



Financial Statements
Year ended 31 March 2012

Scottish Charity number SC006035

Industrial Provident Society number 1767R(S)

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The Board

Non Executives

David Fraser (Chair)
Anna Evans
Anthony Andrew (Resigned 28 June 2011)
Brian Elliott
Catherine Davies (Resigned 31 January 2012)
Cathy Garner (Appointed 1 March 2012)
David Cowans
David Robertson
Martin Gill
Mohindra Dhall MBE
Neil Miller
Paula Evans
William Wood

The Board has responsibility for recruiting new Board members subject to approval by the Places for People Group Board. Castle Rock Edinvar is part of the Places for People Group. An Independence and Responsibilities Agreement sets out the governance arrangements.

Executives

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

**Company Secretary
Registered Office**

Chris Martin
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 registered under the Housing and Regeneration Act 2008 (number L4236) and under the Companies Act (number 3777037). It is also affiliated to the National Housing Federation.

The Board is pleased to present its report and audited accounts for the year ended 31 March 2012.

Principal activities of the Places for People Group

Places for People Group ("the Group") is a property development and management group. We have specialist companies that provide housing for affordable rent, market rent and sale, commercial property, financial services, care and support services and regeneration products. 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 leading Scottish RSL and Scottish Charity and operates with two subsidiaries, Places for People Scotland Care and Support Limited (PiPSC&S) and Places for People Scotland Limited (formerly Lothian Homes Limited). We are based in Edinburgh and at 31 March 2012 we owned and managed 6,187 rented and shared ownership homes across eight local authority areas in Central Scotland.

We are a leading Scottish RSL both in scale and significance and controlled by the Scottish Housing Regulator as being of systemic importance. The turnover of Castle Rock Edinvar from letting activities was £22.1 million in 2011/12 and sales of property amounted to £6 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 2011/12 and Scottish Government Wider Role Grants allocation of £0.2 million.

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 Service Excellence assessment, business planning, business assurance, self assessment and performance management regime.
- Completion of our business efficiency review 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".

Castle Rock Edinvar's medium term strategic priorities will be:

- To increase the supply of new housing to provide increased housing opportunities and support economic growth.
- To increasingly provide housing for a broad range of income groups and with a specific focus on creating new sustainable models of rented housing.
- To develop and grow the range of products and services provided to individuals and other organisations.
- To provide excellence and value for money in the provision of customer services.
- To provide appropriate personalised advice and support to our most vulnerable customers to enable them to sustain tenancies and participate effectively in their communities.
- To create and develop neighbourhoods where people will choose to live.
- To extend our business model to operate efficiently on a wider geographical basis.

Castle Rock Edinvar's priorities in 2012/13 will be to:

Customer service excellence

Improve and develop our core customer services to meet the expectations of customers and other stakeholders.

Customer service growth

Seek to diversify and grow services we provide to individual customers and other businesses.

Housing opportunities

Provide access to a range of housing opportunities.

Place management

Bring together development, asset management and community investment activity in neighbourhoods to maximise our impact with an increasing emphasis on an integrated approach to reducing carbon emissions and fuel poverty.

Future new supply

Secure a position with partners to increase the supply of new housing in future years.

Innovative funding solutions

Increase our capital investment subject to market conditions which will include managing our assets to realise re-investment value and working with the Scottish Government and local authorities to develop innovative solutions to provide new homes.

Mergers and acquisitions

Develop a merger and acquisition strategy as a key element of extending our business model and approach.

Marketing and communications

Develop our marketing, communications and brand architecture to ensure that Castle Rock Edinvar as part of Places for People is regarded as a leader in the housing sector.

Governance and leadership

Develop our governance and people strategies to ensure that we have the necessary skills and experience at all levels of the organisation.

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 key risks identified in implementing the strategic priorities are

- Impact of changes in Scottish Government Policy.
- Responding to Welfare Reforms which will impact on the Housing Benefit system and our main income stream.
- Responding to public expenditure cuts which will impact on our development programme, neighbourhood services and support services.
- Managing our current exposure to variable interest rates to optimise the balance between the short term benefits and longer term risks.
- Managing the Pensions Scheme liability to pay the debt on withdrawal if there are no active members and the cost of not reaching agreement on a transfer out of the Pension Trust scheme.
- Impact of Arrears Performance on our regulatory engagement.
- Demand for commercial properties.

