

Registered number: L0968

Charity number: SC013584

**CASTLEHILL HOUSING ASSOCIATION LIMITED**  
**CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**CASTLEHILL HOUSING ASSOCIATION LIMITED**

**Consolidated Financial Statements  
For the year ended 31 March 2019**

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## CASTLEHILL HOUSING ASSOCIATION LIMITED

### MEMBERS, EXECUTIVE OFFICERS AND ADVISORS

<b>Committee of Management</b>	Mr D Millar (Convener) Mrs J Lyon (Vice Convener) Mr G Kyle Mr J Nicoll (resigned 27 August 2018) Mr G Ogston Mr I Thomson (resigned 12 June 2019) Mr J Tomlinson Mrs S Williamson (resigned 27 August 2018) Mr P King Mr C Stewart (resigned 31 March 2019) Mr K Willox (appointed 27 August 2018) Mr A Pilkington (co-opted 27 May 2019)
<b>Registered Auditors</b>	Anderson Anderson & Brown Audit LLP Kingshill View Kingswells Aberdeen AB15 8PU
<b>Solicitors</b>	Burness Paull LLP Union Plaza Union Wynd Aberdeen AB10 1SL
<b>Bankers</b>	Clydesdale Bank plc Principal Branch Queen's Cross Aberdeen AB15 4XU
<b>Executive Officers</b>	Mr D Lappin (Chief Executive/Secretary) Mrs J Ramsay (Director of Finance & Corporate Services) Mrs G Robertson (Director of Housing & Property Services)
<b>Registered Office</b>	4 Carden Place Aberdeen AB10 1UT

## **CASTLEHILL HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019**

The committee of management presents its report and the audited financial statements for the year ended 31 March 2019.

#### **Legal Status**

Castlehill Housing Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014. It is also a registered Scottish Charity with charity number SCO13584. The Association has two subsidiary companies: Castlehill Housing Trust (formerly Grampian Community Care Charitable Trust) which is also a registered Scottish Charity with charity number SCO25334 and limited by guarantee; and Castlehill Solutions Limited a limited liability company.

#### **Principal activities**

The principal activity of the Castlehill Housing Association is the provision of affordable rented accommodation. The principal activity of Castlehill Housing Trust is the provision of affordable specialised housing for people who are unable to live independently in the community. The principal activity of the Castlehill Solutions Ltd is the provision of mid- market rental properties.

#### **Review of business and future developments**

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 9. The Group's turnover for the year was £12,781,134 (2018: £12,117,180) and the surplus for the year was £1,127,213 (2018: £977,076), which will be transferred to reserves. The members of the committee of management are of the opinion that the state of affairs of the Group, as shown on the Statement of Financial Position on page 10, is satisfactory.

2018-19 was another busy year for development with a number of schemes completed. 38 properties were completed and handed over at Mugiemoss, Aberdeen comprising 32 properties for general rent and 6 for mid market rent. These mid market rental properties are leased to our subsidiary, Castlehill Solutions Ltd, and brings their total stock to 28 units as at 31 March 2019. We also completed 12 flats at Portstown, Inverurie and both of these developments were handed over in April/May 2018.

In the first quarter we handed over the final 8 units on Phase II of our development at Westgate, Inverurie and we are currently building Phase III of 8 additional properties on this site.

During the year we have substantially completed our development of 36 2 & 3 bedroom houses at Maidencraig, Aberdeen with handover of these properties taking place in the first quarter of 2019-20. This will provide much needed affordable homes within the city. In addition, the second phase of development at Portstown, Inverurie has commenced and these 24 properties comprising 12 flats and 12 houses are due to complete in the second half of 2019.

Looking forward to 2019-20 we will begin development on 3 new sites as follows:

- i) Mix of 29 flats and houses in Golden Knowes, Banff
- ii) 24 units in Forest Road, Kintore
- iii) 8 units in South Road, Insch

Outline planning permission has been granted by Aberdeenshire Council to build a mixture of houses to the south of Balmedie and Chapelwell. Detailed planning proposals will now be put to the Planning Committee in September with the expectation that planning permission in principal will be received by early 2020. The decision was taken during the year not to move forward with the development of homes at our site in Mintlaw. This land will now transfer back to Aberdeenshire Council.

## **CASTLEHILL HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

#### **Review of business and future developments (continued)**

Provision of Housing Management and Property Maintenance services remains a core activity for the Association. During the year both of these departments underwent a reorganisation and our property services team is now under the direction of our newly appointed Property Services Manager. The reorganisation will enable us to deliver an improved service to our tenants.

