PORT OF LEITH HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP ACCOUNTS

For the year ended 31 March 2020

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BOARD, EXECUTIVE and ADVISORS

Board of Management

Members of the Board of Management during the year as at 31 March 2020 were as follows:

Caitlin McCorry	(Chair)
Margaret O'Connor	(Resigned 4.9.2019)
Richard Bolton	
Gordon Munro	
Philip Neaves	
Helen Phillips	
Brian Reilly	
Neil Stewart	(Resigned 4.9.2019)
Anthony Gillespie	
Kevin Anderson	
Jenny Neville	
Gurmit Singh	
Jakub Stojek	
David Welsh	
Ruth McNeil	(Elected 4.9.2019; resigned 29.11.2019)
Christine Killen	(Elected 4.9.2019; resigned 29.11.2019)
Liz McLean	(Co-opted 28.11.2019)

Registered Office	108 Constitution Street Leith Edinburgh EH6 6AZ
Chief Executive & Secretary	Heather Kiteley
Auditor	RSM UK Audit LLP First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG
Internal Auditor	TIAA Ltd 61 Dublin Street Edinburgh EH3 6NL
Solicitors	TC Young Melrose House 69a George Street Edinburgh EH2 2JG
Bankers	Bank of Scotland Leith Branch PO Box 1000 BX2 1LB
Charity Number	SC 027945
Scottish Housing Regulator Registration Number	HAL 170
Letting Agent Registration	LARN1811003

The Board has pleasure in presenting its report on the Association's affairs for the year ended 31 March 2020.

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

Membership of Board of Management and Structure
The Association's Rules provide for up to 15 members (including two co-optees) on the Board. At the year end the Board comprised 14 members. In addition to the main Board, there is one sub-Committee for Group Audit.

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

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

Caitlin McCorry	(Chair)
Margaret O'Connor	Resigned 4.9.2019
Richard Bolton	
Gordon Munro	
Philip Neaves	
Helen Phillips	
Brian Reilly	
Neil Stewart	Resigned 4.9.2019
Anthony Gillespie	
Kevin Anderson	
Jenny Neville	
Gurmit Singh	
Jakub Stojek	
David Welsh	
Ruth McNeil	Elected 4.9.2019; Resigned 29.11.2019
Christine Killen	Elected 4.9.2019; Resigned 29.11.2019
Liz McLean	Co-opted 28.11.2019

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

The Board is responsible for overseeing the strategic direction and providing oversight of the performance of the Association and its members are elected from the membership.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Chief Executive of the Association holds no interest in the Association's share capital and although not having the legal status of a director, they act as an executive within the authority delegated by the Board.

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

Heather Kiteley	Chief Executive (Appointed 1 February)
Heather Kiteley	Director of Finance and Corporate Services (Resigned 31 January)
Keith Anderson	Chief Executive (Resigned 1 February)
Mike Beniston	Head of Organisational Development and ICT (Interim)
Ngeme Ntuli	Director of Finance and Corporate Services (interim) (Appointed 1 February)
Claire Ironside	Director of Customer Services (Resigned 20 September)
Gordon Cameron	Director of Property and New Business (Interim)

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

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

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

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

Vision, Mission and Strategy
The vision of the Association and its subsidiaries, herein referred to as "the Group", is "*To make Leith the best place to be*" and it is the Group's mission to:

A. Make the PoLHA Group organisations and service delivery great;
B. Contribute to making the physical infrastructure and environment of Leith great; and,
C. Contribute towards improving economic opportunity and the social fabric to make Leith great.

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

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

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

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

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

Key Strategic Risks
The Leadership Team identified seven key strategic hazards that the group faces, with resulting risks that have medium or high risk exposure before any mitigating controls are taken into account. These risks (six for the Association, one for Quay and none for PDL) have been specifically addressed as part of the business planning process. It should be noted that the impact of PDL and Quay's risks on the Group are lower than when considered for the subsidiaries on their own.

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

- The UK wide Welfare Benefit Reforms and the real cut to customers on benefits and low income, from the cap on benefit uplifts to 1% per annum for two years may cause an increase in both arrears and bad debt. This risk still sits in the 'moderate' exposure level, primarily because of the likelihood score over which we have no control. The controls in place have mitigated the impact and so we tolerate this risk.
- The Defined Benefit Pension Schemes represent a significant financial liability to the organisation because actuarial assumptions and stock market performance is unpredictable / volatile. The defined benefit pension scheme liability may grow further increasing past deficit contributions on an annual basis. This risk still sits in the 'moderate' exposure level as it is considered that we have no affordable option to further mitigate this risk and so we tolerate it.
- Build cost inflation and competition for sites results in increased costs of development and may restrict the development programme. This risk still sits in the 'moderate' exposure level, primarily because of the likelihood score over which we have no control. The controls in place have mitigated the impact and so we tolerate this risk.
- The spread of Covid-19 Coronavirus is a new risk with low impact to the results for 2019/20. The controls in place have mitigated the impact and so we tolerate this risk.

