

ALBYN HOUSING SOCIETY LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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

ALBYN HOUSING SOCIETY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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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
Charity Number	SC027123

ALBYN HOUSING SOCIETY LIMITED
BOARD, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2019

Board

S Smith
D Russell
M Smith
J Convery
I Fosbrooke
J Carr
L Clow

Executive Officers

M Macaulay
R Nairn

Registered Office

98-104 High Street
Invergordon
IV18 0DL

Auditor

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

Internal Auditor

Mazars LLP
One St Peters Square
Manchester
M2 3DE

Bankers

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

Solicitors

Harper MacLeod LLP
Citypoint 65
Haymarket Terrace
Edinburgh
EH12 5HD

ALBYN HOUSING SOCIETY LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2019

The Board presents its report and the audited financial statements for the year ended 31 March 2019.

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 is currently reviewing its core values and behaviours and will implement any changes during 2019.

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

The table below shows the homes that we manage:

Managed Property Numbers	2019	2018
Tenanted Properties	3,072	2,913
Managed on Behalf of Others	16	16
Shared Ownership Properties	124	133
Properties Leased to AEL for Mid Market Rent	127	90
Total	3,339	3,152

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Financial Review

Albyn made a surplus of £1,997,000 (2018 – £2,649,000) during the year. The consolidated results of Albyn and its trading subsidiaries, Albyn Enterprises Limited (“AEL”) and Highland Residential (Inverness) Limited (HRL) gave a surplus of £1,955,000 (2018 - £2,623,000).

The surplus recorded for the financial year to 31 March 2019 includes charges for the first time to the statement of comprehensive income for the defined benefit pension scheme. The surplus for the year prior to these charges was £2,688,000 (2018 - £2,649,000) for the Society and £2,646,000 (2018 – 2,623,000) for the consolidated result of the Society and trading subsidiaries.

The SHAPS pension scheme had previously been treated as a defined contribution scheme in line with FRS 102 with a liability of £1,807k recognised as at 31st March 2018 based on the Net Present Value of the past service deficit funding agreement. Due to recent developments as at 1st April 2018 the share of assets and liabilities per employer is now available such that the scheme can now be accounted for on a defined benefit basis. Further detail in relation to this change in accounting is included in the accounting policy on page 28 and Note 31 to the financial statements.

The new defined benefit liability as at 1st April 2018 is £2,158k, resulting in a remeasurement through other comprehensive income of £351k. The new defined benefit liability as at 31st March 2019 is £2,109k. This has therefore resulted in an increase in the liability at 31 March 2019 of £302k.

The introduction of the defined benefit accounting basis has had the effect of increasing the opening pension deficit liability by £351k from £1,807k to £2,158k. During the financial year deficit reduction payments have been made of £454k which have been offset by an actuarial loss of £340k and other charges to the Statement of Comprehensive Income of £65k, arriving at a closing liability at 31 March 2019 of £2,109k.

Future deficit reduction payments will be made during the 2019/20 financial year of £482,149 as advised by the scheme Trustees.

Due to the unpredictable nature of the underlying assumptions in calculating the future liability, there is likely to be some volatility in the pension liability at each financial year end.

Albyn has held discussion with its main bankers and as the movement on the liability is a non-cash movement, it does not anticipate there being any adverse impact on the societies loan covenants.

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

Albyn remains in a strong financial position; we continue to have a substantial major repair investment programme with work to comply with the Scottish Housing Quality Standards (“SHQS”) and the Energy Efficiency Standard for Social Housing (“EESH”) by 2020, as well as maintaining the quality of our homes. We have budgeted for expenditure on improvements to our homes of £2.5m in the next financial year, with our ongoing budget for improvements being in excess of £2m each year going forward.

In July 2016 the Board of Albyn approved an increase to our plans for building new homes, increasing the original target of 500 homes over five years between 2016 and 2020 to **750** homes. We obtained £30m of new Private Placement funding in February 2017 and this is expected to fund at least 500 of our planned new homes. The Board has reached agreement in principle to continue to develop after the end of the 2019/20 financial year subject to the political and grant funding climate. This is expected to be at the rate of around 150 units per year.

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

Development and Performance

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

Corporate Governance

Albyn has a Board (detailed on page 14) 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 majority of members of the Board undertake this work in a voluntary, unpaid capacity. During the financial year, the Board agreed that it would make limited payments to some post holders on the Board. This includes the role of Chair, Vice-Chair, Audit Committee Chair and Company Secretary. The payments made in the financial year are disclosed in note 8 to the accounts.

The Executive Team (listed on page 14) together with the managers has been responsible for achieving the set strategy and undertaking the operational activities in line with the agreed policies throughout the year.

On 31 May 2019 the current Chief Executive left the Society after 28 years of service. The Board completed a successful recruitment process and Lisa Buchanan joined the Society as new Group Chief Executive from 10 June 2019.

The revised Regulatory Plan, issued in March 2019 by the Scottish Housing Regulator, defined their engagement with Albyn as Medium on the basis of their risk assessment. The plan identified Albyn's level of new build development activity as a particular area of risk.

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

Operational Review

During the past 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

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FOR THE YEAR ENDED 31 MARCH 2019

We created a Customer Services Team, Asset Management & Investment Team and a Finance & Corporate Services Team. This structure has remained in place for the past five years. We have continued to develop operational and job processes, and performance reporting processes, with training tailored to individual requirements. During the year we continued to make impressive improvements in our rent collection figures. We also reviewed our void procedures and these have almost halved the number of days that a property is empty. We also continued to improve our knowledge of our properties with continued surveys and implementation of SAP 2012 as our basis for rating the energy efficiencies of our properties. All of these changes are delivering the improvements aimed for above.

Customer Services Team

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

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

During the financial year we ran an open tender process to procure a new Housing management System which will be implemented during the 2019/20 financial year. This will enable further progress to be made to improve effectiveness of our processes for the benefit of our tenants and services.

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

We are committed to ensuring our tenants have direct input into our service delivery and are continually looking for new ways to enable them to do this. We have developed a number of specialist focus groups where tenants can participate and gain knowledge in areas of interest to them. We commissioned another full survey during the early part of 2019 which showed a slight reduction in overall satisfaction to 84% and will be acting upon the findings of the survey over the next 12 months.