Our commitment to quality services is reflected in the results of our 2017 Tenants Survey that gave an overall satisfaction rating with the services Castlehill provides of 90%. The full Tenants Survey is due to be repeated in the early part of 2020. Castlehill remains a significant provider of Housing Support services both in our Sheltered Housing and through our Key Project, which supports the most vulnerable tenants to sustain their tenancy.

The Group continues to invest in maintaining the existing housing stock through its ongoing component replacement programme. During the year we spent a total of £1.3M on planned maintenance of which £920k was capitalised and represents replacement kitchens, bathrooms and heating systems.

Castlehill is committed to improving our housing using renewable technologies and addressing fuel costs in areas without mains gas. Our programme of renewable heating installation continues to grow with the most recent being a ground source system in Braemar.

Following a tendering exercise by Aberdeen City Council in 2018, Castlehill was awarded the contract to run Care & Repair services in the city, initially on a three-year term until 2021, with an additional extension of up to two years to be negotiated as part of the contract.

The members of the Management Committee are pleased to note that the other subsidiary of the Group, Castlehill Housing Trust (formerly Grampian Community Care Charitable Trust), made a surplus for the year of £143k.

#### **Changes in fixed assets**

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

#### **The committee of management and executive officers**

The committee of management and officers of the Association are listed on page 1.

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

## CASTLEHILL HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019 (continued)

#### 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.

The committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2019. 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.

CASTLEHILL HOUSING ASSOCIATION LIMITED



REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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.

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Secretary - D Lappin

29 July 2019

Date

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CASTLEHILL HOUSING ASSOCIATION LIMITED**



**Opinion**

We have audited the consolidated financial statements of Castlehill Housing Association Limited for the year ended 31 March 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in reserves and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly 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 - April 2015.

**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Use of our report**

This report is made solely to the Group's members, as a body. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an Auditors' 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 Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Committee of Managements' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Committee of Management have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CASTLEHILL HOUSING ASSOCIATION LIMITED (continued)**



**Other information**

The Committee of Management are responsible for the other information. The other information comprises the information included in the Committee of Managements' report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters 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 report of the Committee of Management' for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the Committee of Management has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CASTLEHILL HOUSING ASSOCIATION LIMITED (continued)



**Responsibilities of the Committee of Management**

As explained more fully in the Statement of responsibilities of the Committee of Management 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, and for such internal control as the determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the Committee of Management are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

John Black (Senior Statutory Auditor)  
For and on behalf of Anderson Anderson & Brown Audit LLP  
Statutory Auditor  
Kingshill View  
Prime Four Business Park  
Aberdeen  
AB15 8PU

29 July 2019

# CASTLEHILL HOUSING ASSOCIATION LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	3	12,781,134	12,117,180
Less : Operating costs	3	(10,717,983)	(10,273,652)
<b>Operating Surplus</b>		<b>2,063,151</b>	<b>1,843,528</b>
Surplus/(deficit) on sale of fixed assets		15,726	(70,194)
<b>Surplus on operating activities before Interest</b>		<b>2,078,877</b>	<b>1,773,334</b>
Interest receivable	10	20,273	15,120
Interest payable	11	(964,946)	(809,404)
<b>Surplus for the year before tax</b>		<b>1,134,204</b>	<b>979,050</b>
Tax in period	12	(6,991)	(1,974)
<b>Surplus for the year</b>		<b>1,127,213</b>	<b>977,076</b>

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

The notes on pages 12 to 36 form part of these financial statements.

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Surplus for the year		1,127,213	977,076
<b>Other comprehensive income/(expense):</b>			
Adoption of defined benefit accounting	1.2	(1,634,000)	-
Remeasurement of net defined benefit obligation		(922,437)	32,471
<b>Total comprehensive (expense)/income for the year</b>		<b>(1,429,224)</b>	<b>1,009,547</b>

