Castlehill Housing Association Limited

Annual Report

For the year ended 31 March 2016

Registered no: L0968
Charity no: SC013584

CASTLEHILL HOUSING ASSOCIATION LIMITED

Financial Statements
For the year ended 31 March 2016

Members, executive officers and advisers

Committee of management

Mrs J Lyon (Convener)
Mr D Millar (Vice Convener)
Mr G Kyle
Mrs K Mason
Mr A Morrison (appointed 27.04.15, resigned 05.09.15)
Mr G Nicol
Mr J Nicoll
Mr G Ogston
Mr I Thomson
Mr J Tomlinson
Mrs S Williamson

Registered Auditors

Anderson Anderson & Brown LLP
Kingshill View
Kingswells
Aberdeen
AB15 8PU

Solicitors

Burness Paull LLP
Union Plaza
Union Wynd
Aberdeen
AB10 1SL

Bankers

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

Executive officers

Mr D Lappin (Chief Executive/Secretary)
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 2016

The committee of management presents its report and the audited financial statements for the year ended 31 March 2016.

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 Statement of Comprehensive Income on page 7.

The deficit for the year ended 31 March 2016 has arisen due to the increase in the pension provision. The pension provision is based on the net present value of the pension deficit reduction contributions. The surplus for the year excluding the pension provision was £551k as shown below:

	2016 £'000	2015 £'000
(Deficit)/surplus for the year	(128)	995
Increase/(decrease) in pension provision (Note 29)	679	(70)
Surplus for the year before pension provision	551	925

The members of the committee of management are of the opinion that the state of affairs of the Association, as shown on the Statement of Financial Position on page 8, is satisfactory.

During 2015/16 Castlehill Housing Association started the development of 38 properties at Westgate, Inverurie and has agreed to develop a further 8 properties as a second phase of this site during 2016/17.

Proposals are still to be finalised for the development of a site at Mugiemoss road in Aberdeen where 16 flats will be built for mid-market rent and 22 flats for affordable rent. Also, there is a potential development for 36 semi-detached houses at Maidencraig, Aberdeen. It is expected that both these sites will be under way by autumn 2016 and will complete in 2017.

Further development opportunities are being considered in Aberdeen, Inverurie, Mintlaw and Balmedie and they will all be progressed throughout 2016/17. The increase in the grant levels and level of funding; the release of more development land around Aberdeen and the downturn in private house sales locally have all contributed to the significant increase in opportunities for development over the next few years.

Changes in fixed assets

Details of fixed assets are set out in notes 13 and 15.

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 Association'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 surplus or deficit of the Association for the year ended on that date. In preparing those financial statements the committee is required to:-

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

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

The committee acknowledges its responsibility for ensuring that the Association establishes and maintains a system of internal financial controls appropriate to the environment in which it operates. These controls are designed to give reasonable assurance with respect to the reliability of financial information used by the Association, the maintenance of proper accounting records and the safeguarding of assets against unauthorised use or disposition.
It is recognised that such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

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

Statement of committee's responsibilities

The committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016 and until 25 July 2016. 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 AUDITORS' 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 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement 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 any information that is apparently incorrect based on, or materially inconsistent with the knowledge acquired during the course of performing the audit. 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 2016 and of its deficit 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 Co-operative and Community Benefits Societies Act 2014, The Co-operative and Community Benefits and Credit Union Act 2010 (commencement no 2) Order 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - December 2014.

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
Kingshill View
Prime Four Business Park
Kingswells
Aberdeen
AB15 8PU
25 JULY 2016

CASTLEHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016	Restated 2015
		£	£
Turnover	3	**10,210,745**	10,258,115
Less : Operating Costs	3	**(9,773,347)**	(8,710,523)
Operating Surplus		**437,398**	1,547,592
Surplus on Sales of Fixed Assets		**129,917**	180,556
Surplus on Operating Activities before Interest		**567,315**	1,728,148
Interest Receivable	10	**28,672**	13,901
Interest Payable	11	**(723,964)**	(746,795)
(Deficit)/Surplus for Year		**(127,977)**	995,254
Total comprehensive income for the year		**(127,977)**	**995,254**

All of the Association's activities relate to continuing operations. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102 (note 28).

