

Registered number: L0968

Charity number: SC013584

CASTLEHILL HOUSING ASSOCIATION LIMITED

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2021

CASTLEHILL HOUSING ASSOCIATION LIMITED

**Consolidated Financial Statements
For the year ended 31 March 2021**

	Pages
Members, Executive Officers and Advisors	1
Report of the Management Committee	2 - 5
Independent Auditor's Report to the Members of Castlehill Housing Association	6 - 8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Other Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11
Consolidated Cash Flow Statement	12
Notes to the Financial Statements	13 - 37
Report by the Auditors on Corporate Governance Matters	38

CASTLEHILL HOUSING ASSOCIATION LIMITED

MEMBERS, EXECUTIVE OFFICERS AND ADVISORS

Committee of Management	Mrs J Lyon (Convener)
	Mr G Ogston (Vice Convener)
	Mr D Millar (resigned 28 October 2020)
	Mr G Kyle
	Mr J Tomlinson
	Mr P King
	Mr K Willox (resigned 24 May 2021)
	Mr A Pilkington
	Mr M Reid
	Mr B Westland (appointed 21 September 2020)
	Mrs V Culley (appointed 21 September 2020)
Registered Auditor	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) Ms I Gray (Director of Housing & Property Services)
Registered Office	4 Carden Place Aberdeen AB10 1UT

CASTLEHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2021

The committee of management presents its report and the audited financial statements for the year ended 31 March 2021.

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: Castlehill Housing 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 Castlehill Housing Trust 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.

Review of business and future developments

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 9. The Group's turnover for the year was £13,525,722 (2020: £13,421,083) and the surplus for the year was £1,916,929 (2020: £1,696,694), 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 10, is satisfactory.

During 2020-21 we completed our development of 24 flats and homes at Portstown, Inverurie and 29 flats and houses at Golden Knowes, Banff. Both sites had been delayed due to the pandemic, but once sites were able to reopen in August 2020 under strict safety measures to comply with Government guidance, work was completed efficiently to ensure hand over in the current financial year.

During 2020-21 we completed a tender exercise for our site at Forest Road, Kintore and CHAP were appointed the successful contractor to build 24 units to add to our housing stock. We anticipate completion on this site in late Autumn 2021. In February 2021 we purchased the land to allow for 10 new homes in Inch which will be built by Drumrossie Homes with expected completion in February 2022.

Detailed planning permission has been granted by Aberdeenshire Council to build a mixture of houses to the south of Balmedie.

Provision of Housing Management and Property Maintenance services remains a core activity for the Association. Essential services to assist tenants and to undertake essential repairs, maintenance and safety related work have been maintained while staff have been working from home during the year.

Castlehill is committed to providing quality services but our 2020 Tenants Survey showed a disappointing reduction in overall satisfaction when compared to 2017. An action Plan has been formulated to address any issues and to work closely with our Tenants organisation CaRTO to bring about improvements.

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.

CASTLEHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Review of business and future developments (continued)

Castlehill is committed to improving our housing using renewable technologies and addressing fuel costs for our tenants. We continue to extend our programme of renewable heating installations as we work towards net-zero and reducing our carbon footprint.

The Association continues to invest in maintaining the existing housing stock through its ongoing component replacement programme. During the year we spent a total of £648,000 on planned maintenance of which £196,000 was capitalised and represents replacement heating systems and one-off kitchen replacements. When covid restrictions have permitted, we have continued to make progress during the year with our programme of upgrades to fire detection across all stock in line with revised legislation. We have not been able to undertake the planned programme of kitchens and bathrooms that were due for replacement in the current year but we hope to be able to commence these contracts as soon as restrictions allow in 2021-22.

We have successfully negotiated a one year extension to our contract with Aberdeen City Council to run Care & Repair services in the city. We have a further one year extension option that we intend to enter discussions on, closer to the 31 March 2022 expiry date.

The members of the Management Committee are pleased to note that the other subsidiary of the Group, Castlehill Housing Trust, made a surplus for the year of £404,700.

