

HARBOUR HOMES SCOTLAND LIMITED
ANNUAL REPORT and GROUP FINANCIAL STATEMENTS
For the year ended 31 March 2025

HARBOUR HOMES SCOTLAND LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2025

Contents	Pages
Board, Executive and Advisors	3
Report of the Board of Management	4-11
Independent Auditor's Report	12-14
Report of the Independent Auditor on Corporate Governance matters	15
Consolidated and Association Statement of Comprehensive Income	16
Consolidated and Association Statement of Changes in Reserves	16
Consolidated and Association Statement of Financial Position	17
Consolidated and Association Statement of Cash Flows	18-19
Accounting Policies and Notes to the Group Accounts	20-43

HARBOUR HOMES SCOTLAND LIMITED
REPORT of the BOARD of MANAGEMENT
For the year ended 31 March 2025

BOARD, EXECUTIVE and ADVISORS

Board of Management

Members of the Board of Management during the year were as follows:

David Welsh
Caitlin McCorry
Brian Reilly (Resigned 25.9.24)
Anthony Gillespie
Kevin Anderson
Liz McLean
Campbell Whyte
Leigh Eardley
Jim Sherval
Iain MacPhail
Chris Stone (Appointed 21.11.24)
Pauline Carter-Lee (Appointed 21.11.24)

Registered Office

108 Constitution Street
Leith
Edinburgh
EH6 6AZ

Chief Executive & Secretary

Heather Kiteley

Auditor

CT Audit Limited
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Internal Auditor

Wbg
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

HARBOUR HOMES SCOTLAND LIMITED

REPORT of the BOARD of MANAGEMENT

For the year ended 31 March 2025

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 11 members. In addition to the main Board, there is one sub-Committee for Finance and Risk (formerly 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.

David Welsh
Caitlin McCorry
Brian Reilly (Resigned 25.9.24)
Anthony Gillespie
Kevin Anderson
Liz McLean
Campbell Whyte
Leigh Eardley
Jim Sherval
Iain MacPhail
Chris Stone (Appointed 21.11.24)
Pauline Carter-Lee (Appointed 21.11.24)

Key management personnel

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

Heather Kiteley	Group 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 one retiral in line with the 9 year rule as set out in the Harbour Rules. 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.

The Board meets five times a year and holds the Annual General Meeting in September. Twice a year, the Board meets with the Boards of its subsidiary companies, Harbour Lettings Limited, Harbour Connections and Harbour Multi-Trades, to discuss future strategy, planning priorities and address risks.

The Board is responsible for overseeing the strategic direction and providing oversight of the performance of the Association. 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 Group 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 Harbour Homes 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.

HARBOUR HOMES SCOTLAND LIMITED

REPORT of the BOARD of MANAGEMENT (continued)

For the year ended 31 March 2025

The Association has Harbour Lettings which is a private company limited by shares (having formed in 2010 as a wholly owned subsidiary of Harbour Homes). The principal activity of Harbour Lettings 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 Harbour Connections which is a community interest company limited by shares (having formed in 2016 as a wholly owned subsidiary of Harbour Homes). The principal activities of Harbour Connections are to deliver facilities management services and provide opportunities to support the wider economic and social wellbeing of the community.

The Association acquired Harbour Multi-Trades (formerly TB Mackay) an energy services company on 13 December 2019. The principal activities of Harbour Multi-Trades 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 Harbour Group”, is “Our communities are brilliant” and it is Harbour 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 three-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 five 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 Harbour Lettings, Harbour Connections and Harbour Multi-Trades have strategic risks the impact of these on the group are lower than when considered for the subsidiaries on their own.

HARBOUR HOMES SCOTLAND LIMITED

REPORT of the BOARD of MANAGEMENT (continued)

For the year ended 31 March 2025

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

- Government policy on move to Universal Credit and the yet-to-be-concluded migration of legacy cases from Housing Benefit to Universal Credit and benefits reductions. The UK Government estimates this will be completed in 2025.. 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.
- The cost-of-living increases reduces affordability of rents. The risk still sits in the 'moderate' exposure level primarily because of the likelihood score over which we have no control. The controls in place mitigate the impact and so we tolerate this risk.
- The existence of hackers is known and there is a track record of attacks on organisation's IT systems. This risk still sits in the 'moderate' exposure level. The controls in place have mitigated the impact and so we tolerate this risk.
- UK inflation – which currently sits at 2.5% and forecast to increase on the back of a tight labour market. It is noted that wage growth remains high putting pressure on services inflation (Organisation for Economic Cooperation and Development). The risk still sits in the 'moderate' exposure level primarily because of the likelihood score over which we have no control. The controls in place mitigate the impact and so we tolerate this risk.

Business Review

Achievements and Performance

The Harbour Group is made up of four entities: the registered social landlord and charity, Harbour Homes (the parent organisation), and three wholly-owned subsidiary companies: a private rented sector letting agent, Harbour Lettings, a community initiatives / social enterprise company, Harbour Connections CIC, and a multi-trades repairs and maintenance company, Harbour Multi-Trades.

More information on Lettings, Connections and Multi-Trades 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 has presented challenges due to inflationary cost increases, the continued pressure on public spending and restrictions on the availability of public subsidy, for that reason the Association has paused its development programme for the foreseeable future following the completion of any currently committed developments.

We continue to be an accredited Scottish Living Wage employer.

In February 2024 the Association was successful in maintaining the Investors in Diversity Award following a rigorous reassessment exercise. We retain this award for two years and are currently going through the reaccreditation process.

REPORT of the BOARD of MANAGEMENT (continued)

For the year ended 31 March 2025

New development

One project was completed during 2024-25: at Plot S (Chestnut Street), Granton Harbour following partial handover in 2023-24. The remaining 63 social rent homes for Harbour Homes and 41 homes for Harbour Lettings were completed in the first quarter of 2024-25.

In September 2023 Harbour Homes took the decision to pause its development programme for the next two or more years. The sites at Wellington Place, Madeira Street and Constitution Street will be retained for future affordable housing development.

