Castlehill Housing Association Limited

Annual Report

for the year ended 31 March 2012

Registered no: L0968
Charity no: SC013584

CASTLEHILL HOUSING ASSOCIATION LIMITED

Financial Statements
for the year ended 31 March 2012

Members, executive officers and advisers

Committee of management

Ms S Reith (Convener)
Mrs J Lyon (Vice Convener)
Mr W Howie
Mrs K Mason
Mr D Millar (appointed 29/08/2011)
Mr J Nicoll
Mr G Ogston
Mr I Thomson
Dr N Williams
Mrs S Williamson
Mr J Tomlinson

Registered Auditors

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

Solicitors

Paull and Williamsons LLP
Union Plaza
Union Wynd
Aberdeen
AB10 1DQ

Bankers

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

Executive officers

Mr D Lappin (Chief Executive/Secretary)
Mr G Helme (Director of Finance and Corporate Services)
Mrs G Robertson (Director of Housing Services)
Ms F Murray (Director of Development Services)

Registered office

4 Carden Place
Aberdeen
AB10 1UT

Report of the management committee for the year ended 31 March 2012

The committee of management presents its report and the audited financial statements for the year ended 31 March 2012.

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 £2,358,258 for the year, which will be transferred to reserves. The surplus is higher than expected due to Grampian Community Care Charitable Trust becoming a wholly owned subsidiary of Castlehill on 1st October 2011.

During 2011/12, Castlehill increased its stock of rented properties by 18, with the completion of a general needs development at Goval View, Dyce. Castlehill sold two units on the open market during the year to 31st March 2012; both single tenement flats.

The Association is currently developing a scheme at Braemar, Aberdeenshire where there will be 6 units available for rent.

Work continues on installing the new QL computer system, which went live in August 2010. The core modules of housing management, repairs, finance and payroll are operating well. Work on the planned maintenance module is progressing well and it is expected to go live during 2012/13.

During 2010/11 the board of Grampian Community Care Charitable Trust made the decision to move away from its policy whereby several local housing associations are involved in the management of its properties. Following a fairly lengthy selection process Castlehill became the preferred candidate to manage all of the Trust's properties. The Trust became a 100% owned subsidiary of Castlehill on 1st October 2011.

Charitable donations totaling £1,320 were made in the year, £600 to Somebody Cares, £500 to Speyside Community Car Share Scheme, £125 to the Big Issue, £45 to Alzheimer Scotland & £50 to Scottish Churches Housing Action.

Changes in fixed assets

Details of fixed assets are set out in notes 13 and 14.

The committee of management and executive officers

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

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 2012 and until 25th June 2012. 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

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

We have audited the financial statements of Castlehill Housing Association Limited for the year ended 31 March 2012 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 4, the committee of management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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. In addition, we read all the financial and non financial information in the report of the Committee of Management to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2012 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.

John A Black

John A Black (Senior Statutory Auditor)
For and on behalf of Anderson Anderson & Brown LLP
Statutory Auditor
Aberdeen

25 JUNE 2012

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012	Restated 2011
		£	£
Turnover	3	**10,537,197**	7,577,873
Less : Operating Costs	3	**(7,656,394)**	(6,546,420)
Operating Surplus		**2,880,803**	1,031,453
Surplus on Sales of Fixed Assets		**118,007**	43,729
Surplus on Operating Activities before Interest		**2,998,810**	1,075,182
Interest Receivable	10	**11,308**	11,293
Interest Payable	11	**(651,860)**	(654,737)
Surplus for Period		**2,358,258**	431,738

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

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012	2011
	£	£
Surplus for the year as reported above	2,358,258	431,738
Prior year adjustment	(1,585,602)	-
Total recognised gains and losses recognised since the last annual report	772,656	431,738

