

Castlehill Housing Association Limited

Annual Report

For the year ended 31 March 2017

Registered no: L0968

Charity no: SC013584

CASTLEHILL HOUSING ASSOCIATION LIMITED

**Financial Statements
For the year ended 31 March 2017**

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Castlehill Housing Association Limited

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Members, executive officers and advisers

Committee of management

Mrs J Lyon (Convener)
Mr D Millar (Vice Convener)
Mr G Kyle
Mrs K Mason
Mr B Buchanan (appointed 25.04.16, resigned 01.03.17)
Mr G Nicol (resigned 29.08.16)
Mr J Nicoll
Mr G Ogston
Mr I Thomson
Mr J Tomlinson
Mrs S Williamson
Mr P King (Co opted 31.10.16)

Registered Auditors

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

Solicitors

Burness Paul 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) (resigned 31/7/17)
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 2017

The committee of management presents its report and the audited financial statements for the year ended 31 March 2017.

Principal activities

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

Review of business and future developments

During 2016/17 Castlehill Housing Association started the development of 58 properties at Corsmanhill Way, Inverurie of which 24 properties were completed and handed over at March 2017. The second phase should be complete by January 2018.

During 2017/18 Castlehill are developing 51 units at Countesswells which comprise 39 general needs units and 12 mid market units. The first handover of 15 flats is scheduled for July. There will be further handovers scheduled throughout the year with the final properties due by January/February 2018.

There are works on site from March 2017 at Mugiemoor Road/Stoneywood for 38 units of which there are 22 general needs units and 16 mid market units. It is anticipated that the 38 properties will be handed over in February/March 2018.

There are works on site from March 2017 for 12 units at Portstown, Inverurie. It is anticipated completion will be by January/February 2018.

The Association has lodged a planning application with Aberdeenshire Council to build a mixture of houses to the south of Balmedie and Chapelwell. Planning permission in principle has also been lodged for the balance of the site at Mintlaw. This is for about 73 units and it is hoped that this will be put before the Committee in June. Castlehill has purchased a new forecasting package from a consultant, Arneil Johnston, in order to better estimate the impact that further development will have on Castlehill's finances and reserves.

Proposals are still to be finalised for the development of a site at Mugiemoor road in Aberdeen where 16 flats will be built for mid-market rent and 22 flats for affordable rent. There is a potential development for 36 semi-detached houses at Maiden Craig, Aberdeen.

**Report of the management committee (continued)
For the year ended 31 March 2017**

Further development opportunities are being considered in Aberdeen, Inverurie, Mintlaw and Balmedie and they will all be assessed throughout 2017/18. With 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.

The Castlehill Management Committee decided to move the Care and Repair Service back to Castlehill and to discontinue the Small Repair Service under Castlehill Solutions Ltd. The Service Level Agreement between Castlehill Solutions Ltd and Castlehill Housing Association Ltd, which was signed on 4 November 2013 is no longer valid.

The Care and Repair service is due to be retendered during the 2017/18 period and will be retendered on the same basis as previously, which was over a five-year period in total with the initial bid being for 3 years, then an additional year and another additional year.

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 2017. 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

D Lappin

A handwritten signature in black ink, appearing to read 'D Lappin', with a horizontal line underneath the name.

**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 2017 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 2017 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 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, based on the work undertaken in the course of the audit, the information given in the Committee of Managements' report for the financial year for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Committee of Managements' Report.

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

31 JULY 2017

CASTLEHILL HOUSING ASSOCIATION LIMITED**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017****8**

	Notes	2017	2016
		£	£
Turnover	3	10,746,463	10,210,745
Less : Operating Costs	3	<u>(9,204,497)</u>	<u>(9,773,347)</u>
Operating Surplus		1,541,966	437,398
(Deficit)/surplus on Sales of Fixed Assets		<u>(34,033)</u>	<u>129,917</u>
Surplus on Operating Activities before Interest		1,507,933	567,315
Interest Receivable	10	21,328	28,672
Interest Payable	11	<u>(756,755)</u>	<u>(723,964)</u>
Surplus/(deficit) for Year		<u>772,506</u>	<u>(127,977)</u>
Actuarial loss in respect of pension schemes		<u>(76,712)</u>	<u>-</u>
Total comprehensive income for the year		<u>695,794</u>	<u>(127,977)</u>

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

The notes on pages 11 to 34 form part of these financial statements.

CASTLEHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

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	Notes	£	2017 £	2016 £
Tangible Fixed Assets				
Social housing properties	13			
Investment in subsidiary	14		98,071,692	92,171,484
Other Fixed Assets	15		1,822,051	1,822,051
			<u>1,052,739</u>	<u>1,111,586</u>
Current Assets				
Stocks			100,946,482	95,105,121
Debtors		13,412		7,329
Cash on term deposit	16	825,762		476,305
Cash at bank and in hand		1,369,027		2,413,383
		<u>2,159,042</u>		<u>1,279,214</u>
Creditors				
Amounts falling due within one year	17	4,367,262		4,176,231
		<u>(5,377,689)</u>		<u>(4,784,274)</u>
Net Current Assets				
			<u>(1,010,428)</u>	<u>(608,043)</u>
Total Assets less Current Liabilities				
			99,936,054	94,497,078
Creditors				
Amounts falling due after more than one year	18		(78,945,582)	(73,993,067)
Provision for liabilities				
Pension liability	28		(2,674,791)	(2,884,124)
Net Assets				
			<u>18,315,681</u>	<u>17,619,887</u>
Capital and Reserves				
Share Capital	19		63	63
Capital Reserve	20		115	115
Revenue Reserve	21		18,315,503	17,619,709
			<u>18,315,681</u>	<u>17,619,887</u>

The notes on pages 11 to 34 were approved by the Committee of Management on 31 July 2017 and were signed on its behalf by:

Gordon Kyle
D. Lappin

Committee member
G. KYLE

Committee member
J. LYON

Chief Executive/Secretary
D LAPPIN

CASTLEHILL HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

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	Notes	2017	2017	2016
		£	£	£
Net cash inflow from operating activities	22		2,079,934	1,922,468
Cash flow from investing activities				
Improvement and construction of properties		(8,154,216)		(2,431,299)
Purchase of other fixed assets		(11,264)		(2,485)
Receipts from the sale of tangible fixed assets		97,738		281,264
Interest Received		21,328		28,672
Net cash flow from investing activities			(8,046,414)	(201,380)
Cash flow from financing activities				
Interest paid		(756,755)		(723,964)
Grant received		6,213,805		1,141,000
Repayment of bank loans		(3,585,893)		(1,065,925)
Receipts of mortgages and other loans		3,930,795		436,985
Net cash inflow/(outflow) from financing activities			5,801,952	(211,904)
Net change in cash and cash equivalents			(164,528)	(413,284)
Cash and cash equivalents at 1 April			3,692,597	4,105,881
Cash and cash equivalents at 31 March			3,528,069	3,692,597
Cash and cash equivalents at 31 March				
Cash at bank and in hand			2,159,042	1,279,214
Cash on term deposit			1,369,027	2,413,383
Bank overdraft			-	-
			3,528,069	3,692,597

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 11 to 34 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2017**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 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.

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 operated a small repair service which associated with the Care & Repair Service supervised by Castlehill Housing Association Ltd. The Castlehill Management Committee decided to move the Care and Repair Service back to Castlehill and to discontinue the Care and Repair Service under Castlehill Solutions Ltd. The Service Level Agreement between Castlehill Solutions Ltd and Castlehill Housing Association Ltd, which was signed on 4 November 2013 is no longer valid.

Details of transactions during the year to 31 March 2017 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 measured 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. The 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 28.

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 – 20 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 against 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.