In addition, during 2024-25 the Development Team provided development project management and clerk of works agency services to the following organisations:

- Manor Estates,
- Prospect Community Housing
- Cairn
- Dean and Cauvin Trust

The provision of clerk of works services to Prospect Community Housing and defects management services to Dean and Cauvin Trust will continue into 2024/25.

As the need and demand for affordable housing in Edinburgh is still very high, Harbour Homes 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.

Property management

In 2024-25, the organisation continued to maintain properties to the Scottish Housing Quality Standard (SHQS) which now fully incorporates the Energy Efficiency Standard for Social Housing (EESH). 89.88% of our total number of homes in ownership meet the now combined SHQS.

Various major repair projects have been delivered with 34 properties receiving internal refurbishment along with continuing to deliver external and common area works including 70 properties receiving new windows.

The organisation 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 continuing to be hampered by owners financial struggles during the pandemic and now the cost-of-living crisis, resulting in only one project being taken to site at 24 Prince Regent St involving 4 private owners and 8 Harbour Homes properties. During the year this co-ordinated activity has focused on 3 projects involving 3 separate stairs, affecting 22 flats in the Association's ownership and which are at various stages of progress to complete necessary repair works. We also have 3 smaller projects of 15 properties where owners are leading the project delivery, The project at Shaw's Colonies where we have assisted the owners in accessing partial grant funding from the Edinburgh World Heritage (EWH) Conservation Funding Programme has commenced on site.

In December 2015 the organisation 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 125 properties were sold with a further 10 properties sold during 2024-25 fully removing the Association's liability to a total of 45 common stairs.

Customer feedback

Between September and November 2023, Harbour Homes contracted an external consultant, Knowledge Partnership, to carry out a full-scale, face to face tenant survey in line with Scottish Housing Regulator requirements. A total of 1,267 surveys were completed, a response rate of 53.6%. The next full-scale survey is planned for summer 2026.

REPORT of the BOARD of MANAGEMENT (continued)

For the year ended 31 March 2025

88.6% of respondents were satisfied with the overall service provided by Harbour Homes. Harbour Homes will continue to work with our customers to identify improvements which can be made to enhance customer experience.

We are in the process of completing end of defects inspections and face to face satisfaction surveys with residents living in the two developments completed the previous year, Iona St and Plot S (Chestnut Street). The results have not yet been analysed but have generally been very positive.

Housing management and support

The Association let 152 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 33 new properties. 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. They also received Recognition for Excellence in Older Peoples Services by Age Scotland in 2024.

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. In July 2024 we secured funding from the Energy Redress Fund in conjunction with our ARCHIE partners to fully fund 2 energy advisers for a 2-year period. The tenant advice team secured over £269K additional support for our tenants and over £38k contributions to rents.

Placemaking

Harbour Connections is the Group's vehicle for placemaking and contributes specifically to improving:

- The environment of the area
- The economic opportunities in the area
- The social fabric of communities in the area

The priorities for Harbour Connections have been to generate income to pay its outstanding loan to Harbour Homes and to deliver and/or support community projects and initiatives.

Reserves

The Harbour Group needs to have reserves to ensure the organisation can function into the future and meet its future liabilities. This includes keeping up with the rising cost of major repairs, cyclical maintenance, retrofitting, maintaining properties to Scottish Housing Quality Standard (SHQS) which now fully incorporates the Energy Efficiency Standard for Social Housing (EESH) and the rising cost of developing new properties to achieve Scottish Government standards. The revenue reserve of £48m reflects primarily the past investment in the housing stock and reserves for future major repairs and development. The Harbour Group has a cash level of £23.4m to support its plans and operating requirements. The Harbour 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 £28.1m (2024: £29.4m) offset by operating costs of £21.3m (2024: £21.3m), leading to an operating surplus of £6.8m (2024: £8.1m) and a net surplus of £4.2m (2024: £5.2m).

The SHAPS pension scheme's defined benefit liability as at 31 March 2025 is £1,022k (2024: £1,098k), resulting in a decrease in the liability of £76k. This has also resulted in an actuarial gain through other comprehensive income of £130k (2024: actuarial loss of £619k).

The decrease in operating surplus is due to a reduction in the number of properties disposed 13 (2024: 30) and an increase in depreciation costs.

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

HARBOUR HOMES SCOTLAND LIMITED

REPORT of the BOARD of MANAGEMENT (continued)

For the year ended 31 March 2025

The surplus has resulted in an increase in the value of net assets over the year, from £54,608k to £58,259k as at 31 March 2025. 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 Group'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.

We revise our annual budgets on a quarterly basis and 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 apart from the ones highlighted in our risk analysis and have adequate mitigating controls in place.

In the absence of any fundamental shortcomings raised because 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 Harbour Vision is: Our communities are brilliant.

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

There are opportunities through collaboration and partnership working with other RSLs operating in the City and including through the 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, the reduction in discretionary housing payments, and the declaration of the Housing Emergency within Edinburgh.

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

REPORT of the BOARD of MANAGEMENT (continued)

For the year ended 31 March 2025

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 is based on a consistent and objective job evaluation and benchmarking process. GLT salaries are approved by the Finance & Risk Committee every two years (further information is contained within note 7).

Political and charitable gifts

No political donations or gifts were made in the year to 31 March 2025 (2024: £nil). During the year there were no charitable donations made to housing related charities (2024: £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 able to meet its financial obligations as they fall due.

The Group, as a matter of policy, does not enter transactions of a speculative nature. At 31 March 2025, the Group has a mix of fixed and variable rate finance, which it considers appropriate currently.

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 monthly 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 help 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.

Other Activities (Association)

Other activities include the activities of developing new homes, place making by Harbour Connections CIC, the lease of mid-market properties to Harbour Lettings Limited and the letting of commercial properties. The Board fully support these activities and will continue to find ways to fund or reduce the current high expenditure on these activities.