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 2021 (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 2021. 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 2021 (continued)

Provision of information to auditor

As far as the Committee of Management are aware, there is no relevant audit information of which the Association's auditor is 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 auditor is aware of that information.


.....
Secretary - 

26 July 2021
.....
Date

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CASTLEHILL HOUSING ASSOCIATION LIMITED**

Opinion

We have audited the consolidated financial statements of Castlehill Housing Association Limited for the year ended 31 March 2021, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in reserves, Statement of Cash Flows 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 2021 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 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 - February 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) regulation 2006 (as amended).

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, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the 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

In auditing the financial statements, we have concluded that the member's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**INDEPENDENT AUDITOR'S 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.

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.

Responsibilities of the Committee of Management

As explained more fully in the Statement of responsibilities of the Committee of Management on page 4 and 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, 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.

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals along with complex transactions and manipulating the Group's key performance indicators to meet targets. We discussed these risks with client management, tested a sample of journals to confirm they were appropriate and reviewed areas of judgement for indicators of management bias to address these risks.

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.


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

19 August 2021

CASTLEHILL HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	3	13,525,722	13,421,083
Less : Operating costs	3	(10,833,606)	(10,975,707)
Operating Surplus		2,692,116	2,445,376
Surplus on sale of fixed assets		20,177	240,986
Surplus on operating activities before Interest		2,712,293	2,686,362
Interest receivable	10	3,912	18,733
Interest payable	11	(796,630)	(1,002,007)
Surplus for the year before tax		1,919,575	1,703,088
Tax in period	12	(2,646)	(6,394)
Surplus for the year		1,916,929	1,696,694

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

The notes on pages 13 to 37 form part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Surplus for the year		1,916,929	1,696,694
Other comprehensive (expense)/income:			
Adoption of defined benefit accounting		-	-
Remeasurement of net defined benefit obligation	27	(2,418,876)	2,581,823
Total comprehensive (expense)/income for the year		(501,947)	4,278,517

CASTLEHILL HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2021

	Notes	2021 £	2021 £	2020 £
Tangible fixed assets				
Social housing properties	13		121,376,137	122,136,841
Other fixed assets	14		830,949	832,116
			<u>122,207,086</u>	<u>122,968,957</u>
Current assets				
Stocks		11,255		10,011
Debtors	15	741,920		990,044
Cash on term deposit		1,923,266		1,919,216
Cash at bank and in hand		6,647,387		4,162,848
		<u>9,323,828</u>		<u>7,082,119</u>
Creditors				
Amounts falling due within one year	16	(6,331,468)		(5,957,889)
Net current assets			<u>2,992,360</u>	<u>1,124,230</u>
Total assets less current liabilities			<u>125,199,446</u>	<u>124,093,187</u>
Creditors				
Amounts falling due after more than one year	17		(97,972,617)	(98,361,098)
Provision for liabilities				
Pension liability	27		(3,812,091)	(1,815,408)
Net assets			<u>23,414,738</u>	<u>23,916,681</u>
Capital and Reserves				
Share Capital	18		41	42
Capital Reserve	19		156	151
Designated Reserve	20		67,768	112,655
Revenue Reserve			23,346,773	23,803,833
			<u>23,414,738</u>	<u>23,916,681</u>

The notes on pages 13 to 37 were approved by the Committee of Management on 26 July 2021 and were signed on its behalf by:

Committee Member

Committee Member

Chief Executive/Secretary:

CASTLEHILL HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Share capital £	Capital reserve £	Designated reserve £	Revenue reserve £	Total equity £
At 31 March 2019	63	126	287,658	19,350,313	19,638,160
Total comprehensive income for the year	-	-	-	4,278,517	4,278,517
Transfer between reserves	-	-	(175,003)	175,003	-
Shares issued	4	-	-	-	4
Shares cancelled	(25)	25	-	-	-
At 31 March 2020	42	151	112,655	23,803,833	23,916,681
At 31 March 2020	42	151	112,655	23,803,833	23,916,681
Total comprehensive expense for the year	-	-	-	(501,947)	(501,947)
Transfer between reserves	-	-	(44,887)	44,887	-
Shares issued	4	-	-	-	4
Shares cancelled	(5)	5	-	-	-
At 31 March 2021	41	156	67,768	23,346,773	23,414,738

