

Registered number: L0968

Charity number: SC013584

CASTLEHILL HOUSING ASSOCIATION LIMITED

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2018

CASTLEHILL HOUSING ASSOCIATION LIMITED

**Consolidated Financial Statements
For the year ended 31 March 2018**

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CASTLEHILL HOUSING ASSOCIATION LIMITED

MEMBERS, EXECUTIVE OFFICERS AND ADVISORS

Committee of Management	Mr D Millar (Convener) Mrs J Lyon (Vice Convener) Mr G Kyle Mrs K Mason (resigned 18/06/18) Mr J Nicoll Mr G Ogston Mr I Thomson Mr J Tomlinson Mrs S Williamson Mr P King Mr A Morrison (appointed 28/08/17, resigned 18/12/17) Mr C Stewart (appointed 28/08/17)
Registered Auditors	Anderson Anderson & Brown Audit LLP Kingshill View Kingswells Aberdeen AB15 8PU
Solicitors	Burness Paull LLP Union Plaza Union Wynd Aberdeen AB10 1SL
Bankers	Clydesdale Bank plc Principal Branch Queen's Cross Aberdeen AB15 4XU
Executive Officers	Mr D Lappin (Chief Executive/Secretary) Mrs J Ramsay (Director of Finance & Corporate Services) (appointed 4/9/17) Mrs G Robertson (Director of Housing & Property Services) Ms F Murray (Director of Development Services) (resigned 31/05/18) Mr G Helme (Director of Finance & Corporate Services) (resigned 31/07/17)
Registered Office	4 Carden Place Aberdeen AB10 1UT

CASTLEHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

The committee of management presents its report and the audited financial statements for the year ended 31 March 2018.

Legal Status

Castlehill Housing Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014. It is also a registered Scottish Charity with charity number SCO13584. The Association has two subsidiary companies: Grampian Community Care Charitable Trust which is also a registered Scottish Charity with charity number SCO25334 and limited by guarantee; and Castlehill Solutions Limited a limited liability company.

Principal activities

The principal activity of the Castlehill Housing Association is the provision of affordable rented accommodation. The principal activity of Grampian Community Care Charitable Trust Ltd is the provision of affordable specialised housing for people who are unable to live independently in the community. The principal activity of the Castlehill Solutions Ltd is the provision of mid- market rental properties and the provision of a small repair service within the city of Aberdeen.

Review of business and future developments

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 8. The Group's turnover for the year was £12,117,180 (2017: £11,721,936) and the surplus for the year was £1,009,547 (2017: £889,845), which will be transferred to reserves. The members of the committee of management are of the opinion that the state of affairs of the Group, as shown on the Statement of Financial Position on page 9, is satisfactory.

2017-18 was a busy year for development with a number of schemes completed. 51 properties were completed and handed over at Countesswells Park Avenue, Aberdeen comprising 39 properties for general rent and 12 for mid market rent. These mid market rental properties are leased to our subsidiary, Castlehill Solutions Ltd and brings their total stock to 22 units as at 31 March 2018.

We also completed phase II of our development at Westgate, Inverurie that saw 24 units handed over last year, bringing the total completions on this site to 58. At the year end there were 8 of these units still to be handed over and in 2018-19 we will build the final phase of 8 additional properties on this site.

Two further sites were completed in the year with handovers taking place in April/May 2018. These comprise 12 flats at Portstown, Inverurie and 32 general rented and 6 mid market flats at Mugiemoos, Aberdeen.

Looking forward to 2018-19 we have commenced work on-site at Maidencraig, Aberdeen with the development of 36 2 & 3 bedroom houses which we expect to complete in June 2019. This will provide much needed affordable homes within the city. In addition, the second phase of development at Portstown, Inverurie has commenced and these 24 properties comprising 12 flats and 12 houses are due to complete in the second half of 2019.

The Association has lodged a planning application with Aberdeenshire Council to build a mixture of houses to the south of Balmedie and Chapelwell. Planning permission in principle has also been granted for the balance of 73 units on our site at Mintlaw. Both of these developments are pending satisfactory agreement of developer contributions with the District Valuer before they can commence.

CASTLEHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018 (continued)

Review of business and future developments (continued)

Provision of Housing Management and Property Maintenance services remains a core activity for the Association. Our commitment to quality services is reflected in the results of our 2017 Tenants Survey that gave an overall satisfaction rating with the services Castlehill provides of 90%. Castlehill remains a significant provider of Housing Support services both in our Sheltered Housing and through our Key Project, which supports the most vulnerable tenants to sustain their tenancy.

The Group continues to invest in maintaining the existing housing stock through its ongoing component replacement programme. During the year the Group spent a total of £1,194,931 on planned maintenance of which £663,118 was capitalised and represents replacement kitchens, bathrooms and heating systems.

Castlehill is committed to improving our housing using renewable technologies and addressing fuel costs in areas without mains gas. Our programme of renewable heating installation continues to grow with the most recent being a ground source system in Braemar.

The Care and Repair service was retendered during 2017-18 for a five-year period in total with the initial bid being for 3 years, then an additional year and a further year. The members of the Management Committee are pleased to confirm that we received notification in May 2018 that we had been awarded the contract for this service.