Castlehill Housing Association Limited

3 Particulars of turnover, operating costs and operating surplus

Notes	Turnover	Operating cost	Operating surplus/ (deficit)	Operating surplus/ (deficit) 2016	Total Housing	Total 2016
	£	£	£	£	£	£
Social lettings	9,643,287	(7,894,530)	1,748,757	1,104,190	6,483,688	6,345,721
Other Activities	1,103,176	(1,309,967)	(206,791)	(688,792)	1,456,243	1,447,693
Total	10,746,463	(9,204,497)	1,541,966	437,398	7,940,931	7,793,414
Totals for previous reporting period	10,210,745	(9,773,347)	437,398		(102,278)	(112,079)

4 Particulars of turnover, operating cost and operating surplus from social activities

	General Needs	Sheltered Housing	Supported Housing	Shared Ownership	Total Housing	Total 2016
	£	£	£	£	£	£
Rent receivable net of identifiable service charges	4,293,071	1,926,803	51,777	212,037	6,483,688	6,345,721
Service Charges	340,667	955,831	13,895	146,150	1,456,243	1,447,693
Gross rents receivable	4,633,738	2,882,434	65,672	358,187	7,940,931	7,793,414
less: Rent losses from voids	(25,377)	(76,548)	-	(354)	(102,278)	(112,079)
Net income from rents and service charges	4,608,361	2,805,887	65,672	357,833	7,837,752	7,681,335
Grant released from deferred income	1,341,744	-	-	-	1,341,744	1,345,839
Grants from Scottish Ministers	36,820	33,972	-	-	70,792	60,152
Other revenue grants	696	392,001	-	-	392,698	385,989
Total turnover from social letting activities	5,987,623	3,231,860	65,672	357,833	9,643,287	9,473,325
Management and maintenance administration costs	1,410,947	678,798	13,483	76,017	2,179,155	2,082,635
Service Costs	201,230	1,347,632	13,095	85,225	1,648,982	1,682,411
Planned and cyclical maintenance	321,897	260,138	-	-	582,034	638,004
Reactive Maintenance Costs	928,624	656,109	21,401	-	1,606,133	1,600,194
Reversal of pension payments	(341,161)	-	-	-	(341,161)	-
Bad Debts	95,548	2,022	-	-	97,570	54,850
Depreciation of housing properties	1,516,753	600,867	4,917	-	2,122,238	2,111,241
Operating costs for social letting activities	4,193,717	3,545,568	53,405	161,841	7,894,530	8,368,135
Operating surplus/(deficit) on social lettings	1,854,205	(313,708)	12,267	195,991	1,748,757	1,104,190
Operating surplus/(deficit) for previous reporting period (restated)	1,530,063	(574,160)	4,047	144,260	1,104,190	

The disclosure of turnover, operating costs and operating surplus from affordable letting activities reflects the requirements of the Housing SOBP 2014.

Castlehill Housing Association Limited

5 Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting People's Income	Other income	Total Turnover	Operating Costs bad debts	Other operating costs	Operating surplus/(deficit)	Operating surplus/(deficit) for 2018
	£	£	£	£	£	£	£	£	£
Care and Repair	-	664,627	-	-	664,627	-	(653,314)	11,313	(10,491)
Adaptations Services	-	-	-	70,792	70,792	-	(83,393)	(12,591)	(35)
Development Activities	-	-	-	5,230	5,230	-	(152,063)	(146,833)	(75,468)
Support Activities	-	-	72,842	-	72,842	-	(113,894)	(41,052)	(24,660)
Community Care Charitable Trust	-	-	-	142,860	142,860	-	(135,059)	7,801	(1,757)
Castlehill Solutions Ltd	-	-	-	-	-	-	-	-	4,801
Investment properties	-	-	-	71,309	71,309	-	(33,612)	37,697	85,630
Pension liability movement (note 28)	-	-	-	-	-	-	-	-	(679,256)
Other	-	-	-	75,516	75,516	-	(136,642)	(61,126)	34,784
Total from other activities	-	664,627	72,842	365,707	1,103,176	-	(1,309,967)	(206,791)	(666,792)
Total from other activities for the previous reporting period	425	375,815	84,601	276,579	737,420	-	(1,404,212)	(666,792)	

6 Accommodation in management

	General Needs	Sheltered Housing	Supported Housing	Shared Ownership	Managed Property	Total Units
Number of units at start of period	1,079	557	10	120	16	1,782
Added in year	26	-	-	-	-	26
Disposals in year	-	-	-	-	-	-
Number of units at end of period	1,105	557	10	120	16	1,808

Castlehill Housing Association Limited

7 Director's emoluments

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

	2017 £	2016 £
Total emoluments (including pension contributions and benefits in kind)	<u>83,108</u>	<u>83,761</u>
Emoluments (excluding pension contributions) of the highest paid director amounted to	<u>78,485</u>	<u>77,709</u>

No emoluments were paid to the Convener or to any committee member other than the Chief Executive/Secretary. Only one director received emoluments in excess of £60,000, this being the Chief Executive/Secretary whose emoluments excluding pension contributions fell in the band greater than £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 £4,624 in the year (2016 : £6,052).