CASTLEHILL HOUSING ASSOCIATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2021 £	2020 £
Net cash inflow from operating activities	21		3,205,042	3,136,044
Cash flow from investing activities				
Improvement and construction of properties		(2,358,970)		(5,450,176)
Purchase of other fixed assets		(74,832)		(29,859)
Receipts from the sale of tangible fixed assets		111,282		384,408
Interest Received		3,912		18,733
Net cash flow from investing activities			(2,318,608)	(5,076,894)
Tax Paid			(6,394)	(6,991)
Cash flow from financing activities				
Interest paid		(758,949)		(898,541)
Issue of share capital		4		4
Grant received		1,307,320		2,520,516
Grant repaid		(17,184)		(16,365)
Repayment of bank loans		(1,650,642)		(1,341,326)
Receipts of mortgages and other loans		2,728,000		2,000,000
Net cash inflow from financing activities			1,608,549	2,264,288
Net change in cash and cash equivalents			2,488,589	316,447
Cash and cash equivalents at 1 April			6,082,064	5,765,617
Cash and cash equivalents at 31 March			8,570,653	6,082,064
Cash and cash equivalents at 31 March				
Cash at bank and in hand			1,923,266	1,919,216
Cash on term deposit			6,647,387	4,162,848
Bank overdraft			-	-
			8,570,653	6,082,064

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 13 to 37 form part of these financial statements.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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.

1.1 *Basis of accounting*

The consolidated financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and comply with the Determination of Accounting Requirements 2019, and under the historical cost convention. 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 Castlehill Housing Trust comply with the Charities SORP as it is not a registered social landlord.

1.2 *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 Scheme are held separately from those of the Association.

The liability recognised in the balance sheet in respect of the scheme is the present value of the defined benefit obligation at the year end less the fair value of the plan assets at the year end. The defined benefit obligation is calculated using the projected unit credit method and information on the value of the scheme assets and liabilities is provided by the Trust.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Other Comprehensive Income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as remeasurement of net defined benefit liability.

The cost of the defined benefit plan is recognised in the Statement of Comprehensive Income as employee costs and includes the increase in pension benefit liability arising from employee service during the year. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised as an interest expense.

1.3 *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.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

1. Accounting policies (continued)

1.4 *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 2018. 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.

1.5 *Interest income*

Interest income is recognised in the statement of comprehensive income.

1.6 *Related party transactions*

Castlehill is involved in the management of two companies that are classed as related parties. Castlehill Housing 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 2021 between Castlehill and these companies are given in note 25.

1.7 *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.

1.8 *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.

1.9 *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.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

1. Accounting policies (continued)

1.10 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.

1.11 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.

1.12 Fixed assets - social housing properties

In accordance with SORP 2018, 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 Other land and buildings

Land and buildings comprise office buildings and are stated at cost and depreciated over 30 years.

1.14 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.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (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 2018.

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.

Castlehill Housing 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 2021 (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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (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.

- **Defined benefit obligations**

In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

- **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 2021 (continued)

3. Particulars of turnover, operating costs and operating surplus

	Notes	Turnover £	Operating cost £	Operating surplus 2021 £	Operating surplus 2020 £
Social lettings	4	12,598,026	10,128,600	2,469,426	2,108,270
Other activities	5	927,696	705,006	222,690	337,106
Total		13,525,722	10,833,606	2,692,116	2,445,376
Totals for previous reporting period		13,421,083	10,975,707	2,445,376	

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)

