Registered number: L0968 **Charity number: SC013584**

CASTLEHILL HOUSING ASSOCIATION LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2026

CASTLEHILL HOUSING ASSOCIATION LIMITED

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CASTLEHILL HOUSING ASSOCIATION LIMITED

MEMBERS, EXECUTIVE OFFICERS AND ADVISORS

Committee of Management

Mr J Black (Convener)	
Mr B Westland (Vice Convener)	
Mr G Ogston	
Mrs J Lyon	
Mr G Kyle	(resigned 15 September 2025)
Mr P King	(resigned 27 October 2025)
Mr A Pilkington	(resigned 22 May 2026)
Ms J Urbankowska	(resigned 24 April 2026)
Mr S Sambrook	(resigned 25 August 2025)
Ms S Freeth	
Mr R Bremner	
Mr A Brown	
Mrs P Innes	(Co-opted 15 December 2025)
Mr P Rice	(Co-opted 25 May 2026)

Registered Auditor

AAB Audit & Accountancy Limited
Kingshill View
Kingswells
Aberdeen
AB15 8PU

Solicitors

Burness Paull LLP
2 Marischal Square
Broad Street
Aberdeen
AB10 1DQ

Bankers

Virgin Money
Principal Branch
Queen's Cross
Aberdeen
AB15 4XU

Executive Officers

Ms I Gray (Chief Executive/Secretary) (appointed 30 June 2026)
Mr D Lappin (Chief Executive/Secretary) (resigned 30 June 2026)
Mrs J Ramsay (Director of Finance & Corporate Services)
Mr M MacAulay (Director of Property Services)
Mrs M Ewen (Director of Housing)

Registered Office

4 Carden Place
Aberdeen
AB10 1UT

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2026

The Committee of management presents its report and the audited financial statements for the year ended 31 March 2026.

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.

Principal activities

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

Review of business and future developments

The results for the year are set out in the Statement of Comprehensive Income on page 9. The members of the Management Committee are of the opinion that the state of affairs of the Association, as shown on the Statement of Financial Position on page 10, is satisfactory and recommend that the surplus for the year of £623,863 (2025: £398,203) be transferred to reserves.

Provision of Housing Management and Property Maintenance services remains a core activity for the Association. Essential services to assist tenants and to undertake essential repairs, maintenance and safety related work have been maintained under our hybrid style of working between home and office.

Castlehill is committed to providing quality services and during 2025-26 we commissioned a full tenants' survey, the results of which help to shape services and priorities. We will continue to work closely with our tenants' organisation CaRTO to bring about improvements.

With Housing Support Services for Older people no longer funded by Local Authorities we have developed an enhanced housing management model for Independent Living in our Older Peoples Housing to continue to be able to assist tenancy sustainment. The new model has been successfully launched across all our older peoples' stock in Aberdeen City, Aberdeenshire and Moray. Within our Independent Living schemes we have replaced analogue alarm systems with new digital dispersed alarm units. Tenancy support remains a crucial function, particularly in times of cost-of-living challenges for households and our Key Project continues to support our most vulnerable tenants.

Castlehill is committed to improving our housing using renewable technologies and addressing fuel costs for our tenants. We continue to extend our programme of renewable heating installations as we work towards net-zero and reducing our carbon footprint. In 2025-26, we completed two major projects enhancing energy efficiency, utilising Net Zero and ECO funding.

The Association continues to invest in maintaining the existing housing stock through its ongoing component replacement programme. During the year we spent a total of £2,412,000 on planned maintenance of which £2,252,000 was capitalised. This represented replacement door entry & heating systems, kitchens and windows/doors and a new renewable heating installation. We continue to prioritise all aspects of compliance work as we are committed to tenant safety.

Core funding for our Care & Repair Service is provided by Aberdeen Health & Social Care Partnership. We are working with the Partnership to develop a commissioning approach to secure future funding on a stable basis that will allow us to ensure future service delivery for all aspects of Care & Repair.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2026 (continued)

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 auditor

As far as the Committee of Management are aware, there is no relevant audit information of which the Association's auditor is 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 auditor is 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.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2026 (continued)

Statement of Committee's responsibilities (continued)

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 a Finance, Audit & Risk 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 202.6 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.

