

**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

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 2020**

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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                           |
| Charity Number              | Registration number – 64                              |
|                             | SC027123  |

**ALBYN HOUSING SOCIETY LIMITED**  
**BOARD, EXECUTIVES AND ADVISERS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**Board**

M Smith  
JA Convery  
I Fosbrooke  
D Smith  
R Bremner  
G Sinclair  
P Adams

**Executive Officers**

M Macaulay (Left 31/05/2019)  
R Nairn (Left 08/01/2020)  
L Buchanan (Started 10/06/2019)

**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 2020

The Board presents its report and the audited financial statements for the year ended 31 March 2020.

#### 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

We are a best in class social landlord that reinvests our surpluses into better quality and more homes for future generations of tenants in the Highlands.

##### Our Mission

To provide affordable, high quality homes to people who need them.

##### Our Purpose

To make a positive difference to peoples’ lives through housing and related services.

##### Our Strategic Objectives

Albyn has as its Strategic Objectives:

- **Our homes** - We will provide high quality, affordable, sustainable, and energy-efficient homes by implementing an asset management strategy driven by tactical analysis of data and targeted investment
- **Customer experience** – The customer experience is driven by an integrated platform of customer and specialist housing services. We provide omni-channel services available all year, any time aimed at reducing customer effort and driving tenancy sustainment.
- **Our people** – Our working culture is respectful, effective, engaging, and inclusive and driven by our tenants’ needs. We embrace agile and flexible working and the lessons we are learning from COVID 19, enabling cultural change, and driving the people agenda.
- **Our finances** – We will be efficient and effective stewards of our tenants’ money and charitable resources to enable the delivery of affordable, quality services for our tenants. We will support the business to invest in stock improvement, systems, and our people.
- **Our partnerships** - We will use our expertise to influence social housing policy and develop partnerships across the Highlands that add value to our communities.

Albyn reviewed its core values and behaviours in 2019 and as a result revised its values to ensure:

- We are responsible and accountable for our actions
- We are open and honest in how we conduct our business
- We are inclusive, fair, and respectful in how we treat each other and our customers
- We are open to challenge
- We make a difference and improve the lives of our tenants

# ALBYN HOUSING SOCIETY LIMITED

## REPORT OF THE BOARD

### FOR THE YEAR ENDED 31 MARCH 2020

- We listen to our tenants and partners and respond effectively to feedback
- We celebrate success and recognise our achievements
- We work together to be the best we can working as a team to drive excellence

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 and currently remains a dormant company.

The table below shows the homes that we manage:

| Managed Property Numbers                     | 2020         | 2019         |
|--|--------------|--------------|
| Tenanted Properties                          | 3,229        | 3,072        |
| Managed on Behalf of Others                  | 15           | 16           |
| Shared Ownership Properties                  | 122          | 124          |
| Properties Leased to HRL for Mid Market Rent | 159          | 127          |
| <b>Total</b>                                 | <b>3,525</b> | <b>3,339</b> |

#### Financial Review

Albyn made a surplus of £3,697,000 (2019 – £1,997,000) during the year. The consolidated results of Albyn and its trading subsidiaries, Albyn Enterprises Limited and Highland Residential (Inverness) Limited gave a surplus of £3,697,000 (2019 - £1,956,000).

The surplus recorded for the financial year to 31 March 2020 includes charges and actuarial gains to the statement of comprehensive income for the defined benefit pension scheme. The surplus for the year prior to these gains and charges was £2,265,000 (2019 - £2,688,000) for the Society and £2,264,000 (2019 – 2,647,000) for the consolidated result of the Society and trading subsidiaries.

The treatment of the Society’s SHAPS pension scheme changed in line with FRS102 from a defined contribution scheme to a defined benefit scheme in the previous financial year. The defined benefit liability as at 31st March 2020 is £291k (2019 - £2,109k). This has therefore resulted in a decrease in the liability at 31 March 2020 of £1,818k.

During the financial year deficit reduction payments have been made of £429k which have been supplemented by an actuarial gain of £1,433k and other charges to the Statement of Comprehensive Income of £44k, arriving at a closing liability at 31 March 2020 of £291k (2019: £2,109k).

Future deficit reduction payments will be made during the 2020/21 financial year of £429,000 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 By Albyn Housing Society 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.

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## REPORT OF THE BOARD

### FOR THE YEAR ENDED 31 MARCH 2020

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 £2.3m 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 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 was expected to be at the rate of around 150 units per year.

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.

Following the worldwide coronavirus pandemic, The Board have considered several measures to protect the Society and maintain financial resilience in light of significant economic uncertainty that the pandemic has caused. On 31 March 2020, the Board met to approve the budget for the forthcoming year and the future financial forecast. In addition, a number of specific measures were agreed and will be reviewed as the operating environment becomes clearer. This includes a pause on the commitment to new build development in 2020/21, a pause on the component replacement programme and the fulfilment of only emergency or urgent repairs in the short term.

As restrictions are lifted during the 20/21 financial year and the impact of the pandemic on the business can be better assessed, the Board will consider changing these revised policy positions.

### **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 and Audit Committee Chair. 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.

On 08 January 2020 The Chief Operating Officer resigned from his position. The Board have approved a restructure of the leadership team and will seek to implement the new structure in the

# ALBYN HOUSING SOCIETY LIMITED

## REPORT OF THE BOARD

### FOR THE YEAR ENDED 31 MARCH 2020

latter half of the 2020/21 financial year. In the meantime, an interim Leadership team has been created to lead the business for the next 12 months.

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

Albyn operates with an operational structure covering three core teams. These include a Customer Services Team, Asset Management & Investment Team and a Finance & Corporate Services Team. This structure has remained in place for the past six 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 focus on our rent collection figures. We also implemented our void procedures, and these have maintained the number of days that a property is empty at low levels, minimising the cost to the society. 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.

#### 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 is now in the implementation phase with a projected go-live date of September 2021. 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 have carried out five full tenant surveys during the financial year ranging from customer satisfaction, to gas

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## REPORT OF THE BOARD

### FOR THE YEAR ENDED 31 MARCH 2020

safety and rent affordability. Responses to our surveys have been consistently strong with a response rate of around 40% providing valuable information on which to drive further service improvement.

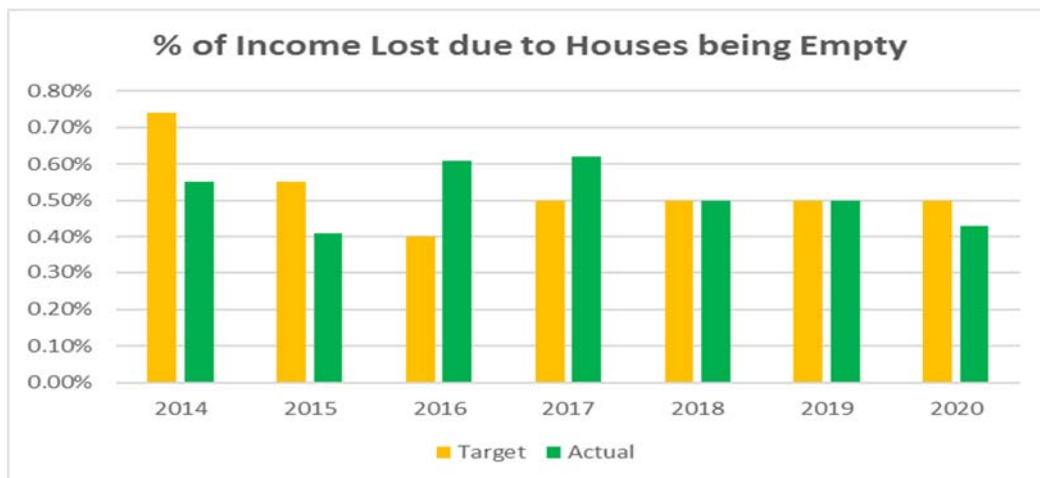
We continued to work in partnership with our tenants to be able to publish a Tenants' Report Card that delivers the information that matters to them on our performance against the requirements of the Scottish Social Housing Charter in an easy to read format.

#### *Allocations*

We undertook 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            | 2020       | 2019       |
|--|------------|------------|
| Re-lets                                  | 216        | 237        |
| New Build / other Acquisitions           | 142        | 161        |
| Total                                    | <b>358</b> | <b>398</b> |
| Average Days taken to fill an empty home | 6          | 8          |

The average number of days taken to fill our empty homes has resulted in rents and other charges lost due to homes being empty falling to 0.43% (2019 - 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 these areas, and the Choice Based Lettings initiative implemented in Caithness since 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.



