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Castlehill Housing Association Limited

Consolidated Annual Report

for the year ended 31 March 2017

Registered no: L0968
Charity no: SC013584

Castlehill Housing Association Limited

Consolidated Financial Statements
for the year ended 31 March 2017

Members, executive officers and advisers

Committee of Management	Mrs J Lyon (Convener) Mr D Millar (Vice Convener) Mr G Kyle Mrs K Mason Mr B Buchanan (appointed 25.04.16, resigned 01.03.17) Mr G Nicol (resigned 29.08.16) Mr J Nicoll Mr G Ogston Mr I Thomson Mr J Tomlinson Mrs S Williamson Mr P King (Co opted 31.10.16)
Registered Auditors	Anderson Anderson & Brown 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) Mr G Helme (Director of Finance and Corporate Services)-(resigned 31/7/17) Mrs G Robertson (Director of Housing Services) Ms F Murray (Director of Development Services)
Registered Office	4 Carden Place Aberdeen AB10 1UT

Report of the management committee
for the year ended 31 March 2017

The committee of management presents its report and the audited financial statements for the year ended 31 March 2017.

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 Statement of Comprehensive Income on page 8.

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 8, is satisfactory and are pleased to note the surplus of £889,845 for the year, which will be transferred to reserves.

During 2016/17, Castlehill Housing Association started the development of 58 properties at Corsmanhill Way, Inverurie. The second phase should be complete by January 2018.

During 2017/18 Castlehill are developing 51 units at Countesswells which comprise 39 general needs units and 12 mid market units. The first handover of 15 flats is scheduled for July. There will be further handovers scheduled throughout the year with the final properties due by January/February 2018.

There are works on site from March 2017 at Mugiemoss Road/Stoneywood for 38 units of which there are 22 general needs units and 16 mid market units. It is anticipated that the 38 properties will be handed over in February/March 2018.

There are works on site from March 2017 for 12 units at Portstown, Inverurie. It is anticipated completion will be by January/February 2018.

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 lodged for the balance of the site at Mintlaw. This is for about 73 units and it is hoped that this will be put before the Committee in June. Castlehill has purchased a new forecasting package from a consultant, Arneil Johnston, in order to better estimate the impact that further development will have on Castlehill's finances and reserves.

Proposals are still to be finalised for the development of a site at Mugiemoss road in Aberdeen where 16 flats will be built for mid-market rent and 22 flats for affordable rent. There is a potential development for 36 semi-detached houses at Maidencraigs, Aberdeen.

Review of business and future developments (continued)

Further development opportunities are being considered in Aberdeen, Inverurie, Mintlaw and Balmedie and they will all be assessed throughout 2017/18. With the increase in the grant levels and level of funding; the release of more development land around Aberdeen and the downturn in private house sales locally have all contributed to the significant increase in opportunities for development over the next few years.

The Castlehill Management Committee decided to move the Care and Repair Service back to Castlehill and to discontinue the Small Repair Service under Castlehill Solutions Limited. The Service Level Agreement between Castlehill Solutions Limited and Castlehill Housing Association Limited, which was signed on 4 November 2013 is no longer valid.

The Care and Repair service is due to be retendered during the 2017/18 period and will be retendered on the same basis as previously, which was over a five-year period in total with the initial bid being for 3 years, then an additional year and another additional year.

The members of the committee of management are pleased to note that the other subsidiary of the Group, Grampian Community Care Charitable Trust, made a surplus for the year of £177,794.

Changes in fixed assets

Details of fixed assets are set out in notes 14 and 15.

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.

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.

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 income and expenditure 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.

Statement of committee's responsibilities (continued)

The committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017 and until 28 August 2017. 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.

Secretary

D Lappin

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CASTLEHILL HOUSING ASSOCIATION LIMITED

We have audited the consolidated financial statements of Castlehill Housing Association Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the committee of management and auditors
As explained more fully in the Statement of Committee's Responsibilities set out on page 4, 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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the committee of management; and the overall presentation of the financial statements.

