



Financial Statements  
Year ended 31 March 2011

**Scottish Charity number SC006035**

**Industrial Provident Society number 1767R(S)**

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**Board of Management**

**Non Executives**

David Fraser	(Chair)
Anthony Andrew	
David Cowans	(appointed 28th September 2010)
Catherine Davies	
Mohindra Dhall MBE	(appointed 22nd March 2011)
Brian Elliott	
Anna Evans	(appointed 28th September 2010)
Paula Evans	(appointed 22nd March 2011)
Martin Gill	
Neil Miller	
David Robertson	(appointed 22nd March 2011)
William Wood	(appointed 27th April 2010)
Munwar Hussain	(resigned 27th April 2010)
Dermott Quinn	(resigned 28th September 2010)
Lindsay Robertson	(resigned 31st August 2010)
Simon Shearer	(resigned 28th September 2010)

The Board of Management has responsibility for recruiting new Board members subject to approval by the Places for People Group Board. The Places for People Group Board have ultimate control over the Castle Rock Edinvar Housing Association Board. An Independence and Responsibilities Agreement sets out the governance arrangements.

	<b>Executives</b>
<b>Managing Director</b>	Alister Steele
<b>Deputy Managing Director</b>	Sandy Welsh
<b>Head of Property Services</b>	Chris Thomson
<b>Head of Housing Services</b>	Sandy Welsh
<b>Head of Resources</b>	Donald McAndie
<b>Head of Neighbourhood Regeneration</b>	Heather Macnaughton

**Company Secretary** Chris Martin

**Registered Office** 1 Hay Avenue  
Craigmillar  
Edinburgh  
EH16 4RW

**Solicitors** T C Young  
Melrose House  
69a George Street  
Edinburgh  
EH2 2JG

**Bankers** Co-operative Bank  
147 Church Street  
Preston  
PR1 3UD

**Registered Auditors** KPMG LLP  
St James Square  
Manchester  
M2 6DS

**Registration of the Association**

Castle Rock Edinvar Housing Association is a Registered Social Landlord (HEP106) and is incorporated under the Industrial and Provident Societies Act 1965 (Registered Number 1767R(S)). It also has charitable status (Scottish Charity No. SC006035).

The Places for People Group is a Registered Provider with the Housing Corporation in England.

Castle Rock Edinvar is a member of the Places for People Group. The Board of Management of Castle Rock Edinvar is pleased to present its report and audited accounts for the year ended 31 March 2011.

### **Principal Activities of the Places for People's Group**

Places for People Group ("the Group") is a property development and management group with a social purpose to provide quality housing within neighbourhoods in which people choose to live. We have specialist companies that provide housing for affordable rent, market rent and sale, commercial property, financial services, care and support services, regeneration products and childcare. Each of these activities can be delivered independently where required. What distinguishes us from our competitors is our ability to both develop and manage our neighbourhoods on a long term sustainable basis. We believe that putting new or redeveloped housing and support infrastructure in place is only the beginning. By combining the services provided by the Group with the skills of its staff and its financial strength, the Group is able to produce solutions which in other settings would require a whole range of private/public partnerships and different funding arrangements.

### **Places for People's Vision and Mission**

Places for People's vision is "working to provide aspirational homes and inspirational places".

The Group's statement of mission is "ensuring successful places" which encapsulates our long term commitment to our neighbourhoods and their future sustainability.

Castle Rock Edinvar and our subsidiary organisations play a key role in delivering the Group's business objectives in Scotland.

### **Principal Activities of Castle Rock Edinvar**

Castle Rock Edinvar is a member of the Places for People Group which is one of the United Kingdom's largest property development and management organisations.

We are a leading Scottish RSL and Scottish Charity and operate with two subsidiaries, Places for People Scotland Care and Support (PiPSC&S) and Lothian Homes. We are based in Edinburgh and at 31 March 2011 we owned and managed 6059 rented and shared ownership homes across eight local authority areas in Central Scotland.

We are a leading Scottish RSL both in scale and significance. The turnover of Castle Rock Edinvar from letting activities was £20.4 million in 2010/11 and sales of property amounted to £9.1 million. The combined turnover for the year including our subsidiaries was £40.0 million. We are a significant developing RSL with a Housing Association Grant allocation of £7.2 million in 2010/11 and a Wider Role Grant allocation of £0.6 million. We employ 166 staff.

### **We regard our key strengths as:**

- The successful merger of Castle Rock and Edinvar in August 2005 and a track record of service improvement since the merger.
- Strong strategic management demonstrated by our approach to business planning, strategic reviews and risk management.
- Responsiveness to customers, demonstrated by our customer feedback mechanisms, the importance we attach to measuring what our customers think of the service, and by the current satisfaction levels.
- Our growing understanding of our neighbourhoods and where we can make an impact beyond the traditional landlord role working with residents and other stakeholders.
- Working with Places for People and our subsidiaries to deliver housing choices across tenures and a broad range of services.
- Our commitment to continuous improvement in our services through our Customer Excellence assessment, business planning, business assurance, self assessment and performance management regime.
- Completion of our business efficiency review in 2008/09 which is reflected in improved surpluses and our current strong financial position.
- The review of our affordable housing targets resulting in a continuing development programme with funding commitments.

### Scottish Housing Regulator Inspection

Castle Rock Edinvar was inspected by the Scottish Housing Regulator in 2009. We were awarded a B grade overall, which represents a good performance. Overall the assessment was that:

"Castle Rock Edinvar has many strengths and some weaknesses. The Association delivers accessible and generally good quality services and has a well-developed approach to gathering customer feedback and using this to improve services. It has a good awareness of where it needs to improve and was very responsive to our feedback during the inspection. It has an excellent approach to asset management and builds high quality new houses. It aims to continue to improve the efficiency of its business, including achieving projected savings".

### Strategic Objectives and Priorities

Castle Rock Edinvar's strategic objectives are:

**Customers.** To have customer focussed services which meet customer aspirations and deliver excellent performance.

**Growth.** To focus our growth and expansion of our customer base in our core area of Edinburgh and the Lothians and to consider opportunities in other key locations in central Scotland which clearly add value to our business.

**Efficiency.** To be an organisation which is efficiently managed and works towards continually improving financial sustainability.

**Marketing and Influencing.** To position Castle Rock Edinvar as a leading Scottish RSL and to develop the Castle Rock Edinvar brand as a member of Places for People.

**People.** To be an employer of choice and to have a strong Board of Management which engages with and influences Places for People.

We aim to continue to develop and grow the business in Scotland as a leader in place making and management and to ensure that we make a positive difference to people's lives and life choices. The key strategic priorities over the next three year rolling business plan are:

**Improving Customer Services.** To continue the drive to become outstanding in the provision of customer focussed housing and property management services.

**Increasing Service Contracts.** To grow and improve the profitability of our contracting business to individuals and other organisations.

**Broadening the Customer Base.** To develop a broader socio-economic customer base by broadening the tenure mix in our housing products with a specific focus on the emerging intermediate rented market.