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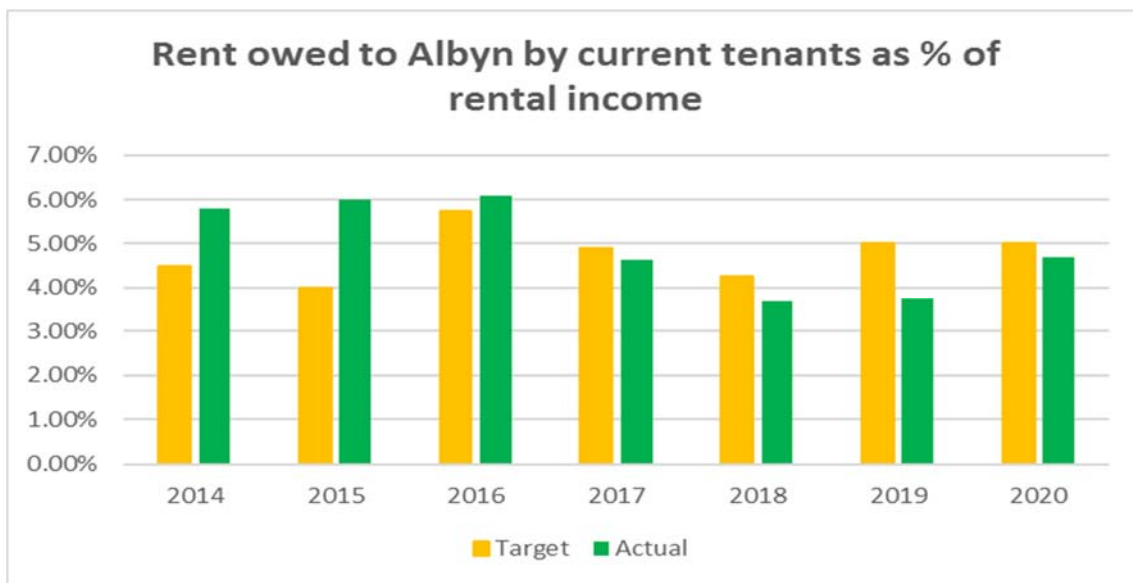
#### *Rent Arrears*

Rent arrears performance has weakened compared with the previous year as we see a greater proportion of tenants experiencing the challenges of migration to Universal Credit. 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 1,178 tenants (2019 - 864) were UC claimants with this number continuing to rise. We expect a further accelerated increase in 2020/21 due to the economic impact of the coronavirus pandemic. 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 and continue to refer tenants to access the support they need to manage rents.

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



#### *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 |  | 2020       | 2019       |
|--|--|------------|------------|
| Category 1                             | Most serious and involves criminal activity          | 23         | 41         |
| Category 2                             | Deliberate attempt to cause disturbance or annoyance | 96         | 80         |
| <b>Total</b>                           |  | <b>119</b> | <b>121</b> |

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

# ALBYN HOUSING SOCIETY LIMITED

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### FOR THE YEAR ENDED 31 MARCH 2020

The number of tenancies created in the financial year that were still successfully in place after a year remains high at 93.44% (2019 – 97.27%).

#### *Reactive Repairs*

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

| Category         | Performance Measure      | Target  | 2020      | 2019      |
|------------------|--------------------------|---------|-----------|-----------|
| Emergency        | Average time to complete | 8 hours | 5.81 hrs  | 3.90 hrs  |
| Non-Emergency    | Average time to complete | 10 days | 3.10 days | 3.27 days |
| Right First Time |                          |         | 90.38%    | 90.38%    |

The total number of reactive repairs completed during the reporting year was 5,847 (2019 – 6,606). 77.65% (2019 – 87.4%) 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.

#### *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 a number of innovative projects.

Since 2015, we have been 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, specifically focusing on the negative impacts of the introduction of UC and the effects of fuel poverty in the area.

The success of this project has led to a further extension into the 2020/21 financial year when the original end date of the programme was 31 March 2020. This extension will allow those in need of money advice to access professional services to assist in managing personal finances.

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

We have now covered the majority of our housing stock in carrying out an extensive stock condition survey with our Property Surveyor working towards ensuring that all properties have been inspected and ensuring the information we hold is as accurate as possible.

**ALBYN HOUSING SOCIETY LIMITED**

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**FOR THE YEAR ENDED 31 MARCH 2020**

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

| <b>Replacement Type</b>                      | <b>2020</b>  | <b>2019</b>  |
|--|--------------|--------------|
|  | £000's       | £000's       |
| Energy Efficiency Measures                   | 1,052        | 1,066        |
| Window and Door Replacements                 | 571          | 676          |
| Kitchen Replacements                         | 329          | 152          |
| Bathroom Replacements                        | 508          | 240          |
| Individual Property Upgrades and Other Costs | 81           | 81           |
| <b>Total</b>                                 | <b>2,541</b> | <b>2,215</b> |

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

| <b>Category</b> | <b>Performance Measure</b>            | <b>Target</b> | <b>2020</b> | <b>2019</b> |
|-----------------|---------------------------------------|---------------|-------------|-------------|
| Gas Servicing   | Within 12 Mths of previous inspection | 100%          | 100.0%      | 100.0%      |
|                 | Within 13 Mths of previous inspection | 100%          | 100.0%      | 100.0%      |

In July 2016 the Board approved an increase to the new build development programme from 500 homes for rent over the five years ending March 2020 up to 750 new homes. These plans were given a major boost when we secured the £30m of new Private Placement funding in February 2017. We completed or purchased 193 homes for rent during the year to 31 March 2020 (2019 - 196).

In addition to the new properties we built or purchased below, we bought back 1 shared ownership property to be rented out by HRL under the Mid-Market Rent (MMR) provisions.

| <b>Developments completed in the year</b> | <b>Rented</b> | <b>MMR</b> | <b>Total</b> |
|---|---------------|------------|--------------|
| David Oag grove                           | 13            | -          | 13           |
| Drovers Square                            | 2             | 2          | 4            |
| Drummosie Road                            | 40            | -          | 40           |
| Matheson Way                              | 9             | 2          | 11           |
| Revoan Court                              | 2             | 2          | 4            |
| Sandy Macrae Street                       | 8             | 4          | 12           |
| Spey House                                | 20            | 2          | 22           |
| David Ross Street                         | 1             | 4          | 5            |
| Aignish Drive                             | 11            | 2          | 13           |
| Manse Road                                | -             | 1          | 1            |
| Kennedy Avenue                            | -             | 1          | 1            |
| Millburn Court                            | -             | 1          | 1            |
| Dellmhor                                  | 6             | -          | 6            |
| Balvonie Brae                             | 25            | -          | 25           |
| Sullivan Street                           | 4             | -          | 4            |
| Aignish Road                              | 5             | -          | 5            |
| Balvonie Street                           | 11            | 9          | 20           |
| Colin Young Place                         | -             | 2          | 2            |
| King Brude Gardens                        | 1             | -          | 1            |
| Benbecula Place                           | 3             | -          | 3            |
| <b>Total</b>                              | <b>161</b>    | <b>32</b>  | <b>193</b>   |

## ALBYN HOUSING SOCIETY LIMITED

### REPORT OF THE BOARD

#### FOR THE YEAR ENDED 31 MARCH 2020

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

| <b>Development Funding</b> | <b>2020</b> | <b>2019</b> |
|----------------------------|-------------|-------------|
|                            | £000's      | £000's      |
| Expenditure                | 23,471      | 25,723      |
| Grant                      | 14,220      | 14,463      |
| Loan                       | 9,251       | 11,260      |
| <b>Own resources</b>       | -           | -           |

#### Finance & Corporate Services Team

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

The team has continued to work with the operational teams 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.

Within the financial year, the corporate finance system has been upgraded to enable a migration to a more modern platform and in addition we have introduced a new system for managing the housing assets that is a core part of our business. Further upgrades have been made to payment systems software and we will seek to develop further effectiveness and efficiency gains through the integration of our systems in the coming years.

#### 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 2017, 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 2020, 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.

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### FOR THE YEAR ENDED 31 MARCH 2020

#### *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. The rent increase was consulted with tenants for the 2020/21 financial year and we will be developing our rent setting policy to improve rent affordability across our tenancies. This policy follows the generally accepted practice / principles of the RSL Sector.

#### *Sales of Housing Properties*

We sold 3 homes in the year on the open market (2019 – 1) and 2 (2019 - 4) Shared Ownership properties in the year. We did not sell any homes under the Mortgage to Rent regulations (2019 - 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.

#### **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.

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#### FOR THE YEAR ENDED 31 MARCH 2020

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.
- **Objectives of the Society being misaligned or unsupported by behaviours**  
The introduction of significant business change projects requires a focus on outcomes and behaviours in order to reach a successful completion.
- **Inadequate or ineffective Performance Management**  
This risk requires the appropriate skills and training support of managers to develop capacity and capability to support business objectives.
- **Focus on the Effectiveness of non-core Activities**  
This risk has been identified to ensure that non-core activities retain a clear focus on objectives and outcomes avoiding unnecessary misalignment with the Albyn core business.
- **The impact of the Coronavirus pandemic**  
This risk has been identified following the onset of a national lockdown in response to the pandemic at the end of March 2020 which is likely to result in significant economic damage and hardship for the tenants of the Society. In addition, impact is likely to become apparent on the services and materials on which Albyn relies to build and maintain its assets.

#### **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 and will provide a further update when the new Leadership team is appointed.

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 HOUSING SOCIETY LIMITED

## REPORT OF THE BOARD

### FOR THE YEAR ENDED 31 MARCH 2020

Albyn, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2020, Albyn has a mix of fixed and variable rate finance, which it considers appropriate at this time.

#### **Going Concern**

The impact of the Coronavirus pandemic has provided a significant risk since it emerged at the end of March 2020 resulting in a lockdown of many aspects of the economy and society and the impact that this period will bring to bear on the Society's operation and its tenants may be significant.

The approval of the budget and specific responsive measures in March 2020 by the Board and further sensitivity modelling indicates that based on a number of scenarios, and evidence emerging after the end of the financial year, the Board have a reasonable basis on which make to judgements on this impact.

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

#### **Quality and Integrity of Staff**

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

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

#### **Employee Involvement and Health and Safety**

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

#### **Disabled Employees**

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

#### **Future Prospects**

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

The Board 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. This programme is reaching the end of its delivery and the Board are considering the scale of development and balancing this against the on-going needs to upgrade and improve the quality of existing housing stock.