BALANCE SHEET AT 31 MARCH 2012

	Notes	2012 £	2012 £	Restated 2011 £
Tangible Fixed Assets				
Housing Property at Cost net of Depreciation	13		91,487,982	91,420,787
less HAG	13		(63,274,513)	(64,071,462)
Other Public Grants	13		(4,827,660)	(4,764,475)
			23,385,809	22,584,850
Investment in Subsidiary	14		1,822,050	-
Other Fixed Assets net of Depreciation	14		1,320,711	1,389,222
			26,528,570	23,974,072
Current Assets				
Property for sale net of grants		-		148,276
Stocks of maintenance materials		22,310		15,257
Debtors	15	1,241,356		1,270,446
Cash on term deposit		1,281,806		820,341
Cash at bank and in hand		2,785,740		2,037,990
		5,331,212		4,292,310
Creditors				
Amounts falling due within one year	16	(4,173,056)		(4,048,550)
Net Current Assets			1,158,156	243,760
Total Assets less Current Liabilities			27,686,726	24,217,832
Creditors				
Amounts falling due after more than one year	17		(19,815,117)	(18,704,483)
Net Assets			7,871,609	5,513,349
Capital and Reserves				
Share Capital	18		60	61
Capital Reserve	19		113	110
Designated Reserve	20		3,193,433	2,733,583
Revenue Reserve	21		4,678,003	2,779,595
			7,871,609	5,513,349

The financial statements on pages 5 to 26 were approved by the Committee of Management on 25th June 2012 and were signed on its behalf by :

William Howie Committee member

John Wilson Committee member

Chief Executive/Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012	2012	Restated 2011
		£	£	£
Net cash inflow from operating activities	22		2,467,178	2,209,015
Returns on Investment and Servicing of Finance				
Interest Received		11,820		11,650
Interest Paid		(687,143)		(680,023)
Net cash outflow from returns on investment and servicing of finance			(675,323)	(668,373)
Capital Expenditure & Financial Investment				
Payments to acquire and develop housing properties		(2,020,407)		(10,197,378)
Payments to acquire other fixed assets		(45,252)		(194,839)
Grants repaid		(25,365)		(48,360)
Receipts for sales of housing properties		135,780		66,407
Receipts for sales of other fixed assets		-		-
Grants received		185,074		6,319,479
Net cash outflow from capital expenditure and financial investment			(1,770,170)	(4,054,691)
Management of Liquid Resources				
Purchase of term deposits		(1,006,363)		(150,703)
Cash withdrawn from term deposits		544,899		313,407
Net cash inflow / (outflow) from management of liquid resources			(461,464)	162,704
Financing				
Mortgages and other loans received		2,135,000		4,135,000
Mortgages and other loans repaid		(947,473)		(874,275)
Share capital issued		2		-
Net cash inflow from financing			1,187,529	3,260,725
Increase in cash	23		747,750	909,380

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 2012

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 (2010). 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 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 13)

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

i) Cost of acquiring land and buildings
ii) Development expenditure
iii) Interest charges during the development period on the loans raised to finance the scheme
iv) Overhead costs directly connected to the administration of acquisition and development
v) Cost of replacing major components, with the old component being written off at the time of replacement.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

All other works are charged to the 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 The Scottish Housing Regulator Guidance Notes. HAG is paid either directly to the Association or via the related party, Devanha, referred to on page 12 and in note 27. HAG is reflected in the accounts when due to be received. HAG is allocated in the first instance to the land and structure components of the housing development. If, after allocating the HAG to these elements there is any residual HAG, then it is allocated to the other components on a pro rata basis. HAG allocated to components is amortised over the useful life of that

Housing Association Grant (continued)

component and is written off when the component is replaced. 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 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 15) and any surpluses are held within other creditors payable within one year (Note 16).

Depreciation

Depreciation has been charged on housing properties, calculated in accordance with the component accounting requirements of SORP 2010. The full impact of this change in accounting policy is referred to in Note 29.
Housing properties are broken down into their main components and each component has its own expected useful life. Depreciation is then charged on each component in accordance with that useful life.
The components and their expected useful lives are as follows:

• Land	No depreciation
• Structure	60 years
• Kitchen General Needs	17 years
• Kitchen Sheltered	20 years
• Bathroom	20 years
• Heating System	20 years
• Boiler	15 years
• Windows and Doors (timber)	50 years
• Windows and Doors (UPVC)	25 years

Any grant relating to a component is amortised over the same time period as the component.

