PORT OF LEITH HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP ACCOUNTS

For the year ended 31 March 2022

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PORT OF LEITH HOUSING ASSOCIATION LIMITED

REPORT of the BOARD of MANAGEMENT

For the year ended 31 March 2022

BOARD, EXECUTIVE and ADVISORS

Board of Management
Members of the Board of Management during the year were as follows:
Caitlin McCorry (Chair)
Gordon Munro (Resigned 25.5.21)
Helen Phillips (Resigned 22.9.21)
Brian Reilly
Anthony Gillespie
Kevin Anderson
David Welsh
Liz McLean
Campbell Whyte
Alan Armstrong (Resigned 29.4.21)
Nicola Dobson (Elected 22.9.21)
Leigh Eardley (Elected 22.9.21)

Registered Office	108 Constitution Street Leith Edinburgh EH6 6AZ
Chief Executive & Secretary	Heather Kiteley
Auditor	Chiene + Tait LLP 61 Dublin Street Edinburgh EH3 6NL
Internal Auditor	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP
Solicitors House	TC Young Melrose 69a George Street Edinburgh EH2 2JG
Bankers	Bank of Scotland Leith Branch PO Box 1000 BX2 1LB
Charity Number	SC 027945
Scottish Housing Regulator Registration Number	HAL 170
Letting Agent Registration	LARN1811003

The Board has pleasure in presenting its report on the Group's affairs for the year ended 31 March 2022.

REPORT of the BOARD of MANAGEMENT

For the year ended 31 March 2022

Legal Status and Registration
The Association is established under the Co-operative and Community Benefit Societies Act 2014, (having formed in 1975), is registered with the Office of the Scottish Charity Regulator as a charity, and with the Scottish Housing Regulator as a registered housing association under the Housing (Scotland) Act 2010, and is also registered with the Financial Conduct Authority.

Membership of Board of Management and Structure
The Association's Rules provide for up to 15 members (including two co-optees) on the Board. At the year end the Board comprised 12 members. In addition to the main Board, there is one sub-Committee for Group Audit and Remuneration.

Members of the Board of Management are noted on page 3.

Directors
The following directors held office during the financial year and up to the date of signing off these financial statements.

Caitlin McCorry (Chair)
Gordon Munro (Resigned 27.5.21)
Helen Phillips (Resigned 22.8.21)
Brian Reilly
Anthony Gillespie
Kevin Anderson
David Welsh
Liz McLean
Campbell Whyte
Alan Armstrong (Resigned 29.4.21)
Nicola Dobson (Elected 22.9.21)
Leigh Eardley (Elected 22.9.21)

Key management personnel
The following key management personnel held office during the financial year and up to the date of signing of these financial statements.

Heather Kiteley	Chief Executive
Ngeme Ntuli	Director of Group Finance and Business Support
Gordon Cameron	Director of Group Operations

The composition of the Board of Management changed during the year resulting from three resignations. Board members undertook an assessment of their learning and development needs to inform a programme of activity in support of their role to provide strategic direction and oversight of performance. In addition to its regular monthly business meeting (held 8 times over the year), the Board met on one specific occasion, including with the Boards of its subsidiary companies, Persevere Developments Limited and Quay Community Improvements, to discuss future strategy, planning priorities and addressing risks.

The Board is responsible for overseeing the strategic direction and providing oversight of the performance of the Association and its members are elected from the membership.
Each member of the Board of Management holds one fully paid share of £1 in the Association. The Chief Executive of the Association holds no interest in the Association's share capital and although not having the legal status of a director, they act as an executive within the authority delegated by the Board.

Objectives and Principal Activities
The principal activities of Port of Leith Housing Association (PoLHA) are the provision of high-quality accommodation at affordable rents for those in housing need and the provision of support services for those in necessitous circumstances including due to age, infirmity, disability, or economic hardship.

The Association has Persevere Developments Limited (PDL) which is a private company limited by shares (having formed in 2010 as a wholly owned subsidiary of PoLHA). The principal activity of PDL is to increase the range and variety of high quality housing available for those experiencing difficulty accessing social or affording full market priced accommodation and is currently focused on the provision of mid-market rented housing.

The Association has Quay Community Improvements (Quay) which is a community interest company limited by shares (having formed in 2016 as a wholly owned subsidiary of PoLHA). The principal activities of Quay are to deliver facilities management services and provide opportunities to support the wider economic and social wellbeing of the community.

The Association wholly acquired TB Mackay an energy services company on the 13 December 2019. The principal activities of TB Mackay are to provide a repairs and maintenance service.

Vision, Mission and Strategy

The vision of the Association and its subsidiaries, herein referred to as “the PoLHA Group”, is “Our communities are brilliant” and it is the PoLHA Group’s mission “To make a positive impact on people’s lives in Leith and north Edinburgh by providing affordable homes and services, and creating brilliant communities.

The Group aims to remain a strong effective organisation making a positive impact on improving peoples’ quality of life and wellbeing, contributing to the ongoing regeneration of the areas of operation, developing and maintaining sustainable communities through alleviating poverty and reducing social exclusion.

Housing, support and targeted community development activity including employability support will remain our core activities. The Group will continue to diversify, using its expertise to increase the range of products and services available to address need and demand within our communities.

The Group is committed to learn and improve in pursuit of delivering excellent services and which provide value for money for its customers. It will continue to invest in its people and in the wider community. The Group will adapt to the changing needs, expectations and opportunities and deliver its services within a culture of continuous improvement.

The Group maintains a five-year Business Plan setting out its vision, mission, priorities and resources and which is reviewed and approved by the Board each year. The Plan is designed to ensure that its strategy, products and services are delivered in accordance with its overall ambition and goals, that resources are in place to deliver according to the agreed performance standards, and that key risks are identified and mitigated.

Risk Management Policy

The Board has a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks the Group faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks.

Key Strategic Risks

The Management Team has identified six key strategic hazards that the Group faces with resulting risks that have medium or high-risk exposure. These risks, all relating to the Association, have been specifically addressed as part of the business planning process and are detailed below. It should be noted that although PDL, Quay and TBM have strategic risks the impact of these on the group are lower than when considered for the subsidiaries on their own.

After considering the existing policies, processes and systems in place which provide mitigation against the identified hazards and resulting risks only three risks for the Association remain classed as having moderate exposure:

- The continued rollout of Universal Credit, the expected migration of all legacy cases from Housing Benefit to Universal Credit and other UK wide Welfare Benefit Reforms may cause an increase in both arrears and bad debt. This risk still sits in the 'moderate' exposure level, primarily because of the likelihood score over which we have no control. The controls in place have mitigated the impact and so we tolerate this risk.
- Housing Association Grant has not increased in line with the increased costs of development that have been driven by competition for sites and shortage of materials and labour and this may restrict the development programme. This risk still sits in the 'moderate' exposure level, primarily because of the likelihood score over which we have no control. The controls in place have mitigated the impact and so we tolerate this risk.
- The Defined Benefit Pension Scheme represents a significant financial liability to the organisation. The scheme was closed to new members from April 2014 and closed to future accrual from January 2018 however the liability may grow further increasing past deficit contributions on an annual basis because actuarial assumptions and stock market performance is unpredictable / volatile. This risk still sits in the 'moderate' exposure level as it is considered that we have no affordable option to further mitigate this risk and so we tolerate it.

Business Review

Achievements and Performance
The Port of Leith Housing Association (PoLHA) Group is made up of four entities: the registered social landlord and charity, Port of Leith Housing Association (the parent organisation), and three wholly-owned subsidiary companies: a private rented sector letting agent, Persevere Developments Ltd (PDL), a community initiatives / social enterprise company, Quay Community Improvements CIC (Quay CI), and a multi-trades repairs and maintenance company, TB Mackay Energy Services (TBM).

More information on PDL, Quay's and TBM's activities can be found in their separate Annual Accounts.

The Association has, over the past year, continued with its ambition to support the regeneration and wellbeing of the community including being very active in developing new additional affordable housing in the City. This presents ongoing challenges due to the continued pressure on public spending and restrictions on the availability of public subsidy.

We are an accredited "Investor in People" organisation having been re-accredited the "Gold" standard in 2017.

In 2021 the Association secured an internationally recognised excellence award from the European Foundation for Quality Management (EFQM). EFQM's Recognised for Excellence status enables organisations to evaluate and demonstrate efforts to improve performance against a range of globally recognised definitions of excellence.

In February 2022 the Association was named the 33rd Best mid -sized company to work for by Best Companies.