**Developing Person Centred Services.** To develop our approach to the provision of person centred services, which add value to and complement our core services, with a specific focus on developing older person services, care and support services and advice services.

**Improving our Neighbourhoods.** To ensure our existing neighbourhoods are successful places through developing our approach to place investment which links neighbourhood planning, asset management and tenure diversification.

**Supporting Place Making.** To support the group bring forward proposals for large scale development in Edinburgh which demonstrates Places for People's place making approach.

Castle Rock Edinvar's Business Plan is designed to ensure that its strategy, products and services are delivered in accordance with the Group's overall purpose and vision.

### **Principal Markets and Associated Risks**

Castle Rock Edinvar's principal market is in the social rented housing sector which accounts for most of the total turnover. Properties include housing and apartments for families, couples and single people and housing specifically designed for older people. Complementary activities include shared ownership, neighbourhood regeneration and lettings of shops and offices.

The scale and nature of the social housing renting, combined with our objective to continue to grow the stock we own and manage and economic conditions gives rise to a number of risks such as:

- Development risks;
- Funding and interest rate risks;
- Market, product and demographic risks;
- Reputational risks;
- Environmental risks.
- Pension obligations
- Risks arising from expected Welfare Reform legislation.

The Board and Senior Management have developed a Risk Map in accordance with Group procedures to evaluate the each of these risks.

### **Income and Expenditure for the year**

The turnover of Castle Rock Edinvar from letting activities was £20.4 million in 2010/11 and there were property sales amounting to £9.1 million.

The total revenue and capitalised expenditure on repairs and improvements during the year amounted to £7.9 million (2010: £9.0 million).

Interest rates continued at their low rates and the interest payable for the year ended increased from £1,187,000 in the previous year to £1,244,000 in the current year. This represented an average interest rate of 1.99% per annum.

As disclosed in note 2 to the financial statements, during the year to 31 March 2011 Castle Rock Edinvar sold 53 properties for rent to other Registered Social Landlords amounting to £6,680,000 (2010 - 80). In addition Castle Rock Edinvar sold 26 shared ownership properties and 10 shared equity properties amounting to £2,456,000.

The surplus for the year was £7,173,000 (2010: £7,309,000). The reserves carried forward at 31 March 2011 were £33,003,000 (2010: £25,830,000). More details of other income and expenditure are included in note 2 to 4 to these accounts.

### **Balance sheet at the year end**

The depreciated cost of the Castle Rock Edinvar's housing assets at March 2011 was £320.5 million (March 2010: £310 million). These have been funded from Housing Association Grant (HAG) and other capital grants of £222.6 million (69.5%), loans of £64.6 million (20%) and the Association's own resources of £33.3 million (10.5%).

**Operational Performance for the year**

Operational performance is monitored through a number of key performance indicators (KPI's) covering customers, efficiency and our organisation.

These include rent collected as a percentage of rent due, current tenant arrears as a percentage of rent, average re-let time, void losses as a percentage of rent due and the performance of the repairs service.

The table below charts the progress of the Association's key performance indicators over the last two financial years. Unless specified, the performance indicators show the position as at the 31 March 2011.

Performance Indicators	2010/11	2009/10
<b>Repairs &amp; Gas Servicing</b>		
Emergency repairs (of all emergency repairs notified in the year, the number completed within 24 hours as a % of all emergency repairs completed in the period)	98.00%	95.51%
Urgent repairs (of all urgent repairs notified in the year, the number completed within 7 days as a % of all urgent repairs completed in the period)	97.00%	95.53%
Routine repairs (of all routine repair notified in the year, the number completed within 28 days as a % of all routine repairs completed in the period)	99.00%	98.31%
Customer's satisfaction rating with repairs	86.00%	81.00%
Gas Servicing (% of properties with a current CP12)	100.00%	98.11%
<b>Arrears</b>		
Current Tenant Arrears	3.71%	4.10%
Total Arrears	4.28%	4.55%
<b>Voids</b>		
Operational Void Loss	0.55%	0.71%
Total Voids	0.80%	0.96%
<b>Rents</b>		
Rent Collected (rent received as a % of rent charged to date).	99.28%	106.88%
<b>Completions</b>		
Affordable Rent	90 units	107 units
Shared ownership	23 units	0 units
<b>Diversity</b>		
Lettings (bme lettings as a % of the total annual lettings)	3.00%	3.06%
Staff (bme staff as a % of total staff)	2.99%	1.33%
<b>Staff</b>		
Absence (% of absenteeism)	2.11%	3.27%
Turnover	3.61%	9.81%

### **Future Developments and Initiatives**

Castle Rock Edinvar completed 90 affordable rented properties and 23 shared ownership properties during the year to 31 March 2011 (2010: 107 rented properties).

Castle Rock Edinvar will complete a further 96 rented and 46 shared ownership properties by the end of March 2012. Capital expenditure contracted but not provided in the accounts amounted to £9,396,000 (2010: £15,887,000).

Development performance is monitored using a number of indicators covering profitability of schemes, cost control, development pipeline and the management of working capital.

Castle Rock Edinvar has ownership of or is in control of land to ensure continued growth through the development of new stock subject to the availability of grant funding and new borrowings which will form part of Places for People Groups overall capital investment strategy. Future development will be focussed on large scale mixed tenure developments owned by Places for People.

### **Donations**

Castle Rock Edinvar did not receive any gift aid during the year ended 31 March 2011 (2010: nil). During the year Castle Rock Edinvar made donations totalling £7,000 to community groups within the communities the association operates in (2010: £11,000).

### **The Environment and Corporate Social Responsibility (CSR)**

The Board recognises the need to develop its business in a sustainable manner; i.e. the business is developed to meet the needs of the present without compromising the ability of future generations to meet their own needs. We recognise that there are physical limits to the resources of the Earth (both in terms of generating materials and absorbing waste), and that any business activity that exceeds these limits is, by definition, unsustainable in the long term. In addition to making effective use of natural resources and enhancing the environment, we also believe that to achieve short and long term sustainability we need to promote social cohesion and inclusion and strengthen economic prosperity in the communities in which we work. Places for People has been accredited with ISO 14001 and has received a gold award under the Corporate Responsibility Index.

### **Employment**

During the year ended 31 March 2011 the average number of people, expressed as full time equivalents, was 143 (2010 : 130); At 31 March 2011 the actual number of people employed was 166 (2010 :150). Employee information is stated in note 6 to these accounts. The increase in the actual number employed at 31 March 2011 includes an extra 10 staff employed to strengthen the in house trades team.

Staff turnover for the year to 31 March 2011 decreased to 3.61% (2010: 9.81%).

The staff profile at the year end showed 2.99% (2010: 1.33%) were from a BME background. 58.00% (2010: 62.00%) of the workforce were female and disabled staff represented 1.80% (2010: 2.00%) of employees.

The Board considers that employee involvement is essential to its continuing success and uses a variety of methods to inform, consult and involve its employees. In addition, the Group has a comprehensive learning and development policy and holds the Investors in People accreditation.