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:

Depreciation (continued)

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. Costs incurred to replace major components of housing developments are capitalised in the year they are incurred. Depreciation of housing components and all non capitalised planned maintenance costs incurred during the year are met from this Planned Maintenance Reserve. 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

Pensions (continued)

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. 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.

Grampian Community Care Charitable Trust Ltd was incorporated on 27 September 1996 as a charitable housing provider. The Trust became a wholly controlled subsidiary of Castlehill on 1st October 2011.

Details of transactions during the year to 31 March 2012 between Castlehill and these companies are given in note 27.

Acquisition of Grampian Community Care Charitable Trust Ltd.

The acquisition of Grampian Community Care Charitable Trust for no consideration is treated as a non exchange transaction in accordance with the requirements of SORP 2010. The fair value of the recognised assets and liabilities is recognised as a gain in the income and expenditure account in the year of acquisition.

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 Going Concern - Basis of accounts preparation

The committee of management, having made due and careful enquiry and review of the annual forecasts prepared, are of the opinion that the Association has adequate working capital and are satisfied that these accounts should be prepared on a going concern basis.

CASTLEHILL HOUSING ASSOCIATION LIMITED

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Notes	Turnover £	Operating Cost £	Operating Surplus/ (Deficit) £	Restated Surplus/ (Deficit) 2011 £
Social lettings	4	6,974,425	(5,767,595)	1,206,830	1,169,898
Other Activities	5	3,562,772	(1,888,799)	1,673,973	(138,445)
Total		10,537,197	(7,656,394)	2,880,803	1,031,453
Totals for 2011 - Social lettings		6,472,909	(5,303,011)	1,169,898	
Totals for 2011 - Other Activities		1,104,964	(1,243,409)	(138,445)	
		7,577,873	(6,546,420)	1,031,453	

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

	General Needs £	Sheltered Housing £	Supported Housing £	Shared Ownership £	**Total Housing £**	Restated Total 2011 £
Rent receivable net of identifiable service charges	3,399,616	1,583,560	42,581	235,345	**5,261,102**	4,819,347
Service Charges	387,126	807,636	15,087	86,053	**1,295,902**	1,195,237
Gross rents receivable	3,786,742	2,391,196	57,668	321,398	**6,557,004**	6,014,584
less : Rent losses from voids	(16,631)	(75,348)	-	(171)	**(92,150)**	(96,861)
Net income from rents and service charges	3,770,111	2,315,848	57,668	321,227	**6,464,854**	5,917,723
Grants from Scottish Ministers	40,001	27,323	-	-	**67,324**	54,513
Other revenue grants	1,081	441,166	-	-	**442,247**	500,673
Total turnover from social letting activities	3,811,193	2,784,337	57,668	321,227	**6,974,425**	6,472,909
Management and maintenance administration costs	970,148	585,148	7,507	52,797	**1,615,600**	1,493,783
Service Costs	371,234	1,248,802	15,087	118,323	**1,753,446**	1,638,210
Planned and cyclical maintenance	83,840	100,367	-	-	**184,207**	122,935
Reactive Maintenance Costs	658,455	472,818	21,472	-	**1,152,745**	1,065,978
Bad Debts	61,099	1,449	-	37	**62,585**	50,090
Depreciation of housing properties	720,757	277,022	1,233	-	**999,012**	932,015
Operating costs for social letting activities	2,865,533	2,685,606	45,299	171,157	**5,767,595**	5,303,011
Operating surplus/(deficit) on social lettings	945,660	98,731	12,369	150,070	**1,206,830**	1,169,898
Operating surplus/(deficit) for 2011	785,005	217,528	(9,937)	177,302	1,169,898	