Isla Gray

....
Secretary

24 August 2026

....
Date

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

Opinion

We have audited the financial statements of Castlehill Housing Association Limited for the year ended 31 March 2026, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in reserves, Statement of Cash Flows 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 Association's affairs as at 31 March 2026 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 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 – February 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) regulation 2006 (as amended).

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 Association's 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 Association's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. 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 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 Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the member's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S 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.

Matters on which we are required to report by exception

In the light of the 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.

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.

Responsibilities of the Committee of Management

As explained more fully in the Statement of responsibilities of the Committee of Management on pages 3 and 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.

In preparing the financial statements, the Committee of Management are responsible for assessing the Association'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 Association or to cease operations, or have no realistic alternative but to do so.

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations we considered in this context were 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 – February 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) regulation 2006 (as amended).

We identified the greatest risk of material impact on the financial statements from irregularities including fraud to be:

- Management override of controls to manipulate the company's key performance indicators to meet targets
- Compliance with relevant laws and regulations which directly impact the financial statements and those that the company needs to comply with for the purpose of trading

Our audit procedures to respond to these risks included:

- Testing of journal entries and other adjustments for appropriateness
- Evaluating the business rationale of significant transactions outside the normal course of business
- Reviewing judgments made by management in their calculation of accounting estimates for potential management bias
- Enquiries of management about litigation and claims and inspection of relevant correspondence
- Reviewing legal and professional fees to identify indications of actual or potential litigation, claims and any non-compliance with laws and regulations
- Analytical procedures to identify any unusual or unexpected trends or relationship;
- Reviewing minutes of meetings of those charged with governance to identify any matters indicating actual or potential fraud

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

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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. This description forms part of our Auditors' report.

Andrew Shaw

Andrew Shaw (Senior Statutory Auditor)
For and on behalf of AAB Audit & Accountancy Limited
Statutory Auditor
Kingshill View
Prime Four Business Park
Aberdeen
AB15 8PU

Date: 25 August 2026

CASTLEHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2026

	Notes	2026 £	2025 £
Turnover	3	**15,081,942**	14,642,553
Less: Operating costs	3	**(13,068,377)**	(12,598,235)
Operating surplus		**2,013,565**	2,044,318
Gain on sale of fixed assets		**124,958**	88,627
Surplus on operating activities before Interest		**2,138,523**	2,132,945
Interest receivable	10	**56,145**	94,748
Interest payable	11	**(1,570,805)**	(1,829,490)
Surplus for the year		**623,863**	398,203

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

The notes on pages 13 to 34 form part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2026

	Notes	2026 £	2025 £
Surplus for the year		**623,863**	398,203
Other comprehensive income/(expense)			
Remeasurement of net defined benefit obligation	27	**27,000**	200,000
Total comprehensive income/(expense) for the year		**650,863**	598,203

CASTLEHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2026

	Notes	2026 £	2026 £	2025 £
Tangible fixed assets				
Social housing properties	13		**106,216,334**	107,410,436
Investment in subsidiary	14		**1,822,051**	1,822,051
Other fixed assets	15		**219,417**	515,091
			108,257,802	109,747,578
Current assets				
Stocks		**23,313**		18,496
Debtors	16	**1,151,596**		1,120,222
Cash on term deposit		**2,640,114**		2,651,243
Cash at bank and in hand		**804,791**		1,847,627
		4,619,814		5,637,588
Creditors				
Amounts falling due within one year	17	**(14,498,327)**		(5,459,805)
Net current (liabilities)/assets			**(9,878,513)**	177,783
Total assets less current liabilities			**98,379,289**	109,925,361
Creditors				
Amounts falling due after more than one year	18		**(72,800,974)**	(84,513,430)
Provision for liabilities				
Pension liability	27		**(1,191,640)**	(1,676,121)
Net assets			**24,386,675**	23,735,810
Capital and Reserves				
Share Capital	19		**36**	40
Capital Reserve	20		**174**	168
Revenue Reserve			**24,386,465**	23,735,602
			24,386,675	23,735,810

The notes on pages 13 to 34 were approved by the Committee of Management on 24 August 2026 and were signed on its behalf by:

John Black
Committee Member

Andrew Brown
Committee Member

Isla Gray
Chief Executive/Secretary:

CASTLEHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2026

	Share capital	Capital reserve	Revenue reserve	Total equity
	£	£	£	£
At 31 March 2024	41	166	23,137,399	23,137,606
Total comprehensive expense for the year	-	-	598,203	598,203
Shares issued	1	-	-	1
Shares cancelled	(2)	2	-	-
At 31 March 2025	40	168	23,735,602	23,735,810
At 31 March 2025	40	168	23,735,602	23,735,810
Total comprehensive expense for the year	-	-	650,863	650,863
Shares issued	2	-	-	2
Shares cancelled	(6)	6	-	-
At 31 March 2026	36	174	24,386,465	24,386,675

CASTLEHILL HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2026

	Notes	2026 £	2026 £	2025 £
Net cash inflow from operating activities	21		**3,256,792**	2,922,279
Cash flow from investing activities				
Improvement and construction of properties		**(2,252,134)**		(1,242,443)
Purchase of other fixed assets		**(58,042)**		(7,787)
Receipts from the sale of tangible fixed assets		**486,987**		190,679
Interest Received		**56,145**		94,748
Net cash outflow from investing activities			**(1,767,044)**	(964,803)
Cash flow from financing activities				
Interest paid		**(1,462,425)**		(1,706,871)
Grant disposed		**-**		-
Grant received		**647,525**		-
Issue of share capital		**2**		1
Repayment of bank loans		**(1,728,815)**		(1,859,492)
Receipts of mortgages and other loans				2,874,394
Net cash outflow from financing activities			**(2,543,713)**	(691,968)
Net change in cash and cash equivalents			**(1,053,965)**	1,265,508
Cash and cash equivalents at 1 April			**4,498,870**	3,233,362
Cash and cash equivalents at 31 March			**3,444,905**	4,498,870
Cash and cash equivalents at 31 March				
Cash at bank and in hand			**804,791**	1,847,627
Cash on term deposit			**2,640,114**	2,651,243
Bank overdraft			**-**	-
			3,444,905	4,498,870

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 13 to 34 form part of these financial statements.

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.

1.1 Basis of accounting

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and comply with the Determination of Accounting Requirements 2019, and under the historical cost convention.

Castlehill Housing Association Limited is a public benefit entity. These financial statements relate to the Association only with separate consolidated accounts prepared for the Group.

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.

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.

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. Accounting policies (continued)

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 2018. 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 Related party transactions

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

Castlehill Housing Trust 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 2026 between Castlehill and these companies are given in note 26.

1.6 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.

1.7 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.

1.8 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. Accounting policies (continued)

1.9 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.

1.10 Fixed assets – social housing properties

In accordance with SORP 2018, 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.

1.11 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.

1.12 Depreciation and impairment

Depreciation has been charged on housing properties, calculated in accordance with the component accounting requirements of SORP 2018.

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.

1. Accounting policies (continued)

1.12 Depreciation and impairment (continued)

The components and their expected useful lives are as follows:

• Land	No depreciation
• Structure	60 years
• Kitchen	20 years (Previously 17 – 20 years)
• Bathroom	20 years
• Heating Systems	20 years
• Boiler	15 years (Previously 15 – 20 years)
• Windows and Doors (Timber)	50 years
• Windows and Doors (UPVC)	30 years (Previously 25 years)
• Windows and Doors (Aluclad)	60 years
• Door & Call Systems	15 years
• Photovoltaics	30 years
• Roof (Tile & Slate)	60 years
• Roof (Felt)	25 years

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

1.13 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
• Vehicles	4 years
• Heritable office buildings	30 years
• Office alterations	5 years
• Office furniture & equipment	5 years

1.14 Other land and buildings

Land and buildings comprise office buildings and are stated at cost and depreciated over 30 years.

1.15 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1. Accounting policies (continued)

1.16 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.

1.17 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.

1.18 Interest income

Interest income is recognised in the statement of comprehensive income.

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 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.

1.22 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. 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 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. 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.

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 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.

1. Accounting policies (continued)

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 or 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. With the implementation of a new accounting system on 1 April 2025, the expected useful lives of kitchens, boilers and UPVC windows were amended as detailed in 1.12. 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 note that the company has net current liabilities of £9,878,513 as at 31 March 2026. However, this arises on a bullet repayment of £9.1m due to Virgin Money in December 2026 and thus has been included in loans due within one year. As explained in note 18, we have agreed terms for a new loan agreement of £9.1m with Charities Aid Foundation Bank and the refinancing is at an advanced stage of completion. We expect to draw down funds by 31 October 2026, following which the outstanding debt to Virgin Money will be repaid.