In February 2022 the Association was successful in maintaining the Investors in Diversity Award following a rigorous reassessment exercise.

New development
Two projects were completed during 2021-22: Newhaven Road (Bonnington Mill) and Heron Place (Plot 3, Granton Harbour). Newhaven Road comprises 13 mid-market rent flats, completed in June 2021. Heron Place comprises 46 social rent and 58 mid-market rent flats, completed in September 2021. In addition, three projects were under construction during the year: A total of 310 units are being developed at Plot S, Granton Harbour, of which 226 will be retained by PoLHA (130 for mid-market and 96 for social rent) with 84 for others under agency agreements. In addition, 43 units (26 for social rent and 17 for mid-market rent) were under construction at Bath Road and 82 units (split equally between social rent and mid-market rent) at Ocean Drive. During the year the Association commenced the construction of 11 flats for mid-market rent at Telford Drive as well as three flats, also for mid-market rent, at Brunswick Road. The projects at Brunswick Road, Bath Road and Ocean Drive are due to complete in 2022-23, followed by Plot S and Telford Drive in 2023-24.

The Association also continued to progress future developments on the PoLHA-owned sites at Wellington Place and Constitution Street, and continued negotiations on a Section 75 development at Iona Street which will comprise 20 social rent flats for completion in 2023-24. In addition, the Association provided development agency services to Manor Estates on their Section 75 development at Echline, South Queensferry.

The Association will continue to be actively involved in the ongoing regeneration of Leith and North Edinburgh over the remainder of the five-year strategy period and is continuing to pursue any further development opportunities within the area. As the need and demand for affordable housing in Edinburgh is still very high, the Association continues to work closely with Edinburgh City Council, the Scottish Federation of Housing Associations (SFHA) and developers, to explore alternative ways to finance additional new affordable housing in the city. The Group is also exploring the potential future provision of open marketrent properties through PDL.

Property management
In 2021-22, the Association continued to maintain the Association's properties to the Scottish Housing Quality Standard (SHQS) which now fully incorporates the Energy Efficiency Standard for Social Housing(EESSH). 85.72**%** of our total number of homes in ownership meet the now combined SHQS.

Major repair works to properties resumed in 2021/22, although due to the COVID-19 pandemic restrictions progress on site has been at a slower pace that achieved in the past. 148 properties have received internal refurbishment along with continuing to deliver external and common area works including 2 passenger lift upgrades.

The Association has continued to face challenges in relation to the delivery of common repairs to multi tenure properties predominantly pre-1919 tenement stairs with the programme hampered by owners financial struggled during the pandemic, only 1 project involving 11 properties was concluded. During the year this co- ordinated activity has focused on 4 projects involving 7 separate stairs, affecting 49 flats in the Association's ownership and which are at various stages of progress to complete necessary repair works. We also have 2 smaller projects where owners are leading the project negotiations.

In December 2015 the Association received approval from the City of Edinburgh Council and Scottish Government to dispose of 113 pre-1919 tenement flats, with further Board approval granted during 2020 for the disposal of an additional 136 properties over the next 10-year period. In previous years 70 properties were sold with a further 11 properties sold during 2021-22 fully removing the Association's liability to a total of 29 common stairs.

Customer feedback
The Association continued to assess its customer requirements and undertook the usual annual postal satisfaction survey of all tenants and sharing owners in autumn 2021. A total of 278 surveys were completed which equates to a 11% response rate. Overall, 86% of households have expressed being very/fairly satisfied with PoLHA as their landlord. While this compares favourably with our peers, the survey also provides some very important pointers towards improving our service further in future and will be used to help shape how our services should be developed and tailored to meet these in future.

The Association also monitors customer satisfaction for key services on an ongoing basis throughout the year. Due to Covid restrictions and the requirements to work from home we were unable to issue customer satisfaction survey for reactive repairs. The Association also asked our customers how likely they were to recommend the Association to a family member, friend or colleague as a way of measuring customer loyalty, known as Net Promotor Score. In 2021, the Association scored 37, which means the majority of our customers would recommend us.

Housing management and support
The Association let 148 homes in Leith and North Edinburgh through the city's Choice Based Lettings scheme during the year, all of which were re-lets of existing properties, as well as 46 new properties at the development at Granton Harbour. It continued to work in partnership with other social landlords in the City (including housing associations and the City Council),letting its available social housing through the established Edindex system.

The Association owns and manages three sheltered housing developments for older people, with a housing support service which is registered with the Care Inspectorate. The Association is currently graded the top Grade 6 (excellent) for the quality of care and support provided to the residents.

The Association has a tenant advice team, consisting of a Money Advice Worker, two Welfare Rights Officers and two Tenancy Sustainment Officers who together provide advice and assistance to tenants with debt, benefit and help and advice on practical issues to help people manage and sustain their tenancies in a positive way. We work in partnership with Changeworks to provide advice on energy efficiency and tackling fuel debt.

Placemaking and Employability
The Association plays a very active part supporting the wider community. It does this by providing a range of services to various client groups which are focused on improving the employability of people within its community, reducing social isolation of older people, improving the capacity of people to take a more active role and responsibility for their lives, and improving the quality of the environment around their homes.

Community Works has been operational since August 2017, it targets primarily our tenants and other unemployed or underemployment people living in Leith. So far more than 1200 adults in Leith and North Edinburgh have received support and training to gain employment, education, qualifications or to improve their prospects of securing better paid, more secure employment. Working in close partnership with Job Centre Plus and a wide range of local providers such as Dr. Bell's, Community Renewal, Street Soccer, Turning Point Scotland and many more. The service has so far delivered an outcome rate of 67%, with many service users gaining permanent employment through its support.

Community Works also provides a range of certificated training through Qualsafe, ITOL and ITOL in Hospitality, Customer Service, Emergency First Aid at Work, First Aid at Work, Paediatric First Aid, Citizen Aid, Safeguarding Children, Food Hygiene and Skills for Employment. It also provides a number of non-certificated courses are available and utilised on a weekly basis; CV skills, Interview Skills, Universal Credit Employability and Confidence Building.

Community Works has worked alongside Quay CIC to provide commercial training to a range of organisations, both partner Registered Social Landlords (RSLs), charitable organisations and private sector firms alike. In addition, Community Works in conjunction with Quay has gone into partnership with SHARE to deliver training to staff working with RSLs throughout Scotland.

The POLHA Group has chosen to undertake a range of Placemaking ambitions as outlined in the 2020-2025 Group Strategic Plan. This wider Placemaking remit has led to changes within the Community Works Team. The role of Employability Services Manager has been replaced by the role of Placemaking manager. This new role includes the management of a smaller scale Community Works service which is now a project within the Placemaking strategy along with a range of additional and ongoing projects which seek to meet the goals of the Group strategy both in terms of physical Placemaking activities such as the creation and facilitation of new greenspaces and the non-physical including the creation and development of a community network, the promotion of local, community voice and the generation of income through collaborative funding bids.

To resource this work the existing Community Works team is being transitioned into the new Placemaking Team which will deliver these Placemaking projects.

Reserves

The PoLHA Group needs to have reserves to ensure the organisation can function into the future and meet its future liabilities, including the major repairs and investment needs of its properties. The revenue reserve of £43.6m reflects primarily the past investment in the housing stock and reserves for future major repairs and development. The PoLHA Group has a cash level of £41.9m to support its future plans and operating requirements. The PoLHA Group reviews its maintenance spending plans regularly and re-assesses them in relation to reserves and cash flows.

Financial Review Overall results

Group turnover was £29.6m (2021: £22,4m) offset by operating costs of £24.6m (2021: £18.3m), leading to an operating surplus of £5m (2021: £4.1m) and a net surplus of £3.1m (2021: £224k).

The SHAPS pension scheme's defined benefit liability as at 31 March 2022 is £3k (2021: £1.185k), resulting in a decrease in the liability of £1.182k. This has also resulted in an actuarial gain through other comprehensive income of £861k (2021: actuarial loss of £1.471k).

The increase in operating surplus is attributable to an increase in rent income from affordable letting activities and growth in the mid-market letting activities of Persevere Developments, which is set off against an increase in expenditure on letting activities.

Annual surpluses are required to cover long term maintenance obligations to property, repayment of loans and future risks.

The surplus has resulted in an increase in the value of net assets over the year, from £43,739k to £46,877k as at 31 March 2022. The Group's liquidity remains strong with a significant number of unencumbered properties available as security for further funding if required.