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

Income and expenditure for the year

The turnover from letting activities for the year ended 31 March 2012 was £22.1 million (2011: £20.4 million). Property sales for the year ended March 2012 were £6.0 million (2011: £9.1 million).

The total revenue and capitalised expenditure, including property services overheads, on repairs and improvements during the year amounted to £9.3 million (2011: £7.9 million).

Castle Rock Edinvar continues to benefit from low interest rates. The interest payable for the year ended 31 March 2012 increased from £1.2 million in the previous year to £1.5 million in the current year. This represented an average interest rate of 2.3% per annum.

During the year to 31 March 2012 Castle Rock Edinvar sold 31 properties for rent to other Registered Social Landlords amounting to £4.6 million (2011: 53 properties) and sold 32 shared ownership properties and 10 shared equity properties amounting to £1.5 million (2011: 10 properties).

The surplus for the year was £7.1 million (2011: £7.2 million). The reserves carried forward at 31 March 2012 were £40.1 million (2011: £33.0 million). More details of other income and expenditure are included in notes 2 to 4 to these accounts.

Balance sheet at March 2012

The depreciated cost of the Castle Rock Edinvar's housing assets at March 2012 was £332.0 million (2011: £320.5 million). These have been funded from Housing Association Grant (HAG) and other capital grants of £226.2 million (68%), loans of £66.6 million (20%) and the association's own resources of £39.2 million (12%).

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 2012.

Performance Indicators	2011/12	2010/11
Repairs & gas servicing		
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)	99.27%	98.00%
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)	98.70%	97.00%
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)	98.47%	99.00%
Customer's satisfaction rating with repairs	86.00%	86.00%
Gas Servicing (% of properties with a current CP12)	100.00%	100.00%
Arrears		
Current tenant arrears	3.53%	3.71%
Total arrears	4.10%	4.28%
Voids		
Operational void loss	0.52%	0.55%
Total voids	0.66%	0.80%
Rents		
Rent collected (rent received as a % of rent charged to date).	100.32%	99.28%
Completions		
Affordable rent	91 units	90 units
Shared ownership	46 units	23 units
Diversity		
Lettings (bme lettings as a % of the total annual lettings)	6.39%	3.00%
Staff (bme staff as a % of total staff)	1.82%	2.99%
Staff		
Absence (% of absenteeism)	2.67%	2.11%
Turnover	13.35%	3.61%

Future developments and initiatives

Castle Rock Edinvar completed 91 affordable rented properties and 46 shared ownership properties during the year to 31 March 2012 (2011: 90 rented properties and 23 shared ownership properties).

Castle Rock Edinvar will complete a further 89 rented by the end of March 2013. Capital expenditure contracted but not provided in the accounts amounted to £2.2 million (2011: £9.4 million).

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 Group's 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 2012 (2011: nil). During the year Castle Rock Edinvar made donations totalling £10,000 to community groups within the neighbourhoods the association operates in (2011: £7,000).

Other funding

With the support this year of £131,000 from the Big Lottery Fund we have been able to continue the Money Matters project providing money and debt advice to both our customers and those of 4 other housing associations in Edinburgh.

The Environment and Corporate Social Responsibility

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 now been awarded the highest platinum status in Business in the Community's (BITC) Corporate Responsibility Index (CRI).

Employment

During the year ended 31 March 2012 the average number of people employed, expressed as full time equivalents, was 144 (2011: 143). At 31 March 2012 the actual number of people employed was 164 (2011: 166). Employee information is stated in note 6 to these accounts.

Castle Rock Edinvar is keen to support the development of new talent within our organisation and provide opportunities for people, particularly young people, who are currently not in employment or training. With the support of SCVO we have been able to provide Community Jobs Funded work placements for 6 young people and 5 Skills Development Scotland funded trainee placements in 2012. We have received grants of £16,000 during the year.

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.

Employee engagement

The Places for People Group participate annually in an employee survey. This year's survey was administered by The Survey Initiative and achieved 100% response rate, 86% of respondents reported that they feel confident about working for the Places for People Group. The surveys are completed confidentially by staff and The Survey Initiative provided 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 this a Better Place to Work.

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.