In addition, we read all the financial and non financial information in the report of the Committee of Management to identify any information that is apparently incorrect based on, or materially inconsistent with the knowledge acquired during the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 - December 2014.

Opinion on other matter 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 Committee of Managements' report for the financial year for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

In the light of our 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.

Matters on which we are required to report by exception
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.

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

28 AUGUST 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017	2016
		£	£
Turnover	4	11,597,780	11,329,566
Less : Operating Costs	4	(9,771,671)	(10,564,481)
Operating Surplus		1,826,109	765,085
Surplus/(Loss) on Sales of Fixed Assets		(34,033)	129,917
Surplus on Operating Activities before Interest		1,792,076	895,002
Interest Receivable	11	22,630	29,440
Interest Payable	12	(845,812)	(819,837)
Surplus(loss) for Period		968,894	104,605
Actuarial Loss		(76,712)	-
Tax in Period		(2,337)	-
Total comprehensive income for the year		889,845	104,605

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

The notes on pages 11 to 31 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	Notes	2017 £	2017 £	2016 £
Tangible Fixed Assets				
Social housing properties	14		106,581,008	100,855,201
Other fixed assets	15		1,052,739	1,111,586
			107,633,747	101,966,787
Current Assets				
Stocks of maintenance materials		13,412		22,007
Debtors	16	816,303		403,189
Cash on term deposit		1,369,027		2,413,383
Cash at bank and in hand		3,544,091		2,564,637
		5,742,833		5,403,216
Creditors				
Amounts falling due within one year	17	(5,823,933)		(5,202,218)
Net Current Assets			(81,100)	200,998
Total Assets less Current Liabilities			107,552,647	102,167,785
Creditors				
Amounts falling due after more than one year	18		(85,220,155)	(80,515,805)
Provision for liabilities				
Pension liabilities	29		(2,674,791)	(2,884,124)
Net Assets			19,657,701	18,767,856
Capital and Reserves				
Share Capital	19		63	63
Capital Reserve	20		115	115
Designated Reserve	21		505,263	435,693
Revenue Reserve	22		19,152,260	18,227,380
			19,657,701	18,663,251

The financial statements on pages 8 to 31 were approved by the Committee of Management on 28th August 2017 and were signed on its behalf by :

Committee member

Committee member

Chief Executive/Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017	2017	2016
		£	£	£
Net cash inflow from operating activities	23		2,388,737	2,277,040
Cash flow from investing activities				
Improvement and construction of properties		(8,154,216)		(2,429,649)
Purchase of other fixed assets		(11,264)		(2,485)
Receipts from the sale of tangible fixed assets		97,738		281,264
Grant received		6,213,805		1,141,000
Interest Received		22,631		29,440
Net cash flow from investing activities			(1,831,306)	1,296,610
Cash flow from financing activities				
Interest paid		(845,812)		(819,837)
Issue of share capital		-		-
Repayment of bank loans		(3,707,316)		(1,184,762)
Receipts of mortgages and other loans		3,930,795		436,985
Net cash outflow from financing activities			(622,333)	(1,567,614)
Net change in cash and cash equivalents			(64,902)	(271,004)
Cash and cash equivalents at 1 April 2016			4,978,020	5,249,024
Cash and cash equivalents at 31 March 2017			4,913,118	4,978,020
Cash and cash equivalents at 31 March				
Cash at bank and in hand			4,913,118	4,978,020
Bank overdraft			-	-

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

The notes on pages 11 to 31 form part of these financial statements.

1 Principal accounting policies

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

Basis of accounting

The principal accounting policies of the Association, which have been applied consistently, are set out below. 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.

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.

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.

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.

Debtors

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

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 Principal accounting policies (continued)

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.

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.

Interest income

Interest income is recognised in the statement of comprehensive income.