Business Review

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

In view of the changing and growing nature of demand for affordable housing in the City, the Association established a wholly owned subsidiary company, Persevere Developments Limited (PDL) in 2010. This is its tenth year of operation providing, through a service level agreement with the Association, much needed new mid-market rented housing for the growing number of middle income households who are in need of high quality affordable housing for rent but who cannot access social rented or afford full open market housing for rent or purchase.

In 2016, the Association established another wholly owned subsidiary, Quay Community Improvements (Quay) which is a community interest company limited by shares. The principal activities of Quay are to deliver facilities management services and provide opportunities to support the wider economic and social wellbeing of the community.

In 2019, the Association purchased TB Mackay Energy Services (TBM), a multi-trades repairs and maintenance company. It has been added to the group as another wholly owned subsidiary.

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

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

In early 2020 the Association was named the 20th Best Housing Association to Work for in the UK and the 34th Best Company to Work for in Scotland by the Sunday Times' Best Companies to Work For List.

The Association was recognised by the National Centre for Diversity as 2020 Housing Provider of the Year and placed at No. 9 in the NCFD Top 100 Index of champions of Equality, Diversity and Inclusion. In March 2020 the Association was awarded Investors in Diversity Award.

New development
During the year the Association completed its new build projects at Shrubhill (51 social rent flats) and West Bowling Green Street (9 social rent and 15 mid-market flats) and started on site its projects at Waterfront Plaza (82 flats) and Bonnington Mill (13 flats), both being developed under Section 75 agreements. The Association also continued to manage the construction of its project at Heron Place (Plot 3, Granton Harbour) and procure 2 projects at Wellington Place and Plot S, Granton Harbour. The former will provide 35 amenity flats, while the latter will comprise 180 general needs flats for the Association, 126 for two other RSL providers, and 2 housing units for a charity providing residential care for young people.

The Association will continue to be actively involved in the ongoing regeneration of Leith and North Edinburgh over the coming years, and is continuing to pursue any further development opportunities within the area. As the need and demand for affordable housing in Edinburgh is still very high, the Association continues to work closely with Edinburgh City Council, the Scottish Federation of Housing Associations (SFHA) and developers, to explore alternative ways to finance additional new affordable housing in the city, including through PDL.

Property management
In 2019-20, the Association continued to maintain the Association's properties to the Scottish Housing Quality Standard (SHQS) and work towards the Energy Efficiency Standard for Social Housing (EESSH) 2020. 96.99% of our total number of homes in ownership meet SHQS and currently 89.13% of the Association's properties meet the requirements of the EESSH 2020 standard.

The Association has continued to take action, and in light of the suspension of the City Council's Statutory Notice Repairs system, to directly manage a number of complex common repair and improvement projects. These are located in pre-1919 tenement stairs of mixed ownership where the Association has an interest either as majority but also as minority owners. During the year this co-ordinated activity has focused on 3 separate stairs, affecting 34 flats in the Association's ownership and which are at various stages of progress to complete necessary repair works. Negotiations are underway for a further 3 projects including 23 Association properties.

In December 2015 the Association received approval from the City of Edinburgh Council and Scottish Government to dispose of 113 pre-1919 tenement flats over the next 10 years. These properties are where the Association only owns 1, 2 or 3 properties in mutually owned tenement buildings and where co-ordinating other owners to undertake necessary common repairs is problematic. In previous years 45 properties were sold with a further 12 properties sold during 2019-20 fully removing the Association's liability to a total of 27 common stairs.

Customer feedback
The Association continued to assess its customer requirements and undertook a large scale satisfaction survey of all tenants and sharing owners in summer 2019. A total of 411 surveys were completed which equates to a 17% response rate. Overall, 91% of households have expressed being very/fairly satisfied with PoLHA as their landlord. While this compares favourably with our peers, the survey also provides some very important pointers towards improving our service further in future and will be used to help shape how our services should be developed and tailored to meet these in future.