Going Concern
The Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future.

Matters which are taken into account in this process include:

- The prevailing economic climate, both internationally and locally and its impact, if any, on the Group's viability.
- The financial position of the Group and the impact if any of perceived weaknesses on the Aroup's viability.
- The short, medium and long-term financial prospects resulting from the modelling exercise carried out annually in updating the Association's 30 year Business Plan including sensitivity analysis and independent verification of key underlying assumptions along with subsidiary budgets.

Our approach to see the business through the short and long-term period, involves careful planning, as well as respect for the unpredictability of Covid-19.

We are maintaining constant access to trusted sources of information such as Government, Scottish Housing Regulator, World Health Organisation, advisors and peer to peer networks.

We have set up various cross departmental teams, at each stage of the pandemic. This allows us to continue to focus our resources in gathering information, reforecasting our plans and implementing mitigating actions.

The short- term impact of Covid-19 is predicted by revisions to our annual budgets on a quarterly basis and the long- term impact is predicted by revisions to our 5 year and 30 year plans including, scenario planning, impact analysis and robust stress testing of all plans. The forecasts we have produced for the next 12-24 months demonstrate that we expect to generate surpluses and maintain a strong cash position. We expect no significant adverse medium to long term issues.
In the absence of any fundamental shortcomings raised as a result of the above exercise the Board consider the going concern assumption underlying the preparation of the Group's Financial Statements to be appropriate.

Plans for the Future
The PoLHA Group Vision is: Our communities are brilliant.

The PoLHA Group Mission is: To make a positive impact on people's lives in Leith and north Edinburgh by providing affordable homes and services and creating brilliant communities.

There are significant opportunities over the years up to 2025 for the Group to play an important part in the ongoing regeneration and development of Leith and in the wider Edinburgh Waterfront, within Western Harbour and Granton in particular. As core areas of operation the Group is extremely well placed to continue playing a very active part creating new and large scale mixed-use and mixed-tenure communities and where new services will be developed for ongoing management, maintenance and support linking together both existing and new communities in future.

There are also opportunities through collaboration and partnership working with other RSLs operating in the City and including through the newly formed ARCHIE alliance of smaller independent housing organisations to be working more closely together, and benefitting through sharing knowledge and information, undertaking joint procurement activity to secure improved value for specific goods and services, and improving the range of service offering to tenants and other stakeholders in future.

It is also a period of significant change and challenge, most notably from the continued roll out of Universal Credit, from the uncertainty and the impact of Brexit, the impact from the COVID-19 pandemic, and from the inevitable disruption to residents and businesses due to the planned extension of the tram line to Newhaven being constructed over the next three years.

Funds Held on Behalf of Others
The Group holds no funds on behalf of other organisations.

Employees
The Association's policy is to discuss and consult with employees, through a staff representative group, on all matters likely to affect employees' interests. Information regarding the Association is provided through staff team meetings and reports including a monthly business progress update report. This seeks to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Association's performance. The Group encourages all staff to participate in reviewing its strategic direction and key priorities during its business planning process. The Group strives to afford equal opportunities to all individuals and sections of the community and the policy is to encourage the recruitment of disabled people for all suitable vacancies. All necessary assistance with initial training courses is given. Arrangements are made, where possible, for re-training employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Members of the Group Leadership Team, consisting of the Group Chief Executive and 2 Group Directors are defined as the key management of the Group. Remuneration for all staff is based on salary scales, with the exception of the Group Leadership Team who are on spot salaries. The salaries are all benchmarked and approved by the Group Audit and Remuneration Committee on an annual basis (further information is contained within note 7).

Political and charitable gifts
No political donations or gifts were made in the year to 31 March 2022 (2021: £nil). During the year there were no charitable donations made to housing related charities (2021: £nil).

Treasury Management
The Group has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Board. In this way the Group manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due.

The Group, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2022, the Group has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Rent Arrears
Management has a preventative measure for managing rent arrears. Information is given to tenants which reinforces responsibility for payment of rent, the possible consequences of falling into arrears and the action we will take if in arrears. Balances are checked on a monthly basis to identify cases where accounts have fallen into arrears and/or arrangements have been broken, allowing for prompt follow up action. We attempt to find out if there are any underlying causes for the arrears e.g. change in employment/benefits; relationship breakdown/death of a partner; vulnerability; habitual late or erratic payers and provide assistance and advice accordingly. A variety of options and methods for recovery of rent arrears will be used, including deduction from welfare benefits and, as a last resort, court action and eviction.

Statement of Board of Management's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association, and of its surplus for that year.

In preparing these accounts, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Association and to enable it to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements – February 2019. The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Information for the Auditors

The Board members have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Board members has confirmed that they have taken all the steps they ought to take as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

PORT OF LEITH HOUSING ASSOCIATION LIMITED

REPORT of the BOARD of MANAGEMENT (continued)

For the year ended 31 March 2022

Internal Financial Control

The Board is ultimately responsible for the Association's systems of internal financial controls. However, it should be recognised that such systems can provide only reasonable and not absolute assurance against material misstatement or loss.

The approach adopted by the Board to provide effective financial control can be summarised as follows:

- (a) an appropriate control environment has been created by careful recruitment and training of staff and provision of comprehensive guidance on the standards and controls to be applied throughout the Association.
- (b) management information systems have been developed to provide accurate and timeous data on all aspects of the business. Management accounts comparing actual results against budget are presented to the Board quarterly.
- (c) major business risks and their financial implications are assessed systematically by reference to established criteria.
- (d) the financial implications of major business risks are controlled by means of delegated authorities which reserve significant matters to the Board for decision; segregation of duties in appropriate areas and physical controls over assets and access to records.
- (e) the Board monitors the operation of the internal financial control system by considering regular reports from management and the internal and external auditors and ensures appropriate corrective action is taken to address any reported weakness.

The Board confirms that it has reviewed the effectiveness of the Association's system of internal financial control as it operated during the year under review. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

During the period there were no identified weaknesses in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the accounts or the report of the auditor.

BY ORDER OF THE BOARD OF MANAGEMENT

[redacted]

CAITLIN MCCORRY
Chairperson

11 August 2022

INDEPENDENT AUDITOR'S REPORT to the MEMBERS of PORT OF LEITH HOUSING ASSOCIATION LIMITED

For the year ended 31 March 2022

Opinion

We have audited the financial statements of Port of Leith Housing Association Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Changes in Reserves, Consolidated Statement of Financial Position, Consolidated and Association Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2022 and of the income and expenditure of the Group and the income and expenditure of the Association 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 Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – 2019.

Basis for 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board'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 group's or 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 Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- A satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 10, the Board is 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 Board determines 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 Board is 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 Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 gained an understanding of the legal and regulatory framework applicable to the Association and the industry in which it operates and considered the risk of acts by the Association which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Housing SORP 2018, the Co-operative and Community Benefit Societies Act 2014 and the Housing (Scotland) Act 2010.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Association's financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the members;
- review of minutes of Board meetings throughout the period;
- review of legal correspondence or invoices, and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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 auditor's report.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

[redacted]

Chiene + Tait LLP
Statutory Auditor
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

31 August 2022

REPORT BY THE AUDITOR TO THE MEMBERS OF PORT OF LEITH HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS
For the year ended 31 March 2022

In addition to our audit of the Financial Statements, we have reviewed your statement on page 11 concerning the Association's compliance with the information required by the 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 page 11 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes 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.

[redacted]

Chiene + Tait LLP
Statutory Auditor
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

31 August 2022

CONSOLIDATED and ASSOCIATION STATEMENT of COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Turnover	2/3	29,672	22,432	25,415	19,332
Operating expenditure	3	(24,634)	(18,311)	(20,092)	(15,043)
Operating surplus		5,038	4,121	5,323	4,289
Gain on sale of non-property fixed asset		-	2	-	2
Interest receivable and similar income	9	20	25	31	32
Interest payable and similar charges	9	(2,762)	(2,457)	(2,743)	(2,452)
Surplus on ordinary activities before taxation		2,296	1,691	2,611	1,871
Taxation on ordinary activities	10	(18)	4	-	-
Surplus on ordinary activities after taxation		2,278	1,695	2,611	1,871
Actuarial gains (losses) in respect of pension scheme		861	(1,471)	861	(1,471)
Total comprehensive income for the year		3,139	224	3,472	400

CONSOLIDATED and ASSOCIATION STATEMENT of CHANGES IN RESERVES

For the year ended 31 March 2022

	Group Restricted £'000	Group Income and Expenditure Reserve £'000	Group Total Reserves £'000	Association Restricted £'000	Association Income and expenditure Reserve £'000	Association Total Reserves £'000
Balance at 1 April 2021	3,863	39,876	43,739	3,863	38,926	42,789
Opening balance adjustment						
Surplus from statement of comprehensive income	(609)	3,748	3,139	(609)	4,081	3,472
Transfers (note 27)						
Balance at 31 March 2022	3,254	43,624	46,878	3,254	43,007	46,261

All results relate to continuing activities.