The members of the Management Committee are pleased to note that the other subsidiary of the Group, Grampian Community Care Charitable Trust, made a surplus for the year of £185,895.

During the coming year we will be undertaking a reorganisation of our maintenance and development services. On 31 May 2018, our Development Director retired and future development projects will be led by a newly appointed Development Manager with oversight from the full Senior Management Team. We have created a new position, Property Services Manager, who is responsible for all aspects of maintenance and this post reports directly to the Director of Housing & Property Services. It is expected that the reorganisation will be complete by next year end and will enable an improved service to be delivered to our tenants.

Changes in fixed assets

Details of fixed assets are set out in notes 13 and 14.

The committee of management and executive officers

The committee of management and officers of the Association are listed on page 1.

Each member of the committee of management holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the committee.

CASTLEHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018 (continued)

Statement of committee's responsibilities

Housing Association legislation requires the committee to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for the year ended on that date. In preparing those financial statements the committee is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The committee is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Association.

The committee acknowledges its responsibility for ensuring that the Association establishes and maintains a system of internal financial controls appropriate to the environment in which it operates. These controls are designed to give reasonable assurance with respect to the reliability of financial information used by the Association, the maintenance of proper accounting records and the safeguarding of assets against unauthorised use or disposition.

It is recognised that such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff take responsibility for important business functions. Staff are appraised annually to maintain standards of performance.
- Forecasts and budgets are prepared which allow the committee and management to monitor key business risks and financial objectives. Regular management accounts are prepared promptly, providing relevant, reliable and up to date financial information and significant variances are investigated promptly.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the relevant sub-committees.
- All policies and procedures are monitored for effectiveness. The Association has established an Internal Management Plan, which identifies any new controls required and controls which require review. This plan is reviewed annually.
- The Association has established an Audit Committee which receives reports from the external auditor and reports on internal control, including compliance testing carried out by the management team. Any weaknesses identified by the reports are then addressed.

The committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2018. No weaknesses were found in the internal controls, which resulted in any material losses, contingencies or uncertainties, which require disclosure in the financial statements or in the auditors' report on the financial statements.

CASTLEHILL HOUSING ASSOCIATION LIMITED

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2018 (continued)**

Provision of information to auditors

As far as the Committee of Management are aware, there is no relevant audit information of which the Association's auditors are unaware and we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.



.....
Secretary - D Lappin

30 July 2018
Date

Opinion

We have audited the consolidated financial statements of Castlehill Housing Association Limited for the year ended 31 March 2018, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in reserves and the related notes, 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2018 and of its surplus 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 Companies Act 2006; and
- have been properly prepared in accordance with the requirements of Co-operative and Community Benefits Societies Act 2014, The Co-operative and community Benefits and Credit Union Act 2010 (commencement no 2) Order 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - April 2015.

Basis of 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Use of our report

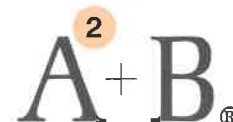
This report is made solely to the Group's members, as a body. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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 Committee of Managements' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Committee of Management have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group'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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CASTLEHILL HOUSING ASSOCIATION LIMITED (continued)**



Other information

The Committee of Management are responsible for the other information. The other information comprises the information included in the Committee of Managements' report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the report of the Committee of Management' for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the Committee of Management has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Committee of Managements' report.

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CASTLEHILL HOUSING ASSOCIATION LIMITED (continued)**



Responsibilities of the Committee of Management

As explained more fully in the Statement of responsibilities of the Committee of Management on pages 4 and 5, the Committee of Management are 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 determine 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 Committee of Management are responsible for assessing the Group'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 directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

John Black (Senior Statutory Auditor)
For and on behalf of Anderson Anderson & Brown Audit LLP
Statutory Auditor
Kingshill View
Prime Four Business Park
Aberdeen
AB15 8PU

30 JULY 2018

CASTLEHILL HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £ As restated
Turnover	3	12,117,180	11,721,936
Less : Operating costs	3	(10,273,652)	(9,895,827)
Operating Surplus		1,843,528	1,826,109
Deficit on sale of fixed assets		(70,194)	(34,033)
Surplus on operating activities before Interest		1,773,334	1,792,076
Interest receivable	10	15,120	22,630
Interest payable	11	(809,404)	(845,812)
Surplus for the year		979,050	968,894
Actuarial gain/(loss) in respect of pension schemes		32,471	(76,712)
Tax in period	12	(1,974)	(2,337)
Total comprehensive income for the year	21	1,009,547	889,845

There is no difference between the surplus for the year stated above and its historical cost equivalent.

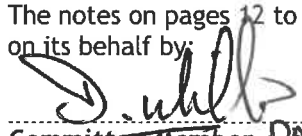
The notes on pages 12 to 37 form part of these financial statements.

