment during the year.

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.

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FOR THE YEAR ENDED 31 MARCH 2015

Albyn Enterprises Limited

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

AEL marketed 10 units (2014 – 6) for The Highland Council under the Low Cost Initiative for First Time Buyers programme.

AEL also acts as agent for the Scottish Government under the Developer New Supply Shared Equity (NSSE), 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 319 households (2014 – 137) by delivering grants to the value of £10,852,000 (2014 - £5,288,000).

In the year ended 31 March 2014 AEL recruited staff to take on the management of the Factoring and Service Charge activity undertaken by the Group. This work will enable the Albyn Group to focus on this activity so that a better service is delivered and a sustainable business is achieved. Control of the contracts and activities has been passed to this team with effect from 1 April 2015.

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 Issues

Credit Payment Policy

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

Rental Income

Albyn's Rent Policy is based on the size, type and facilities 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 4 (2014 – 1) properties under Right to Buy and 6 (2014 – 5) Shared Ownership properties.

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

Management Structure

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

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FOR THE YEAR ENDED 31 MARCH 2015

Risk Management Policy

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

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

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

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 charity's operations so that it becomes part of the culture of Albyn
- developed systems to respond quickly to evolving risks arising from factors within the charity and to changes in the external environment
- included procedures for reporting failings immediately to appropriate levels of management and the Board together with details of corrective action being undertaken.

Sustainability and Asset Management

The Albyn Sustainability Strategy was revised in May 2011, with a focus on sustaining Albyn as a business whilst helping improve the quality of life for the residents in our communities. This Strategy is supported by an Asset Management Plan which identifies initiatives for sustaining / improving the performance of our property assets. A revised Sustainability and Asset Management Strategy is being prepared and will be completed in the Summer of 2015.

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 ESSH. This includes replacement or repairs to parts of the properties which have come to the end of their economic lives. The costs of these repairs are charged to the Income and Expenditure Account, unless it is agreed they be capitalised within the terms outlined in the Statement of Recommended Practice for Registered Social Landlords.

Budgetary Process

Each year the Board approves the annual budget and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Board of variances from the budget, updated forecasts for the year 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.

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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 2015, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Quality and Integrity of Staff

The integrity and competence of staff 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 policy making. 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 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.

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FOR THE YEAR ENDED 31 MARCH 2015

Board

The Board of Albyn during the year to 31 March 2015 was as follows:

		Committees
Mr D Russell	Chair Person	Performance, SHSE
Mr G Sinclair	Vice Chair Person	Audit
Ms M Smith	Secretary	SHSE
Mrs I McLaughlan		Audit, Performance
Mr B Summerfield	Resigned 24 June 2014	
Mr J A Convery		Audit, Performance
Mrs S Slimon		Performance, SHSE
Mrs P Dingwall		Audit, SHSE
Mrs E Grant		Performance, SHSE
Mrs K Williams		Audit, SHSE
Mr T Solle		
Ms G Linden	Appointed 17 March 2015	Performance (tenant member)
Mr A McMaster	Appointed 17 March 2015	
Mr J W Oag	Resigned 19 August 2014	

Committees

Audit Committee

Performance Committee

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

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

Board and Officers' Insurance

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

Directors

The Directors of Albyn at 31 March 2015 were as follows:

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

Ms Helen Barton was Customer Services Director until 7 April 2015 when this post was made redundant.

Mr Robin Nairn was appointed as Chief Operating Officer on 1 April 2015 and the post of Finance & Corporate Services Director was made redundant on that date.

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Information for Auditors

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

Auditors

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

By order of the Board

Maxine Smith
Secretary
23 June 2015

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF BOARD RESPONSIBILITIES

31 MARCH 2015

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

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

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Albyn and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012. They are also responsible for safeguarding the assets of Albyn and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Maxine Smith
Secretary
23 June 2015

ALBYN HOUSING SOCIETY LIMITED

BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

31 MARCH 2015

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

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

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

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

In fulfilling its responsibilities above, the Board requires an independent firm of auditors to carry out an Internal Audit of the systems and processes in place each year, ensuring that all key areas of operations are independently reviewed at least once every three years. The Internal Auditors (Mazars) presented their findings in their annual report to the Audit Committee on 21 April 2015.