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. More recent developments are likely to push more of our tenants towards

# ALBYN HOUSING SOCIETY LIMITED

## REPORT OF THE BOARD

### FOR THE YEAR ENDED 31 MARCH 2020

reliance on UC and we will call on skills and abilities of our staff to support tenants to manage rental payments.

The period of social lockdown which began at the end of March 2020 will bring about challenges into the future in how we deliver services to tenants and we will follow all applicable guidance in ensuring that once restrictions on activities are lifted we are able to operate and deliver our services in a manner which is safe to both our tenants and our staff.

#### Board

The Board of Albyn during the year to 31 March 2020 and up to 16 September 2020 was as follows:

| <b>Name</b>     | <b>Date Appointed</b>                           | <b>Committees</b> |
|-----------------|---|-------------------|
| Ms M Smith      | Appointed Chair Person from 03/09/19 – Present  | SHSE, Perf        |
| Mr J A Convery  | Appointed Board Mbr 01/09/03 – Present          | Perf, A&RM        |
| Mr I Fosbrooke  | Appointed Vice Chair – 03/09/19 – Present       | SHSE, A&RM        |
| Ms J Goleworthy | Appointed Board Sec 03/09/19 Resigned 07/06/20  | A&RM, Perf        |
| Ms J Carr       | Appointed Board Mbr 21/11/17 Resigned 03/09/19  | SHSE              |
| Mrs L Clow      | Appointed Board Mbr 11/09/18 Resigned 03/09/19  | A&RM, SHSE        |
| Mrs S Endeacott | Appointed Co Optee 15/10/19 Resigned 01/05/20   | SHSE              |
| Ms D Smith      | Appointed Co-Optee 15/10/19 – Present           | SHSE, A&RM        |
| Mr R Bremner    | Appointed Board Mbr 25/06/19 – Present          | Perf, A&RM        |
| Ms G Sinclair   | Appointed Board Mbr 03/09/19 - Present          | SHSE, Perf        |
| Mr P Adams      | Appointed Co-Optee 17/12/19 – Present           | Board             |
| Ms A Boon       | Appointed Board Mbr 03/09/19 Resigned 09/06/20  | A&RM, Perf        |
| Ms M MacPherson | Appointed Board Mbr 03/05/19 Resigned 11/07/19  | Board             |
| Mr D Russell    | Appointed Board Mbr 16/08/11 Resigned 03/09/19  | A&RM              |
| Mr S Smith      | Appointed Chair prsn 11/08/18 Resigned 31/05/19 | Board, SHSE, Perf |

#### Committees

*Performance Committee (“Perf”)*

*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 Director of Albyn at 31 March 2020 was as follows:

Ms Lisa Buchanan Chief Executive

#### 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.



**ALBYN HOUSING SOCIETY LIMITED**  
**REPORT OF THE BOARD**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**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



Secretary  
16 September 2020

## **ALBYN HOUSING SOCIETY LIMITED**

### **STATEMENT OF BOARD'S RESPONSIBILITIES**

#### **FOR THE YEAR ENDED 31 MARCH 2020**

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.

**ALBYN HOUSING SOCIETY LIMITED**

**BOARD'S STATEMENT OF INTERNAL FINANCIAL CONTROL**

**FOR THE YEAR ENDED 31 MARCH 2020**

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:

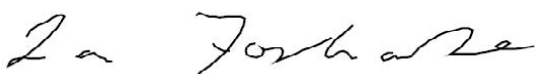
- the reliability of financial information used within the Society, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

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 that 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 2020. 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



Secretary  
16 September 2020

**REPORT BY THE AUDITOR TO THE MEMBERS OF  
ALBYN HOUSING SOCIETY LIMITED  
ON CORPORATE GOVERNANCE MATTERS  
FOR THE YEAR ENDED 31 MARCH 2020**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 16 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 20 October 2020

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**ALBYN HOUSING SOCIETY LIMITED**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**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 2020 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 2020 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 2020

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 16, 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 2020**

**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*

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

Date 20 October 2020

**ALBYN HOUSING SOCIETY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME - GROUP**  
**FOR THE YEAR ENDED 31 MARCH 2020**

|  | Notes | <b>2020</b><br>£'000 | <b>2019</b><br>£'000 |
|--|-------|----------------------|----------------------|
| <b>Turnover</b>  | 2     | 21,919               | 20,960               |
| Operating expenditure  | 2     | (16,829)             | (15,690)             |
| <b>Operating Surplus</b>                                     | 7     | <u>5,090</u>         | <u>5,270</u>         |
| (Loss) on disposal of fixed assets                           | 6     | (35)                 | (22)                 |
| Interest receivable  | 9     | 11                   | 20                   |
| Interest and financing costs                                 | 10    | (2,802)              | (2,625)              |
| <b>Surplus before tax</b>                                    |       | <u>2,264</u>         | <u>2,643</u>         |
| Taxation   | 11    | -                    | 4                    |
| <b>Surplus for the Year</b>                                  |       | <u><u>2,264</u></u>  | <u><u>2,647</u></u>  |
| <b><i>Other Comprehensive Income</i></b>                     |       |                      |                      |
| Initial recognition of multi-employer defined benefit scheme | 31    | -                    | (351)                |
| Actuarial Gain/(Loss) in respect of pension schemes          | 31    | 1,433                | (340)                |
| <b>Total Comprehensive Income for the year</b>               | 24    | <u><u>3,697</u></u>  | <u><u>1,956</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 2020**

|  | Notes | <b>2020</b><br>£'000 | <b>2019</b><br>£'000 |
|--|-------|----------------------|----------------------|
| <b>Turnover</b>  | 2     | 21,411               | 20,537               |
| Operating expenditure  | 2     | (16,331)             | (15,246)             |
| <b>Operating Surplus</b>                                     | 7     | <u>5,080</u>         | <u>5,291</u>         |
| (Loss)/Gain on disposal of fixed assets                      | 6     | (35)                 | (22)                 |
| Interest receivable  | 9     | 21                   | 44                   |
| Interest and financing costs                                 | 10    | (2,802)              | (2,625)              |
| <b>Surplus before tax</b>                                    |       | <u>2,264</u>         | <u>2,688</u>         |
| Taxation   | 11    | -                    | -                    |
| <b>Surplus for the Year</b>                                  |       | <u><u>2,264</u></u>  | <u><u>2,688</u></u>  |
| <b><i>Other Comprehensive Income</i></b>                     |       |                      |                      |
| Initial recognition of multi-employer defined benefit scheme | 31    | -                    | (351)                |
| Actuarial Losses in respect of pension schemes               | 31    | 1,433                | (340)                |
| <b>Total Comprehensive Income for the year</b>               | 24    | <u><u>3,697</u></u>  | <u><u>1,997</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 2020**

|  | Notes | 2020            |                | 2019            |                |
|--|-------|-----------------|----------------|-----------------|----------------|
|  |       | £'000           | £'000          | £'000           | £'000          |
| <b>Fixed Assets</b>  |       |                 |                |                 |                |
| Intangible assets  | 12    |                 | -              |                 | -              |
| Housing properties   | 13    |                 | 275,232        |                 | 255,928        |
| Other tangible fixed assets                                    | 14    |                 | 2,284          |                 | 2,155          |
| Investments  | 15    |                 | 1              |                 | 1              |
|  |       |                 | <u>277,517</u> |                 | <u>258,084</u> |
| <b>Current Assets</b>  |       |                 |                |                 |                |
| Stock and Work in Progress                                     | 16    | 2,259           |                | 3,352           |                |
| Trade and other debtors  | 17    | 1,973           |                | 4,838           |                |
| Cash and cash equivalents                                      | 25    | 7,998           |                | 5,665           |                |
|  |       | <u>12,230</u>   |                | <u>13,855</u>   |                |
| <b>Current Liabilities</b>                                     |       |                 |                |                 |                |
| Creditors due within one year                                  | 18    | <u>(11,031)</u> |                | <u>(11,094)</u> |                |
| <b>Net Current Assets</b>                                      |       |                 |                |                 |                |
|  |       |                 | 1,199          |                 | 2,761          |
| <b>Total Assets Less Current Liabilities</b>                   |       |                 |                |                 |                |
|  |       |                 | <u>278,716</u> |                 | <u>260,845</u> |
| <b>Creditors: amounts falling due after more than one year</b> |       |                 |                |                 |                |
|  | 19    |                 | (243,168)      |                 | (227,182)      |
| Provision For Liabilities                                      | 22    |                 | (134)          |                 | (128)          |
| Provisions for Liabilities - Pension Deficit Funding Liability | 31    |                 | -              |                 | -              |
| Provisions for Liabilities - Defined Benefit Liability         | 31    |                 | (291)          |                 | (2,109)        |
| <b>Total Net Assets</b>  |       |                 |                |                 |                |
|  |       |                 | <u>35,123</u>  |                 | <u>31,426</u>  |
| <b>Capital and Reserves</b>                                    |       |                 |                |                 |                |
| Share capital  | 23    |                 | 1              |                 | 1              |
| Income and Expenditure Reserve                                 | 24    |                 | 35,122         |                 | 31,425         |
|  |       |                 | <u>35,123</u>  |                 | <u>31,426</u>  |

The financial statements on pages 22 to 45 were approved by the Board and authorised for issue on 16 September 2020 and are signed on its behalf by:

Maxine Smith - Chair



Carl Patching - Vice Chair



Ian Fosbrooke - Secretary



**ALBYN HOUSING SOCIETY LIMITED**  
**STATEMENT OF FINANCIAL POSITION - SOCIETY**  
**AT 31 MARCH 2020**

|  | Notes | 2020            |                | 2019            |                |
|--|-------|-----------------|----------------|-----------------|----------------|
|  |       | £'000           | £'000          | £'000           | £'000          |
| <b>Fixed Assets</b>  |       |                 |                |                 |                |
| Housing properties   | 13    |                 | 275,232        |                 | 255,928        |
| Other tangible fixed assets                                    | 14    |                 | 2,188          |                 | 2,052          |
| Investments  | 15    |                 | 1              |                 | 1              |
|  |       |                 | <u>277,421</u> |                 | <u>257,981</u> |
| <b>Current Assets</b>  |       |                 |                |                 |                |
| Stock and Work in Progress                                     | 16    | 2,259           |                | 3,350           |                |
| Trade and other debtors  | 17    | 2,269           |                | 4,829           |                |
| Cash and cash equivalents                                      | 25    | <u>7,402</u>    |                | <u>5,213</u>    |                |
|  |       | 11,930          |                | 13,392          |                |
| <b>Current Liabilities</b>                                     |       |                 |                |                 |                |
| Creditors due within one year                                  | 18    | <u>(10,769)</u> |                | <u>(10,661)</u> |                |
| <b>Net Current Assets</b>                                      |       |                 |                |                 |                |
|  |       |                 | 1,161          |                 | 2,731          |
| <b>Total Assets Less Current Liabilities</b>                   |       |                 |                |                 |                |
|  |       |                 | <u>278,582</u> |                 | <u>260,712</u> |
| <b>Creditors: amounts falling due after more than one year</b> |       |                 |                |                 |                |
|  | 19    |                 | (243,168)      |                 | (227,183)      |
| Provisions for Liabilities                                     | 22    |                 | (117)          |                 | (111)          |
| Provisions for Liabilities - Pension Deficit Funding Liability | 31    |                 | -              |                 | -              |
| Provisions for Liabilities - Defined Benefit Liability         | 31    |                 | (291)          |                 | (2,109)        |
| <b>Total Net Assets</b>  |       |                 |                |                 |                |
|  |       |                 | <u>35,006</u>  |                 | <u>31,309</u>  |
| <b>Capital and Reserves</b>                                    |       |                 |                |                 |                |
| Share capital  | 23    |                 | 1              |                 | 1              |
| Income and Expenditure Reserve                                 | 24    |                 | 35,005         |                 | 31,308         |
|  |       |                 | <u>35,006</u>  |                 | <u>31,309</u>  |

The financial statements on pages 22 to 45 were approved by the Board and authorised for issue on 16 September 2020 and are signed on its behalf by:

Maxine Smith - Chair



Carl Patching - Vice Chair



Ian Fosbrooke - Secretary



**ALBYN HOUSING SOCIETY LIMITED**  
**STATEMENT OF CASHFLOWS - GROUP**  
**FOR THE YEAR ENDED 31 MARCH 2020**

|   | <b>2020</b>       |              | <b>2019</b>       |                |
|---|-------------------|--------------|-------------------|----------------|
|   | £'000             | £'000        | £'000             | £'000          |
| <b>Surplus before Tax for the year</b>                          |                   | 2,265        |                   | 2,647          |
| Adjustments for non-cash items:                                 |                   |              |                   |                |
| Depreciation of tangible fixed assets                           | 4,937             |              | 4,280             |                |
| Amortisation of capital grants                                  | (2,996)           |              | (2,664)           |                |
| Increase in provisions  | 6                 |              | 7                 |                |
| Gain on disposal of tangible fixed assets                       | (35)              |              | 22                |                |
| Interest receivable   | (12)              |              | (15)              |                |
| Interest payable  | 2,802             |              | 2,625             |                |
| Taxation paid   | -                 |              | -                 |                |
|   | <u>          </u> | <u>4,702</u> | <u>          </u> | <u>4,255</u>   |
| <b>Operating cash flows before movements in working capital</b> |                   | 6,967        |                   | 6,902          |
| Decrease in properties held for sale                            | 1,091             |              | 1,251             |                |
| Decrease in stock   | 3                 |              | -                 |                |
| Decrease in trade and other debtors                             | 71                |              | 653               |                |
| Increase /(decrease) in trade and other creditors               | 2,820             |              | (2,586)           |                |
|   | <u>          </u> | <u>3,985</u> | <u>          </u> | <u>(682)</u>   |
| <b>Cash generated from operations</b>                           |                   | 10,952       |                   | 6,220          |
| <b>Cash flow from investing activities</b>                      |                   |              |                   |                |
| Development of own property                                     | (25,128)          |              | (24,944)          |                |
| Purchase of other fixed assets                                  | (270)             |              | (113)             |                |
| Proceeds from sale of tangible fixed assets                     | 637               |              | 291               |                |
| Grants received   | 10,235            |              | 16,940            |                |
| Interest received   | 11                |              | 15                |                |
|   | <u>          </u> |              | <u>          </u> |                |
| <b>Net cash used in investing activities</b>                    |                   | (14,515)     |                   | (7,811)        |
| <b>Cash flow from financing activities</b>                      |                   |              |                   |                |
| Interest paid   | (2,758)           |              | (2,560)           |                |
| Loans received  | 10,000            |              | 1,000             |                |
| Loans repaid  | (917)             |              | (901)             |                |
| Payments to pension past service deficit                        | (429)             |              | (454)             |                |
|   | <u>          </u> |              | <u>          </u> |                |
| <b>Net cash from/(used in) financing activities</b>             |                   | 5,896        |                   | (2,915)        |
| <b>Net Increase/(decrease) in cash and cash equivalents</b>     |                   | <u>2,333</u> |                   | <u>(4,506)</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 2020**

|   | <b>2020</b>  |              | <b>2019</b>    |                |
|---|--------------|--------------|----------------|----------------|
|   | £'000        | £'000        | £'000          | £'000          |
| <b>Surplus for the year</b>                                     |              | 2,264        |                | 2,689          |
| Adjustments for non-cash items:                                 |              |              |                |                |
| Depreciation of tangible fixed assets                           | 4,925        |              | 4,262          |                |
| Amortisation of capital grants                                  | (2,996)      |              | (2,665)        |                |
| Increase in provisions  | 6            |              | 7              |                |
| Gain on disposal of tangible fixed assets                       | (35)         |              | 22             |                |
| Interest receivable   | (21)         |              | (44)           |                |
| Interest payable  | <u>2,802</u> |              | <u>2,625</u>   |                |
|   |              | <u>4,681</u> |                | <u>4,206</u>   |
| <b>Operating cash flows before movements in working capital</b> |              | 6,945        |                | 6,895          |
| Decrease in properties held for sale                            | 1,091        |              | 1,251          |                |
| Decrease in trade and other debtors                             | 24           |              | 1,088          |                |
| Increase / (decrease) in trade and other creditors              | <u>2,733</u> |              | <u>(2,534)</u> |                |
|   |              | <u>3,849</u> |                | <u>(195)</u>   |
| <b>Cash generated from operations</b>                           |              | 10,794       |                | 6,700          |
| <b>Cash flow from investing activities</b>                      |              |              |                |                |
| Development of own property                                     | (25,129)     |              | (24,944)       |                |
| Purchase of other fixed assets                                  | (266)        |              | (108)          |                |
| Proceeds from sale of tangible fixed assets                     | 637          |              | 291            |                |
| Grants received   | 10,235       |              | 16,940         |                |
| Interest received   | 15           |              | 19             |                |
| Gift Aid donation received                                      | <u>6</u>     |              | <u>25</u>      |                |
| <b>Net cash used in investing activities</b>                    |              | (14,502)     |                | (7,777)        |
| <b>Cash flow from financing activities</b>                      |              |              |                |                |
| Interest paid   | (2,758)      |              | (2,560)        |                |
| Loans received  | 10,000       |              | 1,000          |                |
| Loans repaid  | (916)        |              | (901)          |                |
| Payments to pension past service deficit                        | <u>(429)</u> |              | <u>(454)</u>   |                |
| <b>Net cash from/(used in) financing activities</b>             |              | 5,897        |                | (2,915)        |
| <b>Net (Decrease) / increase in cash and cash equivalents</b>   |              | <u>2,189</u> |                | <u>(3,991)</u> |

Note 25 should be read in conjunction with this statement.

# ALBYN HOUSING SOCIETY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

### 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 2020

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 2020 was £291k.

**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 31 March 2020, the Board approved the annual budget and financial forecast in addition to a series of specific measures implemented to provide a response to the coronavirus pandemic. These measures and the wider impact of the pandemic have been further tested with a number of differing scenarios after which the Board has further considered the impact on the business as a going concern.

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.

# ALBYN HOUSING SOCIETY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

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

### **h. Other Grants**

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

### **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  |



# ALBYN HOUSING SOCIETY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

### **k. Impairments of Fixed Assets**

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Society estimates the 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 a grant making body and passed on to an eligible beneficiary. A grant making body has a benefit of a fixed charge on the property entitling the 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.

# ALBYN HOUSING SOCIETY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

### **o. Other Tangible Fixed Assets**

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

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

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

# ALBYN HOUSING SOCIETY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2020

### u. Retirement Benefits

#### Defined contribution plans

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

#### Defined benefit plans

##### ***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. Since the year ended 31 March 2018, the Association has recognised a past service deficit liability based on the present value of the Association's deficit funding agreement.