The Association also monitors customer satisfaction for key services on an ongoing basis throughout the year. Satisfaction with reactive repairs is 94% for all categories of repairs over the year. The Association also asked our customers how likely they were to recommend the Association to a family member, friend or colleague as a way of measuring customer loyalty, known as Net Promotor Score. In 2018, the Association scored 39. Which is a dip from the previous year's score.

Housing management and support
The Association let 149 homes in Leith and North Edinburgh through the city's Choice Based Lettings scheme during the year, all of which were re-lets of existing properties, as well as 9 new properties. It continued to work in partnership with other social landlords in the City (including housing associations and the City Council), letting its available social housing through the established Edindex system.

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

The Association has a tenancy support team, consisting of a Money Advice Worker, a Welfare Rights Officer and two Tenancy Sustainment Officers who together provide advice and assistance to tenants with debt, benefit and support issues.

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

Community Works has been operational since August 2017, it targets primarily our tenants and other unemployed or underemployment people living in Leith. So far more than 750 adults in Leith and North Edinburgh have received support and training to gain employment, education, qualifications or to improve their prospects of securing better paid, more secure employment. Working in close partnership with Job Centre Plus and a wide range of local providers such as Dr. Bell's, Community Renewal, Street Soccer, Turning Point Scotland and many more. The service has so far delivered an outcome rate of 65%, with many service users gaining permanent employment through its support.

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

Community Works has worked alongside Quay CIC to provide commercial training to a range of organisations and has secured £42K of funding through the Workplace Equalities Fund to deliver a range of equality, diversity and flexible working practice training to local, private employers. In addition, Community Works in partnership with Quay has gone into partnership with SHARE to deliver training to staff working with RSLs throughout Scotland.

The Association is also active with its partners as a Board member of the Leith Neighbourhood Partnership, working alongside the City Council, Lothian Health, Police Scotland, other key third sector organisations and local community councils to develop and oversee delivery of the Community Plan and to support joint working within our communities. The Association has also continued to play a very active part as a key member of the Edinburgh Affordable Housing Partnership, facilitating collaboration and co-ordinated activity on local and city-wide housing priorities including delivery of the City Housing Strategy.

Financial Review

Overall results
Group turnover was £22.1m (2019: £18.6m) offset by operating costs of £17,7m (2019: £14.4m), leading to an operating surplus of £4.4m (2019: £4.2m) and a net surplus of £4.5m (2019: £1.1m).

The SHAPS pension scheme's defined benefit liability as at 31 March 2020 is £110k (2019: £2,412k), resulting in a decrease in the liability of £2,302k. This has also resulted in an actuarial gain through other comprehensive income of £1,993k (2019: actuarial loss of £469k).

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

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

The surplus has resulted in an increase in the value of net assets over the year, from £38,894k to £43,413k as at 31 March 2020. The Association's liquidity remains strong with a significant number of unencumbered properties available as security for further funding if required.

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

Matters which are taken into account in this process include:

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

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

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

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

The short- term impact of Covid-19 is predicted by revisions to our annual budgets on a quarterly basis and the long- term impact is predicted by revisions to our 5 year and 30 year plans including, scenario planning, impact analysis and robust stress testing of all plans. The forecasts we have produced for the next 12 -24 months demonstrate that we expect to generate surpluses and maintain a strong cash position. We expect no significant adverse medium to long term issues.

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

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

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

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

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

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

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

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

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

Political and charitable gifts
No political donations or gifts were made in the year to 31 March 2020 (2019: £nil). During the year there were no charitable donations made to housing related charities (2019: £nil).

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

In preparing these accounts, the Board is required to:

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

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

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

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

Internal Financial Control

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

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

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

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

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

Treasury Management

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

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2020, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

BY ORDER OF THE BOARD OF MANAGEMENT

CAITLIN MCCORRY

Chairperson

13 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PORT OF LEITH HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2020

Opinion

We have audited the financial statements of Port of Leith Housing Association Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the consolidated and association statement of comprehensive income, consolidated and association statement of changes in reserves, consolidated and association statement of financial position, consolidated and association statement of cash flows 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2020 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PORT OF LEITH HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2020

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the board
As explained more fully in the Board's responsibilities statement set out on page 10, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

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

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

Use of our report
This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date 21st August 2020

REPORT BY THE AUDITOR TO THE MEMBERS OF PORT OF LEITH HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS
For the year ended 31 March 2020

In addition to our audit of the Financial Statements, we have reviewed your statement on page 11 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

