

Castlehill Housing Association Limited

Annual Report

for the year ended 31 March 2010

Registered no: L0968
Charity no: SC013584



CASTLEHILL HOUSING ASSOCIATION LIMITED

Financial Statements for the year ended 31 March 2010

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Members, executive officers and advisers

Committee of management

Ms S Reith (Convener)
Mrs J Lyon (Vice Convener)
Mr W Howie
Mrs K Mason
Mr J Morrison
Mr J Nicoll
Mr G Ogston
Mr R Simpson
Mr I Thomson
Dr N Williams
Mrs S Williamson
Mr J Tomlinson (appointed 01/02/2010)

Registered Auditors

Anderson Anderson & Brown LLP
9 Queen's Road
Aberdeen
AB15 4YL

Solicitors

Paul & Williamsons
Union Plaza
1 Union Wynd
Aberdeen
AB10 1DQ

Bankers

Clydesdale Bank plc
Principal Branch
Queen's Cross
Aberdeen
AB15 4NU

Executive officers

Mr G Kyle (Chief Executive/Secretary – retired 26/02/2010)
Mr D Lappin (Chief Executive/Secretary – appointed 01/02/2010)
Mr G Helme (Director of Finance and Corporate Services)
Mrs G Robertson (Director of Housing Services – appointed 01/02/2010)
Ms F Murray (Director of Development Services)

Registered office

4 Carden Place
Aberdeen
AB10 1UT

Report of the management committee for the year ended 31 March 2010

The committee of management presents its report and the audited financial statements for the year ended 31 March 2010.

Principal activities

The principal activity of the Association continues to be the provision of affordable rented accommodation.

Review of business and future developments

The results for the year are set out in the income and expenditure account on page 6..

The members of the committee of management are of the opinion that the state of affairs of the Association, as shown on the Balance Sheet on page 7, is satisfactory and are pleased to note the surplus of £1,012,292 for the year, which will be transferred to reserves.

During 2009-10, Castlehill's stock of properties in management increased by 44, with the completion of developments at Portlethen and Kintore.

At Portlethen the Association also developed 17 units, which were transferred to Tenants First Housing Cooperative on completion, and 18 units for sale under the New Supply of Shared Equity initiative. All NSSE units at Portlethen have been sold.

In addition the Association has sold all NSSE properties at Mintlaw, which were completed during 2008-09. Castlehill sold one unit on the open market during the year to 31st March 2010; a single tenement flat.

Grant approval for the NSSE scheme at Mintlaw was obtained prior to the housing market downturn. Consequently the selling prices for these units have been substantially less than was envisaged at that time. In addition many of the properties remained empty for longer as buyers struggled to find mortgages, thus resulting in higher financing costs. This has resulted in a funding shortfall of £442,000, which is expected to be recovered during 2010-11.

The Association is currently developing a sheltered housing scheme at Mintlaw comprising 23 units. In addition work is underway at Braemar, where there will be 4 units for rent plus 2 NSSE units. Grampian Housing Association is developing a site at Arran Avenue, Aberdeen and 44 units for rent at this site are expected to be transferred to Castlehill on completion.

The Association also anticipates building 18 units at Dyce, Aberdeen during 2010-11.

During 2009-10 the Association decided to invest in a new IT system. After extensive investigations a system was chosen and work is ongoing to transfer all data to the new system. It is anticipated that the Association will go live with the new system in August 2010.

The Association has secured loan funding of £4.1m in the period after 31st March 2010 and prior to 28th June 2010. This will serve to address the net current liability position at 31st March 2010, caused in part by development creditors for schemes under construction. The remainder of this loan will be used to fund the ongoing development programme during 2010-11.

Charitable donations totaling £170 were made in the year, £120 to The Big Issue and £50 to St Columba's Hospice.

Changes in fixed assets

Details of fixed assets are set out in notes 12 and 13.

The committee of management and executive officers

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

Provision of information to auditors

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

Statement of committee's responsibilities

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

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

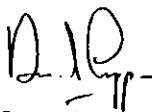
The committee is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Association.

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

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

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

The committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2010 and until 28th June 2010. No weaknesses were found in the internal controls, which resulted in any material losses, contingencies or uncertainties, which require disclosure in the financial statements or in the auditors' report on the financial statements.