As at the year ended 31 March 2020, the net defined benefit pension deficit liability was £291k, which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2020, 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.

**ALBYN HOUSING SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2020**

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

|                               | Notes | Turnover<br>£'000 | Operating<br>costs<br>£'000 | 2020<br>Operating<br>surplus<br>£'000 | 2019<br>Operating<br>surplus<br>£'000 |
|-------------------------------|-------|-------------------|-----------------------------|---------------------------------------|---------------------------------------|
| Affordable Letting Activities | 3     | 18,352            | (11,740)                    | 6,612                                 | 5,741                                 |
| Other Activities              | 4     | 3,567             | (5,089)                     | (1,522)                               | (470)                                 |
| <b>Total</b>                  |       | <b>21,919</b>     | <b>(16,829)</b>             | <b>5,090</b>                          | <b>5,271</b>                          |
| <b>2019</b>                   |       | <b>20,961</b>     | <b>(15,690)</b>             | <b>5,271</b>                          |                                       |

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

|                               | Notes | Turnover<br>£'000 | Operating<br>costs<br>£'000 | 2020<br>Operating<br>surplus<br>£'000 | 2019<br>Operating<br>surplus<br>£'000 |
|-------------------------------|-------|-------------------|-----------------------------|---------------------------------------|---------------------------------------|
| Affordable Letting Activities | 3     | 18,215            | (12,258)                    | 5,957                                 | 5,663                                 |
| Other Activities              | 4     | 3,196             | (4,073)                     | (877)                                 | (371)                                 |
| <b>Total</b>                  |       | <b>21,411</b>     | <b>(16,331)</b>             | <b>5,080</b>                          | <b>5,292</b>                          |
| <b>2019</b>                   |       | <b>20,537</b>     | <b>(15,246)</b>             | <b>5,292</b>                          |                                       |

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

|   | General<br>Needs<br>Housing<br>£'000 | Shared<br>Ownership<br>Housing<br>£'000 | 2020<br>£'000 | 2019<br>£'000 |
|---|--------------------------------------|---|---------------|---------------|
| Rent Receivable Net of Service Charges                            | 14,561                               | 287                                     | 14,848        | 13,742        |
| Service Charges   | 566                                  | -                                       | 566           | 485           |
| Gross Income from Rents and Service Charges                       | 15,127                               | 287                                     | 15,414        | 14,227        |
| Less Voids  | (58)                                 | -                                       | (58)          | (65)          |
| Net Income from Rents and Service Charges                         | 15,069                               | 287                                     | 15,356        | 14,162        |
| Grants Released from Deferred Income                              | 2,996                                | -                                       | 2,996         | 2,664         |
| <b>Total Turnover from Affordable Letting Activities</b>          | <b>18,065</b>                        | <b>287</b>                              | <b>18,352</b> | <b>16,826</b> |
| Management and Maintenance Administration Costs                   | 3,668                                | 151                                     | 3,819         | 3,626         |
| Service Costs   | 103                                  | -                                       | 103           | 623           |
| Planned and Cyclical Maintenance<br>including Major Repairs Costs | 752                                  | -                                       | 752           | 689           |
| Reactive Maintenance Costs  | 1,710                                | -                                       | 1,710         | 1,693         |
| Bad Debts - Rents and Service Charges                             | 29                                   | -                                       | 29            | (21)          |
| Depreciation of Affordable Let Properties                         | 5,295                                | 32                                      | 5,327         | 4,475         |
| <b>Operating Costs for Affordable Letting Activities</b>          | <b>11,557</b>                        | <b>183</b>                              | <b>11,740</b> | <b>11,085</b> |
| <b>Operating Surplus for Affordable Lettings Activities</b>       | <b>6,508</b>                         | <b>104</b>                              | <b>6,612</b>  | <b>5,741</b>  |
| <b>2019</b>   | <b>5,626</b>                         | <b>115</b>                              | <b>5,741</b>  |               |

**ALBYN HOUSING SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2020**

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

|   | General<br>Needs<br>Housing<br>£'000 | Shared<br>Ownership<br>Housing<br>£'000 | <b>2020</b><br>£'000 | <b>2019</b><br>£'000 |
|---|--------------------------------------|---|----------------------|----------------------|
| Rent Receivable Net of Service Charges                            | 14,424                               | 287                                     | 14,711               | 13,664               |
| Service Charges   | 566                                  | -                                       | 566                  | 485                  |
| Gross Income from Rents and Service Charges                       | 14,990                               | 287                                     | 15,277               | 14,149               |
| Less Voids  | (58)                                 | -                                       | (58)                 | (65)                 |
| Net Income from Rents and Service Charges                         | 14,932                               | 287                                     | 15,219               | 14,084               |
| Grants Released from Deferred Income                              | 2,996                                | -                                       | 2,996                | 2,664                |
| <b>Total Turnover from Affordable Letting Activities</b>          | <b>17,928</b>                        | <b>287</b>                              | <b>18,215</b>        | <b>16,748</b>        |
| Management and Maintenance Administration Costs                   | 3,668                                | 151                                     | 3,819                | 3,626                |
| Service Costs   | 621                                  | -                                       | 621                  | 623                  |
| Planned and Cyclical Maintenance<br>including Major Repairs Costs | 752                                  | -                                       | 752                  | 689                  |
| Reactive Maintenance Costs  | 1,710                                | -                                       | 1,710                | 1,693                |
| Bad Debts - Rents and Service Charges                             | 29                                   | -                                       | 29                   | (21)                 |
| Depreciation of Affordable Let Properties                         | 5,295                                | 32                                      | 5,327                | 4,475                |
| <b>Operating Costs for Affordable Letting Activities</b>          | <b>12,075</b>                        | <b>183</b>                              | <b>12,258</b>        | <b>11,085</b>        |
| <b>Operating Surplus for Affordable Lettings Activities</b>       | <b>5,853</b>                         | <b>104</b>                              | <b>5,957</b>         | <b>5,663</b>         |
| <b>2019</b>   | <b>5,548</b>                         | <b>115</b>                              | <b>5,663</b>         |                      |

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

|  | Grants from                    |                            |                          |                            |                             | <b>2020</b>                              | <b>2019</b>                              |
|--|--------------------------------|----------------------------|--------------------------|----------------------------|-----------------------------|--|--|
|  | Scottish<br>Ministers<br>£'000 | Revenue<br>Grants<br>£'000 | Other<br>Income<br>£'000 | Total<br>Turnover<br>£'000 | Operating<br>Costs<br>£'000 | Operating<br>Surplus<br>/(Loss)<br>£'000 | Operating<br>Surplus<br>/(Loss)<br>£'000 |
| Factoring  | -                              | -                          | 174                      | 174                        | (499)                       | (325)                                    | 50                                       |
| Contracted out activities<br>undertaken for registered<br>social landlords | -                              | -                          | -                        | -                          | -                           | -  | -  |
| Contracted out activities<br>undertaken for other<br>organisations         | -                              | -                          | 12                       | 12                         | -                           | 12                                       | -  |
| Uncapitalised Development<br>Administration Costs                          | -                              | -                          | -                        | -                          | (852)                       | (852)                                    | (355)                                    |
| NSSE Properties for Sale   | 2,984                          | -                          | -                        | 2,984                      | (2,984)                     | -  | -  |
| Other Activities   | -                              | -                          | 397                      | 397                        | (754)                       | (357)                                    | (165)                                    |
| <b>Operating Deficit</b>   | <b>2,984</b>                   | <b>-</b>                   | <b>583</b>               | <b>3,567</b>               | <b>(5,089)</b>              | <b>(1,522)</b>                           | <b>(470)</b>                             |
| <b>2019</b>  | <b>3,598</b>                   | <b>-</b>                   | <b>537</b>               | <b>4,135</b>               | <b>(4,605)</b>              | <b>(470)</b>                             |  |

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

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

|   | Grants from                    |                          |                            |                             |  | <b>2020</b>                              | <b>2019</b> |
|---|--------------------------------|--------------------------|----------------------------|-----------------------------|--|--|-------------|
|   | Scottish<br>Ministers<br>£'000 | Other<br>Income<br>£'000 | Total<br>Turnover<br>£'000 | Operating<br>Costs<br>£'000 | Operating<br>Surplus<br>/(Loss)<br>£'000 | Operating<br>Surplus<br>/(Loss)<br>£'000 |             |
| Contracted out activities undertaken for<br>registered social landlords | -                              | -                        | -                          | -                           | -  | -  | -           |
| Contracted out activities undertaken for<br>other organisations         | -                              | 12                       | 12                         | -                           | 12                                       | -  |             |
| Uncapitalised Development<br>Administration Costs                       | -                              | -                        | -                          | (851)                       | (851)                                    | (355)                                    |             |
| Other Activities  | -                              | 200                      | 200                        | (238)                       | (38)                                     | (16)                                     |             |
| NSSE Properties for Sale  | 2,984                          | -                        | 2,984                      | (2,984)                     | 0  | -  |             |
| <b>Operating Deficit</b>  | <b>2,984</b>                   | <b>212</b>               | <b>3,196</b>               | <b>(4,073)</b>              | <b>(877)</b>                             | <b>(371)</b>                             |             |
| <b>2019</b>   | <b>3,598</b>                   | <b>192</b>               | <b>3,790</b>               | <b>(4,161)</b>              | <b>(371)</b>                             |  |             |