### **Equality and Diversity**

The Board is committed to achieving equality through diversity and its policies and strategies recognise that all people have the right to their own distinctive and diverse identity. The Board recognises that it has the power to reduce the disadvantages that people experience by making services more responsive to all communities and individual needs. The Board also recognises its responsibility to meet these diverse needs by having a diverse workforce, which generally reflects local populations and has the skills and understanding to achieve the service objectives. The Board has taken positive steps to adopt good policy and practice in employing people with disabilities. The Places for People Group holds the Diversity Award Gold Standard.



### **Employee Engagement**

The Places for People Group participate annually in an employee survey administered by Best Companies. The surveys are completed confidentially by staff and Best Companies provide the organisation with analysis of the results. These results are used to improve employee engagement and Better Place to Work improvement plans are developed in conjunction with staff each year. These are intended to identify practical ways that can improve staff morale, increase staff retention and make Castle Rock Edinvar a Better Place to Work. This year, Castle Rock Edinvar established a Better Place to Work Focus Group, which is a staff forum to facilitate consultation around issues highlighted by the survey.

### **Pension Funds**

The Board has reviewed its obligations arising from employee pension funds and is satisfied that its liabilities are properly identified, planned and accounted for. The Scottish Housing Associations' Pension Scheme (SHAPS) is closed to new employees. All new employees joining Castle Rock Edinvar now have the option of joining a Stakeholder scheme to which the Association contributes.

The Board is aware of the liability to pay a contribution to the SHAPS if it was to withdraw completely from the scheme. The estimated liability of each employer's potential debt on withdrawal from the SHAPS has been calculated at 30 September 2010. The amount of employer debt on withdrawal for Castle Rock Edinvar has been calculated as £17,567,000. The Board is also aware that Castle Rock Edinvar would cease to be a member of the Pension Scheme if there were no active staff members. More details of the scheme are included in note 21.

### **Health and Safety**

The Board takes very seriously its responsibilities on all matters relating to health and safety. There is a standing working group chaired by the Managing Director that meets to ensure all aspects of Health and Safety are covered. The working group is supported and advised by the Group Health and Safety staff. During the year the Group has continued to update its health and safety policies and provide staff training and education on health and safety matters and was awarded the Royal Society for the Prevention of Accidents Gold Award.

### **Treasury Management**

Castle Rock Edinvar's borrowings remained constant throughout the year at £64 million. The ratio of net loans to housing asset costs was 20.1% (2010: 20.1%) which is within the strategy target maximum of 50%.

The Board regularly reviews treasury management. The Group's policy is to retain minimal cash whilst ensuring that sufficient loan facilities are available and immediately accessible to finance a minimum of one year's cash flow. Cash projections cover a 3 year period to continuously monitor future borrowing requirements.

During the year the percentage of loans arranged at fixed interest rates increased to 21.8%. The ratio of fixed and variable rates are reviewed daily to ensure that Castle Rock Edinvar borrows at the best rates.

The effect of a 1% increase in variable interest rates would cost Castle Rock Edinvar an additional £509,000 per annum in additional interest charges.

### **The Board of Management**

Ultimate authority for all aspects of the Castle Rock Edinvar's activities rests with the Board. The Board is responsible for setting strategies and policies for the Association and co-ordinating the Association's activities under an Independence and Responsibility Agreement with the Group. These agreements enable the Board to control the Association and are the basis of the legal structure.

Details of the Board members can be found listed on page 2 of these accounts. The Board has a range of skills and experience which meet the requirements listed in the Scottish Federation of Housing Association's code of governance for housing associations. In addition all directors have access to the Company Secretary for advice.

The Board has adopted guidelines for the appointment of directors which have been in place and which have been observed throughout the year. The letters of appointment of all directors are available for inspection at the Association's registered office during normal business hours. Board members are non remunerated and the normal term of office is six years.

**The Board of Management (continued)**

As part of succession planning, 5 new Board members have been recruited in the year ended 31 March 2011. At 31 March 2011 there were no tenant members on the Board

The Board is well equipped to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct that are vital to the success of the Association. Training is provided to ensure that Board members have a duty to exercise reasonable care, skill and diligence; a duty to promote the success of the Association; a duty to act within their powers; a duty to exercise independent judgment; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

At the Board meeting in January 2010 a Board performance review was considered. The review agreed that there should be a reporting framework which would include six formal Board meetings and at least one development meeting each year. The Board Member's attendance at Board and Committee meetings, in relation to the number of meetings held, during the year ended 31 March 2011 is set out below.

Board Members		Board Meetings	Audit Committee
Simon Shearer	Resigned 28th September 2010	2/2	2/2
David Fraser	Chair	6/6	6/6
Anthony Andrew		4/6	
Dermot Quinn	Resigned 28th September 2010	2/2	
Lindsey Robertson	Resigned 31st August 2010	0/2	
Martin Gill		5/6	6/6
Neil Miller		5/6	2/2
Catherine Davis		2/6	
Brian Elliot		6/6	6/6
William Wood	Appointed 27th April 2010	6/6	
David Cowans	Appointed 28th September 2010	1/3	
Anna Evans	Appointed 28th September 2010	3/3	
Paula Evans	Appointed 22nd March 2011	1/1	
Mohindra Dhall	Appointed 22nd March 2011	1/1	
David Robertson	Appointed 22nd March 2011	1/1	

**Internal Control and Risk Management**

The Places for People Group Board of Directors is responsible for maintaining and reviewing the Group's system of internal control. The Group Audit and Risk Committee is responsible to the Group Board for monitoring this system and reporting on its effectiveness. Any such system can provide reasonable but not absolute assurance against material misstatement or loss, and the development of the system is a continuing process.

The Strategic Risk Management Group monitors and steers the development and implementation of enhancements to risk management processes and reports to the Audit and Risk Committee and Group Board as appropriate. Key tasks for this Group are to oversee the continuing refinement of risk policy, the Risk Management Framework and associated risk maps. The Group also scenario tests key risks and monitors adherence to the risk management processes. The Group comprises the Group Executive and a number of senior managers.

### Internal Control and Risk Management (continued)

The Group Board is of the view that the Group uses all reasonable endeavours to comply with the UK Corporate Governance Code and thus with the requirements of the Tenant Service Authority's regulatory framework.

The overall internal control framework comprises:

- **Frameworks and structures to ensure that the business remains viable and is managed effectively**
- **The identification of appropriate assurance mechanisms which can be used to ensure that the internal control framework is operating effectively.**

A key element of the process is the submission of a report from the Group Chief Executive to the Group Board in relation to the effectiveness of internal control. This report refers to the forms of assurance that the board considers appropriate to obtaining overall assurance on the Group's systems of internal control and which are set out below.

#### Internal Control – Assurance

Assurance has been drawn from five main sources. Some sources operate continuously over the year whilst others are year-end confirmation and certification processes.

The following deals with each major source of assurance. The Board, in forming a view, looks at the aggregate level of assurance derived from these sources, each having a differing degree of objectivity.