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

	2017 £	2016 £
Total expenses reimbursed to the Chief Executive/Secretary and members of the Committee of Management in so far as not chargeable to United Kingdom Income Tax	<u>1,223</u>	<u>1,563</u>

8 Employee Information

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

	2017	2016
Office Staff	50	48
Direct labour, scheme based staff & others	<u>32</u>	<u>33</u>
	<u>82</u>	<u>81</u>

	2017 £	2016 £
Staff Costs (including director's emoluments)		
Wages and salaries	2,076,585	2,086,769
Social security costs	162,394	131,711
Pension costs	<u>306,173</u>	<u>295,997</u>
	<u>2,545,152</u>	<u>2,514,476</u>

9 Operating surplus

	2017 £	2016 £
Operating surplus is stated after charging :		
Pension liability increase (Note 28)	-	679,256
Auditors' remuneration		
- in their capacity as auditors of the Association	20,000	19,284
- for other services	<u>5,820</u>	<u>17,850</u>

10 Interest receivable and similar income

	2017 £	2016 £
Interest receivable	<u>21,328</u>	<u>28,672</u>

Castlehill Housing Association Limited

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11 Interest payable and similar charges

	2017 £	2016 £
Interest payable wholly or partly in more than 5 years :		
Interest payable to lenders	701,819	723,964
Interest on pension liability	55,136	-
	<u>756,755</u>	<u>723,964</u>

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	110,087,892	4,501,034	4,650,464	119,239,390
Schemes completed	2,437,696	(2,437,696)	-	-
Additions	925,698	7,228,518	-	8,154,216
Disposals	(631,353)	-	-	(631,353)
Closing balance	<u>112,819,933</u>	<u>9,291,856</u>	<u>4,650,464</u>	<u>126,762,253</u>
Depreciation				
Opening balance	27,067,906	-	-	27,067,906
Additions	2,122,238	-	-	2,122,238
Disposals	(499,583)	-	-	(499,583)
Closing balance	<u>28,690,561</u>	<u>-</u>	<u>-</u>	<u>28,690,561</u>
Net book value at 31 March 2017	<u>84,129,372</u>	<u>9,291,856</u>	<u>4,650,464</u>	<u>98,071,692</u>
Net book value at 31 March 2016	<u>83,019,986</u>	<u>4,501,034</u>	<u>4,650,464</u>	<u>92,171,484</u>

A deficit of £34,033 (2016 surplus : £129,917) was realised on disposals of housing property and % share change in shared ownership. Interest capitalised during the year amounted to £0 (2016 : £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 2017	<u>1,822,051</u>	<u>1,822,051</u>

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 2017 of £177,794 (2016 - £276,154). The total funds at 31 March 2017 were £3,240,165 (2016 - £3,062,371).

15 Tangible fixed assets - other fixed assets

	Investment Property	Office Buildings	Vehicles Furniture & Equipment	Total
	£	£	£	£
Cost				
Opening balance	857,895	632,700	645,013	2,135,608
Additions	-	-	11,264	11,264
Closing balance	<u>857,895</u>	<u>632,700</u>	<u>656,277</u>	<u>2,146,872</u>
Depreciation				
Opening balance	-	584,247	439,775	1,024,022
Charge for year	-	16,151	53,960	70,111
Closing balance	<u>-</u>	<u>600,398</u>	<u>493,735</u>	<u>1,094,133</u>
Net book value at 31 March 2017	<u>857,895</u>	<u>32,302</u>	<u>162,542</u>	<u>1,052,739</u>
Net book value at 31 March 2016	<u>857,895</u>	<u>48,453</u>	<u>205,238</u>	<u>1,111,586</u>