The notes on pages 20 to 43 form part of these financial statements.

PORT OF LEITH HOUSING ASSOCIATION LIMITED

CONSOLIDATED and ASSOCIATION STATEMENT of FINANCIAL POSITION

For the year ended 31 March 2022

	Notes	Group		Association	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Fixed assets					
Housing properties	11	221,673	204,028	221,673	204,028
Other tangible fixed assets	12	2,645	2,630	2,378	2,392
Intangible assets	12	165	93	165	93
Goodwill	13	2,320	2,623	-	-
		226,803	209,374	224,216	206,513
Investments	14	-	-	3,821	3,821
Current assets					
Stock and work in progress	15	198	1,487	-	1,339
Debtors	16	2,318	4,243	2,008	4,231
Cash and cash equivalents		41,947	47,250	40,300	45,218
		44,463	52,980	42,308	50,788
Creditors: amounts falling due within one year	17	(12,185)	(10,255)	(11,922)	(10,017)
Net current assets		32,278	42,725	30,386	40,771
Total assets less current liabilities		259,081	252,099	258,423	251,105
Creditors: amounts falling due after more than one year	18	(212,200)	(207,175)	(212,159)	(207,131)
Defined benefit pension obligations	22	(3)	(1,185)	(3)	(1,185)
Total net assets		46,878	43,739	46,261	42,789
Capital and reserves					
Restricted reserves		3,254	3,863	3,254	3,863
Revenue reserves		43,624	39,876	43,007	38,926
Total capital and reserves	27	46,878	43,739	46,261	42,789

These financial statements were approved and authorised for issue on 11 August 2022 by the Board of Management and signed on its behalf by:

[redacted]

Chairperson
Caitlin McCorry

[redacted]

Board Member
Anthony Gillespie

[redacted]

Secretary
Heather Kiteley

The notes on pages 20 to 43 form part of these financial statements.

CONSOLIDATED and ASSOCIATION STATEMENT of CASH FLOWS

For the year ended 31 March 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Net cash generated from operating activities	**21**	10,699	2,802	11,043	2,544
Cash flow from investing activities					
Purchase of tangible fixed assets		(23,404)	(13,449)	(23,389)	(13,401)
Purchase of intangible assets		(113)	-	(113)	-
Proceeds from sale of tangible fixed assets		1,875	452	1,871	450
Purchase of subsidiary		-	(48)	-	(48)
Grants received in year		10,026	4,144	10,026	3,633
Grants repaid in year		(236)	(85)	(236)	(85)
Interest received		20	25	31	32
Net cash from/ (used in) investing activities		(11,832)	(8,961)	(11,810)	(9,419)
Cash flow from financing activities					
Interest paid		(2,762)	(2,457)	(2,743)	(2,452)
Repayments of borrowings		(1,408)	(1,245)	(1,408)	(1,245)
New secured borrowings		-	40,000	-	40,000
Net cash from/(used in) financing activities		(4,170)	36,298	(4,151)	36,303
Net change in cash and cash equivalents		(5,303)	30,139	(4,918)	29,428
Cash and cash equivalents at the beginning of the year		47,250	17,111	45,218	15,790
Cash and cash equivalents at the end of the year		41,947	47,250	40,300	45,218

The notes on pages 20 to 43 form part of these financial statements.

PORT OF LEITH HOUSING ASSOCIATION LIMITED

CONSOLIDATED and ASSOCIATION STATEMENT of CASH FLOWS

For the year ended 31 March 2022

Net debt reconciliation (Group)	**1 April 2021 £'000**	**Cashflow £'000**	**Other non Cash changes £'000**	**31 March 2022 £'000**
Cash	47,250	(5,303)	-	41,947
Borrowings	47,250	(5,303)	-	41,947
Debt due within one year	(1,298)	1,408	(1,386)	(1,276)
Debt due after one year	(92,910)	-	1,386	(91,524)
	(94,208)	1,408	-	(92,800)
	(46,958)	(3,895)	-	(50,853)

Net debt reconciliation (Association)	**1 April 2021 £'000**	**Cashflow £'000**	**Other non Cash changes £'000**	**31 March 2022 £'000**
Cash	45,218	(4,918)	-	40,300
Borrowings	45,218	(4,918)	-	40,300
Debt due within one year	(1,298)	1,408	(1,386)	(1,276)
Debt due after one year	(92,910)	-	1,386	(91,524)
	(94,208)	1,408	-	(92,800)
	(48,990)	(3,510)	-	(52,500)

The notes on pages 20 to 43 form part of these financial statements.

1. Accounting Policies

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Financial Conduct Authority (registered number is 1844R (S)). The Association is a Public Benefit Entity incorporated in Scotland. The Association is registered with SHR under the Housing (Scotland) Act 2010.

The accounts have been prepared in accordance with UK Generally Accepted Accounting Practice (UKGAAP), including Financial Reporting Standard 102 (FRS 102) and in compliance with the Statement of Recommended Practice for Registered Social Housing Providers (Housing SORP 2018) and the Scottish Housing Regulator's Determination of Accounting Requirements (2019). The accounts are prepared on the historical cost basis of accounting modified to include the fair value of fixed assets at the date of a transfer of engagements.

The address of the Association's registered office and principal place of business is on page 3.

The Association's principal activities are detailed on page 5.

The financial statements are prepared in Sterling (£). The amounts are rounded to the nearest thousand (£'000) unless otherwise stated.

The principal accounting policies of the Association are set out below.

Critical Accounting Estimates and Areas of Judgement
Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 22). The net defined benefit pension liability at 31 March 2021 was £1,185k.

Bad debts are provided 100% on all former tenants. Arrears that are greater than 2 months are provided at 10% of the total; greater than 3 months 25% of the total. All rechargeable repairs and private owners are provided at 100% of total amount raised, with insurance claims at 50% of the total claim.

Management deem any gain or loss on disposal of housing property to be part of the operating activities. Management reviews its estimates of the useful lives of goodwill and depreciable assets at each reporting date, using both internal and external advice. See continuation of note 1 for depreciation information.

Shared owners are 100% liable for the maintenance of their property and also for their share of communal areas.

Going concern
The Board consider on an annual basis the appropriateness of preparing the Group's accounts on a going concern basis. Matters which are taken into account in this process include:

- The prevailing economic climate, both internationally and locally and its impact, if any, on the Group's viability.
- The financial position of the Group and the impact if any of perceived weaknesses on the Group's viability.
- The short, medium and long term financial prospects resulting from the modelling exercise carried out annually in updating the Group's 30 year Business Plan including sensitivity analysis and independent verification of key underlying assumptions.

1. Accounting Policies (continued)

- The impact of COVID 19 on the wider community and effect this will have on the economic climate.
- Forecasts that cover 12 months from the signing of the accounts.
- Current economic climate.

In the absence of any fundamental shortcomings raised as a result of the above exercise the Board consider the going concern assumption underlying the preparation of the Group's accounts to be appropriate.

Financial Instruments
The Association has elected to apply the provisions of Section 11 "Basic Financial Instruments" and section 12 "Other Financial Instruments Issues" of FRS102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument and are offset only when the Association currently has a legal enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial Assets – Debtors
Debtors, which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost being the transaction price less any amounts settled and any impairment losses. Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments, discounted at a market rate of interest for a similar debt instrument.

Financial Liabilities – Trade Creditors
Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings
Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges. Commitments to receive a loan are measured at cost less impairment.

Loans provided at a below market interest rate are recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Basis of consolidation
The Association has a wholly owned non-charitable subsidiary, Persevere Developments Limited; a community interest company, Quay Community Improvements CIC and an energy services & repair company TB Mackay. These group accounts consolidate those of the Association and its subsidiaries on a line by line basis.

Turnover
Turnover represents rental and service charge income receivable, income from support services, income from fees, grants of a revenue nature from local authorities and the Scottish Government and amortisation of capital grant income. Turnover is recognised when amounts fall due and when income has been earned.