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 (the Scheme) 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 Scheme if it was to withdraw completely from the scheme. The estimated liability of each employer's potential debt on withdrawal from the Scheme has been calculated at 30 September 2011. The amount of employer debt on withdrawal for Castle Rock Edinvar has increased from £17.6 million to £20.4 million. 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 increased throughout the year from £64.5 to £66.7 million at March 2012. The ratio of net loans to housing asset costs was 20% (2011: 20%) which is within the strategy target maximum of 50%.

During the year the £35.9 million loan from the Nationwide Building Society converted from a bullet repayment facility to repayments by instalments. Final maturity of the loan will be January 2032 and the repayments of capital start at £1.5 million per annum.

During the year Castle Rock Edinvar drew down a fixed rate loan from The Housing Finance Corporation (THFC) for £5.5 million.

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 from 21.8% to 28.8%. 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 £475,000 per annum in additional interest charges.

The Board

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 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.

As part of succession planning, 1 new Board member has been recruited in the year ended 31 March 2012. At 31 March 2012 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.

The Board has 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 2012 is set out below.

Board Members		Board Meetings	Audit Committee
David Fraser	Chair	6/6	4/4
Anna Evans		4/6	-
Anthony Andrew	(Resigned 28 June 2011)	1/2	-
Brian Elliott		2/6	2/4
Catherine Davies	(Resigned 31 January 2012)	2/4	-
Cathy Garner	(Appointed 1 March 2012)	1/1	-
David Cowans		3/6	-
David Robertson		6/6	3/3
Martin Gill		4/6	4/4
Mohindra Dhall MBE		4/6	-
Neil Miller		4/6	-
Paula Evans		4/6	-
William Wood		5/6	-

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.

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 they have maintained an effective framework of internal control and risk management throughout the financial year in their areas of responsibility, that all necessary information has been made available to the Group Business Assurance Team and that findings or recommendations made by Group Business Assurance, the External Auditor and others have been or are being addressed, as part of the annual audit.

Internal control and risk management (continued)

- **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.

- **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 Group Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2012, 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 2012, 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 is responsible for preparing the Board'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 is 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.

The Board has 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.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



Chris Martin
Company Secretary

19 June 2012

**Castle Rock Edinvar Housing Association
Report of the Independent Auditor
For the year ended 31 March 2012**

Report of the independent auditor 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 2012 set out on pages 14 to 30. 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.

Opinion on financial statements

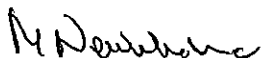
In our opinion the financial statements:

- 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 2012 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, 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

23 July 2012

Castle Rock Edinvar Housing Association
Income and Expenditure Account
For the year ended 31 March 2012



	Notes	2012 £'000	2011 £'000
Turnover	2	29,486	31,153
Operating costs	2	(21,020)	(23,139)
Operating surplus	2	<u>8,466</u>	<u>8,014</u>
Surplus on sale of fixed assets	5	86	402
Interest receivable and similar income	7	9	1
Interest payable and similar charges	8	(1,488)	(1,244)
Net surplus for the year		<u><u>7,073</u></u>	<u><u>7,173</u></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 30 form an integral part of these financial statements.

Castle Rock Edinvar Housing Association
 Balance Sheet
 For the year ended 31 March 2012



	Notes	2012 £'000	2011 £'000
Fixed assets			
Housing properties - depreciated cost	11	331,951	320,515
Less: Social Housing Grant	11	(222,268)	(218,673)
Other public grants	11	(3,900)	(3,901)
		<u>105,783</u>	<u>97,941</u>
Other fixed assets	12	2,624	3,111
Investments			
Homebuy loan	13	192	195
Homebuy grant	13	(192)	(195)
		<u>-</u>	<u>-</u>
Total fixed assets		<u>108,407</u>	<u>101,052</u>
Current assets			
Stock	14	994	5,460
Debtors: amounts due within one year	15	3,573	4,273
Cash at bank and In hand		3,385	97
		<u>7,952</u>	<u>9,830</u>
Creditors - amounts due within one year	16	(12,320)	(14,349)
Net current liabilities		<u>(4,368)</u>	<u>(4,519)</u>
Total assets less current liabilities		<u>104,039</u>	<u>96,533</u>
Creditors - amounts falling due after more than one year	17	63,963	63,530
Capital and Reserves			
Non-equity share capital	18	-	-
Revenue reserves	19	40,076	33,003
Total capital and reserves		<u>40,076</u>	<u>33,003</u>
		<u>104,039</u>	<u>96,533</u>

The notes on pages 17 to 30 form an integral part of these accounts.