Secretary

We have audited the financial statements of Castlehill Housing Association Limited for the year ended 31 March 2010 which comprise the Income and Expenditure account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body. 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 committee of management and auditors

As explained more fully in the Statement of Committee's Responsibilities set out on page 3, the committee of management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2010 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 1978, the Housing Associations Act 1985 and the Registered Housing Association (Accounting Requirements) (Scotland) Order 2007.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Committee of Managements' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Anderson Anderson & Brown LLP

John A Black (Senior Statutory Auditor)

For and on behalf of Anderson Anderson & Brown LLP

Statutory Auditor

Aberdeen

28 JUNE 2010

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010	2009
		£	£
Turnover	2	14,948,983	6,979,759
Less : Operating Costs	2	<u>(13,607,660)</u>	<u>(6,056,319)</u>
Operating Surplus		1,341,323	923,440
Surplus on Sales of Fixed Assets		<u>58,736</u>	<u>408,811</u>
Surplus on Operating Activities before Interest		1,400,059	1,332,251
Interest Receivable	9	9,870	80,529
Interest Payable	10	<u>(397,637)</u>	<u>(771,328)</u>
Surplus for Period		<u>1,012,292</u>	<u>641,452</u>

All of the Association's activities relate to continuing operations.

The Association has no recognised gains or losses other than those included in the surplus above.

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

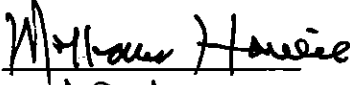

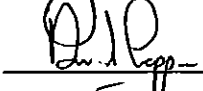
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2010	2009
	£	£
Surplus for the year as reported above	1,012,292	641,452
Prior year adjustment	<u>-</u>	<u>37,543</u>
Total recognised gains and losses recognised since the last annual report	<u>1,012,292</u>	<u>678,995</u>

BALANCE SHEET AT 31 MARCH 2010

	Notes	2010 £	2010 £	2009 £
Tangible Fixed Assets				
Housing Property at Cost net of Depreciation	12		97,285,115	90,798,704
less HAG	12		(71,937,617)	(68,579,125)
Other Public Grants	12		(4,352,793)	(3,599,667)
			<u>20,994,705</u>	<u>18,619,912</u>
Other Fixed Assets net of Depreciation	13		<u>1,266,988</u>	<u>1,164,847</u>
			<u>22,261,693</u>	<u>19,784,759</u>
Current Assets				
Property for sale net of grants		77,459		2,052,478
Stocks of maintenance materials		12,706		11,257
Debtors	14	1,120,651		1,206,578
Cash on term deposit		983,046		656,394
Cash at bank and in hand		<u>1,128,609</u>		<u>855,991</u>
		<u>3,322,471</u>		<u>4,782,698</u>
Creditors				
Amounts falling due within one year	15	<u>(3,461,786)</u>		<u>(4,669,327)</u>
Net Current (Liabilities) / Assets			<u>(139,315)</u>	<u>113,371</u>
Total Assets less Current Liabilities			<u>22,122,378</u>	<u>19,898,130</u>
Creditors				
Amounts falling due after more than one year	16		<u>(15,650,943)</u>	<u>(14,438,994)</u>
Net Assets			<u><u>6,471,435</u></u>	<u><u>5,459,136</u></u>
Capital and Reserves				
Share Capital	17		62	56
Capital Reserve	18		109	108
Designated Reserve	19		3,543,550	2,957,173
Revenue Reserve	20		<u>2,927,714</u>	<u>2,501,799</u>
			<u><u>6,471,435</u></u>	<u><u>5,459,136</u></u>

The financial statements on pages 6 to 24 were approved by the Committee of Management on 28th June 2010 and were signed on its behalf by :


 _____ Committee member

 _____ Committee member

 _____ Chief Executive/Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010	2010	2009
		£	£	£
Net cash Inflow from operating activities	21		2,924,784	526,746
Returns on Investment and Servicing of Finance				
Interest Received		18,202		69,026
Interest Paid		<u>(407,604)</u>		<u>(854,840)</u>
Net cash outflow from returns on investment and servicing of finance			(389,402)	(785,814)
Capital Expenditure & Financial Investment				
Payments to acquire and develop housing properties		(6,184,717)		(7,668,361)
Payments to acquire other fixed assets		(165,072)		(28,972)
Grants repaid		-		(59,132)
Receipts for sales of housing properties		145,983		719,425
Receipts for sales of other fixed assets		10,250		5,250
Grants received		<u>4,789,770</u>		<u>3,508,991</u>
Net cash outflow from capital expenditure and financial investment			(1,403,786)	(3,522,799)
Management of Liquid Resources				
Purchase of term deposits		(766,387)		(44,585)
Cash withdrawn from term deposits		<u>439,736</u>		<u>854,240</u>
Net cash Inflow from management of liquid resources			(326,651)	809,655
Financing				
Mortgages and other loans received		3,154,388		4,089,580
Mortgages and other loans repaid		(3,686,722)		(1,267,698)
Share capital issued		<u>7</u>		<u>2</u>
Net cash inflow from financing			(532,327)	2,821,884
Increase / (Decrease) in cash	22		<u>272,618</u>	<u>(150,328)</u>