The Board has reviewed the system of internal financial control in Albyn during the year ended 31 March 2015. While generally positive about the systems and processes in place in the Society, there were a number of weaknesses and areas requiring improvement identified, as well as some recommendations made for ways in which systems and processes might benefit from further improvement. The Management Team has reviewed and agreed the comments in these reports and plans are in place to address weaknesses and areas requiring improvement during the year ending 31 March 2016.

No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties, or which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Board

Maxine Smith
Secretary
23 June 2015

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALBYN HOUSING SOCIETY LIMITED
ON INTERNAL FINANCIAL CONTROLS

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 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 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.

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

Date

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ALBYN HOUSING SOCIETY LIMITED

We have audited the financial statements of Albyn Housing Society Limited for the year ended 31 March 2015 on pages 18 to 39. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Society's members as a body, in accordance with 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.

Respective responsibilities of the Board and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012.

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.

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

Date

ALBYN HOUSING SOCIETY LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £000's	2014 £000's
Turnover	2	11,945	14,504
Operating Costs	2	(9,439)	(11,974)
Operating Surplus	6	<u>2,506</u>	<u>2,530</u>
Sale of fixed assets	5	161	95
Interest receivable	8	18	16
Interest payable and other charges	9	(1,795)	(1,569)
Exceptional loss	10	-	(3,132)
Surplus / (Deficit) on ordinary activities		<u>890</u>	<u>(2,060)</u>
Donations		-	-
Surplus / (Deficit) on ordinary activities before tax		<u>890</u>	<u>(2,060)</u>
Taxation on surplus on ordinary activities	11	-	-
Surplus / (Deficit) for the year		<u><u>890</u></u>	<u><u>(2,060)</u></u>

The results relate to continuing activities.

There were no surpluses or deficits for the year ended 31 March 2015 other than those disclosed above.

ALBYN HOUSING SOCIETY LIMITED

BALANCE SHEET

AT 31 MARCH 2015

		2015		2014	
	Notes	£000's	£000's	£000's	£000's
Tangible fixed assets	12				
Housing properties - gross cost less depreciation less Housing Association Grant less Other Grants			211,932 (139,876) (9,098) <u>62,958</u>	208,574 (137,550) (9,119) <u>61,905</u>	
Investments					
Homestake Loan	13	2,314		2,537	
Homestake Grant	13	<u>(2,314)</u>		<u>(2,537)</u>	
			-		-
Other fixed assets	14		<u>2,105</u>	<u>2,152</u>	
			65,063	64,057	
Current assets					
Stock - LIFT Properties in Development	15	1,211		693	
Debtors	16	1,656		2,936	
Bank and Cash in hand		<u>3,345</u>		<u>4,038</u>	
		6,212		7,667	
Current liabilities					
Creditors due within one year	17	<u>(5,021)</u>		<u>(5,294)</u>	
Net current assets			1,191	2,373	
Total assets less current liabilities			<u>66,254</u>	<u>66,430</u>	
Creditors: amounts falling due after more than one year	18		(52,515)	(53,343)	
Provisions for liabilities and charges	19		(4,963)	(5,201)	
Net assets			<u>8,776</u>	<u>7,886</u>	
Capital and reserves					
Share capital	20		1	1	
Revenue reserves	21		8,775	7,885	
			<u>8,776</u>	<u>7,886</u>	

These financial statements were approved and authorised for issue by the Board on 23 June 2015.