The financial statements on pages 14 to 30 were approved by the Board on the 19 June 2012 and were signed on its behalf by:

David Fraser
Chair

Chris Martin
Secretary

Martin Gill
Board Member

	Note	2012		2011	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	23		11,592		4,398
Returns on investments and servicing of finance					
Interest received		9		1	
Interest paid		<u>(1,488)</u>		<u>(1,243)</u>	
Net cash outflow from returns on investments and servicing of finance			(1,479)		(1,242)
Capital expenditure and financial investment					
Additions to housing properties		(13,300)		(13,650)	
Sales of Initial tranche		-		1,221	
Disposals of housing properties		(23)		(174)	
Capital grants received		3,943		7,306	
Payments to acquire other fixed assets		(46)		7	
Sales of other fixed assets		<u>531</u>		<u>2,004</u>	
Net cash outflow from capital expenditure			(8,895)		(3,286)
Cash inflow/(outflow) before management of liquid resources and financing	25		1,218		(130)
Financing					
Loan repayments		(3,430)		(922)	
Loan advances received		<u>5,500</u>		<u>1,200</u>	
Net cash inflow from financing			2,070		278
Increase in cash	25		<u>3,288</u>		<u>148</u>

The notes on pages 17 to 30 form an integral part of these accounts.

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 from letting activities is exempt from VAT. Properties developed for sale are subject to VAT at zero rate. Where appropriate, costs are stated including irrecoverable VAT.

Pensions

The Association participates in the Scottish Housing Associations' Pension Scheme (the Scheme). 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 the Scheme, 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)

Capitalisation of fixed assets

The Association 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. Components such as kitchens, windows doors and bathroom replacement programme are capitalised and depreciated over their expected useful lives.

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.

Assets	Depreciation period (Years)
<u>Housing & 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
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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Scottish Government shared equity scheme (note 13)

The Association 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.

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 outright sale 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	2012 Operating costs £'000	Operating surplus £'000	2011 Operating surplus £'000
Social lettings	22,116	(13,647)	8,469	7,984
Other activities	7,370	(7,373)	(3)	30
Total	29,486	(21,020)	8,466	8,014
 Total for the year ended 31 March 2011	 31,153	 (23,139)	 8,014	

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

	General needs housing £'000	2012 Supported housing and housing for older people £'000	Low cost home ownership £'000	Total £'000	2011 Total £'000
Income from lettings activities					
Rent receivable net of service charges	17,292	2,379	520	20,191	18,697
Service charges receivable	826	974	-	1,800	1,631
	18,118	3,353	520	21,991	20,328
Less voids	(87)	(35)	(2)	(124)	(200)
	18,031	3,318	518	21,867	20,128
 Rents receivable					
Revenue grants from local authorities and other agencies	186	46	-	232	295
Other Income	11	6	-	17	25
	18,228	3,370	518	22,116	20,448
 Expenditure on letting activities					
Management and maintenance administration costs	(3,673)	(511)	(95)	(4,279)	(4,315)
Services	(983)	(835)	(1)	(1,819)	(1,662)
Planned and cyclical maintenance including major repairs costs	(1,970)	(650)	-	(2,620)	(2,421)
Reactive maintenance costs	(2,899)	(421)	-	(3,320)	(2,566)
Bad debts - rents and service charge	(174)	(7)	(1)	(182)	(205)
Depreciation on housing assets	(1,249)	(151)	(27)	(1,427)	(1,295)
Total expenditure on lettings	(10,948)	(2,575)	(124)	(13,647)	(12,464)
 Operating surplus on letting activities	7,280	795	394	8,469	7,984
 Total for the year ended 31 March 2011	 7,161	 546	 277	 7,984	

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 2012	Operating surplus/(deficit) year ended 31 March 2011
	£'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	199	217	-	-	416	(618)	(202)	(205)
Development and construction of property activities	-	-	-	-	-	-	-	(66)
Support activities	-	-	205	-	205	(168)	37	(27)
Agency/management services for registered social landlords	-	-	-	49	49	(49)	-	-
Developments for sale to registered social landlords	-	-	-	4,566	4,566	(4,472)	94	(15)
Developments and improvements for sale to non registered social landlords	-	-	-	1,460	1,460	(1,515)	(55)	21
Commercial property income	-	-	-	506	506	(540)	(34)	237
Garden aid and enhancements	-	-	-	-	-	-	-	(69)
VAT recovery	-	-	-	150	150	-	150	182
Other	-	-	-	18	18	(11)	7	(28)
Total from other activities	199	217	205	6,749	7,370	(7,373)	(3)	30