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 recognized 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 recognized 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.

Borrowing costs

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

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 In addition, the company operated a small repair service which associated with the Care & Repair Service supervised by Castlehill Housing Association Limited. The Castlehill Management Committee decided to move the Care and Repair Service back to Castlehill and to discontinue the Care and Repair Service under Castlehill Solutions Limited. The Service Level Agreement between Castlehill Solutions Limited and Castlehill Housing Association Limited, which was signed on 4 November 2013 is no longer valid.

1 Principal accounting policies (continued)

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. 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 29.

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.

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.

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.

1 **Principal accounting policies (continued)**

Depreciation and impairment (continued)

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.

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

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.

1 Principal accounting policies (continued)

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 is recognised as income in the Statement of Comprehensive Income under the performance model. In the case of new build this will be when the properties are completed. HAG due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognized as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

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 grand funding, the potential future obligation to repay is disclosed as a contingent liability.

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.

Financial instruments

The Association 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.

1 Principal accounting policies (continued)

Financial instruments (continued)

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 Association 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.

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.

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.

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.

Taxation

As a charity, Castlehill Housing Association Limited and the Trust are exempt from corporation tax on their 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.

2 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.

Bad and doubtful debts

The Association makes an assessment of the recoverable value of trade and other debtors. Provision is made again 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 associations estimate of each components useful life.

3 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 Castlehill Housing Association Limited, Castlehill Solutions Limited and Grampian Community Care Charitable Trust have adequate working capital and are satisfied that these accounts should be prepared on a going concern basis.

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Notes	Turnover	Operating Cost	Operating Surplus/ (Deficit)	Surplus/ (Deficit) 2016
		£	£	£	£
Social lettings	5	10,577,054	(8,574,156)	2,002,898	1,467,660
Other Activities	6	1,020,726	(1,197,515)	(176,789)	(702,575)
Total		11,597,780	(9,771,671)	1,826,109	765,085
Totals for 2016		11,329,566	(10,564,481)	765,085	

5. PARTICULARS OF TURNOVER, OPERATING COST AND OPERATING SURPLUS FROM SOCIAL LETTING ACTIVITIES

	General Needs	Sheltered Housing	Supported Housing	Shared Ownership	Total Housing	Total 2016
	£	£	£	£	£	£
Rent receivable net of identifiable service charges	4,298,609	1,926,803	887,495	212,037	7,324,944	7,191,856
Service Charges	340,667	955,631	104,106	146,150	1,546,554	1,549,768
Gross rents receivable	4,639,276	2,882,434	991,601	358,187	8,871,498	8,741,624
less : Rent losses from voids	(25,377)	(76,548)	2,300	(354)	(99,979)	(137,092)
Net income from rents and service charges	4,613,899	2,805,886	993,901	357,833	8,771,519	8,604,532
Grant released from deferred income	1,341,744	-	-	-	1,341,744	1,345,839
Grants from Scottish Ministers	36,820	33,972	-	-	70,792	60,151
Other revenue grants	998	392,001	-	-	392,999	385,999
Total turnover from social letting activities	5,993,461	3,231,859	993,901	357,833	10,577,054	10,396,521
Management and maintenance						
administration costs	1,009,076	583,256	55,100	72,261	1,719,693	2,122,972
Property Lease Costs	-	-	42,276	-	42,276	66,000
Service Costs	281,012	1,347,632	93,677	85,825	1,808,146	1,795,226
Planned and cyclical maintenance	321,897	260,138	286,301	-	868,336	996,325
Reactive Maintenance Costs	1,046,913	656,109	168,661	-	1,871,683	1,740,684
Bad Debts	95,546	2,022	(1,401)	-	96,167	46,234
Depreciation of housing properties	1,516,753	596,240	54,862	-	2,167,855	2,161,420
Operating costs for social letting activities	4,271,197	3,445,397	699,476	158,086	8,574,156	8,928,861
Operating surplus/(deficit) on social lettings	1,722,264	(213,538)	294,425	199,747	2,002,898	1,467,660
Operating surplus/(deficit) for 2016	1,530,063	(574,180)	367,517	144,260	1,467,660	