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

**Notes to the financial statements
for the year ended 31 March 2010****1 Principal accounting policies**

The principal accounting policies of the Association, which have been applied consistently, are set out below. The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and are based on the revised Statement of Recommended Practice for Registered Social Landlords (2008). They comply with the Registered Housing Association (Accounting Requirements) (Scotland) Order 2007. The layout and format of the financial statements does not conform to the Statement of Recommended Practice for Charities as the existence of the more specialised SORP for Social Landlords makes it more appropriate for the Association to conform with the latter.

Turnover

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

Tangible fixed assets - housing properties (note 12)

Housing properties are stated at historical cost. This includes:-

- i) Cost of acquiring land and buildings
- ii) Development expenditure
- iii) Interest charges during the development period on the loans raised to finance the scheme
- iv) Overhead costs directly connected to the administration of acquisition and development

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion. The cost of repairs and alterations to housing properties is only capitalised in circumstances where these improvements enhance the economic benefits arising from the property. All other works are charged to the income and expenditure account.

Donations of Land

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

Housing Association Grant

Housing Association Grant (HAG) is payable by the Scottish Government to subsidise the capital cost of housing developments. The amount of grant is calculated in accordance with Communities Scotland Guidance Notes. HAG is paid either directly to the Association or via the related party, Devanha, referred to on page 12 and in note 26. HAG is reflected in the accounts when due to be received. HAG received in advance of expenditure being incurred is held as HAG repayable within creditors. HAG is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to net proceeds of sale. Capital costs of developments not funded by HAG are met by raising loan finance from private lenders or by internal subsidy. Loans are on a conventional finance basis and all finance

Housing Association Grant (Continued)

costs are amortised over the life of the loan.

HAG may also be received in respect of revenue expenditure, particularly adaptations for disabilities. This is credited to the Income & Expenditure account in the same period that the expenditure is incurred.

Other Grants

These include grants from local authorities and other organisations. The capital costs of housing properties are stated net of grants receivable on these properties. Grants in respect of revenue expenditure are credited to the Income and Expenditure account in the same period as the expenditure to which they relate.

New Supply of Shared Equity

NSSE transactions are grants received from the Scottish Government and passed on to an eligible beneficiary. The Scottish Government has a benefit of a fixed charge on the property entitling it to a share of the proceeds on the sale of the property by the beneficiary.

Work in progress on NSSE properties is classified separately within the accounts as a current asset net of grants.

The Association is considered to be a vehicle for delivering NSSE units and should not make a surplus or incur a deficit. Any deficits are held within other debtors due within one year (Note 14) and any surpluses are held within other creditors payable within one year (Note 15).

Depreciation

Depreciation has been charged on housing properties, calculated in accordance with FRS 15 and the SORP. The charge is only material for recently constructed properties because, for most schemes, the carrying value of the buildings, at historic property cost net of grants and land cost, is less than the expected residual value of the buildings at the end of their useful economic lives. The historic cost of land has been estimated using tables supplied by the Scottish Federation of Housing Associations. Property lives are estimated at 60 years, with useful economic lives of 40 years. At the end of the useful economic life, it is intended that the properties will either be sold on the open market or completely refurbished, depending on whether or not there is still sufficient tenant demand for the type of property at that time.

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

Commercial property	50 years
Computer equipment	3 years
IT System	10 years
Vehicles	4 years
Heritable office buildings	30 years
Office alterations	5 years
Office soft furnishings	10 years
Office furniture & equipment	5 years
Photocopiers	4 years

Sales of housing properties

Income from sales of property developed with the intention of being sold is included in turnover.

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

Stock

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

Designated reserves**Planned Maintenance Reserve**

This reserve is based on the Association's obligation to maintain its housing properties in a satisfactory state of repair at all times. The costs of repairs of a routine nature are met from revenue in the year in which they are incurred. Repairs and refurbishments of a cyclical or long term nature are carried out in accordance with a planned programme of works based on 30 year life cycle costing predictions. All planned maintenance costs incurred during the year were met from this Planned Maintenance Reserve. Transfers to this reserve are calculated in accordance with the expectations of the life cycle costing of funding required.

Service Equipment Replacement Reserve

This reserve exists to replace equipment and furnishings not funded through rental income. Examples include lift replacements and furnishings within common areas of sheltered housing schemes. Transfers to this reserve are the contributions paid by tenants during the year and all service item replacement costs incurred during the year were met from this Service Item Replacement reserve.