CASTLEHILL HOUSING ASSOCIATION LIMITED



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019

	Notes	2019 £	2019 £	2018 £
Tangible fixed assets				
Social housing properties	13		119,786,135	114,786,282
Other fixed assets	14		944,435	999,510
			<u>120,730,570</u>	<u>115,785,792</u>
Current assets				
Stocks		11,003		12,094
Debtors	15	812,449		771,106
Cash on term deposit		1,903,656		1,891,860
Cash at bank and in hand		3,861,961		4,678,529
		<u>6,589,069</u>		<u>7,353,589</u>
Creditors				
Amounts falling due within one year	16	(5,540,721)		(5,878,971)
Net current assets/(liabilities)			<u>1,048,348</u>	<u>1,474,618</u>
Total assets less current liabilities			121,778,918	117,260,410
Creditors				
Amounts falling due after more than one year	17		(97,824,321)	(94,271,266)
Provision for liabilities				
Pension liability	28		(4,716,562)	(2,321,887)
Net assets			<u>19,238,035</u>	<u>20,667,257</u>
Capital and Reserves				
Share Capital	18		63	67
Capital Reserve	19		126	120
Designated Reserve	20		287,658	588,217
Revenue Reserve	21		18,950,188	20,078,853
			<u>19,238,035</u>	<u>20,667,257</u>

The notes on pages 12 to 36 were approved by the Committee of Management on 29 July 2019 and were signed on its behalf by:

  
Committee Member DAVID MILAR

  
Committee Member JANICE LYON

  
Chief Executive/Secretary: D Lappin

**CASTLEHILL HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £	2019 £	2018 £
<b>Net cash inflow from operating activities</b>	22		<b>2,705,728</b>	3,003,562
<b>Cash flow from investing activities</b>				
Improvement and construction of properties		(8,308,446)		(11,125,465)
Purchase of other fixed assets		(22,122)		(16,461)
Receipts from the sale of tangible fixed assets		292,532		200,938
Interest Received		20,273		15,120
<b>Net cash flow from investing activities</b>			<b>(8,017,763)</b>	(10,925,868)
<b>Tax Paid</b>			<b>(1,974)</b>	(2,337)
<b>Cash flow from financing activities</b>				
Interest paid		(868,164)		(775,721)
Issue of share capital		2		9
Grant received		4,151,345		4,978,725
Repayment of bank loans		(1,273,946)		(1,221,099)
Receipts of mortgages and other loans		2,500,000		6,600,000
<b>Net cash inflow from financing activities</b>			<b>4,509,237</b>	9,581,914
<b>Net change in cash and cash equivalents</b>			<b>(804,772)</b>	1,657,271
<b>Cash and cash equivalents at 1 April</b>			<b>6,570,389</b>	4,913,118
<b>Cash and cash equivalents at 31 March</b>			<b>5,765,617</b>	6,570,389
<b>Cash and cash equivalents at 31 March</b>				
Cash at bank and in hand			1,903,656	1,891,860
Cash on term deposit			3,861,961	4,678,529
Bank overdraft			-	-
			<b>5,765,617</b>	6,570,389

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

The notes on pages 12 to 36 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

**1. Accounting policies**

With the exception of the pension accounting policy (see 1.2 below), the principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

**1.1 Basis of accounting**

The consolidated financial statements are prepared under the historical cost convention in accordance with the Companies Act 2006, applicable accounting standards the accounting requirements and are based on the revised Statement of Recommended Practice for Registered Social Landlords (2014) and under FRS 102. They comply with the Scottish Housing Regulator's Determination of Accounting Requirements (2012). The layout and format of the financial statements does not conform to the Statement of Recommended Practice for Charities as the existence of the more specialised SORP for Social Landlords makes it more appropriate for the Association to conform with the latter. However, the single entity financial statements of Castlehill Housing Trust comply with the Charities SORP as it is not a registered social landlord.

**1.2 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 Scheme are held separately from those of the Association.

In prior years, where the scheme was in deficit and where the Association had agreed to a deficit funding arrangement, the association recognised a liability for this obligation. The amount recognised was the net present value of the deficit reduction contributions payable under the agreement that related to the deficit. The present value calculated at 31 March 2018 was £2,321,887. This policy was adopted as historically the Trust were unable to provide sufficient information on each social landlord's share of liabilities on the scheme to allow defined benefit accounting to be applied.

For the year ended 31 March 2019, the Trust are now in a position to provide the share of scheme assets and liabilities allocated to each social landlord and thus defined benefit accounting has been adopted with effect from 1 April 2018. This has resulted in a prior year adjustment to opening reserves of £1,634,000 and has been recognised in the Statement of Other Comprehensive Income.

The liability recognised in the balance sheet in respect of the scheme is the present value of the defined benefit obligation at the year end less the fair value of the plan assets at the year end. The defined benefit obligation is calculated using the projected unit credit method and information on the value of the scheme assets and liabilities is provided by the Trust.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Other Comprehensive Income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as remeasurement of net defined benefit liability.