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 financial statements, 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 financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

REPORT of the BOARD of MANAGEMENT (continued)

For the year ended 31 March 2025

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Association and Group and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements – February 2024. 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 financial statements 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 to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Statement on Internal Financial Control

The Board acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

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



DAVID WELSH
Chairperson
21 August 2025

INDEPENDENT AUDITOR'S REPORT to the MEMBERS of

HARBOUR HOMES SCOTLAND LIMITED

For the year ended 31 March 2025

Opinion

We have audited the financial statements of Harbour Homes Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2024 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 2025 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, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – 2024.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

HARBOUR HOMES SCOTLAND LIMITED

For the year ended 31 March 2025

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:

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- 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 pages 10 to 11, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

HARBOUR HOMES SCOTLAND LIMITED

For the year ended 31 March 2025

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Association operates in and how the Association is complying with the legal and regulatory frameworks;
- inquired of management and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider that the most significant laws and regulations that have a direct impact on the financial statements were, but not limited to, FRS 102, Housing SORP 2018, the Scottish Housing Regulator's Determination of Accounting Requirements 2024, the Co-operative and Community Benefit Societies Act 2014 and the Housing (Scotland Act) 2010. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures against the requirements of the relevant financial reporting standards.

We also performed audit procedures to inquire of management, and those charged with governance whether the Association is in compliance with these laws and regulations, inspected correspondence with regulatory authorities including mandatory submissions to the Regulator, reviewed minutes of meetings of the Board and relevant sub-committees, and reviewed available online information.

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.



CT Audit Limited
Statutory Auditor
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

4 September 2025

REPORT BY THE AUDITOR TO THE MEMBERS OF

HARBOUR HOMES SCOTLAND LIMITED ON CORPORATE GOVERNANCE MATTERS

For the year ended 31 March 2025

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.



CT Audit Limited
Statutory Auditor
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

4 September 2025

HARBOUR HOMES SCOTLAND LIMITED

CONSOLIDATED and ASSOCIATION STATEMENT of COMPREHENSIVE INCOME

For the year ended 31 March 2025

	Notes	2025 £'000	Group 2024 £'000	2025 £'000	Association 2024 £'000
Turnover	2/3	28,106	29,448	25,258	25,771
Operating expenditure	3	(21,282)	(21,321)	(18,591)	(17,368)
Operating surplus		6,824	8,127	6,667	8,403
Gain on sale of non-property fixed asset		22	-	2	-
Interest receivable and similar income	9	518	462	512	457
Interest payable and similar charges	9	(3,285)	(2,815)	(3,284)	(2,799)
Surplus on ordinary activities before taxation		4,079	5,774	3,897	6,061
Taxation on ordinary activities	10	(51)	35	-	-
Surplus on ordinary activities after taxation		4,028	5,809	3,897	6,061
Actuarial losses in respect of pension Scheme		130	(619)	130	(619)
Total comprehensive income for the year		4,158	5,190	4,027	5,442
		=====	=====	=====	=====

CONSOLIDATED and ASSOCIATION STATEMENT of CHANGES IN RESERVES

For the year ended 31 March 2025

	Group			Association		
	Restricted	Income and Expenditure Reserve	Total Reserves	Restricted	Income and expenditure Reserve	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2024	9,492	45,116	54,608	9,492	45,061	54,553
Opening balance adjustment	-	(252)	(252)	-	-	-
Surplus from statement of comprehensive income	-	4,158	4,158	-	4,027	4,027
Transfers (note 27)	749	(1,055)	(306)	749	(1,055)	(306)
Balance at 31 March 2025	10,241	47,967	58,208	10,241	48,033	58,274
	=====	=====	=====	=====	=====	=====

All results relate to continuing activities.

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

HARBOUR HOMES SCOTLAND LIMITED

CONSOLIDATED and ASSOCIATION STATEMENT of FINANCIAL POSITION

For the year ended 31 March 2025

	Notes	2025 £'000	Group 2024 £'000	2025 £'000	Association 2024 £'000
Fixed assets					
Housing properties	11	237,673	241,989	237,673	241,989
Other tangible fixed assets	12	2,401	2,465	2,183	2,199
Intangible assets	12	2,441	1,492	2,441	1,492
Goodwill	13	1,412	1,715	-	-
		-----	-----	-----	-----
		243,927	247,661	242,297	245,680
		-----	-----	-----	-----
Investments	14	-	-	3,821	3,821
Current assets					
Stock and work in progress	15	169	174	-	-
Debtors	16	1,854	2,929	1,681	2,784
Cash and cash equivalents		23,415	20,718	21,347	18,785
		-----	-----	-----	-----
		25,438	23,821	23,028	21,569
Creditors: amounts falling due within one year	17	(12,846)	(11,095)	(12,561)	(10,737)
		-----	-----	-----	-----
Net current assets		12,588	12,726	10,467	10,832
		-----	-----	-----	-----
Total assets less current liabilities		256,515	260,387	256,585	260,333
		-----	-----	-----	-----
Creditors: amounts falling due after more than one year	18	(197,289)	(204,681)	(197,289)	(204,682)
Defined benefit pension obligations	22	(1,022)	(1,098)	(1,022)	(1,098)
		-----	-----	-----	-----
Total net assets		58,208	54,608	58,274	54,553
		=====	=====	=====	=====
Capital and reserves					
Restricted reserves		10,241	9,492	10,241	9,492
Revenue reserves		47,967	45,116	48,033	45,061
		-----	-----	-----	-----
Total capital and reserves	27	58,208	54,608	58,274	54,553
		=====	=====	=====	=====

These financial statements were approved and authorised for issue on 21 August 2025 by the Board of Management and signed on its behalf by:

Chairperson



David Welsh

Board Member
Anthony Gillespie



Secretary
Heather Kiteley



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

HARBOUR HOMES SCOTLAND LIMITED

CONSOLIDATED and ASSOCIATION STATEMENT of CASH FLOWS

For the year ended 31 March 2025

	Notes	2025 £'000	Group 2024 £'000	2025 £'000	Association 2024 £'000
Net cash generated from operating activities	21	8,715	5,468	8,555	5,446
Cash flow from investing activities					
Purchase of tangible fixed assets		(2,727)	(11,926)	(2,678)	(11,807)
Purchase of intangible assets		(1,088)	(981)	(1,088)	(981)
Proceeds from sale of tangible fixed assets		1,661	4,602	1,642	4,558
Purchase of subsidiary		-	-	-	-
Grants received in year		331	1,366	331	1,366
Grants repaid in year		(110)	(524)	(110)	(524)
Interest received		518	462	512	457
Net cash used in investing activities		(1,415)	(7,001)	(1,391)	(6,931)
Cash flow from financing activities					
Interest paid		(3,285)	(2,815)	(3,284)	(2,799)
Repayments of borrowings		(1,318)	(1,289)	(1,318)	(1,289)
New secured borrowings		-	-	-	-
Net cash used in financing activities		(4,603)	(4,104)	(4,602)	(4,088)
Net change in cash and cash equivalents		2,697	(5,637)	2,562	(5,573)
Cash and cash equivalents at the beginning of the year		20,718	26,355	18,785	24,358
Cash and cash equivalents at the end of the year		23,415	20,718	21,347	18,785

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

HARBOUR HOMES SCOTLAND LIMITED

CONSOLIDATED and ASSOCIATION STATEMENT of CASH FLOWS

For the year ended 31 March 2025

Net debt reconciliation (Group)	1 April 2024 £'000	Cashflow £'000	Other non Cash changes £'000	31 March 2025 £'000
Cash	20,718	2,697	-	23,415
Borrowings	20,718	2,697	-	23,415
Debt due within one year	(1,281)	1,302	(4,130)	(4,109)
Debt due after one year	(88,966)	-	4,130	(84,836)
	(90,247)	1,302	-	(88,945)
	(69,529)	3,999	-	(65,530)
	=====	=====	=====	=====

Net debt reconciliation (Association)	1 April 2024 £'000	Cashflow £'000	Other non Cash changes £'000	31 March 2025 £'000
Cash	18,785	2,562	-	21,347
Borrowings	18,785	2,562	-	21,347
Debt due within one year	(1,281)	1,302	(4,130)	(4,109)
Debt due after one year	(88,966)	-	4,130	(84,836)
	(90,247)	1,302	-	(88,945)
	(71,462)	3,864	-	(67,598)
	=====	=====	=====	=====

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

NOTES to the GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2025

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 the Scottish Housing Regulator (SHR) under the Housing (Scotland) Act 2010.

The financial statements 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 (2024). 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 Group 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).

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 financial statements 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.

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025

1. Accounting Policies (continued)

- 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 financial statements 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, Harbour Lettings Limited; a community interest company, Harbour Connections CIC and an energy services & repair company Harbour Multi-Trades. These group financial statements 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.

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025

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

Harbour Homes 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. Harbour Lettings Limited; Harbour Connections CIC and Harbour Multi-Trades 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 2025, the net defined benefit pension deficit liability was £1,022k, which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2025, 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.

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.

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025

1. Accounting Policies (continued)

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 Harbour Homes and Harbour Multi-Trades.

Work in Progress

Construction work undertaken by Harbour Homes 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

	2025	Group	Association	
	2024			
	£'000	£'000	2025	2024
			£'000	£'000
Income from lettings	21,105	19,019	16,233	15,220
Rent losses from voids	(207)	(200)	(151)	(170)
	-----	-----	-----	-----
	20,898	18,819	16,082	15,050
Management services and other income	7,208	10,629	9,176	10,721
	-----	-----	-----	-----
Total turnover	28,106	29,448	25,258	25,771
	=====	=====	=====	=====

			2025	2024
3(a). Turnover, operating costs, operating		Operating	Operating	Operating
Surplus: Group	Turnover	Costs	Surplus	Surplus
	£'000	£'000	£'000	£'000
Income and expenditure from affordable letting and other activities				
Affordable letting activities – note 4(a)	25,122	(16,439)	8,683	10,864
Other activities – note 5(a)	2,984	(4,843)	(1,859)	(2,737)
	-----	-----	-----	-----
Total 2025	28,106	(21,282)	6,824	8,127
	=====	=====	=====	=====
Total 2024	29,448	(21,321)	8,127	
	=====	=====	=====	

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025

			2025	2024
3(b). Turnover, operating costs, operating Surplus: Association Turnover	Turnover	Operating Costs	Operating Surplus	Operating Surplus
	£'000	£'000	£'000	£'000
Income and expenditure from affordable letting and other activities				
Affordable letting activities – note 4(b)	20,306	(15,321)	4,985	8,191
Other activities – note 5(b)	4,952	(3,270)	1,682	212
Total 2025	25,258	(18,591)	6,667	8,403
Total 2024	25,771	(17,368)	8,403	

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

	Housing Accom'n	Shared Ownership Accom'n	Mid-market Accom'n	2025	2024
	£'000	£'000	£'000	£'000	£'000
Income from affordable letting activities					
Rent receivable net of identifiable service charges	16,443	387	2,985	19,815	17,765
Service charges receivable	1,281	9	-	1,290	1,254
Gross rents receivable	17,724	396	2,985	21,105	19,019
Less: Rent losses from voids	(181)	(4)	(22)	(207)	(200)
Net rents receivable	17,543	392	2,963	20,898	18,819
Grants released from deferred income (social)	2,860	90	-	2,950	2,901
Gain from the disposal of properties	1,274	-	-	1,274	3,838
Total income from affordable letting activities	21,677	482	2,963	25,122	25,558
Expenditure on affordable letting activities					
Services	1,026	-	-	1,026	895
Management and maintenance administration costs	5,066	102	53	5,221	3,877
Reactive maintenance	2,083	14	123	2,220	2,152
Planned and cyclical maintenance including major repair costs	2,509	35	7	2,551	2,834
Rent losses from bad debts	70	-	20	90	59
Housing Depreciation	5,223	108	-	5,331	4,877
Total expenditure on affordable letting activities	15,977	259	203	16,439	14,694
Operating surplus on affordable letting activities	5,700	223	2,760	8,683	10,864
Operating surplus 2024	7,852	218	2,794	10,864	