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

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

|   | Tenanted     | Mid-Market Rent | Managed on behalf of others | Shared Ownership | 2020 No      | 2019 No      |
|---|--------------|-----------------|-----------------------------|------------------|--------------|--------------|
| The number of properties in management were as follows: |              |                 |                             |                  |              |              |
| 1 April   | 3,072        | 127             | 16                          | 124              | 3,339        | 3,151        |
| Additions during the year                               | 161          | 32              | -                           | -                | 193          | 193          |
| Conversion from Shared Ownership                        | -            | 0               | -                           | -                | -            | -            |
| Disposals   | (4)          | 0               | (1)                         | (2)              | (7)          | (5)          |
| 31 March 2020   | <u>3,229</u> | <u>159</u>      | <u>15</u>                   | <u>122</u>       | <u>3,525</u> | <u>3,339</u> |

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

|   | Group         |               | Society       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2020<br>£'000 | 2019<br>£'000 | 2020<br>£'000 | 2019<br>£'000 |
| Sale proceeds                                   | 637           | 291           | 637           | 291           |
| Carrying value of fixed assets                  | (523)         | (57)          | (523)         | (57)          |
|   | 114           | 234           | 114           | 234           |
| Capital Grant repaid                            | -             | (115)         | -             | (115)         |
|   | <u>114</u>    | <u>119</u>    | <u>114</u>    | <u>119</u>    |
| <b>6 b Deficit on Replacement of Components</b> | <u>(149)</u>  | <u>(141)</u>  | <u>(149)</u>  | <u>(141)</u>  |
|   | <u>(35)</u>   | <u>(22)</u>   | <u>(35)</u>   | <u>(22)</u>   |

**7 Operating surplus**

Operating surplus is stated after charging:

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Auditors' remuneration                                | 29    | 31    | 22    | 26    |
| Operating lease rentals [note 29]                     | 43    | 47    | 43    | 47    |
| Surplus on disposal of tangible fixed assets [note 6] | 114   | 119   | 114   | 119   |
| Depreciation of housing properties                    | 5,327 | 4,475 | 5,327 | 4,475 |
| Depreciation of other tangible fixed assets           | 92    | 108   | 80    | 97    |
| Depreciation of intangible fixed assets               | -     | 7     | -     | -     |

RSM UK Audit LLP's associated company received £8,490 (2019 - £2,820) for professional services other than audit.

**8 Key Management Personnel and Employees**

|   | Group         |               | Society       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2020<br>£'000 | 2019<br>£'000 | 2020<br>£'000 | 2019<br>£'000 |
| [a] Staff costs including Key Management Personnel's emoluments |               |               |               |               |
| Salaries  | 2,780         | 2,547         | 2,429         | 2,225         |
| Social security costs   | 270           | 246           | 234           | 219           |
| Defined contribution pension cost                               | 220           | 217           | 210           | 206           |
| Other pension costs   | -             | -             | -             | -             |
|   | <u>3,270</u>  | <u>3,010</u>  | <u>2,873</u>  | <u>2,650</u>  |
| Temporary, seconded and agency staff costs                      | 102           | 119           | 74            | 109           |
| Development administration costs capitalised                    | (413)         | (488)         | (413)         | (489)         |
|   | <u>2,959</u>  | <u>2,641</u>  | <u>2,534</u>  | <u>2,270</u>  |
|   | <b>No</b>     | <b>No</b>     | <b>No</b>     | <b>No</b>     |
| Average monthly number of full time equivalent persons employed |               |               |               |               |
| Asset Management and Investment                                 | 15            | 16            | 15            | 16            |
| Customer Services   | 39            | 36            | 39            | 36            |
| Factoring   | 5             | 3             | -             | -             |
| Sales and Letting   | 5             | 4             | -             | -             |
| Innovative Projects   | 2             | 2             | -             | -             |
| Finance and Corporate Services                                  | 20            | 16            | 19            | 14            |
|   | <u>86</u>     | <u>77</u>     | <u>73</u>     | <u>66</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 |           | 2020<br>Group and Society<br>No | 2019<br>No |
|--|--------------|-----------|---------------------------------|------------|
| Number of Key Management Personnel earning:  | £ 60,001     | £ 70,000  | -                               | 1          |
|  | £ 70,001     | £ 80,000  | 1                               | -          |
|  | £ 80,001     | £ 90,000  | 1                               | 1          |
|  | £ 90,001     | £ 100,000 | 1                               | -          |
|  |              |           | 2020<br>£                       | 2019<br>£  |
| Aggregate emoluments payable to key management personnel<br>(excluding pension contributions but including benefits in kind) |              |           | 149,755                         | 165,089    |
| Aggregate pension contributions in relation to the above key management personnel  |              |           | 10,490                          | 12,768     |
| Emoluments payable to the Chief Executive<br>(excluding pension contributions)   |              |           | 88,190                          | 90,581     |

A total of £9,839 was paid to 5 Board members during the year under a contract for services in the year. Expenses paid to Board Members totalled £2,962 (2019 - £7,023).

**9 Interest Receivable and Similar Income**

|                                   | Group         |               | Society       |               |
|-----------------------------------|---------------|---------------|---------------|---------------|
|                                   | 2020<br>£'000 | 2019<br>£'000 | 2020<br>£'000 | 2019<br>£'000 |
| Interest receivable from banks    | 11            | 20            | 15            | 19            |
| Gift Aid Donation from Subsidiary | -             | -             | 6             | 25            |
|                                   | 11            | 20            | 21            | 44            |

**10 Interest and Financing Costs**

|  |       |       |       |       |
|--|-------|-------|-------|-------|
| Bank and Building Society loans and overdrafts               | 2,921 | 2,911 | 2,921 | 2,911 |
| Defined Benefit pension charge                               | 44    | 65    | 44    | 65    |
|  | 2,965 | 2,976 | 2,965 | 2,976 |
| Less: Interest Capitalised on housing properties constructed | (163) | (351) | (163) | (351) |
|  | 2,802 | 2,625 | 2,802 | 2,625 |

**11 Taxation**

|   |     |      |   |   |
|---|-----|------|---|---|
| Current Tax:  |     |      |   |   |
| UK corporation tax on profits of current year           | -   | (5)  | - | - |
| Deferred Tax:   |     |      |   |   |
| Origination and reversal of timing differences          | -   | 1    | - | - |
|   | -   | (4)  | - | - |
| Reconciliation of Current Tax charge:                   |     |      |   |   |
| Profit on ordinary activities before taxation           | 5   | 5    |   |   |
| Profits exempt due to charitable exemption              | (2) | (10) |   |   |
|   | 3   | (5)  |   |   |
| Effects of depreciation in excess of capital allowances | 2   | 5    |   |   |
| Tax adjustments and other timing differences            | (5) | -    |   |   |
| Profits subject to Corporation Tax                      | -   | -    |   |   |
| Tax charge at 19% / 20%                                 | -   | -    |   |   |

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**

|                       | <b>Website &amp;<br/>Branding<br/>£'000</b> |
|-----------------------|---|
| <b>Cost</b>           |   |
| 1 April 2019          | 21  |
| Additions             | -   |
| Disposals             | -   |
| 31 March 2020         | 21  |
| <b>Amortisation</b>   |   |
| 1 April 2019          | 21  |
| Charge                | -   |
| Disposals             | -   |
| 31 March 2020         | 21  |
| <b>Net Book Value</b> |   |
| 31 March 2020         | -   |
| 31 March 2019         | -   |

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

|  | <b>Rented<br/>Occupation<br/>£'000</b> | <b>Shared<br/>Ownership<br/>£'000</b> | <b>Under<br/>Construction<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|--|---------------------------------------|---|------------------------|
| <b>Cost</b>  |  |                                       |   |                        |
| 1 April 2019   | 272,861                                | 4,252                                 | 23,572                                  | 300,685                |
| Additions  | -                                      | -                                     | 25,589                                  | 25,589                 |
| Transfers  | 74                                     | (31)                                  | (43)                                    | -                      |
| Properties acquired  | 407                                    | -                                     | -                                       | 407                    |
| Works to existing properties   | 2,541                                  | -                                     | (2,541)                                 | -                      |
| Schemes completed  | 23,471                                 | -                                     | (23,471)                                | -                      |
| Adjustments  | (333)                                  | -                                     | -                                       | (333)                  |
| Disposals  | (833)                                  | (44)                                  | (673)                                   | (1,550)                |
| 31 March 2020  | 298,187                                | 4,177                                 | 22,433                                  | 324,796                |
| <b>Depreciation</b>  |  |                                       |   |                        |
| 1 April 2019   | 43,922                                 | 835                                   | -                                       | 44,757                 |
| Depreciation charged in year   | 5,295                                  | 32                                    | -                                       | 5,327                  |
| Released on disposal   | (518)                                  | (2)                                   | -                                       | (520)                  |
| 31 March 2020  | 48,699                                 | 865                                   | -                                       | 49,564                 |
| <b>Net Book Value</b>  |  |                                       |   |                        |
| 31 March 2020  | 249,488                                | 3,311                                 | 22,433                                  | 275,232                |
| 31 March 2019  | 228,940                                | 3,416                                 | 23,572                                  | 255,928                |
|  |  |                                       | <b>2020<br/>£'000</b>                   | <b>2019<br/>£'000</b>  |
| <b>Expenditure on works to existing properties</b>                           |  |                                       |   |                        |
| Improvement work capitalised   |  |                                       | 120                                     | 81                     |
| Replacement component spend capitalised                                      |  |                                       | 2,341                                   | 2,431                  |
| Amounts charged to income and expenditure                                    |  |                                       | 28                                      | 77                     |
| Total major repairs spend  |  |                                       | 2,489                                   | 2,589                  |
| <b>Finance costs</b>   |  |                                       |   |                        |
| Aggregate amount of finance costs included in the cost of housing properties |  |                                       | 1,462                                   | 1,299                  |