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

	General Needs £	Sheltered Housing £	Supported Housing £	Shared Ownership £	Total Housing £	Total 2020 £
Rent receivable net of identifiable service charges	5,869,865	2,208,682	950,351	223,285	9,252,183	8,933,945
Service Charges	437,065	827,239	126,500	89,408	1,480,212	1,450,690
Gross rents receivable	6,306,930	3,035,921	1,076,851	312,693	10,732,395	10,384,635
Less : Rent losses from voids	(63,544)	(288,348)	(9,060)	2,144	(358,808)	(181,391)
Net income from rents and service charges	6,243,386	2,747,573	1,067,791	314,837	10,373,587	10,203,244
Grant released from deferred income	1,846,977	-	123,086	-	1,970,063	1,697,866
Other revenue grants	-	254,376	-	-	254,376	252,787
Total turnover from social letting activities	8,090,363	3,001,949	1,190,877	314,837	12,598,026	12,153,897
Management and maintenance						
administration costs	2,257,107	740,800	71,317	38,598	3,107,822	3,033,985
Service costs	467,541	1,022,658	130,698	104,864	1,725,761	1,477,940
Planned and cyclical maintenance	391,654	12,930	46,307	-	450,891	747,732
Reactive maintenance costs	889,190	621,867	139,697	-	1,650,754	1,714,024
Bad debts	152,433	5,648	(5,406)	-	152,675	143,301
Depreciation of housing properties	2,229,787	631,916	178,994	-	3,040,697	2,928,645
Operating costs for social letting activities	6,387,712	3,035,819	561,607	143,462	10,128,600	10,045,627
Operating surplus/(deficit) on social lettings	1,702,651	(33,870)	629,270	171,375	2,469,426	2,108,270
Operating surplus/(deficit) for previous reporting period	1,608,820	(175,717)	476,762	198,405	2,108,270	

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (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) 2021 £	Operating surplus/ (deficit) 2020 £
Care and repair	-	458,089	-	-	458,089	-	(472,753)	(14,664)	52,549
Adaptations service	37,535	-	-	-	37,535	-	(37,306)	229	(504)
Development activities	-	-	-	-	-	-	-	-	306
Support activities	-	-	-	-	-	-	(62,718)	(62,718)	(15,977)
Commercial letting	-	-	-	148,707	148,707	-	(82,298)	66,409	103,485
Other	-	-	-	283,365	283,365	-	(49,931)	233,434	197,247
Total from other activities	37,535	458,089	-	432,072	927,696	-	(705,006)	222,690	337,106
Total from other activities for the previous reporting period	76,823	706,322	49,725	434,316	1,267,186	-	(930,080)	337,106	

6. Accommodation in management

	General Needs	Sheltered Housing	Supported Housing	Shared Ownership	Managed Property	Total Units
Number of units at start of period	1,341	523	174	110	26	2,174
Added in year	41	-	-	-	-	41
Disposals in year	(1)	-	-	(1)	1	(1)
Number of units at end of period	1,381	523	174	109	27	2,214

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (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:

	2021 £	2020 £
Total emoluments (including pension contributions and benefits in kind)	<u>93,572</u>	<u>91,320</u>
Emoluments (excluding pension contributions) of the highest paid director amounted to	<u>85,240</u>	<u>83,809</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 £80,000 but less than £90,000.

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 £8,512 in the year (2020: £7,511).

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

	2021 £	2020 £
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>56</u>	<u>465</u>

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

8. Employee information

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

	2021	2020
Other Staff	55	55
Direct labour, scheme based staff & others	22	24
	<u>77</u>	<u>79</u>

	2021 £	2020 £
Staff Costs (including director's emoluments):		
Wages and salaries	2,389,266	2,344,708
Social security costs	205,738	193,567
Pension costs	285,478	286,670
	<u>2,880,482</u>	<u>2,824,945</u>

9. Operating surplus

	2021 £	2020 £
Operating surplus is stated after charging:		
Auditors' remuneration:		
In their capacity as auditors of the Association	15,420	15,420
As Auditors of subsidiaries of the Association	11,640	11,640
For other services	-	-
	<u>-</u>	<u>-</u>