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

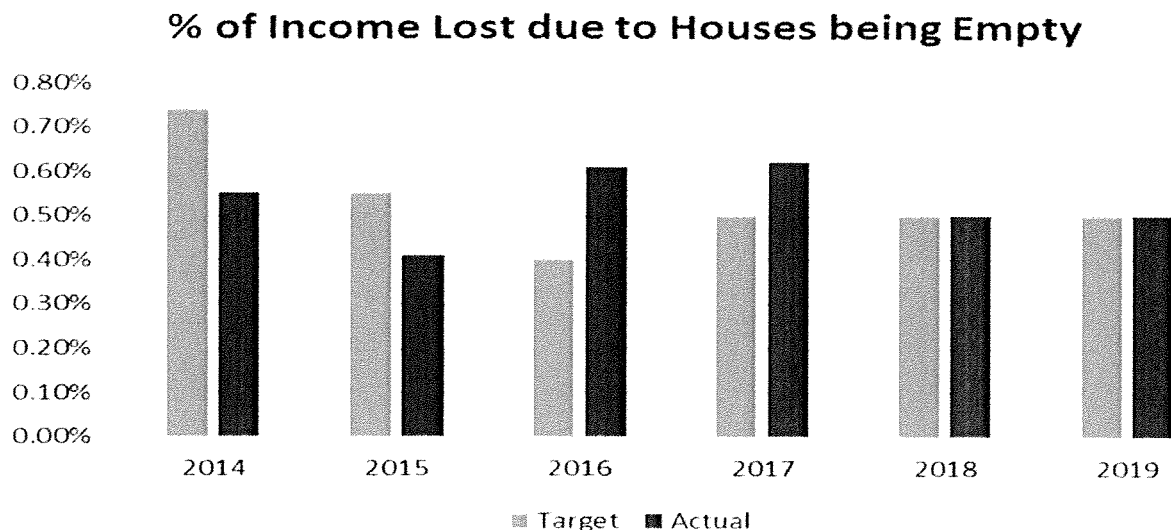
Allocations

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

Families re-homed in the year	2019	2018
Re-lets	237	254
New Build / other Acquisitions	161	56
Total	398	310
Average Days taken to fill an empty home	8	11

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The average number of days taken to fill our empty homes has resulted in rents and other charges lost due to homes being empty being consistent at 0.50% in the year (2017 - 0.50%) of collectable rent across the year despite an increase in the total number of properties that became void as illustrated in the graph below:



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

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

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

Rent Arrears

Rent arrears performance has remained consistent with the previous year despite the challenges of UC roll out. The allocation of arrears workload has been spread across the Officer and Assistant group, we have continued to improve our internal reporting and monitoring processes, and we have developed stronger early-intervention processes.

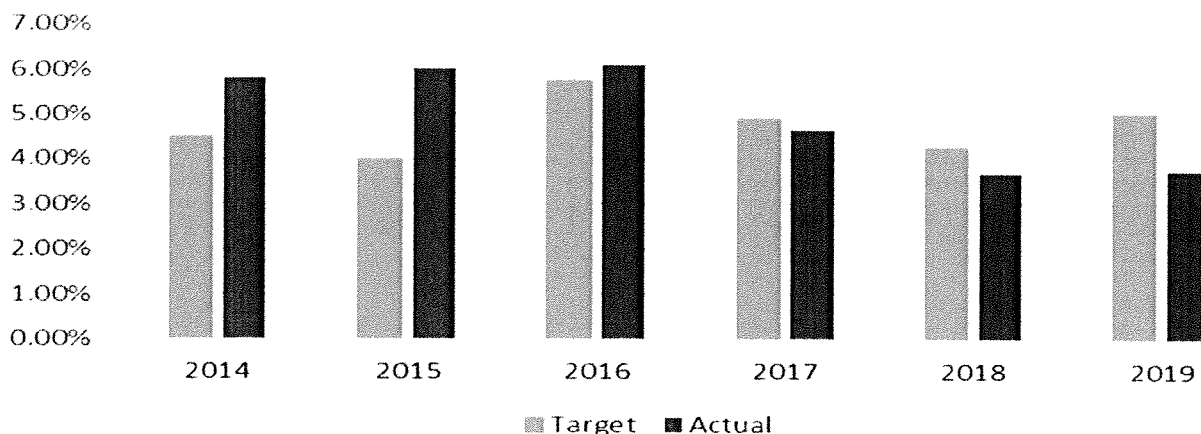
Many of our customers remain affected by the “bedroom tax”. Discretionary Housing Payments have been in place for those affected and this helped to alleviate the shortfall in Housing Benefit and the negative financial impact on the tenants concerned.

At the end of the year a total of 864 tenants (2018 - 596) were UC claimants. This number has grown as UC has been rolled out across our whole customer base in the Highlands. We have been working on a number of initiatives with local RSLs and the Highland Council to establish good working relationships and practices with the Department for Work and Pensions.

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

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



Tenancy Management

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

Number of ASB Cases opened in the year		2019	2018
Category 1	Most serious and involves criminal activity	41	47
Category 2	Deliberate attempt to cause disturbance or annoyance	80	100
Total		121	147

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

The number of tenancies created in the financial year that were still successfully in place after a year remains high at 97.27% (2018 – 93.63%).

Reactive Repairs

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

Category	Performance Measure	Target	2019	2018
Emergency	Average time to complete	8 hours	3.90 hrs	3.40 hrs
Non-Emergency	Average time to complete	10 days	3.27 days	4.60 days
Right First Time			90.38%	88.90%

The total number of reactive repairs completed during the reporting year was 6,606 (2018 – 6,307). 87.4% (2018 – 93.88%) of tenants who returned the satisfaction survey were satisfied with the overall quality of our repairs service.

The number of repairs completed Right First Time has improved compared to last year.

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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 AEL to assist it in achieving the following:

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

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

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

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

Asset Management & Investment Team

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

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

Replacement Type	2019	2018
	£000's	£000's
Energy Efficiency Measures	1,066	1,104
Window and Door Replacements	676	650
Kitchen Replacements	152	121
Bathroom Replacements	240	1
Individual Property Upgrades and Other Costs	81	175
Total	2,215	2,051

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

Category	Performance Measure	Target	2019	2018
Gas Servicing	Within 12 Mths of previous inspection	100%	100.0%	100.0%
	Within 13 Mths of previous inspection	100%	100.0%	100.0%

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In July 2016 the Board approved an increase to the new build development programme from 500 homes for rent over the five years ending March 2020 up to 750 new homes. These plans were given a major boost when we secured the £30m of new Private Placement funding in February 2017. We completed or purchased 196 homes for rent during the year to 31 March 2019 (2018 - 98)

In addition to the new properties we built or purchased below, we bought back 6 shared ownership properties to be rented out by HRL under the Mid Market Rent (MMR) provisions.

Developments completed in the year	Rented	MMR	Total
Inverlochy Crescent, Inverness	4		4
Aird Crescent, Kirkhill	8		8
Stewart Campbell Court, Alness	16		16
Blair Grove, Inverness	11		11
Sluggan Drive, Aviemore	10		10
Sluggan Drive, Aviemore		4	4
Inverlochy Crescent, Inverness	7		7
Alastair Munro Court, Alness	8		8
Broom Court, Conan Bridge	21		21
Broom Court, Conan Bridge		4	4
Larch Crescent, Alness	2		2
Teanahoun Drive, Conan Bridge	14		14
Inverlochy Crescent, Inverness	8		8
Bridgeview Court, Conan Bridge	4		4
Bridgeview Court, Conan Bridge		10	10
Atholl Place, Inverness	14		14
Dal of Borlum, Drumnadrochit	11		11
Farnack Street, Nairn	15	8	23
Larch Crescent, Alness		2	2
Allan Gardens, Dornoch	8		8
Kennedy Avenue, Dornoch	4	3	7
Total	165	31	196

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

Development Funding	2019	2018
	£000's	£000's
Expenditure	25,723	8,408
Grant	14,463	4,554
Loan	11,260	3,854
Own resources	-	-

Finance & Corporate Services Team

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

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The team has continued to work with the operational teams both in Albyn, AEL and HRL to provide up to date and streamlined processes and systems to help them provide good service to our customers on a day to day basis.

