

**Hillcrest Homes (Scotland) Limited**

**FCA No. 1603 R (S)**  
**Charity No. SC006809**  
**RSL No. 125**

**Report and Consolidated Financial Statements for the Year Ended**  
**31<sup>st</sup> March 2023**



**Hillcrest Homes (Scotland) Limited**  
**Report and Consolidated Financial Statements**  
**for the year ended 31<sup>st</sup> March 2023**

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## Hillcrest Homes (Scotland) Limited Members, Executives and Advisers

### Governing Body

Mr. A Russell	Chairperson
Mr. D. Boyle	Audit & General Purposes Convenor
Mr. P. Shepherd	Operations Sub Committee Convenor
Ms. V. Howard	(Elected) – resigned 31 October 2022
Ms. J. Roberts	(Elected)
Mr. C. Robertson	(Elected)
Ms. A. Fyfe	(Elected)
Mr. T. Kirby	(Elected)
Mr. D. Hogg	(Elected)
Mr. R. Burnett	(Elected)
Mr. J. Lumsden	(Elected) – resigned 14 June 2022
Mr. S. Qadar	(Elected) – appointed 11 August 2022
Prof. M. McMurdo	(Elected) – appointed 11 August 2022

### Key Management Personnel

Group Chief Executive	Mrs. A. Linton
Deputy Chief Executive/Company Secretary	Ms. F. Morrison
Director of Finance	Mrs. L. Dryden – resigned 14 October 2022
Director of Corporate Services	Ms. L. Don
Director of Property	Mr. B. Sander – retired 31 May 2022
Director of Housing	Mr. M. Percival
Managing Director of Hillcrest Futures	Mrs. J. Dunlop
Managing Director of Hillcrest Enterprises	Mr. S. Dow – retired 13 June 2022

### Registered Office

1 Explorer Road  
Dundee  
DD2 1EG

### Auditors

#### External Auditor

Findlays  
Chartered Accountants &  
Statutory Auditors  
11 Dudhope Terrace  
Dundee  
DD3 6TS

#### Internal Auditor

Henderson Loggie  
Chartered Accountants &  
Statutory Auditors  
20 The Vision Building  
Greenmarket  
Dundee  
DD1 4QB

## Hillcrest Homes (Scotland) Limited Members, Executives and Advisers

### Bankers and Funders

Royal Bank of Scotland  
3 High Street  
Dundee  
DD1 9LY

Barclays Commercial Bank  
Aurora  
1<sup>st</sup> Floor  
120 Bothwell Street  
Glasgow  
G2 7TJ

Lloyds Bank  
3<sup>rd</sup> Floor  
25 Gresham Street  
London  
EC2V 7HN

GB Social Housing  
35 Great St Helens  
London  
EC3A 6AP

Allia Impact Finance Limited  
Future Business Centre  
King's Hedges Road  
Cambridge  
CB4 2HY

Sun Life Assurance  
Company of Canada  
1 York Street  
32<sup>nd</sup> Floor  
Toronto, Ontario  
M5J 0B6 Canada

### Solicitors

Thorntons WS  
Whitehall House  
33 Yeaman Shore  
Dundee  
DD1 4BJ

Harper McLeod  
The Ca'd'oro  
45 Gordon Street  
Glasgow  
G1 3PE

**Hillcrest Homes (Scotland) Limited**  
**Report of the Governing Body**  
**for the year ended 31<sup>st</sup> March 2023**

The Governing Body presents their report and the audited Financial Statements for the year ended 31<sup>st</sup> March 2023.

**Incorporation**

Hillcrest Homes (Scotland) Limited (Hillcrest Homes) is a Registered Social Landlord, a registered Scottish Charity and registered with the FCA under the Co-operative and Community Benefit Societies Act 2014. The relevant registration numbers are as follows:

Financial Conduct Authority 1603R (S)  
OSCR SC006809  
Scottish Housing Regulator RSL 125

**Accounting Compliance**

The financial statements of Hillcrest Homes have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK (FRS 102)*, the Statement of Recommended Practice for Registered Social Landlords 2018, and comply with the Registered Social Landlords Determination of Accounting Requirements 2019.

**Governing Body and Executive Officers**

The Governing Body, Executive Officers and Advisers of Hillcrest Homes are set out in pages 2 and 3. Each Member of the Governing Body holds one fully paid share of £1 in Hillcrest. The Directors of Hillcrest Homes hold no interest in the share capital and although not having the legal status of Directors act as Executives within the authority delegated by the Governing Body.

Election to the Governing Body is contained within the rules. All Governing Body Members must be members of Hillcrest Homes. The maximum number of Governing Body Members is 15. Governing Body Members are elected at the Annual General Meeting. One-third of the Governing Body Members must retire annually; they can put themselves up for re-election together with any nominated member of the Association.

**Principal Activities**

The principal activities of Hillcrest Homes are the provision of high quality rented accommodation at affordable rents for those in housing need and the provision of care and support services for those in need due to age, infirmity, disablement or handicap.

Hillcrest Homes is able to deliver this range of services and activities through other trading subsidiaries. The key operating Companies are as follows;

**Hillcrest Homes (Scotland) Limited**  
**Report of the Governing Body (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**Principal Activities (continued)**

**Hillcrest Homes (Scotland) Limited (HH)** the ultimate Parent, responsible for setting the overall strategic direction and policy framework. Hillcrest Homes also provides administrative support services to the other subsidiary companies and is the provider of social housing for rent.

**Hillcrest Futures Limited (HF)** is a company limited by guarantee with charitable status and a wholly controlled subsidiary of HH. HF focuses on providing care and support to individuals with a variety of different needs

**Hillcrest Maintenance Limited (HM)** is a company limited by guarantee and a wholly controlled subsidiary of HH. HM provides maintenance services to HH as well as other companies within the Group and external organisations.

**Hillcrest Enterprises Limited (HE)** is a company limited by shares and a wholly controlled subsidiary of HH. HE provides mid-market rental accommodation, rented accommodation for people with special needs, agency and letting agency services.

**Leith Links NHT 2011 LLP (LL)** is a Limited Liability Partnership of which Hillcrest Homes is the controlling member. The company provides mid-market rented accommodation in Edinburgh and was set up under the National Housing Trust initiative. The property stock was sold to Hillcrest Homes (Scotland) Limited on 9 April 2021 and trading activities have ceased during the financial year 2021/22. The partnership is planned to be removed from Companies House.

**Cair Scotland Limited (CS)** is a company limited by guarantee with charitable status and a wholly owned subsidiary of Hillcrest Futures. Cair Scotland Limited's main activity is now the rental of property.

**Explorer Heat Limited (EH)** is a company limited by shares and wholly controlled by HH. This company is dormant and was set up to undertake the maintenance and servicing of the district heating system which is part of the Sailmaker development.

**Hillcrest Foundation** is a registered charity of which Hillcrest Homes is the controlling member. The charity will raise finance to fund activities to focus on the prevention or relief of poverty, advancement of health, education and community development. The focus will be for those who will benefit from the relief of financial hardship or other disadvantages.

**Home for Aged and Infirm (Ferry House)** is a registered charity of which Hillcrest Homes is the controlling member. Ferry House provides a residential home for care. The families and residents at Ferry House have been informed of the intention to close the residential home on 31<sup>st</sup> March 2024. There have also been discussions with the commissioners. This decision has been taken for a number of reasons including financial viability and the difficulty to modernise the existing rooms. The building will continue to be used for charitable purposes after closure, although a final decision has not been made at this time.



Hillcrest Homes (Scotland) Limited  
**Report of the Governing Body (continued)**  
for the year ended 31<sup>st</sup> March 2023

### Strategic Objectives and Values

Hillcrest Homes aims to remain a strong effective Scottish organisation, providing sustainable homes and creating positive futures with the aim to help people live better lives.

The core values of Hillcrest Homes are;

*Excellence* Demonstrate determination and purpose to deliver the best outcomes for the people we support.

*Inclusion* Value and appreciate the contribution of others and be an effective team member.

*Innovation* Willing to make things better, by developing new ideas or by doing things differently and be open to change.

*Respect* Listen to and support others, treating all fairly and equally.

We will be seen as a learning organisation that invests in people both within the Hillcrest Homes and its subsidiaries and in the wider community.

We will adapt to changing needs, expectations and opportunities and have a culture of continuous improvement. We will be efficient in procurement and the provision of services and provide value for money in all that we do.

Hillcrest will ensure that the interests of tenants, service users and stakeholders are considered fully at all times through engagement and consultation.

All trading subsidiaries have their own business plan and strategic direction to focus on the development and direction of the individual company for the forthcoming 3 financial years. However, each business plan interlinks with the overall strategic direction of Hillcrest to maintain both financial strength and growth within the group.

### Operating performance

The financial year to 31<sup>st</sup> March 2023 was very challenging. Increasing inflation and increasing bank base rates has had a significant adverse impact to costs and surplus levels. The new development programme was also adversely impacted due to increasing construction costs and contractor resource difficulties. This has delayed the handover of some new developments and reduced 2022/23 rental income.

Hybrid working for staff is now firmly embedded across the organisation and new processes and systems are in place to allow staff to work remotely and continue to deliver a high quality service.

There continued to be a very high focus on rent collection throughout the financial year. The work undertaken throughout the pandemic and beyond to support tenants, enabling them to access further financial support continues to show great results with low rent arrears and bad debt write off costs reducing. This will continue to be a priority focus, increasing levels of fuel poverty and cost of living difficulties.

**Hillcrest Homes (Scotland) Limited**  
**Report of the Governing Body (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**Operating performance (continued)**

There continues to be a considerable investment in Business Transformation and a new Head of Innovation and Improvement was appointed to lead the Business Transformation, IT and Sustainability Teams. All departments and companies processes within the Group will continue to be assessed, existing processes streamlined and new processes implemented as required.

**Financial Review**

Hillcrest Homes, the parent company, achieved an overall surplus of £3.5M in 2023, compared to a surplus of £7.6M in 2022. This excludes the actuarial adjustments on pension, exceptional items and business combinations. The results for Hillcrest Homes are reflected on page 22.

The pension scheme actuarial valuation reflected an overall loss between the 2 financial years of £4.1M. Adjustments to the pension scheme will continue to be included to reflect the fluctuating pension market and different assumptions used.

Turnover overall increased by £3.8M (8.7%) to £47.4M, (2022 - £3.1M, 7.6%) with rental and service charge income increasing by £3.1M (8.4%) (2022- £3.1M, 9.2%).

Additional information on the breakdown of turnover is provided in the Notes 2 and 3 of the Financial Statements. The above inflation increase in turnover is attributed to the ongoing substantial development programme being rolled out. Although Covid did restrict some development activity, the Association continued to deliver a high level of handovers in the financial year.

The Homes (group) position also reflected an increase in turnover of £4.8M (7.8%), (2022 - £1.3M, 2.2%). The results for Homes is reflected on page 22. Homes (group) achieved a surplus of £4.2M in 2023 (2022 - £5.3M). This excludes the actuarial adjustments on pension, exceptional items and business combinations.

The subsidiary company Hillcrest Futures actuarial pension loss was in line with Hillcrest Homes resulting in an overall loss of £1M between the 2 financial years.

Subsidiary income levels were broadly in line with Budget. Each of the subsidiaries managed the adverse impact of increasing inflation and costs and reported a surplus / profit for 2022-23 in line with Budget.

Hillcrest Homes made aggregate donations of £10,000 in the year to 31 March 2023.

There was continued extensive investment in new housing provision in 2022/23. There was an investment of £57.4M in housing development by Hillcrest Homes during the financial year ended 31 March 2023. To assist with this investment, £20.5M was received from Government grants with the balance met by private finance.

Funds held in the bank are reviewed for maximum return, however due to the level of development activity, there is limited opportunities to invest cash. At the financial year end £6.8M was held in the bank by Hillcrest Homes, which will be used to finance development costs.

**Hillcrest Homes (Scotland) Limited**  
**Report of the Governing Body (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**Future Review**

Hillcrest Homes has identified the potential that the Loan Interest Covenant may be breached in the year to March 2024. This is the result of a number of events out with our control. Details of risks and mitigations are described in note 1(b).

The Governing Body is confident lender approval will be obtained or the management actions proposed can be fully exercised to avoid a breach. However, in line with disclosure requirements for the preparation of Financial Statements, the Governing Body note that a material uncertainty exists that may cast significant doubt on Hillcrest's ability to continue as a going concern.

**Growth**

During the financial year to 31 March 2023, due to the level of development, Hillcrest Homes took into management a further 345 units. This included the purchase of 88 pre-allocated MMR units from Osprey Initiatives Limited, a subsidiary of Osprey Housing. The 345 units were a mixture of traditional social rented and mid-market rented property. Hillcrest Homes continues to have a healthy development programme with 1,423 units planned for development and purchase in the forthcoming 3-year period.

A detailed housing stock analysis is provided in Note 13.

**Revenue Reserves**

This reflects past years' activities and has to provide for the future including in areas like long term maintenance, loan repayments and future risk. General reserves are required to ensure the future financial stability of Hillcrest Homes and the subsidiary companies. The total revenue reserves amount to £86.8M which the Governing Body believes to be adequate.

Additional information about the reserves is provided in Note 25.

**Treasury Management**

Hillcrest Homes Treasury function operates within a framework of clearly defined Governing Body approved policies and procedures. These serve to control the use of financial instruments and the Governing Body receives regular reports on relevant treasury matters. The overall aim of the Treasury function is to ensure sufficient liquidity is available to meet foreseeable needs, surplus cash is invested prudently and financial risk is minimised.

The investment activity undertaken by Hillcrest is prudent to try to maximise the returns on free funds.

**Auditors**

Findlays, Chartered Accountants are auditors to the Association and are willing to be re-elected. The external audit service contract has come to an end and the contract for provision of audit services to the Association will go out for competitive tender during 2023/24.

**By Order of the Governing Body**

A. Russell  
Chairperson

20<sup>th</sup> July 2023

# Hillcrest Homes (Scotland) Limited

## **Strategic Report For the year ended 31<sup>st</sup> March 2023**

The Governing Body present their strategic report for the year ended 31 March 2023.

### **Operational Policies**

Hillcrest Homes has a comprehensive Policy and Procedures Manual covering all of its major areas of operation. All policies are reviewed regularly in line with guidance provided by Scottish Ministers, Best Practice Guidance and any other relevant statutory body.

### **3 Year Business Plan**

Hillcrest Homes has prepared a detailed 3 year Business Plan to March 2026. The key aims and objectives of this plan are to set the overall strategic objectives for the organisation.