CASTLEHILL HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

	Notes	2018 £	2018 £	2017 £
Tangible fixed assets				
Social housing properties	13		114,786,282	106,581,008
Other fixed assets	14		999,510	1,052,739
			<u>115,785,792</u>	<u>107,633,747</u>
Current assets				
Stocks		12,094		13,412
Debtors	15	771,106		816,303
Cash on term deposit		1,891,860		1,369,027
Cash at bank and in hand		4,678,529		3,544,091
		<u>7,353,589</u>		<u>5,742,833</u>
Creditors				
Amounts falling due within one year	16	(5,878,971)		(5,823,933)
Net current assets/(liabilities)			<u>1,474,618</u>	<u>(81,100)</u>
Total assets less current liabilities			<u>117,260,410</u>	<u>107,552,647</u>
Creditors				
Amounts falling due after more than one year	17		(94,271,266)	(85,220,155)
Provision for liabilities				
Pension liability	28		(2,321,887)	(2,674,791)
Net assets			<u>20,667,257</u>	<u>19,657,701</u>
Capital and Reserves				
Share Capital	18		67	63
Capital Reserve	19		120	115
Designated Reserve	20		588,217	505,263
Revenue Reserve	21		20,078,853	19,152,260
			<u>20,667,257</u>	<u>19,657,701</u>

The notes on pages 12 to 37 were approved by the Committee of Management on 30 July 2018 and were signed on its behalf by:


Committee Member DAVID MILLAR


Committee Member JANICE LYON


Chief Executive/Secretary: D Lappin

CASTLEHILL HOUSING ASSOCIATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2018 £	2017 £
Net cash inflow from operating activities	22		3,003,563	2,388,737
Cash flow from investing activities				
Improvement and construction of properties		(11,125,465)		(8,154,216)
Purchase of other fixed assets		(16,461)		(11,264)
Receipts from the sale of tangible fixed assets		200,938		97,738
Interest Received		15,120		22,631
Net cash flow from investing activities			(10,925,868)	(8,045,111)
Tax Paid			(2,337)	-
Cash flow from financing activities				
Interest paid		(775,721)		(845,812)
Issue of share capital		9		
Grant received		4,978,724		6,213,805
Repayment of bank loans		(1,221,099)		(3,707,316)
Receipts of mortgages and other loans		6,600,000		3,930,795
Net cash inflow from financing activities			9,581,913	5,591,472
Net change in cash and cash equivalents			1,657,271	(64,902)
Cash and cash equivalents at 1 April			4,913,118	4,978,020
Cash and cash equivalents at 31 March			6,570,389	4,913,118
Cash and cash equivalents at 31 March				
Cash at bank and in hand			1,891,860	3,544,091
Cash on term deposit			4,678,529	1,369,027
Bank overdraft			-	-
			6,570,389	4,913,118

Castlehill Housing Association Limited includes as liquid resources term deposits with UK Banks and Building Societies for periods of less than one year.

The notes on pages 12 to 37 form part of these financial statements.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. Accounting policies

The principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements and are set out below.

1.1 *Basis of accounting*

The consolidated financial statements are prepared under the historical cost convention in accordance with the Companies Act 2006, applicable accounting standards the accounting requirements and are based on the revised Statement of Recommended Practice for Registered Social Landlords (2014) and under FRS 102. They comply with the Scottish Housing Regulator's Determination of Accounting Requirements (2012). The layout and format of the financial statements does not conform to the Statement of Recommended Practice for Charities as the existence of the more specialised SORP for Social Landlords makes it more appropriate for the Association to conform with the latter. However, the single entity financial statements of Grampian Community Care Charitable Trust comply with the Charities SORP as it is not a registered social landlord.

1.2 *Restatement of prior year figures*

The prior year figures in the Consolidated Statement of Comprehensive Income and related notes have been restated to include grant released from deferred income for the subsidiary company Grampian Community Care Charitable Trust within income, to be consistent with the accounting treatment adopted by the parent company. Previously this had been offset against operating expenses.

1.2 *Turnover*

Turnover represents rental and service charge income, income from property sales, fees, other services included at the invoiced value of goods and services supplied in the year and revenue based grants receivable from local authorities and the Scottish Government. All income is recognised on a receivable basis and sales of property are recognised at completion.

1.3 *Grant income*

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the SORP 2014. Prior to satisfying the performance conditions (e.g. on completion of new build properties), such grants are held as deferred income on the statement of financial position. Once the conditions are satisfied the grant is recognised as income on a systematic basis over the expected useful life of the components. If a property component is replaced before the end of its useful life and there is no obligation to repay the grant, any unamortised grant remaining within deferred income in the Statement of financial position related to this asset is recognised as revenue in the Statement of comprehensive income.

1.4 *Interest income*

Interest income is recognised in the statement of comprehensive income.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1. Accounting policies (continued)

1.5 *Related party transactions*

Castlehill is involved in the management of two companies that are classed as related parties.

Grampian Community Care Charitable Trust Ltd was incorporated on 27 September 1996 as a charitable housing provider. The Trust became a wholly controlled subsidiary of Castlehill on 1 October 2011.

Castlehill Solutions Limited was incorporated on 20 September 2011 as a mid-market housing provider.

Details of transactions during the year to 31 March 2018 between Castlehill and these companies are given in note 26.

1.6 *Bad and doubtful debts*

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

1.7 *Stock*

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct expenditure involved in bringing stocks to their present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

1.8 *Debtors*

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.9 *Creditors*

Short term creditors are measured at transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.10 *Cash and cash equivalents*

Cash comprises cash in hand and deposits 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 values.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1. Accounting policies (continued)

1.11 Pensions

Castlehill Housing Association Limited participates in a defined benefit pension scheme, The Social Housing Pension Scheme, which is independently managed by The Pensions Trust ("the Trust"). The Trust provides benefits based on final pensionable pay, which is contracted out of the State Second Pension. The assets and liabilities of the Trust are held separately from those of the Association.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement, the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value calculated using the discount rate is detailed in note 28.