The notes on pages 10 to 36 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2016

	Notes	£	2016 £	Restated 2015 £
Tangible Fixed Assets				
Social housing properties	13		**92,171,484**	92,002,773
Investment in subsidiary	14		**1,822,051**	1,822,051
Other Fixed Assets	15		**1,111,586**	1,183,855
			95,105,121	95,008,679
Current Assets				
Stocks		**7,329**		8,730
Debtors	16	**476,305**		896,093
Cash on term deposit		**2,413,383**		2,393,612
Cash at bank and in hand		**1,279,214**		1,712,269
		4,176,231		5,010,704
Creditors				
Amounts falling due within one year	17	**(4,784,274)**		(5,327,569)
Net Current Assets			**(608,043)**	(316,865)
Total Assets less Current Liabilities			**94,497,078**	94,691,814
Creditors				
Amounts falling due after more than one year	18		**(73,993,067)**	(74,739,082)
Provision for liabilities				
Pension liability	30		**(2,884,124)**	(2,204,868)
Net Assets			**17,619,887**	17,747,864
Capital and Reserves				
Share Capital	19		**63**	63
Capital Reserve	20		**115**	115
Revenue Reserve	22		**17,619,709**	17,747,686
			17,619,887	17,747,864

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102 (note 28).
The notes on pages 10 to 36 were approved by the Committee of Management
on 25 July 2016 and were signed on its behalf by :

Committee member

Committee member

Chief Executive/Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016	2016	2015
		£	£	£
Net cash inflow from operating activities	23		**1,922,468**	2,194,329
Cash flow from investing activities				
Improvement and construction of properties		**(2,431,299)**		(2,548,589)
Purchase of other fixed assets		**(2,485)**		(47,831)
Receipts from the sale of tangible fixed assets		**281,264**		465,820
Interest Received		**28,672**		13,901
Net cash flow from investing activities			**(201,380)**	77,630
Cash flow from financing activities				
Interest paid		**(723,964)**		(746,795)
Grants repaid		**-**		0
Grant received		**1,141,000**		766,272
Issue of share capital		**-**		2
Repayment of bank loans		**(1,065,925)**		(980,024)
Receipts of mortgages and other loans		**436,985**		459,922
Net cash outflow from financing activities			**(211,904)**	(500,623)
Net change in cash and cash equivalents			**(413,284)**	(422,993)
Cash and cash equivalents at 1 April			**4,105,881**	4,528,874
Cash and cash equivalents at 31 March			**3,692,597**	4,105,881
Cash and cash equivalents at 31 March				
Cash at bank and in hand			**1,279,214**	1,712,269
Cash on term deposit			**2,413,383**	2,393,612
Bank overdraft			**-**	-

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

The notes on pages 10 to 36 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2016

1 Accounting policies

The principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements of the Association are prepared in accordance with the Companies Act 2006, applicable accounting standards, the accounting requirements included within the Determination of Accounting Requirements 2012, and under the historical cost accounting basis. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 ("SORP 2014), issued by the National Housing Federation and under FRS 102.

Castlehill Housing Association Limited is a public benefit entity.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

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

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.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is now recognised as income using the performance model in accordance with the SORP 2014. Prior to satisfying the performance conditions (e.g. on completion of new build properties), such grants are held as deferred income on the statement of financial position. Once the conditions are satisfied the grant is recognised as income on a systematic basis over the expected useful life of the components. If a property component is replaced before the end of its useful life and there is no obligation to repay the grant, any unamortised grant remaining within deferred income in the Statement of financial position related to this asset is recognised as revenue in the Statement of comprehensive income. The effects of these restatements are shown in Note 28.

Related party transactions

Castlehill is involved in the management of three companies that are classed as related parties.

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 1 October 2011.

Castlehill Solutions Ltd was incorporated on 20 September 2011 as a mid-market housing provider. In addition, the company operates a small repair service which associated with the Care & Repair Service operated by Castlehill Housing Association Ltd. Both of these activities are the subject of a service Level Agreement between Castlehill Solutions Ltd and Castlehill Housing Association Ltd. Signed on 4 November 2013.