Hillcrest's Homes Business Plan is designed to ensure that its strategy, products and services are delivered in accordance with its overall purpose and vision and being a financially sound organisation. As such, the Business Plan focuses on fulfilling the following strategic objectives;

- Provide good quality, well maintained housing at affordable rents.
- Contribute to building sustainable communities.
- Provide quality, creative, responsive care and support services.
- Contribute to social, economic and environmental activities.
- Ensure resources, skills and structure to meet objectives

### **Sustainability and Corporate Responsibility**

Hillcrest Homes embraces all areas of sustainability to reduce its carbon footprint. Detailed plans are being drafted for approval by the Governing Body around new developments, retrofitting of older stock, fuel replacement and active travel. Hillcrest will develop and embed the ESG standard over the next financial year and provide the Governing Body with a full report.

Hillcrest Homes also recognises its role in supporting sustainable communities. We do this through different initiatives in different parts of the organisation. Hillcrest Homes continues to provide dedicated energy advice, support and guidance, tenancy sustainment services and benefit advice. Hillcrest has developed its apprenticeship programme across all companies. At March 2023, there were 10 apprentices employed across the group with plans to increase this to 21 during the financial year to 31 March 2024. Hillcrest Maintenance also offers work experience and work placements to school children. Hillcrest Futures continues to provide activities to service users through the Hubs for a range of activities including drama, arts and crafts, cycling and walking groups, bowling and cookery.

The Hillcrest Foundation's activities increased during the financial year to March 2023. The Foundation's aims are to provide an opportunity to support external community initiatives and build on our Corporate Social Responsibility. The Foundation will centralise all fundraising, charitable donations and gift aid within one place to streamline and centralise these activities. The Foundation will enable Hillcrest to have a focused strategy for supporting communities, including our tenants and service users to enhance their lives by providing relief for those in financial hardship or other disadvantages.

# Hillcrest Homes (Scotland) Limited

## **Strategic Report For the year ended 31<sup>st</sup> March 2023**

### **Sustainability and Corporate Responsibility (continued)**

The initial couple of years from incorporation has focused on delivering projects within the group. Over the last year, the Foundation was open to external bids and 32 bids from external organisations were supported to the amount of £160k.

Most successful bids are analysed using outcomes data to get a true value for money figure. A report is being prepared for the bids awarded during 2022/23 and this will be published to show the true value of each project supported.

### **Learning and Development**

Hillcrest Homes has a comprehensive Learning and Development Policy with a dedicated Learning and Development Team who undertake a variety of internal training courses including organisational introduction, manual handling, non-crisis intervention and autism training.

The e-learning platform is utilised extensively to provide training more cost-effectively and to more members of staff. With remote home working being embedded within a hybrid working model, this e-learning platform has continued to expand, offering additional options for remote learning to all staff.

Hillcrest has invested in an extensive leadership training course for all line managers over the past 2 financial years. The delivery of the course was delayed due to the pandemic, however the training course adapted to meet the hybrid method of working. The training course is focused on adapting to change and embedding the Hillcrest core values to ensure our leaders of today can continue to improve to be leaders for the future.

### **Health and Safety**

Health and Safety reports are provided on a regular basis to the Audit and General Purposes Sub-Committee and each subsidiary board. Hillcrest Homes complies with the relevant Health and Safety legislation and will continue to improve Health and Safety measures across all companies.

Hillcrest Homes has a comprehensive Health and Safety Manual that covers all aspects of the activities. There are regular training sessions provided by the dedicated Health and Safety Team to ensure that employees and suppliers of Hillcrest Homes have the correct information to carry out their role safely. The Health and Safety Team also carry out regular audits of projects, services and repairs to share good practice and make recommendations for improvement.

### **Employee Involvement**

Hillcrest Homes has continued its practice of keeping the employees informed about the matters affecting them as employees and the financial and economic factors.

# Hillcrest Homes (Scotland) Limited

## **Strategic Report For the year ended 31<sup>st</sup> March 2023**

### **Employee Involvement (continued)**

This is achieved through consultations with employee representatives and staff meetings, newsletters, presentation of the Business Plan to all staff and representation by staff at various working parties set up to review particular areas of work. Hillcrest Homes has retained the Investors in People Gold Award, the Investors in Young People Silver Award and the Health and Well-being at Work Award.

### **Equal Opportunities & Disabled Persons**

Hillcrest Homes has an Equality, Diversity and Inclusion Policy which is embedded in the decision-making processes with the organisation and applied consistently. Hillcrest has also published a Modern Slavery Statement in compliance with Section 54 of the Modern Slavery Act 2015. The organisation has established an Equality, Diversity and Inclusion Action Group to further review our statutory requirements. The primary requirement is to ensure that there is no discrimination or less favourable treatment on the grounds of any protected characteristic, this being, Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Belief or Religion, Sex and Sexual Orientation. The EDI strategy specifically sets out our commitment to ensuring equality within all levels of the organisation. This means we treat our people equally without discrimination.

### **Tenancy Sustainment**

A key priority for all our housing services is to help tenants sustain their tenancies and prevent homelessness. Our specialist teams proactively support tenants which has shown a positive impact on the rent arrears results, with the rent arrears performance being below the target for almost 2 years. With the rising cost of living and fuel poverty becoming a major issue with tenants, this area of support for the tenants will continue to be an area of priority throughout 2023/24. An overarching Tackling Poverty Together Strategy has been developed during 2021/22 to encompass all areas that impact on our tenants.

### **Tenant Involvement**

Hillcrest Homes has a tenant involvement strategy, detailed action plan and now over 400 tenants on its Interested Tenant Register (ITR). Through the ITR we actively encourage opportunities to get involved at a level and pace that suits them such as specific consultations or surveys. Our resident group, HART (Hillcrest Action for Residents & Tenants), focusses solely on scrutiny to help review services and suggest improvements or efficiencies. We also formally consult annually on our rent increase and undertake an annual satisfaction survey. This survey helps gather data from 500 tenants to measure satisfaction with both housing and repair services, value for money and rent affordability. In June 2022, we implemented a customer engagement survey platform which will increase tenant engagement and provide real time dashboard feedback so we can track our performance over time.

# Hillcrest Homes (Scotland) Limited

## Strategic Report For the year ended 31<sup>st</sup> March 2023

### Principal risks and uncertainties

The Governing Body monitor the overall risk profile of the Association. In addition, the Governing Body is responsible for determining clear policies as to what the Association considers to be acceptable levels of risk. These policies seek to enable people throughout the Association to use their expertise to identify risks that could undermine performance and to devise ways of bringing them to within acceptable levels. Where the Governing Body identify risks that are not acceptable, they develop action plans to mitigate them with clear allocation of responsibilities and timescales for completion and ensure that progress towards implementing these plans is monitored and reported upon.

#### ***Financial risk due to delays in contract handovers of new developments***

##### *Risk*

There is a risk there will be further delays in development completions due to labour shortages and increasing material costs, due to rising inflation and shortages in material supplies. These issues have arisen following on from the delays impacted by the imposed Covid restrictions. If the delays in the completion of the contracts continue for a considerable time, this will impact on the proposed completion and handover dates for developments, resulting in a loss of rental income.

##### *Mitigation*

Hillcrest are working with partners to expedite handovers in accordance with contracts, taking into account extensions or time awarded. Revised financial projections and continuous review to assess impact. Reports are considered by the Operations Sub-Committee quarterly and Governing Body 6-monthly.

#### ***Financial impact due to increase in interest levels***

##### *Risk*

There is a risk that continued increased interest rate levels will have a negative financial impact on the Association due to the level of variable rate loans that the Association holds.

##### *Mitigation*

Hillcrest has a number of fixed rate loans in place. Discussions ongoing with financial advisors. Financial projections continue to be revised, providing a clearer indication on the impact to enable key decisions to be made on how to progress.

### By Order of the Governing Body



A. Russell  
Chairperson  
20<sup>th</sup> July 2023

## Hillcrest Homes (Scotland) Limited

### **Statement of Governing Body's Responsibilities for the year ended 31<sup>st</sup> March 2023**

Housing Association legislation requires the Governing Body to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Group and of the Income and Expenditure of the Group for the year ended on that date. In preparing those Financial Statements the Governing Body 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 have been followed subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Governing Body is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and for maintaining a satisfactory system of control over the Group's accounting records and transactions. The Governing Body is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Governing Body are aware, there is no relevant audit information (information needed by the Association's auditors, in connection with preparing the report) of which the Association's auditors are unaware.

The Governing Body have taken all the steps that they ought to have taken to make themselves aware of that information.

#### **Statement of Internal Financial Control**

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

1. The reliability of financial information whether used within the Group or provided for external users;
2. The maintenance of proper accounting records; and
3. The safeguarding of assets against unauthorised use or disposition.

Such systems of internal financial control can only provide reasonable and not absolute assurance against material misstatement or loss.



## Hillcrest Homes (Scotland) Limited

### **Statement of Governing Body's Responsibilities for the year ended 31<sup>st</sup> March 2023 (continued)**

Key procedures which the Governing Body has established and which are designed to provide effective financial control include the following:-

- (1) Formal policies and procedures are in place for the appointment of suitably qualified and experienced senior staff members and consultants. These policies and procedures also detail duties and levels of authority for Governing Body Members, staff and agents.
- (2) A system of budgetary control is implemented with investigation of variances and reporting to the Governing Body on a quarterly basis.
- (3) A strategic plan and medium-term projections have been prepared and approved by the Governing Body. These are reviewed annually.
- (4) The Governing Body reviews reports from Management Agents and from the auditors to provide reasonable assurance that control procedures are in place and are being followed.
- (5) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedure at full Governing Body level.
- (6) The internal auditor undertakes a rolling programme of internal audit assignments. The independent professional internal auditor has direct access to the Audit Committee which receives the reports and agrees the appropriate action plan.

The Governing Body has reviewed the effectiveness of the system of internal financial controls in existence for the year ended 31 March 2023 and until 11 July 2023. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.



A. Russell  
Chairperson  
20<sup>th</sup> July 2023

# Hillcrest Homes (Scotland) Limited

## Independent Auditors report to the members of Hillcrest Homes (Scotland) Limited

### Opinion

We have audited the financial statements of Hillcrest Homes (Scotland) Limited (the 'association') for the year ended 31 March 2023 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group and Association Statement of Cash Flows, the Group and Association Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 association's affairs as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements 2019.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

### Material uncertainty related to going concern

We draw attention to note 1(b) to the financial statements, which indicates that the Association has identified a potential covenant breach which may occur in 2023/24 due to a combination of circumstances around delay in development handover and increasing interest rates. As stated in note 1(b), these events or conditions, along with other matters as set out in note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Association's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Hillcrest Homes (Scotland) Limited

### **Independent Auditor's Report to the Members of Hillcrest Homes (Scotland) Limited (continued)**

#### **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 Governing Body are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

- the association has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- the Statement of Comprehensive Income and Statement of Financial Position any other statements to which our report relates are not in agreement with the association's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

#### **Responsibilities of the Governing Body**

As explained more fully in the Governing Body's responsibilities statement, (set out on pages 15 and 16), the Governing Body 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 Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body 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 Governing Body either intends to liquidate the association or to cease operations, or have no realistic alternative but to do so.

## Hillcrest Homes (Scotland) Limited

### **Independent Auditor's Report to the Members of Hillcrest Homes (Scotland) Limited (continued)**

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the association through discussions with management and through our own specialist knowledge of the social housing sector
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Co-operative, including the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, SHR regulatory requirements, taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulation identified above through making enquiries and inspecting legal correspondence; and
- identified laws and regulations were communicated to the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Association's financial statements to material misstatement, including obtaining an understanding of how fraud may occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- Considering internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.
- Making enquires of the Association's internal auditor to assess if they had identified any actual or suspected fraud.

## Hillcrest Homes (Scotland) Limited

### Independent Auditor's Report to the Members of Hillcrest Homes (Scotland) Limited (continued)

#### Auditor's responsibilities for the audit of the financial statements (continued)

To address the risk of fraud through management bias and override of controls, we:

- Performed analytical procedures to identify and unusual or unexpected relationships;
- Tested journal entries to identify unusual transactions;
- Assessed whether judgements and assumptions made in determining the accounting estimates set out in note 1V were indicative of potential bias; and
- Investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which include, but are not limited to:

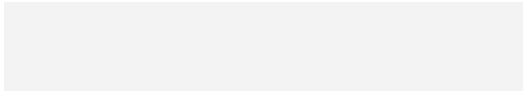
- Agreeing financial statements disclosures to underlying supporting documentation
- Reading the minutes of meetings of those charged with governance
- Enquiring of management as to actual and potential litigation and claims
- Reviewing correspondence with HMRC, relevant regulators including the SHR, Health and Safety Executive, and the Association's legal advisors

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. 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 section 87 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.

  
Joan Williamson, CA (Senior Statutory Auditor)  
For and on behalf of Findlays  
Chartered Accountants and Statutory Auditor  
11 Dudhope Terrace  
Dundee  
DD3 6TS 20<sup>th</sup> July 2023

# Hillcrest Homes (Scotland) Limited

## **Report of the Auditors To Hillcrest Homes (Scotland) Limited on Corporate Governance Matters**

In addition to our audit of the financial statements, we have reviewed your statement on pages 13 and 14 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator.

### **Basis of opinion**

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

### **Opinion**

In our opinion the Statement on Internal Financial Control on pages 15 and 16 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Governing Body and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Governing Body's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards for systemically important RSLs in respect of internal financial controls within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Joan Williamson, CA (Senior Statutory Auditor)  
For and on behalf of Findlays  
Chartered Accountants and Statutory Auditor  
11 Dudhope Terrace  
Dundee  
DD3 6TS

20<sup>th</sup> July 2023

Hillcrest Homes (Scotland) Limited  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 31<sup>st</sup> March 2023**

	<u>Notes</u>	<b>2023</b>	<b>2022</b>
		£	£
Turnover	2(a)	66,718,503	61,920,682
Operating expenditure	2(a)	(57,688,150)	(52,699,580)
<b>Operating surplus/(deficit)</b>	11	9,030,353	9,221,102
Gain/(loss) on disposal of tangible fixed assets	4	130,583	342,782
Finance income	5	66,822	3,451
Finance costs	6	(7,834,611)	(6,904,092)
Pension remeasurement	7	66	8,597
Movement in fair value of financial instruments	24	2,785,243	2,807,725
<b>Surplus/(deficit) before tax</b>		<b>£4,178,456</b>	<b>£5,479,565</b>
Taxation	12	(67,495)	(141,778)
<b>Surplus/(deficit) after tax</b>		<b>£4,110,961</b>	<b>£5,337,787</b>
Exceptional item	35	(133,578)	(390,835)
Actuarial profits / (losses) in respect of pension scheme	22	(2,052,000)	3,039,591
Business Combination	34	333,536	3,012,486
<b>Total comprehensive income for the year</b>		<b>£2,258,919</b>	<b>£10,999,029</b>

All income and expenditure derive from continuing activities.