1. Accounting Policies (continued)

Fixed assets and depreciation
Tangible fixed assets are stated at cost less accumulated depreciation. The threshold for capitalisation of all fixed assets is £5,000. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates net of any net realisable value:

Other Fixed Assets	
Heritable Property	2%
Furniture	10%
Fittings, Equipment & Motor Vehicles	20%
Computer Equipment	20% - 33%
Intangible Assets	20%

Housing properties
Housing properties are properties for the provision of social housing or to otherwise provide social housing and are principally properties available for rent and shared ownership.

Housing properties are stated at cost less accumulated depreciation and impairment losses. The cost of properties includes land cost, all construction costs, professional fees, borrowing costs, impairment losses and development administration costs.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

The Association depreciates housing properties by component on a straight line basis over the estimated useful economic lives of component categories, which have materially different useful lives. Land is not depreciated and is stated at cost.

Useful economic lives for identified components are as follows:

Component	*Useful Economic Life*	*Depreciation rate*
Structure	50 years	2%
Kitchens	15 years	6.67%
Bathrooms	30 years	3.34%
Central heating distribution	15 years	6.67%
Central heating source	30 years	3.34%
Windows	30 years	3.34%
Lifts	10 - 25 years	4% - 10%
Solar panels	25 years	4%

Works to existing properties
Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the property are capitalised as improvements. Such enhancement can occur if the improvements result in:

- the ability to increase rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property

Works to existing properties, which fail to meet the above criteria, are charged to the Statement of Comprehensive Income.

Shared ownership properties are split proportionately between fixed assets and current assets based on the element relating to first tranche sales. The first tranche acquisition is classed as a current asset and related sale proceeds are included in turnover.

1. Accounting Policies (continued)

Housing Association Grant and other capital grants
For developments under the terms of the Housing (Scotland) Act 2010, Housing Association Grant (HAG) is paid directly to the Association as required to meet its liabilities during the development process.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model. These are held as deferred capital grants.

Impairment
Reviews for impairment indicators of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the Statement of Comprehensive Income. Indicators of impairment can be contamination of land; a change in government policy that has a material impact on the net income; a change in demand with a material increase in the level of voids; or obsolescence of a property.

If there is an indication of impairment, the carrying amount of the asset should be compared to the recoverable amount. If the recoverable amount is lower than the carrying value, the Association will need to record an impairment. The recoverable amount is the higher of value in use of the property and fair value.

Taxation
Port of Leith as a registered charity is not subject to corporation tax on its charitable activities, but is subject to corporation tax on its non-charitable trading activities. Persevere Developments Limited; Quay Community Improvements CIC and TB Mackay Energy Service Limited are subject to corporation tax. Taxation is accrued based on taxable profits for the year.

Pension Costs
The Association is a member of the Scottish Housing Association Pension Scheme, a defined benefit scheme. The Association recognises its share of assets and liabilities in these financial statements. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high- quality corporate bond rates. the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements and actuarial gains or losses are reported in other comprehensive income.

As at the year ended 31 March 2022, the net defined benefit pension deficit liability was £3k, which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2022, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 22 for more details.

1. Accounting Policies (continued)

Operating leases
Operating leases and the payments made under them are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Companies which the group controls are fully consolidated from the date at which the group obtains control.

Business Combinations
The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of the business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Contingent consideration
The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably and is adjusted for changes in contingent consideration after the acquisition date. Contingent consideration is discounted if material.

Intangible assets – Goodwill
Goodwill is capitalised and written off evenly over 10 years as in the opinion of management, this represents the period over which the goodwill is expected to give rise to economic benefits as this is the length of contracted services between POLHA and TB Mackay.

Work in Progress
Construction work undertaken by Port of Leith Housing Association on development Plot S Granton Harbour includes expenditure for another Housing Association: Cairn Housing; and Dean and Cauvin Young Peoples Trust. These costs are reported within Stock and Work in Progress within Current Assets. All these costs are recoverable and the subsequent income that is received will net off against these costs.

2. Turnover

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Income from lettings	16,720	16,003	14,055	13,649
Rent losses from voids	(235)	(249)	(200)	(204)
	16,485	15,754	13,855	13,445
Management services and other income	13,187	6,678	11,560	5,887
Total turnover	29,672	22,432	25,415	19,332

3(a). Turnover, operating costs, operating Surplus: Group

	Turnover	Operating Costs	2022 Operating Surplus	2021 Operating Surplus
	£'000	£'000	£'000	£'000
Income and expenditure from affordable letting and other activities				
Affordable letting activities – note 4(a)	20,559	(11,402)	9,157	7,972
Other activities – note 5(a)	9,113	(13,232)	(4,119)	(3,851)
Total 2022	29,672	(24,634)	5,038	4,121
Total 2021	22,432	(18,311)	4,121	

3(b). Turnover, operating costs, operating Surplus: Association Turnover

	Costs £'000	Operating Costs £'000	2022 Operating Surplus £'000	2021 Operating Surplus £'000
Income and expenditure from affordable letting and other activities				
Affordable letting activities – note 4(b)	17,929	(11,113)	6,816	6,118
Other activities – note 5(b)	7,486	(8,979)	(1,493)	(1,829)
Total 2022	25,415	(20,092)	5,323	4,289
Total 2021	119,332	(15,043)	4,289	3,748

4(a). Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities: Group

	Housing Accom'n £'000	Shared Ownership Accom'n £'000	Mid-market Accom'n £'000	2022 £'000	2021 £'000
Income from affordable letting activities					
Rent receivable net of identifiable service charges	13,484	395	1,764	15,643	15,060
Service charges receivable	900	177	-	1,077	943
Gross rents receivable	14,384	572	1,764	16,720	16,003
Less: Rent losses from voids	(198)	(10)	(27)	(235)	(249)
Net rents receivable	14,186	562	1,737	16,485	15,754
Grants released from deferred income (social)	2,493	94	-	2,587	2,479
Gain from the disposal of properties	1,487	-	-	1,487	342
Supporting People Income Receivable	-	-	-	-	43
Total income from affordable letting activities	18,166	656	1,737	20,559	18,618
Expenditure on affordable letting activities					
Services	594	-	-	594	563
Management and maintenance administration costs	2,277	92	39	2,408	2,387
Reactive maintenance	1,573	100	79	1,752	1,704
Planned and cyclical maintenance including major repair costs	2,054	61	-	2,115	1,566
Rent losses from bad debts	40	-	-	40	30
Housing Depreciation	4,378	115	-	4,493	4,396
Total expenditure on affordable letting activities	10,916	368	118	11,402	10,646
Operating surplus on affordable letting activities	7,250	288	1,619	9,157	7,972
Operating surplus 2021	5,991	277	1,704	7,972	

4(b). Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities: Association

	Housing Accom'n £'000	Shared Ownership Accom'n £'000	2022 £'000	2021 £'000
Income from affordable letting activities				
Rent receivable net of identifiable service charges	12,599	379	12,978	12,707
Service charges receivable (see below)	1,063	14	1,077	943
Gross rents receivable	13,662	393	14,055	13,650
Less: Rent losses from voids	(198)	(2)	(200)	(204)
Net rents receivable	13,464	391	13,855	13,446
Grants released from deferred income (social)	2,493	94	2,587	2,479
Gain from the disposal of properties	1,487	-	1,487	342
Supporting People Income Receivable	-	-	-	43
Total income from affordable letting activities	17,444	485	17,929	16,310
Expenditure on affordable letting activities				
Services (see below)	532	-	532	513
Management and maintenance administration costs	2,063	83	2,146	2,196
Reactive maintenance	1,374	104	1,478	1,584
Planned and cyclical maintenance including major repair costs	2,403	22	2,425	1,486
Rent losses from bad debts	39	-	39	17
Housing Depreciation	4,378	115	4,493	4,396
Housing impairment	-	-	-	-
Total expenditure on affordable letting activities	10,789	324	11,113	10,192
Operating surplus on affordable letting activities	6,655	161	6,816	6,118
Operating surplus 2021	6,135	(17)	6,118	

Services

Included within the service charges receivable above are amounts relating to non-eligible housing benefit amounting to £14k (2021: £13k). Supporting People income receivable for Scheme Co-ordinator support for the Association's sheltered housing schemes is disclosed above. This income covers part of the cost of providing this service with the balance being recovered from service charges. The Association feels that to disclose the Supporting People income under "Other Activities" in note 5 would not show a true position in relation to these services.