The cost of the defined benefit plan is recognised in the Statement of Comprehensive Income as employee costs and includes the increase in pension benefit liability arising from employee service during the year. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised as an interest expense.

## CASTLEHILL HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

#### 1. Accounting policies (continued)

##### 1.3 *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.

##### 1.4 *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.

##### 1.5 *Interest income*

Interest income is recognised in the statement of comprehensive income.

##### 1.6 *Related party transactions*

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

Castlehill Housing 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 Limited was incorporated on 20 September 2011 as a mid-market housing provider.

Details of transactions during the year to 31 March 2018 between Castlehill and these companies are given in note 26.

##### 1.7 *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.

##### 1.8 *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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

**1. Accounting policies (continued)**

**1.9 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.

**1.10 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.

**1.11 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.

**1.12 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.

**1.13 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.

**1.14 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.

## CASTLEHILL HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

#### 1. Accounting policies (continued)

##### 1.15 Depreciation and impairment

**Castlehill Housing Association Limited:** 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.

**Castlehill Housing Trust:** Depreciation is charged on a straight line basis over 50 years on the net cost of property after deducting land costs.

##### 1.16 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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1. Accounting policies (continued)

1.17 *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.

1.18 *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.

1.19 *Borrowing costs*

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

1.20 *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.

1.21 *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.

1.22 *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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1. Accounting policies (continued)

1.23 *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.

1.24 *Designated reserves*

**Planned Maintenance Reserve**

This reserve is based on the Association's obligation to maintain its housing properties in a satisfactory state of repair at all times. The costs of repairs of a routine nature are met from revenue in the year in which they are incurred. Repairs and refurbishments of a cyclical or long term nature are carried out in accordance with a planned programme of works based on 30 year life cycle costing predictions. Costs incurred to replace major components of housing developments are capitalised in the year they are incurred. Depreciation of housing components and all non capitalised planned maintenance costs incurred during the year are met from this Planned Maintenance Reserve. This reserve is transferred to revenue reserve as no longer required per applicable accounting standards.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1. Accounting policies (continued)

1.24 *Designated reserves (continued)*

**Service Equipment Replacement Reserve**

This reserve exists to replace equipment and furnishings not funded through rental income. Examples include lift replacements and furnishings within common areas of sheltered housing schemes. This is transferred to revenue reserve as no longer required per applicable accounting standards.

1.25 *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.

- ***Defined benefit obligations***

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.

- ***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 Association's 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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

3. Particulars of turnover, operating costs and operating surplus

	Notes	Turnover £	Operating cost £	Operating surplus 2019 £	Operating surplus 2018 £
Social lettings	4	11,429,371	(9,648,305)	1,781,066	1,782,916
Other activities	5	1,351,763	(1,069,678)	282,085	60,612
Total		12,781,134	(10,717,983)	2,063,151	1,843,528
Totals for previous reporting period as restated		12,117,180	(10,273,652)	1,843,528	

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

4. Particulars of turnover, operating costs and operating surplus from social activities

	General Needs £	Sheltered Housing £	Supported Housing £	Shared Ownership £	Total Housing £	Total 2018 £
Rent receivable net of identifiable service charges	5,159,782	2,117,090	991,470	217,280	8,485,622	7,949,234
Service Charges	406,059	780,796	105,013	141,857	1,433,725	1,463,558
Gross rents receivable	5,565,841	2,897,886	1,096,483	359,137	9,919,347	9,412,792
Less : Rent losses from voids	(34,534)	(110,699)	(3,525)	-	(148,758)	(130,435)
Net income from rents and service charges	5,531,307	2,787,187	1,093,958	359,137	9,770,589	9,282,357
Grant released from deferred income	1,285,661	-	124,156	-	1,409,817	1,431,759
Grants from Scottish Ministers	-	-	-	-	-	-
Other revenue grants	-	248,965	-	-	248,965	372,338
Total turnover from social letting activities	6,816,968	3,036,152	1,217,114	359,137	11,429,371	11,086,454
Management and maintenance administration costs	2,000,058	783,068	30,375	31,538	2,845,039	2,413,261
Property lease costs	-	-	42,754	-	42,754	87,701
Service costs	205,305	1,056,230	133,625	90,808	1,485,968	1,567,709
Planned and cyclical maintenance	101,080	237,689	313,605	-	652,374	853,137
Reactive maintenance costs	858,391	642,805	210,692	-	1,711,888	1,675,327
Bad debts	122,529	8,279	(1,827)	-	128,981	57,344
Depreciation of housing properties	1,960,723	639,177	181,401	-	2,781,301	2,649,059
Operating costs for social letting activities	5,248,086	3,367,248	910,625	122,346	9,648,305	9,303,538
Operating surplus/ (deficit) on social lettings	1,568,882	(331,096)	306,489	236,791	1,781,066	1,782,916
Operating surplus/ (deficit) for previous reporting period	1,722,264	(213,538)	294,425	199,747	2,002,898	