The Board approved a new ICT strategy in March 2016, and we have continued to work with users to strive towards the improvements envisaged in this document. A step in this process has been the implementation of Office 365 and we are working towards realising the security and other benefits which this software provides for staff working while out and about. In addition, we have commenced the process of replacing our core financial system which is due to go live in July of 2019.

Albyn Enterprises Limited

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

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

Highland Residential (Inverness) Limited

Following the transfer of activities from AEL to HRL at the beginning of the previous financial year, the team has continued to develop its offering to the affordable homes market through expansion of MMR and further development of the factoring service.

In the year to 31 March 2019, the Factoring Services team continued to deliver services to tenants of Albyn as well as the owners of homes in our developments and grew their business locally by becoming the factor of choice for a number of local home builders.

Other Matters

Credit Payment Policy

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

Rental Income

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

Sales of Housing Properties

We sold 1 home in the year on the open market and 4 (2018 - 9) Shared Ownership properties in the year. We did not sell any homes under the Mortgage to Rent regulations (2018 - Zero).

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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Risk Management Policy

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

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

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

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

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

Albyn holds a full strategic risk register but has identified the following key risks in the year and their mitigation is as follows:

- **Inadequate resourcing – finances**
This risk is associated with the financing of the current development programme and the potential extension of the programme into period 2020 to 2023. We will plan a strategy for funding, including alternative plans if the initial plan is not achievable.
- **Inadequate resourcing – Land**
As land is becoming increasingly difficult to find as developers have acquired most of available land within the Inner Moray Firth area, we will work together with other local social landlords and the Highland Council to act together to access appropriate land.
- **Inadequate resourcing – ICT**
As we plan an extensive implementation of new ICT software for our core Finance and Housing Management Systems over the next two to three years, we will consider the internal impact on our operations during this period to ensure that we continue with the Business as Usual (BAU), maintaining our improved performance, as well as ensuring we successfully implement the new systems on time.
- **Poor procurement and contract management**
The society operates a full due diligence and contract management methodology in order to identify risks to delivery of a successful projects with sufficient time to implement corrective actions.

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- Reputational damage due to poor quality homes being built
Albyn has implemented a design guide to ensure consistent quality which is supported by sound procurement and contract management methodologies including the oversight by a clerk of works.

Sustainability and Asset Management

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

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

Budgetary Process

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

Treasury Management

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

Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2019, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Going Concern

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

Quality and Integrity of Staff

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

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

Employee Involvement and Health and Safety

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

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Disabled Employees

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

Future Prospects

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

The Board has approved ambitious plans to build 750 homes over five years between 2016 and 2020, to contribute to the government's overall targets for growth in affordable housing in Scotland. We have secured 30-year lending at a fixed rate which will enable us to build at least 500 of these homes. Plans are in place to complete the programme of 750 properties over the course of the next 12 to 18 months.

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

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Board

The Board of Albyn during the year to 31 March 2019 and up to 25 June 2019 was as follows:

Committees

Mr S Smith	Chair Person from 11/08/18 to 31/05/19	Performance, SHSE
Mr D Russell	Vice Chair Person from 11/08/19 to 31/05/19, Company Secretary from 01/06/19	A&RM
Ms M Smith	Company Secretary to 31/05/19, Joint Chair Person from 01/06/19	Performance
Mr J A Convery		Performance, A&RM
Mr I Fosbrooke	Joint Chair person from 01/06/19	SHSE, A&RM
Ms J Carr		SHSE
Mrs L Clow		A&RM, SHSE
Ms L Howlett	Appointed 11/09/18, Resigned 22/03/19	Performance, SHSE
Mrs I McLaughlan	Resigned 29/05/18	Performance, SHSE
Mr A Gracie	Resigned 12/03/19	Performance, SHSE
Mrs E Grant	Vice Chair Person, Resigned 22/05/18	SHSE, A&RM

Committees

Performance Committee

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

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

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

Board and Officers' Insurance

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

Executive Team

The Directors of Albyn at 31 March 2019 were as follows:

Mr Calum Macaulay	Chief Executive
Mr Robin Nairn	Chief Operating Officer

Disclosure of Information to the Auditor

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

Auditor

A resolution for the reappointment of RSM UK Audit LLP, as auditors of the Society, will be proposed at the Annual General meeting.

By order of the Board

Douglas Russell
Secretary
25 June 2019

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF BOARD'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2019

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

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

The Board is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Society. The Board must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2019. It is responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It has general responsibility for taking reasonable steps to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

ALBYN HOUSING SOCIETY LIMITED

BOARD'S STATEMENT OF INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 31 MARCH 2019

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

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

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

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

The effectiveness of the Society's system of internal financial control has been reviewed by the Audit & Risk Management Committee for the year ended 31 March 2019. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By order of the Board

Douglas Russell
Secretary
25 June 2019

REPORT BY THE AUDITOR TO THE MEMBERS OF
ALBYN HOUSING SOCIETY LIMITED
ON CORPORATE GOVERNANCE MATTERS
FOR THE YEAR ENDED 31 MARCH 2019

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

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the 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 Control on page 16 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK Audit LLP

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

Date 18/7/19

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ALBYN HOUSING SOCIETY LIMITED
FOR THE YEAR ENDED 31 MARCH 2019

Opinion

We have audited the financial statements of Albyn Housing Society Limited (the 'Society') and its subsidiaries (the 'Group') for the year ended 31 March 2019 which comprise the statements of comprehensive income, the statements of financial position, the statements of cashflow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Society's affairs as at 31 March 2019 and of the income and expenditure of the Group and the income and expenditure of the Society for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ALBYN HOUSING SOCIETY LIMITED
FOR THE YEAR ENDED 31 MARCH 2019

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 15, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ALBYN HOUSING SOCIETY LIMITED
FOR THE YEAR ENDED 31 MARCH 2019