- **The ongoing Risk Assurance Process**

All parts of the business maintain local risk maps that are aligned to their business goals and objectives. These include an assessment of controls in place to manage each identified risk and any further actions that may be required. All risk maps are regularly reviewed by management and by the Group Head of Business Assurance, and are considered, along with the Group's key strategic risks, by the Strategic Risk Management Group which meets periodically throughout the year.

- **Submission of letters of representation from the Board and senior management.**

The Board and senior management confirm that all necessary information has been made available to the auditors as part of the annual audit.

- **The operation of and output from Group Business Assurance Services.**

The planning and delivery of the Business Assurance Service has been reported comprehensively to the Audit and Risk Committee over the year. A business with the size and complexity of the Places for People Group will inevitably experience some internal control issues. These are identified and addressed by management and this approach is complemented by the Risk Management Cycle.

#### Internal Control and Risk Management (continued)

- **The view of the External Auditor, KPMG LLP.**

This position in relation to controls which are within the scope of the auditor's terms of engagement is confirmed at the conclusion of each audit. Any issues arising from interim audit work are also reported to the Audit and Risk Committee.

- **The Tenant Services Authority Regulatory Code Self - Assessment Report**

The Tenant Services Authority (TSA) has prepared, under the previous regulatory framework, a Regulatory Judgement every year where it sets out its overall assessment of Places for People's compliance with the regulatory framework for registered social landlords (RSLs). This has been superseded from 1 April 2010 by the new standards based regulatory framework. The current Regulatory Judgement sets out the TSA's view on: Financial Viability, Governance and Management. The overall judgements issued by the TSA in the current Regulatory Judgement for Places for People are as follows:

- **Financial Viability** - The Group meets the expectations set out in the Regulatory Code in terms of financial viability.
- **Governance** - The Governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation.
- **Management** - The Group generally meets the standard expected given the context in which it works and the available resources.

In addition, substantial work has been undertaken to ensure that the Audit & Risk Committee's structure and activities comply with the recommendations of the Combined Code.

The Group Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2011, and up to the date of signing these financial statements. It has not identified any weaknesses which resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements.

- **The local Audit Committee**

The local Audit Committee is responsible to the Castle Rock Edinvar Board. This Committee oversees reviews and monitors the companies application of the Group's system of internal control.

The Group Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2011, and up to the date of signing these financial statements. It has not identified any weaknesses which resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements.

#### Statement of Board to the Auditors

At the time of approval of this report:

- a) so far as the Board is aware, there is no relevant audit information of which the Group's Auditor is unaware, and
- b) the Board has taken all steps that they ought to have taken as a Board in order to make themselves aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

### Statement of Board's responsibilities

The Board of Management are responsible for preparing the Board of Management's Report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board of Management to prepare financial statements for each financial year. Under those regulations the Board of Management have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that year.

In preparing these financial statements, the Board of Management are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Management are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2003, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

By order of the Board



Chris Martin  
Company Secretary

28th June 2011

**Independent auditor's report to the members of Castle Rock Edinvar Housing Association**

We have audited the financial statements of Castle Rock Edinvar Housing Association for the year ended 31 March 2011 set out on pages 14 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with Schedule 7 paragraphs 13 and 14 to the Housing (Scotland) Act 2001 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association'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 association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Board and auditor**

As more fully explained in the Statement of Board's Responsibilities set out on page 12, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, 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 (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

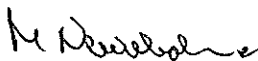
In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31 March 2011 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 require us to report to you if, in our opinion:

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



M. Newsholme (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
St James' Square,  
Manchester,  
M2 6DS

1 August 2011

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Castle Rock Edinvar Housing Association  
Income and Expenditure Account  
For the year ended 31 March 2011



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		2011	2010
	Notes	£'000	£'000
Turnover	2	<b>31,153</b>	24,663
Operating costs	2	<b>(23,139)</b>	(16,151)
Operating surplus	2	<b>8,014</b>	8,512
Surplus/(deficit) on sale of fixed assets	5	<b>402</b>	(17)
Interest receivable and similar income	7	<b>1</b>	1
Interest payable and similar charges	8	<b>(1,244)</b>	(1,187)
Net surplus for the year	19	<b><u>7,173</u></b>	<u>7,309</u>

The historical cost surpluses and deficits are identical to those shown in the financial statements. There are no other recognised gains or losses other than those reported above. Therefore a separate statement of recognised gains and losses has not been prepared.

All activities are continuing.

The notes on pages 17 to 33 form an integral part of these financial statements

Castle Rock Edinvar Housing Association  
 Balance Sheet  
 For the year ended 31 March 2011



	Notes	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Housing properties - depreciated cost	11	320,515	309,863
Less: Social Housing Grant	11	(218,673)	(211,498)
Other public grants	11	(3,901)	(3,833)
		<u>97,941</u>	<u>94,532</u>
<b>Investments</b>			
HomeBuy loan	13	195	201
HomeBuy grant	13	(195)	(201)
		-	-
<b>Other fixed assets</b>	12	3,111	4,493
<b>Total fixed assets</b>		<u>101,052</u>	<u>99,025</u>
<b>Current assets</b>			
Stock	14	5,460	1,551
Debtors: amounts due within one year	15	4,273	3,429
Cash at bank and in hand		97	25
		<u>9,830</u>	<u>5,005</u>
<b>Creditors - amounts due within one year</b>	16	(14,349)	(15,087)
<b>Net current liabilities</b>		<u>(4,519)</u>	<u>(10,082)</u>
<b>Total assets less current liabilities</b>		<u>96,533</u>	<u>88,943</u>
<b>Creditors - amounts falling due after more than one year</b>	17	63,530	63,113
<b>Capital and Reserves</b>			
Non-equity share capital	18	-	-
Revenue reserves	19	33,003	25,830
<b>Total capital and reserves</b>		<u>33,003</u>	<u>25,830</u>
		<u>96,533</u>	<u>88,943</u>

The notes on pages 17 to 33 form and integral part of these accounts.

The financial statements on pages 14 to 33 were approved by the Board of Management on the 28th June 2011 and were signed on its behalf by:

David Fraser  
Chair

Chris Martin  
Secretary

Martin Gill  
Board Member



Castle Rock Edinvar Housing Association  
Cashflow Statement  
For the year ended 31 March 2011



	Note	2011		2010	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	23		<b>4,398</b>		11,532
<b>Returns on investments and servicing of finance</b>					
Interest received		1		1	
Interest paid		<u>(1,243)</u>		<u>(1,187)</u>	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(1,242)</b>		(1,186)
<b>Capital expenditure and financial investment</b>					
Additions to housing properties		(13,650)		(16,310)	
Sales of initial tranche		1,221		770	
Disposals of housing properties		(174)		367	
Capital grants received		7,306		8,118	
Payments to acquire other fixed assets		7		-	
Sales of other fixed assets		<u>2,004</u>		<u>9</u>	
<b>Net cash outflow from capital expenditure</b>			<b>(3,286)</b>		(7,046)
<b>Cash inflow/(outflow) before management of liquid resources and financing</b>	25		<b>(130)</b>		3,300
<b>Financing</b>					
Loan repayments		(922)		(3,312)	
Loan advances received		<u>1,200</u>		<u>-</u>	
<b>Net cash inflow/(outflow) from financing</b>			<b>278</b>		(3,312)
<b>Increase/(decrease) in cash</b>	25		<b>148</b>		<b>(12)</b>

## 1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and the Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers Update 2010. A summary of the more important accounting policies, which have been consistently applied, is set out below.