Therefore, having made due and careful enquiry and review of the annual forecasts prepared, the Committee of Management 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2026 (continued)

3. Particulars of turnover, operating costs and operating surplus

	Notes	Turnover £	Operating cost £	Operating surplus 2026 £	Operating Surplus 2025 £
Social lettings	4	13,757,827	11,998,859	**1,758,968**	1,876,938
Other activities	5	1,324,115	1,069,518	**254,597**	167,380
Total		**15,081,942**	**13,068,377**	**2,013,565**	2,044,318
Totals for previous reporting period		14,642,553	12,598,235	2,044,318	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2026 (continued)

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

	General Needs	Sheltered & Ind Living	Supported Housing	Shared Ownership	**Total Housing**	Total 2025
	£	£	£	£	**£**	£
Rent receivable net of identifiable service charges	7,931,465	2,851,629	-	244,516	**11,027,610**	10,624,750
Service Charges	356,760	858,148	-	104,927	**1,319,835**	1,356,628
Gross rents receivable	8,288,225	3,709,777	-	349,443	**12,347,445**	11,981,378
Less : Rent losses from voids	(96,543)	(266,849)	-	(127)	**(363,519)**	(347,946)
Net income from rents and service charges	8,191,682	3,442,928	-	349,316	**11,983,926**	11,633,432
Grant released from deferred income	1,398,109	309,627	-	-	**1,707,736**	1,709,280
Other revenue grants	-	66,165	-	-	**66,165**	68,755
Total turnover from social letting activities	9,589,791	3,818,720	-	349,316	**13,757,827**	13,411,467
Management and Admin Costs	2,841,825	949,818	-	49,398	**3,841,041**	3,643,608
Service Costs	348,253	895,895	-	131,161	**1,375,309**	1,357,856
Planned and cyclical maintenance	604,122	144,757	-	-	**748,879**	512,939
Communal Services	189,528	305,965	-	-	**495,493**	786,238
Reactive Maintenance Costs	1,313,381	851,941	-	-	**2,165,322**	2,160,610
Bad Debts	360,529	11,392	-	-	**371,921**	171,916
Depreciation of housing properties	2,315,348	685,546	-	-	**3,000,894**	2,901,362
Operating costs for social letting activities	7,972,986	3,845,314	-	180,559	**11,998,859**	11,534,529
Operating surplus/(deficit) on social lettings	1,616,805	(26,594)	-	168,757	**1,758,968**	1,876,938
Operating surplus/(deficit) for previous reporting period	1,948,583	(268,124)	8,612	187,867	1,876,938	

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

	Grants from Scottish Ministers £	Other revenue grants £	Other income £	**Total Turnover £**	Operating costs bad debts £	**Other operating costs £**	Operating surplus/ (deficit) 2026 £	Operating surplus/ (deficit) 2025 £
Care and repair	-	340,206	267,917	**608,123**	-	**589,149**	**18,974**	(3,215)
Adaptations service	116,394	-	-	**116,394**	-	**116,394**	**-**	(190)
Support activities	-	-	-	**-**	-	**-**	**-**	(77,715)
Castlehill Housing Trust	-	-	175,000	**175,000**	-	**174,054**	**946**	(5,330)
Investment properties	-	-	141,636	**141,636**	-	**61,016**	**80,620**	76,420
Other	-	-	282,962	**282,962**	-	**128,905**	**154,057**	177,410
Total from other activities	116,394	340,206	867,515	**1,324,115**	-	**1,069,518**	**254,597**	167,380
Total from other activities - previous reporting period	39,968	412,746	778,372	1,231,086	-	1,063,706	167,380	

6. Accommodation in management

	General Needs	Sheltered & Ind Living	Supported Housing	Shared Ownership	Managed Property	**Total Units**
Number of units at start of period	1,404	523	10	99	37	**2,073**
Reclass	10	-	(10)	-	-	**-**
Disposals in year	(1)	-	-	(6)	6	**(1)**
Number of units at end of period	1,413	523	-	93	43	**2,072**

7. Director's emoluments

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

	2026	2025
	£	£
Total emoluments (including pension contributions and benefits in kind)	**111,030**	**108,855**
Emoluments (excluding pension contributions) of the highest paid director amounted to	**100,947**	**98,970**

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 £100,000 but less than £110,000.