Use of our report

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



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

Date 18/7/19

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF COMPREHENSIVE INCOME - GROUP
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Turnover	2	20,960	16,572
Operating expenditure	2	(15,690)	(11,568)
Operating Surplus	7	<u>5,270</u>	<u>5,004</u>
(Loss)/Gain on disposal of fixed assets	6	(22)	289
Interest receivable	9	20	14
Interest and financing costs	10	(2,625)	(2,686)
Surplus before tax		<u>2,643</u>	<u>2,621</u>
Taxation	11	4	2
Surplus for the Year		<u><u>2,647</u></u>	<u><u>2,623</u></u>
<i>Other Comprehensive Income</i>			
Initial recognition of multi-employer defined benefit scheme	31	(351)	-
Actuarial Losses in respect of pension schemes	31	(340)	-
Total Comprehensive Income for the year	24	<u><u>1,956</u></u>	<u><u>2,623</u></u>

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF COMPREHENSIVE INCOME - SOCIETY
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Turnover	2	20,537	15,970
Operating expenditure	2	(15,246)	(10,982)
Operating Surplus	7	<u>5,291</u>	<u>4,988</u>
(Loss)/Gain on disposal of fixed assets	6	(22)	289
Interest receivable	9	44	57
Interest and financing costs	10	(2,625)	(2,685)
Surplus before tax		<u>2,688</u>	<u>2,649</u>
Taxation	11	-	-
Surplus for the Year		<u><u>2,688</u></u>	<u><u>2,649</u></u>
<i>Other Comprehensive Income</i>			
Initial recognition of multi-employer defined benefit scheme	31	(351)	-
Actuarial Losses in respect of pension schemes	31	(340)	-
Total Comprehensive Income for the year	24	<u><u>1,997</u></u>	<u><u>2,649</u></u>

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF FINANCIAL POSITION - GROUP
AT 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Fixed Assets			
Intangible assets	12	-	7
Housing properties	13	255,928	235,093
Other tangible fixed assets	14	2,155	2,149
Investments	15	<u>1</u>	<u>1</u>
		258,084	237,250
Current Assets			
Stock and Work in Progress	16	3,352	4,604
Trade and other debtors	17	4,838	2,214
Cash and cash equivalents		<u>5,665</u>	<u>10,172</u>
		13,855	16,990
Current Liabilities			
Creditors due within one year	18	<u>(11,094)</u>	<u>(10,305)</u>
Net Current Assets		2,761	6,685
Total Assets Less Current Liabilities		<u>260,845</u>	<u>243,935</u>
Creditors: amounts falling due after more than one year	19	(227,182)	(212,537)
Provision for Liabilities	22	(128)	(121)
Pension Deficit Funding Liability	31	-	(1,807)
Defined Benefit Liability	31	(2,109)	-
Total Net Assets		<u>31,426</u>	<u>29,470</u>
Capital and Reserves			
Share capital	23	1	1
Income and Expenditure Reserve	24	31,425	29,469
		<u>31,426</u>	<u>29,470</u>

The financial statements on pages 21 to 44 were approved by the Board and authorised for issue on 25 June 2019 and are signed on

Maxine Smith - Joint Chair

Ian Fosbrooke - Joint Chair

Douglas Russell - Secretary

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF FINANCIAL POSITION - SOCIETY
AT 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Fixed Assets			
Housing properties	13	255,928	235,093
Other tangible fixed assets	14	2,052	2,040
Investments	15	<u>1</u>	<u>1</u>
		257,981	237,134
Current Assets			
Stock and Work in Progress	16	3,350	4,601
Trade and other debtors	17	4,829	2,641
Cash and cash equivalents		<u>5,213</u>	<u>9,204</u>
		13,392	16,446
Current Liabilities			
Creditors due within one year	18	<u>(10,661)</u>	<u>(9,819)</u>
Net Current Assets		2,731	6,627
Total Assets Less Current Liabilities		<u>260,712</u>	<u>243,761</u>
Creditors: amounts falling due after more than one year	19	(227,183)	(212,537)
Provisions for Liabilities	22	(111)	(105)
Pension Deficit Funding Liability	31	-	(1,807)
Defined Benefit Liability	31	(2,109)	-
Total Net Assets		<u>31,309</u>	<u>29,312</u>
Capital and Reserves			
Share capital	23	1	1
Income and Expenditure Reserve	24	31,308	29,311
		<u>31,309</u>	<u>29,312</u>

The financial statements on pages 21 to 44 were approved by the Board and authorised for issue on 25 June 2019 and are signed on its behalf by:

Maxine Smith - Joint Chair

Ian Fosbrooke - Joint Chair

Douglas Russell - Secretary

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF CASHFLOWS - GROUP
FOR THE YEAR ENDED 31 MARCH 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Surplus before Tax for the year		2,647		2,620
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	4,280		3,660	
Amortisation of capital grants	(2,664)		(2,556)	
Increase in provisions	7		22	
loss/(Gain) on disposal of tangible fixed assets	22		(289)	
Interest receivable	(15)		(13)	
Interest payable	2,625		2,686	
Taxation paid	-		2	
		<u>4,255</u>		<u>3,512</u>
Operating cash flows before movements in working capital		6,902		6,132
Decrease/(increase) in properties held for sale	1,251		(896)	
Decrease / (increase) in stock	-		-	
Decrease/(increase) in trade and other debtors	653		(1,026)	
(Decrease)/increase in trade and other creditors	<u>(2,586)</u>		<u>1,547</u>	
		<u>(682)</u>		<u>(375)</u>
Cash generated from operations		<u>6,220</u>		<u>5,757</u>
Cash flow from investing activities				
Development of own property	(24,944)		(25,477)	
Purchase of other fixed assets	(113)		(70)	
Proceeds from sale of tangible fixed assets	291		879	
Grants received	16,940		11,578	
Interest received	15		13	
Gift Aid donation received / (made)	<u>-</u>		<u>-</u>	
Net cash used in investing activities		(7,811)		(13,077)
Cash flow from financing activities				
Interest paid	(2,560)		(2,664)	
Loans received	1,000		-	
Loans repaid	(901)		(897)	
Payments to pension past service deficit	<u>(454)</u>		<u>(477)</u>	
Net cash (used in) / from financing activities		(2,915)		(4,038)
Net (Decrease) / increase in cash and cash equivalents		<u>(4,506)</u>		<u>(11,358)</u>

Note 25 should be read in conjunction with this statement.