Pensions

The Association contributes to a defined benefit pension scheme, The Social Housing Pension Scheme, which is independently managed by The Pensions Trust. The scheme is subject to formal actuarial valuation on a triennial basis using the projected unit method. This is a group scheme covering many employers in the social housing sector and the assets and liabilities of any one employer cannot be identified separately. The provisions of FRS 17 allow employers participating in such group schemes to treat their pension disclosures as if the scheme were defined contribution schemes. This is the treatment that has been adopted by Castlehill in these statements, with contributions to the scheme charged to the income and expenditure account, but no asset or liability appearing on the balance sheet (note 28).

Related Party Transactions

Castlehill is involved in the management of two companies that are classed as related parties. Neither is a subsidiary of Castlehill.

Grampian Community Care Charitable Trust was incorporated on 27 September 1996 as a charitable housing provider. The Trust is managed by representatives from Moray, Aberdeen City and Aberdeenshire Councils, Grampian Health Board, Communities Scotland and Castlehill, Langstane and Grampian Housing Associations. Castlehill has two representatives

Related Party Transactions (continued)

on the board of directors of the Trust and is actively involved in its operation.

In May 2006 Castlehill, in conjunction with four other Registered Social Landlords in the Grampian area established Devanha Ltd (a company limited by guarantee; Company number SC302743). The primary rationale for forming Devanha was to support a large scale coordinated procurement approach for affordable housing in the Grampian area. Houses procured through Devanha will be in the ownership of Castlehill Housing Association. Details of transactions during the year to 31 March 2010 between Castlehill and these companies are given in note 26.

Leases

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

Taxation

The Association has charitable status and is therefore not subject to Corporation Tax on its surpluses arising from charitable activities.

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

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

Notes	Turnover £	Operating Cost £	Operating Surplus/ (Deficit) £	Surplus/ (Deficit) 2009 £	Total 2009 £
Social lettings	3 6,318,672	(4,977,531)	1,341,141	813,008	
Other Activities	4 8,630,311	(8,630,129)	182	110,432	
Total	14,948,983	(13,607,660)	1,341,323	923,440	
Totals for 2009	6,979,759	(6,056,319)	923,440		

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

	General Needs £	Sheltered Housing £	Supported Housing £	Shared Ownership £	Total Housing £	Total 2009 £
Rent receivable net of identifiable service charges	2,941,040	1,418,068	40,516	224,967	4,624,591	4,267,252
Service Charges	327,530	707,461	13,069	59,006	1,107,066	888,977
Gross rents receivable	3,268,570	2,125,529	53,585	283,973	5,731,657	5,156,229
less : Rent losses from voids	(18,954)	(57,416)	-	(94)	(76,464)	(82,111)
Net income from rents and service charges	3,249,616	2,068,113	53,585	283,879	5,655,193	5,074,118
Grants from Scottish Ministers	40,863	30,703	4,534	-	76,100	106,575
Other revenue grants	908	586,471	-	-	587,379	528,593
Total turnover from social letting activities	3,291,387	2,685,287	58,119	283,879	6,318,672	5,709,286
Management and maintenance administration costs	669,234	653,672	10,717	70,900	1,404,523	1,264,577
Service Costs	164,454	1,293,932	17,604	70,804	1,546,794	1,350,157
Planned and cyclical maintenance	503,678	481,466	-	7,296	992,440	1,278,125
Reactive Maintenance Costs	619,696	334,028	27,213	-	980,937	935,314
Bad Debts	34,381	3,340	(73)	28	37,676	51,849
Depreciation of housing properties	8,951	6,310	-	-	15,161	16,256
Operating costs for social letting activities	2,000,294	2,772,748	55,461	149,028	4,977,531	4,896,278
Operating surplus/(deficit) on social lettings	1,291,093	(87,461)	2,658	134,851	1,341,141	813,008
Operating surplus/(deficit) for 2009	582,660	77,988	6,060	146,300	813,008	