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 £10,083 in the year (2025: £9,885).

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

	2026	2025
	£	£
Total expenses reimbursed to the Chief Executive/Secretary and members of the Committee of Management in so far as not chargeable to United Kingdom Income Tax	**1,202**	639

8. Employee information

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

	2026	2025
Office Staff	56	56
Direct labour, scheme based staff & others	14	18
	70	74

	2026 £	2025 £
Staff Costs (including director's emoluments):		
Wages and salaries	2,703,118	2,759,223
Social security costs	324,161	247,368
Pension costs	313,452	316,965
	3,340,731	3,323,556

9. Operating surplus

	2026 £	2025 £
Operating surplus is stated after charging:		
Auditors' remuneration:		
In their capacity as auditors of the Association	18,503	17,964
For other services	-	-

10. Interest receivable and similar income

	2026 £	2025 £
Interest receivable	56,145	94,748

11. Interest payable and similar charges

	2026 £	2025 £
Interest payable wholly or partly in more than 5 years:		
Interest payable to lenders	**1,488,805**	1,727,490
Interest on net pension liability (note 27)	**82,000**	102,000
	1,570,805	1,829,490

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	149,255,862	2,912,544	3,925,115	**156,093,521**
Schemes completed	-	-	-	**-**
Additions	2,252,134	-	-	**2,252,134**
Disposals	(780,217)	-	(285,385)	**(1,065,602)**
Closing balance	**150,727,779**	**2,912,544**	**3,639,730**	**157,280,053**
Depreciation				
Opening balance	48,683,085	-	-	**48,683,085**
Charge for year	3,000,894	-	-	**3,000,894**
Disposals	(620,260)	-	-	**(620,260)**
Closing balance	**51,063,719**	**-**	**-**	**51,063,719**
Net book value as at 31 March 2026	**99,664,060**	**2,912,544**	**3,639,730**	**106,216,334**
31 March 2025	102,372,777	2,912,544	3,925,115	107,410,436

A surplus of £124,958 (2025 surplus: £88,627) was realised on disposals of housing property, land and % share change in shared ownership. Interest capitalised during the year amounted to £nil (2025: £nil).

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

14. Tangible fixed assets – investment in subsidiary

	Subsidiary company £
Net book value as at 31 March 2026 and 31 March 2025	**1,822,051**

This investment relates to Castlehill Housing Trust £1,822,050 and Castlehill Solutions Ltd £1. The financial statements of Castlehill Housing Trust disclose a profit for the year ended 31 March 2026 of £355,564 (2025: £38,903). The total funds at 31 March 2026 were £4,975,893 (2025: £4,620,329).

The financial statements of Castlehill Solutions Limited disclose a profit for the year ended 31 March 2026 of £38,296 (2025: £20,158). The net assets at 31 March 2026 were £3,095 (2025: £2,799).

15. Tangible fixed assets – other fixed assets

	Office Buildings £	Vehicles, furniture and equipment £	**Total £**
Cost			
Opening balance	1,490,595	521,487	**2,012,082**
Additions	-	58,042	**58,042**
Disposals	-	(424,865)	**(424,865)**
Closing balance	**1,490,595**	**154,664**	**1,645,259**
Depreciation			
Opening balance	990,595	506,396	**1,496,991**
Charge for year	22,930	23,542	**46,472**
Impairment	307,070	-	**307,070**
Disposals	-	(424,691)	**(424,691)**
Closing balance	**1,320,595**	**105,247**	**1,425,842**
Net book value as at 31 March 2026	**170,000**	**49,417**	**219,417**
31 March 2025	500,000	15,091	515,091

The office buildings are heritable properties.