The notes on pages 30 to 72 form part of the Financial Statements

Hillcrest Homes (Scotland) Limited  
**Association Statement of Comprehensive Income**  
for the year ended 31<sup>st</sup> March 2023

	Notes	2023 £	2022 £
Turnover	2(a)	47,405,084	43,619,474
Operating expenditure	2(a)	(39,085,326)	(35,397,213)
<b>Operating surplus/(deficit)</b>	11	8,319,758	8,222,261
Gain/(loss) on disposal of tangible fixed assets	4	129,528	327,333
Return on Investment	16	-	3,035,868
Finance income	5	68,483	52,331
Finance costs	6	(7,827,605)	(6,871,221)
Pension remeasurement	7	66	8,597
Movement in fair value of financial instruments	24	2,785,243	2,807,725
<b>Surplus before and after taxation for the year</b>		<b>£3,475,473</b>	<b>£7,582,894</b>
Actuarial gain/(loss) in respect of pension scheme	22	(1,632,000)	2,467,000
Business Combination	34	-	3,012,486
<b>Total comprehensive income for the year</b>		<b>£1,843,473</b> =====	<b>£13,062,380</b> =====

All income and expenditure derive from continuing activities.

The notes on pages 30 to 72 form part of the Financial Statements



Hillcrest Homes (Scotland) Limited  
Consolidated Statement of Financial Position as at 31<sup>st</sup> March 2023

	Notes	2023	2022
		£	£
<b>Fixed assets</b>			
Tangible fixed assets	14/15	697,943,027	642,949,246
Investments	16	666,054	527,892
		698,609,081	643,477,138
<b>Current assets</b>			
Stock	17	392,039	457,611
Trade and other debtors	18	6,372,896	6,672,903
Short term investments	19	-	1,000,000
Cash and cash equivalents		15,362,484	17,366,577
		22,127,419	25,497,091
<b>Less: Creditors: amounts falling due within one year</b>	20	(27,198,455)	(26,944,205)
		(5,071,036)	(1,447,114)
<b>Net current liabilities</b>			
<b>Total assets less current liabilities</b>		693,538,045	642,030,024
<b>Creditors: amounts falling due after more than one year</b>	21	(604,372,009)	(556,297,629)
<b>Pension – deficit funding liability</b>	22	(99,689)	(120,967)
<b>Pension – defined benefit liability</b>	22	(1,614,600)	(418,600)
		(606,086,298)	(556,837,196)
<b>Total net assets</b>		£87,451,747	£85,192,828
<b>Reserves</b>			
Share capital		53	53
Income and expenditure reserve	25	86,856,140	84,602,492
Restricted reserve	25	580,183	567,225
Negative goodwill	25	15,369	23,056
Non-controlling interest	25	2	2
		£87,451,747	£85,192,828
<b>Total reserves</b>		£87,451,747	£85,192,828

The Financial statements on pages 21 to 73 were approved by the Governing Body on 20<sup>th</sup> July 2023 and were signed on its behalf by:

Alan Russell .. CHAIRPERSON

David Boyle ... GOVERNING BODY MEMBER

Fiona Morriso .... SECRETARY

/ The notes on pages 30 to 72 form part of these financial statements

Hillcrest Homes (Scotland) Limited  
Association Statement of Financial Position as at 31<sup>st</sup> March 2023

	<u>Notes</u>	<b>2023</b>	<b>2022</b>
		£	£
<b>Fixed Assets</b>			
Tangible fixed assets	14/15	693,929,879	639,390,252
Investments	16	2,911,939	2,982,892
		-----	-----
		<b>696,841,818</b>	<b>642,373,144</b>
<b>Current Assets</b>			
Trade and other debtors	18	5,249,054	5,674,432
Cash and cash equivalents		6,834,205	8,718,105
		-----	-----
		12,113,259	14,392,537
<b>Less: Creditors: amounts falling due within one year</b>	20	(22,699,069)	(21,445,263)
		-----	-----
<b>Net current Assets / (liabilities)</b>		<b>(10,615,810)</b>	<b>(7,052,726)</b>
<b>Total Assets Less Current Liabilities</b>		<b>686,226,008</b>	<b>635,320,418</b>
<b>Creditors: amounts falling due after more than one year</b>	21	(603,637,021)	(555,494,493)
<b>Pension – deficit funding liability</b>	22	(1,064)	(2,475)
<b>Pension – defined benefit liability</b>	22	(1,339,600)	(418,600)
		-----	-----
		<b>(604,977,685)</b>	<b>(555,915,568)</b>
		-----	-----
<b>Total net assets</b>		<b>£81,248,323</b>	<b>£79,404,850</b>
		=====	=====
<b>Reserves</b>			
Share capital		53	53
Income and expenditure reserve	25	81,248,270	79,404,797
		-----	-----
		<b>£81,248,323</b>	<b>£79,404,850</b>
		=====	=====

The Financial Statements on pages 21 to 73 were approved by the Governing Body on 20<sup>th</sup> July 2023 and were signed on its behalf by:

Alan Russell ....		HAIRPERSON
David Boyle.....		VERNING BODY MEMBER
Fiona Morrison		. SECRETARY

The notes on pages 30 to 72 form part of these financial statements

Hillcrest Homes (Scotland) Limited  
Consolidated Statement of Changes in Reserves  
for the year ended 31<sup>st</sup> March 2023

	Share Capital £	Income & Expenditure Reserve £	Restricted Reserve £	Non- Controlling Interest £	Negative goodwill £	Total £
<b>At 31 March 2022 and 1 April 2022</b>	<b>53</b>	<b>84,602,492</b>	<b>567,225</b>	<b>2</b>	<b>23,056</b>	<b>85,192,828</b>
Surplus for the year	-	4,110,961	-	-	-	4,403,209
Business combination	-	333,536	-	-	-	333,536
Exceptional item	-	(133,578)	-	-	-	(133,578)
Actuarial gains in respect of pension scheme	-	(2,052,000)	-	-	-	(2,052,000)
<b>Total comprehensive income</b>	<b>-</b>	<b>2,258,919</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,217,631</b>
Share capital issued/cancelled	-	-	-	-	-	-
Released to statement of comprehensive income	-	7,687	-	-	(7,687)	-
Transfer to/(from) designated reserve	-	(12,958)	12,958	-	-	-
<b>At 31 March 2023</b>	<b>£53</b>	<b>£86,856,140</b>	<b>£580,183</b>	<b>£2</b>	<b>£15,369</b>	<b>£87,451,747</b>

Hillcrest Homes (Scotland) Limited  
 Association Statement of Changes in Reserves  
 for the year ended 31<sup>st</sup> March 2023

	Share Capital £	Income & Expenditure Reserve £	Total £
<b>At 31 March 2022 and 1 April 2022</b>			
Surplus for the year	53	79,404,797	79,404,850
Return on Investment	-	3,475,473	3,475,473
Actuarial gains/ (losses) in respect of pension scheme	-	-	-
Gain from business acquisition	-	(1,632,000)	(1,632,000)
	-	-	-
<b>Total comprehensive income</b>			
Share capital issued/cancelled	-	1,843,473	1,843,473
	-	-	-
<b>At 31 March 2023</b>	<b>£53</b>	<b>£81,248,270</b>	<b>£81,248,323</b>

**Hillcrest Homes (Scotland) Limited**  
**Consolidated Statement of Cash Flows**  
**for the year ended 31<sup>st</sup> March 2023**

	Notes	2023 £	2022 £
<b>Net cash generated from operating activities</b>	(Note i)	<b>15,704,508</b>	<b>35,197,880</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(65,643,603)	(61,201,063)
Proceeds from sale of tangible fixed assets		(616,646)	678,320
Investment short term investment		1,000,000	(1,000,000)
Grants received		21,802,321	32,640,084
Grants repaid		(129,456)	(195,018)
Interest receivable		64,939	3,451
		<b>(43,522,445)</b>	<b>(29,074,226)</b>
<b>Cash flow from financing activities</b>			
Issue of share capital		-	3
Interest payable		(7,412,161)	(5,288,407)
New secured loans		36,000,000	32,500,000
Repayment of borrowings		(2,773,995)	(48,065,663)
		<b>25,813,844</b>	<b>(20,854,067)</b>
<b>Net change in cash and cash equivalents</b>		<b>(2,004,093)</b>	<b>(14,730,413)</b>
<b>Cash flow from increase in debt</b>		<b>(33,095,702)</b>	<b>15,565,664</b>
<b>Cash and cash equivalents at 1 April 2022</b>		<b>(191,505,054)</b>	<b>(192,340,305)</b>
<b>Cash and cash equivalents at 31 March 2023</b>		<b>£(226,604,849)</b>	<b>£(191,505,054)</b>

**Hillcrest Homes (Scotland) Limited**  
**Association Statement of Cash Flows**  
**for the year ended 31<sup>st</sup> March 2023**

	Notes	2023 £	2022 £
<b>Net cash generated from operating activities</b>	(Note i)	<b>14,423,137</b>	<b>12,956,929</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(64,866,899)	(60,595,774)
Proceeds from sale of tangible fixed assets		351,683	585,115
Proceeds from return on investments		-	5,598,233
Grants received		21,109,931	32,640,480
Grants repaid		(140,078)	(195,018)
Interest receivable		68,483	52,331
		<b>(43,476,880)</b>	<b>(21,914,633)</b>
<b>Cash flow from financing activities</b>			
Issue of share capital		-	3
Interest payable		(7,405,155)	(5,255,536)
New secured loans		36,000,000	32,500,000
Repayment of borrowings		(1,425,000)	(32,000,000)
		<b>27,169,845</b>	<b>(4,755,533)</b>
<b>Net change in cash and cash equivalents</b>		<b>(1,883,898)</b>	<b>(13,713,237)</b>
<b>Cash flow from increase in debt</b>		<b>(34,575,002)</b>	<b>(500,000)</b>
<b>Cash and cash equivalents at 1 April 2022</b>		<b>(200,022,213)</b>	<b>(185,808,976)</b>
<b>Cash and cash equivalents at 31 March 2023</b>		<b>£(236,481,113)</b>	<b>£(200,022,213)</b>

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Association Statement of Cash Flows**  
**for the year ended 31<sup>st</sup> March 2023**

**Consolidated**  
**Note i**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Cash flow from operating activities</b>		
<b>Surplus/ (Loss) for year</b>	<b>9,659,386</b>	<b>9,221,102</b>
<b>Adjustments for non-cash items:</b>		
Depreciation of tangible fixed assets	6,584,803	6,458,799
Decrease/(increase) in stock	65,572	20,295,577
Decrease/(increase) in trade and other debtors	(656,760)	228,751
Increase/(decrease) in trade and other creditors	164,837	(612,690)
Shares cancelled	-	(13)
Decrease / (increase) in loan fair value	(25,727)	97,944
Taxation	(87,603)	(100,755)
Abortive costs	-	-
Impairment of stock and exceptional item	-	(390,835)
	-----	-----
	<b>15,704,508</b>	<b>35,197,880</b>
	=====	=====

**Association**  
**Note i**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Cash flow from operating activities</b>		
<b>Surplus for the year</b>	<b>8,319,758</b>	<b>8,222,261</b>
<b>Adjustments for non-cash items:</b>		
Depreciation of tangible fixed assets	6,398,371	6,089,048
Decrease/(increase) in stock	-	-
Decrease/(Increase) in trade and other debtors	131,234	(397,575)
Increase/(decrease) in trade and other creditors	(550,569)	(1,054,736)
Shares cancelled	-	(13)
Decrease / (increase) in loan fair value	100,198	97,944
Abortive costs	24,145	-
	-----	-----
<b>Net cash generated from operating activities</b>	<b>14,441,119</b>	<b>12,956,929</b>
	=====	=====

Hillcrest Homes (Scotland) Limited  
Notes to the Consolidated Association Statement of Cash Flows  
for the year ended 31<sup>st</sup> March 2023

Consolidated – note ii  
Analysis of changes in net debt

	At 1 April 2022 £	Cashflow £	Other non- cash changes £	At 31 March 2023 £
<b>Cash and cash equivalents:</b>				
Cash at bank and in hand	<u>17,366,577</u>	<u>(2,004,093)</u>	-	<u>15,362,484</u>
<b>Borrowings:</b>				
Debt due within one year	(1,437,067)	(25,727)	-	(1,462,794)
Debt due after more than one year	<u>(207,434,564)</u>	<u>(33,200,278)</u>	-	<u>(240,504,539)</u>
	<u>(208,871,631)</u>	<u>(33,226,005)</u>	-	<u>(241,967,333)</u>
<b>Total</b>	<u><b>(191,505,054)</b></u>	<u><b>(35,230,098)</b></u>	-	<u><b>(226,604,849)</b></u>

Association – note ii  
Analysis of changes in net debt

	At 1 April 2022 £	Cashflow £	Other non- cash changes £	At 31 March 2023 £
<b>Cash and cash equivalents:</b>				
Cash at bank and in hand	<u>8,718,105</u>	<u>(1,883,898)</u>	-	<u>6,834,207</u>
<b>Borrowings:</b>				
Debt due within one year	(1,425,000)	(25,000)	-	(1,450,000)
Debt due after more than one year	<u>(207,315,318)</u>	<u>(34,500,002)</u>	-	<u>(241,865,320)</u>
	<u>(208,740,318)</u>	<u>(34,525,002)</u>	-	<u>(243,315,320)</u>
<b>Total</b>	<u><b>(200,022,213)</b></u>	<u><b>(36,458,900)</b></u>	-	<u><b>(236,481,113)</b></u>



Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(1) (a) Principal Accounting Policies**

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)* and the Statement of Recommended Practice for Registered Social Landlords 2014 (SORP 2018) and comply with the Registered Social Landlords Determination of Accounting Requirements 2019.

For consolidation, the charitable subsidiaries have been prepared in accordance with applicable accounting standards, the Companies Act 2006 and the Charities Accounts (Scotland) Regulations. They also follow the recommendations in the Statement of Recommended Practice: Accounting and Reporting by Charities and Statement of Recommended Practice: Accounting by Limited Liability Partnerships. Other subsidiaries have been prepared in accordance with Financial Reporting Standard 102.

A summary of the more important accounting policies which have been applied consistently is set out below.

**(b) Basis of Accounting**

Hillcrest Homes (Scotland) Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes(s).

Hillcrest has identified the potential that the Loan Interest Covenant may be breached in the year to March 2024. This is the result of a number of events out with our control, including but not limited to: planned, cyclical works and legislative health and safety works being delayed by Covid 19, delayed handovers due to Covid 19, rent increase restrictions as a result of the cost-of living crisis and an increase in interest rates.

The Executive Leadership Team at Hillcrest has been exploring a range of different options to work towards achieving the loan covenant calculation as a management response. Early indications are, that this is achievable, but is still obviously subject to ongoing external factors.

Hillcrest has worked proactively with all lenders to alert them of this possibility and work towards a “carve-out” of Covid-19 related costs. All the lenders are aware of the difficulties that the current financial climate has for the RSL sector and are supportive in working with Hillcrest to achieve a mutually acceptable position. This has been confirmed in writing but is still subject to credit approval in line with the lenders’ internal procedures.