6. 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)	Operating surplus (deficit) for 2016
	£	£	£	£	£	£	£	£	£
Care and Repair	-	-	-	692,996	692,996	-	(714,146)	**(21,150)**	82,616
Adaptations Service	-	-	-	70,792	70,792	-	(83,383)	**(12,591)**	13,926
Property Developed for Sale	-	-	-	-	-	-	-	**-**	-
Development Activities	5,230	-	-	-	5,230	-	(152,063)	**(146,833)**	(75,468)
Support Activities	-	-	72,842	-	72,842	-	(109,281)	**(36,439)**	(24,680)
Management services - Grampian	-	-	-	-	-	-	-	**-**	-
Community Care Charitable Trust	-	-	-	-	-	-	-	**-**	-
Castlehill Solutions Ltd	-	-	-	-	-	-	-	**-**	-
Commercial Letting	-	-	-	103,350	103,350	-	-	**103,350**	102,316
Acquistion of subsidiary co	-	-	-	-	-	-	-	**-**	-
Pension deficit (note 28)	-	-	-	-	-	-	-	**-**	(679,256)
Other	-	-	-	75,516	75,516	-	(138,642)	**(63,126)**	(122,029)
Total from other activities	5,230	-	72,842	942,654	1,020,726	-	(1,197,515)	**(176,789)**	(702,575)
Total from other activities for the previous repporting period	425	375,815	84,601	472,204	933,045	-	(1,635,620)	(702,575)	

7. ACCOMMODATION IN MANAGEMENT

	General Needs	Sheltered Housing	Supported Housing	Shared Ownership	Managed Property	**Total Units**
Number of units at start of period	1,085	557	178	120	16	**1,956**
Added in year	26	-	-	-	-	**26**
Disposals in year		-	-	-	-	**-**
Number of units at end of period	1,111	557	178	120	16	**1,982**

8. DIRECTORS' EMOLUMENTS

The remuneration paid to directors (defined as the Committee of Management, the Chief Executive/Secretary) of Castlehill Housing Association Limited was:

	2017	2016
	£	£
Total emoluments (including pension contributions and benefits in kind)	**83,109**	83,761
Emoluments (excluding pension contributions) of the highest paid director amounted to	**78,485**	77,709

No emoluments were paid to the Convener or to any committee member of Castlehill Housing Association, other than the Chief Executive / Secretary. No emoluments were paid to any Trustee/director of Grampian Community Care Charitable Trust Ltd 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 £4,624 in the year (2016 : £6,052).
No loans have been advanced to any director or person connected with a director.

	2017	2016
	£	£
Total expenses reimbursed to the Chief Executive/Secretary, members of the Committee of Management and Trustees of the Board of the Trust in so far as not chargeable to United Kingdom Income Tax	**1,223**	1,563

9. EMPLOYEE INFORMATION

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

	2017	2016
Office Staff	**50**	48
Direct labour, scheme based staff & others	**32**	33
	82	81

	2017	2016
	£	£
Staff Costs (including director's emoluments)		
Wages and salaries	**2,076,585**	2,086,769
Social security costs	**162,394**	131,711
Pension costs (Note 29)	**306,173**	295,997
	2,545,152	2,514,477

10. OPERATING SURPLUS/(DEFICIT)

	2017	2016
	£	£
Operating surplus is stated after charging :		
Pension deficit contributions (Note 29)	-	679,256
Auditors' remuneration		
- in their capacity as auditors of the Association	**21,450**	21,450
- for other services	**5,820**	17,850
	27,270	39,300

11. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£	£
Interest receivable	**22,630**	29,440

12. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£	£
Interest payable to lenders	790,676	819,837
Interest payable to pension liability	55,136	-
	845,812	819,837

13. TAXATION

Both Castlehill Housing Association Ltd and Grampian Community Care Charitable Trust Ltd have charitable status for tax purposes.
Tax of £2,337 was payable by Castlehill Solutions Ltd during the year.