ALBYN HOUSING SOCIETY LIMITED
STATEMENT OF CASHFLOWS - SOCIETY
FOR THE YEAR ENDED 31 MARCH 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Surplus for the year		2,689		2,649
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	4,262		3,629	
Amortisation of capital grants	(2,665)		(2,556)	
Increase in provisions	7		22	
Loss/(gain) on disposal of tangible fixed assets	22		(289)	
Interest receivable	(44)		(57)	
Interest payable	<u>2,625</u>		<u>2,686</u>	
		<u>4,207</u>		<u>3,435</u>
Operating cash flows before movements in working capital		6,896		6,084
Decrease/(increase) in properties held for sale	1,251		(896)	
Decrease/(increase) in trade and other debtors	1,088		(1,443)	
(Decrease)/increase in trade and other creditors	<u>(2,534)</u>		<u>1,426</u>	
		<u>(195)</u>		<u>(913)</u>
Cash generated from operations		6,701		5,171
Cash flow from investing activities				
Development of own property	(24,944)		(25,477)	
Purchase of other fixed assets	(108)		(24)	
Proceeds from sale of tangible fixed assets	291		850	
Grants received	16,940		11,578	
Interest received	19		13	
Gift Aid donation received / (made)	<u>25</u>		<u>44</u>	
Net cash used in investing activities		(7,777)		(13,016)
Cash flow from financing activities				
Interest paid	(2,560)		(2,664)	
Loans received	1,000		-	
Loans repaid	(901)		(897)	
Payments to pension past service deficit	<u>(454)</u>		<u>(477)</u>	
Net cash (used in) / from financing activities		(2,915)		(4,038)
Net (Decrease) / increase in cash and cash equivalents		<u>(3,991)</u>		<u>(11,883)</u>

Note 25 should be read in conjunction with this statement.

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

1 Accounting Policies

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

a. Legal Status

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

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

b. Basis of Accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2019, and under the historical cost convention.

Albyn Housing Society Limited is a public benefit entity (PBE).

The financial statements are prepared in Sterling (£).

c. Basis of Consolidation

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

d. Critical Accounting Estimates and Areas of Judgement

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

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

i. Useful lives of properties

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

ii. Recoverable amount of rent arrears and debtors

Management considers the reasonable likelihood of rent arrears and debtors being

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2019

recoverable based on past experience. While every effort is made not to over-estimate the amounts which will be recovered by the Society in the future, the actual amounts which might be received are often outwith the Society's control.

iii. **Defined benefit obligation**

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 31). The net defined benefit pension liability at 31 March 2019 was £2,109k.

e. Going Concern

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

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

f. Turnover and Revenue Recognition

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

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

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

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

g. Government Grants

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

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

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

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

h. Other Grants

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

i. Tangible Fixed Assets - Housing Properties

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

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

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

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

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

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

j. Depreciation of Housing Properties

Freehold land or assets under construction are not depreciated.

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

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

k. Impairments of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed

ALBYN HOUSING SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Society estimates the recoverable amount of the asset.

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

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

l. Low Cost Initiatives for First Time Buyers ("LIFT")

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

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

m. Sales of Housing Accommodation

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

n. Shared Ownership

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

o. Other Tangible Fixed Assets

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

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

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

p. Leases and Hire Purchase Contracts

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

q. Borrowing Costs

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

All other borrowing costs are expensed as incurred.

r. Value Added Tax

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

s. Deposits and Liquid Resources

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

t. Employee Benefits

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

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

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

u. Retirement Benefits

Defined contribution plans

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

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Defined benefit plans

Scottish Housing Association Pension Scheme (SHAPS)

In previous years, the Association was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHAPS. For the year ended 31 March 2018, the Association had recognised a past service deficit liability of £1,807k, within provisions, based on the present value of the Association's deficit funding agreement.

For the year ended 31 March 2019, the Association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability that was previously recognised within provisions of £1,807k was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £2,158k was recognised at this date in the statement of financial position. The resulting net difference of £351k on initial recognition of the SHAPS obligation was recognised in other comprehensive income.

As at the year ended 31 March 2019, the net defined benefit pension deficit liability was £2,109k, which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2019, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 31 for more details.

v. Provisions

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

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

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

	Notes	Turnover £'000	Operating costs £'000	2019 Operating surplus £'000	2018 Operating surplus £'000
Affordable Letting Activities	3	16,826	(11,085)	5,741	5,092
Other Activities	4	4,135	(4,605)	(470)	(88)
Total		20,961	(15,690)	5,271	5,004
2018		16,572	(11,568)	5,004	

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

	Notes	Turnover £'000	Operating costs £'000	2019 Operating surplus £'000	2018 Operating surplus £'000
Affordable Letting Activities	3	16,748	(11,085)	5,663	5,741
Other Activities	4	3,790	(4,161)	(371)	(753)
Total		20,537	(15,246)	5,292	4,988
2018		15,970	(10,982)	4,988	

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

	General Needs Housing £'000	Shared Ownership Housing £'000	2019 £'000	2018 £'000
Rent Receivable Net of Service Charges	13,452	290	13,742	11,820
Service Charges	485	-	485	400
Gross Income from Rents and Service Charges	13,937	290	14,227	12,220
Less Voids	(65)	-	(65)	(56)
Net Income from Rents and Service Charges	13,872	290	14,162	12,164
Grants Released from Deferred Income	2,664	-	2,664	2,591
Total Turnover from Affordable Letting Activities	16,536	290	16,826	14,755
Management and Maintenance Administration Costs	3,483	143	3,626	3,409
Service Costs	623	-	623	608
Planned and Cyclical Maintenance including Major Repairs Costs	689	-	689	213
Reactive Maintenance Costs	1,693	-	1,693	1,388
Bad Debts - Rents and Service Charges	(21)	-	(21)	171
Depreciation of Affordable Let Properties	4,443	32	4,475	3,875
Operating Costs for Affordable Letting Activities	10,910	175	11,085	9,663
Operating Surplus for Affordable Lettings Activities	5,626	115	5,741	5,092
2018	4,981	111	5,092	

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

	General Needs Housing £'000	Shared Ownership Housing £'000	2019 £'000	2018 £'000
Rent Receivable Net of Service Charges	13,374	290	13,664	12,453
Service Charges	485	-	485	400
Gross Income from Rents and Service Charges	13,859	290	14,149	12,853
Less Voids	(65)	-	(65)	(56)
Net Income from Rents and Service Charges	13,794	290	14,084	12,797
Grants Released from Deferred Income	2,664	-	2,664	2,607
Total Turnover from Affordable Letting Activities	16,458	290	16,748	15,404
Management and Maintenance Administration Costs	3,483	143	3,626	3,409
Service Costs	623	-	623	608
Planned and Cyclical Maintenance including Major Repairs Costs	689	-	689	213
Reactive Maintenance Costs	1,693	-	1,693	1,388
Bad Debts - Rents and Service Charges	(21)	-	(21)	171
Depreciation of Affordable Let Properties	4,443	32	4,475	3,875
Operating Costs for Affordable Letting Activities	10,910	175	11,085	9,663
Operating Surplus for Affordable Lettings Activities	5,548	115	5,663	5,741
2018	5,630	111	5,741	

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

	Grants from					2019 Operating Surplus /(Loss) £'000	2018 Operating Surplus /(Loss) £'000
	Scottish Ministers £'000	Revenue Grants £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000		
Factoring	-	-	158	158	(108)	50	10
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	7
Contracted out activities undertaken for other organisations	-	-	-	-	-	-	-
Uncapitalised Development Administration Costs	-	-	-	-	(355)	(355)	(748)
NSSE Properties for Sale	3,598	-	-	3,598	(3,598)	-	-
Other Activities	-	-	379	379	(544)	(165)	642
Operating Deficit	3,598	-	537	4,135	(4,605)	(470)	(89)
2018	376	-	1,440	1,816	(1,905)	(89)	