The Loan Agreements and Note Purchase Agreements in place for the lending facilities are standard to the Sector. These include reference to a number of different terms where the organisation is in default. The temporary amendment of the covenant calculation would not be deemed to be a default. The Material Uncertainty relating to Going Concern is also not a default.

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(b) Basis of Accounting (continued)**

The Governing Body of Hillcrest Homes has fully considered all of the information presented by the Executive Leadership Team with regards to this potential breach. The Governing Body has been provided with regular updates on discussions with the Lenders including the most recent confirmation in writing, that is referred to earlier in this note. The Governing Body is confident lender approval will be obtained or the management actions proposed can be fully exercised to avoid a breach. However, in line with disclosure requirements for the preparation of Financial Statements, The Governing Body note that a material uncertainty exists that may cast significant doubt on Hillcrest's ability to continue as a going concern.

On this basis, the Governing Body continue to adopt the going concern basis in preparing these Financial Statements for at least 12 months from the date of approval.

**(c) Basis of Consolidation**

The Group accounts consolidate the accounts of Hillcrest Homes (Scotland) Limited and its subsidiary companies. Profits or losses on intra-group transactions are eliminated in full and all inter-company debts are eliminated in full.

**(d) Turnover and other income**

Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts. The policies adopted for the recognition of turnover are as follows:

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids, revenue grants from the government (local authorities) and other sources.

The disposal proceeds from the first tranche of shared ownership properties are included in turnover at the point to legal completion. The second and subsequent tranches are accounting for in administrative expenditure/operating income in the period in which the disposal occurs being the difference between the net sale proceeds and the net carrying value.

**(i) Rendering of services**

When the outcome of a transaction can be measure reliably, turnover is recognised by reference to the stage of completion at the balance sheet date. Stage of completion is measured by reference to the period of the contract.

Where the outcome cannot be measure reliably, turnover is recognised only to the extent of the expenses that are recoverable.

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31<sup>st</sup> March 2023

**(1) (d) Turnover and other income (continued)**

**(ii) Construction contracts**

When the outcome of a construction contract can be estimated reliably, contract costs and turnover are recognised by reference to the stage of completion at the balance sheet date. Stage of completion is measured by reference to the period of the contract.

Where the outcome cannot be measured reliably, contract costs are recognised as an expense in the period in which they are incurred and contract turnover is recognised to the extent of costs incurred that it is probable will be recoverable.

When it is probable that contract costs will exceed the total contract turnover, the expected loss is recognised as an expense immediately, with a corresponding provision.

**(iii) Interest and dividends receivable**

Interest income is recognised using the effective interest method and dividend is recognised as the Association's right to receive payment is established.

**(e) Grant income**

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards a capital cost, it is recognised as income using the performance model in accordance with the SORP 2018. Prior to satisfying the performance conditions such grants are held as deferred income on the Statement of Financial Position.

**(f) Tangible Fixed Assets - Housing Properties**

**(i) Housing Properties**

Housing properties, including developments in progress, are stated at cost less aggregate depreciation. The Statement of Comprehensive Income includes the net gains and losses arising on revaluation and disposals throughout the period.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

**(ii) Depreciation**

For most categories of housing property, there is a commitment to a long-term programme of planned maintenance. This commitment has been made in the belief that the expected useful economic life of these properties will be substantially extended as a result. The amount of depreciation required to write off the cost of the buildings to their estimated residual values is therefore considered to be as follows:-

New build properties – 90 years straight line  
Tenement properties – 100 years straight line

Hillcrest Homes (Scotland) Limited  
Notes to the Consolidated Financial Statements (continued)  
for the year ended 31<sup>st</sup> March 2023

**(1) (f) Tangible Fixed Assets - Housing Properties (continued)**

Where properties are deemed to be less structurally sound or are unpopular with potential tenants due to age, condition or type, they are subject to a less rigorous planned maintenance programme. Depreciation is provided on this category of property in order to write off the cost to their residual value over their expected useful economic life as follows:

“Difficult to let” properties- 20 years straight line

Housing properties are split between land, structure and major components which require periodic replacement. Where major components are replaced, they are capitalised, depreciated over their estimated useful life and the previously capitalised component disposed of. Any gain or loss on the disposal of the individual components of a property will be reflected through the depreciation charge for the year.

Each major property component is treated as separate asset and depreciated over its expected useful economic life on a straight line basis at the following annual rates:

Structure - 20, 90 or 100 years as noted above

Kitchens - 15 years

Bathrooms - 30 years

Rewiring - 45 years

Windows - 30 or 50 years

Heating systems - 20 years

Gas boilers - 15 years

Land is not depreciated.

**(iii) Impairment**

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. The level at which an impairment is assessed is at the scheme of properties (e.g. the cash generating unit (CGU)).

The following key judgement has been made in defining the CGU's for housing properties (including shared ownership properties): where schemes have been developed together and are managed together, they are deemed to be a single CGU.

The key indicators considered in reviewing impairment are: changes in demand, changes in use, economic performance worse than expected, significant decline in market value, reduction in market value were intend to sell, plans to regenerate, demolish or replace existing components, on completion of new developments were costs are higher than anticipated, and other changes in technology, market, economy and legislation.

If such indication exists, the recoverable amount is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in expenditure through the Statement of Comprehensive Income.

Hillcrest Homes (Scotland) Limited  
Notes to the Consolidated Financial Statements (continued)  
for the year ended 31<sup>st</sup> March 2023

**(1) (f) Tangible Fixed Assets - Housing Properties (continued)**

**(iv) Works to Existing Housing Properties**

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that are of such a substantial nature that they will increase the expected useful life of the properties, are capitalised as improvements. The cost of all other works to existing housing properties is written off to the Statement of Comprehensive Income in the year in which it is incurred.

**(v) Capitalisation of Development Overheads**

Costs which are directly attributable to bringing housing properties into working condition are included in housing properties costs. Directly attributable costs include direct labour costs of the Association and the incremental costs which would have been avoided only if the property had not been constructed or acquired. All other development overheads are written off to the Statement of Comprehensive Income. Overheads are not capitalised on component replacements.

**(vi) Development Interest**

Interest on borrowings specifically financing a development programme is capitalised to the extent that it accrues in respect of the period during which development activities are in progress. All other interest is written off to the Statement of Comprehensive Income in the period in which it accrues.

**(vii) Sales of Housing Properties**

The surplus or deficit is accounted for in the period the disposal occurs and represents the difference between the net sale proceeds and the net carrying value. The surplus/deficit amount arising from the sale of housing properties is disclosed separately in the Statement of Comprehensive Income.

**(viii) Shared Ownership**

In accordance with the SORP 2018, shared ownership properties are reflected within Fixed Assets. Proceeds from first tranche disposals are allocated to Turnover. Costs relating to expected first tranche sales are reflected in current assets and released to the Statement of Comprehensive Income on sale.

The surplus or deficit on the disposal of second and subsequent tranches of shared ownership properties are accounted for in the Statement of Comprehensive Income within the Gain/ (loss) on sale of Tangible Fixed Assets.

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31<sup>st</sup> March 2023

**(1) (g) Tangible Fixed Assets – Other Fixed Assets**

Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost less residual value of such assets over their expected useful life as follows:-

Commercial properties – modernised - 20 to 30 years straight line  
Commercial properties – new build - 20 to 50 years straight line  
Office premises - 50 years straight line  
Tenant's improvements - 3 or 10 years straight line  
Housing furniture & fittings - 20% reducing balance  
Office furniture & fittings - 3 to 20 years straight line - 20% reducing balance  
Computer Equipment - 3 or 5 years straight line  
Computer Software - 10 years straight line  
Motor Vehicles - 4 years straight line  
Other - non-depreciating asset

**(h) Investments**

**(i) Investments – Subsidiaries**

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value through the Statement of Comprehensive Income if shares are publically traded or if their fair value can otherwise be measured reliably. Other investments are measured at cost less impairment.

**(ii) Investments - Homestake**

During the financial year ending 31 March 2008, Grants were received from the Scottish Ministers for the construction of properties under the Homestake scheme. The costs during the construction of the properties and up to the point of sale are reflected as work in progress within the Current Assets and the grants in Other Creditors. Upon sale of the Homestake properties to eligible beneficiaries the cost and grants relating to such properties are accounted for in the Statement of Comprehensive Income within Other Income and Other Operating Expenditure respectively.

The Association upon sale of the Homestake Properties retains an equity stake of the property. As full title of the property passes to the Homestake owner upon sale, the equity stake is accounted for as a Fixed Asset Investment on the historical cost basis reflecting receipts potentially receivable from sales of subsequent residual stakes. The cost is offset by a grant of the same amount, included as a liability within deferred income, reflecting monies repayable by the Association to the Scottish Ministers on sale of subsequent residual stakes.

For all sales made from 1 April 2008, the Scottish Ministers upon sale of the Homestake retains an equity stake of the property and therefore no disclosure of investments will be required. Closing stock is valued at lower than cost and net realisable value. Net realisable values are based on the market values on the completed schemes as at the financial year end.

Hillcrest Homes (Scotland) Limited  
Notes to the Consolidated Financial Statements (continued)  
for the year ended 31<sup>st</sup> March 2023

**(1) (h) Investments (continued)**

**(iii) Investments – Investment Property**

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

**(i) Stock**

Stock and work in progress is valued at the lower of cost and net realisable value.

**(j) Loans and borrowings**

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a financing transaction it is measured at present value.

**(k) Homes (Scotland) Grant (HAG) and other capital grants**

HAG is received from central government and local authorities and is utilised to subsidise the costs of housing property.

HAG is recognised as income in the Statement of Comprehensive Income under the performance model. In the case of new build this will be when the properties are completed. HAG due or received is held as deferred income in the Statement of Comprehensive Income within Turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

HAG is repayable under certain circumstances, primarily following the sale of a property but will normally be restricted to the net proceeds of sale.

**(l) Debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

**(m) Cash at bank**

Cash at bank and in hand includes cash that is instantly accessible. Cash can also be invested into short term deposits with a minimum maturity date of 30 days to a maximum of 1 year.

**(n) Derivatives**

Derivative financial instruments are initially measured at fair value at the date on which a derivative contract is entered into and are subsequently measured at fair value through the Statement of Comprehensive Income. The Association uses derivative financial instruments to manage its exposure to fluctuations in interest rates. The fair value of derivatives is determined by their mark to market valuation at each reporting date.

**Hillcrest Homes (Scotland) Limited**  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(1) (o) Employee benefits**

All staff are entitled to access a company health insurance policy. This policy enables staff to access funding to reimburse them for certain expenses incurred, together with getting access to various support mechanisms for example, counselling.

In line with FRS 102 accounting requirements, any unused holidays accrued to 31 March 2023 are accounted for as an expense within the Statement of Comprehensive Income and respective creditor included within Note 19.

The Association and other Group companies operate a defined contribution Pension Scheme, the cost of which is written off on an accruals basis with contributions recognised in the Statement of Comprehensive Income when payable.

Pre-April 2014 Hillcrest Homes and Hillcrest Futures operated a defined benefit scheme, the assets of this Scheme are held separately from those of the companies in an independently administered fund (see Note 25). Determining the value of Hillcrest Homes and Hillcrest Futures share of the defined benefit scheme includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds. Allocation of share of assets and liabilities for multi-employer pension schemes are based on source information provided by the administrators of the scheme and estimations performed by actuarial advisers.

**(p) Other provisions**

The Association only provides for contractual liabilities that exist at the balance sheet date.

**(q) Restricted reserve**

Restricted reserves are those reserves which are subject to external restrictions governing their use.

**(r) Taxation**

Hillcrest Homes has charitable status which affects its liability to tax. Activities of the Group falling outwith the scope of charitable purposes are conducted by Hillcrest Enterprises Limited and Hillcrest Maintenance Limited, subsidiary companies that do not have charitable status.

For non-charitable companies, the charge for taxation is based on the results for the period and takes into account the taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes. Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:



**Hillcrest Homes (Scotland) Limited**  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(1) (r) Taxation (continued)**

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**(t) Financial instruments**

Loans provided to subsidiaries are classed as basic under the requirements of FRS 102 and are measured at amortised cost. In the case of payment arrangements that exist with tenants and owners, these are deemed to constitute financing transactions and under FRS 102 should be measured at the present value of future payments discounted at a market rate of interest applicable to similar debt instruments. Due to the immaterial nature of these transactions they have instead been included at amortised cost.

**(u) Goodwill**

Goodwill arising from the merger on 1 April 2015 of Hillcrest Maintenance Services Limited and Clean Close Company Limited is written off to the Statement of Comprehensive Income over a period of ten years. The company continues to benefit from contracts secured under the name of Clean Close Company Limited and it is anticipated future works will also result during this time.

**(v) Significant Estimates**

The preparation of financial statements requires the use of certain accounting judgements and estimates. It also requires the Governing Body exercise judgement in applying the Association's accounting policies.

The areas requiring the use of significant estimates are disclosed below.

**(i) Rent Arrears – Bad Debt Provision**

The Association assumes the recoverability of rent arrears through a detailed process that considers tenant payment history and recovery arrangements in place.

**(ii) Useful Life of Properties, Plant and Equipment**

The Association estimates the useful life of properties, plant and equipment, as well as components thereof, and estimates an annual charge to be depreciated.

**(iii) Defined Pension Liability**

In determining the value of the Association's share of defined benefit pension scheme assets and liabilities, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

Hillcrest Homes (Scotland) Limited  
Notes to the Consolidated Financial Statements (continued)  
for the year ended 31<sup>st</sup> March 2023

**(1) (w) Short term investments**

Funds held in short term deposit accounts for a term over 3 months are presented at their full deposited value with any interest accruing being included within debtors.