1.12 Fixed assets - social housing properties

In accordance with SORP 2014, the Association operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

Housing properties are stated at historical cost. This includes:

- i) Cost of acquiring land and buildings.
- ii) Development expenditure.
- iii) Interest charges during the development period on the loans raised to finance the scheme.
- iv) Overhead costs directly connected to the administration of acquisition and development.
- v) Cost of replacing major components, with the old component being written off at the time of replacement.

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

All other works are charged to the Statement of Comprehensive Income.

1.13 Donations of Land

Land donated is included within fixed assets at the market value at the time of donation. The difference between the market value and the transfer price is included as a government grant.

1.14 Investment properties

Commercial properties are held as investment properties and not subject to depreciation; they are held at existing use value and are subject to revaluation by an independent professional advisor qualified by the Royal Institute of Chartered Surveyors to undertake valuation. Commercial properties are re-valued at least every five years.

Changes in the valuation of investment properties are reported in the Statement of Comprehensive Income.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1. Accounting policies (continued)

1.15 Depreciation and impairment

Castlehill Housing Association Limited: Depreciation has been charged on housing properties, calculated in accordance with the component accounting requirements of SORP 2014.

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Association's asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional resources. Freehold land is not subject to depreciation.

The components and their expected useful lives are as follows:

• Land	No depreciation
• Structure	60 years
• Kitchen General Needs	17 years
• Kitchen Sheltered	20 years
• Bathroom	20 years
• Heating System	20 years
• Boiler	15 - 20 years
• Windows and Doors (timber)	50 years
• Windows and Doors (UPVC)	25 years

Any grant relating to a component is amortised over the same time period as the component.

Grampian Community Care Charitable Trust: Depreciation is charged on a straight line basis over 50 years on the net cost of property after deducting land costs.

1.16 Other tangible fixed assets

Depreciation is charged on all other assets. The rate of depreciation used is calculated to write down the cost of other fixed assets over their expected useful lives. The expected asset lives used are:

• Computer equipment	3 years
• IT System	10 years
• Vehicles	4 years
• Heritable office buildings	30 years
• Office alterations	5 years
• Office soft furnishings	10 years
• Office furniture & equipment	5 years
• Photocopiers	4 years

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1. Accounting policies (continued)

1.17 Sales of housing properties

Income from sales of property developed with the intention of being sold is included in turnover. Income from other property sales is not included in turnover, as all such sales are classed as disposals of fixed assets. These sales include open market sales and second or subsequent tranche sales of shared ownership properties. Tranches of shared ownership properties bought back by the Association are taken back to fixed assets until resold.

1.18 Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

1.19 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income.

1.20 Provisions

The Association only provides for liabilities at the year end where there is a legal or constructive obligation incurred which will likely result in the outflow of resources.

1.21 Taxation

As a charity, Castlehill Housing Association Limited is exempt from corporation tax on its activities by virtue of Section 505 (1) Income & Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

The Association is registered for VAT but because of the nature of its operations is only able to recover part of the VAT incurred. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

1.22 Housing Association Grant and other capital grants

Housing Association Grant ("HAG") is received from central government and local authorities and is utilised to subsidise the costs of housing properties. HAG received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the statement of comprehensive income over the expected useful life of the asset as noted in Note 1 - grant income.

Properties are disposed of under the provisions contained in the Housing (Scotland) Act 2010. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is accounted for as a liability. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1. Accounting policies (continued)

1.23 *Financial instruments*

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.24 *Designated reserves*

Planned Maintenance Reserve

This reserve is based on the Association's obligation to maintain its housing properties in a satisfactory state of repair at all times. The costs of repairs of a routine nature are met from revenue in the year in which they are incurred. Repairs and refurbishments of a cyclical or long term nature are carried out in accordance with a planned programme of works based on 30 year life cycle costing predictions. Costs incurred to replace major components of housing developments are capitalised in the year they are incurred. Depreciation of housing components and all non capitalised planned maintenance costs incurred during the year are met from this Planned Maintenance Reserve. This reserve is transferred to revenue reserve as no longer required per applicable accounting standards.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1. Accounting policies (continued)

1.24 Designated reserves (continued)

Service Equipment Replacement Reserve

This reserve exists to replace equipment and furnishings not funded through rental income. Examples include lift replacements and furnishings within common areas of sheltered housing schemes. This is transferred to revenue reserve as no longer required per applicable accounting standards.

1.25 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements, requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of financial position date and the amounts reported during the year for revenue and costs. However, the nature of estimation means that actual outcomes could differ from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following judgements and estimates have had the most significant impact on amounts recognised in the financial statements.

Operating lease commitments

The Association has entered into commercial property leases and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating for finance lease requires the Association to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

The following are the Associations key sources of estimation uncertainty:

- **Bad and doubtful debts**

The Association makes an assessment of the recoverable value of trade and other debtors. Provision is made against rent arrears of current and former tenants over 16 weeks as well as considering various factors such as the payment profile of debtors and historical experience.