Douglas Russell - Chair

Gavin Sinclair - Vice Chair

Maxine Smith - Secretary

ALBYN HOUSING SOCIETY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

	2015		2014	
	£000's	£000's	£000's	£000's
Operating Surplus		2,506		2,530
Depreciation	2,281		2,039	
Movement in stock	(518)		1,288	
Movement in debtors	336		93	
Movement in creditors	(701)		1,445	
Movement in pension past service deficit	186		-	
		<u>1,584</u>		<u>4,865</u>
Net cash inflows from operating activities		4,090		7,395
Donations received	-		-	
Interest received	18		16	
Interest paid	(1,795)		(1,569)	
		<u>(1,777)</u>		<u>(1,553)</u>
Net cash inflows from returns on investments and servicing of finance		2,313		5,842
Taxation		<u>-</u>		<u>-</u>
		2,313		5,842
Capital expenditure and financial investment				
Development of own property	5,520		5,187	
Less Grants on own property	(3,677)		(313)	
	<u>1,843</u>		<u>4,874</u>	
Disposal of property	(280)		(226)	
	<u>1,563</u>		<u>4,648</u>	
Acquisition of other fixed assets	55		31	
Payments to pension past service deficit	424		-	
		<u>(2,042)</u>		<u>(4,679)</u>
Net cash (outflows) from investing activities		(2,042)		(4,679)
Net cash inflows before financing		271		1,163
Financing				
Loans received for housing	-		2,000	
Loans repaid	(964)		(677)	
		(964)		1,323
Movement in cash		<u>(693)</u>		<u>2,486</u>

Note 22 should be read in conjunction with this statement.

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2015

1 Principal Accounting Policies

Albyn 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. Albyn adopted Charitable Rules on 18 March 1997 and its Charity Number is SC 027123.

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom including the Statement of Recommended Practice (SORP) and in compliance with The Determination of Accounting Requirements – April 2012. A summary of the accounting policies which have been applied consistently is stated below.

a Basis of Accounting

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

b Consolidation

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

c Turnover

Turnover represents rental and service charge income, fees and revenue based grants receivable which is recognised when the service is provided.

d Mortgages

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

e Tangible Fixed Assets - Housing properties [Note 12]

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

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

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

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2015

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

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 the grant awarding body.

g **Other Grants**

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

h **Depreciation**

i) **Housing Properties**

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

Land	Not depreciated
Main Fabric	100 Years
Roof	70 Years
Windows and Doors	30 Years
Heating	15 Years
Kitchen	20 Years
Bathroom	30 Years
Other Mechanical and Engineering Works	30 Years

The expected useful lives listed above are an estimate for accounting purposes which we hope will closely approximate the actual lives of the components in our homes. Our policy when replacing components however is not to simply replace components based on their expected useful lives but to assess each component's condition and actual wear and tear, to determine the most cost effective use of our resources each year.

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%

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2015

i Impairment of Fixed Assets

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

j Low Cost Initiatives for First Time Buyers (LIFT)

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

k Properties for Sale

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

l Sales of Housing Accommodation

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

m Shared ownership

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

n Leases and Hire Purchase Contracts

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

o Taxation

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

p Value Added Tax

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

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2015

q Pension Schemes

Until 31 March 2014 the Society participated in the centralised Scottish Housing Associations' 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.

This scheme is now closed to all staff and the Society now participates in the centralised Scottish Housing Associations' defined contribution pension scheme.

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

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2015

2 Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover £000s	Operating Costs £000s	2015 £000s	2014 £000s
Social Lettings Activities	11,588	(8,554)	3,034	3,110
Other Activities	357	(885)	(528)	(580)
Total	11,945	(9,439)	2,506	2,530
2014	14,504	(11,974)	2,530	

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

	General Needs Housing £000s	Shared Ownership Housing £000s	2015 £000s	2014 £000s
Income				
Rent Receivable Net of Service Charges	10,935	330	11,265	10,830
Service Charges	349	20	369	353
Gross Income from Rents and Service Charges	11,284	350	11,634	11,183
Less Voids	(46)	-	(46)	(53)
Total Turnover from Social Letting Activities	11,238	350	11,588	11,130
Expenditure				
Management and Maintenance Administration Costs	3,223	188	3,411	3,187
Service Costs	495	20	515	453
Planned and Cyclical Maintenance including Major Repairs Costs	675	-	675	523
Reactive Maintenance Costs	1,568	-	1,568	1,616
Bad Debts - Rents and Service Charges	206	-	206	272
Depreciation of Social Housing	2,167	12	2,179	1,969
Operating Costs for Social Letting Activities	8,334	220	8,554	8,020
Operating Surplus for Social Lettings	2,904	130	3,034	3,110
2014	2,961	149	3,110	