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

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

	Grants from					2019 Operating Surplus /(Loss) £'000	2018 Operating Surplus /(Loss) £'000
	Scottish Ministers £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000			
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	7
Contracted out activities undertaken for other organisations	-	-	-	-	-	-	-
Uncapitalised Development Administration Costs	-	-	-	(355)	(355)	(355)	(749)
Other Activities	-	192	192	(208)	(16)	(16)	(11)
NSSE Properties for Sale	3,598	-	3,598	(3,598)	-	-	-
Operating Deficit	3,598	192	3,790	(4,161)	(371)	(371)	(753)
2018	376	191	567	(1,319)	(753)		

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

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5 Accommodation in Management - Group and Society

	Tenanted	Mid-Market Rent	Managed on behalf of others	Shared Ownership	2019 No	2018 No
The number of properties in management were as follows:						
1 April	2,913	89	16	134	3,152	3,070
Additions during the year	161	32	-	-	193	98
Conversion from Shared Ownership	-	6	-	(6)	-	-
Disposals	(1)	-	-	(4)	(5)	(16)
31 March 2019	<u>3,073</u>	<u>127</u>	<u>16</u>	<u>124</u>	<u>3,340</u>	<u>3,152</u>

6 a Surplus on Sale of Fixed Assets - Housing Properties

	Group		Society	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Sale proceeds	291	850	291	850
Carrying value of fixed assets	<u>(57)</u>	<u>(257)</u>	<u>(57)</u>	<u>(257)</u>
	234	593	234	593
Capital Grant repaid	<u>(115)</u>	<u>(132)</u>	<u>(115)</u>	<u>(132)</u>
	<u>119</u>	<u>461</u>	<u>119</u>	<u>461</u>
6 b Deficit on Replacement of Components	<u>(141)</u>	<u>(172)</u>	<u>(141)</u>	<u>(172)</u>
	<u>(22)</u>	<u>289</u>	<u>(22)</u>	<u>289</u>

7 Operating surplus

Operating surplus is stated after charging:

Auditors' remuneration	31	29	26	21
Operating lease rentals [note 29]	47	72	47	72
Surplus on disposal of tangible fixed assets [note 6]	119	461	119	461
Depreciation of housing properties	4,475	3,875	4,475	3,875
Depreciation of other tangible fixed assets	108	107	97	90
Depreciation of intangible fixed assets	<u>7</u>	<u>7</u>	<u>-</u>	<u>-</u>

RSM UK Audit LLP's associated company received £2,820 (2018 - £3,408) for professional services other than audit.

8 Key Management Personnel and Employees

	Group		Society	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
[a] Staff costs including Key Management Personnel's emoluments				
Salaries	2,547	2,441	2,225	2,161
Social security costs	246	223	219	204
Defined contribution pension cost	217	213	206	208
Other pension costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	3,010	2,876	2,650	2,573
Temporary, seconded and agency staff costs	119	79	109	79
Development administration costs capitalised	<u>(488)</u>	<u>(86)</u>	<u>(489)</u>	<u>(86)</u>
	<u>2,641</u>	<u>2,869</u>	<u>2,270</u>	<u>2,566</u>
	No	No	No	No
Average monthly number of full time equivalent persons employed				
Asset Management and Investment	16	13	16	13
Customer Services	36	38	36	38
Factoring	3	3	-	-
Sales and Letting	4	4	-	-
Innovative Projects	2	2	-	-
Finance and Corporate Services	<u>16</u>	<u>17</u>	<u>14</u>	<u>16</u>
	<u>77</u>	<u>77</u>	<u>66</u>	<u>67</u>

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[b] Key Management Personnel

Under FRS102 Albyn Housing Society has defined "key management personnel" as the members of the senior management team whose posts are set out on page 14 of the Report and Financial Statements.

	Salary Bands		Group and Society	
	£		No	No
Number of Key Management Personnel earning:	£ 60,001	£ 70,000	1	1
	£ 80,001	£ 90,000	1	1
			2019	2018
			£	£
Aggregate emoluments payable to key management personnel (excluding pension contributions but including benefits in kind)			<u>165,089</u>	<u>161,125</u>
Aggregate pension contributions in relation to the above key management personnel			<u>12,768</u>	<u>12,438</u>
Emoluments payable to the Chief Executive (excluding pension contributions)			<u>90,581</u>	<u>88,334</u>

A total of £5,831 was paid to 3 Board members during the year under a contract for services in the year. Expenses paid to Board Members totalled £7,023 (2018 - £3,595).

9 Interest Receivable and Similar Income

	Group		Society	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest receivable from banks	20	14	19	13
Gift Aid Donation from Subsidiary	-	-	25	44
	<u>20</u>	<u>14</u>	<u>44</u>	<u>57</u>

10 Interest and Financing Costs

Bank and Building Society loans and overdrafts	2,911	2,839	2,911	2,839
Defined Benefit pension charge	65	22	65	22
	<u>2,976</u>	<u>2,861</u>	<u>2,976</u>	<u>2,861</u>
Less: Interest Capitalised on housing properties constructed	(351)	(175)	(351)	(175)
	<u>2,625</u>	<u>2,686</u>	<u>2,625</u>	<u>2,686</u>

11 Taxation

Current Tax:				
UK corporation tax on profits of current year	(5)	1	-	-
Deferred Tax:				
Origination and reversal of timing differences	1	1	-	-
	<u>(4)</u>	<u>2</u>	<u>-</u>	<u>-</u>
Reconciliation of Current Tax charge:				
Profit on ordinary activities before taxation	5	17		
Profits exempt due to charitable exemption	(10)	-		
	<u>(5)</u>	<u>17</u>		
Effects of depreciation in excess of capital allowances	5	15		
Tax adjustments and other timing differences	-	-		
Profits subject to Corporation Tax	<u>-</u>	<u>32</u>		
Tax charge at 19% / 20%	<u>-</u>	<u>6</u>		

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

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12 Intangible Fixed Assets - Group

**Website &
Branding
£'000**

Cost

1 April 2018	21
Additions	-
Disposals	-
31 March 2019	<u>21</u>

Amortisation

1 April 2018	14
Charge	7
Disposals	-
31 March 2019	<u>21</u>

Net Book Value

31 March 2019	<u>-</u>
31 March 2018	<u>7</u>

13 Tangible Fixed Assets - Housing Properties - Group and Society

	Rented Occupation £'000	Shared Ownership £'000	Under Construction £'000	Total £'000
Cost				
1 April 2018	245,000	4,586	26,090	275,676
Additions	(44)	221	25,420	25,597
Transfers	25,723		(25,723)	-
Properties acquired	423	(423)	-	-
Works to existing properties	2,215		(2,215)	-
Schemes completed	-		-	-
Disposals	(456)	(132)	-	(588)
31 March 2019	<u>272,861</u>	<u>4,252</u>	<u>23,572</u>	<u>300,685</u>