Hillcrest Homes (Scotland) Limited  
Notes to the Consolidated Financial Statements (continued)  
for the year ended 31<sup>st</sup> March 2023

2 (a) Consolidated Particulars of Turnover, Operating Costs and Operating Surplus or Deficit

	Turnover £	Operating Costs £	2023 Operating Surplus £	2022 Operating Surplus £
<b>Continuing operations</b>				
Affordable letting activities (Note 2b)	47,169,144	25,603,342	21,565,802	19,346,482
Other activities (Note 3)	19,549,359	32,084,808	(12,535,449)	(10,125,380)
	-----	-----	-----	-----
	66,718,503	57,688,150	9,030,353	9,221,102
<b>Discontinued operations</b>				
Other activities (Note 3)	-	-	-	-
	-----	-----	-----	-----
<b>2023 - Total</b>	<b>£66,718,503</b>	<b>£57,688,150</b>	<b>£9,030,353</b>	<b>£9,221,102</b>
	=====	=====	=====	=====
<b>2022 - Total</b>	<b>£61,920,682</b>	<b>£52,699,580</b>		
	=====	=====		

2 (a) Association Particulars of Turnover, Operating Costs and Operating Surplus or Deficit

	Turnover £	Operating Costs £	2023 Operating Surplus £	2022 Operating Surplus £
Affordable letting activities (Note 2b)	43,712,941	34,277,734	9,435,2067	9,021,316
Other activities (Note 3)	3,692,143	4,807,592	(1,115,449)	(799,055)
	-----	-----	-----	-----
<b>2023 - Total</b>	<b>£47,405,084</b>	<b>£39,085,326</b>	<b>£8,319,758</b>	<b>£8,222,261</b>
	=====	=====	=====	=====
<b>2022 – Total</b>	<b>£43,619,474</b>	<b>£35,397,213</b>		
	=====	=====		



Hillcrest Homes (Scotland) Limited  
Notes to the Consolidated Financial Statements (continued)  
for the year ended 31<sup>st</sup> March 2023

	General Needs Housing		Supported Housing Accommod.	Shared Ownership	Mid-market & Held for Lease		2022 Total
	£	£			£	£	
<b>2 (b) Consolidated Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting Activities</b>							
<b>Income from lettings</b>							
Rent receivable net of service charges	33,704,626	235,886		589,467	7,485,858	42,015,837	39,000,135
Service charges	1,669,515	39,899		32,324	120,701	1,862,439	2,100,450
<b>Gross income from rents and service charges</b>	<b>35,374,141</b>	<b>275,785</b>		<b>621,791</b>	<b>7,606,559</b>	<b>43,878,276</b>	<b>41,100,585</b>
Less voids	(1,015,288)	(6,958)		(45,833)	(116,457)	(1,184,536)	(1,077,051)
<b>Net income from rents and service charges</b>	<b>34,358,853</b>	<b>268,827</b>		<b>575,958</b>	<b>7,490,102</b>	<b>42,693,740</b>	<b>40,023,534</b>
Grants released from deferred income	3,546,558	-		42,920	212,369	3,801,847	3,614,336
Revenue grants from the Scottish Ministers	277,445	-		-	-	277,445	262,849
Other revenue grants	396,112	-		-	-	396,112	-
<b>Total turnover</b>	<b>38,578,968</b>	<b>268,827</b>		<b>618,878</b>	<b>7,702,471</b>	<b>47,169,144</b>	<b>43,900,719</b>
<b>Expenditure on lettings</b>							
Management & maintenance administration costs	8,014,476	211,836		131,716	839,626	9,197,653	9,307,640
Service costs	2,885,555	31,955		22,651	469,815	3,409,976	2,541,090
Reactive & void maintenance costs	2,035,867	43,818		10,726	102,648	2,193,060	1,468,120
Planned, cyclical & major repairs costs	(229,948)	58,594		2,779	1,002,692	834,116	1,956,409
Bad debts – rents and service charges	97,169	-		-	44,337	141,506	11,477
Depreciation of affordable let properties	8,645,347	-		107,348	1,074,336	9,827,031	9,269,501
<b>Operating costs</b>	<b>21,448,466</b>	<b>346,203</b>		<b>275,220</b>	<b>3,533,454</b>	<b>25,603,342</b>	<b>24,554,237</b>
<b>Operating surplus 2023</b>	<b>£17,130,502</b>	<b>(£77,376)</b>		<b>£343,658</b>	<b>£4,169,017</b>	<b>£21,565,802</b>	<b>£19,346,482</b>
<b>Operating surplus 2022</b>	<b>£15,645,796</b>	<b>£26,740</b>		<b>£321,988</b>	<b>£3,351,958</b>		

Hillcrest Homes (Scotland) Limited

Notes to the Consolidated Financial Statements (continued)  
for the year ended 31<sup>st</sup> March 2023

	2 (b) Association Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting Activities				2023 Total £	2022 Total £
	General Needs Housing £	Supported Housing Accomm. £	Shared Ownership £	Mid- Market & Held for Lease £		
<b>Income from lettings</b>						
Rent receivable net of service charges	33,702,108	251,718	589,467	3,946,029	38,489,322	35,499,167
Service charges	1,669,473	39,899	32,324	70,688	1,812,384	1,694,212
<b>Gross income from rents and service charges</b>	<b>35,371,581</b>	<b>291,617</b>	<b>621,791</b>	<b>4,016,717</b>	<b>40,301,706</b>	<b>37,193,379</b>
LESS: Rent losses from voids	(1,011,377)	(6,958)	(45,833)	-	(1,064,168)	(820,758)
<b>Net income from rents and service charges</b>	<b>34,360,204</b>	<b>284,659</b>	<b>575,958</b>	<b>4,016,717</b>	<b>39,237,538</b>	<b>36,372,621</b>
Grants released from deferred income	3,546,557	-	42,920	212,369	3,801,846	3,614,336
Revenue grants from Scottish Ministers	277,445	-	-	-	277,445	262,849
Other revenue grants	396,112	-	-	-	396,112	-
<b>Total turnover</b>	<b>35,580,318</b>	<b>284,659</b>	<b>618,878</b>	<b>4,229,086</b>	<b>43,712,941</b>	<b>40,249,806</b>
<b>Expenditure on lettings</b>						
Management & maintenance administration costs	8,409,445	206,146	131,716	879,283	9,626,590	9,010,724
Service costs	4,128,916	27,615	22,651	107,754	4,286,936	3,177,300
Reactive & Void maintenance costs	6,759,070	27,603	10,726	68,495	6,865,894	5,392,817
Planned, cyclical & major repairs costs	3,611,203	14,335	2,779	21,411	3,649,728	4,479,722
Bad debts – rents and service charges	97,169	-	-	-	97,169	(21,434)
Depreciation of affordable let properties	8,645,347	-	107,348	998,722	9,751,417	9,189,361
Impairment of affordable let properties	-	-	-	-	-	-
<b>Operating costs</b>	<b>31,651,150</b>	<b>275,699</b>	<b>275,220</b>	<b>2,075,665</b>	<b>34,277,734</b>	<b>31,228,490</b>
<b>Operating surplus / (deficit) 2023</b>	<b>£6,929,168</b>	<b>£8,960</b>	<b>£343,658</b>	<b>£2,153,421</b>	<b>£9,435,207</b>	<b>£9,021,316</b>
<b>Operating surplus / (deficit) 2022</b>	<b>£6,850,781</b>	<b>£52,895</b>	<b>£321,488</b>	<b>£1,796,152</b>		

Notes to the Consolidated Financial Statements (continued)  
for the year ended 31<sup>st</sup> March 2023

(3) Consolidated Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Bad Debts	Other Operating Costs	Operating Surplus/ (deficit) 2023	Operating Surplus/ (deficit) 2022
	£	£	£	£	£	£	£	£	£
<b>Continuing activities</b>									
Wider role	-	156	-	-	156	-	-	156	195
Factoring	-	-	-	78,786	78,786	10,830	56,806	11,151	(13,771)
Uncapitalised development administration costs	831,679	-	-	-	831,679	-	1,144,035	(312,356)	(270,693)
Support activities	-	-	339,348	160,431	499,779	-	494,399	5,380	44,586
Care activities	-	-	17,069,673	(58,382)	17,011,291	-	16,544,921	466,370	362,180
Contracted out services undertaken for other organisations	-	-	-	37,791	37,791	-	31,946	5,845	22,826
Commercials	-	-	-	525,488	525,488	(6,987)	359,909	172,566	300,391
Central charges	-	-	-	-	-	-	1,524,384	(1,524,384)	(1,378,027)
Other activities	-	-	-	564,389	564,389	-	11,924,565	(11,360,176)	(9,193,067)
	831,679	156	17,409,021	1,308,503	19,549,359	3,843	32,080,965	(12,535,449)	(10,125,380)
<b>Discontinued activities</b>									
Other activities	-	-	-	-	-	-	-	-	-
<b>2023 Total</b>	<b>£831,679</b>	<b>£156</b>	<b>£17,409,021</b>	<b>£1,308,503</b>	<b>£19,549,359</b>	<b>£3,843</b>	<b>£32,080,965</b>	<b>(£12,535,449)</b>	<b>(£10,125,380)</b>
<b>2022 Total</b>	<b>£742,174</b>	<b>£195</b>	<b>£15,885,235</b>	<b>£1,392,359</b>	<b>£18,019,963</b>	<b>£46,333</b>	<b>£28,099,010</b>		

Notes to the Consolidated Financial Statements (continued)  
For the year ended 31<sup>st</sup> March 2023

(3) Association particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

	Grants From Scottish Ministers	Other Revenue /Grants	Supporting People Income	Other Income	Total Turnover	Bad Debts	Other Operating Costs	Operating Surplus/ (deficit) 2023	Operating Surplus/ (deficit) 2022
	£	£	£	£	£	£	£	£	£
Wider role	-	156	-	-	156	-	-	156	195
Factoring	-	-	-	78,786	78,786	10,830	56,806	11,150	(13,771)
Uncapitalised development administration costs	831,679	-	-	-	831,679	-	1,144,035	(312,356)	(270,693)
Support activities	-	-	339,348	160,431	499,779	-	494,399	5,380	44,586
Commercials	-	-	-	544,641	544,641	(6,987)	353,780	197,848	301,904
Central charges	-	-	-	1,524,384	1,524,384	-	1,524,384	-	-
Other activities	-	-	-	212,718	212,718	-	1,230,345	(1,017,627)	(861,276)
<b>2023 Total</b>	<b>£831,679</b>	<b>£156</b>	<b>£339,348</b>	<b>£2,520,961</b>	<b>£3,692,143</b>	<b>£3,843</b>	<b>£4,803,749</b>	<b>£(1,155,449)</b>	<b>£(799,055)</b>
<b>2022 Total</b>	<b>£742,174</b>	<b>£195</b>	<b>£339,348</b>	<b>£2,287,951</b>	<b>£3,369,668</b>	<b>£46,333</b>	<b>£4,122,390</b>		



Hillcrest Homes (Scotland) Limited  
Notes to the Consolidated Financial Statements (continued)  
for the year ended 31<sup>st</sup> March 2023

(4) Consolidated and Association Gain/(loss) on disposal of Tangible Fixed Assets

	Proceeds from sales £	Cost of Sales £	2023 Profit / (Loss) on Sales £	Proceeds from sales £	2022 Profit / (Loss) on Sales £
<b>Association</b>					
Shared Ownership	324,375	194,847	129,528	599,125	327,333
	<b>£324,375</b>	<b>£194,847</b>	<b>£129,528</b>	<b>£599,125</b>	<b>£327,333</b>
<b>Consolidated</b>					
Shared Ownership	324,375	194,847	129,528	599,125	327,333
One off Sales	-	-	-	114,077	16,146
Sale of other fixed assets	1,055	-	1,055	5,932	(697)
	<b>£325,430</b>	<b>£194,847</b>	<b>£130,583</b>	<b>£719,134</b>	<b>£342,782</b>

(5) Finance Income

	Consolidated		Association	
	2023 £	2022 £	2023 £	2022 £
Interest receivable	66,822	3,451	20,483	4,331
Dividends receivable	-	-	48,000	48,000
	<b>£66,822</b>	<b>£3,451</b>	<b>£68,483</b>	<b>£52,331</b>

(6) Finance Costs

	Consolidation		Association	
	2023 £	2022 £	2023 £	2022 £
Interest payable	7,732,338	6,733,051	7,725,331	6,700,180
Other financing costs – cost	100,200	97,945	100,200	97,945
Pension interest expense	2,074	73,096	2,074	73,096
	<b>£7,834,611</b>	<b>£6,904,092</b>	<b>£7,827,605</b>	<b>£6,871,221</b>

Other financing costs include the amortisation of transaction costs on funding arrangements.

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31<sup>st</sup> March 2023

**(7) Pension Remeasurement**

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Impact of changes in assumptions (Note 22)	66	8,597	66	8,597
Amendments to the contribution schedule (Note 22)	-	-	-	-
	<b>£66</b>	<b>£8,597</b>	<b>£66</b>	<b>£8,597</b>

**(8) Key Management Personnel Emoluments**

Under the Registered Social Landlords Determination of Accounting Requirements 2014, disclosure of key management personnel's emoluments exceeding £60,000 is disclosed below.

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
The emoluments payable to key management personnel and former key management personnel amount to:-				
Emoluments excluding employers pension	737,883	1,009,712	509,348	630,673
Employers pension contributions	55,528	72,087	40,393	54,080
Total emoluments payable	<b>£793,411</b>	<b>£1,081,802</b>	<b>£549,741</b>	<b>£684,753</b>

The emoluments payable to, or received by, the Group Chief Executive amount to:-

Emoluments excluding employers pension	150,536	138,042	150,536	138,042
Employers pension contributions	12,434	12,072	12,434	12,071
Total emoluments payable	<b>£162,970</b>	<b>£150,114</b>	<b>£162,970</b>	<b>£150,114</b>

The emolument of the key management personnel and former key management personnel (excluding pension contributions) were within the following ranges:-

<b>£60,001 - £70,000</b>	1	2	-	1
<b>£70,001 - £80,000</b>	1	-	-	-
<b>£80,001 - £90,000</b>	4	6	3	4
<b>£90,001 - £100,000</b>	-	-	-	-
<b>£100,001 - £110,000</b>	1	1	1	1
<b>£110,001 - £120,000</b>	-	-	-	-
<b>£120,001 - £130,000</b>	-	-	-	-
<b>£130,001 - £140,000</b>	-	1	-	1
<b>£140,001 - £150,001</b>	-	-	-	-
<b>£150,001 - £160,000</b>	1	-	1	-

No emoluments were paid to any member of the Governing Body.

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31<sup>st</sup> March 2023

**(9) Employee Information**

The average number of persons employed during the year was:-

	Consolidated		Association	
	2023	2022	2023	2022
Office Staff	247	243	213	204
Wardens, Caretakers & Cleaners	27	34	27	34
Support Staff	707	792	-	-
Maintenance	191	166	15	12
	-----	-----	----	----
	1,172	1,235	255	250
	=====	=====	===	===
The average number of full time equivalent	896	1,138	230	222
	=====	=====	===	===

**Staff Costs (including Key Management Personnel Emoluments):**

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Wages and Salaries	28,193,909	25,691,641	8,219,380	7,618,078
Social Security Costs	2,600,645	2,194,756	847,025	753,539
Pension Costs	968,932	912,107	470,111	469,840
	-----	-----	-----	-----
	<b>£31,763,486</b>	<b>£28,798,504</b>	<b>£9,536,516</b>	<b>£8,841,457</b>
	=====	=====	=====	=====
Redundancy/termination payments included in above	£60,835	£44,620	£40,688	£44,620

**(10) Investment Property - Consolidated**

	2023	2022
	£	£
Valuation		
At 1 April 2022	45,000	45,000
Additions at cost	-	-
Loss on revaluation	-	-
	-----	-----
At 31 March 2023	<b>£45,000</b>	<b>£45,000</b>
	=====	=====

The 2018 valuations were made by Graham & Sibbald on an open market value for existing use basis.