The cost of land included in the costs above totals £43,705,974 (2019: £41,000,071)

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<br>£'000 | Equipment<br>£'000 | Total<br>£'000 |
|-----------------------|------------------|--------------------|----------------|
| <b>Cost</b>           |                  |                    |                |
| 1 April 2019          | 2,437            | 1,022              | 3,459          |
| Additions             | -                | 267                | 267            |
| Disposals             | -                | -                  | -              |
| 31 March 2020         | <u>2,437</u>     | <u>1,289</u>       | <u>3,726</u>   |
| <b>Depreciation</b>   |                  |                    |                |
| 1 April 2019          | 524              | 780                | 1,304          |
| Charge                | 38               | 102                | 140            |
| Disposals             | -                | -                  | -              |
| 31 March 2020         | <u>562</u>       | <u>882</u>         | <u>1,444</u>   |
| <b>Net Book Value</b> |                  |                    |                |
| 31 March 2020         | <u>1,875</u>     | <u>407</u>         | <u>2,282</u>   |
| 31 March 2019         | <u>1,913</u>     | <u>242</u>         | <u>2,155</u>   |

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

|                       | Offices<br>£'000 | Equipment<br>£'000 | Total<br>£'000 |
|-----------------------|------------------|--------------------|----------------|
| <b>Cost</b>           |                  |                    |                |
| 1 April 2019          | 2,437            | 855                | 3,292          |
| Additions             | -                | 264                | 264            |
| Disposals             | -                | -                  | -              |
| 31 March 2020         | <u>2,437</u>     | <u>1,119</u>       | <u>3,556</u>   |
| <b>Depreciation</b>   |                  |                    |                |
| 1 April 2019          | 524              | 716                | 1,240          |
| Charge                | 38               | 89                 | 127            |
| Disposals             | -                | -                  | -              |
| 31 March 2020         | <u>562</u>       | <u>805</u>         | <u>1,367</u>   |
| <b>Net Book Value</b> |                  |                    |                |
| 31 March 2020         | <u>1,875</u>     | <u>314</u>         | <u>2,188</u>   |
| 31 March 2019         | <u>1,913</u>     | <u>139</u>         | <u>2,052</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% (2019: 100%)                                | Property related activities              |
| Highland Residential (Inverness) Ltd | Ordinary                     | 100% (2019: 100%)                                | Renting/operating of housing real estate |
| Sunnd Ltd                            | Ordinary                     | 100% (2019: 100%)                                | Dormant                                  |

**16 Stock and Work in Progress**

|                     | Group         |               | Society       |               |
|---------------------|---------------|---------------|---------------|---------------|
|                     | 2020<br>£'000 | 2019<br>£'000 | 2020<br>£'000 | 2019<br>£'000 |
| Properties for Sale | 2,259         | 3,350         | 2,259         | 3,350         |
| Stock               | -             | 3             | -             | -             |
|                     | <u>2,259</u>  | <u>3,353</u>  | <u>2,259</u>  | <u>3,350</u>  |

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| <b>17 Debtors</b>                                   | <b>Group</b> |              | <b>Society</b> |              |
|---|--------------|--------------|----------------|--------------|
|   | <b>2020</b>  | <b>2019</b>  | <b>2020</b>    | <b>2019</b>  |
|   | £'000        | £'000        | £'000          | £'000        |
| <b>Amounts falling due within one year</b>          |              |              |                |              |
| Rent and service charges receivable                 | 977          | 939          | 856            | 713          |
| Less: provision for bad and doubtful debts          | (148)        | (165)        | (91)           | (127)        |
|   | <u>829</u>   | <u>774</u>   | <u>765</u>     | <u>586</u>   |
| HAG receivable                                      | 755          | 3,291        | 755            | 3,291        |
| Other debtors                                       | 90           | 484          | 82             | 477          |
| Prepayments and accrued income                      | 299          | 288          | 297            | 275          |
| Amounts due from Group undertakings                 | -            | -            | 271            | 97           |
|   | <u>1,973</u> | <u>4,838</u> | <u>2,170</u>   | <u>4,726</u> |
| <b>Amounts falling due after more than one year</b> |              |              |                |              |
| Amounts due from Group undertakings                 | -            | -            | 99             | 103          |
|   | <u>1,973</u> | <u>4,838</u> | <u>2,269</u>   | <u>4,829</u> |

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

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Debt [note 20]                               | 2,538         | 1,409         | 2,538         | 1,409         |
| Rent and service charges received in advance | 480           | 484           | 480           | 484           |
| Deferred capital grants [note 21]            | 2,994         | 3,832         | 2,994         | 3,832         |
| Trade creditors                              | 1,969         | 1,909         | 1,928         | 1,894         |
| Corporation tax [note 11]                    | -             | -             | -             | -             |
| Other taxation and social security costs     | 91            | 70            | 84            | 63            |
| Other creditors                              | 2,598         | 2,329         | 2,395         | 2,205         |
| Accruals and deferred income                 | 361           | 1,061         | 350           | 773           |
| Amounts due to Group undertakings            | -             | -             | -             | -             |
|  | <u>11,031</u> | <u>11,094</u> | <u>10,769</u> | <u>10,660</u> |

Included in creditors is an amount of £1,058,776 (2019 - £641,532) relating to payments due to the Scottish Government. £154,554 (2019 - £154,554) relates to capital and £904,222 (2019 - £486,978) to revenue activities.

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

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Debt [note 20]   | 80,850         | 72,895         | 80,850         | 72,895         |
| Deferred capital grants [note 21]  | 162,318        | 154,287        | 162,318        | 154,287        |
|  | <u>243,168</u> | <u>227,182</u> | <u>243,168</u> | <u>227,182</u> |
| Included in creditors are:   |                |                |                |                |
| Amounts repayable other than by instalments falling due after more than five years | 178,851        | 206,426        | 178,851        | 206,426        |
| Amounts repayable by instalments falling due after more than five years            | 41,987         | 35,702         | 41,987         | 35,702         |
|  | <u>220,838</u> | <u>242,128</u> | <u>220,838</u> | <u>242,128</u> |

**20 Debt Analysis - Borrowings**

|   | <b>Group</b>  |               | <b>Society</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2020</b>   | <b>2019</b>   | <b>2020</b>    | <b>2019</b>   |
|   | £'000         | £'000         | £'000          | £'000         |
| Creditors: amounts falling due within one year          |               |               |                |               |
| Bank Loans  | <u>2,538</u>  | <u>1,409</u>  | <u>2,538</u>   | <u>1,409</u>  |
| Creditors: amounts falling due after more than one year |               |               |                |               |
| Bank Loans  | <u>80,850</u> | <u>72,895</u> | <u>80,850</u>  | <u>72,895</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 5.82% (2019 - 0% to 5.47%).

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

|                            |               |               |               |               |
|----------------------------|---------------|---------------|---------------|---------------|
| In the next year           | 2,538         | 1,409         | 2,538         | 1,409         |
| In the second year         | 2,121         | 1,688         | 2,121         | 1,688         |
| In the third to fifth year | 6,742         | 5,505         | 6,742         | 5,505         |
| In more than five years    | 71,987        | 65,702        | 71,987        | 65,702        |
|                            | <u>83,388</u> | <u>74,304</u> | <u>83,388</u> | <u>74,304</u> |

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**21 Deferred Capital Grant**

|  | Group          |                | Society        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>£'000  | 2019<br>£'000  | 2020<br>£'000  | 2019<br>£'000  |
| 1 April 2019                                 | 158,119        | 143,431        | 158,119        | 143,431        |
| Grants received in the year                  | 11,519         | 18,756         | 11,519         | 18,756         |
| Grants reduced in the year                   | (1,331)        | (1,404)        | (1,331)        | (1,404)        |
| Grant released in the year                   | (2,996)        | (2,664)        | (2,996)        | (2,664)        |
| 31 March 2020                                | <u>165,311</u> | <u>158,119</u> | <u>165,311</u> | <u>158,119</u> |
| Amounts to be released within one year       | 2,994          | 3,832          | 2,994          | 3,832          |
| Amounts to be released in more than one year | <u>162,318</u> | <u>154,287</u> | <u>162,318</u> | <u>154,287</u> |
|  | <u>165,312</u> | <u>158,119</u> | <u>165,312</u> | <u>158,119</u> |

Capital Grants received to 31 March 2020 total £204,990,000 (2019 - £194,801,000);  
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                  | 117        | 111        | 117        | 111        |
| Deferred Tax   | <u>17</u>  | <u>17</u>  | <u>-</u>   | <u>-</u>   |
|  | <u>134</u> | <u>128</u> | <u>117</u> | <u>111</u> |
| 1 April 2019   | 128        | 111        | 111        | 105        |
| Added in the year  | 6          | 16         | 6          | 6          |
| Deferred tax charge in statement of comprehensive income | -          | 1          | -          | -          |
| 31 March 2020  | <u>134</u> | <u>128</u> | <u>117</u> | <u>111</u> |