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

	Grants from Scottish Ministers	Other revenue grants	Supporting People income	Other income	Total Turnover	Operating Costs - bad debts	Other operating costs	Operating surplus (deficit)	Operating surplus (deficit) for
	£	£	£	£	£	£	£	£	£
Care and Repair	-	806,800	-	-	806,800	-	(806,800)	-	-
Property Developed for Sale	3,779,537	-	-	3,705,048	7,484,585	-	(7,484,585)	-	-
Factoring	-	-	-	60,019	60,019	-	(64,837)	(4,818)	8,283
Development Activities	98,214	-	-	4,800	103,014	-	(150,591)	(47,577)	52,922
Support Activities	-	-	73,626	-	73,626	-	(73,626)	-	-
Management services - Grampian	-	-	-	9,876	9,876	-	(15,657)	(5,781)	(2,613)
Community Care Charitable Trust	-	-	-	49,334	49,334	-	(27,436)	21,898	57,812
Commercial Letting	-	-	-	43,057	43,057	-	(6,597)	36,460	(5,972)
Other	-	-	-	-	-	-	-	-	-
Total from other activities	<u>3,877,751</u>	<u>806,800</u>	<u>73,626</u>	<u>3,872,134</u>	<u>8,630,311</u>	<u>-</u>	<u>(8,630,129)</u>	<u>182</u>	<u>110,432</u>
Total from other activities for 2009	<u>197,821</u>	<u>769,102</u>	<u>70,495</u>	<u>213,055</u>	<u>1,270,473</u>	<u>(696)</u>	<u>(1,159,345)</u>	<u>110,432</u>	

5. ACCOMMODATION IN MANAGEMENT

	General Needs	Sheltered Housing	Supported Housing	Shared Ownership	Managed Property	Total Units
Number of units at start of period	953	534	10	123	70	1,690
Added in year	45	-	-	-	-	45
Disposals in year	(1)	-	-	-	-	(1)
Number of units at end of period	<u>997</u>	<u>534</u>	<u>10</u>	<u>123</u>	<u>70</u>	<u>1,734</u>

6. DIRECTORS' EMOLUMENTS

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

	2010 £	2009 £
Total emoluments (including pension contributions and benefits in kind)	<u>88,380</u>	<u>80,646</u>
Emoluments (excluding pension contributions) of the highest paid director amounted to	<u>66,608</u>	<u>70,705</u>

No emoluments were paid to the Convener or to any committee member other than the Chief Executive/Secretary. Only one director received emoluments in excess of £60,000, this being the Chief Executive/Secretary whose emoluments excluding pension contributions fell in the band greater than £60,000 but less than £70,000.

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

There are no pensions payable in respect of any director or former director other than to the Chief Executive/Secretary who has the normal entitlement arising from membership of the employee pension scheme. Pension payments by the Association in respect of the Chief Executive/Secretary amounted to £9,386 in the year (2009 : £9,941).

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

	2010 £	2009 £
Total expenses reimbursed to the Chief Executive/Secretary and members of the Committee of Management in so far as not chargeable to United Kingdom Income Tax	<u>1,655</u>	<u>1,322</u>

7. EMPLOYEE INFORMATION

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

	2010	2009
Office Staff	53	52
Direct labour, scheme based staff & others	<u>45</u>	<u>48</u>
	<u>98</u>	<u>100</u>

	2010 £	2009 £
Staff Costs (including director's emoluments)		
Wages and salaries	2,225,149	2,102,912
Social security costs	137,581	131,575
Pension costs (note 27)	<u>251,041</u>	<u>236,216</u>
	<u>2,613,771</u>	<u>2,470,703</u>

8. AUDITORS' REMUNERATION

	2010 £	2009 £
Operating surplus is stated after charging :		
Auditors' remuneration		
- in their capacity as auditors of the Association	10,575	9,200
- for other services	<u>-</u>	<u>7,514</u>
	<u>10,575</u>	<u>16,714</u>

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £	2009 £
Interest receivable	<u>9,870</u>	<u>80,529</u>

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £	2009 £
Interest payable wholly or partly in more than 5 years :		
On loans from The Scottish Government	739	888
Interest payable to other lenders	<u>396,898</u>	<u>770,440</u>
	<u><u>397,637</u></u>	<u><u>771,328</u></u>

11. TAXATION

The Association has charitable status for tax purposes.