If the Investment properties had been accounted for under the historic cost accounting rules, the property would have been measured as follows:

	2023	2022
	£	£
Historic cost	£61,250	£61,250
	=====	=====

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31<sup>st</sup> March 2023

**(11) Operating Surplus**

Operating surplus is stated after charging:	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Depreciation – Housing property	9,585,713	9,068,134	9,510,345	9,019,758
Depreciation – Disposals	241,318	201,367	241,072	169,603
Depreciation – Other fixed assets	889,077	894,572	537,188	524,756
Amortisation of grant	3,988,388	3,614,336	3,801,846	3,614,336
Operating lease – plant & Machinery	16,677	16,666	-	-
- other	196,654	199,354	270,610	272,327
- motor vehicles	10,832	12,340	10,832	12,340
External auditor’s remuneration for all group companies (including VAT):-				
- In their capacity as auditors	75,124	62,212	29,012	28,426
- In respect of other services	-	666	-	-

**(12) Tax on Profit On Ordinary Activities – Consolidated**

	2023	2022
	£	£
Corporation tax at 19% (2022 – 19%)	28,150	87,603
Terminal loss provisions	-	-
Under-provision	-	-
Deferred tax	39,346	54,175
	<b>£67,495</b>	<b>£141,778</b>
	=====	=====

**(13) Housing Stock Analysis**

	Consolidated		Association	
	2023	2022	2023	2022
General Housing Needs	7,280	7,035	7,252	7,007
Supported Housing Accommodation	209	211	205	207
Shared Ownership	202	206	202	206
Mid-Market	1,124	1,024	1,124	1,024
	<b>8,815</b>	<b>8,476</b>	<b>8,783</b>	<b>8,444</b>
	-----	-----	-----	-----
Other Units				
Factored	486	486	486	486
Feu Superior for Landscaping	799	800	799	800
	<b>1,285</b>	<b>1,286</b>	<b>1,285</b>	<b>1,286</b>
	-----	-----	-----	-----
Total Units	<b>10,100</b>	<b>9,762</b>	<b>10,068</b>	<b>9,730</b>
	=====	=====	=====	=====

Hillcrest Homes (Scotland) Limited  
Notes to the Consolidated Financial Statements (continued) for the year ended 31<sup>st</sup> March 2023

(14) Consolidated Tangible Fixed Assets – Housing Properties

	Housing Properties Held for Letting	Housing Properties Under Construction	Shared Ownership Held for Letting	Shared Ownership Under Construction	Held for Letting Supported	Held for Letting For Lease	Held for Lease under Construction	Mid-Market Held for Letting	Total
	£	£	£	£	£	£	£	£	£
<b>Cost or valuation</b>									
<b>At 1 April 2022</b>	505,038,332	76,321,351	13,226,579	-	-	120,435,349	20,633,081	-	735,654,692
Schemes completed	41,203,445	(41,203,445)	-	-	-	2,667,756	(2,667,756)	-	-
Business acquisition	-	-	-	-	-	-	-	-	-
Reclassification	529,012	(5,649)	-	-	-	(529,012)	5,649	-	-
Additions	6,501,064	35,778,560	-	-	-	11,568,614	10,531,519	-	64,379,757
Disposals	(1,695,913)	(15,918)	(197,844)	-	-	(455)	(8,227)	-	(1,918,357)
<b>At 31 March 2023</b>	<b>551,575,940</b>	<b>70,874,899</b>	<b>13,028,735</b>	<b>-</b>	<b>-</b>	<b>134,142,252</b>	<b>28,494,266</b>	<b>-</b>	<b>798,116,092</b>
<b>Depreciation</b>									
<b>At 1 April 2022</b>	95,016,684	-	2,055,495	-	-	6,952,484	-	-	104,024,663
Charge for the year	8,502,430	-	107,348	-	-	1,074,336	-	-	9,684,114
Disposals	(1,445,381)	-	14,850	-	-	(208)	-	-	(1,430,739)
<b>At 31 March 2023</b>	<b>102,073,733</b>	<b>-</b>	<b>2,177,693</b>	<b>-</b>	<b>-</b>	<b>8,026,611</b>	<b>-</b>	<b>-</b>	<b>112,278,037</b>
<b>Net Book Value At 31 March 2023</b>	<b>£449,502,207</b>	<b>£70,874,899</b>	<b>£10,851,042</b>	<b>£-</b>	<b>£-</b>	<b>£126,115,641</b>	<b>£28,494,266</b>	<b>£-</b>	<b>£685,838,055</b>
<b>Net Book Value At 31 March 2022</b>	<b>£410,101,788</b>	<b>£76,321,351</b>	<b>£11,171,084</b>	<b>£-</b>	<b>£-</b>	<b>£113,402,725</b>	<b>£20,633,081</b>	<b>£-</b>	<b>£631,630,029</b>

Total expenditure on works to existing properties amounted to £20,957,024, for which £3,381,000 Social Housing Grants were received during the year. Of this, £4,387,732 was capitalised for the replacement of components, £13,542,119 capitalised for properties and infrastructure costs and £3,027,176 charged to the Statement of Comprehensive Income in the year. During the year £749,915 of development administration costs and interest of £1,064,705 were capitalised.

Hillcrest Homes (Scotland) Limited  
Notes to the Consolidated Financial Statements (continued) for the year ended 31<sup>st</sup> March 2023

(14) Association Tangible Fixed Assets – Housing Properties

	Housing Properties Held for letting £	Housing Properties Under construction £	Shared Ownership Held for letting £	Shared Ownership Under Construction £	Held for Letting Supported £	Held for Letting for lease £	Held for Lease under construction £	Mid-market held for letting £	Total £
<b>Cost</b>									
At 1 April 2022	505,038,332	76,321,351	13,226,579	-	-	117,847,221	20,633,081	-	733,066,564
Schemes completed	41,203,445	(41,203,445)	-	-	-	2,667,756	(2,667,756)	-	-
Reclassification	529,012	(5,649)	-	-	-	(529,012)	5,649	-	-
Transfer of engagement	-	-	-	-	-	-	-	-	-
Additions	6,501,064	35,778,560	-	-	-	11,246,486	10,531,519	-	64,057,629
Disposals	(1,695,913)	(15,918)	(197,844)	-	-	-	(8,227)	-	(1,917,902)
<b>At 31 March 2023</b>	<b>551,575,940</b>	<b>70,874,899</b>	<b>13,028,735</b>	<b>-</b>	<b>-</b>	<b>131,232,451</b>	<b>28,494,266</b>	<b>-</b>	<b>795,206,291</b>
<b>Depreciation</b>									
At 1 April 2022	95,016,684	-	2,055,495	-	-	6,832,815	-	-	103,904,994
Charge for the year	8,502,430	-	107,348	-	-	998,722	-	-	9,608,500
Disposals	(1,445,381)	-	(14,850)	-	-	-	-	-	(1,430,531)
<b>At 31 March 2023</b>	<b>102,073,733</b>	<b>-</b>	<b>2,177,693</b>	<b>-</b>	<b>-</b>	<b>7,831,537</b>	<b>-</b>	<b>-</b>	<b>112,082,963</b>
<b>Net Book Value at 31 March 2023</b>	<b>£449,502,207</b>	<b>£70,874,899</b>	<b>£10,851,042</b>	<b>£-</b>	<b>£-</b>	<b>£123,400,914</b>	<b>£28,494,266</b>	<b>£-</b>	<b>£683,123,328</b>
<b>Net Book Value at 31 March 2022</b>	<b>£410,021,648</b>	<b>£76,321,351</b>	<b>£11,171,084</b>	<b>£-</b>	<b>£-</b>	<b>£111,014,406</b>	<b>£20,633,081</b>	<b>£-</b>	<b>£629,161,570</b>

Total expenditure on works to existing properties amounted to £28,113,342, for which Social Housing Grants of £3,381,090 were received during the year. Of this, £4,055,604 was capitalised for the replacement of components, £13,542,119 capitalised for properties, and infrastructure costs and £10,515,622 charged to the statement of comprehensive income in the year. During the year £749,915 of development administration costs and interest of £1,064,705 were capitalised.

Hillcrest Homes (Scotland) Limited  
Notes to the Consolidated Financial Statements (continued) for the year ended 31<sup>st</sup> March 2023

(15) Consolidated Tangible Fixed Assets - Other Fixed Assets											
	Commercial Property	Office Property	Housing Furniture Equipment	Supported Furniture Equipment	Office Furniture Equipment	Motor Vehicles	Plant and Machinery	Other	Total 2023	Total 2022	
	£	£	£	£	£	£	£	£	£	£	£
<b>Cost or valuation</b>											
At 1 April 2022	4,677,657	8,988,548	445,714	54,574	4,359,928	2,232,279	116,141	10,000	20,884,841	20,507,151	
Reclassification	555,122	(555,122)	-	-	-	-	-	-	-	-	
Additions in Year	554,416	-	-	-	704,140	311,076	-	-	1,569,632	578,240	
Business Combination Disposal	-	108,473	-	-	-	-	3,186	-	111,659	45,234	
	-	-	-	-	(233,194)	(35,506)	-	-	(268,700)	(245,784)	
<b>At 31 March 2023</b>	<b>5,787,195</b>	<b>8,541,899</b>	<b>445,714</b>	<b>54,574</b>	<b>4,830,874</b>	<b>2,507,849</b>	<b>119,327</b>	<b>10,000</b>	<b>22,297,432</b>	<b>20,884,841</b>	
<b>Depreciation</b>											
At 1 April 2022	1,274,423	2,343,733	412,846	52,971	3,645,811	1,725,160	110,680	-	9,565,624	8,908,869	
Reclassification	-	-	-	-	-	-	-	-	-	-	
Charge for Year	101,519	180,233	5,962	321	339,302	258,365	3,375	-	889,077	894,572	
Business Combination Disposal	-	5,425	-	-	-	-	478	-	5,903	-	
	-	-	-	-	(232,639)	(35,506)	-	-	(268,145)	(237,817)	
<b>At 31 March 2023</b>	<b>1,375,942</b>	<b>2,529,391</b>	<b>418,808</b>	<b>53,292</b>	<b>3,752,474</b>	<b>1,948,019</b>	<b>114,533</b>	<b>-</b>	<b>10,192,459</b>	<b>9,565,624</b>	
<b>Net Book Value</b>											
At 31 March 2023	£4,411,253	£6,012,508	£26,906	£1,282	£1,078,400	£559,830	£4,794	£10,000	£12,104,973		
At 31 March 2022	£3,403,234	£6,644,815	£32,868	£1,603	£714,117	£507,119	£5,461	£10,000	£11,319,217		

Hillcrest Homes (Scotland) Limited

Notes to the Consolidated Financial Statements (continued) for the year ended 31<sup>st</sup> March 2023

(15) Association Tangible Fixed Assets - Other Fixed Assets

	Commercial Property £	Office Property £	Housing Furniture Equipment		Supported Furniture Equipment		Office Furniture Equipment £	Motor Vehicles £	Other £	Total 2023 £	Total 2022 £
			£	£	£	£					
<b>Cost</b>											
At 1 April 2022	4,677,658	8,367,655	445,716	54,574	3,822,297	28,054	10,000	17,405,954	17,248,786		
Additions in Year	554,416	-	560,641	-	-	-	-	1,115,057	232,072		
Transfer	555,122	(555,122)	-	-	-	-	-	-	-		
Business Combination	-	-	-	-	-	-	-	-	45,234		
Disposal	-	-	(230,795)	-	-	-	-	(230,795)	(120,138)		
<b>At 31 March 2023</b>	<b>5,787,196</b>	<b>7,812,533</b>	<b>445,716</b>	<b>54,574</b>	<b>4,152,143</b>	<b>28,054</b>	<b>10,000</b>	<b>18,290,216</b>	<b>17,405,954</b>		
<b>Depreciation</b>											
At 1 April 2022	1,274,421	2,168,783	412,843	52,571	3,240,200	28,054	-	7,117,272	6,772,657		
Charge for Year	101,519	160,798	5,962	321	268,588	-	-	537,188	524,753		
Transfer	272,109	(272,109)	-	-	-	-	-	-	-		
Disposal	-	-	-	-	(230,795)	-	-	(230,795)	(120,138)		
<b>At 31 March 2023</b>	<b>1,648,049</b>	<b>2,057,472</b>	<b>418,805</b>	<b>53,292</b>	<b>3,277,993</b>	<b>28,054</b>	<b>-</b>	<b>7,483,665</b>	<b>7,117,272</b>		
<b>Net Book Value</b>											
At 31 March 2023	£4,139,147	£5,755,061	£26,911	£1,282	£874,150	£ -	£10,000	£10,806,551			
<b>Net Book Value</b>											
At 31 March 2022	£3,403,237	£6,189,872	£32,873	£1,603	£582,097	£ -	£10,000	£10,228,682			



Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31<sup>st</sup> March 2023

**(16) Investments**

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
<b>Investments - Subsidiaries</b>				
At 1 April 2022	-	-	2,500,000	5,062,366
Release of investment	-	-	-	(2,562,366)
	-----	-----	-----	-----
At 31 March 2023	£ -	£ -	£2,500,000	£2,500,000
	=====	=====	=====	=====
<b>Investments - Subsidiaries</b>	£ -	£ -	£2,500,000	£2,500,000
	=====	=====	=====	=====
<b>Investments – Homestake (see Note 37)</b>				
At 1 April 2022	482,892	570,784	482,892	570,784
Disposals in year	(70,954)	(87,892)	(70,954)	(87,892)
	-----	-----	-----	-----
At 31 March 2023	£411,938	£482,892	£411,938	£482,892
	=====	=====	=====	=====
<b>Investment - Homestake</b>	£411,938	£482,892	£411,938	£482,892
	=====	=====	=====	=====
<b>Investments</b>	£254,115	£45,000	£ -	£ -
	=====	=====	=====	=====

During the year to 31 March 2022, Hillcrest Homes purchased the entirety of Leith Links' properties. Ultimately leaving Leith Links with no asset base and having the intention to cease in the 2023/24 financial year.

Hillcrest Homes have received the excess funds after repayment of all liabilities which totals £5,598,233. As Leith Links no longer retained any assets capable of producing income, it was deemed that the investment in Leith Links has been fully realised, and as such the return on the investment is noted as the amount received over and above the original investment cost.