Details of transactions during the year to 31 March 2016 between Castlehill and these companies are given in note 26.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measure initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term creditors are measured at transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Cash and cash equivalents

Cash comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

Pensions

Castlehill Housing Association Limited participates in a defined benefit pension scheme, The Social Housing Pension Scheme, which is independently managed by The Pensions Trust ("the Trust"). The Trust provides benefits based on final pensionable pay, which is contracted out of the State Second Pension. Assets and liabilities of the Trust are held separately from those of the Association.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement, the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value calculated using the discount rate is detailed in note 29.

Fixed assets – social housing properties

In accordance with SORP 2014, the Association operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

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

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

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

All other works are charged to the Statement of Comprehensive Income.

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.

Depreciation and impairment

Depreciation has been charged on housing properties, calculated in accordance with the component accounting requirements of SORP 2014.

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Association's asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional resources. Freehold land is not subject to depreciation.

The components and their expected useful lives are as follows:

• Land	No depreciation
• Structure	60 years
• Kitchen General Needs	17 years
• Kitchen Sheltered	20 years
• Bathroom	20 years
• Heating System	20 years
• Boiler	15 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

Other tangible fixed assets

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

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

Investment properties

Commercial properties are held as investment properties and not subject to depreciation, they are held at existing use value and are subject to revaluation by an independent professional advisor qualified by the Royal Institute of Chartered Surveyors to undertake valuation. Commercial properties are re-valued at least every five years.

Changes in the valuation of investment properties are reported in the Statement of Comprehensive Income.

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.

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.

Interest income

Interest income is recognised in the statement of comprehensive income.

Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income.

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Housing Association Grant and other capital grants

Housing Association Grant ("HAG") is received from central government and local authorities and is utilised to subsidise the costs of housing properties.

HAG received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the statement of comprehensive income over the expected useful life of the asset as noted in Note 1 – grant income.

Properties are disposed of under the provisions contained in the Housing (Scotland) Act 2010. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is accounted for as a liability. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

Provisions

The Association only provides for liabilities at the year end where there is a legal or constructive obligation incurred which will likely result in the outflow of resources.

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.

Taxation

As a charity, Castlehill Housing Association Limited is exempt from corporation tax on its activities by virtue of Section 505 (1) Income & Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

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

Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements, requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of financial position date and the amounts reported during the year for revenue and costs. However, the nature of estimation means that actual outcomes could differ from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following judgements and estimates have had the most significant impact on amounts recognised in the financial statements.

Operating lease commitments

The Association has entered into commercial property leases and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating for finance lease requires the Association to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

The following are the Associations key sources of estimation uncertainty:

Bad and doubtful debts

The Association makes an assessment of the recoverable value of trade and other debtors. Provision is made again rent arrears of current and former tenants over 16 weeks as well as considering various factors such as the payment profile of debtors and historical experience.

Depreciation and grant amortisation

The annual depreciation charge for tangible fixed assets is sensitive to changes in useful economic lives. They are assessed where necessary to reflect current estimates for each component as noted in the depreciation accounting policy. Any grant relating to properties is also based on the associations estimate of each components useful life.

2 Going Concern - Basis of accounts preparation

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

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Notes	**Turnover**	**Operating cost**	**Operating surplus/ (deficit)**	Restated Operating surplus/ (deficit) 2015
		£	£	£	£
Social lettings	4	9,473,325	(8,369,135)	1,104,190	1,606,730
Other Activities	5	737,420	(1,404,212)	(666,792)	(59,138)
Total		**10,210,745**	**(9,773,347)**	**437,398**	1,547,592
Totals for previous reporting period (restated)		10,258,115	(8,710,523)	1,547,592	