Total from other activities for the year ended 31 March 2011

381 188 211 9,925 10,705 (10,675) 30

5. SALE OF FIXED ASSETS

	2012 £'000	2011 £'000
Sales proceeds	954	2,579
Cost of sales	(556)	(1,838)
Operating costs	(312)	(339)
	<u>86</u>	<u>402</u>

Included in the above are sales of housing properties with turnover of £384,000 (2011: £719,000), cost of sales of £82,000 (2011: £428,000) and operating costs of £298,000 (2011: £283,000).

6. OFFICERS' EMOLUMENTS

The Association is controlled by a voluntary Board of Management who received no remuneration during the year to 31 March 2012 (2011 - £nil).

	2012 £'000	2011 £'000
The aggregate of emoluments payable to Officers whose emoluments (excluding pension contributions) are £60,000 or more	<u>298</u>	<u>151</u>
Aggregate emoluments payable to the Chief Executive (excluding pension contributions)	<u>103</u>	<u>89</u>
Pension contributions payable to Officers whose total emoluments are £60,000 or more	<u>26</u>	<u>25</u>

The emoluments of the Officers whose emoluments (excluding pension contributions) were over £60,000 were as follows:

	2012	2011
£60,000 to £70,000	3	1
£80,000 to £90,000	-	1
£100,000 to £110,000	<u>1</u>	<u>-</u>

	2012 No.	2011 No.
The average number of full-time equivalents employed during the year was:-		
Housing	38	40
Property Services	17	17
Direct Trades	36	35
Sheltered Housing	18	18
Cleaners	6	8
Wider role and Commercial activities	11	8
Total Managing Housing Services	<u>126</u>	<u>126</u>
Central Administration Services	18	17
Total average FTE employees	<u>144</u>	<u>143</u>

	2012 £'000	2011 £'000
Staff costs (for the above persons)		
Wages and salaries	3,900	3,591
Social security costs	335	310
Other pension costs	361	242
	<u>4,596</u>	<u>4,143</u>

Included in other pension costs for this year ending 31 March 2012 is a amount of £141,000 in respect of payments towards the pension deficit disclosed in note 21.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £'000	2011 £'000
Interest receivable on cash deposits	<u>9</u>	<u>1</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £'000	2011 £'000
On loans from related undertakings	297	281
On bank loans and overdrafts	1,225	1,013
	<u>1,522</u>	<u>1,294</u>
Capitalised interest	<u>(34)</u>	<u>(50)</u>
	<u>1,488</u>	<u>1,244</u>
Capitalisation rate used to determine the finance costs capitalised during the year:	<u>2.41%</u>	<u>2.38%</u>

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

Surplus on ordinary activities before taxation was arrived at after charging

	2012 £'000	2011 £'000
Auditors' remuneration in their capacity as auditors (including expenses and VAT)	10	10
Payments under operating leases on motor vehicles	142	121
Depreciation of tangible fixed assets	<u>1,551</u>	<u>1,425</u>

10. TAXATION

There was no charge to corporation tax in 2012 or in 2011. 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
Cost					
At 1 April 2011	311,338	10,067	6,569	3,131	331,105
Additions	-	-	12,058	1,370	13,428
Change of tenure	-	(104)	(294)	270	(128)
Schemes completed in year	12,563	4,681	(12,563)	(4,681)	-
Disposals	(397)	-	-	-	(397)
At 31 March 2012	323,504	14,644	5,770	90	344,008
Housing Association Grant					
At 1 April 2011	(202,343)	(7,024)	(6,569)	(2,737)	(218,673)
Additions	-	-	(3,142)	(940)	(4,082)
Change of tenure	-	-	138	-	138
Schemes completed in year	(5,698)	(3,612)	5,698	3,612	-
Disposals	349	-	-	-	349
At 31 March 2012	(207,692)	(10,636)	(3,875)	(65)	(222,268)
Other Capital Grants					
At 1 April 2011	(3,894)	(7)	-	-	(3,901)
Additions	-	-	1	-	1
Schemes completed in year	1	-	(1)	-	-
At 31 March 2012	(3,893)	(7)	-	-	(3,900)
Total grants at 31 March 2012	(211,585)	(10,643)	(3,875)	(65)	(226,168)
Total grants at March 2011	(206,237)	(7,031)	(6,569)	(2,737)	(222,574)
Depreciation					
At 1 April 2011	(10,353)	(237)	-	-	(10,590)
Depreciation charges during year	(1,449)	(32)	-	-	(1,481)
Depreciation eliminated on disposal	14	-	-	-	14
At 31 March 2012	(11,788)	(269)	-	-	(12,057)
Net book value at 31 March 2012	100,131	3,732	1,895	25	105,783
Net book value at 31 March 2011	94,748	2,799	-	394	97,941