**23 Share Capital**

|   | Group      |            | Society    |            |
|---|------------|------------|------------|------------|
|   | 2020<br>No | 2019<br>No | 2020<br>No | 2019<br>No |
| Allocated, allotted, called up and fully paid<br>Ordinary shares of £1 each |            |            |            |            |
| 1 April 2019  | 52         | 54         | 52         | 54         |
| Joined during the year  | 7          | 4          | 7          | 4          |
| Left during the year  | (9)        | (6)        | (9)        | (6)        |
| 31 March 2020   | <u>50</u>  | <u>52</u>  | <u>50</u>  | <u>52</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       |               |
|----------------------|---------------|---------------|---------------|---------------|
|                      | 2020<br>£'000 | 2019<br>£'000 | 2020<br>£'000 | 2019<br>£'000 |
| 1 April 2019         | 31,425        | 29,469        | 31,308        | 29,311        |
| Surplus for the year | <u>3,697</u>  | <u>1,956</u>  | <u>3,697</u>  | <u>1,997</u>  |
| 31 March 2020        | <u>35,122</u> | <u>31,425</u> | <u>35,005</u> | <u>31,308</u> |

**25.1 Cash and Cash Equivalents - Group**

|  |              |               |              |
|--|--------------|---------------|--------------|
| Analysis of the balance of Cash as shown in the balance sheet. | <b>2020</b>  | <b>Change</b> | <b>2019</b>  |
|  | £'000        | £'000         | £'000        |
| Bank and Cash in hand  | 7,998        | 2,333         | 5,665        |
|  | <u>7,998</u> | <u>2,333</u>  | <u>5,665</u> |

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**25.2 Cash and Cash Equivalents - Society**

|  | <b>2020</b> | <b>Change</b> | <b>2019</b> |
|--|-------------|---------------|-------------|
|  | £'000       | £'000         | £'000       |
| Analysis of the balance of Cash as shown in the balance sheet. |             |               |             |
| Bank and Cash in hand  | 7,402       | 2,189         | 5,213       |
|  | 7,402       | 2,189         | 5,213       |

**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 2020 Albyn Housing Society Limited has a loan facility in place which is available to be drawn down. The amount available is £10m.

Albyn Housing Society Limited, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2020 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 is a member of the Board of Albyn Housing Society Limited and a tenant of Albyn. The rent which tenant Board members pay for their home and any balances on their tenancy accounts are managed at arms' length in accordance with the Society's policies and procedures in force from time to time.

Ms M Smith, Mr R Bremner and Ms G Sinclair are councillors with the Highland Council. Any transactions with the Highland Council are made at arm's length, on normal commercial terms and members cannot use their position to gain advantage.

During the financial year, 5 (2019: 3) Board members received payments under a contract for services for their Board duties. The total amount paid in the financial year was £9,838 (2019: £5,831)

**28 Capital Commitments**

|   | <b>Group</b> |        | <b>Society</b> |        |
|---|--------------|--------|----------------|--------|
|   | 2020         | 2019   | 2020           | 2019   |
|   | £'000        | £'000  | £'000          | £'000  |
| Capital expenditure contracted for but not provided in the financial statements | 30,295       | 25,932 | 30,295         | 25,932 |
|   | 30,295       | 25,932 | 30,295         | 25,932 |

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:

|                    |                            | <b>Group</b> |       | <b>Society</b> |       |
|--------------------|----------------------------|--------------|-------|----------------|-------|
|                    |                            | 2020         | 2019  | 2020           | 2019  |
|                    |                            | £'000        | £'000 | £'000          | £'000 |
| Land and Buildings | Expiring                   |              |       |                |       |
|                    | In the next year           | 40           | 46    | 40             | 46    |
|                    | In the second year         | 40           | 46    | 40             | 46    |
|                    | In the third to fifth year | 106          | 39    | 106            | 39    |
|                    | In more than five years    | 340          | 482   | 340            | 482   |
|                    |                            | 526          | 613   | 526            | 613   |

**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:

|                          |       |
|--------------------------|-------|
| Year ended 31 March 2016 | £'000 |
| Year ended 31 March 2017 | 189   |
| Year ended 31 March 2018 | 178   |
| Year ended 31 March 2019 | 182   |
| Year ended 31 March 2020 | 186   |
|                          | 124   |
|                          | 859   |

At 31 March 2020, we had received £25,063 of funding (2019 - £54,292) 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 2018. 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.

Under the defined benefit pension accounting approach, the SHAPS net deficit as at 1 April 2019 is £2,109k and is £291k as at 31 March 2020.

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

|   | <b>2020</b>  | <b>2019</b>    |
|---|--------------|----------------|
|   | £'000        | £'000          |
| Fair value of plan assets                   | 13,219       | 13,717         |
| Present value of defined benefit obligation | 13,510       | 15,826         |
| <b>(Deficit) in plan</b>                    | <b>(291)</b> | <b>(2,109)</b> |

**Reconciliation Of Opening And Closing Balances Of The Defined Benefit Obligation**

|  | <b>2020</b>   | <b>2019</b>   |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Defined benefit obligation at start of period</b>               | <b>15,826</b> | <b>15,283</b> |
| Current service cost   | -             | -             |
| Expenses   | 13            | 15            |
| Interest expense   | 353           | 384           |
| Contributions by plan participants                                 | -             | -             |
| Actuarial (gains)/losses due to scheme experience                  | (119)         | (253)         |
| Actuarial (gains)/losses due to changes in demographic assumptions | (87)          | 43            |
| Actuarial (gains)/losses due to changes in financial assumptions   | (1,418)       | 957           |
| Benefits paid and expenses   | (1,058)       | (603)         |
| <b>Defined benefit obligation at end of period</b>                 | <b>13,510</b> | <b>15,826</b> |

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

|  | <b>2020</b>   | <b>2019</b>   |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Fair value of plan assets at start of period</b>                              | 13,717        | 13,125        |
| Interest income  | 309           | 334           |
| Experience on plan assets (excluding amounts included in interest income) - gain | (191)         | 407           |
| Contributions by the employer  | 442           | 454           |
| Benefits paid and expenses   | (1,058)       | (603)         |
| <b>Fair value of plan assets at end of period</b>                                | <b>13,219</b> | <b>13,717</b> |

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £118,000 (2019: £741,000).

**Defined Benefit Costs Recognised In Statement Of Comprehensive Income (SoCI)**

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
|  | £'000       | £'000       |
| Expenses   | 13          | 15          |
| Net interest expense   | 44          | 50          |
| Defined benefit costs recognised in statement of comprehensive income (SoCI) | <b>57</b>   | <b>65</b>   |

**Defined Benefit Costs Recognised In Other Comprehensive Income**

|   | <b>2020</b>  | <b>2019</b>  |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Experience on plan assets (excl amounts included in net interest cost) - (loss)/gain  | (191)        | 407          |
| Experience gains and losses arising on the plan liabilities - gain  | 119          | 253          |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)      | 87           | (43)         |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)        | 1,418        | (957)        |
| Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain/(loss)               | 1,433        | (340)        |
| Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss) | -            | -            |
| <b>Total amount recognised in other comprehensive income - gain/(loss)</b>  | <b>1,433</b> | <b>(340)</b> |

**Assets**

|                               | <b>2020</b>   | <b>2019</b>   |
|-------------------------------|---------------|---------------|
|                               | £'000         | £'000         |
| Absolute Return               | 812           | 1,162         |
| Alternative Risk Premia       | 1,059         | 766           |
| Corporate Bond Fund           | 966           | 962           |
| Credit Relative Value         | 318           | 238           |
| Distressed Opportunities      | 241           | 234           |
| Emerging Markets Debt         | 470           | 440           |
| Fund of Hedge Funds           | -             | 38            |
| Global Equity                 | 1,818         | 2,207         |
| Infrastructure                | 779           | 575           |
| Insurance-Linked Securities   | 355           | 356           |
| Liquid Credit                 | 346           | -             |
| Liability Driven Investment   | 3,481         | 4,881         |
| Long Lease Property           | 323           | 166           |
| Net Current Assets            | 100           | 14            |
| Over 15 Year Gilts            | 168           | 352           |
| Opportunistic Illiquid Credit | 322           | -             |
| Private Debt                  | 262           | 177           |
| Property                      | 246           | 272           |
| Risk Sharing                  | 419           | 398           |
| Secured Income                | 734           | 479           |
| <b>Total assets</b>           | <b>13,219</b> | <b>13,717</b> |

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**

|                 | <b>2020</b> | <b>2019</b> |
|-----------------|-------------|-------------|
|                 | £'000       | £'000       |
| Discount Rate   | 2.38%       | 2.30%       |
| Inflation (RPI) | 2.63%       | 3.30%       |
| Inflation (CPI) | 1.63%       | 2.30%       |
| Salary Growth   | 2.63%       | 2.80%       |

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|   |                                |                                |
|---|--------------------------------|--------------------------------|
|   | 75% of<br>maximum<br>allowance | 75% of<br>maximum<br>allowance |
| Allowance for commutation of pension for cash at retirement |                                |                                |

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

|                             | <b>2020</b>                     | <b>2019</b>                     |
|-----------------------------|---------------------------------|---------------------------------|
|                             | Life<br>expectancy<br>at age 65 | Life<br>expectancy at<br>age 65 |
| Male retiring now           | 21.5                            | 21.7                            |
| Female retiring now         | 23.2                            | 23.4                            |
| Male retiring in 20 years   | 22.8                            | 23.1                            |
| Female retiring in 20 years | 24.5                            | 24.7                            |