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 2015
	£	£	£	£	£	£
Rent receivable net of identifiable service charges	4,188,593	1,895,333	50,862	210,934	**6,345,721**	6,102,726
Service Charges	322,422	969,654	14,306	141,311	**1,447,693**	1,374,910
Gross rents receivable	4,511,015	2,864,987	65,168	352,244	**7,793,414**	7,477,636
less : Rent losses from voids	(19,953)	(92,127)	-	1	**(112,079)**	(101,105)
Net income from rents and service charges	4,491,062	2,772,860	65,168	352,245	**7,681,335**	7,376,531
Grant released from deferred income	1,345,839	-	-	-	**1,345,839**	1,382,068
Grants from Scottish Ministers	10,460	49,621	70	-	**60,152**	163,277
Other revenue grants	1,435	384,564	-	-	**385,999**	363,350
Total turnover from social letting activities	5,848,796	3,207,045	65,238	352,245	**9,473,325**	9,285,226
Management and maintenance administration costs	1,340,436	656,917	13,021	72,261	**2,082,635**	1,904,198
Service Costs	178,162	1,354,218	14,306	135,725	**1,682,411**	1,567,083
Planned and cyclical maintenance	451,497	374,053	12,454	-	**838,004**	609,852
Reactive Maintenance Costs	868,739	711,342	20,113	-	**1,600,194**	1,440,767
Bad Debts	38,859	15,791	-	-	**54,650**	119,134
Depreciation of housing properties	1,441,040	668,904	1,297	-	**2,111,241**	2,037,462
Operating costs for social letting activities	4,318,733	3,781,225	61,192	207,986	**8,369,135**	7,678,496
Operating surplus/(deficit) on social lettings	1,530,063	(574,180)	4,047	144,260	**1,104,190**	1,606,730
Operating surplus/(deficit) for previous reporting period (restated)	1,336,409	71,047	12,623	186,651	1,606,730	

The disclosure of turnover, operating costs and operating surplus from affordable letting activities reflects the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

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)	Restated Operating surplus/(deficit) for 2015
	£	£	£	£	£	£	£	£	£
Care and Repair	-	375,815	-	-	375,815	-	(386,306)	(10,491)	(145,731)
Adaptations Service	-	-	-	-	-	-	(335)	(335)	(1,316)
Development Activities	425	-	-	-	425	-	(75,893)	(75,468)	(70,156)
Support Activities	-	-	84,601	-	84,601	-	(109,281)	(24,680)	(21,308)
Community Care Charitable Trust	-	-	-	142,710	142,710	-	(144,467)	(1,757)	12,629
Castlehill Solutions Ltd	-	-	-	4,801	4,801	-	-	4,801	(10,558)
Investment properties	-	-	-	85,630	85,630	-	-	85,630	70,303
Pension liability movement (note 29)	-	-	-	-	-	-	(679,256)	(679,256)	70,541
Other	-	-	-	43,438	43,438	-	(8,674)	34,764	36,458
Total from other activities	425	375,815	84,601	276,579	737,420	-	(1,404,212)	(666,792)	(59,138)
Total from other activities for the previous reporting period (restated)	-	536,395	76,533	359,961	972,889	-	(1,032,027)	(59,138)	

6. ACCOMMODATION IN MANAGEMENT

	General Needs	Sheltered Housing	Supported Housing	Shared Ownership	Managed Property	**Total Units**
Number of units at start of period	1,080	557	10	120	16	1,783
Added in year	-	-	-	-	-	-
Disposals in year	(1)	-	-	-	-	(1)
Number of units at end of period	1,079	557	10	120	16	1,782

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 :

	2016 £	2015 £
Total emoluments (including pension contributions and benefits in kind)	**83,761**	83,484
Emoluments (excluding pension contributions) of the highest paid director amounted to	**77,709**	76,562

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 £70,000 but less than £80,000.

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 £6,052 in the year (2015 : £5,962).
No loans have been advanced to any director or person connected with a director.

	2016 £	2015 £
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	**1,563**	1,922

8. EMPLOYEE INFORMATION

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

	2016	2015
Office Staff	**48**	55
Direct labour, scheme based staff & others	**33**	38
	81	93

	2016 £	2015 £
Staff Costs (including director's emoluments)		
Wages and salaries	**2,086,769**	2,186,502
Social security costs	**131,711**	126,445
Pension costs	**295,997**	314,491
	2,514,476	2,627,438

9. OPERATING SURPLUS

	2016 £	2015 £
Operating surplus is stated after charging :		
Pension liability increase/(decrease) (Note 29)	**679,256**	(70,541)
Auditors' remuneration		
- in their capacity as auditors of the Association	**19,284**	16,450
- for other services	**17,850**	-

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £	2015 £
Interest receivable	**28,672**	13,901

11. INTEREST PAYABLE AND SIMILAR CHARGES

	2016	2015
	£	£
Interest payable wholly or partly in more than 5 years :		
On loans from The Scottish Government		64
Interest payable to other lenders	723,964	746,731
	723,964	746,795

12. TAXATION

The Association has charitable status for tax purposes.