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

	Grants from Scottish Ministers	Other revenue grants	Supporting People income	Other income	Total Turnover	Operating Costs - bad debts	Other operating costs	Operating surplus (deficit)	Operating surplus (deficit) for 2011
	£	£	£	£	£	£	£	£	£
Care and Repair	-	718,525	-	153,777	872,302	-	(872,302)	-	-
Adaptations Service	-	-	-	178,303	178,303	-	(197,248)	(18,945)	(17,624)
Property Developed for Sale	-	-	-	508,239	508,239	-	(523,131)	(14,892)	-
Factoring	-	-	-	-	-	-	-	-	(23,733)
Development Activities	8,855	-	-	1,818	10,673	-	(82,784)	(72,111)	(82,767)
Support Activities	-	-	71,885	-	71,885	-	(85,933)	(14,048)	(8,830)
Management services - Grampian	-	-	-	-	-	-	-	-	-
Community Care Charitable Trust	-	-	-	36,066	36,066	-	(51,730)	(15,664)	(6,625)
Commercial Letting	-	-	-	63,254	63,254	-	(66,759)	(3,505)	8,744
Acquisition of subsidiary company	-	-	-	1,822,050	1,822,050	-	-	1,822,050	-
Other	-	-	-	-	-	-	(8,912)	(8,912)	(7,610)
Total from other activities	8,855	718,525	71,885	2,763,507	3,562,772	-	(1,888,799)	1,673,973	(138,445)
Total from other activities for 2011	60,232	780,990	70,992	192,750	1,104,964	-	(1,243,409)	(138,445)	

6. ACCOMMODATION IN MANAGEMENT

	General Needs	Sheltered Housing	Supported Housing	Shared Ownership	Managed Property	**Total Units**
Number of units at start of period	1,040	557	10	123	31	1,761
Added in year	18	-	-	-	(18)	-
Disposals in year	(2)	-	-		-	(2)
Number of units at end of period	1,056	557	10	123	13	1,759

7. DIRECTORS' EMOLUMENTS

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

	2012 £	2011 £
Total emoluments (including pension contributions and benefits in kind)	75,682	72,178
Emoluments (excluding pension contributions) of the highest paid director amounted to	69,443	66,228

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 £6,239 in the year (2011 : £5,950).
No loans have been advanced to any director or person connected with a director.

	2012 £	2011 £
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	1,617	1,911

8. EMPLOYEE INFORMATION

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

	2012	2011
Office Staff	52	53
Direct labour, scheme based staff & others	40	42
	92	95

	2012 £	2011 £
Staff Costs (including director's emoluments)		
Wages and salaries	2,481,080	2,263,957
Social security costs	140,360	146,156
Pension costs (note 28)	278,445	274,761
	2,899,885	2,684,874

9. AUDITORS' REMUNERATION

	2012 £	2011 £
Operating surplus is stated after charging :		
Auditors' remuneration		
- in their capacity as auditors of the Association	12,000	10,800
- for other services	15,654	-
	27,654	10,800

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £	2011 £
Interest receivable	11,308	11,293

11. INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
Interest payable wholly or partly in more than 5 years :		
On loans from The Scottish Government	330	481
Interest payable to other lenders	651,530	654,256
	651,860	654,737

12. TAXATION

The Association has charitable status for tax purposes.

13. TANGIBLE FIXED ASSETS

Housing Properties	Restated Completed Houses held for Letting	Restated Houses for Letting under Construction	Completed Shared Ownership Housing	Total
	£	£	£	£
Cost				
Opening balance as previously reported	96,911,492	5,257,333	4,745,629	106,914,454
Prior year adjustment	2,646,368	561,300	-	3,207,668
Opening balance as restated	99,557,860	5,818,633	4,745,629	110,122,122
Schemes completed	1,894,704	(1,894,704)	-	-
Additions	1,643,719	132,942	-	1,776,661
Disposals	(538,708)	-	-	(538,708)
Reclassified as fixed assets	-	255,737	-	255,737
Closing balance	102,557,575	4,312,608	4,745,629	111,615,812
Depreciation				
Opening balance as previously reported	135,906	-	-	135,906
Prior year adjustment	18,565,429	-	-	18,565,429
Opening balance as restated	18,701,335	-	-	18,701,335
Additions	1,912,798	-	-	1,912,798
Disposals	(486,303)	-	-	(486,303)
Closing balance	20,127,830	-	-	20,127,830
Net book value at 31 March 2012	**82,429,745**	**4,312,608**	**4,745,629**	**91,487,982**
Net book value at 31 March 2011	80,856,524	5,818,634	4,745,629	91,420,787
Grants				
Housing Assoc Grant				
Opening balance as previously reported	69,547,344	4,538,257	3,596,910	77,682,511
Prior year adjustment	(2,307,520)	405,525	-	(1,901,995)
Opening balance as restated	67,239,824	4,943,782	3,596,910	75,780,516
Schemes completed	1,346,138	(1,346,138)	-	-
Additions	13,234	-	-	13,234
Disposals	(227,592)	-	-	(227,592)
Reclassifed as grant for fixed assets	-	121,889	-	121,889
Closing balance	68,371,604	3,719,533	3,596,910	75,688,047
Amortisation				
Opening balance as reported	-	-	-	-
Prior year adjustment	11,709,053	-	-	11,709,053
Opening balance	11,709,053	-	-	11,709,053
Charge for year	913,786	-	-	913,786
Disposals	(209,305)	-	-	(209,305)
Closing Balance	12,413,534	-	-	12,413,534
Other Grants				
Opening balance	4,745,766	10,369	8,340	4,764,475
Schemes completed	-	-	-	-
Additions	-	58,000	-	58,000
Disposals	-	-	-	-
Reclassifed as grant for fixed assets	-	5,185	-	5,185
Closing balance	4,745,766	73,554	8,340	4,827,660
Total Grants	60,703,836	3,793,087	3,605,250	68,102,173