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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) 2019 £	Operating surplus/ (deficit) 2018 £
Care and repair	-	787,947	-	-	787,947	-	(803,440)	(15,493)	5,173
Adaptations service	49,567	-	-	-	49,567	-	(56,762)	(7,195)	(672)
Development activities	-	-	-	61,988	61,988	-	-	61,988	8698
Support activities	-	-	72,225	-	72,225	-	(88,526)	(16,301)	(24,842)
Commercial letting	-	-	-	164,771	164,771	-	(44,504)	120,267	64,551
Other	-	-	-	215,265	215,265	-	(76,446)	138,819	7,704
Total from other activities	49,567	787,947	72,225	442,024	1,351,763	-	(1,069,678)	282,085	60,612
Total from other activities for the previous reporting period	72,225	690,360	-	268,141	1,030,726	-	(970,114)	60,612	

6. Accommodation in management

	General Needs	Sheltered Housing	Supported Housing	Shared Ownership	Managed Property	Total Units
Number of units at start of period	1,228	523	178	113	23	2,065
Added in year	58	-	-	-	3	61
Disposals in year	-	-	-	(3)	-	(3)
Number of units at end of period	1,286	523	178	110	26	2,123

# CASTLEHILL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

### 7. Director's emoluments

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

	2019 £	2018 £
Total emoluments (including pension contributions and benefits in kind)	<u>86,585</u>	<u>84,353</u>
Emoluments (excluding pension contributions) of the highest paid director amounted to	<u>81,768</u>	<u>79,660</u>

No emoluments were paid to the Convener or to any committee member other than the Chief Executive/Secretary. No emoluments were paid to any Trustee/director of Grampian Community Care Charitable Trust and Castlehill Solutions Limited.

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 £80,000 but less than £90,000.

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 £4,817 in the year (2018: £4,693).

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

	2019 £	2018 £
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>823</u>	<u>886</u>

# CASTLEHILL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

### 8. Employee information

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

	2019	2018
Other Staff	56	51
Direct labour, scheme based staff & others	26	32
	<u>82</u>	<u>83</u>

	2019 £	2018 £
Staff Costs (including director's emoluments):		
Wages and salaries	2,162,631	2,183,322
Social security costs	167,940	175,006
Pension costs	312,324	309,748
	<u>2,642,895</u>	<u>2,668,076</u>

### 9. Operating surplus

	2019 £	2018 £
Operating surplus is stated after charging:		
Auditors' remuneration:		
In their capacity as auditors of the Association	15,000	22,280
As Auditors of subsidiaries of the Association	10,740	12,900
For other services	-	7,910
	<u>25,740</u>	<u>43,090</u>

### 10. Interest receivable and similar income

	2019 £	2018 £
Interest receivable	<u>20,273</u>	<u>15,120</u>

# CASTLEHILL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

### 11. Interest payable and similar charges

	2019 £	2018 £
Interest payable wholly or partly in more than 5 years:		
Interest payable to lenders	868,164	775,721
Interest on pension liability (note 28)	96,782	33,683
	<u>964,946</u>	<u>809,404</u>

### 12. Taxation

Both Castlehill Housing Association and Castlehill Housing Trust have charitable status for tax purposes. Tax of £6,991 (2018: £1,974) was payable by Castlehill Solutions Limited.

### 13. Tangible fixed assets - social housing properties

	Completed houses held for letting £	Houses for letting under construction £	Completed shared ownership housing £	Total £
<b>Cost</b>				
Opening balance	128,088,885	15,634,519	4,425,222	148,148,626
Schemes completed	6,626,818	(6,626,818)	-	-
Additions	919,675	7,388,771	-	8,308,446
Disposals	(876,411)	-	(111,620)	(988,031)
Closing balance	<u>134,758,967</u>	<u>16,396,472</u>	<u>4,313,602</u>	<u>155,469,041</u>
<b>Depreciation</b>				
Opening balance	33,362,344	-	-	33,362,344
Additions	2,781,301	-	-	2,781,301
Disposals	(460,739)	-	-	(460,739)
Closing balance	<u>35,682,906</u>	<u>-</u>	<u>-</u>	<u>35,682,906</u>
<b>Net book value as at</b>				
31 March 2019	<u>99,076,061</u>	<u>16,396,472</u>	<u>4,313,602</u>	<u>119,786,135</u>
31 March 2018	<u>93,242,879</u>	<u>17,118,181</u>	<u>4,425,222</u>	<u>114,786,282</u>