### Basis of accounting

The financial statements have been prepared under the historical cost convention and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

### Turnover

The turnover represents mainly rents, service charges and revenue grants receivable from the Scottish Government or Local Authorities, housing developed for sale and some fees from managing agency services.

### VAT

The majority of the Association's turnover is exempt from VAT. However certain activities are subject to VAT. Where appropriate, costs are stated including irrecoverable VAT.

### Pensions

The Association participates in the Scottish Housing Associations' Pension Scheme (SHAPS). The defined benefit pension scheme based on final pensionable salary is now closed to new employees. Contributions from the Association and participating employees are paid into independently administered funds. These payments are made in accordance with triennial calculations by professionally qualified independent actuaries. In the intervening years, the actuary reviews the continuing appropriateness of the rates of contribution.

Employees now joining the Association have the option of joining a Stakeholder scheme to which the Association contributes. The costs of the stakeholders scheme are accounted for in the year in which they occur.

The Association is unable to identify separately the assets and liabilities of SHAPS, therefore the costs of the pension have been accounted for on a defined contribution basis in this Association. The Association has complied with FRS 17 and relevant disclosures are included in note 21 to the accounts.

### Housing Association Grant and other capital grants

Where developments have been financed wholly or partly by Housing Association Grant (HAG) or any other form of capital grant subsidy, the cost of those developments is reduced by the grant received.

When HAG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

Where HAG is retained following the disposal of a property, it is shown under disposal proceeds and recycled grant funds in creditors. These funds will be used for the provision and improvement of new social housing for rent and sale.

### Capitalisation of interest and administrative costs

Interest is capitalised on loans financing schemes in development up to their completion. This is calculated by reference to the Association's cost of borrowing and the development costs.

Administration costs relating to the development activities are capitalised on an apportionment of the staff time directly spent on this activity.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### Depreciation

Fixed assets other than freehold land are depreciated in accordance with FRS15 at rates calculated to reduce the net book value of each component element to its estimated residual value, on a straight line basis, over the expected remaining useful life of the component. Freehold land is not depreciated. The estimated life of assets and components is as shown in the table below.

<b>Assets</b>	<b>Depreciation Period (Years)</b>
<u>Housing &amp; Commercial Properties:</u>	
Kitchens	20
Bathrooms	20
Boilers	15
External Windows & Doors	30
Roofs	45
Fire Safety Systems.	20
Fencing	30
Digital TV Aerials	10
Lifts	20
Aids and adaptations	10
Initial and replacement scheme assets	From 1 to 5
Other Elements (new build)	100
Other Elements (rehab)	80
Other Elements (Leasehold)	Lesser of Term of Lease or 100 years
<u>Other Fixed Assets:</u>	
Offices (new build)	100
Offices (rehab)	80
Office refurbishment	10
Offices (long leasehold)	Lesser of Term of Lease or 100 years
Offices (short leasehold)	10
Equipment	5
Cars and commercial vehicles	5
Computer hardware, software and infrastructure	5

### Impairment

For fixed assets with a remaining useful life greater than 100 years an impairment review is carried out on an annual basis in accordance with FRS11. For all other assets an impairment review is undertaken when there is an indication the asset may be impaired. If assets are found to be impaired, the amount of impairment is disclosed in note 3 analysis to the income and expenditure.

### Scottish Government shared equity scheme (note 13)

Castle Rock Edinvar has sold properties under the Scottish Government shared equity schemes. Under these schemes buyers purchase a majority share of the property with the balance funded by Scottish Government grants. The fixed asset investment represents the total of the loans receivable from purchasers of the property when the equity is released. There is an equal and opposite liability to the Scottish Government amounting to any shared equity release.

## **1. PRINCIPAL ACCOUNTING POLICIES (continued)**

### **Stock and work in progress**

Stock and work in progress comprises the costs to balance sheet date of properties being developed for sale either as shared equity or shared ownership properties.

### **Cost of raising finance**

The cost of raising finance is amortised over the period of the instrument. The deferred cost is offset against the liability and is included within "creditors: amounts falling due after one year".

### **Special needs housing managed by voluntary agents on behalf of the Association**

Because of the nature of the relationship between the Association and its managing agents these financial statements exclude the financial performance of the projects managed by our agents.

### **Service charge sinking funds**

The Association is required to set aside sums in respect of future maintenance of certain factored properties. Amounts accumulated in the fund are included within "cash at bank and in hand" and within creditors: falling due within one year".

### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

## 2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover £'000	2011 Operating costs £'000	Operating surplus £'000	2010 Operating surplus £'000
Social lettings	20,448	(12,464)	7,984	8,243
Other activities	10,705	(10,675)	30	269
<b>Total</b>	<b>31,153</b>	<b>(23,139)</b>	<b>8,014</b>	<b>8,512</b>
Total for the year ended 31 March 2010	24,663	(16,151)	8,512	

## 3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTING ACTIVITIES

	2011				2010	
	General needs housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	Other £'000	Total £'000	Total £'000
<b>Income from lettings activities</b>						
Rent receivable net of service charges	16,033	2,255	409	-	18,697	18,196
Service charges receivable	629	1,014	(12)	-	1,631	1,550
	<b>16,662</b>	<b>3,269</b>	<b>397</b>	<b>-</b>	<b>20,328</b>	19,746
Less voids	(200)	-	-	-	(200)	(213)
<b>Rents receivable</b>	<b>16,462</b>	<b>3,269</b>	<b>397</b>	<b>-</b>	<b>20,128</b>	19,533
Revenue grants from local authorities and other agencies	295	-	-	-	295	259
Other income	16	9	-	-	25	-
	<b>16,773</b>	<b>3,278</b>	<b>397</b>	<b>-</b>	<b>20,448</b>	19,792
<b>Expenditure on letting activities</b>						
Management and maintenance administration costs	(3,660)	(561)	(94)	-	(4,315)	(4,091)
Services	(845)	(810)	(7)	-	(1,662)	(1,497)
Planned and cyclical maintenance including major repairs costs	(1,579)	(842)	-	-	(2,421)	(2,102)
Reactive maintenance costs	(2,217)	(349)	-	-	(2,566)	(2,506)
Bad debts - rents and service charge	(187)	(14)	(4)	-	(205)	(196)
Depreciation on housing assets	(1,124)	(156)	(15)	-	(1,295)	(1,157)
<b>Total expenditure on lettings</b>	<b>(9,612)</b>	<b>(2,732)</b>	<b>(120)</b>	<b>-</b>	<b>(12,464)</b>	(11,549)
<b>Operating surplus on letting activities</b>	<b>7,161</b>	<b>546</b>	<b>277</b>	<b>-</b>	<b>7,984</b>	8,243
Total for the year ended 31 March 2010	7,264	720	259	-	8,243	