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025**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	2025 £'000	2024 £'000
Income from affordable letting activities				
Rent receivable net of identifiable service charges	14,527	416	14,943	13,967
Service charges receivable (see below)	1,280	10	1,290	1,253
	-----	-----	-----	-----
Gross rents receivable	15,807	426	16,233	15,220
Less: Rent losses from voids	(150)	(1)	(151)	(170)
	-----	-----	-----	-----
Net rents receivable	15,657	425	16,082	15,050
Grants released from deferred income (social)	2,860	90	2,950	2,901
Gain from the disposal of properties	1,274	-	1,274	3,838
	-----	-----	-----	-----
Total income from affordable letting activities	19,791	515	20,306	21,789
	-----	-----	-----	-----
Expenditure on affordable letting activities				
Services (see below)	856	-	856	774
Management and maintenance administration costs	4,743	94	4,837	3,639
Reactive maintenance	1,833	37	1,870	1,845
Planned and cyclical maintenance including major repair costs	2,323	35	2,358	2,407
Rent losses from bad debts	69	-	69	56
Housing Depreciation	5,223	108	5,331	4877
Housing impairment	-	-	-	-
	-----	-----	-----	-----
Total expenditure on affordable letting activities	15,047	274	15,321	13,598
	-----	-----	-----	-----
Operating surplus on affordable letting activities	4,744	241	4,985	8,191
	=====	=====	=====	=====
Operating surplus 2024	7,972	219	8,191	
	=====	=====	=====	

Services

Included within the service charges receivable above are amounts relating to non-eligible housing benefit amounting to £15k (2024: £14k).

HARBOUR HOMES SCOTLAND LIMITED
NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025

5(a). Other Activities: Group

	Grants	Other	Total	Operating	2025	2024
	£'000	Income	Turnover	Costs	Operating	Operating
		£'000	£'000	£'000	Surplus/	Surplus
					(deficit)	(deficit)
					£'000	£'000
Wider role activities	102	-	102	(731)	(629)	(492)
Factoring	-	79	79	(2)	77	79
Development & construction of property activities	-	-	-	-	-	(1,223)
Other agency/ management service	-	668	668	(545)	123	199
Commercial rent	-	82	82	-	82	73
Adaptations income	-	35	35	(36)	(1)	17
MM grant amortisation	-	271	271	-	271	271
Mid-market Depreciation	-	-	-	(1,306)	(1,306)	(1,024)
Other activities	-	-	-	(1,920)	(1,920)	(1,812)
HMT subsidiary repairs and maintenance	-	1,747	1,747	(303)	1,444	1,175
Total from other Activities	102	2,882	2,984	(4,843)	(1,859)	(2,737)
Total 2024	114	3,776	3,890	(6,627)	(2,737)	

Other activities include the activities of Harbour Connections CIC, the lease of mid-market properties to Harbour Lettings Limited and the letting of commercial properties.

5(b). Other Activities: Association

	Grants	Other	Total	Operating	2025	2024
	£'000	Income	Turnover	Costs	Operating	Operating
		£'000	£'000	£'000	Surplus/	Surplus
					(deficit)	(deficit)
					£'000	£'000
Wider role activities	102	-	102	(636)	(534)	(428)
Factoring	-	79	79	(2)	77	79
Development & construction of property activities	-	-	-	(1)	(1)	(1,058)
Other agency/ management service	-	234	234	(507)	(273)	(210)
Commercial rent	-	82	82	-	82	73
Adaptations income	-	35	35	(26)	9	17
Leasing fee	-	3,541	3,541	-	3,541	2,714
MM grant amortisation	-	271	271	-	271	271
Mid-market Depreciation	-	-	-	(1,306)	(1,306)	(1,024)
Gift Aid	-	208	208	-	208	53
Other activities	-	400	400	(792)	(392)	(275)
Total from other Activities	102	4,850	4,952	(3,270)	1,682	212
Total 2024	114	3,868	3,982	(3,770)	212	

Other activities include the activities of Harbour Connections CIC, the lease of mid-market properties to Harbour Lettings Limited and the letting of commercial properties.

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025**6. Surplus on ordinary activities before taxation**

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation is stated after:				
Depreciation	6,943	6,098	6,833	6,022
Amortisation	351	315	351	12
Auditor's remuneration				
Audit services	37	38	23	25
Non-audit services	10	8	10	8
	=====	=====	=====	=====

7. Key management Personnel

Members of the Leadership Team, consisting of the Chief Executive and two 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

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Total emoluments of key management [excluding pension contributions]	305	521	305	317
	=====	=====	=====	=====
Pension contributions on above	36	47	36	37
	=====	=====	=====	=====
The emoluments of the highest paid officer, excluding pension contributions	123	126	123	126
	=====	=====	=====	=====
Pension contributions on above	13	13	13	13
	=====	=====	=====	=====

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

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
£60,001 to £70,000	-	3	-	-
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	1	-	1	-
£90,001 to £100,000	1	2	1	2
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	1	1	1	1
	=====	=====	=====	=====

Expenses payable to Board Members for out of pocket expenses amounted to £Nil (2024: £Nil).

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025

8. Employee information

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Staff costs (including key management personnel) during the year were as follows: -				
Wages and salaries	6,142	5,887	3,700	3,425
Social security costs	608	592	379	346
Pension costs	339	326	248	263
Pension liability remeasurement	82	51	82	51
Temp staff cost	280	74	133	74
	-----	-----	-----	-----
	7,451	6,930	4,542	4,159
	=====	=====	=====	=====

Pension costs do not include past deficit contributions of £nil (2024: nil) 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	
	2025	2024	2025	2024
	No.	No.	No.	No.
Office staff	158	156	76	79
Cleaning Team staff	21	20	21	20
Sheltered Accommodation Staff	6	7	6	7
	-----	-----	-----	-----
Total Staff	185	183	103	106
	=====	=====	=====	=====
Full-time equivalent total staff	176	174	96	99
	=====	=====	=====	=====