13. TANGIBLE FIXED ASSETS - SOCIAL HOUSING PROPERTIES

	Completed Houses held for Letting	Houses for Letting under Construction	Completed Shared Ownership Housing	Total
	£	£	£	£
Cost				
Opening balance	109,476,565	3,147,701	4,650,464	117,274,730
Schemes completed	33,401	(33,401)	-	-
Additions	974,610	1,456,689	-	2,431,299
Disposals	(396,684)	(69,955)	-	(466,639)
Closing balance	110,087,892	4,501,034	4,650,464	119,239,390
Depreciation				
Opening balance	25,271,957	-	-	25,271,957
Additions	2,111,241	-	-	2,111,241
Disposals	(315,292)	-	-	(315,292)
Closing balance	27,067,906	-	-	27,067,906
Net book value at 31 March 2016	**83,019,986**	**4,501,034**	**4,650,464**	**92,171,484**
Net book value at 31 March 2015	84,204,608	3,147,701	4,650,464	92,002,773

A surplus of £129,566 (2015 : £180,556) was realised on disposals of housing property and % share change in shared ownership. Interest capitalised during the year amounted to £0 (2015 : £0)

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

14. TANGIBLE FIXED ASSETS - INVESTMENT IN SUBSIDIARY

	Subsidiary Company	Total
	£	£
Opening Balance	1,822,051	1,822,051
Additions	-	-
Disposals	-	-
Net Book Value at 31 March 2016	**1,822,051**	**1,822,051**

This investment relates to Grampian Community Care Charitable Trust.

The financial statements of Grampian Community Care Charitable Trust disclose a surplus for the year ended 31 March 2016 of £276,154 (2015 - £119,074). The total funds at 31 March 2016 were £3,062,371 (2015 - £2,786,217).

15. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS

	Investment Property	Office Buildings	Vehicles Furniture & Equipment	Total
	£	£	£	£
Cost				
Opening balance	857,895	632,700	642,528	2,133,123
Additions	-	-	2,485	2,485
Closing balance	857,895	632,700	645,013	2,135,608
Depreciation				
Opening balance	-	568,096	381,172	949,268
Charge for year	-	16,151	58,603	74,754
Closing balance	-	584,247	439,775	1,024,022
Net book value at 31 March 2016	**857,895**	**48,453**	**205,238**	**1,111,586**
Net book value at 31 March 2015	857,895	64,604	261,356	1,183,855

The commercial property and the office building are heritable properties.

Investment property was valued by an independent professional advisor J & E Shepherd on 31 March 2015 in accordance with the appraisal and valuation manual of the RICS. Commercial property is subject to valuation at least every five years.

In determining the valuation of investment property , it is assumed that there are no restrictions on the ability to realise the investment property or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

16. DEBTORS

	2016	2015
	£	£
Amounts falling due within one year :		
Rental debtors	**189,657**	191,810
less provision for bad and doubtful debts	**(17,622)**	(63,448)
Net rental debtors	**172,035**	128,362
Other debtors	**48,482**	495,423
Amount due from related parties	**54,493**	117,847
Prepayments and accrued income	**95,462**	103,620
	370,472	845,252
Amounts falling due in 2-5 years :		
Loans to employees	**5,833**	4,833
Amount due from related parties	**100,000**	46,008
	476,305	896,093

Loans are available to employees for the purchase of cars for business use.
Loans at 31 March 2016 are to 3 employees, all for a period of up to 5 years at an interest rate of 3.75 %.