Depreciation

1 April 2018	39,771	810	-	40,581
Depreciation charged in year	4,443	32	-	4,475
Released on disposal	(292)	(7)	-	(299)
31 March 2019	<u>43,922</u>	<u>835</u>	<u>-</u>	<u>44,757</u>

Net Book Value

31 March 2019	<u>228,940</u>	<u>3,416</u>	<u>23,572</u>	<u>255,928</u>
31 March 2018	<u>205,227</u>	<u>3,776</u>	<u>26,090</u>	<u>235,093</u>

Expenditure on works to existing properties

	2019 £'000	2018 £'000
Improvement work capitalised	81	165
Replacement component spend capitalised	2,431	1,871
Amounts charged to income and expenditure	77	15
Total major repairs spend	<u>2,589</u>	<u>2,050</u>

Finance costs

Aggregate amount of finance costs included in the cost of housing properties	<u>1,299</u>	<u>948</u>
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The cost of land included in the costs above totals £41,000,071 (2018: £38,282,981)

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

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14.1 Tangible Fixed Assets - Other Fixed Assets - Group

	Offices £'000	Equipment £'000	Total £'000
Cost			
1 April 2018	2,437	907	3,344
Additions	-	115	115
Disposals	-	-	-
31 March 2019	<u>2,437</u>	<u>1,022</u>	<u>3,459</u>
Depreciation			
1 April 2018	486	710	1,196
Charge	38	70	108
Disposals	-	-	-
31 March 2019	<u>524</u>	<u>780</u>	<u>1,304</u>
Net Book Value			
31 March 2019	<u>1,913</u>	<u>242</u>	<u>2,155</u>
31 March 2018	<u>1,951</u>	<u>197</u>	<u>2,148</u>

14.2 Tangible Fixed Assets - Other Fixed Assets - Society

	Offices £'000	Equipment £'000	Total £'000
Cost			
1 April 2018	2,437	746	3,183
Additions	-	109	109
Disposals	-	-	-
31 March 2019	<u>2,437</u>	<u>855</u>	<u>3,292</u>
Depreciation			
1 April 2018	485	657	1,142
Charge	38	59	97
Disposals	-	-	-
31 March 2019	<u>524</u>	<u>716</u>	<u>1,239</u>
Net Book Value			
31 March 2019	<u>1,913</u>	<u>139</u>	<u>2,052</u>
31 March 2018	<u>1,951</u>	<u>89</u>	<u>2,040</u>

15 Fixed Assets Investments

Other Investments - Group and Society

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

Subsidiary Undertakings - Society

Albyn Housing Society Limited's subsidiary undertakings are:

<i>Name of undertaking</i>	<i>Class of shareholding</i>	<i>Proportion of nominal value held directly</i>	<i>Nature of business</i>
Albyn Enterprises Ltd	Ordinary	100% (2018: 100%)	Property related activities
Highland Residential (Inverness) Ltd	Ordinary	100% (2018: 100%)	Renting and operating of housing association r
Sunnd Ltd	Ordinary	100% (2018: 100%)	Dormant

16 Stock and Work in Progress

	Group		Society	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Properties for Sale	3,350	4,601	3,350	4,601
Stock	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>
	<u>3,353</u>	<u>4,604</u>	<u>3,350</u>	<u>4,601</u>

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17 Debtors

	Group		Society	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Rent and service charges receivable	939	929	713	717
Less: provision for bad and doubtful debts	(165)	(329)	(127)	(301)
	<u>774</u>	<u>600</u>	<u>586</u>	<u>416</u>
HAG receivable	3,291	202	3,291	202
Other debtors	484	395	477	373
Prepayments and accrued income	288	1,017	275	1,013
Amounts due from Group undertakings	-	-	97	517
	<u>4,838</u>	<u>2,214</u>	<u>4,726</u>	<u>2,521</u>
Amounts falling due after more than one year				
Amounts due from Group undertakings	-	-	103	120
	<u>4,838</u>	<u>2,214</u>	<u>4,829</u>	<u>2,641</u>

18 Creditors: amounts falling due within one year

Debt [note 20]	1,409	1,440	1,409	1,440
Rent and service charges received in advance	484	365	484	365
Deferred capital grants [note 21]	3,832	3,659	3,832	3,659
Trade creditors	1,909	2,299	1,894	2,238
Corporation tax [note 11]	-	6	-	-
Other taxation and social security costs	70	62	63	56
Other creditors	2,329	2,026	2,205	1,685
Accruals and deferred income	1,061	447	773	375
Amounts due to Group undertakings	-	-	-	-
	<u>11,094</u>	<u>10,305</u>	<u>10,660</u>	<u>9,819</u>

Included in creditors is an amount of £641,532 (2018 - £534,000) relating to payments due to the Scottish Government. £154,554 (2018 - £159,000) relates to capital and £486,978 (2018 - £375,000) to revenue activities.

19 Creditors: amounts falling due after more than one year

Debt [note 20]	72,895	72,765	72,895	72,765
Deferred capital grants [note 21]	154,287	139,772	154,287	139,772
	<u>227,182</u>	<u>212,537</u>	<u>227,182</u>	<u>212,537</u>
Included in creditors are:				
Amounts repayable other than by instalments falling due after more than five years	206,426	158,417	206,426	158,417
Amounts repayable by instalments falling due after more than five years	35,702	36,418	35,702	36,418
	<u>242,128</u>	<u>194,835</u>	<u>242,128</u>	<u>194,835</u>

20 Debt Analysis - Borrowings

	Group		Society	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Creditors: amounts falling due within one year				
Bank Loans	<u>1,409</u>	<u>1,440</u>	<u>1,409</u>	<u>1,440</u>
Creditors: amounts falling due after more than one year				
Bank Loans	<u>72,895</u>	<u>72,765</u>	<u>72,895</u>	<u>72,765</u>

The loans are secured by specific charges on Albyn Housing Society Limited's properties and the capital instalments are repayable over periods as indicated at varying rates of interest ranging from 0% to 5.47% (2018 - 0% to 5.47%).

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

In the next year	1,409	1,440	1,409	1,440
In the second year	1,688	965	1,688	965
In the third to fifth year	5,505	5,382	5,505	5,382
In more than five years	65,702	66,418	65,702	66,418
	<u>74,304</u>	<u>74,205</u>	<u>74,304</u>	<u>74,205</u>

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21 Deferred Capital Grant

	Group		Society	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
1 April 2018	143,431	134,818	143,431	134,818
Grants received in the year	18,756	11,481	18,756	11,481
Grants reduced in the year	(1,404)	(267)	(1,404)	(267)
Grant released in the year	(2,664)	(2,600)	(2,664)	(2,600)
31 March 2019	<u>158,119</u>	<u>143,431</u>	<u>158,119</u>	<u>143,431</u>
Amounts to be released within one year	3,832	3,659	3,832	3,659
Amounts to be released in more than one year	<u>154,287</u>	<u>139,772</u>	<u>154,287</u>	<u>139,772</u>
	<u>158,119</u>	<u>143,431</u>	<u>158,119</u>	<u>143,431</u>

Capital Grants received to 31 March 2019 total £194,801,000 (2018 - £176,045,000);
if the Society were to sell its assets this amount would be repayable from the proceeds.