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

Opinion
In our opinion the Statement on Internal Financial Control on page 11 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK Audit LLP

RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor,Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

21st August **2020**

PORT OF LEITH HOUSING ASSOCIATION LIMITED
CONSOLIDATED AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Turnover	2/3	22,070	18,568	19,776	18,149
Operating expenditure	3	(17,656)	(14,351)	(16,028)	(13,994)
Operating surplus		4,414	4,217	3,748	4,155
Interest receivable and similar income	9	88	35	100	46
Interest payable and similar charges	9	(1,878)	(1,788)	(1,878)	(1,788)
Surplus on ordinary activities before taxation		2,624	2,464	1,970	2,413
Taxation on ordinary activities	10	(98)	-	-	-
Surplus on ordinary activities after taxation		2,526	2,464	1,970	2,413
Initial recognition of defined benefit and pension scheme		-	(855)	-	(855)
Actuarial gains (losses) in respect of pension scheme		1,993	(469)	1,993	(469)
Total comprehensive income for the year		4,519	1,140	3,963	1,089

CONSOLIDATED AND ASSOCIATION STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2020

	Group			Association		
	Restricted £'000	Income and expenditure reserve £'000	Total Reserves £'000	Restricted £'000	Income and expenditure reserve £'000	Total Reserves £'000
Balance at 1 April 2019	3,352	35,542	38,894	3,352	35,074	38,426
Surplus from statement of comprehensive income	-	4,519	4,519	-	3,963	3,963
Transfers (note 29)	57	(57)	-	57	(57)	-
Balance at 31 March 2020	3,409	40,004	43,413	3,409	38,980	42,389

All results relate to continuing activities.

The notes on pages 19 to 46 form part of these financial statements.

PORT OF LEITH HOUSING ASSOCIATION LIMITED
CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION
For the year ended 31 March 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Fixed assets					
Housing properties	11	195,873	182,343	195,873	182,343
Other tangible fixed assets	12	2,662	2,597	2,392	2,596
Intangible assets	12	134	152	134	152
Goodwill	13	2,977	-	-	-
		201,646	185,092	198,399	185,091
Investment	14	-	-	3,772	-
Current assets					
Stock and work in progress	16	177	-	-	-
Debtors	17	3,048	740	2,027	913
Cash and cash equivalents		17,111	23,863	15,790	23,179
		20,336	24,603	17,817	24,092
Creditors: amounts falling due within one year	18	(10,459)	(8,252)	(9,499)	(8,208)
Net current assets		9,877	16,351	8,318	15,884
Total assets less current liabilities		211,523	201,443	210,489	200,975
Creditors: amounts falling due after more than one year	19	(168,000)	(160,137)	(167,990)	(160,137)
Pension Provision	23	-	-	-	-
Defined benefit pension obligations	24	(110)	(2,412)	(110)	(2,412)
Total net assets		43,413	38,894	42,389	38,426
Capital and reserves					
Restricted reserves		3,409	3,352	3,409	3,352
Revenue reserves		40,004	35,542	38,980	35,074
Total capital and reserves	29	43,413	38,894	42,389	38,426

These financial statements were approved and authorised for issue on 30 July 2020 by the Board of Management and signed on 13 August 2020 on its behalf by:

Caitlin McCorry — Chairperson

Caitlin McCorry

Anthony Gillespie — Board Member

Heather Kiteley — Secretary

The notes on pages 19 to 46 form part of these financial statements.

PORT OF LEITH HOUSING ASSOCIATION LIMITED
CONSOLIDATED AND ASSOCIATION STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Net cash generated from operating activities	22	5,785	6,437	5,342	6,773
Cash flow from investing activities					
Purchase of tangible fixed assets		(19,077)	(14,310)	(19,011)	(14,310)
Purchase of intangible assets		(14)	-	(14)	-
Proceeds from sale of tangible fixed assets		1,940	1,282	1,940	1,282
Purchase of subsidiary		(3,500)	-	(3,772)	-
Grants received in year		10,282	4,255	10,282	4,255
Grants repaid in year		(369)	-	(369)	-
Interest received		88	35	100	46
Net cash from/ (used in) investing activities		(10,650)	(8,738)	(10,844)	(8,727)
Cash flow from financing activities					
Interest paid		(1,878)	(1,788)	(1,878)	(1,788)
Repayments of borrowings		(983)	(404)	(983)	(404)
New secured borrowings		974	20,000	974	20,000
Net cash from/(used in) financing activities		(1,887)	17,808	(1,887)	17,808
Net change in cash and cash equivalents		(6,752)	15,507	(7,389)	15,854
Cash and cash equivalents at the beginning of the year		23,863	8,356	23,179	7,325
Cash and cash equivalents at the end of the year		17,111	23,863	15,790	23,179