12. TANGIBLE FIXED ASSETS

Housing Properties	Completed Houses held for Letting	Houses for Letting under Construction	Completed Shared Ownership Housing	Total
	£	£	£	£
Cost				
Opening balance	80,297,265	5,848,005	4,745,629	90,890,899
Schemes completed	1,679,771	(1,679,771)	-	-
Additions	4,040,497	2,981,859	-	7,022,356
Disposals	(18,710)	-	-	(18,710)
Reclassified as current assets	-	(502,075)	-	(502,075)
Closing balance	<u>85,998,823</u>	<u>6,648,018</u>	<u>4,745,629</u>	<u>97,392,470</u>
Depreciation				
Opening balance	92,194	-	-	92,194
Additions	15,161	-	-	15,161
Disposals	-	-	-	-
Closing balance	<u>107,355</u>	<u>-</u>	<u>-</u>	<u>107,355</u>
Net book value at 31 March 2010	<u><u>85,891,468</u></u>	<u><u>6,648,018</u></u>	<u><u>4,745,629</u></u>	<u><u>97,285,115</u></u>
Net book value at 31 March 2009	<u><u>80,205,075</u></u>	<u><u>5,848,004</u></u>	<u><u>4,745,628</u></u>	<u><u>90,798,707</u></u>
Grants				
Housing Assoc Grant				
Opening balance	59,170,030	5,812,185	3,596,910	68,579,125
Schemes completed	1,643,950	(1,643,950)	-	-
Additions	2,350,552	2,018,923	-	4,369,475
Disposals	(18,710)	(83,555)	-	(102,265)
Amounts due to Scottish Government	(415,500)	-	-	(415,500)
Reclassified as current asset grant	-	(493,218)	-	(493,218)
Closing balance	<u>62,730,322</u>	<u>5,610,385</u>	<u>3,596,910</u>	<u>71,937,617</u>
Other Grants				
Opening balance	3,591,327	-	8,340	3,599,667
Schemes completed	-	-	-	-
Additions	-	753,126	-	753,126
Disposals	-	-	-	-
Closing balance	<u>3,591,327</u>	<u>753,126</u>	<u>8,340</u>	<u>4,352,793</u>
Total Grants	<u><u>66,321,649</u></u>	<u><u>6,363,511</u></u>	<u><u>3,605,250</u></u>	<u><u>76,290,410</u></u>

The Association expects to sell an undeveloped site back to Aberdeenshire Council during 2010-11. The costs and grant associated with this site have therefore been reclassified as current assets.

On scheme completion a grants and costs reconciliation is carried out to ascertain the correct amount of grant for a development. Following recent scheme reconciliations it was calculated that the Association is due to repay £415,500 to the Scottish Government. This amount has therefore been deducted from grants received and included within other creditors due within 12 months. (Note 15).

A surplus of £61,240 (2009 : £403,561) was realised on sales of housing.
Interest capitalised during the year amounted to £16,352 (2009 : £44,989)

All the above properties are heritable properties and are owned by the Association.

13. TANGIBLE FIXED ASSETS

Other Fixed Assets

	Commercial Property	Office Buildings	Vehicles Furniture & Equipment	Total
	£	£	£	£
Cost				
Opening balance	1,024,109	603,170	257,738	1,885,017
Additions		29,530	139,868	169,398
Disposals			(35,659)	(35,659)
Closing balance	<u>1,024,109</u>	<u>632,700</u>	<u>361,947</u>	<u>2,018,756</u>
Depreciation				
Opening balance	56,419	435,366	228,384	720,169
Charge for year	17,082	24,155	13,266	54,503
Eliminated on disposals	-	-	(22,904)	(22,904)
Closing balance	<u>73,501</u>	<u>459,521</u>	<u>218,746</u>	<u>751,768</u>
Net book value at 31 March 2010	<u>950,608</u>	<u>173,179</u>	<u>143,201</u>	<u>1,266,988</u>
Net book value at 31 March 2009	<u>967,690</u>	<u>167,803</u>	<u>29,354</u>	<u>1,164,847</u>

The commercial property and the office building are heritable properties.

14. DEBTORS

	2010 £	2009 £
Amounts falling due within one year :		
Rental debtors	124,656	215,490
less provision for bad and doubtful debts	(34,768)	(33,827)
Net rental debtors	89,898	181,663
Other debtors	765,708	440,347
Prepayments and accrued income	260,210	580,878
	1,115,816	1,202,888
Amounts falling due in 2-5 years :		
Loans to employees	4,835	3,690
	<u>1,120,651</u>	<u>1,206,578</u>

Included within other debtors is £442,100 representing the grant shortfall on the completion and sale of the New Supply of Shared Equity properties at Minlawn.

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

Loans at 31/3/10 are to 3 employees, all for a period of up to 5 years at interest rates of 3.75 % and 4.45%.

15. CREDITORS DUE WITHIN ONE YEAR

	2010 £	Restated 2009 £
Loans (see note 16)	707,673	2,451,855
Tax and social security	44,836	47,725
Accruals and deferred income	792,621	738,976
Rent in advance	77,766	95,022
Trade creditors	1,167,889	1,211,338
Other creditors	681,101	124,411
	<u>3,461,786</u>	<u>4,669,327</u>

16. CREDITORS DUE AFTER MORE THAN ONE YEAR

	2010 £	2009 £
Housing Property Finance		
Housing Loans	<u>14,998,911</u>	<u>13,747,106</u>
Commercial Property Finance		
Commercial Loan	<u>652,032</u>	<u>691,988</u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments due as follows :