17. CREDITORS DUE WITHIN ONE YEAR

	2016	2015
	£	£
Housing loans	**1,128,230**	976,507
Tax and social security	**40,748**	59,203
Accruals and deferred income	**772,603**	1,149,530
Deferred grant income	**1,106,352**	1,345,839
Rent in advance	**102,383**	131,484
Trade creditors	**769,839**	839,523
Amount due to related parties	**7,948**	16,208
Other creditors	**856,171**	809,275
	4,784,274	5,327,569

18. CREDITORS DUE AFTER MORE THAN ONE YEAR

	2016 £	Restated 2015 £
Housing loans	18,863,780	19,614,108
Commercial loan	501,247	531,582
Deferred grant income	54,628,040	54,593,392
	73,993,067	74,739,082

Loans

Loans are secured by specific charges on the Association's properties. The Association also has fixed and variable rate loans with banks and building societies. Fixed rate loans amounting to £6,219,920 are at rates of 3.81% to 8.865%. Variable rate loans amounting to £14,273,337 are at rates of 0.23% to 1% above base rate (currently 0.5%) or 3 month libor (currently 0.527%). The Association has a fixed loan with the Energy Savings Trust over 10 years.The final repayment date for loans is March 2052. Borrowings are repayable as follows:

	2016 £	2015 £
Within one year	1,128,230	976,507
From one to two years	1,159,183	1,204,604
Between two and five years	5,907,893	6,146,839
In five years or more	12,297,951	12,794,247
	20,493,257	21,122,197

The deferred income balance is made up as follows:

	Housing Association Grant £	Other Grants £	Total Deferred Income £
Deferred income as at 1 April 2015	55,939,231	-	55,939,231
Additional income received	1,141,000	-	1,141,000
Released to the Statement of Comprehensive Income	(1,345,839)	-	(1,345,839)
Deferred income as at 31 March 2016	55,734,392	-	55,734,392
Included in creditors as follows:			
Amounts due within one year			1,106,352
Amounts due after more than one year			54,628,040
			55,734,392

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid	2016 £	2015 £
Opening balance	63	61
Issued during year	-	2
Transfer to capital reserve	-	-
Closing balance	63	63

20. CAPITAL RESERVE

	2016 £	2015 £
Opening balance	115	115
Transfer from share capital	-	-
Closing balance	115	115

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

21. DESIGNATED RESERVES

Planned Maintenance Reserve	2016 £	2015 £
Opening balance	-	818,649
Additions in year		-
Expenditure in year	-	-
Transfer during the year	-	(818,649)
	-	-

21. DESIGNATED RESERVES (continued)

Service Equipment Replacement Reserve	**2016** **£**	2015 £
Opening balance	-	1,364,515
Transfer during the year	-	(1,364,515)
	-	-
Total designated reserves	-	-

22. REVENUE RESERVES

	2016 **£**	2015 £
Opening balance	**17,747,686**	16,752,432
Surplus for the year	**(127,977)**	995,254
Total revenue reserves	**17,619,709**	17,747,686

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

	2016 **£**	2015 £
(Deficit)/Surplus for the year	**(127,977)**	995,254
Depreciation	**2,185,995**	2,131,031
Decrease / (increase) in Stock	**1,401**	(3,157)
Decrease in debtors	**435,366**	384,467
Decrease in creditors	**(1,137,692)**	(1,865,604)
Gain on fixed asset	**(129,917)**	(180,556)
Interest payable	**723,964**	746,795
Interest receivable	**(28,672)**	(13,901)
Net Cash Inflow from Operating Activities	**1,922,468**	2,194,329

24. REVENUE COMMITMENTS

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

Expiring :	**2016** **£** **Land & Buildings**	**2016** **£** **Other**	2015 £ Land & Buildings	2015 £ Other
Within 1 year	-	**15,891**	-	15,891
Between 1 and 5 years	-	**10,223**	-	25,806
After more than 5 years	-	-	-	-
	-	**26,114**	-	41,697

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

	2016	2015
	£	£
Throughout the year the company had two subsidiary companies, Castlehill Solutions Limited and Grampian Community Care Charitable Trust		
Transactions with related parties included in the Association's accounts for the year to 31 March 2016.		
Related Party **Transactions**		
Grampian Community Care Charitable Trust:		
Management charges including repair and developemnt charges	**190,253**	143,010
Castlehill Solutions Limited:		
Sales	**182,361**	232,083
Purchases	**(43,611)**	(69,055)
Management charges	-	15,000
Loan drawn down	**53,992**	-

Amount due from Grampian Community Care Charitable Trust of £11,727 (2015 : £43,305) and from Castlehill Solutions Ltd of £135,267 (2015: £104,341)

27. CONTINGENT LIABILITIES

Housing Association Grants provided by the Scottish Government have been provided for the purpose of funding social housing. In the event of sale of any property to which grant is attached the grant is repayable to the Scottish Government.