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

	2017 £	2016 £
Amounts falling due within one year :		
Rental debtors	219,306	189,657
less provision for bad and doubtful debts	(38,569)	(17,622)
Net rental debtors	<u>180,737</u>	<u>172,035</u>
Other debtors	429,626	48,482
Amount due from related parties	13,058	54,493
Prepayments and accrued income	<u>138,001</u>	<u>85,462</u>
	761,422	370,472
Amounts falling due in 2-5 years :		
Loans to employees	3,833	5,833
Amount due from related parties	<u>60,527</u>	<u>100,000</u>
	825,782	476,305

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

Loans at 31 March 2017 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

	2017 £	2016 £
Commercial Loans	30,530	30,553
Housing loans	1,126,756	1,097,677
Tax and social security	46,694	40,748
Accruals and deferred income	1,113,253	772,603
Deferred grant income	1,341,744	1,106,352
Rent in advance	88,100	102,383
Trade creditors	702,643	769,839
Amount due to related parties	-	7,948
Other creditors	<u>927,969</u>	<u>856,171</u>
	5,377,689	4,784,274

18 Creditors due after more than one year

	2017 £	2016 £
Housing loans	19,241,023	18,883,780
Commercial loan	439,850	501,247
Deferred grant income	59,284,709	54,628,040
	<u>78,945,582</u>	<u>73,993,067</u>

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 £7,512,671 are at rates of 3.81% to 8.625%. Variable rate loans amounting to £13,325,488 are at rates of 0.23% to 1% above base rate (currently 0.5%) or 3 month libor (currently 0.527%). The Association has 4 fixed loans with the Energy Savings Trust over 10 years. The final repayment date for loans is March 2052. Borrowings are repayable as follows:

	2017 £	2016 £
Within one year	1,157,286	1,128,230
From one to two years	1,181,330	1,159,183
Between two and five years	3,726,251	5,907,893
In five years or more	14,773,282	12,287,951
	<u>20,838,159</u>	<u>20,483,257</u>

The deferred income balance is made up as follows:

	Housing Association Grant £	Total Deferred Income £
Deferred income as at 1 April 2016		
Additional income received	55,734,392	55,734,392
Released to the Statement of Comprehensive Income	6,213,805	6,213,805
	<u>(1,341,744)</u>	<u>(1,341,744)</u>
Deferred income as at 31 March 2017	<u>60,606,453</u>	<u>60,606,453</u>
Included in creditors as follows:		
Amounts due within one year		1,341,744
Amounts due after more than one year		<u>59,264,709</u>
		<u>60,606,453</u>

19 Called up share capital

	2017 £	2016 £
Allotted, issued and fully paid		
Opening balance	63	63
Issued during year	-	-
Transfer to capital reserve	-	-
Closing balance	<u>63</u>	<u>63</u>

20 Capital reserve

	2017 £	2016 £
Opening balance	115	115
Transfer from share capital	-	-
Closing balance	<u>115</u>	<u>115</u>

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

21 Revenue reserves

	2017 £	2016 £
Opening balance	17,819,709	17,747,688
Surplus for the year	685,794	(127,977)
Total revenue reserves	<u>18,315,503</u>	<u>17,619,709</u>

22 Reconciliation of surplus for the year to net cash flow from operating activities

	2017 £	2016 £
Surplus/(deficit) for the year	695,794	(127,977)
Depreciation	2,192,349	2,185,995
Amoritsation of grant	(1,341,744)	(1,345,839)
Movement in pension fund	76,712	-
(Increase)/decrease in Stock	(6,083)	1,401
(Increase)/decrease in debtors	(349,477)	435,366
Increase in creditors	42,923	208,147
Loss/(gain) on fixed asset	34,033	(129,917)
Interest payable	756,755	723,964
Interest receivable	(21,328)	(28,672)
Net Cash Inflow from Operating Activities	2,079,934	1,922,468

23 Revenue commitments

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

	2017 £	2016 £
Expiring :	Other	Other
Within 1 year	15,068	15,891
Between 1 and 5 years	-	10,223
After more than 5 years	-	-
	15,068	26,114

24 Contracted expenditure commitments

Expenditure that has been contracted for but not provided for in the financial statements

	2017 £	2016 £
	6,073,592	-

The Association expects its contracted expenditure to be financed as follows:

	2017 £	2016 £
Loan finance	5,324,223	-
Grant/own reserves	749,369	-
	6,073,592	-

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

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 2017.