9. Interest

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Interest receivable and similar income				
Interest receivable on bank balances	518	462	512	457
	-----	-----	-----	-----
Interest payable and similar charges				
Interest payable on loans & Hire Purchase	3,301	3,365	3,300	3,349
Less: capitalised	(2)	(527)	(2)	(527)
	-----	-----	-----	-----
	3,299	2,838	3,298	2,822
Net finance costs on defined benefit pension (see note 22)	(14)	(23)	(14)	(23)
	-----	-----	-----	-----
	3,285	2,815	3,284	2,799
	=====	=====	=====	=====

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025**10. Taxation**

	2025	Group	Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
(a) Tax expense included in comprehensive income				
Current tax on surplus on ordinary activities				
Deferred tax charge	51	-	-	-
Adjustment to tax charge in respect of previous period	-	(35)	-	-
	-----	-----	-----	-----
Total current tax (note 10(b))	51	(35)	-	-
	-----	-----	-----	-----
Tax on ordinary activities	-	-	-	-
	=====	=====	=====	=====

(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 25%. The differences are reconciled below:

	2025	Group	Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation	4,079	5,774	3,897	6,061
	=====	=====	=====	=====
Tax calculated at 25%	1,020	1,444	974	1,515
Exempt charitable activities	(776)	(1,414)	(974)	(1,515)
Group relief claimed	(36)	(14)	-	-
Gift Aid distribution	(208)	(16)	-	-
Deferred tax charge	51			
Adjustment to tax charge in respect of previous period	-	(35)	-	-
	-----	-----	-----	-----
Tax expense / (refund) for the year (note 10(a))	51	(35)	-	-
	=====	=====	=====	=====

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.

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025

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 construction £'000	Housing Properties Total £'000
Cost				
At 1 April 2024	262,146	7,315	48,703	318,164
Additions – properties under construction	-	-	990	990
Capitalised improvements including components	1,587	-	-	1,587
Disposals including replaced components	(687)	(48)	-	(735)
Schemes and components completed	46,459	-	(46,459)	-
At 31 March 2025	309,505	7,267	3,234	320,006
Depreciation				
At 1 April 2024	74,516	1,659	-	76,175
Charged for the year	6,598	39	-	6,637
Disposals including replaced components	(459)	(20)	-	(479)
At 31 March 2025	80,655	1,678	-	82,333
Net book value				
At 31 March 2025	228,850	5,589	3,234	237,673
At 31 March 2024	187,630	5,656	48,703	241,989

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 Harbour Lettings Limited (note 25).

For major repairs during the year the Association spent £2,540k (2024: £2,747k): £1,605k (2024: £1,808k) was capitalised for replacement components; and £935k (2024: £939k) was expensed through operating costs in the Statement of Comprehensive Income.

Interest capitalised in the year amounted to £2k (2024: £527k). 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 3.64% (2024: 3.73%).

Fixed assets pledged as security amount to £145.6m (2024: £142m).

The value of land amounts to £20.6m (2024: £16.6m).

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025

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 2024	3,330	1,058	242	861	2	5,493
Additions during year	-	42	-	108	-	150
Disposals during the year	-	-	-	(101)	-	(101)
At 31 March 2025	3,330	1,100	242	868	2	5,542
Depreciation						
At 1 April 2024	1,244	956	229	597	2	3,028
Charged during year	66	46	5	97	-	214
Disposals during the year	-	-	-	(101)	-	(101)
At 31 March 2025	1,310	1,002	234	593	2	3,141
Net book value						
At 31 March 2025	2,020	98	8	275	-	2,401
At 31 March 2024	2,086	102	13	264	-	2,465

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 2024	3,330	1,000	198	129	4,657
Additions during year	-	42	-	59	101
Disposals during the year	-	-	-	(37)	(37)
At 31 March 2025	3,330	1,042	198	151	4,721
Depreciation					
At 1 April 2024	1,244	906	196	112	2,458
Charged during year	66	42	1	8	117
Disposals during the year	-	-	-	(37)	(37)
At 31 March 2025	1,310	948	197	83	2,538
Net book value					
At 31 March 2025	2,020	94	1	68	2,183
At 31 March 2024	2,086	94	2	17	2,199

HARBOUR HOMES SCOTLAND LIMITED

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025

12c. Intangible assets – Group and Association

	£'000
Cost	
At 1 April 2024	1,700
Additions during year	1,088

At 31 March 2025	2,788

Amortisation	
At 1 April 2024	208
Charged during year	139

At 31 March 2025	347

Net book value	
At 31 March 2025	2,441
	=====
At 31 March 2024	1,492
	=====

13. Goodwill

	£'000
GROUP	
Cost	
As at 1 April 2024	3,026
Discount adjustment	-

As at 31 March 2025	3,026

Amortisation	
As at 1 April 2024	1,311
Amortisation recognised in the statement of comprehensive income	303

As at 31 March 2025	1,614

Carrying amount	
As at 31 March 2025	1,412
	=====
As at 31 March 2024	1,715
	=====

The amortisation of goodwill is included in other activities.

The balance of goodwill includes the net assets of the acquired entity Harbour Multi-Trades as at 13 December 2019.

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025**14. Investments – Association**

The financial statements consolidate the results three wholly owned subsidiaries; a non-charitable subsidiary Harbour Lettings Ltd; a Community Interest Company Harbour Connections; and a repairs & maintenance company Harbour Multi-Trades 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.

Harbour Lettings Ltd is a provider of affordable housing; Harbour Connections carries out community work and Harbour Multi-Trades provides a repairs and maintenance service.

	Total £'000
Cost	
At 31 March 2024	3,821
Discount adjustment	-

At 31 March 2025	3,821

Provisions for impairment	
At 31 March 2024	-
Impairment loss	-

At 31 March 2025	-

Carrying amount	
At 31 March 2025	3,821
	=====
At 31 March 2024	3,821
	=====

15. Stock

	2025	Group	2025	Association
	£'000	2024	£'000	2024
	£'000	£'000	£'000	£'000
Finished goods and goods for resale	169	174	-	-
	-----	-----	-----	-----
	169	174	-	-
	=====	=====	=====	=====

16. Debtors

	2025	Group	2025	Association
	£'000	2024	£'000	2024
	£'000	£'000	£'000	£'000
Arrears of rent	718	742	576	643
Less: bad debt provision	(296)	(210)	(262)	(196)
	-----	-----	-----	-----
	422	532	314	447
	-----	-----	-----	-----
Group debtors – Intercompany Loan to QCI	-	-	-	84
Group debtors – Other	-	-	534	328
Other debtors and prepayments	1,368	164	769	1,765
Accrued income	64	2,233	64	160
	-----	-----	-----	-----
	1,854	2,929	1,681	2,784
	=====	=====	=====	=====

The Association is due £8k from Harbour Connections (2024: £84k). £nil of this is due after more than a year (2024: £59k).