14. TANGIBLE FIXED ASSETS

Housing Properties	Completed Houses held for Letting	Houses for Letting under Construction	Completed Shared Ownership Housing	Total
	£	£	£	£
Cost				
Opening balance	120,941,267	4,501,034	4,650,464	130,092,765
Schemes completed	2,437,696	(2,437,696)	-	-
Additions	925,698	7,228,518	-	8,154,216
Disposals	(631,353)		-	(631,353)
Closing balance	123,673,308	9,291,856	4,650,464	137,615,628
Depreciation				
Opening balance	29,237,564	-	-	29,237,564
Charge for year	2,296,639	-	-	2,296,639
Disposals	(499,583)	-	-	(499,583)
Closing balance	31,034,620	-	-	31,034,620
Net book value at 31 March 2017	**92,638,688**	**9,291,856**	**4,650,464**	**106,581,008**
Net book value at 31 March 2016	91,703,703	4,501,034	4,650,464	100,855,201

A deficit of £34,033 (2016 suplus : £129,566) was realised on disposals of housing property.

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

15. TANGIBLE FIXED ASSETS

	Investment Property	Office Buildings	Vehicles Furniture & Equipment	Total
	£	£	£	£
Cost				
Opening balance	857,895	632,700	645,013	2,135,608
Additions	-	-	11,264	11,264
Disposals	-	-	-	-
Closing balance	857,895	632,700	656,277	2,146,872
Depreciation				
Opening balance	-	584,247	439,775	1,024,022
Charge for year	-	16,151	53,960	70,111
Eliminated on disposals	-	-	-	-
Closing balance	-	600,398	493,735	1,094,133
Net book value at 31 March 2017	**857,895**	**32,302**	**162,542**	**1,052,739**
Net book value at 31 March 2016	857,895	48,453	205,238	1,111,586

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 or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

16. DEBTORS

	2017	2016
	£	£
Amounts falling due within one year :		
Rental debtors	254,909	226,871
less provision for bad and doubtful debts	(46,784)	(33,268)
Net rental debtors	208,125	193,603
Trade debtors	1,696	21,264
Other debtors	464,648	87,027
Prepayments and accrued income	138,001	95,462
	812,470	397,356
Amounts falling due in 2-5 years :		
Loans to employees	3,833	5,833
	816,303	403,189

Loans are available to employees for the purchase of cars for business use.
Loans at 31 March 2017 are to 3 employees, all for a period of up to 5 years at interest rates of 3.75 %.

17. CREDITORS DUE WITHIN ONE YEAR

	2017	2016
	£	£
Commercial Loan (see note 18)	30,530	30,553
Loans (see note 18)	1,247,529	1,215,863
Tax and social security	46,694	40,748
Accruals and deferred income	1,227,274	909,026
Grant deferred income (see note 18)	1,465,900	1,230,508
Rent in advance	88,100	102,383
Trade creditors	771,204	810,966
Other creditors	944,365	862,171
Corporation tax	2,337	-
	5,823,933	5,202,218

18. CREDITORS DUE AFTER MORE THAN ONE YEAR

	2017	2016
	£	£
Housing loans	20,966,705	20,713,471
Commercial loan	439,850	501,247
Deferred income	63,813,600	59,301,087
	85,220,155	80,515,805

Loans

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 £7,512,671 are at rates of 3.81% to 8.625%. Variable rate loans amounting to £15,172,890 are at rates of 0.23% to 1% above base rate (currently 0.5%) or 3 month libor (currently 0.527%). The Association has a fixed loan with the Energy Savings Trust over 10 years. The final repayment date for loans is March 2052. Borrowings are repayable as follows:

	2017	2016
	£	£
Within one year	1,278,059	1,246,416
From one to two years	1,308,708	1,285,333
Between two and five years	4,144,247	6,321,748
In five years or more	15,955,547	13,608,936
	22,686,561	22,462,433
Less: loan issue cost	(1,947)	(1,299)
	22,684,614	22,461,134

The deferred income balance is made up as follows:

	Housing Association Grant	Other Grants	Total Deferred Income
	£	£	£
Deferred income as at 1 April 2016	60,531,595	-	60,531,595
Additional income received	6,213,805	-	6,213,805
Released to the Statement of Comprehensive Income	(1,465,900)	-	(1,465,900)
Deferred income as at 31 March 2017	65,279,500	-	65,279,500

19. CALLED UP SHARE CAPITAL

	2017 £	2016 £
Allotted, issued and fully paid		
Opening balance	63	63
Issued during year		
Transfer to capital reserve	-	-
Closing balance	63	63

20. CAPITAL RESERVE

	2017 £	2016 £
Opening balance	115	115
Transfer from share capital	-	-
Closing balance	115	115

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

21. DESIGNATED RESERVES

	2017 £	2016 £
Planned Maintenance Reserve		
Opening balance	337,106	257,106
Additions in year	80,000	80,000
Expenditure in year	-	-
Transferred during year	-	-
	417,106	337,106
Service Equipment Replacement Reserve		
Opening balance	98,587	109,327
Additions in year	-	-
Expenditure in year	(10,430)	(10,740)
Transferred during year	-	-
	88,157	98,587
Total designated reserves	505,263	435,693

22. REVENUE RESERVES

	2017 £	2016 £
Opening balance	18,227,380	18,296,640
Surplus for the year	889,845	-
Transfer from designated reserves	(69,570)	(69,260)
Total revenue reserves	19,047,655	18,227,380

23. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017 £	2016 £
Surplus for the year	889,845	-
Depreciation	2,366,750	2,360,330
Amortisation of grant	(1,465,900)	-
Corporation tax charge	2,337	-
Movement in pension fund	(209,333)	-
Decrease in Stock	8,595	1,584
(Increase)/decrease in debtors	(413,114)	413,529
Increase/(Decrease) in creditors	352,342	(1,263,488)
Loss/(Gain) on sale of fixed assets	34,033	(129,917)
Interest payable	845,812	819,837
Interest receivable	(22,630)	(29,440)
Net Cash Inflow from Operating Activities	2,388,737	2,172,435

24. CONTRACTED EXPENDITURE COMMITMENTS

	2017 £	2016 £
Expenditure that has been contracted for but not provided for in the financial statements	6,073,592	-

The Group expects its contracted expenditure to be financed as follows:	2017 £	2016 £
Sale to other Housing Association	-	-
Loan finance	5,324,223	-
Own Reserves	749,369	-
	6,073,592	-

25. REVENUE COMMITMENTS

The Group is committed to make the following payments within one year under non-cancellable operating leases :

Expiring :	2017 £ Land & Buildings	2017 £ Other	2016 £ Land & Buildings	2016 £ Other
Within 1 year	-	15,068	-	15,891
Between 1 and 5 years	-	-	4,000	10,223
After more than 5 years	-	-	-	-
	-	15,068	4,000	26,114

26. 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.

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 18, £1,471,454 relates to Special Needs Capital 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.

28. 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 member of a group, provided that any subsidiary which is a party to the transaction is wholly owned by a member.

Notes to the financial statements
for the year ended 31 March 2017

29 Pensions

Present value of provision

	31 March 2017 £'000	31 March 2016 £'000
Social housing pension scheme	2,620	2,826
Growth plan	55	58
Total provision	2,675	2,884

	31 March 2017 £'000	31 March 2016 £'000
Opening provision	2,884	2,205
Movement in year		
-increase/(decrease) in liability	(264)	639
-unwinding of discount factor (finance charge)	55	40
Closing provision	2,675	2,884

The provision as at 31 March 2017 is the present value of the deficit reduction contributions payable.