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2015

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

	Supporting People Activities £000's	Wider Role Activities £000's	Development Activities £000's	Properties for Sale £000's	Other activities £000's	2015 £000's	2014 £000's
Grants from Scottish Ministers	-	-	-	-	-	-	-
Supporting People Income	-	-	-	-	-	-	-
Other Income	-	-	256	-	101	357	3,374
Total Income	-	-	256	-	101	357	3,374
Other Operating Costs	-	-	(784)	-	(101)	(885)	(3,954)
Operating Deficit	-	-	(528)	-	-	(528)	(580)
2014	-	-	(580)	-	-	(580)	

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

5 a Sale of Housing Properties

Sale proceeds	464	440
Cost of sales	(289)	(333)
Gain on disposal	<u>175</u>	<u>107</u>

5 b Loss on disposal of components

	<u>(14)</u>	<u>(12)</u>
--	-------------	-------------

6 Operating surplus

Operating surplus is stated after charging

Staff costs [see note 7]	2,671	2,616
Auditors' remuneration	18	17
Depreciation on heritable property	2,179	1,969
Depreciation on other fixed assets	<u>102</u>	<u>70</u>

Baker Tilly received £ nil (2014 - £ nil) for professional services other than audit.

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2015

7 Directors and employees	2015	2014
	£000's	£000's
[a] Staff costs including Directors' emoluments		
Wages	2,052	2,068
Social security	229	177
Other pension costs	390	371
	<u>2,671</u>	<u>2,616</u>
Temporary, seconded and agency staff costs	12	139
Development administration capitalised	(85)	-
	<u>2,598</u>	<u>2,755</u>
	No	No
Average full time equivalent number employed		
Finance and Corporate Services	11	11
Customer Services	36	35
Asset Management and Investment	11	13
	<u>58</u>	<u>59</u>
 [b] Directors' emoluments		
The Directors are defined as the members of the Board, the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments excluding pension contributions exceed £60,000 per year.		
	£	£
Aggregate Emoluments payable to Directors (excluding pension contributions but including benefits in kind)	<u>217,747</u>	<u>290,106</u>
Pension Contributions payable on behalf of Directors	<u>21,927</u>	<u>25,978</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>87,897</u>	<u>85,758</u>
Albyn Housing Society Limited's contribution to the pension scheme for this director is £9,691 (2014 - £7,740).		
Other Directors excluding pension contributions	No	No
	60,001	70,000
	2	3
No member of the Board received any emoluments in respect of their services to the Society. Expenses paid to Board Members totalled £6,847 (2014 - £9,718).		
 8 Interest receivable and other income	2015	2014
	£000's	£000's
Interest receivable from banks	<u>18</u>	<u>16</u>
 9 Interest payable and other charges		
Banks and Building Society loans	1,795	1,569
Interest Capitalised as part of Development Costs	-	200
	<u>1,795</u>	<u>1,769</u>

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2015

10 Exceptional Loss	2015 £000's	2014 £000's
Increase in provision for Past Service Deficit on defined benefit pension fund	-	<u>3,132</u>

11 Corporation Tax

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 Fixed Assets - Housing Property