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025**17. Creditors: amounts falling due within one year**

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Housing loans (note 18)	4,109	1,281	4,109	1,281
Prepaid rent	593	675	543	630
Contractors for retentions unpaid and certified work	674	1,455	674	1,455
Group creditors	-	-	488	420
Trade creditors	47	467	40	139
Sundry creditors	1,564	1,733	1,577	1,628
Maintenance and general accruals	1,857	1,899	1,179	1,608
Other Creditors	613	613	613	613
Deferred capital grant (note 19)	3,309	2,964	3,309	2,964
HAG Repayable	29	-	29	-
CIS tax	-	8	-	-
Corporation Tax	51	-	-	-
	-----	-----	-----	-----
	12,846	11,095	12,561	10,738
	=====	=====	=====	=====

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

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Housing loans	84,836	88,966	84,836	88,966
Deferred capital grant (note 19)	112,453	115,715	112,453	115,715
	-----	-----	-----	-----
	197,289	204,681	197,289	204,681
	=====	=====	=====	=====

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 2.84% to 7.0% (2024: 2.84% to 6.66%) over a period of between 2 and 15 years in instalments due as follows:

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
In one year or less	4,109	1,281	4,109	1,281
Between one and two years	725	1,089	725	1,089
Between two and five years	2,176	3,264	2,176	3,264
In five or more years	81,935	84,613	81,935	84,613
	-----	-----	-----	-----
	88,945	90,247	88,945	90,247
	=====	=====	=====	=====
Amounts falling due within one year	4,109	1,281	4,109	1,281
Amounts falling due after more than one year	84,836	88,966	84,836	88,966
	-----	-----	-----	-----
	88,945	90,247	88,945	90,247
	=====	=====	=====	=====

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025**19. Deferred capital grant**

	2025	Group	Association	
	2024	2024	2025	2024
	£'000	£'000	£'000	£'000
At 1 April	118,679	120,535	118,679	120,535
Grant received during the year	332	1,366	332	1,366
Grant repaid during the year	(110)	(524)	(110)	(524)
HAG disbursed	-	-	-	-
Released to income in the year	(3,139)	(2,698)	(3,139)	(2,698)
	-----	-----	-----	-----
At 31 March	115,762	118,679	115,762	118,679
	=====	=====	=====	=====

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

	2025	Group	Association	
	2024	2024	2025	2024
	£'000	£'000	£'000	£'000
In one year or less	3,309	2,964	3,309	2,964
In more than one year	112,453	115,715	112,453	115,715
	-----	-----	-----	-----
	115,762	120,535	115,762	120,535
	=====	=====	=====	=====

20. Share capital

	2025	2024
	£	£
At 1 April	131	134
Issued during the year	4	-
Surrendered during the year	-	(3)
	-----	-----
At 31 March	135	131
	=====	=====

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.

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025**21. Cash flow from operating activities**

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Surplus for the year after tax	4,026	5,809	3,897	6,061
<i>Adjustments for non-cash items:</i>				
Depreciation of tangible fixed assets	6,943	6,098	6,842	6,022
Amortisation of tangible fixed assets	351	315	48	12
Decrease/(Increase) in stock	5	95	-	-
Decrease/(increase) in trade and other debtors	1,073	(1,809)	1,103	(1,627)
Increase/(decrease) in trade and other creditors	(1,451)	(913)	(1,330)	(932)
Pension cost less contributions payable	54	23	54	23
Lorne repaid	(306)	-	(306)	-
Carrying amount of tangible fixed asset disposals	254	832	256	801
Reserves adjustment	(252)	-	-	-
Tax provided	51	(35)	-	-
<i>Adjustments for investing or financing activities:</i>				
Proceeds from the sale of tangible fixed assets	(1,661)	(4,602)	(1,642)	(4,558)
Government grants utilised in the year	(3,139)	(2,698)	(3,139)	(2,698)
Interest payable	3,285	2,815	3,284	2,799
Interest received	(518)	(462)	(512)	(457)
Loan at deemed cost	-	-	-	-
Cash generated from operating activities	8,715	5,468	8,555	5,446
Tax paid	-	-	-	-
Net cash generated from operating activities	8,715	5,468	8,555	5,446
	=====	=====	=====	=====

22. Pension Obligations

Harbour Homes Scotland Limited 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2021. This valuation revealed a deficit of £27m. Employers were making deficit contributions of £33m per annum that cleared the deficit and subsequent deficit contributions stopped at 30 September 2022.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal then the liability of the withdrawing employer is re-appointed amongst the remaining employers. Therefore, in certain circumstances the Association may become liable for the obligations of a third party.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from 31 March to 28 February inclusive. The latest accounting valuation was carried out with an effective date of 30 September 2023. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2025 to 28 February 2026 inclusive.