Castlehill Housing Association 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.

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

29 Pensions (continued)

PRESENT VALUES OF PROVISION

	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Present value of provision	2,620	2,826	2,152

RECONCILIATION OF OPENING AND CLOSING PROVISION

	Period Ending 31 March 2017 (£000s)	**Period Ending** 31 March 2016 (£000s)
Provision at start of period	2,826	2,152
Unwinding of the discount factor (interest expense)	54	39
Deficit contribution paid	(335)	(243)
Remeasurement - impact of any change in assumptions	75	(18)
Remeasurements - amendments to the contribution schedule	-	896
Provision at end of period	2,620	2,826

INCOME AND EXPENDITURE IMPACT

Interest expense	54	39
Remeasurements - impact of any change in assumptions	75	(18)
Remeasurements - amendments to the contribution schedule	-	896
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

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.33	2.06	1.92

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.

29 Pensions (continued)

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

Year ending	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Year 1	348	335	243
Year 2	362	348	253
Year 3	376	362	264
Year 4	329	376	275
Year 5	279	329	286
Year 6	289	279	237
Year 7	250	289	185
Year 8	208	250	192
Year 9	214	208	150
Year 10	110	214	105
Year 11	-	110	108
Year 12	-	-	55
Year 13	-	-	-
Year 14	-	-	-
Year 15	-	-	-
Year 16	-	-	-
Year 17	-	-	-
Year 18	-	-	-
Year 19	-	-	-
Year 20	-	-	-

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.

29 Pensions (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 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. 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 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3% each on 1st April)

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:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)

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.

29 Pensions (continued)

PRESENT VALUES OF PROVISION

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	31 March 2017 (£s)	31 March 2016 (£s)	31 March 2015 (£s)
Present value of provision	55,034	58,124	52,868

	Period Ending 31 March 2017 (£s)	Period Ending 31 March 2016 (£s)
Provision at start of period	58,124	52,868
Unwinding of the discount factor (interest expense)	1,136	865
Deficit contribution paid	(5,938)	(6,378)
Remeasurements - impact of any change in assumptions	1,712	(908)
Remeasurements - amendments to the contribution schedule	-	11,677
Provision at end of period	55,034	58,124

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2017 (£s)	Period Ending 31 March 2016 (£s)
Interest expense	1,136	865
Remeasurements - impact of any change in assumptions	1,712	(908)
Remeasurements - amendments to the contribution schedule	-	11,677
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

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.32	2.07	1.74

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.

29 Pensions (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	31 March 2017 (£s)	31 March 2016 (£s)	31 March 2015 (£s)
Year 1	6,116	5,938	6,378
Year 2	6,300	6,116	6,569
Year 3	6,489	6,300	6,766
Year 4	6,683	6,489	6,969
Year 5	6,884	6,683	7,178
Year 6	7,090	6,884	7,393
Year 7	7,303	7,090	7,615
Year 8	7,522	7,303	7,844
Year 9	3,874	7,522	-
Year 10	-	3,874	-
Year 11	-	-	-
Year 12	-	-	-
Year 13	-	-	-
Year 14	-	-	-
Year 15	-	-	-
Year 16	-	-	-
Year 17	-	-	-
Year 18	-	-	-
Year 19	-	-	-
Year 20	-	-	-

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 by the independent auditor of 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 page 4 on the Association'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 consistent 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 Association's system of Internal financial control.

Opinion

With respect to the Committee's statement on internal financial control on page 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 LLP

Anderson Anderson & Brown LLP
Chartered Accountants
Registered Auditors
Aberdeen

28 AUGUST 2017