	Housing Properties			Total £000's
	Rented Occupation £000's	Shared Ownership £000's	Under Construction £000's	
Cost				
1 April 2014	211,237	5,555	7,151	223,943
Additions	1,000	-	4,923	5,923
Transfers	1,310	-	(1,310)	-
Disposals	(503)	(292)	-	(795)
31 March 2015	<u>213,044</u>	<u>5,263</u>	<u>10,764</u>	<u>229,071</u>
Depreciation				
1 April 2014	15,162	207	-	15,369
Charge for year	2,167	12	-	2,179
Disposals	(399)	(10)	-	(409)
31 March 2015	<u>16,930</u>	<u>209</u>	<u>-</u>	<u>17,139</u>
Housing Association Grant				
1 April 2014	129,635	4,155	3,760	137,550
Additions	358	-	2,214	2,572
Transfers	-	-	-	-
Disposals	(22)	(224)	-	(246)
31 March 2015	<u>129,971</u>	<u>3,931</u>	<u>5,974</u>	<u>139,876</u>
Other Grants				
1 April 2014	9,093	21	5	9,119
Additions	-	-	-	-
Transfers	-	-	-	-
Disposals	(20)	(1)	-	(21)
31 March 2015	<u>9,073</u>	<u>20</u>	<u>5</u>	<u>9,098</u>
Net Book Value				
31 March 2015	<u>57,070</u>	<u>1,103</u>	<u>4,785</u>	<u>62,958</u>
31 March 2014	<u>57,347</u>	<u>1,172</u>	<u>3,386</u>	<u>61,905</u>

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2015

12 Fixed Assets - Housing Property (continued)	2015 £000's	2014 £000's
Total cost of development administration	(869)	(1,080)
Development income from third parties	256	185
Development administration capitalised	85	315
Deficit on development administration	<u>(528)</u>	<u>(580)</u>
HAG received against this expenditure	<u>-</u>	<u>275</u>
Interest capitalised	<u>-</u>	<u>200</u>

As at 1 April 2010, 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%. These valuations have been undertaken on a consistent basis to that undertaken previously. Properties developed since April 2010 have not been included in the valuation.

The valuation has not been incorporated in the financial statements.

Albyn Housing Society Limited would not be able to sell its properties at these values without repaying HAG from the proceeds of the sale. At 31 March 2015 total HAG received in respect of these properties amounted to £113 million.

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

13 Investments	2015 £000's	2014 £000's
Homestake Loans made to the Homestake Owner	2,314	2,537
Homestake Grants	(2,314)	(2,537)
	<u>-</u>	<u>-</u>

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

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2015

14 Fixed Assets

Other Fixed Assets

	Office £000's	Equipment £000's	Total £000's
Cost			
1 April 2014	2,400	571	2,971
Additions	35	20	55
Disposals	-	-	-
31 March 2015	<u>2,435</u>	<u>591</u>	<u>3,026</u>
Grant			
1 April 2014	75	-	75
Additions	-	-	-
Disposals	-	-	-
31 March 2015	<u>75</u>	<u>-</u>	<u>75</u>
Depreciation			
1 April 2014	332	412	744
Charge	38	64	102
Disposals	-	-	-
31 March 2015	<u>370</u>	<u>476</u>	<u>846</u>
Net Book Value			
31 March 2015	<u>1,990</u>	<u>115</u>	<u>2,105</u>
31 March 2014	<u>1,993</u>	<u>159</u>	<u>2,152</u>

15 Stock - LIFT Properties in Development

	2015 £000's	2014 £000's
Cost of developing properties	4,300	3,026
Grant received to develop properties	(3,089)	(2,333)
	<u>1,211</u>	<u>693</u>

16 Debtors

Rent in Arrears	1,287	1,098
less Bad debt provision	<u>(566)</u>	<u>(430)</u>
	721	668
Other debtors	703	1,999
Prepayments and accrued income	232	269
	<u>1,656</u>	<u>2,936</u>

Included in debtors is an amount of £228,000 (2014 - £693,000) relating to payments due from the Scottish Government. £228,000 (2014 - £693,000) relates to capital and £ nil (2014 - £ nil) to revenue activities.

Included in other debtors is £122,000 (2014 - £ 125,000) due from Albyn Enterprises Limited of which £119,000 (2014 - £122,000) is due after more than 1 year.