- **Depreciation and grant amortisation**

The annual depreciation charge for tangible fixed assets is sensitive to changes in useful economic lives. They are assessed where necessary to reflect current estimates for each component as noted in the depreciation accounting policy. Any grant relating to properties is also based on the Association's estimate of each components useful life.

2. Going concern - basis of accounts preparation

The committee of management, having made due and careful enquiry and review of the annual forecasts prepared, are of the opinion that the Association has adequate working capital and are satisfied that these accounts should be prepared on a going concern basis.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

3. Particulars of turnover, operating costs and operating surplus

	Notes	Turnover £	Operating cost £	Operating surplus 2018 £	Operating surplus 2017 £
Social lettings	4	11,086,454	9,303,538	1,782,916	2,002,898
Other activities	5	1,030,726	970,114	60,612	(176,789)
Total		12,117,180	10,273,652	1,843,528	1,826,109
Totals for previous reporting period as restated		11,721,936	(9,895,827)	1,826,109	

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

4. Particulars of turnover, operating costs and operating surplus from social activities

	General Needs £	Sheltered Housing £	Supported Housing £	Shared Ownership £	Total Housing £	Total 2017 £ As restated
Rent receivable net of identifiable service charges	4,622,389	2,078,056	1,035,117	213,672	7,949,234	7,324,944
Service Charges	342,453	877,785	107,487	135,833	1,463,558	1,546,554
Gross rents receivable	4,964,842	2,955,841	1,142,604	349,505	9,412,792	8,871,498
Less : Rent losses from voids	(24,180)	(87,548)	(18,707)	-	(130,435)	(99,979)
Net income from rents and service charges	4,940,662	2,868,293	1,123,897	349,505	9,282,357	8,771,519
Grant released from deferred income	1,307,603	-	124,156	-	1,431,759	1,465,900
Grants from Scottish Ministers	-	-	-	-	-	70,792
Other revenue grants	-	372,338	-	-	372,338	392,999
Total turnover from social letting activities	6,248,265	3,240,631	1,248,053	349,505	11,086,454	10,701,210
Management and maintenance administration costs	1,516,459	677,811	72,542	146,449	2,413,261	1,719,693
Property lease costs	-	-	42,754	44,947	87,701	42,276
Service costs	192,192	1,250,124	125,393	-	1,567,709	1,808,146
Planned and cyclical maintenance	429,275	175,679	248,183	-	853,137	868,336
Reactive maintenance costs	826,963	642,488	205,876	-	1,675,327	1,871,683
Bad debts	47,547	18,690	(8,893)	-	57,344	96,167
Depreciation of housing properties	1,799,748	670,293	179,018	-	2,649,059	2,292,011
Operating costs for social letting activities	4,812,184	3,435,085	864,873	191,396	9,303,538	8,698,312
Operating surplus/(deficit) on social lettings	1,436,081	(194,454)	383,180	158,109	1,782,916	2,002,898
Operating surplus/(deficit) for previous reporting period (restated)	1,722,264	(213,538)	294,425	199,747	2,002,898	
		- 20 -				

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

5. Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs bad debts £	Other operating costs £	Operating surplus/ (deficit) 2018 £	Operating surplus/ (deficit) 2017 £
Care and repair	-	690,360	-	-	690,360	-	(685,187)	5,173	(21,150)
Adaptations service	-	-	-	74,016	74,016	-	(74,688)	(672)	(12,591)
Development activities	-	-	-	8,698	8,698	-	-	8698	(146,833)
Support activities	72,225	-	-	-	72,225	-	(97,067)	(24,842)	(36,439)
Commercial letting	-	-	-	89,061	89,061	-	(24,510)	64,551	103,350
Pension liability movement (Note 28)	-	-	-	-	-	-	-	-	-
Other	-	-	-	96,366	96,366	-	(88,662)	7,704	(63,126)
Total from other activities	72,225	690,360	-	268,141	1,030,726	-	(970,114)	60,612	(176,789)
Total from other activities for the previous reporting period	5,230	-	72,842	942,654	1,020,726	-	(1,197,515)	(176,789)	

6. Accommodation in management

	General Needs	Sheltered Housing	Supported Housing	Shared Ownership	Managed Property	Total Units
Number of units at start of period	1,152	523	178	116	20	1,989
Added in year	77	-	-	-	3	80
Disposals in year	(1)	-	-	(3)	-	(4)
Number of units at end of period	1,228	523	178	113	23	2,065

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

7. Director's emoluments

The remuneration paid to directors (defined as the Committee of Management and the Chief of Castlehill Housing Association Limited was:

	2018 £	2017 £
Total emoluments (including pension contributions and benefits in kind)	<u>84,353</u>	<u>83,109</u>
Emoluments (excluding pension contributions) of the highest paid director amounted to	<u>79,660</u>	<u>78,485</u>

No emoluments were paid to the Convener or to any committee member other than the Chief Executive/Secretary. No emoluments were paid to any Trustee/director of Grampian Community Care Charitable Trust and Castlehill Solutions Limited.

Only one director received emoluments in excess of £60,000, this being the Chief Executive/Secretary whose emoluments excluding pension contributions fell in the band greater than £70,000 but less than £80,000.