A surplus of £118,007 (2011 : £43,729) was realised on sales of housing.
Interest capitalised during the year amounted to £45,879 (2011 : £32,226)

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

14. TANGIBLE FIXED ASSETS

Other Fixed Assets

	Subsidiary Company
	£
Opening Balance	-
Additions	1,822,050
Disposals	-
Net Book Value at 31 March 2012	**1,822,050**

Grampian Community Care Charitable Trust Ltd became a wholly controlled subsidiary on 1st October 2011.

	Commercial Property	Office Buildings	Vehicles Furniture & Equipment	Total
	£	£	£	£
Cost				
Opening balance	1,024,109	632,700	567,001	2,223,810
Additions	-	-	28,291	28,291
Disposals	(15,213)	-	(88,656)	(103,869)
Closing balance	1,008,896	632,700	506,636	2,148,232
Depreciation				
Opening balance	90,583	483,676	260,329	834,588
Charge for year	17,006	24,155	47,350	88,511
Eliminated on disposals	(6,922)	-	(88,656)	(95,578)
Closing balance	100,667	507,831	219,023	827,521
Net book value at 31 March 2012	**908,229**	**124,869**	**287,613**	**1,320,711**
Net book value at 31 March 2011	933,526	149,024	306,672	1,389,222

The commercial property and the office building are heritable properties.

15. DEBTORS

	2012	Restated 2011
	£	£
Amounts falling due within one year :		
Rental debtors	**199,132**	163,387
less provision for bad and doubtful debts	**(78,110)**	(63,932)
Net rental debtors	**121,022**	99,455
Other debtors	**1,005,146**	1,113,113
Prepayments and accrued income	**106,891**	50,494
	1,233,059	1,263,062
Amounts falling due in 2-5 years :		
Loans to employees	**8,297**	7,384
	1,241,356	1,270,446

Included within other debtors is £411,890 representing the grant shortfall on the completion and sale of the New Supply of Shared Equity properties at Mintlaw, which has been received post year end.

Loans are available to employees for the purchase of cars for business use.
Loans at 31/3/12 are to 5 employees, all for a period of up to 5 years at interest rates of 3.75 % and 4.45%.

16. CREDITORS DUE WITHIN ONE YEAR

	2012	Restated 2011
	£	£
Loans (see note 17)	**991,651**	914,758
Tax and social security	**69,728**	70,806
Accruals and deferred income	**1,533,809**	1,222,037
Rent in advance	**69,678**	106,126
Trade creditors	**441,118**	612,678
Other creditors	**1,067,072**	1,122,145
	4,173,056	4,048,550

17. CREDITORS DUE AFTER MORE THAN ONE YEAR

	2012 £	2011 £
Housing Property Finance		
Housing Loans	19,219,340	18,080,975
Commercial Property Finance		
Commercial Loan	595,777	623,508
Total creditors due after more than 1 year	19,815,117	18,704,483

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

	2012	2011
Within one year	991,651	914,758
From one to two years	1,008,350	886,884
Between two and five years	4,711,457	2,557,445
In five years or more	14,095,310	15,260,154
	20,806,768	19,619,241

The Association has mortgage loans totalling £1,860 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 £11,608,685 are at rates of 4.24% to 8.865%. Variable rate loans amounting to £9,196,222 are at rates of 0.23% to 1% above base rate (currently 0.5%) or 3 month libor (currently 1.08%).
The final repayment date for loans is March 2052.