ALBYN HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2015

17 Creditors due within one year	2015 £000's	2014 £000's
Loans [see note 18]	1,336	1,472
Trade creditors	1,545	1,628
Other taxation and social security	92	85
Other creditors	1,497	1,713
Accruals and deferred income	551	396
	<u>5,021</u>	<u>5,294</u>

Included in creditors is an amount of £986,000 (2014 - £779,000) relating to payments due to the Scottish Government. £986,000 (2014 - £779,000) relates to capital and £ nil (2014 - £ nil) to revenue activities.

Included in other creditors is £63,000 (2014 - £ 130,000) due to Albyn Enterprises Limited.

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

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% (2014 - 0% to 5.47%).

Loans	<u>52,515</u>	<u>53,343</u>
Analysis of loan repayments		
In the next year	1,336	1,472
In the second year	861	870
In the third to fifth year	2,700	2,675
In more than five years	48,954	49,798
	<u>53,851</u>	<u>54,815</u>

19 Provisions for liabilities and charges

Pensions liability

Past Service Deficit on defined benefit pension fund	<u>4,963</u>	<u>5,201</u>
1 April 2014	5,201	2,069
Contributions made in the year	(424)	-
Increase in provision in the year	186	3,132
31 March 2015	<u>4,963</u>	<u>5,201</u>

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20 Called up Share Capital

	2015		2014	
	No	£	No	£
Allocated, allotted, called up and fully paid Ordinary shares of £1 each				
1 April 2014	78	78	96	96
Issue of share capital in year	2	2	5	5
Cancelled shares	<u>(9)</u>	<u>(9)</u>	<u>(23)</u>	<u>(23)</u>
31 March 2015	<u>71</u>	<u>71</u>	<u>78</u>	<u>78</u>

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

21 Reserves

	2015	2014
	£000's	£000's
1 April 2014	7,885	9,945
Surplus / (Deficit) for the year	890	(2,060)
31 March 2015	<u>8,775</u>	<u>7,885</u>

22 Cashflow analysis

Analysis of changes in Cash during the year

	2015	2014
	£000's	£000's
1 April 2014	(50,777)	(51,943)
Movement	271	1,166
31 March 2015	<u>(50,506)</u>	<u>(50,777)</u>

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

	2015	Change	2014
	£000's	£000's	£000's
Bank and Cash in hand	3,345	(693)	4,038
Loans	(53,851)	964	(54,815)
	<u>(50,506)</u>	<u>271</u>	<u>(50,777)</u>

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 2015 Albyn Housing Society Limited has a loan facility in place which is available to be drawn down. The amount available is £8m.

Albyn Housing Society Limited is self funding £1,211,000 (2014 - £693,000) which relates to Albyn Housing Society Limited's LIFT Activities.

Albyn Housing Society Limited, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2015 Albyn Housing Society Limited has a mix of fixed and variable rate finance, which it considers appropriate at this time.

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23 Obligations under lease agreements		2015	2014
		£000's	£000's
The following payments are committed to be paid within one year:			
Land and Buildings	Expiring		
	In the next year	14	-
	In the second year	16	-
	In the third to fifth year	19	43
	In more than five years	-	2
		<u>49</u>	<u>45</u>
Other assets	Expiring		
	In the next year	5	62
	In the second year	-	5
	In the third to fifth year	-	-
	In more than five years	-	-
		<u>5</u>	<u>67</u>

24 Related Party Transactions

Board Members

A member of the Board of Albyn Housing Society Limited is also a tenant of Albyn. All matters arising from that member's tenancy are dealt with under the laid down Policies and Procedures of Albyn Housing Society Limited which apply 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, a company incorporated in Scotland. All of the directors of Albyn Enterprises Limited are Board Members of Albyn Housing Society Limited.

During the year Albyn Enterprises Limited made a Profit after Taxation of £62,000 and agreed to make a Gift Aid payment to Albyn Housing Society Limited, leaving accumulated reserves of £115,000.