The notes on pages 19 to 46 form part of these financial statements

Net Debt Reconciliation
(Group)

	01/4/2019	Cashflow	Other non cash changes	31/3/2020
	£'000	£'000	£'000	£'000
Cash	23,863	(6,752)	-	17,111
	23,863	(6,752)	-	17,111
Borrowings				
Debt due within one year	(756)	983	(1,522)	(1,295)
Debt due after one year	(54,833)	(974)	1,688	(54,119)
	(55,589)	9	166	(55,414)
	(31,726)	(6,743)	166	(38,303)

Net Debt Reconciliation
(Association)

	01/4/2019	Cashflow	Other non cash changes	31/3/2020
	£'000	£'000	£'000	£'000
Cash	23,179	(7,389)	-	15,790
	23,179	(7,389)	-	15,790
Borrowings				
Debt due within one year	(756)	983	(1,522)	(1,295)
Debt due after one year	(54,833)	(974)	1,688	(54,119)
	(55,589)	9	166	(55,414)
	(32,410)	(7,380)	166	(39,624)

The notes on pages 19 to 46 form part of these financial statements

1. Accounting Policies

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

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

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

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

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

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

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

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 24). The net defined benefit pension liability at 31 March 2020 was £110k.

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

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

Management deem any gain or loss on disposal of housing property to be part of the operating activities.

Management reviews its estimates of the useful lives of goodwill and depreciable assets at each reporting date, using both internal and external advice. See continuation of note 1 for depreciation information.

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

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

1. Accounting Policies (Contd.)

- The prevailing economic climate, both internationally and locally and its impact, if any, on the Association's viability.
- The financial position of the Association and the impact if any of perceived weaknesses on the Association's viability.
- The short, medium and long term financial prospects resulting from the modelling exercise carried out annually in updating the Association's 30 year Business Plan including sensitivity analysis and independent verification of key underlying assumptions.
- The impact of COVID 19 on the wider community and effect this will have on the economic climate.

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

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

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

Financial Assets – Debtors

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

Financial Liabilities – Trade Creditors

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

Borrowings

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

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

1. Accounting Policies (Contd.)

Basis of consolidation
The Association has a wholly owned non-charitable subsidiary, Persevere Developments Limited and a community interest company, Quay Community Improvements CIC. During the year the Association acquired TB Mackay and energy services & repair company from the 13 December and consolidated these figures from that point into the group accounts. These group accounts consolidate those of Port of Leith Housing Association Limited and its subsidiaries for the year to 31 March 2020.

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

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

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

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

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

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

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

Useful economic lives for identified components are as follows:

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

1. Accounting Policies (Contd.)

Works to existing properties

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

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

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

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

Housing Association Grant and other capital grants

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

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

Impairment

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

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

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Taxation

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

1. Accounting Policies (Contd.)

Pension Costs

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

As at the year ended 31 March 2020, the net defined benefit pension deficit liability was £110k, which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2020, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 24 for more details.

Operating leases

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

Business Combinations

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

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

Intangible assets – Goodwill

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

2. Turnover

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
Income from lettings	15,310	15,284	13,075	12,601
Rent losses from voids	(94)	(105)	(84)	(90)
	15,216	15,179	12,991	12,511
Management services and other income	6,854	3,389	6,785	5,638
Total turnover	22,070	18,568	19,776	18,149

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

	Turnover	**Operating Costs**	**2020 Operating Surplus**	**2019 Operating Surplus**
	£'000	£'000	£'000	£'000
Income and expenditure from affordable letting and other activities				
Affordable letting activities – note 4(a)	19,308	(12,626)	6,682	6,496
Other activities – note 5(a)	2,762	(5,030)	(2,268)	(2,279)
Total 2020	22,070	(17,656)	4,414	4,217
Total 2019	18,568	(14,351)	4,217	

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

	Turnover	**Operating Costs**	**2020 Operating Surplus**	**2019 Operating Surplus**
	£'000	£'000	£'000	£'000
Income and expenditure from affordable letting and other activities				
Affordable letting activities – note 4(b)	17,079	(12,329)	4,750	4,689
Other activities – note 5(b)	2,697	(3,699)	(1,002)	(534)
Total 2020	19,776	(16,028)	3,748	4,155
Total 2019	18,149	(13,994)	4,155	