18. CALLED UP SHARE CAPITAL

	2012 £	2011 £
Allotted, issued and fully paid		
Opening balance	61	62
Issued during year	2	-
Transfer to capital reserve	(3)	(1)
Closing balance	60	61

19. CAPITAL RESERVE

	2012 £	2011 £
Opening balance	110	109
Transfer from share capital	3	1
Closing balance	113	110

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

20. DESIGNATED RESERVES

Planned Maintenance Reserve	2012 £	2011 £
Opening balance - as reported	-	2,258,772
Prior period adjustment	-	(1,389,824)
Opening balance - as restated	**1,423,341**	868,948
Additions in year	**1,691,372**	1,605,026
Expenditure in year	**(1,183,219)**	(854,855)
Prior period adjustment	-	(195,778)
	1,931,494	1,423,341
Service Equipment Replacement Reserve		
Opening balance	**1,310,242**	1,284,778
Additions in year	**255,526**	255,823
Expenditure in year	**(303,829)**	(230,359)
	1,261,939	1,310,242
Total designated reserves	**3,193,433**	**2,733,583**

21. REVENUE RESERVES

	2012 £	2011 £
Opening balance	2,779,595	2,927,713
Surplus for the year	2,358,258	431,738
Transfer to designated reserves	(459,850)	(579,856)
Total revenue reserves	4,678,003	2,779,595

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

	2012 £	2011 £
Operating surplus	**2,880,803**	1,031,454
Depreciation	**1,087,523**	932,015
Non exchange acquisition	**(1,822,050)**	-
(Increase) in Stock	**(7,053)**	(2,551)
Decrease / (Increase) in Current Asset work in progress	**148,276**	(70,817)
Decrease / (Increase) in debtors	**91,812**	(302,912)
Increase in creditors	**87,867**	621,826
Net Cash Inflow from Operating Activities	**2,467,178**	2,209,015

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

	2012 £	2011 £
Increase in cash	**747,750**	909,380
(Increase) in debt	**(1,187,527)**	(3,260,725)
Cash flow from management of liquid resources	**461,464**	(162,704)
Movement in net debt in period	**21,687**	(2,514,049)
Net debt at 1 April 2011	**(16,760,910)**	(14,246,861)
Net debt at 31 March 2012	**(16,739,223)**	(16,760,910)

ANALYSIS IN CHANGES IN NET DEBT

	At 1 April 2011 £	Cash Flows £	At 31 March 2012 £
Cash at bank and in hand	2,037,990	747,750	2,785,740
Debt due within one year	(914,758)	(76,893)	(991,651)
Debt due after one year	(18,704,483)	(1,110,634)	(19,815,117)
Current asset investments	820,341	461,464	1,281,805
Net Debt	(16,760,910)	21,687	(16,739,223)

24. CONTRACTED EXPENDITURE COMMITMENTS

	2012 £	2011 £
Expenditure that has been contracted for but not provided for in the financial statements	398,585	663,150

The Association expects its contracted expenditure to be financed as follows:	2011 £	2010 £
Grants from Scottish Ministers	-	-
Other Grants	-	-
Sale of NSSE units	-	48,193
Sale to other Housing Association	-	-
Loan finance	-	-
Own Reserves	398,585	614,957
	398,585	663,150

25. REVENUE COMMITMENTS

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

Expiring :	2012 £ Other	2011 £ Other
Within 1 year	25,413	6,219
Between 1 and 5 years	31,510	-
After more than 5 years	-	-
	56,923	6,219

26. LEGISLATIVE PROVISIONS

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

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

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

27. RELATED PARTY TRANSACTIONS

Transactions with related parties included in the Association's accounts for the year to 31/03/11	2012 £	2011 £
Devanha Limited		
Income	-	1,501,913
Expenditure	(3,750)	(13,500)
Grampian Community Care Charitable Trust :		
Income	83,747	41,884
Expenditure	(40,905)	(48,508)

Income from Grampian Community Care Charitable Trust of £22,182 (2011 : £13,188) was outstanding at 31/3/12
Income from Devanha of £0 (2011: £0) was oustanding at 31/03/12

28. PENSIONS

Castlehill Housing Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the State Pension 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 a further two defined benefit structures have been 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 was 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 operated the final salary with 1/60th accrual rate benefit structure both for active members and for new entrants.