A surplus of £15,726 (2018 deficit: £70,194) was realised on disposals of housing property and % share change in shared ownership.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

14. Tangible fixed assets - other fixed assets

	Investment property £	Office Buildings £	Vehicles, furniture and equipment £	Total £
<b>Cost</b>				
Opening balance	857,895	632,700	672,738	2,163,333
Additions	-	-	22,122	22,122
Closing balance	<u>857,895</u>	<u>632,700</u>	<u>694,860</u>	<u>2,185,455</u>
<b>Depreciation</b>				
Opening balance	-	616,549	547,274	1,163,823
Charge for year	-	16,151	61,046	77,197
Closing balance	<u>-</u>	<u>632,700</u>	<u>608,320</u>	<u>1,241,020</u>
<b>Net book value as at</b>				
31 March 2019	<u>857,895</u>	<u>-</u>	<u>86,540</u>	<u>944,435</u>
31 March 2018	<u>857,895</u>	<u>16,151</u>	<u>125,464</u>	<u>999,510</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 of the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or development investment property or for repairs, maintenance or enhancements.

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

15. Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Rental debtors	308,122	271,054
Less provision for bad doubtful debts	(69,806)	(33,409)
Net rental debtors	238,316	237,645
Trade debtors	410	342
Other debtors	437,054	359,461
Prepayments and accrued income	133,336	168,158
	809,116	765,606
Amounts falling due in 2-5 years:		
Loans to employees	3,333	5,500
	812,449	771,106

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

Loans at 31 March 2019 are to 2 employees: one for a period of up to 5 years at an interest rate of 3.75% and the other interest free, repaid within 6 months.

16. Creditors due within one year

	2019 £	2018 £
Commercial loans	31,836	30,819
Housing loans	1,337,458	1,156,137
Tax and social security	49,854	56,422
Accruals and deferred income	1,020,846	1,089,802
Deferred grant income	1,409,817	1,431,758
Rent in advance	107,499	85,955
Trade creditors	330,324	779,218
Other creditors	1,246,096	1,246,886
Corporation tax	6,991	1,974
	5,540,721	5,878,971

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

17. Creditors due after more than one year

	2019 £	2018 £
Housing loans	27,543,787	26,468,310
Commercial loan	376,488	408,249
Deferred grant income	69,904,046	67,394,707
	<u>97,824,321</u>	<u>94,271,266</u>

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 £8,916,757 (2018: £9,504,786) are at rates of 3.81% to 8.625%. Variable rate loans amounting to £20,372,812 (2018: £18,558,729) are at rates of 0.3% to 3.25% above base rate or 3 month libor. The Association has 4 fixed loans with the Energy Savings Trust over 10 years. On the 18 June 2018 the Association signed a £3.5m loan with Unity Bank for the purposes of new development. The final repayment date for all loans is March 2041. Borrowings are repayable as follows:

	2019 £	2018 £
Within one year	1,369,294	1,186,956
From one to two years	1,404,561	1,222,840
Between two and five years	6,891,338	14,068,697
In five years or more	19,627,621	11,587,618
	<u>29,292,814</u>	<u>28,066,111</u>
	(3,245)	(2,596)
	<u>29,289,569</u>	<u>28,063,515</u>

The deferred income balance is made up as follows:

	Housing Association Grant £	Total Deferred Income £
Deferred income as at 1 April 2018	68,826,466	68,826,466
Additional income received	4,151,345	4,151,345
Release of grant on termination of lease	(254,131)	-
Released to the Statement of Comprehensive Income	<u>(1,409,817)</u>	<u>(1,409,817)</u>
Deferred income as at 31 March 2019	<u>71,313,863</u>	<u>71,567,994</u>
Included in creditors as follows:		
Amounts due within one year		1,409,817
Amounts due after more than one year		69,904,046
		<u>71,313,863</u>

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

18. Called up share capital

	2019 £	2018 £
<b>Allotted, issued and fully paid:</b>		
Opening balance	67	63
Issued during year	2	9
Transfer to capital reserve	(6)	(5)
Closing balance	<u>63</u>	<u>67</u>