Within one year	707,673	2,451,855
From one to two years	770,109	581,369
Between two and five years	2,602,159	2,074,060
In five years or more	<u>12,378,675</u>	<u>11,783,565</u>
	<u>16,358,516</u>	<u>16,890,849</u>

The Association has mortgage loans totalling £5,046 with The Scottish Government at fixed rates in the range of 9.25% to 16%. The Association also has fixed and variable rate loans with banks and building societies. Fixed rate loans amounting to £6,760,184 are at rates of 4.24% to 8.865%. Variable rate loans amounting to £9,593,293 are at rates of 0.23% to 1% above base rate (currently 0.5%) or 3 month libor (currently 0.605%). The final repayment date for loans is March 2052.

Total creditors due after more than 1 year	<u>15,650,943</u>	<u>14,438,994</u>
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17. CALLED UP SHARE CAPITAL

	2010 £	2009 £
Allotted, issued and fully paid		
Opening balance	56	61
Issued during year	7	2
Transfer to capital reserve	<u>(1)</u>	<u>(7)</u>
Closing balance	<u>62</u>	<u>56</u>

18. CAPITAL RESERVE

	2010 £	2009 £
Opening balance	108	101
Transfer from share capital	<u>1</u>	<u>7</u>
Closing balance	<u>109</u>	<u>108</u>

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

19. DESIGNATED RESERVES

	2010 £	2009 £
Planned Maintenance Reserve		
Opening balance	1,758,082	1,369,174
Additions in year	1,495,914	1,654,743
Expenditure in year	<u>(995,224)</u>	<u>(1,265,834)</u>
	<u>2,258,772</u>	<u>1,758,082</u>
Service Equipment Replacement Reserve		
Opening balance	1,199,091	1,157,210
Additions in year	218,664	216,119
Expenditure in year	<u>(132,977)</u>	<u>(174,239)</u>
	<u>1,284,778</u>	<u>1,199,091</u>
Total designated reserves	<u>3,543,550</u>	<u>2,957,173</u>

20. REVENUE RESERVES	2010 £	2009 £
Opening balance	2,501,799	2,291,137
Surplus for the year	1,012,292	641,452
Transfer to designated reserves	<u>(586,377)</u>	<u>(430,790)</u>
Total revenue reserves	<u>2,927,714</u>	<u>2,501,799</u>

21. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH FLOW FROM OPERATING ACTIVITIES	2010 £	2009 £
Operating surplus	1,341,323	923,440
Depreciation	69,663	66,391
(Increase) in Stock	(1,449)	(4,533)
Decrease in Current Asset work in progress	1,975,019	-
(Increase) in debtors	(232,380)	(386,696)
(Decrease) in creditors	<u>(227,392)</u>	<u>(71,856)</u>
Net Cash Inflow from Operating Activities	<u>2,924,784</u>	<u>526,746</u>

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	2010 £	2009 £
Increase in cash	272,618	(150,328)
Decrease in debt	532,334	(2,821,882)
Cash flow from management of liquid resources	<u>326,651</u>	<u>(809,655)</u>
Movement in net debt in period	1,131,603	(3,781,865)
Net debt at 1 April 2009	<u>(15,378,464)</u>	<u>(11,596,599)</u>
Net debt at 31 March 2010	<u>(14,246,861)</u>	<u>(15,378,464)</u>

ANALYSIS IN CHANGES IN NET DEBT

	At 1 April 2009 £	Cash Flows £	At 31 March 2010 £
Cash at bank and in hand	855,991	272,618	1,128,609
Debt due within one year	(2,451,855)	1,744,282	(707,573)
Debt due after one year	(14,438,994)	(1,211,948)	(15,650,942)
Current asset investments	<u>656,394</u>	<u>326,651</u>	<u>983,045</u>
Net Debt	<u>(15,378,464)</u>	<u>1,131,603</u>	<u>(14,246,861)</u>

23. CONTRACTED EXPENDITURE COMMITMENTS

	2010 £	2009 £
Expenditure that has been contracted for but not provided for in the financial statements	<u>1,515,012</u>	<u>5,700,896</u>
The Association expects its contracted expenditure to be financed as follows:	2010 £	2009 £
Grants from Scottish Ministers	27,202	1,727,653
Other Grants	401,313	1,151,313
Sale of NSSE units	193,800	1,449,572
Sale to other Housing Association	-	484,308
Loan finance	577,081	866,249
Own Reserves	<u>315,616</u>	<u>21,801</u>
	<u>1,515,012</u>	<u>5,700,896</u>