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 9.0%. Member contributions varied between 7.2% and 9.2%.

As at the balance sheet date there were 74 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £1,613,582.. 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. 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 1/60th 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.

The Scheme's 30 September 2011 valuation is currently in progress and will be finalised by 31 December 2012. The results of the 2011 valuation will be included in next year's Disclosure Note.

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 provided a response in respect of the September 2008 actuarial valuation in August 2011, stating that it does not propose to take any scheme funding action under Part 3 of the Pensions Act 2004.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

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 2011. As of this date the estimated employer debt for the Association was £10,111,747.

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 2 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 past 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 were completed in 2009 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 preliminary triennial valuation results as at 30 September 2011 were received in March 2012 but, as the valuation will not be finalised until later this year, this disclosure note must still refer to the 2008 valuation results as the last completed valuation.
The Scheme Actuary's preliminary results for 30 September 20110 show that the Plan's assets at that date were £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

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.

The Pensions 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. A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009, as is required by legislation.

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 2011. As of this date the estimated employer debt for the Association was £67,660.

29. PRIOR YEAR ADJUSTMENTS

Component accounting

The changes required by SORP 2010 have resulted in prior year adjustments to fixed assets, grants, depreciation , the planned maintenance reserve and the reported surplus for 2011.
The capital cost of housing property is broken down into major components, with each component having its own expected useful life and depreciation method. Grant associated with components is amortised over the expected useful life of the component.
When a component is replaced it (and any grant associated with it) is written off and the cost of the replacement component is capitalised.
Previously any planned maintenance expenditure on replacement components was written off in the year of replacement.
Under component accounting annual depreciation charges are higher but the planned maintenance costs charged to the income and expenditure account are lower due to capitalisation of replacement components.
SORP 2010 requires that the financial statements are restated as though component accounting had always been applied and this has led to the prior period adjustments.
The effects of these adjustments has been to reduce the net assets of the Association by £1,389,824 at 31st March 2010, and by a further £195,778 as at 31st March 2011.
Net assets at 31st March 2011 were restated as £5,513,349 compared to the previously reported figure of £7,098,951.
The stated suplus in the 2011 financial statements has been reduced from £627,517 to £431,738.

Creditors

Grants repayable.

The grant levels due for schemes completed under the Devanha umbrella have been recalculated. As a result of these scheme reconciliations creditors due within one year has increased from £3,894,351 to £4,048,550.

Debtors

The grant levels due for schemes completed under the Devanha umbrella have been recalculated. In addition a scheme the Association bought from Grampian Housing Association was completed under budget, resulting in a sum of £165,000 due be repaid to the Association. The effect of these adjustments is to increase debtors due within one year from the reported £955,137 to £1,270,446.

The adjustments to debtors and creditors above have no effect on the net assets of the Association as they are simply balance sheet movements from grants to debtors and creditors.

30. CONTINGENT LIABILITIES

The Association may face a potential liability as a result of a possible shortfall in total grant payable to the partners involved in the Devanha volume procurement initiative; at this juncture it is not possible to either confirm or quantify this liability , as a result of which no provision is made for this heading. Actual final grant payable with respect to individual projects may vary from the original estimates; this would create an element of surplus grant within a cash limited total, which may or may not be sufficient to address specific shortfalls. The exact method of distribution of any surplus grant between the parties is also yet to be determined. The RSL's in question are currently working with the Scottish Government to resolve this issue but, given that the final projects in the programme remain incomplete, it may take until 2013 to obtain clarity.

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 3 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 3, 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

25 JUNE 2012