22 Provisions for liabilities and charges

Biomass Infrastructure Replacement Fund	111	105	111	105
Deferred Tax	17	16	-	-
	<u>128</u>	<u>121</u>	<u>111</u>	<u>105</u>
1 April 2018	111	105	105	100
Added in the year	16	15	6	5
Deferred tax charge in statement of comprehensive income	1	1	-	-
31 March 2019	<u>128</u>	<u>121</u>	<u>111</u>	<u>105</u>

23 Share Capital

	Group		Society	
	2019	2018	2019	2018
	No	No	No	No
Allocated, allotted, called up and fully paid Ordinary shares of £1 each				
1 April 2018	54	60	54	60
Joined during the year	4	2	4	2
Left during the year	(6)	(8)	(6)	(8)
31 March 2019	<u>52</u>	<u>54</u>	<u>52</u>	<u>54</u>

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

24 Reserves

	Group		Society	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
1 April 2018	29,469	26,846	29,311	26,662
Surplus for the year	1,956	2,623	1,997	2,649
31 March 2019	<u>31,425</u>	<u>29,469</u>	<u>31,308</u>	<u>29,311</u>

25.1 Cash and Cash Equivalents - Group

Analysis of the balance of Cash as shown in the balance sheet.	2019	Change	2018
	£'000	£'000	£'000
Bank and Cash in hand	5,665	(4,506)	10,172
	<u>5,665</u>	<u>(4,506)</u>	<u>10,172</u>

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25.2 Cash and Cash Equivalents - Society

	2019 £'000	Change £'000	2018 £'000
Analysis of the balance of Cash as shown in the balance sheet.			
Bank and Cash in hand	5,213	(3,991)	9,204
	<u>5,213</u>	<u>(3,991)</u>	<u>9,204</u>

26 Treasury Management

Albyn Housing Society Limited has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Board. In this way Albyn Housing Society Limited manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2019 Albyn Housing Society Limited has a loan facility in place which is available to be drawn down. The amount available is £20m.

Albyn Housing Society Limited, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2019 Albyn Housing Society Limited has a mix of fixed and variable rate finance, which it considers appropriate at this time.

27 Related Party Transactions

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

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

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

During the financial year, 3 Board members received payments under a contract for services for their Board duties. The total amount paid in the financial year was £5,831 (2018: £0)

28 Capital Commitments

	Group		Society	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Capital expenditure contracted for but not provided in the financial statements	<u>25,932</u>	<u>23,779</u>	<u>25,932</u>	<u>23,779</u>

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

29 Obligations under Operating Leases

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

		Group		Society	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Land and Buildings	Expiring				
	In the next year	46	51	46	51
	In the second year	46	16	46	16
	In the third to fifth year	39	26	39	26
	In more than five years	482	218	482	218
		<u>613</u>	<u>311</u>	<u>613</u>	<u>311</u>

30 Big Lottery Funded Project

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

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

At 31 March 2019, we had received £54,292 of funding (2018 - £75,000) which had not yet been allocated against specific costs and is recorded as a creditor in the accounts of Albyn Enterprises Limited, due to be distributed to our working partners on the project.

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31 Retirement Benefits

Scottish Housing Association Pension Scheme (SHAPS)

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

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

For the year ended 31 March 2018, the SHAPS obligation was being accounted for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the association to the SHAPS under the terms of its funding agreement for past deficits was recognised as a liability within provisions in the Association's financial statements. The net present value for this contractual obligation was £1,807k.

For the year ended 31 March 2019, sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2015 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2019 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHAPS net deficit as at 1 April 2018 is £2,158k and is £2,109k as at 31 March 2019.

The proposals set out in FRED 71 requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a re-measurement difference of £351k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

Present Values Of Defined Benefit Obligation, Fair Value Of Assets And Defined Benefit Asset (Liability)

	2019 £'000	2018 £'000
Fair value of plan assets	13,717	13,125
Present value of defined benefit obligation	15,826	15,283
Surplus (deficit) in plan	(2,109)	(2,158)

Reconciliation Of Opening And Closing Balances Of The Defined Benefit Obligation

	2019 £'000
Defined benefit obligation at start of period	15,283
Current service cost	-
Expenses	15
Interest expense	384
Contributions by plan participants	-
Actuarial losses (gains) due to scheme experience	(253)
Actuarial losses (gains) due to changes in demographic assumptions	43
Actuarial losses (gains) due to changes in financial assumptions	957
Benefits paid and expenses	(603)
Defined benefit obligation at end of period	15,826

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Reconciliation Of Opening And Closing Balances Of The Fair Value Of Plan Assets

	2019
	£'000
Fair value of plan assets at start of period	13,125
Interest income	334
Experience on plan assets (excluding amounts included in interest income) - gain	407
Contributions by the employer	454
Benefits paid and expenses	(603)
Fair value of plan assets at end of period	13,717

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £741,000.

Defined Benefit Costs Recognised In Statement Of Comprehensive Income (Soci)

	2019
	£'000
Expenses	15
Net interest expense	50
Defined benefit costs recognised in statement of comprehensive income (SoCI)	65

Defined Benefit Costs Recognised In Other Comprehensive Income

	2019
	£'000
Experience on plan assets (excluding amounts included in net interest cost) - gain	407
Experience gains and losses arising on the plan liabilities - gain (loss)	253
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(43)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(957)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(340)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(340)

Assets

	2019	2018
	£'000	£'000
Absolute Return	1,162	1,557
Alternative Risk Premia	766	497
Corporate Bond Fund	962	916
Credit Relative Value	238	-
Distressed Opportunities	234	60
Emerging Markets Debt	440	449
Fund of Hedge Funds	38	377
Global Equity	2,207	2,361
Infrastructure	575	239
Insurance-Linked Securities	356	359
Liability Driven Investment	4,881	4,620
Long Lease Property	166	-
Net Current Assets	14	24
Over 15 Year Gilts	352	424
Private Debt	177	122
Property	272	519
Risk Sharing	398	120
Secured Income	479	481
Total assets	13,717	13,125

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key Assumptions

	2019	2018
	£'000	£'000
Discount Rate	2.30%	2.56%
Inflation (RPI)	3.30%	3.19%
Inflation (CPI)	2.30%	2.19%
Salary Growth	2.80%	2.69%
	75% of	75% of
	maximum	maximum
Allowance for commutation of pension for cash at retirement	allowance	allowance

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The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7