For the year ended 31 March 2022

5(a). Other Activities: Group

	Grants £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2022 Operating Surplus/ (deficit) £'000	2021 Operating Surplus (deficit) £'000
Wider role activities	147	-	147	(808)	(661)	(663)
Factoring	-	39	39	(2)	37	136
Development & construction of property activities	-	-	-	(2,819)	(2,819)	(2,843)
Other agency/ management service	-	289	289	(371)	(82)	(28)
Commercial rent	-	69	69	-	69	68
Adaptations income	-	60	60	(55)	5	22
Leasing fee	-	-	-	-	-	-
MM grant amortisation	-	271	271	-	271	221
Mid-market Depreciation	-	-	-	(745)	(745)	(629)
Other activities	-	-	-	(1,683)	(1,683)	(1,347)
TBM subsidiary repairs and maintenance	-	3,928	3,928	(2,490)	1,438	672
TBM Coronavirus job retention	-	65	65	-	65	540
Release of Cairn Cost	-	4,245	4,245	(4,259)	(14)	-
Total from other Activities	147	8,966	9,113	(13,232)	(4,119)	(3,851)
Total 2021	268	3,546	3,814	(7,665)	(3,851)	

Other activities include the activities of Quay Community Improvements CIC, the lease of mid-market properties to Persevere Developments Limited and the letting of commercial properties.

5(b). Other Activities: Association

	Grants £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2022 Operating Surplus/ (deficit) £'000	2021 Operating Surplus (deficit) £'000
Wider role activities	147	-	147	(689)	(542)	(593)
Factoring	-	39	39	(2)	37	136
Development & construction of property activities	-	-	-	(2,371)	(2,371)	(2,565)
Other agency/ management service	-	142	142	(328)	(186)	(50)
Commercial rent	-	69	69	-	69	68
Adaptations income	-	60	60	(55)	5	22
Leasing fee	-	1,931	1,931	-	1,931	1,625
MM grant amortisation	-	271	271	-	271	221
Mid-market Depreciation	-	-	-	(745)	(745)	(629)
Gift Aid	-	396	396	-	396	190
Other activities	-	186	186	(530)	(344)	(254)
Release of Cairn HAG	-	4,245	4,245	-	4,245	-
Release of Cairn Cost	-	-	-	(4,259)	(4,259)	-
Total from other Activities	147	7,339	7,486	(8,979)	(1,493)	(1,829)
Total 2021	268	2,754	3,022	(4,51)	(1,829)	

Other activities include the activities of Quay Community Improvements CIC, the lease of mid-market properties to Persevere Developments Limited and the letting of commercial properties.

6. Surplus on ordinary activities before taxation

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation is stated after:				
Depreciation	5,431	5,210	5,344	5,133
Amortisation	343	444	41	41
Auditor's remuneration				
Audit services	43	40	23	24
Non-audit services	4	41	2	33
	=======	=======	=======	=======

7. Key management Personnel

Members of the Leadership Team, consisting of the Chief Executive, and 2 Directors are defined as the key management of the Group. No emoluments were paid to any member of the Board of Management during the year and details of emoluments paid to key management follow. Emoluments are inclusive of one company vehicle.

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
Total emoluments of key management [excluding pension contributions but including benefits in kind for the year being a company vehicle]	476	445	363	344
	=======	=======	=======	=======
Pension contributions on above	101	41	101	41
	=======	=======	=======	=======
The emoluments of the highest paid officer, excluding pension contributions	113	108	113	108
	=======	=======	=======	=======
Pension contributions on above	8	8	8	8
	=======	=======	=======	=======

The number of key management whose emoluments, excluding pension contributions, exceeded £60,000 for the twelve month equivalent period were:

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
£60,001 to £70,000	1	-	1	-
£70,001 to £80,000	-	2	-	2
£80,001 to £90,000	1	1	1	1
£90,001 to £100,000	1	-	1	-
£100,001 to £110,000	-	1	-	1
£110,001 to £120,000	1	-	1	-
	=======	=======	=======	=======

Expenses payable to Board Members for out of pocket expenses amounted to £Nil (2021: £Nil).

8. Employee information

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Staff costs (including key management personnel) during the year were as follows: -				
Wages and salaries	5,845	5,567	3,267	3,166
Social security costs	578	548	333	324
Pension costs	414	358	354	297
Pension liability remeasurement	43	43	43	43
Temp staff cost	168	198	168	198
	7,048	6,714	4,165	4,028

Pension costs do not include past deficit contributions of £861k (2021: £375k) which are now charged to the defined benefit pension deficit liability under FRS 102 (see note 22).
The average monthly number of persons employed by the Association during the year (including part-time staff) was as follows:

	Group		Association	
	2022	2021	2022	2021
Office staff	177	169	91	81
Cleaning Team staff	14	16	14	16
Sheltered Accommodation Staff	7	7	7	7
Total Staff	198	192	112	104
Full-time equivalent total staff	190	184	107	99

9. Interest

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Interest receivable and similar income				
Interest receivable on bank balances	20	25	31	32
Interest payable and similar charges				
Interest payable on loans & Hire Purchase	3,155	2,808	3,136	2,808
Less: capitalised	(415)	(355)	(415)	(355)
	2,740	2,453	2,721	2,453
Net finance costs on defined benefit pension (see note 22)	22	(1)	22	(1)
	2,762	2,452	2,743	2,452

10. Taxation

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
(a) Tax expense included in comprehensive income				
Current tax on surplus on ordinary activities				
UK corporation tax	18	(4)	-	-
Total current tax (note 10(b))	18	(4)	-	-
Tax on ordinary activities	18	(4)	-	-

(b) Reconciliation of tax expense included in comprehensive income

The tax on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Surplus on ordinary activities before taxation	2,296	1,880	2,611	1,911
Tax calculated at 19% (2022: 19%)	436	357	496	363
Exempt charitable activities	(418)	(357)	(496)	(363)
Group relief claimed		-	-	-
Adjustment to tax charge in respect of previous period	-	(4)	-	-
Tax expense / (refund) for the year (note 10(a))	18	(4)	-	-

The Association is a registered Charity (number SC027945) and is not liable to United Kingdom corporation tax on its housing activities. No tax liability arises in the year on the Association's non-housing activities.

11. Tangible fixed assets – housing properties: Group and Association

	Housing properties held for letting £'000	Shared Ownership held for Properties letting £'000	Housing Properties in course of con-struction £'000	Housing Properties Total £'000
Cost				
At 1 April 2021	218,278	7,013	40,656	265,947
Additions – properties under construction	-	-	21,298	21,298
Capitalised improvements including components	1,894	105	-	1,999
Disposals including replaced components	(1,389)	-	-	(1,389)
Schemes and components completed	1,949	-	(1,949)	-
At 31 March 2022	220,732	7,118	60,005	287,855
Depreciation				
At 1 April 2021	60,425	1,494	-	61,919
Charged for the year	5,123	115	-	5,238
Disposals including replaced components	(975)	-	-	(975)
At 31 March 2022	64,573	1,609	-	66,182
Net book value				
At 31 March 2022	156,159	5,509	60,005	221,673
At 31 March 2021	157,853	5,519	40,656	204,028

All housing land and buildings are heritable property. All schemes in progress have been approved for Housing Association Grant.

Housing properties includes properties developed for mid-market rent and leased to Persevere Developments Limited (note 25).

For major repairs during the year the Association spent £3,239k (2021: £1,452k): £1,893k (2021: £263k) was capitalised for replacement components; and £1,346k (2021: £893k) was expensed through operating costs in the Statement of Comprehensive Income.

Interest capitalised in the year amounted to £321k (2021: £355k). The interest capitalised was in respect of the interest paid on loans used specifically for new development expenditure.

Interest capitalised on fixed assets is capitalised at a rate of 3.40% (2021: 3.38%).

Fixed assets pledged as security amount to £124m (2021: £126m).

The value of land amounts to £16.8m (2021: £15m).