10. Interest receivable and similar income

	2021 £	2020 £
Interest receivable	<u>3,912</u>	<u>18,733</u>

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

11. Interest payable and similar charges

	2021 £	2020 £
Interest payable wholly or partly in more than 5 years:		
Interest payable to lenders	758,949	898,541
Interest on pension liability (note 28)	37,681	103,466
	<u>796,630</u>	<u>1,002,007</u>

12. Taxation

Both Castlehill Housing Association and Castlehill Housing Trust have charitable status for tax purposes. Tax of £2,646 (2020: £6,394) 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	146,349,383	9,777,259	4,313,602	160,440,244
Schemes completed	6,748,782	(6,748,782)	-	-
Additions	196,390	2,162,579	-	2,358,969
Disposals	(277,594)	-	(36,492)	(314,086)
Closing balance	<u>153,016,961</u>	<u>5,191,056</u>	<u>4,277,110</u>	<u>162,485,127</u>
Depreciation				
Opening balance	38,303,403	-	-	38,303,403
Additions	3,040,697	-	-	3,040,697
Disposals	(235,110)	-	-	(235,110)
Closing balance	<u>41,108,990</u>	<u>-</u>	<u>-</u>	<u>41,108,990</u>
Net book value as at				
31 March 2021	<u>111,907,971</u>	<u>5,191,056</u>	<u>4,277,110</u>	<u>121,376,137</u>
31 March 2020	<u>108,045,980</u>	<u>9,777,259</u>	<u>4,313,602</u>	<u>122,136,841</u>

A surplus of £20,177 (2020 surplus £240,986) was realised on disposals of housing property and % share change in shared ownership.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)

14. Tangible fixed assets - other fixed assets

	Office Buildings £	Vehicles, furniture and equipment £	Total £
Cost			
Opening balance	1,490,595	724,719	2,215,314
Additions	-	74,832	74,832
Closing balance	1,490,595	799,551	2,290,146
Depreciation			
Opening balance	712,954	670,244	1,383,198
Charge for year	22,930	53,069	75,999
Closing balance	735,884	723,313	1,459,197
Net book value as at			
31 March 2021	754,711	76,238	830,949
31 March 2020	777,641	54,475	832,116

The office building are heritable properties.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)

15. Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Rental debtors	451,388	376,933
Less provision for bad doubtful debts	(153,572)	(122,867)
Net rental debtors	297,816	254,066
Trade debtors	1,556	328
Other debtors	298,156	599,017
Prepayments and accrued income	144,392	135,300
	741,920	988,711
Amounts falling due in 2-5 years:		
Loans to employees	-	1,333
	741,920	990,044

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

16. Creditors due within one year

	2021 £	2020 £
Commercial loans	32,825	33,432
Housing loans	2,074,917	1,549,447
Tax and social security	61,285	63,057
Accruals and deferred income	1,080,281	1,106,994
Deferred grant income	1,970,063	1,696,885
Rent in advance	136,815	115,906
Trade creditors	375,157	337,843
Other creditors	597,479	1,047,931
Corporation tax	2,646	6,394
	6,331,468	5,957,889

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)

17. Creditors due after more than one year

	2021 £	2020 £
Housing loans	28,605,800	28,021,525
Commercial loan	312,059	343,839
Deferred grant income	69,054,758	69,995,734
	97,972,617	98,361,098

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 £7,795,255 (2020: £8,357,621) are at rates of 3.81% to 8.625%. Variable rate loans amounting to £23,230,346 (2020: £21,590,622) 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. The final repayment date for all loans is October 2044. Borrowings are repayable as follows:

	2021 £	2020 £
Within one year	2,107,742	1,582,879
From one to two years	2,296,338	2,382,014
Between two and five years	5,763,975	6,126,966
In five years or more	20,862,089	19,860,278
	31,030,144	29,952,137
Issue Costs	(4,543)	(3,894)
	31,025,601	29,948,243

The deferred income balance is made up as follows:

	Housing Association Grant £	Total Deferred Income £
Balance as at 1 April 2020	71,692,619	71,692,619
Additional income received	1,307,320	1,307,320
Grants written off	(5,055)	(5,055)
Released to the Statement of Comprehensive Income	(1,970,063)	(1,970,063)
Deferred income as at 31 March 2021	71,024,821	71,024,821
Included in creditors as follows:		
Amounts due within one year		1,970,063
Amounts due after more than one year		69,054,758
		71,024,821

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)

18. Called up share capital

	2021 £	2020 £
Allotted, issued and fully paid:		
Opening balance	42	63
Issued during year	4	4
Transfer to capital reserve	(5)	(25)
Closing balance	41	42

19. Capital reserve

	2021 £	2020 £
Opening balance	151	126
Transfer from share capital	5	25
Closing balance	156	151

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

20. Designated reserves

Planned Maintenance Reserve

	2021 £	2020 £
Opening balance	63,036	227,456
Expenditure in year	(43,534)	(164,420)
	19,502	63,036

Service Equipment Replacement Reserve

	2021 £	2020 £
Opening balance	49,619	60,202
Expenditure in year	(1,353)	(10,583)
Total revenue reserves	48,266	49,619
Total designated reserves	67,768	112,655

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)

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

	2021 £	2020 £
Surplus for the year	1,916,929	1,696,694
Depreciation	3,116,696	3,070,823
Amortisation of grant	(1,970,063)	(1,697,866)
Corporation tax charge	2,646	6,394
Movement in pension fund	(459,874)	(422,797)
Decrease in stock	(1,244)	992
Increase in debtors	248,124	(177,595)
Decrease in creditors	(420,713)	(82,889)
Surplus on sale of fixed asset	(20,177)	(240,986)
Interest payable	796,630	1,002,007
Interest receivable	(3,912)	(18,733)
Net Cash Inflow from Operating Activities	<u>3,205,042</u>	<u>3,136,044</u>

22. Operating lease commitments

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

	2021 Other £	2020 Other £
Expiring:		
Within one year	4,364	14,447
Between one and five years	6,590	10,607
	<u>10,954</u>	<u>25,054</u>

23. Contracted expenditure commitments

	2021 £	2020 £
Expenditure that has been contracted for but not provided for in the financial statements	<u>3,151,458</u>	<u>1,226,890</u>

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

	2021 £	2020 £
Loan finance	1,759,737	982,167
Own reserves	397,523	244,723
Grant	994,198	-
	<u>3,151,458</u>	<u>1,226,890</u>

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

24. 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.

25. 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.

26. 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 (2020: £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.

27. Pension

	2021 £'000	2020 £'000
Social housing pension scheme (SHPS) (note 28 (a))	3,786	1,785
Growth plan (note 28 (b))	26	30
Total provision	3,812	1,815

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

27. Pension (continued)

Defined benefit costs recognised in the Statement of Comprehensive Income (SOCl) is as follows:

	2021 £'000	2020 £'000
Current service cost	-	85
Scheme expenses	15	15
Net interest expense - SHPS	37	103
- Growth Plan	1	-
Defined benefit costs recognised in SOCI	53	203

Defined benefit costs recognised in Other Comprehensive Income (OCI) is as follows:

	2021 £'000	2020 £'000
Experience on plan assets less interest income	1,423	29
Effects of changes in assumptions on present value of defined benefit obligation	(3,841)	2,552
	(2,418)	2,581
Remeasurement arising on Growth Plan	(1)	1
Defined benefit costs recognised in OCI	(2,419)	2,582

(a) Social Housing Pension Scheme

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

This is a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The 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 with an effective date of 30 September 2017. This actuarial valuation showed assets of £4,553m, liabilities of £6,075m and a deficit of £1,522m.

CASTLEHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

27. Pension (continued)

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:

Tier 1	
From 1 April 2016 to 30 September 2020:	£45.7m per annum (payable monthly and increasing by 4.7% each year on 1 st April)
Tier 2	
From 1 April 2016 to 30 September 2023:	£32.1m per annum (payable monthly and increasing by 4.7% each year on 1 st April)
Tier 3	
From 1 April 2016 to 30 September 2026:	£35.2m per annum (payable monthly and increasing by 3.0% each year on 1 st April)
Tier 4	
From 1 April 2016 to 30 September 2026:	£34.0m per annum (payable monthly and increasing by 3.0% each year on 1 st April)

Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)

	31 March 2021 £'000	31 March 2020 £'000
Fair value of plan assets	15,986	14,183
Present value of defined benefit obligation	(19,772)	(15,968)
(Deficit)/surplus in plan	(3,786)	(1,785)

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
At 1 April 2020	14,183	(15,968)	(1,785)
Benefits paid	(427)	427	-
Employer contributions	469	-	469
Contributions by plan participants	-	-	-
Current service cost	-	-	-
Interest income/(expense)	338	(375)	(37)
Expenses	-	(15)	(15)
Remeasurement gains/(losses):			
Actuarial losses	-	(3,841)	(3,841)
Return on plan assets excluding interest income	1,423	-	1,423
At 31 March 2021	15,986	(19,772)	(3,786)

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

27. Pension (continued)

Key Assumptions

	31 March 2021 % per annum	31 March 2020 % per annum
Discount rate	2.17	2.38
Inflation (RPI)	3.28	2.63
Inflation (CPI)	2.86	1.63
Salary Growth	3.86	2.63
Allowance for commutation of pension for cash at Retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

The fair value of the scheme assets was:

	2021	2020 £'000
Global equity	2,548	2,074
Absolute return	882	740
Distressed opportunities	462	273
Credit relative value	503	389
Alternative risk premia	602	992
Fund of hedge funds	2	8
Emerging markets debt	645	429
Risk sharing	582	479
Insurance-linked securities	384	436
Property	332	312
Infrastructure	1,066	1,056
Private debt	381	286
Opportunistic liquid credit	406	343
Corporate bond fund	945	809
High yield	479	-
Opportunistic credit	438	-
Liquid credit	191	6
Long lease property	313	245
Secured income	665	538
Liability driven investment	4,063	4,707
Net current assets	97	61
Total scheme assets	15,986	14,183

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

27. Pension (continued)

(b) Growth Plan

The Association offers the Growth Plan as an AVC investment option for members of SHPS. The provision as at 31 March 2021 is the present value of the deficit reduction contributions payable.

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company 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 company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. 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 2019 to 31 January 2025:	£11,243,000 per annum	(payable monthly and increasing by 3% each on 1st April)
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Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. 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 April)
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 company has agreed to a deficit funding arrangement the company 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 2021 (continued)

27. Pension (continued)

Present values of provision

	2021 £'000	2020 £'000	2019 £'000
Present value of provision	26	30	37

Reconciliation of opening and closing provision

	2021 £'000	2020 £'000
Provision at start of period	30	37
Unwinding of the discount factor (interest expense)	1	-
Deficit contribution paid	(6)	(6)
Remeasurements - impact of any change in assumptions	1	(1)
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	26	30

Assumptions

	2021 % per annum	2020 % per annum	2019 % per annum
Rate of discount	0.66	2.53	1.39

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.

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

Deficit contributions schedule

	2021 £'000	2020 £'000	2019 £'000
Year ending			
Year 1	6	6	6
Year 2	7	6	6
Year 3	7	7	6
Year 4	6	7	7
Year 5	-	6	7
Year 6	-	-	6
	26	32	38

CASTLEHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

27. Pension (continued)

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 AUDITOR ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 3 & 4 concerning the Association's compliance with the information required by Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

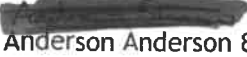
Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 3 & 4 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Committee of Management and Officers of the Association and examination of relevant document, we have satisfied ourselves that the Committee of Management's Statement on Internal financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication "our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.


for  (Senior Statutory Auditor)
Anderson Anderson & Brown Audit LLP
Chartered Accountants
Registered Auditor
Aberdeen

19 August 2021