**4. PARTICULARS OF TURNOVER, OPERATING COSTS, AND OPERATING SURPLUS FROM OTHER ACTIVITIES**

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Other operating costs	Operating surplus/(deficit) year ended 31 March 2011	Operating surplus/(deficit) year ended 31 March 2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	381	188	-	-	569	(774)	(205)	(104)
Care and repair	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	(66)	(66)	-
Support activities	-	-	211	-	211	(238)	(27)	(26)
Agency/management services for registered social landlords	-	-	-	31	31	(31)	-	12
Other agency/management services	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	6,680	6,680	(6,695)	(15)	14
Developments and improvements for sale to non registered social landlords	-	-	-	2,456	2,456	(2,435)	21	(7)
<b>Other activities</b>								
Commercial property income	-	-	-	599	599	(362)	237	224
Garden aid and enhancements	-	-	-	-	-	(69)	(69)	(83)
VAT recovery	-	-	-	182	182	-	182	237
Other	-	-	-	(23)	(23)	(5)	(28)	2
<b>Total from other activities</b>	<b>381</b>	<b>188</b>	<b>211</b>	<b>9,925</b>	<b>10,705</b>	<b>(10,675)</b>	<b>30</b>	<b>269</b>

Total from other activities for the year ended 31 March 2010

313 220 4,338 4,871 (4,602) 269

## 5. SALE OF HOUSING PROPERTIES

	2011	2010
	£'000	£'000
Sales proceeds	2,579	731
Cost of sales	(1,838)	(511)
Operating costs	<u>(339)</u>	<u>(237)</u>
	<u>402</u>	<u>(17)</u>

## 6. OFFICERS' EMOLUMENTS

The Association is controlled by a voluntary Board of Management who received no remuneration during the year to 31 March 2011 (2010 - £nil).

	2011	2010
	£'000	£'000
The aggregate of emoluments payable to Officers whose emoluments (excluding pension contributions and benefits in kind) are £60,000 or more	<u>151</u>	<u>210</u>
Aggregate emoluments payable to the chief executive (excluding pension contributions)	<u>89</u>	<u>88</u>
Pension contributions payable to officers whose total emoluments are £60,000 or more	<u>25</u>	<u>36</u>

The emoluments of the Directors whose emoluments excluding pension contributions and benefits in kind were over £60,000 were as follows

	2011	2010
£60,000 to £70,000	1	2
£80,000 to £90,000	1	1

	2011	2010
	£'000	£'000
The aggregate amount of compensation payable to Officers for loss of office	<u>-</u>	<u>15</u>

The average number of full-time equivalents employed during the year was:-

	2011	2010
	No.	No.
Housing	40	41
Property Services	17	19
Direct Trades	35	24
Sheltered Housing	18	19
Cleaners	8	7
Neighbourhoods	<u>8</u>	<u>5</u>
<b>Total Managing Housing Services</b>	<b>126</b>	<b>115</b>
Central Administration Services	<u>17</u>	<u>15</u>
<b>Total average FTE employees</b>	<b><u>143</u></b>	<b><u>130</u></b>

	2011	2010
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	3,591	3,313
Social security costs	310	278
Other pension costs	<u>242</u>	<u>246</u>
	<u>4,143</u>	<u>3,837</u>

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2011	2010
	£'000	£'000
Interest receivable on cash deposits	<u>1</u>	<u>1</u>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	2011	2010
	£'000	£'000
On financial liabilities not at fair value through income and expense:		
On loans from related undertakings	281	189
On bank loans and overdrafts:	1,013	1,006
	<u>1,294</u>	<u>1,195</u>
Capitalised Interest	<u>(50)</u>	<u>(8)</u>
Income and expenditure account	<u>1,244</u>	<u>1,187</u>

Interest is capitalised on loans financing schemes in development at varying rates of interest

**9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION**

Surplus on ordinary activities before taxation was arrived at after charging

	2011	2010
	£'000	£'000
Auditors' remuneration in their capacity as auditors (including expenses and VAT)	10	9
Payments under operating leases on motor vehicles	121	96
Depreciation of tangible fixed assets	<u>1,425</u>	<u>1,254</u>

**10. TAXATION**

There was no charge to corporation tax in 2011 or in 2010. The Association has charitable status and is exempt from corporation taxation under the provisions of Section 505 of the Income and Corporation Taxes Act 1988.



## 11. HOUSING PROPERTIES

	Completed Housing Properties £'000	Completed LSE & Shared Ownership Housing Properties £'000	Housing Properties in the course of Construction £'000	LSE & Shared Ownership Properties in the course of Construction £'000	Total Housing Properties £'000
<b>Cost</b>					
At 1 April 2010	297,363	7,248	13,029	1,614	<b>319,254</b>
Additions	-	-	9,314	4,336	<b>13,650</b>
Change of tenure/use	(1,221)	-	-	-	<b>(1,221)</b>
Schemes completed in year	15,774	2,819	(15,774)	(2,819)	-
Disposals	(578)	-	-	-	<b>(578)</b>
<b>At 31 March 2011</b>	<b>311,338</b>	<b>10,067</b>	<b>6,569</b>	<b>3,131</b>	<b>331,105</b>
<b>Housing Association Grant</b>					
At 1 April 2010	(194,695)	(5,266)	(10,043)	(1,494)	<b>(211,498)</b>
Additions	-	-	(4,237)	(3,001)	<b>(7,238)</b>
Change of tenure/use	-	-	-	-	-
Schemes completed in year	(7,711)	(1,758)	7,711	1,758	-
Disposals	63	-	-	-	<b>63</b>
<b>At 31 March 2011</b>	<b>(202,343)</b>	<b>(7,024)</b>	<b>(6,569)</b>	<b>(2,737)</b>	<b>(218,673)</b>
<b>Other Capital Grants</b>					
At 1 April 2010	(3,826)	(7)	-	-	<b>(3,833)</b>
Additions	-	-	(68)	-	<b>(68)</b>
Schemes completed in year	(68)	-	68	-	-
<b>At 31 March 2011</b>	<b>(3,894)</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>(3,901)</b>
<b>Total grants at 31 March 2011</b>	<b>(206,237)</b>	<b>(7,031)</b>	<b>(6,569)</b>	<b>(2,737)</b>	<b>(222,574)</b>
Total grants at March 2010	(198,521)	(5,273)	(10,043)	(1,494)	<b>(215,331)</b>
<b>Depreciation</b>					
At 1 April 2010	(9,174)	(217)	-	-	<b>(9,391)</b>
Depreciation charges during year	(1,318)	(20)	-	-	<b>(1,338)</b>
Depreciation eliminated on disposal	139	-	-	-	<b>139</b>
<b>At 31 March 2011</b>	<b>(10,353)</b>	<b>(237)</b>	<b>-</b>	<b>-</b>	<b>(10,590)</b>
<b>Net book value at 31 March 2011</b>	<b>94,748</b>	<b>2,799</b>	<b>-</b>	<b>394</b>	<b>97,941</b>
Net book value at 31 March 2010	89,668	1,758	2,986	120	<b>94,532</b>

Transfer to completed schemes includes £2,394,000 (2010: £1,887,000) in respect of capitalised major repairs. In addition the cost of major repairs charged to revenue in the year amounted to £885,000 (2010 - £575,000).