28 PRIOR YEAR ADJUSTMENTS

The following were changes in accounting policies arising from the transition to FRS 102:

Recognition of grant income

Previously capital grants received were netted off against the cost of housing properties in the statement of financial position. The grants were allocated to both the land and the structure cost of each property and the element relating to the structure was amortised over the useful life of the property. This amortisation was offset against the depreciation cost that was included in the statement of comprehensive income. In line with the Housing SORP 2014 and FRS 102, grant received by the Association is now recognised as deferred income within creditors in the statement of financial position. The grant is allocated to the housing property components (excluding land) and the grant is then released in full to the statement of comprehensive income on a systematic basis over the useful life of the housing property components. The result of this change is to increase the grant amortisation given that the full grant is amortised with no element being allocated to land.

Pension liability

The Association participated in the multi-employer defined benefit Scottish Housing Pension Scheme (SHPS) and the Growth Plan (GP). The cost of the scheme has been accounted for on a defined contribution basis as it has not been possible to separately identify the underlying assets and liabilities of individual participating employers.

Under the SORP, the past service deficit liability is included in the Statement of Financial Position. This has resulted in the inclusion of the net present value of the committed deficit reduction contributions being recorded within provision for liabilities on the statement of financial position, and adjustments to operating cost as a result of the liability of the results of the SHPS and GP valuation within the Association's pension liability on the Statement of Financial Position.

Designated reserve

The designated reserve has been released in full to the revenue reserve as reflected in Notes 21 and 22.

28. PRIOR YEAR ADJUSTMENTS (continued)

	Notes	As previously stated 01 April 2014 £	Effect of transition 01 April 2014 £	FRS 102 as restated 01 April 2014 £	As previously stated 31 March 2015 £	Effect of transition 31 March 2015 £	FRS 102 as restated 31 March 2015 £
Statement of Financial Position							
Social housing properties	13	24,857,848	66,919,062	91,776,910	25,577,494	66,425,279	92,002,773
Investment in subsidiary	14	1,822,051	0	1,822,051	1,822,051	0	1,822,051
Other Fixed Assets	15	1,229,594	0	1,229,594	1,183,855	0	1,183,855
Stock		5,574	0	5,574	8,730	0	8,730
Debtors	16	1,280,560	0	1,280,560	896,093	0	896,093
Cash		4,528,874	0	4,528,874	4,105,881	0	4,105,881
Creditors: due within one year	17	(4,083,257)	0	(4,083,257)	(3,981,730)	0	(3,981,730)
Creditors: due after more than one year	18	(20,666,848)	(56,865,439)	(77,532,287)	(20,145,690)	(55,939,231)	(76,084,921)
Pension liability		0	(2,275,409)	(2,275,409)	0	(2,204,868)	(2,204,868)
Net assets		8,974,396	7,778,214	16,752,610	9,466,684	8,281,180	17,747,864
Share capital	19	61	0	61	63	0	63
Capital reserve	20	115	0	115	115	0	115
Designated Reserve	21	2,183,163	(2,183,163)	0	2,328,114	(2,328,114)	0
Revenue reserve excluding pension reserve	22	6,791,057	9,961,377	16,752,434	7,138,392	10,609,294	17,747,686
Capital and reserves		8,974,396	7,778,214	16,752,610	9,466,684	8,281,180	17,747,864
Statement of Comprehensive Income							
Turnover		8,703,646	1,177,932	9,881,578	8,808,047	1,450,068	10,258,115
Operating costs		(7,722,204)	(802,263)	(8,524,467)	(7,763,423)	(947,100)	(8,710,523)
Other income and gains		271,634	0	271,634	180,556	0	180,556
Finance income		41,208	0	41,208	13,901	0	13,901
Finance charges		(715,686)	0	(715,686)	(746,795)	0	(746,795)
Surplus		578,598	375,669	954,267	492,286	502,968	995,254

29 Pension

Present value of provision

	31 March 2016 £'000	31 March 2015 £'000
Social housing pension scheme	2,826	2,152
Growth plan	58	53
Total provision	2,884	2,205

	31 March 2016 £'000	31 March 2015 £'000
Opening provision	2,205	2,275
Movement in year		
-increase/(decrease) in liability	639	(134)
-unnwinding of discount factor (finance charge)	40	64
Closing provision	2,884	2,205

The provision as at 31 March 2016 is the present value of the deficit reduction contributions payable.