Surpluses distributed	£5,598,233
Original cost of investment	(£2,562,365)
	-----
Return on investment	£3,035,868
	=====

**(17) Stock**

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Housing properties - completed	-	-	-	-
Stock	392,039	457,611	-	-
	-----	-----	-----	-----
	£392,039	£457,611	£ -	£ -
	=====	=====	=====	=====

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31<sup>st</sup> March 2023

**(18) Debtors**

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Rental Debtors	1,923,883	1,632,506	1,855,215	1,585,941
Provision for Bad Debts	(402,229)	(457,108)	(402,229)	(454,701)
	-----	-----	-----	-----
	1,521,654	1,175,398	1,452,986	1,131,240
Other Grants & HAG Receivable	1,516,671	2,503,206	1,516,671	2,503,206
Other Loan to Employee	8,409	9,873	8,409	9,873
VAT receivable	-	-	-	-
Other Debtors	3,326,162	2,984,426	2,016,684	1,909,484
Amounts due from Subsidiaries	-	-	254,304	120,629
	-----	-----	-----	-----
	<b>£6,372,896</b>	<b>£6,672,903</b>	<b>£5,249,054</b>	<b>£5,674,432</b>
	=====	=====	=====	=====

**(19) Short term investments**

**Consolidated**

	2023	2022
	£	£
Cash held on fixed term deposits	-	1,000,000
	-----	-----
	<b>£-</b>	<b>£1,000,000</b>
	=====	=====

**(20) Creditors: amounts falling due within one year**

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Prepaid Rents & Service Charges	823,331	893,933	823,331	893,933
Loan interest and Principal	3,215,210	2,792,760	3,215,210	2,792,760
Contracts for Capital Works	6,742,275	6,436,489	5,700,288	6,436,489
Other Taxation & Social Security	679,623	449,107	252,151	183,304
VAT Payable	6,827	475	6,827	475
Other Creditors	9,007,768	9,669,253	6,682,567	5,340,488
Due to Subsidiary	-	-	396,985	536,044
Homestake	217,555	217,555	217,555	217,555
Deferred Income	3,952,734	3,613,940	3,952,736	3,613,940
Deferred tax (see Note 23)	102,248	62,902	-	-
Other provisions	966,445	1,349,149	-	3,856
Pension Provision	21,645	21,575	1,419	1,419
Housing Loans (see Note 21)	1,462,794	1,437,067	1,450,000	1,425,000
	-----	-----	-----	-----
	<b>£27,198,455</b>	<b>£26,944,205</b>	<b>£22,699,069</b>	<b>£21,445,263</b>
	=====	=====	=====	=====

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(21) Creditor: amounts falling due after more than one year**

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Housing Loans	240,043,306	205,405,961	239,936,918	205,286,718
Non Housing Loans	461,233	461,233	461,233	461,233
Deferred Income	362,933,815	346,711,537	362,305,214	346,027,644
Derivative Financial Instruments	933,655	3,718,898	933,655	3,718,898
	-----	-----	-----	-----
<b>Total</b>	<b>£604,372,009</b>	<b>£556,297,629</b>	<b>£603,637,020</b>	<b>£555,494,493</b>
	=====	=====	=====	=====

Borrowings are repayable as follows:

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
<b>Housing Loans</b>				
Within 1 Year	1,462,794	1,437,067	1,450,000	1,425,000
Between 1 & 2 Years	8,478,751	1,462,796	8,465,955	1,450,000
Between 2 & 5 Years	4,618,217	11,505,392	4,575,000	11,462,175
More than 5 Years	226,946,338	192,437,773	226,895,963	192,374,543
	-----	-----	-----	-----
	<b>£241,506,100</b>	<b>£206,843,028</b>	<b>£241,386,918</b>	<b>£206,711,718</b>
	=====	=====	=====	=====
<b>Non Housing Loans</b>				
Within 1 Year	-	-	-	-
Between 1 & 2 Years	-	-	-	-
Between 2 & 5 Years	-	-	-	-
More than 5 Years	461,233	461,233	461,233	461,233
	-----	-----	-----	-----
	<b>£461,233</b>	<b>£461,233</b>	<b>£461,233</b>	<b>£461,233</b>
	=====	=====	=====	=====

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(21) Creditor: amounts falling due after more than one year (continued)**

Loans are secured by specific charges on the Association and Group properties. The terms of repayment and interest rates are noted below.

Interest	Maturity	Repayment terms	Consolidated Carrying value	Association Carrying value
Libor + 0.24%	01/10/2042	Interest only then capital & interest	13,303,687	13,303,687
Fixed 2.26%	31/7/2045	Interest only then capital & interest	24,760,215	24,760,215
Libor + 1.70%	31/7/2045	Interest only then capital & interest	24,750,841	24,750,841
Libor + 0.875%	17/08/2028	Interest only then bullet repayment	40,728,980	40,728,980
Libor + 0.24%	02/10/2037	Interest only then capital & interest	16,984,677	16,984,677
Fixed 5.193%	22/04/2038	Interest only then bullet repayment	34,687,720	34,687,720
Fixed 3.87% + 0.24%	01/10/2042	Interest only then capital & interest	4,995,821	4,995,821
Fixed 3.97% + 0.24%	01/10/2042	Interest only then capital & interest	4,995,561	4,995,561
Fixed 3.86%	25/01/2025	Interest only then bullet repayment	6,990,955	6,990,955
Fixed 3.33%	04/04/2034	Interest only then bullet repayment	9,955,893	9,955,893
Fixed 3.69%	04/04/2044	Interest only then bullet repayment	34,823,963	34,823,963
Fixed 3.76%	05/04/2049	Interest only then bullet repayment	9,948,223	9,948,223
Fixed 3.79%	04/10/2049	Interest only then bullet repayment	14,921,615	14,921,615
Fixed 5.88%	26/06/2030	Fully amortising	112,582	-
-	-	No fixed repayment	6,600	-
			----- <b>£241,967,333</b> =====	----- <b>£241,848,151</b> =====

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(21) Creditor: amounts falling due after more than one year (continued)**

The deferred income balance is made up as follows:

	Homes (Scotland) Grants £	Other Housing Grants £	Homestake £	Other Grants £	Total £
<b>Consolidated</b>					
Deferred income as at 1 April 2022	340,143,815	8,817,873	482,892	880,897	350,325,477
Additional income received	20,501,104	314,682	-	-	20,815,787
Disposals	(140,077)	-	(70,954)	-	(211,031)
Transfer of engagement Released to Statement of Comprehensive Income	-	-	-	-	-
	(3,792,068)	(153,871)	-	(42,449)	(3,988,338)
	-----	-----	-----	-----	-----
<b>Deferred income as at 31 March 2023</b>	<b>£356,712,774</b>	<b>£8,978,684</b>	<b>£411,938</b>	<b>£783,154</b>	<b>£366,886,549</b>
	=====	=====	=====	=====	=====
<b>Association</b>					
Deferred income as at 1 April 2022	339,515,215	8,817,873	482,892	825,604	349,641,584
Additional income received	20,501,104	314,682	-	-	20,815,786
Disposals	(140,077)	-	(70,954)	-	(211,031)
Transfer of engagement Released to Statement of Comprehensive Income	-	-	-	-	-
	(3,792,068)	(153,871)	-	(42,449)	(3,988,388)
	-----	-----	-----	-----	-----
<b>Deferred income as at 31 March 2023</b>	<b>£356,084,174</b>	<b>£8,978,684</b>	<b>£411,938</b>	<b>£783,155</b>	<b>£366,257,951</b>
	=====	=====	=====	=====	=====

This is expected to be released to the Statement of Comprehensive Income in the following years:

	Consolidated		Association	
	2023 £	2022 £	2023 £	2022 £
Due within 1 year	3,952,734	3,613,940	3,952,736	3,613,940
Due in 1 year or more	362,933,815	346,711,537	362,305,215	346,027,644
	-----	-----	-----	-----
	<b>£366,886,549</b>	<b>£350,325,477</b>	<b>£366,257,951</b>	<b>£349,641,584</b>
	=====	=====	=====	=====



Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31<sup>st</sup> March 2023

**(22) Provisions for liabilities – Pension Provision (continued)**

YMCA	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
Provision at 1 April 2022	138,648	155,990	-	-
Pension remeasurement	-	-	-	-
Deficit contribution paid	(19,797)	(17,342)	-	-
<b>Provision as 31 March 2023</b>	<b>£118,851</b>	<b>£138,648</b>	<b>£ -</b>	<b>£ -</b>
Due within 1 year	20,226	20,156	-	-
Due in more than 1 year	98,625	118,492	-	-
	<b>£118,851</b>	<b>£138,648</b>	<b>£ -</b>	<b>£ -</b>

**Summary of pension deficit funding liability**

	Consolidated		Association	
	2023	2022	2023	2022
	£	£	£	£
<b>Due within 1 year</b>				
Pension Trust's Growth Plan	1,419	1,419	1,419	1,419
YMCA	20,226	20,156	-	-
	<b>£21,645</b>	<b>£21,575</b>	<b>£1,419</b>	<b>£1,419</b>
<b>Due in more than 1 year</b>				
Pension Trust's Growth Plan	1,064	2,475	1,064	2,475
YMCA	98,625	118,492	-	-
	<b>£99,689</b>	<b>£120,967</b>	<b>£1,064</b>	<b>£2,475</b>

**(23) Provision for Deferred Taxation – Consolidated**

	2023	2022
	£	£
Accelerated Capital Allowances	159,054	177,340
Tax losses carried forward	(56,806)	(114,438)
<b>Provision for deferred tax</b>	<b>£102,248</b>	<b>£62,902</b>
Provision at 1 April 2022	62,902	8,728
Underprovision from previous year	-	-
Deferred tax charge in profit & loss account	34,346	54,174
<b>Provision at 31 March 2023</b>	<b>£102,248</b>	<b>£62,902</b>

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(24) Financial Instruments**

The carrying amounts of financial instruments are as follows:

	<b>Consolidated</b>		<b>Association</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Financial Liabilities</b>				
Measured at fair value through the Statement of Comprehensive Income				
- Derivative financial instruments (Note 21)	933,655	3,718,898	933,655	3,718,898
	-----	-----	-----	-----
	933,655	3,718,898	933,655	3,718,898
Measured at amortised cost				
- Bank loans (Note 21)	241,967,333	207,304,261	241,848,151	207,172,951
	-----	-----	-----	-----
	£242,900,988	£211,023,159	£242,781,806	£210,891,849
	=====	=====	=====	=====

The income, expenses, net gains and net losses attributable to financial instruments are summarised as follows:

	<b>Consolidated</b>		<b>Association</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Income and expense</b>				
Financial liabilities measured at amortised cost	(£100,200)	(£97,945)	(£100,200)	(£97,945)
<b>Net gains and (losses) (including changes in fair value)</b>				
Financial liabilities measured at fair value through the Statement of Comprehensive income	£2,785,243	£2,807,725	£2,785,243	£2,807,725

The total interest income and interest expense for financial assets and financial liabilities that are not measured at fair value through the Statement of Financial Activities was:

	<b>Consolidated</b>		<b>Association</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest income	£64,939	£3,451	£20,483	£4,331
Interest expense	£7,834,611	£6,904,091	£7,825,531	£6,798,125

The Association uses derivative financial instruments to manage its exposure to fluctuations in interest rates. The fair value of derivatives is determined by their mark to market valuation at each reporting date.



Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(25) Reserves**

**Income and Expenditure Reserve**

The income and expenditure reserve represents cumulative surpluses and deficits net of other adjustments.

**Restricted Reserve**

Restricted reserves are those reserves which are subject to external restrictions governing their use.

**Revaluation Reserve**

The revaluation reserve represents the net gain on revaluation of assets held at fair value.

**Non-controlling Interest**

The portion of equity in a subsidiary that is not attributable to the parent, Hillcrest Homes (Scotland) Limited.

**Negative Goodwill**

Goodwill arising from the merger with Clean Close Company Limited is written off to the Statement of Comprehensive Income over a period of ten years. The company continues to benefit from contracts secured under the name of Clean Close Company Limited and it is anticipated future works will also result during this time.

**(26) Pensions**

**Retirement Benefits**

**(a) Pension Obligations - SFHA Pension Scheme**

Hillcrest Homes (Scotland) Limited and its subsidiary Hillcrest Futures Limited participates in the Scottish Homes (Scotland)'s Pension Scheme ("the scheme"), a multi-employer scheme which provides benefits to some 150 non-associated employers. The scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2021. This valuation revealed a deficit of £127m. A Recovery Plan has been put in place to eliminate the deficit which ran to 30 September 2022.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(26) Pensions (continued)**

**Retirement Benefits**

**(a) Pension Obligations - SFHA Pension Scheme**

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

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

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 28 February 2024 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

**Defined Benefits assets and obligations**

The assumptions that have the most significant effect on the valuation of Homes' and Hillcrest Futures' defined benefit pension arrangement are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The key actuarial assumptions at the 31 March 2023 were as follows:

	<b>Hillcrest Futures Limited</b>	<b>Hillcrest Homes (Scotland) Limited</b>
	% per annum	% per annum
Discount Rate	4.86%	4.88%
Inflation (RPI)	3.19%	3.20%
Inflation (CPI)	2.77%	2.74%
Salary Growth	3.77%	3.74%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2023	20.5
Female retiring in 2023	23.0
Male retiring in 2043	21.7
Female retiring in 2043	24.4

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(26) Pensions (continued)**

**Retirement Benefits**

**(a) Pension Obligations - SFHA Pension Scheme**

**Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Liability**

	Consolidation		Homes	
	2023	2022	2023	2022
	(£000's)	(£000's)	(£000's)	(£000's)
Fair value of plan assets	30,939	46,885	25,697	38,855
Present Value of defined benefit obligation	32,554	47,280	27,037	39,274
Deficit in plan	(1,615)	(395)	(1,340)	(419)
Unrecognised Surplus	-	(24)	-	-
<b>Defined Benefit Liability to be recognised</b>	<b>(1,615)</b>	<b>(419)</b>	<b>(1,340)</b>	<b>(419)</b>

**Reconciliation of the Opening and Closing Balances of the Defined Benefit Obligation**

	Consolidation	Association
	2023	2023
	(£000's)	(£000's)
Defined benefit obligation at start of period	48,115	39,274
Expenses	47	39
Interest Expense	1,261	1,074
Actuarial gains due to scheme experience	(951)	(1,116)
Actuarial gains due to changes in demographic assumptions	(680)	(705)
Actuarial gains due to changes in financial assumptions	(10,668)	(9,955)
Benefits paid and expenses	(2,081)	(1,574)
	-----	-----
<b>Defined benefit obligation at end of period</b>	<b>35,043</b>	<b>27,037</b>
	=====	=====

**Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets**

	Consolidation	Association
	2023	2023
	(£000's)	(£000's)
Fair value of plan assets at start of period	46,897	38,855
Interest income	1,244	1,072
Experience on plan assets (excluding amounts included in interest income) - gain	(13,334)	(13,408)
Contributions by the employer	1,001	752
Benefits paid and expenses	(2,081)	(1,574)
	-----	-----
<b>Fair value of plan assets at end of period</b>	<b>33,727</b>	<b>25,697</b>
	=====	=====

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(26) Pensions (continued)**

**Retirement Benefits**

**(a) Pension Obligations - SFHA Pension Scheme**

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2022 to 31 March 2023 for Hillcrest Homes and Hillcrest Futures was (£12,336,000) and £2,698,000 respectively.