No compensation was payable to any director or former director in respect of loss of office.

There are no pensions payable in respect of any director or former director other than to the Chief Executive/Secretary who has the normal entitlement arising from membership of the employee pension scheme. Pension payments by the Association in respect of the Chief Executive/Secretary amounted to £4,693 in the year (2017: £4,624).

No loans have been advanced to any director or person connected with a director.

	2018 £	2017 £
Total expenses reimbursed to the Chief Executive/Secretary and members of the Committee of Management in so far as not chargeable to United Kingdom Income Tax	<u>886</u>	<u>1,223</u>

CASTLEHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)**

8. Employee information

The average weekly number of persons employed during the year, stated as full time equivalents, was:

	2018	2017
Other Staff	51	50
Direct labour, scheme based staff & others	32	32
	<u>83</u>	<u>82</u>
	2018	2017
	£	£
Staff Costs (including director's emoluments):		
Wages and salaries	2,183,322	2,076,585
Social security costs	175,006	162,394
Pension costs	309,748	306,173
	<u>2,668,076</u>	<u>2,545,152</u>

9. Operating surplus

	2018	2017
	£	£
Operating surplus is stated after charging:		
Auditors' remuneration:		
In their capacity as auditors of the Association	22,280	12,250
As Auditors of subsidiaries of the Association	12,900	11,400
For other services	7,910	5,820
	<u>43,090</u>	<u>29,470</u>

10. Interest receivable and similar income

	2018	2017
	£	£
Interest receivable	<u>15,120</u>	<u>22,630</u>

CASTLEHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)**

11. Interest payable and similar charges

	2018 £	2017 £
Interest payable wholly or partly in more than 5 years:		
Interest payable to lenders	775,721	790,676
Interest on pension liability (note 28)	33,683	55,136
	<u>809,404</u>	<u>845,812</u>

12. Taxation

Both Castlehill Housing Association and Grampian Community Care Charitable Trust Ltd have charitable status for tax purposes. Tax of £1,974 (2017: £2,337) was payable by Castlehill Solutions Limited.

13. Tangible fixed assets - social housing properties

	Completed houses held for letting £	Houses for letting under construction £	Completed shared ownership housing £	Total £
Cost				
Opening balance	123,673,308	9,291,856	4,650,464	137,615,628
Schemes completed	9,093,129	(9,093,129)	-	-
Additions	663,118	10,462,347	-	11,125,465
Disposals	(367,225)	-	(225,242)	(592,467)
Closing balance	<u>133,062,330</u>	<u>10,661,074</u>	<u>4,425,222</u>	<u>148,148,626</u>
Depreciation				
Opening balance	31,034,620	-	-	31,034,620
Additions	2,649,059	-	-	2,649,059
Disposals	(321,335)	-	-	(321,335)
Closing balance	<u>33,362,344</u>	<u>-</u>	<u>-</u>	<u>33,362,344</u>
Net book value as at				
31 March 2018	<u>99,699,986</u>	<u>10,661,074</u>	<u>4,425,222</u>	<u>114,786,282</u>
31 March 2017	<u>92,638,688</u>	<u>9,291,856</u>	<u>4,650,464</u>	<u>106,581,008</u>

A deficit of £70,194 (2017 deficit: £34,033) was realised on disposals of housing property and % share change in shared ownership.

All but two of the above properties are heritable properties and are for the direct use of the charity. Included within Housing for Letting is a leased property amounting to £227,144 (2017: £227,144) which is fully funded by grants.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

14. Tangible fixed assets - other fixed assets

	Investment property £	Office Buildings £	Vehicles, furniture and equipment £	Total £
Cost				
Opening balance	857,895	632,700	656,277	2,146,872
Additions	-	-	16,461	16,461
Closing balance	857,895	632,700	672,738	2,163,333
Depreciation				
Opening balance	-	600,398	493,735	1,094,133
Charge for year	-	16,151	53,539	69,690
Closing balance	-	616,549	547,274	1,163,823
Net book value as at				
31 March 2018	857,895	16,151	125,464	999,510
31 March 2017	857,895	32,302	162,542	1,052,739

The commercial property and the office building are heritable properties.

Investment property was valued by an independent professional advisor J & E Shepherd on 31 March 2015 in accordance with the appraisal and valuation manual of the RICS. Commercial property is subject to valuation at least every five years.

In determining the valuation of investment property, it is assumed that there are no restrictions on the ability to realise the investment property of the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or development investment property or for repairs, maintenance or enhancements.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

15. Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Rental debtors	271,054	254,909
Less provision for bad doubtful debts	(33,409)	(46,784)
Net rental debtors	237,645	208,125
Trade debtors	342	1,696
Other debtors	359,461	464,648
Prepayments and accrued income	168,158	138,001
	765,606	812,470
Amounts falling due in 2-5 years:		
Loans to employees	5,500	3,833
	771,106	816,303

Loans are available to employees for the purchase of cars for business use.

Loans at 31 March 2017 are to 1 employee, all for a period of up to 5 years at an interest rate of 3.75%.