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

The association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore, the association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

29 Pension

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions	
Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement, the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

29 Pension

	31 March 2016 (£000s)	31 March 2015 (£000s)	31 March 2014 (£000s)
Present value of provision	2,826	2,152	2,220

PRESENT VALUES OF PROVISION

RECONCILIATION OF OPENING AND CLOSING PROVISION

	Period Ending 31 March 2016 (£000s)	**Period Ending** 31 March 2015 (£000s)
Provision at start of period	2,152	2,220
Unwinding of the discount factor (interest expense)	39	63
Deficit contribution paid	(243)	(234)
Remeasurement – impact of any change in assumptions	(18)	103
Remeasurements - amendments to the contribution schedule	896	-
Provision at end of period	2,826	2,152

INCOME AND EXPENDITURE IMPACT

Interest expense	39	63
Remeasurements – impact of any change in assumptions	(18)	103
Remeasurements – amendments to the contribution schedule	896	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the association.

ASSUMPTIONS

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.06	1.92	3.02

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

29 Pension

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

Year ending	31 March 2016 (£000s)	31 March 2015 (£000s)	31 March 2014 (£000s)
Year 1	335	243	234
Year 2	348	253	243
Year 3	362	264	253
Year 4	376	275	264
Year 5	329	286	275
Year 6	279	237	286
Year 7	289	185	237
Year 8	250	192	185
Year 9	208	150	192
Year 10	214	105	150
Year 11	110	108	105
Year 12	-	55	108
Year 13	-	-	55
Year 14	-	-	-
Year 15	-	-	-
Year 16	-	-	-
Year 17	-	-	-
Year 18	-	-	-
Year 19	-	-	-
Year 20	-	-	-

The association must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the association's balance sheet liability.

29 Pension

The Association offers the Growth Plan as an AVC investment option for members of SHPS.

The association participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore the association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3% each on 1st April)

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

29 Pension

PRESENT VALUES OF PROVISION

	31 March 2016 (£s)	31 March 2015 (£s)	31 March 2014 (£s)
Present value of provision	58,124	52,868	55,409

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2016 (£s)	**Period Ending** 31 March 2015 (£s)
Provision at start of period	52,868	55,409
Unwinding of the discount factor (interest expense)	865	1,468
Deficit contribution paid	(6,378)	(6,192)
Remeasurements - impact of any change in assumptions	(908)	2,183
Remeasurements - amendments to the contribution schedule	11,677	-
Provision at end of period	58,124	52,868

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2016 (£s)	**Period Ending** 31 March 2015 (£s)
Interest expense	865	1,468
Remeasurements – impact of any change in assumptions	(908)	2,183
Remeasurements – amendments to the contribution schedule	11,677	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the association.

ASSUMPTIONS

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.07	1.74	2.82

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

29 Pension

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

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31 March 2016 (£s)	31 March 2015 (£s)	31 March 2014 (£s)
Year 1	5,938	6,378	6,192
Year 2	6,116	6,569	6,378
Year 3	6,300	6,766	6,569
Year 4	6,489	6,969	6,766
Year 5	6,683	7,178	6,969
Year 6	6,884	7,393	7,178
Year 7	7,090	7,615	7,393
Year 8	7,303	7,844	7,615
Year 9	7,522	-	7,844
Year 10	3,874	-	-
Year 11	-	-	-
Year 12	-	-	-
Year 13	-	-	-
Year 14	-	-	-
Year 15	-	-	-
Year 16	-	-	-
Year 17	-	-	-
Year 18	-	-	-
Year 19	-	-	-
Year 20	-	-	-

The association must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the association's balance sheet liability.

Report by the independent auditors of Castlehill Housing Association Limited on internal financial control.

Basis of Opinion

Opinion

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 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 5, 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 July 2016