16. Debtors

	2026 £	2025 £
Amounts falling due within one year:		
Rental debtors	**608,929**	569,120
Less provision for bad doubtful debts	**(399,081)**	(269,853)
Net rental debtors	**209,848**	299,267
Other debtors	**760,942**	627,769
Amount due from related parties	**38,710**	29,198
Prepayments and accrued income	**142,096**	163,988
	1,151,596	1,120,222

17. Creditors due within one year

	2026 £	2025 £
Commercial loans	**31,644**	29,468
Housing loans	**10,426,859**	1,561,166
Tax and social security	**67,570**	67,822
Accruals and deferred income	**638,025**	1,333,799
Deferred grant income	**1,707,736**	1,709,280
Rent in advance	**324,634**	227,647
Trade creditors	**619,560**	-
Amounts due to related parties	**6,337**	-
Other creditors	**675,962**	530,623
	14,498,327	5,459,805

18. Creditors due after more than one year

	2026 £	2025 £
Housing loans	**14,894,295**	25,431,695
Commercial loan	**164,269**	197,172
Deferred grant income	**57,742,410**	58,884,563
	72,800,974	84,513,430

18. Creditors due after more than one year (continued)

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 £3,950,465 are at rates of 3.5% to 5.74%. Variable rate loans amounting to £21,665,834 are at rates of 0.33% to 1.65% above base rate or 3 month SONIA. The final repayment date for loans is 2045. Borrowings are repayable as follows:

	2026	2025
	£	£
Within one year	**10,483,008**	1,590,634
From one to two years	**1,132,102**	1,658,841
Between two and five years	**3,105,894**	4,946,196
In five years or more	**10,895,295**	19,149,443
	25,616,299	27,345,114
Issue costs	**(99,232)**	(125,613)
	25,517,067	27,219,501

The Association has a £3m revolving credit facility with Barclays Bank plc which is on a 5 year term with interest charged at base+1.45% and a non-utilisation fee charged at 0.58% of undrawn balance which remains undrawn as at 31 March 2026.

The bullet repayment of £9.1m on the Virgin Money loan is due to be repaid in December 2026 and is thus disclosed within loans due within one year. Following a tender process completed earlier this year, Charities Aid Foundation Bank has issued an offer for a new £9.1m loan facility, and the Loan Document was approved by the Committee on 17 August 2026. Security documents are in the process of being finalised and we expect to be in a position to conclude the refinancing and draw down funds by 31 October 2026.

The deferred income balance is made up as follows:

	Housing Association Grant	**Total Deferred Income**
	£	**£**
Deferred income as at 1 April 2025	60,593,843	60,593,843
Grants acquired	647,525	**647,525**
Grants disposed	(83,486)	**(83,486)**
Released to the Statement of Comprehensive Income	(1,707,736)	**(1,707,736)**
Deferred income as at 31 March 2026	**59,450,146**	**59,450,146**

Included in creditors as follows:	
Amounts due within one year	**1,707,736**
Amounts due after more than one year	**57,742,410**
	59,450,146

19. Called up share capital

	2026 £	2025 £
Allotted, issued and fully paid:		
Opening balance	**40**	41
Issued during year	**2**	1
Transfer to capital reserve	**(6)**	(2)
Closing balance	**36**	40

20. Capital reserve

	2026 £	2025 £
Opening balance	**168**	166
Transfer from share capital	**6**	2
Closing balance	**174**	168

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

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

	2026 £	2025 £
Surplus for the year	**623,863**	398,203
Depreciation	**3,047,366**	2,936,306
Impairment of property	**307,070**	162,991
Amortisation of grant	**(1,707,736)**	(1,709,280)
Movement in pension fund	**(539,481)**	(595,847)
Increase in stock	**(4,817)**	(2,505)
Decrease/(Increase) in debtors	**(31,374)**	33,464
Increase in creditors	**172,199**	52,832
Surplus on sale of fixed asset	**(124,958)**	(88,627)
Interest payable	**1,570,805**	1,829,490
Interest receivable	**(56,145)**	(94,748)
Net Cash Inflow from Operating Activities	**3,256,792**	2,922,279

22. Operating lease commitments

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

	2026 Other £	2025 Other £
Expiring:		
Within one year	**8,271**	9,250
Between one and five years	**1,999**	10,270
	10,270	19,520

23. 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.

24. Contracted expenditure commitments

	2026 £	2025 £
Expenditure that has been contracted for but not provided for in the financial statements	**1,678,693**	734,850

	2026 £	2025 £
The Association expects its contracted expenditure to be financed as follows:		
Loan finance	**1,678,693**	734,850

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 Castlehill Housing Trust. Transactions with related parties included in the Association's accounts for the year to 31 March 2026 are as follows.