**Defined Benefit Costs Recognised in Statement of Comprehensive Income**

	<b>Consolidation 2023 (£000's)</b>	<b>Association 2023 (£000's)</b>
Expenses	47	39
Net interest expense	2	2
	-----	-----
<b>Defined benefit costs recognised in statement of comprehensive income</b>	<b>49</b>	<b>41</b>
	=====	=====

**Defined Benefit Costs Recognised in Other Comprehensive Income**

	<b>Consolidation 2023 (£000's)</b>	<b>Association 2023 (£000's)</b>
Experience on plan assets (excluding amounts included in interest income) - gain	(16,329)	(13,408)
Experience gains and losses arising on the plan liabilities – gain	1,173	1,116
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	821	705
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain	12,256	9,955
	-----	-----
<b>Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain</b>	<b>(2,079)</b>	<b>(1,632)</b>
	=====	=====
<b>Total amount recognised in other comprehensive income – gain</b>	<b>(2,079)</b>	<b>(1,632)</b>
	=====	=====

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31<sup>st</sup> March 2023

**(26) Pensions (continued)**

**Retirement Benefits**

**(a) Pension Obligations - SFHA Pension Scheme**

<u>Assets</u>	Consolidation		Association	
	2023 (£000's)	2022 (£000's)	2023 (£000's)	2022 (£000's)
Global Equity	816	9,270	678	7,682
Absolute Return	421	2,149	350	1,781
Distressed Opportunities	951	1,681	790	1,393
Credit Relative Value	1,180	1,504	980	1,246
Alternative Risk Premia	178	1,937	148	1,605
Emerging Market Debts	239	1,745	199	1,446
Risk Sharing	2,255	1,529	1,873	1,267
Insurance-Linked Securities	861	982	715	814
Property	1,288	1,215	1,070	1,007
Infrastructure	3,334	2,926	2,769	2,425
Private Debt	1,382	1,180	1,148	978
Opportunistic Illiquid Credit	1,368	1,554	1,136	1,288
High Yield	157	456	130	378
Opportunistic Credit	2	163	2	135
Cash	130	130	108	108
Corporate Bond Fund	40	2,964	33	2,456
Liquid Credit	1	300	1	249
Long Lease Property	1,037	1,351	861	1,120
Secure Income	2,069	2,505	1,718	2,076
Over 15 Years Gilts	-	19	-	16
Liability Driven Investment	13,101	11,345	10,881	9,402
Current Hedging	59	(171)	49	(142)
Net Current Assets	70	151	58	125
	-----	-----	-----	-----
<b>Total Assets</b>	<b>£30,939</b>	<b>£46,885</b>	<b>£25,697</b>	<b>£38,855</b>
	=====	=====	=====	=====

None of the fair values of the assets shown above include any direct investments in the employers own financial instruments or any property occupied by, or other assets used by, the employer.

**(b) Pensions Trust's Growth Plan**

Homes participates in the scheme, a multi-employer scheme which provides benefits to some 6380 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

Hillcrest Homes (Scotland) Limited  
Notes to the Consolidated Financial Statements (continued)  
for the year ended 31<sup>st</sup> March 2023

**(26) Pensions (continued)**

**Retirement Benefits**

**(b) Pensions Trust's Growth Plan**

The scheme is classified as a 'last-man standing arrangement'. The Association is therefore potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2020. This valuation showed assets of £800.3M, liabilities of £831.9M and a deficit of £31.6M. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

**Deficit contributions**

From 1 April 2022 to 31 January 2025: £11,243,000 per annum  
(payable monthly and increasing by 3% each on 1st April)

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

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Reconciliation of the Associations opening and closing provisions is provided in Note 22.

	<b>2023</b>	<b>2022</b>
Assumption - the rate of discount - % per annum	5.52%	2.35%

The discount rates are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(26) Pensions (continued)**

**Retirement Benefits**

**(c) Cair Scotland – YMCA pension**

The charity operates a defined contribution pension plan for its employees. As there were no employees during both financial years, the amount recognised as an expense in the year was £Nil (2022 - £Nil).

Cair Scotland participated in a multi-employer defined benefit pension plan for employees of YMCAs in England, Scotland and Wales, which was closed to new members and accruals on 30 April 2007. Due to insufficient information, the plan's actuary has advised that it is not possible to separately identify the assets and liabilities relating to Cair Scotland.

Cair Scotland has a contractual obligation to make pension deficit payments of £20,156 per annum over the period to April 2029, accordingly this is shown as a liability in note 22 to these accounts. In addition, Cair Scotland is required to contribute £4,078 per annum to the operating expenses of the pension plan and these costs are charged to the Statement of Financial Activities as made.

Cair Scotland participated in a contributory pension plan providing defined benefits based on final pensionable pay for employees of YMCAs in England, Scotland and Wales. The assets of the YMCA pension plan are held separately from those of Cair Scotland and at the year-end these were invested in the Mercer Dynamic De-risking Solution, 40% matching portfolio and 60% in the growth portfolio and Schroder (property units only).

The most recent completed three year valuation was as at 1 May 2020. The assumptions used which have the most significant effect on the results of the valuation are those relating to the assumed rates of return on assets held before and after retirement of 2.59% and 1.09% respectively, the increase in pensions in payment of 2.99% (for RPI capped at 5% p.a.), and the average life expectancy from normal retirement age (of 65) for a current male pensioner of 22.0 years, female 24.4 years to 23.7 years for a male pensioner and female 26.1 years, retiring in 20 years time. The result of the valuation showed that the actuarial value of the assets was £141.6m. This represented 79% of the benefits that had accrued to members.

The pension plan was closed to new members and future service accrual with effect from 30 April 2007. With removal of the salary linkage for benefits, all employed deferred members became deferred members as from 1 May 2011.

The valuation prepared as at 1 May 2020 showed that the YMCA pension plan had a deficit of £36 million. Cair Scotland has been advised that it will need to make monthly contributions of £1,449 from 1 May 2021. This amount is based on the current actuarial assumptions (as outlined above) and may vary in the future as a result of actual performance of the pension plan. The current recover period is now 7 years commencing 1 May 2022.

**(27) Legislative Provisions**

Homes is incorporated under the Co-operative and Community Benefit Societies Act 2014 and Co-operative and Community Benefit Societies (Group Accounts) Regulation of 2014.

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(28) Related Parties**

During the year two member's of the Governing Body was also a tenant of Homes. The tenancy is on the same terms as for other tenants and no advantage could be gained from the position. During this financial year, Governing Body members were charged rent totaling £11,163 (2022 - £5,016). As at 31 March 2023 no amount (2022 – nil) was due to the Association.

Where members of the Governing Body are also councilors or employees of related local authorities, there are no transactions to disclose that were not made at arm's length or not made under the normal commercial terms.

**Leith Links NHT 2011 LLP**

On 14 November 2014 Hillcrest Homes (Scotland), who are members of Leith Links NHT 2011 LLP, obtained a loan note for the amount of £1,089,000 which is repayable by Leith Links NHT 2011 LLP when the properties begin to be sold. The properties were sold to Hillcrest Homes (Scotland) Limited on 9<sup>th</sup> April 2021. The loan note paid interest at 11% per annum and at 31 March 2023 interest payable stood at Nil (2022 – £2,954).

In addition to the interest charges, the profits achieved by the LLP are allocated to Hillcrest Homes (Scotland) Limited as the developer of the LLP. Movement to the members accounts are as follows;-

	<b>2023</b>		<b>2022</b>	
	<b>Hillcrest</b>	<b>CEC</b>	<b>Hillcrest</b>	<b>CEC</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Member remuneration	-	-	(587,162)	15,338
Drawings – Interest	-	-	(2,954)	(15,338)
Trading Profit allocation	-	-	(590,116)	-
Impairment of Stock	-	-	-	-
Profit / (Loss) allocation	<b>£-</b>	<b>£-</b>	<b>£(590,116)</b>	<b>£-</b>

During the year Hillcrest Enterprises Limited, a charitable company wholly owned by Hillcrest Homes (Scotland) Limited, provided management, administrative and insurance services to Leith Links LLP which amounted to Nil (2022 - £4,907).

On 31<sup>st</sup> March 2023 Leith Links LLP were due to Hillcrest Homes (Scotland) Limited £3,178 (2022 – £3,263) in relation to recharges of expenses. During the year, major repairs to the units and certification of the work was carried out by Hillcrest Homes at a total cost of Nil (2022: £594,205). Leith Links LLP were also due Hillcrest Enterprises Limited Nil (2022 - £442) in relation to recharged expenses and rent payments.



Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31<sup>st</sup> March 2023

**(28) Related Parties (continued)**

**Upper Dens Landscaping Limited**

There were no material transactions between Hillcrest Homes (Scotland) Limited and its associated company Upper Dens Landscaping Limited.

**(29) Subsidiaries information**

Details of the investments in which Hillcrest Homes or the company holds more than 10% of the nominal value of any class of share capital are as follows:

	Country of registration or incorporation	Holding	Proportion of voting rights	Nature of Business
Hillcrest Futures Limited	Scotland	See Note 29 (a)	100%	Provides care & Support services
Hillcrest Maintenance Limited	Scotland	See Note 29 (a)	100%	Provision of maintenance services
Hillcrest Enterprises Limited	Scotland	See Note 29 (b)	100%	Provision of mid-market rented accommodation and rented accommodation for people with special needs
Cair Scotland	Scotland	See Note 29 (h)	100%	Provides services and support to services users with drug addictions
Leith Links NHT 2011 LLP	Scotland	See Note 29 (g)	50%	Provision of mid-market rented accommodation
Upper Dens Landscaping Limited	Scotland	See Note 29 (a) and Note 29 (f)	50%	Manages common ground
Explorer Heat Limited	Scotland	See Note 29 (a)	100%	Dormant since incorporation
Hillcrest Foundation SCIO	Scotland	See Note 29 (i)	50%	Wider role activities
Home Of Rest For The Aged And Infirm (Ferry House)	Scotland	See Note 29 (j)	50%	Provision of home for aged and infirm

- a) These subsidiaries and related undertakings are companies Limited by guarantee and do not have a share capital.
- b) These subsidiaries have a share capital.
- c) No company is unincorporated.
- d) Employees within Hillcrest have joint contracts of employment. Any time spent by an employee is recharged to the relevant group company.

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(29) Subsidiaries Information (continued)**

- e) Hillcrest Homes (Scotland) Limited is the ultimate parent company of the group.
- f) Hillcrest Homes (Scotland) Limited is required by statute to prepare group accounts. Upper Dens Landscaping Limited due to the immaterial nature is unconsolidated.

The aggregate amount of capital and reserves and the results of this undertaking for the last relevant financial year were as follows:

	Capital and Reserves	Profit for the year
Upper Dens Landscaping Limited	£277	£Nil

- g) Leith Links NHT 2011 LLP is a Limited Liability Partnership and is controlled by its member Hillcrest Homes (Scotland) Limited.
- h) Cair Scotland Limited is a 100% owned subsidiaries of Hillcrest Futures Limited.
- i) Hillcrest Foundation is a 100% owned charity of Hillcrest Homes (Scotland) Limited with 50% voting rights.
- j) Ferry House is a 100 % owned charity of Hillcrest Homes (Scotland) Limited with 50% voting rights.

**(30) Capital Commitments**

	2023 £	2022 £
<b>Housing Properties Association</b>		
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	£38,036,495 =====	£46,144,925 =====
<b>Consolidation</b>		
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	£38,036,495 =====	£46,154,871 =====
Capital expenditure for contracted costs will continue to January 2025.		
<b>Consolidation &amp; Association</b>		
The estimated amount of contracts for capital expenditure authorised by Governing Body which has not been contracted for	£2,606,000 =====	£25,357,024 =====

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(30) Capital Commitments (continued)**

Capital expenditure for authorised developments will continue to July 2023. The amounts contracted for at 31 March 2023 will be funded by Scottish Ministers, financed from private loans or met from the Association's reserves.

	<b>2023</b>		<b>2022</b>	
	£		£	
<b>Other Assets – Consolidated &amp; Association</b>				
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	£ -		£ -	
	=====		=====	
The estimated amount of contracts for capital expenditure authorised by directors which has not been contracted for	£ 50,000		£2,800,000	
	=====	-	=====	

**(31) Contingent Liability**

**Hillcrest Homes (Scotland) Limited**

Should the Association decide to end participation in the SFHA Pension Scheme there would be a potential liability of £17,008,507 of which £1,339,600 relates to the scheme deficit contributions and has been included as a liability as at 31 March 2023. Should the Association decide to end participation in the SFHA Pension Trust Growth Plan there would be a potential liability of £26,845, of which £2,483 relates to the scheme deficit contributions and has been included as a liability as at 31 March 2023. There is no intention at present to cease membership of either pension scheme.

**Hillcrest Futures Limited**

Should the Company decide to end participation in the SFHA Pension Scheme there would be a potential liability of £3,667,394 payable, of which £Nil relates to the scheme deficit contributions and has been included as a liability as at 31 March 2023. There is no intention at present to cease membership of the Pension scheme.

**(32) Financial Commitments**

The total commitments under non-cancelable operating leases as follows:

	<b>Consolidated</b>		<b>Association</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	£	£	£	£
<b>Property</b>				
Less than one year	136,976	184,925	219,801	250,683
Between 1 – 5 years	392,618	492,363	392,618	492,363
Over 5 years	18,721	184,685	18,721	184,685
<b>Plant &amp; Machinery</b>				
Less than one year	10,006	11,974	-	-
Between 1 – 5 years	6,671	16,677	-	-
<b>Motor Vehicles</b>				
Less than one year	11,875	-	11,875	-
Between 1 – 5 years	23,751	1,217	23,751	1,217

Hillcrest Homes (Scotland) Limited  
**Notes to the Consolidated Financial Statements (continued)**  
**for the year ended 31<sup>st</sup> March 2023**

**(33) Goodwill**

	<b>2023</b>	<b>2022</b>
<b>Consolidated</b>	<b>£</b>	<b>£</b>
As at 1 April 2022	30,736	30,736
Released to Statement of Comprehensive Income	(7,684)	(7,684)
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<b>As at 31 March 2023</b>	<b>£23,052</b>	<b>£23,052</b>
	=====	=====

**(34) Business Combinations**

On 1 April 2021 all assets and liabilities of Hunters Hall Housing Co-operative were transferred to the Hillcrest Homes (Scotland) Limited at nil consideration. All trading activities within Hunters Hall Housing Co-operative ceased from 1 April 2021 at which date they also transferred to Hillcrest Homes (Scotland) Limited. This resulted in a gain on business combination of £3,012,486.

On 1 April 2022 Hillcrest Homes (Scotland) Limited became in effective control of Ferry House. All trading activities within Ferry House remain continuing activities.

**(35) Exceptional Item**

**Consolidated**

During the two financial years ending 31 March 2023, additional costs were incurred in relation to COVID-19. The costs related mainly to staff costs including, Furlough and shielding costs, additional PPE, cleaning and travel costs as the companies all worked through the pandemic. £133,578 (2022-£390,835) costs are recognised for this financial year due to the unforeseen expenditure occurring as a direct result of Covid-19 lockdown restrictions being imposed and change in PPE requirements.