19. Capital reserve

	2019 £	2018 £
Opening balance	120	115
Transfer from share capital	6	5
Closing balance	<u>126</u>	<u>120</u>

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

20. Designated reserves

*Planned Maintenance Reserve*

	2019 £	2018 £
Opening balance	497,106	417,106
Additions in year	(269,650)	80,000
	<u>227,456</u>	<u>497,106</u>

*Service Equipment Replacement Reserve*

	2019 £	2018 £
Opening balance	91,111	88,157
Expenditure in year	(30,909)	2,954
Total revenue reserves	<u>60,202</u>	<u>91,111</u>
<b>Total designated reserves</b>	<u>287,658</u>	<u>588,217</u>

**CASTLEHILL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**21. Revenue reserves**

	2019 £	2018 £
Opening balance	20,078,853	19,152,260
Prior year adjustment re defined benefit accounting	(1,634,000)	
Surplus for the year	1,127,213	977,076
Remeasurement of net defined benefit obligation	(922,437)	(82,954)
Transfer from designated reserves	300,559	(82,954)
Total revenue reserves	<u>18,950,188</u>	<u>20,078,853</u>

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

	2019 £	2018 £
Surplus for the year	1,127,213	977,076
Depreciation	2,858,498	2,718,749
Amortisation of grant	(1,409,817)	(1,431,759)
Corporation tax charge	6,991	1,974
Movement in pension fund	(258,544)	(354,119)
Decrease in stock	1,091	1,318
Decrease in debtors	(41,343)	45,197
(Decrease)/increase in creditors	(507,308)	180,648
(Gain)/loss on fixed asset	(15,726)	70,194
Interest payable	964,946	809,404
Interest receivable	(20,273)	(15,120)
Net Cash Inflow from Operating Activities	<u>2,705,728</u>	<u>3,003,562</u>

**23. Operating lease commitments**

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

	2019 Other £	2018 Other £
Expiring:		
Within one year	19,306	15,810
Between one and five years	14,751	14,122
	<u>34,057</u>	<u>29,932</u>

# CASTLEHILL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

### 24. Contracted expenditure commitments

	2019 £	2018 £
Expenditure that has been contracted for but not provided for in the financial statements	<u>9,598,819</u>	<u>7,635,278</u>

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

	2019 £	2018 £
Loan finance	5,259,235	5,400,000
Grant	<u>4,339,584</u>	<u>2,235,278</u>
	<u>9,598,819</u>	<u>7,635,278</u>

### 25. Legislative provisions

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

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

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

### 26. Related party transactions

The Association has taken advantage of exemptions provided by FRS 102 section 33.1 where no disclosure is required of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by a member.

### 27. Contingent liabilities

Special Needs Capital Grants provided by the Scottish Government have the sole purpose of funding schemes for people with special needs. If the conditions attached to the grant are breached then the grant is repayable to the Scottish Government.

Of the total deferred income, as disclosed in note 17, £1,471,454 (2018: £1,471,454) relates to Special Needs Grants subject to repayment to the Scottish Government in the event of breach of conditions.

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.

**CASTLEHILL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**28. Pension**

	2019 £'000	2018 £'000
Social housing pension scheme (SHPS) (note 28 (a))	4,680	2,273
Growth plan (note 28 (b))	37	49
Total provision	<u>4,717</u>	<u>2,322</u>

Defined benefit costs recognised in the Statement of Comprehensive Income (SOCl) is as follows:

	2019 £'000
Current service cost	311
Scheme expenses	14
Net interest expense - SHPS	96
- Growth Plan	1
Defined benefit costs recognised in SOCl	<u>422</u>

Defined benefit costs recognised in Other Comprehensive Income (OCI) is as follows:

	2019 £'000
Experience on plan assets less interest income	540
Effects of changes in assumptions on present value of defined benefit obligation	(1,469)
	<u>(929)</u>
Remeasurement arising on Growth Plan	7
Defined benefit costs recognised in OCI	<u>(922)</u>

# CASTLEHILL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

### 28. Pension (continued)

#### (a) Social Housing Pension Scheme

Castlehill Housing Association Limited participates in the Social Housing Pension Scheme (the Scheme). The provision as at 31 March 2018 was the present value of the deficit reduction contributions payable. As explained in the accounting policies note, full defined benefit accounting has been adopted with effect from 1 April 2018 and the provision at 31 March 2019 represents the net liability position on the SHPS scheme.