12a. Other fixed assets – Group

	Heritable property £'000	Computer equipment £'000	Office furniture and equipment £'000	Motor vehicles £'000	Other £'000	Total £'000
Cost						
At 1 April 2021	3,308	993	249	826	2	5,378
Additions during year	22	67	6	124	-	219
Disposals during the year	-	(19)	(2)	(55)	-	(76)
At 31 March 2022	3,330	1,041	253	895	2	5,521
Depreciation						
At 1 April 2021	1,046	882	227	591	2	2,748
Charged during year	67	35	5	89	-	196
Disposals during the year	-	(16)	(2)	(50)	-	(68)
At 31 March 2022	1,113	901	230	630	2	2,876
Net book value						
At 31 March 2022	2,217	140	23	265	-	2,645
At 31 March 2021	2,262	111	22	235	-	2,630

12b. Other fixed assets – Association

	Heritable property £'000	Computer equipment £'000	Office furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2021	3,308	900	198	111	4,517
Additions during year	22	52	-	18	92
Disposals during the year	-	-	-	-	-
At 31 March 2022	3,330	952	198	129	4,609
Depreciation					
At 1 April 2021	1,046	809	193	77	2,125
Charged during year	66	26	1	13	106
Disposals during the year	-	-	-	-	-
At 31 March 2022	1,112	835	194	90	2,231
Net book value					
At 31 March 2022	2,218	117	4	39	2,378
At 31 March 2021	2,262	91	5	34	2,392

12c. Intangible assets – Group and Association

	£'000
Cost	
At 1 April 2021	203
Additions during year	113
At 31 March 2022	316
Amortisation	
At 1 April 2021	110
Charged during year	41
At 31 March 2022	151
Net book value	
At 31 March 2022	165
At 31 March 2021	93

13. Goodwill

	£'000
GROUP	
Cost	
As at 1 April 2021	3,026
Discount adjustment	
As at 31 March 2022	3,026
Amortisation	
As at 1 April 2021	403
Amortisation recognised in the statement of comprehensive income	303
As at 31 March 2022	706
Carrying amount	
As at 31 March 2022	2,320
As at 31 March 2021	2,623

The amortisation of goodwill is included in other activities.

The balance of goodwill includes the net assets of the acquired entity TB Mackay as at 13 December 2019.

14. Investments – Association

The financial statements consolidate the results three wholly owned subsidiaries; a non-charitable subsidiary Persevere Development Ltd; a Community Interest Company Quay Community Improvements; and a repairs & maintenance company TB Mackay Ltd from the 13 December 2019. The association has the right to appoint members to the boards of the three subsidiaries and thereby exercise control over them.

Persevere Developments Ltd is a provider of affordable housing; Quay Community Improvements carries out community work and TB Mackay provides a repairs and maintenance service.

	Total £'000
Cost	
At 31 March 2021	3,821
Discount adjustment	
At 31 March 2022	3,821
Provisions for impairment	
At 31 March 2021	-
Impairment loss	-
At 31 March 2022	-
Carrying amount	
At 31 March 2022	3,821
At 31 March 2021	3,821

15. Stock

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Development costs incurred on behalf of Cairn HA & Dean Cauvin Young Peoples Trust	-	1,339	-	1,339
Finished goods and goods for resale	198	148	-	-
	198	1,487	-	1,339

16. Debtors

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Arrears of rent	567	560	530	515
Less: bad debt provision	(178)	(176)	(161)	(160)
	389	384	369	355
Group debtors – Intercompany Loan to QCI	-	-	124	174
Group debtors – Other	-	-	169	240
Other debtors and prepayments	1,929	3,810	1,346	3,413
Accrued income	-	49	-	49
	2,318	4,243	2,008	4,231

The Association is due £124k from Quay Community Improvements (2021: £174k). £114k of this is due after more than a year (2021: £164k).

17. Creditors: amounts falling due within one year

		Group		Association
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
Housing loans (note 18)	1,276	1,298	1,276	1,298
Prepaid rent	584	520	573	508
Contractors for retentions unpaid and certified work	1,402	989	1,402	989
Group creditors	-	-	436	298
Trade creditors	393	754	91	549
Sundry creditors	1,543	1,425	1,437	1,344
Maintenance and general accruals	3,570	1,363	3,308	1,114
Other Creditors	613	1,267	613	1,267
Deferred capital grant (note 19)	2,786	2,650	2,786	2,650
Corporation tax	18	(11)	-	-
	12,185	10,255	11,922	10,017

18. Creditors: amounts falling due after more than one year

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
Housing loans	91,524	92,910	91,524	92,910
Deferred Tax	41	43	-	-
Other Creditors	-	613	-	612
Deferred capital grant (note 20)	120,635	113,609	120,635	113,609
	212,200	207,175	212,159	207,131

Housing loans from building societies and banks are secured by specific charges on the Association's housing properties and are repayable at interest rates varying from 1.20% to 5.52% (2021: 1.07% to 5.52%) over a period of between 4 and 19 years in instalments due as follows:

		Group		Association
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
In one year or less	1,276	1,298	1,276	1,298
Between one and two years	1,276	1,298	1,276	1,298
Between two and five years	3,690	3,869	3,690	3,869
In five or more years	86,558	87,743	86,558	87,743
	92,800	94,208	92,800	94,208
Amounts falling due within one year	1,276	1,298	1,276	1,298
Amounts falling due after more than one year	91,524	92,910	91,524	92,910
	92,800	94,208	92,800	94,208

19. Deferred capital grant

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
At 1 April	116,260	115,327	116,260	115,327
Grant received during the year	10,026	3,633	10,026	3,633
Grant repaid during the year	(236)	(85)	(236)	(85)
HAG disbursed	46	-	46	-
Released to income in the year	(2,675)	(2,615)	(2,675)	(2,615)
At 31 March	123,421	116,260	123,421	116,260

Grants relating to assets are released to income over the lifetime of the related asset resulting in release as follows:

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
In one year or less	2,786	2,651	2,786	2,651
In more than one year	120,635	113,609	120,635	113,609
	123,421	116,260	123,421	116,260

20. Share capital

	2022	**2021**
	£	£
At 1 April	150	161
Issued during the year	4	3
Surrendered during the year	(10)	(14)
At 31 March	144	150

Each Member of the Association holds one voting share (nominal value £1) in the Association. These shares carry no rights to interest, bonuses, dividend or distributions on a winding up. All shares are surrendered on the cessation of membership. Each Member has the right to vote at members' meetings.

21. Cash flow from operating activities

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
Surplus for the year after tax	2,278	1,695	2,611	1,871
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	5,431	5,210	5,344	5,133
Amortisation of tangible fixed assets	343	444	41	41
Decrease/(Increase) in stock	1,339	(1,310)	1,339	(1,339)
(Decrease)/increase in trade and other debtors	1,876	(1,192)	2,223	(2,203)
Increase/(decrease) in trade and other creditors	1,157	(589)	1,226	(31)
Pension cost less contributions payable	(321)	(395)	(321)	(397)
Carrying amount of tangible fixed asset disposals	422	116	414	114
Tax provided	(18)	(4)	-	-
Adjustments for investing or financing activities:				
Proceeds from the sale of tangible fixed assets	(1,875)	(450)	(1,871)	(450)
Government grants utilised in the year	(2,675)	(3,155)	(2,675)	(2,615)
Interest payable	2,762	2,457	2,743	2,452
Interest received	(20)	(25)	(31)	(32)
Loan at deemed cost	-	-	-	-
Cash generated from operating activities	10,699	2,802	11,043	2,544
Tax paid		-		-
Net cash generated from operating activities	10,699	2,802	11,043	2,544

22. Pension Obligations

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which runs to 30 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-person 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.

Sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2018 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2020 by a qualified independent actuary.

22. Pension Obligations (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2022 £'000	2021 £'000
Fair value of plan assets	13,373	12,697
Present value of defined benefit obligation	(13,376)	(13,882)
(Deficit) in plan	(3)	(1,185)
Unrecognised surplus	-	-
Defined benefit (liability) / asset to be recognised	(3)	(1,185)
Deferred tax	-	-
Net defined benefit (liability)/asset to be recognised	(3)	(1,185)
Reconciliation of the impact of the asset ceiling		
Impact of asset ceiling at start of period	-	-
Effect of the asset ceiling included in net interest cost	-	-
Actuarial losses (gains) on asset ceiling	-	-
Impact of asset ceiling at end of period	-	-

Reconciliation of opening and closing balances of the defined benefit obligation

	2022 £'000	2021 £'000
Defined benefit obligation at start of period	13,882	11,879
Current service cost	-	-
Expenses	11	13
Interest expense	299	278
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	571	(259)
Actuarial losses (gains) due to changes in demographic assumptions	44	-
Actuarial losses (gains) due to changes in financial assumptions	(1,131)	2,279
Benefits paid and expenses	(300)	(308)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	13,376	13,882

Reconciliation of opening and closing balances of the fair value of plan assets

	2022 £'000	2021 £'000
Fair value of plan assets at start of period	12,697	11,769
Interest income	277	280
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	345	549
Contributions by the employer	354	407
Benefits paid and expenses	(300)	(308)
Fair value of plan assets at end of period	13,373	12,697

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £622k.