Related Party	Transactions	2017 £	2016 £
Grampian Community Care Charitable Trust:			
	Management charges including repair and development charges	203,692	190,253
Castlehill Solutions Limited:			
	Sales	12,482	182,361
	Purchases	-	(43,811)
	Loan interest	3,632	0
	Loan repaid/drawn down	(39,473)	53,982

Amount due from Grampian Community Care Charitable Trust of £12,301 (2016 : £11,727) and from Castlehill Solutions Ltd of £61,284 (2016: £135,267)

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.

Note 28 Pension

	31 March 2017 £'000	31 March 2016 £'000
Social housing pension scheme	2,620	2,826
Growth plan	55	58
Total provision	2,678	2,884
	31 March 2017 £'000	31 March 2016 £'000
Opening provision	2,884	2,205
Movement in year		
-increase/(decrease) in liability	(264)	639
-unwinding of discount factor (finance charge)	55	40
Closing provision	2,675	2,884

The provision as at 31 March 2017 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.

Note 28 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 From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 st April)	£40.6m per annum
Tier 2 From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 st April)	£28.6m per annum
Tier 3 From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)	£32.7m per annum
Tier 4 From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)	£31.7m per annum

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.

Note 28 Pension

PRESENT VALUES OF PROVISION

	31 Mar 2017 (£000s)	31 Mar 2016 (£000s)	31 Mar 2015 (£000s)
Present value of provision	2,620	2,826	2,152

RECONCILIATION OF OPENING AND CLOSING PROVISION

	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Provision at start of period	2,826	2,152
Unwinding of the discount factor (interest expense)	54	39
Deficit contribution paid	(335)	(243)
Remeasurement – impact of any change in assumptions	75	(18)
Remeasurements - amendments to the contribution schedule	-	896
Provision at end of period	2,620	2,826

INCOME AND EXPENDITURE IMPACT

Interest expense	54	39
Remeasurements – impact of any change in assumptions	75	(18)
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 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.33	2.06	1.92

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.

Note 28 Pension

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

Year ending	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Year 1	348	335	243
Year 2	362	348	253
Year 3	376	362	264
Year 4	329	376	275
Year 5	279	329	286
Year 6	289	279	237
Year 7	250	289	185
Year 8	208	250	192
Year 9	214	208	150
Year 10	110	214	105
Year 11	-	110	108
Year 12	-	-	55
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.

Note 28 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:

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

Unless a concession has been agreed with the Trustee the term to 30 September 2025 applies.

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.

Note 28 Pension

PRESENT VALUES OF PROVISION
RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	31 March 2017 (£s)	31 March 2016 (£s)	31 March 2015 (£s)
Present value of provision	55,034	58,124	52,868
		Period Ending 31 March 2017 (£s)	Period Ending 31 March 2016 (£s)
Provision at start of period		58,124	52,868
Unwinding of the discount factor (interest expense)		1,136	865
Deficit contribution paid		(5,938)	(6,378)
Remeasurements - impact of any change in assumptions		1,712	(908)
Remeasurements - amendments to the contribution schedule		-	11,677
Provision at end of period		55,034	58,124

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2017 (£s)	Period Ending 31 March 2016 (£s)
Interest expense	1,136	865
Remeasurements – impact of any change in assumptions	1,712	(908)
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 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.32	2.07	1.74

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.

Note 28 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 2017 (£s)	31 March 2016 (£s)	31 March 2015 (£s)
Year 1	6,116	5,938	6,378
Year 2	6,300	6,116	6,569
Year 3	6,489	6,300	6,766
Year 4	6,683	6,489	6,969
Year 5	6,884	6,683	7,178
Year 6	7,090	6,884	7,393
Year 7	7,303	7,090	7,615
Year 8	7,522	7,303	7,844
Year 9	3,874	7,522	-
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 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

31 JULY 2017