Transfer to completed schemes includes £2,813,000 (2011: £2,394,000) in respect of capitalised major repairs. In addition the cost of planned, cyclical and major repairs charged to revenue in the year amounted to £2,620,000 (2011: £2,421,000).

12. OTHER FIXED ASSETS

	Computer equipment £'000	Freehold commercial properties £'000	Short leasehold offices £'000	Total £'000
Cost				
At 1 April 2011	28	5,994	20	6,042
Additions	-	27	-	27
Change of tenure	21	-	-	21
Disposals	-	(531)	-	(531)
At 31 March 2012	49	5,490	20	5,559
Other Capital Grants				
At 1 April 2011	-	(2,220)	-	(2,220)
Received during year	-	9	-	9
At 31 March 2012	-	(2,211)	-	(2,211)
Depreciation				
At 1 April 2011	(12)	(685)	(14)	(711)
Charged during year	(8)	(59)	(3)	(70)
Disposals	-	57	-	57
At 31 March 2012	(20)	(687)	(17)	(724)
Net book value at 31 March 2012	29	2,592	3	2,624
Net book value at 31 March 2011	16	3,089	6	3,111

13. FIXED ASSET INVESTMENTS

	2012 £'000	2011 £'000
Gross valuation		
At 1 April	195	201
Disposals in year	-	(13)
Net Appreciation in year	(3)	7
At 31 March	192	195
Social Housing Grant		
At 1 April	(195)	(201)
Disposals in year	-	13
Net Appreciation in year	3	(7)
At 31 March	(192)	(195)
Net book value at 31 March	-	-

14. STOCK AND WORK IN PROGRESS

	2012 £'000	2011 £'000
Properties in construction	125	5,227
Completed properties	869	233
Total stock	994	5,460

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2012	2011
	£'000	£'000
Amounts falling due within one year:		
Rental debtors	1,052	942
Less: provision for bad and doubtful debts	<u>(348)</u>	<u>(324)</u>
	704	618
Other trade debtors	146	1,156
Other taxes	108	77
Sundry debtors, prepayments and accrued income	2,219	2,387
Amounts due from related undertakings	395	34
Loans to employees	<u>1</u>	<u>1</u>
	<u><u>3,573</u></u>	<u><u>4,273</u></u>
16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2012	2011
	£'000	£'000
Housing loans principal payable within one year	2,309	672
Interest on housing loans	165	78
Trade creditors	515	615
Obligations under finance leases	85	85
Amounts due to related undertakings	42	216
Other creditors and accruals	1,704	1,550
Development creditors	6,994	10,675
Prepaid rent	<u>506</u>	<u>458</u>
	<u><u>12,320</u></u>	<u><u>14,349</u></u>
17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2012	2011
	£'000	£'000
Debt		
Housing loans	56,436	53,278
Loans from related undertakings	10,000	11,000
Finance leases	<u>212</u>	<u>297</u>
	66,648	64,575
Cost of raising finance	(291)	(288)
Less : payable within one year	<u>(2,394)</u>	<u>(757)</u>
Total creditors: amounts falling due after more than one year	<u><u>63,963</u></u>	<u><u>63,530</u></u>
Debt analysis		
Debt is repayable as follows:		
In one year or less	2,394	757
In more than one year but less than two years	2,356	775
In more than two years but less than five years	17,205	13,397
In more than five years		
By instalments	39,193	13,444
Not by instalments	<u>5,500</u>	<u>36,202</u>
	<u><u>66,648</u></u>	<u><u>64,575</u></u>