Related party and transactions	**2026** **£**	2025 £
Castlehill Housing Trust:		
Management charges including repair and development charges	**331,363**	324,631
Lease income	**23,080**	23,080
Purchases	**3,973**	3,779
Castlehill Solutions Limited:		
Sales	**11,191**	16,842
Lease income	**118,557**	116,293
Charitable donation received	**38,000**	20,000

Amount due to Castlehill Housing Trust of £6,337 (2025: from Castlehill Housing Trust of £8,385) and from Castlehill Solutions Limited of £38,710 (2025: £20,813).

27. Pension

	2026 **£'000**	2025 £'000
Social housing pension scheme (SHPS)	**1,192**	1,676

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

	2026 **£'000**	2025 £'000
Scheme expenses	**19**	**15**
Net interest expense	**82**	**102**
Defined benefit costs recognised in SOCI	**101**	**117**

27. Pension (continued)

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

	2026 £'000	2025 £'000
Experience on plan assets less interest income	**22**	(783)
Experience gains & losses arising on plan liabilities	**54**	(468)
Effects of changes in demographic assumptions on present value of defined benefit obligation	**(109)**	-
Effects of changes in assumptions on present value of defined benefit obligation	**60**	1,451
Defined benefit income/(costs) recognised in OCI	**27**	200

Social Housing Pension Scheme
Castlehill Housing Association Limited participates in the Social Housing Pension Scheme (the Scheme). The provision at 31 March 2026 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 2023. This actuarial valuation showed assets of £2,570m, liabilities of £3,263m and a deficit of £693m. 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:

From 1 April 2025 to 31 March 2028	£149m per annum (payable monthly and increasing by 2% each year on 1st April)

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

	31 March 2026 £'000	31 March 2025 £'000
Fair value of plan assets	**10,484**	9,992
Present value of defined benefit obligation	**(11,676)**	(11,668)
Surplus (deficit) in plan	**(1,192)**	(1,676)

27. Pension (continued)

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
At 1 April 2025	9,992	(11,668)	**(1,676)**
Benefits paid	(666)	666	**-**
Employer contributions	539	-	**539**
Interest income/(expense)	578	(660)	**(82)**
Expenses	19	(19)	**-**
Remeasurement gains/(losses):			
Actuarial gains (losses) due to scheme experience	-	54	**54**
Actuarial gains (losses) due to change in assumptions	-	(109)	**(109)**
Actuarial gains (losses) due to change in financial assumptions	-	60	**60**
Return on plan assets excluding interest income	22	-	**22**
At 31 March 2026	**10,484**	**(11,676)**	**(1,192)**

Key Assumptions

	31 March 2026 % per annum	31 March 2025 % per annum
Discount rate	**6.02**	**5.82**
Inflation (RPI)	**3.33**	**3.10**
Inflation (CPI)	**3.02**	**2.79**
Salary Growth	**3.02**	**3.00**
Allowance for commutation of pension for cash at Retirement	**75% of maximum allowance**	75% of maximum allowance

The mortality assumptions adopted at 31 March 2026 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2026	20.9
Female retiring in 2026	23.2
Male retiring in 2046	22.2
Female retiring in 2046	24.6

27. Pension (continued)

The fair value of the scheme assets was:

	2026 £'000	2025 £'000
Global equity	1,162	1,119
Liquid alternatives	1,867	1,853
Insurance-linked securities	16	31
Property	512	500
Infrastructure	-	2
Private equity	23	9
Real assets	987	1,196
Private credit	1,264	1,223
Credit	417	382
Investment grade credit	617	308
Long lease property	-	3
Secured income	318	167
Liability driven investment	3,197	3,025
Cash	2	136
Currency hedging	-	16
Net current assets	102	22
Total scheme assets	**10,484**	9,992

CASTLEHILL HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITOR ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 3 & 4 concerning the Association's compliance with the information required by Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 3 & 4 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Committee of Management and Officers of the Association and examination of relevant document, we have satisfied ourselves that the Committee of Management's Statement on Internal financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication "our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

AAB Audit & Accountancy Limited
Statutory Auditor
Aberdeen
25 August 2026