This is a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. 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 with an effective date of 30 September 2017. This actuarial valuation showed assets of £4,553m, liabilities of £6,075m and a deficit of £1,522m. 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:

<b>Tier 1</b>	
From 1 April 2016 to 30 September 2020:	£45.7m per annum (payable monthly and increasing by 4.7% each year on 1 <sup>st</sup> April)
<b>Tier 2</b>	
From 1 April 2016 to 30 September 2023:	£32.1m per annum (payable monthly and increasing by 4.7% each year on 1 <sup>st</sup> April)
<b>Tier 3</b>	
From 1 April 2016 to 30 September 2026:	£35.2m per annum (payable monthly and increasing by 3.0% each year on 1 <sup>st</sup> April)
<b>Tier 4</b>	
From 1 April 2016 to 30 September 2026:	£34.0m per annum (payable monthly and increasing by 3.0% each year on 1 <sup>st</sup> April)

#### Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)

	31 March 2019 £'000
Fair value of plan assets	13,721
Present value of defined benefit obligation	(18,401)
Surplus (deficit) in plan	(4,680)

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

28. Pension (continued)

Reconciliation of scheme assets and liabilities:

	Assets £m	Liabilities £'000	Total £'000
At 1 April 2018	12,925	(16,832)	(3,907)
Benefits paid	(655)	655	-
Employer contributions	577	-	577
Contributions by plan participants	4	(4)	-
Current service cost	-	(311)	(311)
Interest income/(expense)	330	(426)	(96)
Expenses	-	(14)	(14)
Remeasurement gains/(losses):			
Actuarial losses	-	(1,469)	(1,469)
Return on plan assets excluding interest income	540	-	540
At 1 March 2019	13,721	(18,401)	(4,680)

Key Assumptions

	31 March 2019 % per annum
Discount rate	2.30
Inflation (RPI)	3.30
Inflation (CPI)	2.30
Salary Growth	3.30
Allowance for commutation of pension for cash at Retirement	1 maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

# CASTLEHILL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

### 28. Pension (continued)

The fair value of the scheme assets was:

	2019
	£
Global equity	2,309
Absolute return	1,187
Distressed opportunities	249
Credit relative value	251
Alternative risk premia	791
Fund of hedge funds	62
Emerging markets debt	473
Risk sharing	414
Insurance-linked securities	394
Property	309
Infrastructure	720
Private debt	184
Corporate bond fund	640
Long lease property	202
Secured income	491
Liability driven investment	5,019
Net current assets	26
<b>Total scheme assets</b>	<b>13,721</b>

#### (b) Growth Plan

The Association offers the Growth Plan as an AVC investment option for members of SHPS. The provision as at 31 March 2019 is the present value of the deficit reduction contributions payable.

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company 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 company 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.

# CASTLEHILL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

### 28. Pension (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. 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 2019 to 31 January 2025:	£11,243,000 per annum	(payable monthly and increasing by 3% each on 1st April)
---------------------------------------	-----------------------	--

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. 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 company has agreed to a deficit funding arrangement the company 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.

#### *Present values of provision*

	2019 £'000	2018 £'000	2017 £'000
Present value of provision	37	49	55

CASTLEHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

28. Pension (continued)

*Reconciliation of opening and closing provision*

	2019 £'000	2018 £'000
Provision at start of period	49	55
Unwinding of the discount factor (interest expense)	1	1
Deficit contribution paid	(6)	(6)
Remeasurements - impact of any change in assumptions	-	(1)
Remeasurements - amendments to the contribution schedule	(7)	-
Provision at end of period	37	49

*Assumptions*

	2019 % per annum	2018 % per annum	2017 % per annum
Rate of discount	1.39	1.71	1.32

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.

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

*Deficit contributions schedule*

Year ending	2019 £'000	2018 £'000	2017 £'000
Year 1	6	6	6
Year 2	6	6	6
Year 3	6	7	6
Year 4	7	7	7
Year 5	7	7	7
Year 6	6	7	7
Year 7	-	8	7
Year 8	-	4	8
Year 9	-	-	4
	<b>38</b>	<b>52</b>	<b>58</b>

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

4 Carden Place  
Aberdeen  
AB10 1UT

### 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 Group'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 Group's system of internal financial control.

### Opinion

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

  
Anderson Anderson & Brown Audit LLP  
Chartered Accountants  
Registered Auditors  
Aberdeen

29 July 2019