24. REVENUE COMMITMENTS

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

Expiring :	2010	2010	2009	2009
	£ Land & Buildings	£ Other	£ Land & Buildings	£ Other
Within 1 year	-	-	-	-
Between 1 and 5 years	-	13,499	-	13,212
After more than 5 years	-	-	-	-
	<u>-</u>	<u>13,499</u>	<u>-</u>	<u>13,212</u>

25. LEGISLATIVE PROVISIONS

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

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

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

26. RELATED PARTY TRANSACTIONS

	2010	2009
	£	£
Transactions with related parties included in the Association's accounts for the year to 31/03/10		
Devanha Limited		
Income	1,727,653	5,754,185
Expenditure	<u>(19,608)</u>	<u>(37,172)</u>
Grampian Community Care Charitable Trust :		
Income	45,266	52,745
Expenditure	<u>(49,604)</u>	<u>(55,358)</u>

Income from Grampian Community Care Charitable Trust of £11,422 (2009 : £16,600) was outstanding at 31/3/10
Income from Devanha of £116,171 (2009: £424,202) was outstanding at 31/03/10. This represented Housing Association Grant for schemes under construction.

27. POST BALANCE SHEET EVENT

In the period after 31st March 2010 and prior to 28th June 2010 the Association has secured loan funding of £4.1m at a fixed rate of 5.565%, which will be used to address the net current liability position at 31st March 2010 and also to finance the ongoing development programme for 2010-11.

Castlehill Housing Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with 1/60th accrual rate until 31st March 2007. From April 2007 there are three benefit structures available, namely:

- Final Salary with a 1/60th accrual rate
- Final Salary with a 1/70th accrual rate
- Career average revalued earnings with a 1/60th accrual rate.
-

From April 2010 there are a further two benefit structures available, namely:

- Final salary with a 1/80th accrual rate.
- Career average revalued earnings (CARE) with a 1/80th accrual rate.

A defined contribution benefit structure will be made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Castlehill Housing Association has elected to operate the final salary with 1/60th accrual rate benefit structure both for active members as at 1st April 2007 and for new entrants from 1st April 2007.

The Trustee commissions an actuarial valuation of the Scheme every 3 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, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Castlehill Housing Association paid contributions at the rate of 14.8%. Member contributions varied between 5.7% and 7.7%.

As at the balance sheet date there were 85 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £1,646,407. Castlehill Housing Association continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed at 30th September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
Valuation Discount Rates	
• Pre retirement	7.8
• Non Pensioner Post retirement	6.2
• Pensioner Post retirement	5.6
Pensionable earnings growth	4.7
Price Inflation	3.2
Pension Increases	
• Pre 88 GMP	0.0
• Post 88 GMP	2.8
• Excess over GMP	3.0

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions.

Mortality pre retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1% pa.

Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1% pa.

The long-term joint contribution rates that will apply from April 2010 required from employers and members required to meet the costs of future benefit accrual were assessed at:

Benefit Structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with 1/60 th accrual rate	17.8

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1st April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. The Regulator is currently in the process of reviewing the recovery plan for SHPS in respect of the September 2008 actuarial valuation. A response from the regulator is expected in due course.rse.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2009. 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 £1,723 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £738 million, equivalent to a past service funding level of 70.0%.

As a result of pension scheme legislation 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 buyout 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 currently participating 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.

Castlehill Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from SHPS based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for the Association was £8,851,000.

The Association also participates in the Pension's Trust Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Plan is a multi-employer pension plan. 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 Plan, or by purchase of an annuity. The Association offers the Growth Plan as an AVC investment option for members of SHPS. The members pay contributions at a rate of their choice. The Association does not pay any contributions to the Growth Plan. As at the balance sheet date there were 3 active members of the Plan. Castlehill Housing Association continues to offer membership of the Plan to its employees.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the post service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation of the Scheme was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% per annum
Investment return pre retirement	7.6
Investment return post retirement	
Actives/ Deferreds	5.1
Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

The Scheme Actuary has prepared a funding position update as at 30 September 2009. The market value of the Plan's assets at that date was £765 million and the Plan's Technical Provisions (i.e. past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £55 million, equivalent to a funding level of 93%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in line with the "best estimate" assumptions. A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009.

The next full actuarial valuation will be carried out as at 30 September 2011.

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 Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (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 Plan. 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 Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The amount of the debt therefore depends on many factors including total plan liabilities, Plan 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.

Castlehill Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2009. As of this date the estimated employer debt for the Association was £96,846.

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

Internal financial controls

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

Basis of opinion

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

Opinion

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

Anderson Anderson & Brown LLP

Anderson Anderson & Brown LLP
Chartered Accountants
Registered Auditors
Aberdeen

28 JUNE 2010