During the year Albyn Enterprises Limited marketed and sold 1 (2014 - 17) Low Cost Initiative for First Time Buyers property on behalf of Albyn Housing Society Limited and was paid £1,000 for its services (2014 - £21,000). Albyn Enterprises Limited also marketed 10 (2014 - 12) Shared Ownership properties for Albyn Housing Society Limited and was paid £5,000 for its services (2014 - £6,000).

In the year ended 31 March 2015, Albyn Housing Society Limited funded the new Factoring Services team employed by Albyn Enterprises Limited as the team prepared to take over the group's factoring activities with effect from 1 April 2015. This funding amounted to £61,000 in the year (2014 - £17,000). Albyn Housing Society Limited also funded part of the salary for the new Innovation Officer post from January 2015, and the funding advanced to Albyn Enterprises Limited to 31 March 2015 totalled £2,000 (2014 - £nil).

Albyn Enterprises Limited leased 8 (2014 - 6) properties for Mid Market Rent from Albyn Housing Society Limited during the year ended 31 March 2015 and paid a total of £25,000 (2014 - £15,000) in lease charges.

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24 Related Party Transactions (continued)

In 2012, Albyn Housing Society Limited advanced a loan of £128,000 to Albyn Enterprises Limited to enable it to purchase photovoltaic units installed on certain properties owned by Albyn Housing Society Limited. The Loan will be repaid over 25 years funded by receipts of Feed in Tariffs from the Government.

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

At the year end Albyn Enterprises Limited owed Albyn Housing Society Limited £122,000 (2014 - £125,000), which is included in other debtors in note 16, and Albyn Housing Society Limited owed Albyn Enterprises Limited £63,000 (2014 - £130,000) which is included in other creditors in note 17.

25 Housing Stock	Tenanted	Managed on behalf of others	Shared Ownership	2015 No	2014 No
The number of properties in management were as follows:					
1 April 2014	2,788	22	167	2,977	2,922
Additions during the year	4	-	-	4	66
Conversion from Shared Ownership	3	-	(3)	-	-
Disposals	(4)	-	(7)	(11)	(11)
31 March 2015	<u>2,791</u>	<u>22</u>	<u>157</u>	<u>2,970</u>	<u>2,977</u>

26 Capital Commitments

	2015 £000's	2014 £000's
Expenditure contracted less certified	<u>6,501</u>	<u>4,461</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.

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27 Pension Obligations – SFHA Defined Benefit Scheme

Until 31 March 2014 Albyn Housing Society Limited participated in the Scottish Housing Associations' Defined Benefit Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

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

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

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. 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 £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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

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

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

Albyn Housing Society Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for Albyn Housing Society Limited was £13,964,564.

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

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

The Scheme offers six benefit structures to employers, namely:

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

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.

Until 31 March 2014 Albyn Housing Society Limited elected to operate the final salary with a 1/60th accrual rate benefit option for active members as at 31 March 2009 and the career average revalued earnings with a 1/60th accrual rate benefit option for new entrants from 1 April 2009. With effect from 1 April 2014 Albyn Housing Society Limited has closed the Defined Benefit 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 57 active members of the Scheme employed by Albyn Housing Society Limited. The annual pensionable payroll in respect of these members was £1,909,000.

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

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

2012 Valuation Assumptions	% p.a.
Investment return pre retirement	5.3
Investment return post retirement - Non-pensioners	3.4
Investment return post retirement - Pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

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Mortality Tables	
Non-pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

Additional deficit contributions are payable from 1 April 2014 and will increase by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

28 Pension Obligations – Pension Trust – Growth Plan

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

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

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

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

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

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

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by

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the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

Albyn Housing Society Limited paid no contributions to the Growth Plan during the accounting period. Members paid contributions at the rate of 5% during the accounting period. As at the balance sheet date there were no active members of the Plan employed by Albyn Housing Society Ltd. Albyn Housing Society Ltd has closed the Plan to new entrants.

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

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

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

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

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

The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

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

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens

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the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

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

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

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

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

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

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

Albyn Housing Society Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2013. As of this date the estimated employer debt for the Society was £71,326.