22. Pension Obligations (continued)

Defined benefit costs recognised in statement of comprehensive income (SOCI)

	2022 £'000	2021 £'000
Expenses	11	13
Net interest expense	22	(2)
Defined benefit costs recognised in statement of comprehensive income (SOCI)	33	11

Defined benefit costs recognised in other comprehensive income

	2022 £'000	2021 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	345	549
Experience gains and losses arising on the plan liabilities - gain (loss)	(571)	259
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(44)	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,131	(2,279)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	861	(1,471)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-	-
Total amount recognised in other comprehensive income - gain (loss)	861	(1,471)

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

In May 2021 the Scheme Trustee (TPT Retirement Solutions) notified employers of a review of historic scheme benefit changes, and this review has raised legal questions regarding whether and when some historic benefit changes should take effect, the outcome of which could give rise to an increase in liabilities for some employers. The Scheme Trustee has determined that it is prudent to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before late 2024 at the earliest.

On 4 May 2022 the Scheme Trustee issued an update to employers which included an estimate of the potential total additional liabilities at total scheme level, on a Technical Provisions basis. However, until Court directions are received, it is not possible to calculate the impact of this issue on an individual employer basis with any accuracy. As a result of this no allowance will be made for this within the accounting disclosures included in this note.

23. Capital commitments

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Housing developments				
Capital expenditure that has been contracted for but has not been provided for in the accounts	27.8	6.39	27.8	6.39
	=======	=======	=======	=======

These costs are expected to be met from current bank funding facilities.

24. Units of Accommodation

Group and Association	At 1 April 2021	Additions	Disposals	Adjustment	At 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Property held for letting					
General	2,164	44	(11)	-	2,197
Sheltered	113	-	-	-	113
Medium dependency	155	-	-	-	155
Wheelchair housing	60	2	-	-	62
Special needs (Bed spaces)	48	-	-	-	48
Mid-market rent	291	71	-	-	362
Shared ownership	127	-	-	-	127
	--------------	--------------	--------------	--------------	--------------
	2,958	117	(11)	-	3,064
	========	========	========	========	========

As at 31 March 2022 the number of properties the Association leased to Persevere Developments Limited for onward letting at mid-market rent was 362 (2021: 291).

25. Related party disclosure

The 4 tenant members (2021: 3) of the Board of Management during the year had tenancies on normal terms and the Board Members cannot use their position to their advantage. The amount of rents charged in the year ended 31 March 2022 in respect of the tenancies amounted to £24k (2021: £13k). The rent prepaid at 31 March was £1k (2021: £Nil).

The Association has leased to Persevere Developments Limited (PDL), its subsidiary company, those properties which it has developed for mid-market rent. Port of Leith Housing Association also provides staff and services to Persevere Developments under a Service Level Agreement (SLA). Under the terms of the lease and SLA quarterly charges commenced in the quarter commencing 1 April following commencement of the lease and will continue over the duration of the lease concluding with a final charge in the quarter following the termination of the lease and SLA. Management charges amounted to £49.5k (2021: £220k) and leasing fees totalled £1,930k (2021: £1,625k) in the year ended 31 March 2022. PDL owed POLHA £Nil (2021: £112k) and POLHA owed PDL £43k (2021: £Nil).

Quay Community Improvements provides cleaning services to Port of Leith Housing Association Limited. Invoices amounted to £Nil (2021: £Nil) in the period ended 31 March 2022. There is a balance due to Quay Community Improvement CIC at 31 March 2022 of £Nil (2021: £Nil). The Association has provided a loan to Quay Community Improvements, its subsidiary, and provides staff and services under a Service Level Agreement (SLA). Management charges amounted to £9k (2021: £9k) and recharges of staff costs amounted to £99k (2021: £97k) in the year ended 31 March 2022. Quay owed PoLHA £151k (2021: £200k) at 31 March 2022. A loan of £124k (2021: £174k) is included in the amount owed.

In the year ended 31 March 2022 POLHA owed TB Mackay £250k in respect of outstanding invoices for maintenance and repair work. In the same period Persevere Developments Limited (PDL) owed TB Mackay £30k.

26. Contingent liabilities

Lorne Area Housing Association Limited - Pension Scheme
On 30 September 2005 the activities and the net assets of Lorne Area Housing Association Limited (LAHA) were transferred to Port of Leith Housing Association Limited (POLHA) as a transfer of engagements.

At the date of transfer, LAHA was a participating member of the Scottish Housing Associations' Pension Scheme; a multi-employer defined benefit pension scheme. New legislation on the treatment of funding deficits when solvent employers withdraw from a multi-employer scheme came into effect on 2 September 2005 and required the withdrawing employer to settle a minimum funding debt level.

A form of security in favour of the Pensions Trust for the buy-out liability, as an alternative to payment of the liability, was agreed during 2009. An "account security arrangement" has been entered into with the Pensions Trust and the Association placed on deposit in 2009 the sum of £520,507. The deposit held under the security arrangement must be amended as necessary to reflect the periodic revaluation of the buy-out debt. As at 31 March 2022 the Association has on deposit £1,125,270 being the latest estimate of the potential debt notified by the Pensions Trust based on the draft 2020 triennial valuation. This separate deposit account is included in these accounts.

Port of Leith Housing Association Limited – Pension Scheme
The Pensions Trust has notified the Association of the latest estimate of the debt on withdrawal potentially due by the Association based on the draft 2020 triennial actuarial valuation of the Scheme. This contingent liability, crystallization of which is considered remote due to the continued membership of the Scheme, is estimated at £6,020,228 and includes an amount in respect of Lorne Area Housing Association of £538,830.

Housing Association Grant
Grants relating to assets are recognised as a liability which is then amortised or released to income over the lifetime of the related asset. The deferred capital grant disclosed at note 19 represents the remaining capital grants yet to be released to income. The original amounts of these grants become repayable on the sale or disposal of the related assets unless there is a specific agreement in place to recycle the grant against new property development. Housing Association Grant amortised to 31 March 2022 amounts to £2,675k.

27. Group and Association Reserves

Group	**April 2021** £'000	**Income** £'000	**Pension Expen-diture** £'000	**Actuarial (loss)** £'000	**In** £'000	**31 Transfers Out** £'000	**March 2022** £'000
Reserves							
Restricted pension	1,125	-	-	-	-	(586)	539
Restricted recycled proceeds	2,738	-	-	-	1,630	(1,653)	2,715
Total restricted	3,863	-	-	-	1,630	(2,239)	3,254
General	39,876	29,688	(27,412)	861	609	-	43,624
Total reserves	43,739	29,688	(27,412)	861	2,239	(2,239)	46,878

Association	**April 2021** £'000	**Income** £'000	**Expen-diture** £'000	**Pension Actuarial (loss)** £'000	**In** £'000	**Transfers Out** £'000	**31 March 2022** £'000
Reserves							
Restricted pension	1,125	-	-	-	-	(586)	539
Restricted recycled proceeds	2,738	-	-	-	1,630	(1,653)	2,715
Total restricted	3,863	-	-	-	1,630	(2,239)	3,254
General	38,926	25,445	(22,834)	861	609	-	43,007
Total reserves	42,789	25,445	(22,834)	861	2,239	(2,239)	46,261

28. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows.

Group	**2022**	**2021**
	£	£
Amounts Due		
Within one year	76,850	76,850
Between one and five years	347,875	347,875
	--------------	--------------
	424,725	424,725
	=======	=======

Association	**2022**	**2021**
	£	£
Amounts Due		
Within one year	19,500	19,500
Between one and five years	-	-
	------------	------------
	19,500	19,500
	=======	=======

29. PDL operating lease

POLHA charges PDL a lease fee for the properties that POLHA owns and PDL collects mid-market rental. This year it amounted to £1,931k (2021: £1.625k).

30. Rebranding

Port of Leith Housing Association is in the process of a rebranding exercise that will result in a name change for the RSL and its subsidiaries. Trademark and common law searches have been completed. POLHA Board and other relevant stakeholders, including members of the Association, have been consulted and approvals obtained as required. At the time of the accounts being signed, an application to seek approval from the Financial Conduct Authority has been submitted. On receipt of FCA approval, each subsidiary will complete a process to change their names too.