Castle Rock Edinvar capitalises expenditure to existing properties which it is considered will materially enhance the economic life of the asset, its income generating capacity or will result in a material reduction in annual operating costs

## 12. OTHER FIXED ASSETS

	Computer equipment £'000	Freehold commercial properties £'000	Short leasehold offices £'000	Total £'000
<b>Cost</b>				
At 1 April 2010	28	8,005	20	8,053
Additions	-	(7)	-	(7)
Disposals	-	(2,004)	-	(2,004)
<b>At 31 March 2011</b>	<b>28</b>	<b>5,994</b>	<b>20</b>	<b>6,042</b>
<b>Other Capital Grants</b>				
At 1 April 2010	-	(2,388)	-	(2,388)
Disposals	-	168	-	168
<b>At 31 March 2011</b>	<b>-</b>	<b>(2,220)</b>	<b>-</b>	<b>(2,220)</b>
<b>Depreciation</b>				
At 1 April 2010	(6)	(1,156)	(10)	(1,172)
Charged during year	(6)	(77)	(4)	(87)
Disposals	-	548	-	548
<b>At 31 March 2011</b>	<b>(12)</b>	<b>(685)</b>	<b>(14)</b>	<b>(711)</b>
<b>Net book value at 31 March 2011</b>	<b>16</b>	<b>3,089</b>	<b>6</b>	<b>3,111</b>
Net book value at 31 March 2010	22	4,461	10	4,493

## 13. FIXED ASSET INVESTMENTS

	2011 £'000	2010 £'000
<b>Gross valuation</b>		
At 1 April 2010	201	208
Disposals in year	(13)	-
Net Appreciation in year	7	(7)
<b>At 31 March 2011</b>	<b>195</b>	<b>201</b>
<b>Social Housing Grant</b>		
At 1 April 2010	(201)	(208)
Disposals in year	13	-
Net Appreciation in year	(7)	7
<b>At 31 March 2011</b>	<b>(195)</b>	<b>(201)</b>

#### 14. STOCK AND WORK IN PROGRESS

	External sales (excluding shared ownership) £'000	External sales shared ownership £'000	Internal sales	Total £'000
<b>In-Complete Stock</b>				
At 1 April 2010	761	790	-	<b>1,551</b>
Cost Additions - Cash	10,068	1,561	-	<b>11,629</b>
- Non Cash	145	-	8	<b>153</b>
Grant additions	(44)	-	-	<b>(44)</b>
Scheme completed in year	<u>(6,680)</u>	<u>(1,374)</u>	<u>(8)</u>	<u><b>(8,062)</b></u>
<b>At 31 March 2011</b>	<b><u>4,250</u></b>	<b><u>977</u></b>	<b><u>-</u></b>	<b><u>5,227</u></b>
<b>Completed Stock</b>				
At 1 April 2010	-	-	-	-
Change of tenure/use	-	-	1,221	<b>1,221</b>
Scheme completed in year	6,680	1,374	8	<b>8,062</b>
Write down on cost of sale	<u>(6,680)</u>	<u>(1,141)</u>	<u>(1,229)</u>	<u><b>(9,050)</b></u>
<b>At 31 March 2011</b>	<b><u>-</u></b>	<b><u>233</u></b>	<b><u>-</u></b>	<b><u>233</u></b>
<b>Total Stock at 31 March 2011</b>	<b><u>4,250</u></b>	<b><u>1,210</u></b>	<b><u>-</u></b>	<b><u>5,460</u></b>
Total Stock at 31 March 2010	<u>761</u>	<u>790</u>	<u>-</u>	<u>1,551</u>

#### 15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Amounts falling due within one year:		
Rental debtors	<b>942</b>	929
Less: provision for bad and doubtful debts	<u><b>(324)</b></u>	<u>(308)</u>
	<b>618</b>	621
Other trade debtors	<b>1,158</b>	654
Other taxes	<b>77</b>	90
Sundry debtors, prepayments and accrued income	<b>2,385</b>	2,040
Amounts due from related undertakings	<b>34</b>	24
Loans to employees	<u><b>1</b></u>	<u>-</u>
	<b><u>4,273</u></b>	<b><u>3,429</u></b>

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2011	2010
	£'000	£'000
Housing loans principal payable within one year	672	811
Interest on housing loans	78	72
Bank overdraft	-	76
Trade creditors	615	294
Obligations under finance leases	85	85
Amounts due to Group Undertakings	216	51
Other creditors	1,550	1,334
Development creditors	10,675	11,813
Prepaid rent	458	551
	<u>14,349</u>	<u>15,087</u>

**17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2011	2010
	£'000	£'000
<b>Debt</b>		
Housing loans	53,278	54,100
Loans from related undertakings	11,000	9,800
Finance leases	297	382
	<u>64,575</u>	<u>64,282</u>
Cost of raising finance	(288)	(273)
Less : payable within one year	<u>(757)</u>	<u>(896)</u>
Total creditors: amounts falling due after more than one year	<u>63,530</u>	<u>63,113</u>

**Debt analysis**

Debt is repayable as follows:

In one year or less	757	896
In more than one year but less than two years	775	695
In more than two years but less than five years	13,397	12,181
In more than five years		
By instalments	13,444	14,596
Not by instalments	<u>36,202</u>	<u>35,914</u>
	<u>64,575</u>	<u>64,282</u>

The loans are secured by specific charges over properties, and are repayable at varying rates of interest.

## 18. NON EQUITY SHARE CAPITAL

	2011	2010
	No	No
Issued, allotted and fully paid "B" shares of £1 each		
At 1 April 2010	162	164
Cancelled during the year	(6)	(5)
Issued during the year.	<u>10</u>	<u>3</u>
At 31 March 2011	<u><u>166</u></u>	<u><u>162</u></u>
Issued, allotted and unpaid "A" shares of £1 each		
At 1 April 2010	7	7
Cancelled during the year	<u>(1)</u>	<u>-</u>
At 31 March 2011	<u><u>6</u></u>	<u><u>7</u></u>

The shares are not transferable or redeemable. Payment of dividends or other benefits to shareholders is forbidden by the Association's rules and by the Industrial and Provident Societies Act 1965. On a return of capital on a winding-up, no member shall receive any property or sum beyond their £1 entitlement.