16. Creditors due within one year

	2018 £	2017 £
Commercial loans	30,819	30,530
Housing loans	1,156,137	1,247,529
Tax and social security	56,422	46,694
Accruals and deferred income	1,089,802	1,227,274
Deferred grant income	1,431,758	1,465,900
Rent in advance	85,955	88,100
Trade creditors	779,218	771,204
Other creditors	1,246,886	944,365
Corporation tax	1,974	2,337
	5,878,971	5,823,933

CASTLEHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)**

17. Creditors due after more than one year

	2018 £	2017 £
Housing loans	26,468,310	20,966,705
Commercial loan	408,249	439,850
Deferred grant income	67,394,707	63,813,600
	<u>94,271,266</u>	<u>85,220,155</u>

Loans are secured by specific charges on the Association's properties. The Association also has fixed and variable rate loans with banks and building societies. Fixed rate loans amounting to £9,504,786 (2017: £8,123,239) are at rates of 3.81% to 8.625%. Variable rate loans amounting to £18,558,729 (2017: £14,561,375) are at rates of 0.3% to 3.25% above base rate or 3 month libor. The Association has 4 fixed loans with the Energy Savings Trust over 10 years. On the 18 June 2018 the Association signed a £3.5m loan with Unity Bank for the purposes of new development. The final repayment date for all loans is March 2052. Borrowings are repayable as follows:

	2018 £	2017 £
Within one year	1,186,956	1,278,059
From one to two years	1,222,840	1,308,708
Between two and five years	14,068,697	4,144,247
In five years or more	11,587,618	15,955,547
	<u>28,066,111</u>	<u>22,686,561</u>
	(2,596)	(1,947)
	<u>28,063,515</u>	<u>22,684,614</u>

The deferred income balance is made up as follows:

	Housing Association Grant £	Total Deferred Income £
Deferred income as at 1 April 2017	65,279,500	65,279,500
Additional income received	4,978,724	4,978,724
Released to the Statement of Comprehensive Income	(1,431,759)	(1,431,759)
Deferred income as at 31 March 2018	<u>68,826,465</u>	<u>68,826,465</u>
Included in creditors as follows:		
Amounts due within one year	1,431,758	1,431,758
Amounts due after more than one year	67,394,707	67,394,707
	<u>68,826,465</u>	<u>68,826,465</u>

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

18. Called up share capital

	2018 £	2017 £
Allotted, issued and fully paid:		
Opening balance	63	63
Issued during year	9	-
Transfer to capital reserve	(5)	-
Closing balance	<u>67</u>	<u>63</u>

19. Capital reserve

	2018 £	2017 £
Opening balance	115	115
Transfer from share capital	5	-
Closing balance	<u>120</u>	<u>115</u>

The capital reserve represents the amount of shares in the Association which have been surrendered.

20. Designated reserves

Planned Maintenance Reserve

	2018 £	2017 £
Opening balance	417,106	337,106
Additions in year	80,000	80,000
	<u>497,106</u>	<u>417,106</u>

Service Equipment Replacement Reserve

	2018 £	2017 £
Opening balance	88,157	98,587
Expenditure in year	2,954	(10,430)
Total revenue reserves	<u>91,111</u>	<u>88,157</u>
Total designated reserves	<u>588,217</u>	<u>505,263</u>

CASTLEHILL HOUSING ASSOCIATION LIMITED

21. Revenue reserves

	2018 £	2017 £
Opening balance	19,152,260	18,331,985
Surplus for the year	1,009,547	889,845
Transfer from designated reserves	(82,954)	(69,570)
Total revenue reserves	<u>20,078,853</u>	<u>19,152,260</u>

22. Reconciliation of surplus for the year to net cash flow from operating activities

	2018 £	2017 £
Surplus for the year	1,009,547	889,845
Depreciation	2,718,749	2,366,750
Amortisation of grant	(1,431,759)	(1,465,900)
Corporation tax charge	1,974	2,337
Movement in pension fund	(386,587)	(209,333)
Decrease in stock	1,318	8,595
Decrease /(increase) in debtors	45,197	(413,114)
Increase in creditors	180,646	352,342
Loss on fixed asset	70,194	34,033
Interest payable	809,404	845,812
Interest receivable	(15,120)	(22,630)
Net Cash Inflow from Operating Activities	<u>3,003,563</u>	<u>2,388,737</u>

23. Operating lease commitments

The Association is committed to make the following payments under non-cancellable operating leases:

	2018 Other £	2017 Other £
Expiring:		
Within one year	15,810	15,068
Between one and five years	14,122	-
	<u>29,932</u>	<u>15,068</u>

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

24. Contracted expenditure commitments

	2018 £	2017 £
Expenditure that has been contracted for but not provided for in the financial statements	<u>7,635,278</u>	<u>6,073,592</u>

2018 £	2017 £
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The Association expects its contracted expenditure to be financed as follows:

Loan finance	5,400,000	5,324,223
Grant/town reserves	<u>2,235,278</u>	<u>749,369</u>
	<u>7,635,278</u>	<u>6,073,592</u>

25. Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965, Register No 1670R(S). Castlehill operates according to Charitable Model (Scotland) Rules, which entirely replaced Model H10 1968 (Charitable Rules) with effect from 27 February 1992.

Castlehill was accepted as a Charity for tax purposes with effect from 18 September 1970.

The Association is registered with The Scottish Government under the Housing Association Act 1985, Register No L0968.