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

18. NON EQUITY SHARE CAPITAL

	2012	2011
	No	No
Issued, allotted and fully paid "B" shares of £1 each		
At 1 April	166	162
Cancelled during the year	(7)	(6)
Issued during the year.	3	10
At 31 March	<u>162</u>	<u>166</u>
Issued, allotted and unpaid "A" shares of £1 each		
At 1 April	6	7
Cancelled during the year	-	(1)
At 31 March	<u>6</u>	<u>6</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

	2012	2011
	£'000	£'000
At 1 April	33,003	25,830
Net surplus for the year	7,073	7,173
At 31 March	<u>40,076</u>	<u>33,003</u>

20. CAPITAL COMMITMENTS

	2012	2011
	£'000	£'000
Contracts placed for future capital expenditure not provided in the financial statements.	<u>2,239</u>	<u>9,396</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
	2012	2011
	£'000	£'000
In one or less	10	39
Between one and two years	4	23
Between two and five years	64	14
	<u>78</u>	<u>76</u>

21. PENSION OBLIGATIONS

The pension costs for the Association relate to the following schemes:

• The Places for People Group Stakeholder Scheme

Employees joining the Association from 1 September 2004 have the option of joining a defined contribution retirement benefit scheme - the Places for People Stakeholder Pension Plan and Group Life Assurance Scheme.

The total cost charged to the profit and loss account of £64,000 (2011: £35,000) represents contributions payable to these schemes by the company at rates specified in the rules of the plan. As at 31 March 2012, contributions of £10,000 (2011: £7,000) due in respect of the current reporting period had not been paid over to the schemes.

• The Scottish Housing Associations' Pension Scheme ("the Scheme")

1. The Association participates in the The Scottish Housing Associations' Pension Scheme ("the 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 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

6. As at the balance sheet date there were 35 (2011: 45) active members of the Scheme employed the Association. The annual pensionable payroll in respect of these members was £987,000. The Association has closed the Scheme to new entrants.

• 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.

The Association 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 2011. As of this date the estimated employer debt for Castle Rock Edinvar was £20.4 million (2011: £17.6 million).

21. PENSION OBLIGATIONS (CONTINUED)

The Scottish Housing Associations' Pension Scheme Growth Plan

1. The Association 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. The Association 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 2011 projected to 31 March 2012. As of 31 March 2012 the estimated employer debt for the Association was £105,890.

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

	2012 £'000	2011 £'000
Operating surplus on ordinary activities	8,466	8,014
Depreciation and Impairment	1,551	1,425
Decrease/(increase) in stock and work in progress	4,466	(3,909)
Decrease/(increase) in debtors	701	(844)
Decrease in creditors	(3,666)	(522)
Gain on sales of fixed assets	75	235
Net cash inflow from operating activities	<u>11,592</u>	<u>4,399</u>

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

	2012 £'000	2011 £'000
Increase in cash	3,288	148
Net cash inflow from financing	(2,070)	(278)
Change in net debt resulting from cash flows	1,218	(130)
Opening net debt	(64,190)	(64,060)
Closing net debt	<u>(62,972)</u>	<u>(64,190)</u>

25. ANALYSIS OF NET DEBT

	At 1 April 2011 £'000	Cashflow £'000	At 31 March 2012 £'000
Cash	97	3,288	3,385
Loans (note 17)	(64,287)	(2,070)	(66,357)
Net debt	<u>(64,190)</u>	<u>1,218</u>	<u>(62,972)</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.

	2012	2011
	£'000	£'000
At 1 April	17	23
Grant money received in year	131	123
Expenditure in year	<u>(118)</u>	<u>(129)</u>
At 31 March	<u>30</u>	<u>17</u>

The balance carried forward is included within other creditors and accruals (note 16).

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 Place for People Scotland Limited (formerly Lothian Homes Limited) and Places for People Scotland Care & Support Limited.

28. HOUSING ACCOMMODATION

	2012	2011
General needs	5,058	4,946
Support accommodation	857	880
Shared ownership	261	215
Other tenancies	11	11
Managed for others	7	7
	<u>6,194</u>	<u>6,059</u>

	General needs housing	Supported housing	Shared ownership housing	Others	Total
Units owned and managed at year end	4,927	688	261	-	5,876
Units managed not owned at year end	-	7	-	-	7
Units owned not managed at year end	131	169	-	11	311
	<u>5,058</u>	<u>864</u>	<u>261</u>	<u>11</u>	<u>6,194</u>