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025**22. Pension Obligations (continued)****Present values of defined benefit obligation, fair value of assets and defined benefit liability**

	2025	2024
	£'000	£'000
Fair value of plan assets	7,583	8,282
Present value of defined benefit obligation	(8,605)	(9,380)
	-----	-----
(Deficit) in plan	(1,022)	(1,098)
Unrecognised surplus	-	-
	-----	-----
Defined benefit (liability) / asset to be recognised	(1,022)	(1,098)
Deferred tax	-	-
	-----	-----
Net defined benefit (liability)/asset to be recognised	(1,022)	(1,098)
	=====	=====
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

Defined benefit obligation at start of period	9,380	9,355
Current service cost	-	-
Expenses	14	14
Interest expense	452	447
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	135	82
Actuarial losses (gains) due to changes in demographic assumptions	-	(59)
Actuarial losses (gains) due to changes in financial assumptions	(1,066)	(31)
Benefits paid and expenses	(310)	(428)
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	8,605	9,380
	=====	=====

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

Fair value of plan assets at start of period	8,282	13,373
Interest income	398	373
Experience on plan assets (excluding amounts included in interest income)		
- gain (loss)	(801)	(4,826)
Contributions by the employer	14	236
Benefits paid and expenses	(310)	(257)
	-----	-----
Fair value of plan assets at end of period	7,583	8,899
	=====	=====

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2025 was £31k.

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025**22. Pension Obligations (continued)****Defined benefit costs recognised in statement of comprehensive income (SOCl)**

	2025	2024
	£'000	£'000
Expenses	14	14
Net interest expense	54	23
	-----	-----
Defined benefit costs recognised in statement of comprehensive income (SOCl)	68	37
	=====	=====

Defined benefit costs recognised in other comprehensive income

Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(801)	(687)
Experience gains and losses arising on the plan liabilities - gain (loss)	(135)	(82)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	-	59
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,066	31
	-----	-----
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	130	(619)
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)	130	(619)
	=====	=====

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, and a date for this has now been set for 2025.

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

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025**23. Capital commitments**

	2025 £'000	Group 2024 £'000	2025 £'000	Association 2024 £'000
Housing developments				
Capital expenditure that has been contracted for but has not been provided for in the accounts	4	2	4	2
	=====	=====	=====	=====

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

24. Units of Accommodation

Group and Association	At 1 April 2024 £'000	Additions £'000	Disposals £'000	Adjustment £'000	At 31 March 2025 £'000
Property held for letting					
General	2,262	63	(10)	(4)	2,311
Sheltered	113	-	-	-	113
Medium dependency	154	-	-	-	154
Wheelchair housing	66	-	-	3	69
Special needs (Bed spaces)	48	-	-	-	48
Mid-market rent	523	41	-	-	564
Shared ownership	122	-	(2)	-	120
	-----	-----	-----	-----	-----
	3,288	104	(12)	(1)	3,379
	=====	=====	=====	=====	=====

As at 31 March 2025 the number of properties the Association leased to Harbour Lettings Limited for onward letting at mid-market rent was 564 (2024: 523).

25. Related party disclosure

The 3 tenant members (2024: 1) 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 2025 in respect of the tenancies amounted to £16k (2024: £6k). The rent prepaid at 31 March 2025 was £Nil (2024: £Nil).

The Association has leased to Harbour Lettings, its subsidiary company, those properties which it has developed for mid-market rent. Harbour Homes also provides staff and services to Harbour Lettings 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 £57k (2024: £48k) and leasing fees totalled £3,541k (2024: £2,714k) in the year ended 31 March 2025. Lettings owed Homes £525k (2024: £328k) and Homes owed Lettings £Nil (2024: £5k).

Harbour Connections provides cleaning services to Harbour Homes Limited. There is a balance due to Harbour Connections CIC at 31 March 2025 of £Nil (2024: £Nil). The Association provides staff and services under a Service Level Agreement (SLA). Management charges amounted to £10k (2024: £10k) and recharges of staff costs amounted to £152k (2024: £162k) in the year ended 31 March 2025. Connections owed Homes £8k (2024: £83k) at 31 March 2025.

In the year ended 31 March 2025 Homes owed Multi-Trades £428k in respect of outstanding invoices for maintenance and repair work. In the same period Harbour Lettings Limited owed Harbour Multi-Trades £17k. Multi-Trades provided services to the value of £2,658k to Harbour Homes and £205k to Harbour Lettings up to 31 March 2025.

26. Contingent liabilities

Harbour Homes Scotland 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 £2,449,871.

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 2025 amounts to £3,139k.

HARBOUR HOMES SCOTLAND LIMITED

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025

27. Group and Association Reserves

Group 2025	30 April 2024	Adjustm ent	Income	Expen -diture	Pension Actuarial (loss)	In	Transfer Out	31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reserves								
Restricted Pension	306	-	-	-	-	-	(306)	-
Restricted recycled Proceeds	9,186	-	-	-	-	1,055	-	10,241
	-----	-----	-----	-----	-----	-----	-----	-----
Total Restricted	9,492	-	-	-	-	1,055	(306)	10,241
General	45,116	(252)	28,647	(24,619)	130	(1,055)	-	47,967
	-----	-----	-----	-----	-----	-----	-----	-----
Total Reserves	54,608	(252)	28,647	(24,619)	130	-	(306)	58,208
	=====	=====	=====	=====	=====	=====	=====	=====

Association 2025	30 April 2024	Adjustm ent	Income	Expen -diture	Pension Actuarial (loss)	In	Transfer Out	31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reserves								
Restricted Pension	306	-	-	-	-	-	(306)	-
Restricted recycled Proceeds	9,186	-	-	-	-	1,055	-	10,241
	-----	-----	-----	-----	-----	-----	-----	-----
Total Restricted	9,492	-	-	-	-	1,055	(306)	10,241
General	45,061	-	25,772	(21,875)	130	(1,055)	-	48,033
	-----	-----	-----	-----	-----	-----	-----	-----
Total Reserves	54,553	-	25,772	(21,875)	130	-	(306)	58,274
	=====	=====	=====	=====	=====	=====	=====	=====

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2025**28. Commitments under operating leases**

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

Group	2025	2024
	£	£
Amounts Due		
Within one year	82,762	82,918
Between one and five years	125,417	182,508
	-----	-----
	208,179	265,426
	=====	=====
Association	2025	2024
	£	£
Amounts Due		
Within one year	20,400	19,748
Between one and five years	-	-
	-----	-----
	20,400	19,748
	=====	=====

29. Harbour Lettings operating lease

Harbour Homes charges Harbour Lettings a lease fee for the properties that Homes owns and Lettings collects mid-market rental. This year it amounted to £3,541k (2024: £2,714k)