26. Related party transactions

The Association has taken advantage of exemptions provided by FRS 102 section 33.1 where no disclosure is required of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by a member.

27. Contingent liabilities

Special Needs Capital Grants provided by the Scottish Government have the sole purpose of funding schemes for people with special needs. If the conditions attached to the grant are breached then the grant is repayable to the Scottish Government.

Of the total deferred income, as disclosed in note 17, £1,471,454 (2017: £1,471,454) relates to Special Needs Grants subject to repayment to the Scottish Government in the event of breach of conditions.

Housing Association Grants provided by the Scottish Government have been provided for the purpose of funding social housing. In the event of sale of any property to which grant is attached the grant is repayable to the Scottish Government.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

28. Pension

	2018 £'000	2017 £'000
Social housing pension scheme	2,273	2,620
Growth plan	49	55
Total provision	<u>2,322</u>	<u>2,675</u>
	2018 £'000	2017 £'000
Opening provision	2,675	2,884
Movement in year:		
Decrease in liability	(387)	(264)
Unwinding of discount factor (finance charge)	34	55
Closing provision	<u>2,322</u>	<u>2,675</u>

The provision as at 31 March 2018 is the present value of the deficit reduction contributions payable.

Castlehill Housing Association Limited participates in the Social Housing Pension Scheme (the Scheme).

The association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore, the association 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.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

28. Pension (continued)

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions:

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement, the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

28. Pension (continued)

Present values of provision

	2018 £'000	2017 £'000	2016 £'000
Present value of provision	2,273	2,620	2,826

Reconciliation of opening and closing provision

	2018 £'000	2017 £'000
Provision at start of period	2,620	2,826
Unwinding of the discount factor (interest expense)	33	54
Deficit contribution paid	(348)	(335)
Remeasurements - impact of any change in assumptions	(32)	75
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	2,273	2,620

Income and expenditure impact

	2018 £'000	2017 £'000
Interest expense	33	54
Remeasurements - impact of any change in assumptions	(32)	75
Remeasurements - amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

* Includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution

Assumptions

	2018 % per annum	2017 % per annum	2016 % per annum
Rate of discount	1.72	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

28. Pension (continued)

The following schedule details the deficit contributions agreed between the association and the scheme at each year end period:

Year ending	2018 £'000	2017 £'000	2016 £'000
Year 1	362	348	335
Year 2	376	362	348
Year 3	329	376	362
Year 4	279	329	376
Year 5	289	279	329
Year 6	250	289	279
Year 7	208	250	289
Year 8	214	208	250
Year 9	110	214	208
Year 10	-	110	214
Year 11	-	-	110
	<u>2,417</u>	<u>2,765</u>	<u>3,100</u>

The association must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the association's balance sheet liability.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

28. Pension (continued)

The Association offers the Growth Plan as an AVC investment option for members of SHPS.

The association participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,000 per annum (payable monthly and increasing by 3% each year)
From 1 April 2016 to 30 September 2028:	£55,000 per annum (payable monthly and increasing by 3% each year)

The scheme's previous valuation was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m.

Unless a concession has been agreed with the Trustee the term to 30 September 2025 applies.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

28. Pension (continued)

Present values of provision

	2018 £'000	2017 £'000	2016 £'000
Present value of provision	49	55	58

Reconciliation of opening and closing provision

	2018 £'000	2017 £'000
Provision at start of period	55	58
Unwinding of the discount factor (interest expense)	1	1
Deficit contribution paid	(6)	(6)
Remeasurements - impact of any change in assumptions	(1)	2
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	49	55

Income and expenditure impact

	2018 £'000	2017 £'000
Interest expense	1	1
Remeasurements - impact of any change in assumptions	(1)	2
Remeasurements - amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

* Includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the association.

Assumptions

	2018 % per annum	2017 % per annum	2016 % per annum
Rate of discount	1.71	1.32	2.07

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

28. Pension (continued)

The following schedule details the deficit contributions agreed between the association and the scheme at each year end period:

Deficit contributions schedule

Year ending	2018 £'000	2017 £'000	2016 £'000
Year 1	6	6	6
Year 2	6	6	6
Year 3	7	6	6
Year 4	7	7	6
Year 5	7	7	7
Year 6	7	7	7
Year 7	8	7	7
Year 8	4	8	7
Year 9	-	4	8
Year 10	-	-	4
	<u>52</u>	<u>58</u>	<u>64</u>

The association must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the association's balance sheet liability.

REPORT OF THE AUDITORS TO CASTLEHILL HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROL

Internal financial controls

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 4 and 5 on the Group's compliance with the Scottish Federation of Housing Associations good practice guidance in respect of internal financial control ("the Guidance"). The objective of our review is to enable us to conclude on whether the Committee of Management has provided the disclosures required by the Guidance and whether the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform any additional work necessary to, and we do not, express any opinion on the effectiveness of the Group's system of internal financial control.

Opinion

With respect to the Committee's statement on internal financial control on page 4 and 5, in our opinion the Committee of Management has provided the disclosures required by the Guidance and the statement is not inconsistent with the information of which we are aware from our work on the financial statements.



Anderson Anderson & Brown Audit LLP
Chartered Accountants
Registered Auditors
Aberdeen

30 JULY 2018