## 19. REVENUE RESERVES

	2011	2010
	£'000	£'000
At 1 April	25,830	18,521
Net surplus for the year	<u>7,173</u>	<u>7,309</u>
At 31 March	<u><u>33,003</u></u>	<u><u>25,830</u></u>

## 20. CAPITAL COMMITMENTS

	2011	2010
	£'000	£'000
Contracts placed for future capital expenditure not provided in the financial statements.	<u><u>9,396</u></u>	<u><u>15,887</u></u>

Grant funding is in place for all social housing projects where contracts have been placed for future capital expenditure.

The commitments under non-cancellable operating leases for the following year, analysed according to the period in which each lease expires are set out below.

	Motor Vehicles	Motor Vehicles
	2011	2010
	£'000	£'000
In one or less	39	61
Between one and two years	23	25
Between two and five years	14	8
In five years or more	<u>-</u>	<u>-</u>
	<u><u>76</u></u>	<u><u>94</u></u>

## 21. PENSION OBLIGATIONS

The pension costs for Castle Rock Edinvar relate to following schemes

- The Places for People Group stake holder pension of which 30 employees are members. The members contribute 6% and this is matched by employer's contributions paid by Castle Rock Edinvar.

- The Scottish Housing Associations' Pension Scheme (SHAPS)

1. Castle Rock Edinvar participates in the SHAPS. SHAPS is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

2. It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

3. The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

4. The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

5. The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

6. Castle Rock Edinvar has elected to continue to operate the final salary with a 1/60th accrual rate for active members with effect from 1 April 2008

7. During the accounting period Castle Rock Edinvar paid employer contributions at the rate of 18.9% of pensionable salaries. Member contributions were set at 7.7% of pensionable salaries,

8. As at the balance sheet date there were 45 (2010 - 48) active members of the Scheme employed by Castle Rock Edinvar. The annual pensionable payroll in respect of these members was £1,096,760. Castle Rock Edinvar has closed the Scheme to new entrants.

## 21. PENSION OBLIGATIONS (CONT'D)

9. The key valuation assumptions used to determine the assets and liabilities of the SHAPS are:

2009 Valuation Assumptions		% p.a.
Investment return pre retirement		7.4
Investment return post retirement - Non Pensioners		4.6
Investment return post retirement - Pensioners		4.8
Rate of salary increases		4.5
<b>Rate of pension increases</b>		
Pension accrued pre 6 April 2005 in excess of GMP		2.9
Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)		2.2
Rate of price inflation		3.0
<b>Mortality Tables</b>		
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement	
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement	
<b>Contribution Rates for Future Service (payable from 1st April 2011)</b>		<b>%</b>
Final salary 1/60ths		19.2
Career average revalued earnings 1/60ths		17.1
Career average revalued earnings 1/70ths		14.9
Career average revalued earnings 1/80ths		13.2
Career average revalued earnings 1/20ths		9.4
Additional rate for deficit contributions		10.4

### Disclosure in Respect of Employer Debt

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Castle Rock Edinvar has been notified by The Pensions Trust of the estimated employer debt on withdrawal from SHAPS based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Castle Rock Edinvar £17,567,000.

## 21. PENSION OBLIGATIONS (CONT'D)

### The Scottish Housing Associations' Pension Scheme Growth Plan

1. Castle Rock Edinvar participates in the Growth Plan as an Additional Voluntary Contribution (AVC) vehicle for employees. The Growth Plan is a multi-employer pension Plan where it is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers.
2. Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.
3. The rules of the Growth Plan give the Trustee the power to require employers to pay additional voluntary contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions
4. Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustees of the plan. The Trustee's current policy is that it only applies to employers with the pre October 2001 liabilities in the plan winding up. The amount of debt can be volatile over time.
5. Castle Rock Edinvar has been notified by the Pension Trust of the estimated employer debt on withdrawal from the growth plan based on the financial position of the plan as at 30 September 2010. As of this date the estimated employer debt for Castle Rock Edinvar was £92,323 (30 September 2009 - £89,345). As Castle Rock Edinvar continues to offer membership of the growth plan to employees it therefore regards crystallisation of the buy out debt as remote. No provision for the debt is therefore required.



## 22. CONTINGENT LIABILITIES

There are no contingent liabilities other than those referred to in note 21 concerning the Scottish Housing Association Pension Scheme.

## 23. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011 £'000	2010 £'000
Operating surplus on ordinary activities	8,014	8,512
Depreciation and impairment	1,425	1,254
Increase in stock and work in progress	(3,909)	(1,206)
(Increase)/decrease in debtors	(844)	705
(Decrease)/increase in creditors	(522)	2,284
Gain/(loss) on sales of fixed assets	235	(17)
Net cash inflow/(outflow) from operating activities	<u>4,398</u>	<u>11,532</u>

## 24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2011 £'000	2010 £'000
Increase/(decrease) in cash	148	(11)
Net cash (inflow)/outflow from financing	(278)	3,312
Change in net debt resulting from cash flows	(130)	3,301
Opening net debt	(64,060)	(67,361)
Closing net debt	<u>(64,190)</u>	<u>(64,060)</u>

## 25. ANALYSIS OF NET DEBT

	At 1 April 2010 £'000	Cashflow £'000	31 March 2011 £'000
Cash	(51)	148	97
Loans (note 17)	(64,009)	(278)	(64,287)
Net Debt	<u>(64,060)</u>	<u>(130)</u>	<u>(64,190)</u>

## 26. LOTTERY GRANT FUNDING

Castle Rock Edinvar has received restricted grant funding during the year from the Big lottery Fund. These funds are used to assist clients with money matters and financial inclusion.

	2011 £'000	2010 £'000
Balance carried forward 30 April 2010	23	-
Grant money received in year	123	123
Expenditure in year	(129)	(100)
Balance carried forward at 31 March 2011	<u>17</u>	<u>23</u>

The balance carried forward is included within our other trade creditors (note 18)

## 27. RELATED PARTY TRANSACTIONS

Castle Rock Edinvar is a subsidiary of the Places for People Group Limited, 305 Gray's Inn Road, London WC1X 8QR. Since the parent company publishes consolidated group accounts, the Association has taken advantage of the exemption not to report transactions with other group companies as permitted in FRS8.

The principal subsidiaries of Castle Rock Edinvar are Lothian Homes Limited and Places for People Scotland Care & Support Limited.

## 28. HOUSING ACCOMMODATION

The number of units managed by Castle Rock Edinvar for the year ended 31 March 2010 have been restated to reconcile to the Annual Performance and Statistical Performance Return submitted to the Scottish housing Regulator each year.

	2011	Restated 2010
General needs	4,946	4,856
Supported accommodation	880	914
Shared ownership	215	192
Other tenancies	11	11
Managed for others	7	7
<b>Total at 31 March 2011</b>	<b>6,059</b>	<b>5,980</b>

	General needs housing	Supported Housing	Shared ownership housing	Others	Total
Units owned and managed at year end	4,814	712	215	-	5,741
Units managed, not owned at year end	-	7	-	-	7
Units owned, not managed at year end	132	168	-	11	311
<b>Totals at 31 March 2011</b>	<b>4,946</b>	<b>887</b>	<b>215</b>	<b>11</b>	<b>6,059</b>