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

	Housing Accom-modation	Shared Ownership Accom-modation	Mid Market Accom-modation	2020	2019
	£'000	£'000	£'000	£'000	£'000
Income from affordable letting activities					
Rent receivable net of identifiable service charges	11,650	513	2,237	14,400	13,484
Service charges receivable (see pg 26)	685	230	-	915	934
Gross rents receivable	12,335	743	2,237	15,315	14,418
Less: Rent losses from voids	(79)	(5)	(10)	(94)	(105)
Net rents receivable	12,256	738	2,227	15,221	14,313
Grants released from deferred income (social)	2,380	83	-	2,463	2,609
Gain from the disposal of properties	1,486	92	-	1,578	866
Supporting People Income Receivable	46	-	-	46	52
Total income from affordable letting activities	16,168	913	2,227	19,308	17,840
Expenditure on affordable letting activities					
Services (pg 26)	710	-	-	710	778
Management and maintenance administration costs	2,489	94	28	2,611	2,714
Reactive maintenance	1,727	36	-	1,763	1,456
Planned and cyclical maintenance including major repair costs	3,027	47	5	3,079	2,194
Rent losses from bad debts	108	-	(5)	103	35
Housing Depreciation	4,247	113	-	4,360	4,167
Housing impairment	-	-	-	-	-
Total expenditure on affordable letting activities	12,308	290	28	12,626	11,344
Operating surplus on affordable letting activities	3,860	623	2,199	6,682	6,496
Operating surplus 2019	5,189	111	1,196	6,496	

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

	Housing Accom-modation	Shared Ownership Accom-modation	2020	2019
	£'000	£'000	£'000	£'000
Income from affordable letting activities				
Rent receivable net of identifiable service charges	11,790	372	12,162	11,666
Service charges receivable (see below)	903	10	913	934
Gross rents receivable	12,693	382	13,075	12,600
Less: Rent losses from voids	(86)	2	(84)	(89)
Net rents receivable	12,607	384	12,991	12,511
Grants released from deferred income (social)	2,380	83	2,463	2,609
Gain on sale of properties	1,486	92	1,578	866
Supporting People Income Receivable	47	-	47	52
Total income from affordable letting activities	16,520	559	17,079	16,038
Expenditure on affordable letting activities				
Services (see below)	671	-	671	930
Management and maintenance administration costs	2,445	93	2,538	2,676
Reactive maintenance	1,641	26	1,667	1,439
Planned and cyclical maintenance including major repair costs	2,936	50	2,986	2,114
Rent losses from bad debts	108	-	108	23
Housing Depreciation	4,246	113	4,359	4,167
Housing impairment	-	-	-	-
Total expenditure on affordable letting activities	12,047	282	12,329	11,349
Operating surplus on affordable letting activities	4,473	277	4,750	4,689
Operating surplus 2019	4,617	72	4,689	

Services

Included within the service charges receivable above are amounts relating to non-eligible housing benefit amounting to £11k (2019: £11k. Supporting People income receivable for Scheme Co-ordinator support for the Association's sheltered housing schemes is disclosed above. This income covers part of the cost of providing this service with the balance being recovered from service charges. The Association feels that to disclose the Supporting People income under "Other Activities" in note 5 would not show a true position in relation to these services.

5(a). Other Activities: Group

	Grants	Other Income	Total Turnover	Operating Costs	2020 Operating Surplus/ (deficit)	2019 Operating Surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Wider role activities	117	-	117	(727)	(610)	(54)
Factoring	-	60	60	(28)	32	37
Development & construction of property activities	-	-	-	(1,611)	(1,611)	(1,667)
Other agency/ management service	-	1,905	1,905	(123)	1,782	174
Commercial rent	-	69	69	-	69	67
Adaptations income	-	65	65	(72)	(7)	(19)
Leasing fee	-	-	-	-	-	-
MM grant amortisation	-	210	210	-	210	175
Mid Market (MM) properties depreciation	-	-	-	(604)	(604)	(502)
Other activities	-	336	336	(1,865)	(1,529)	(490)
Total from other Activities	117	2,645	2,762	(5,030)	(2,268)	(2,279)
Total 2019	80	648	728	(3,007)	(2,279)	

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

5(b). Other Activities: Association

	Grants	Other Income	Total Turnover	Operating Costs	2020 Operating Surplus/ (deficit)	2019 Operating Surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Wider role activities	117	-	117	(720)	(603)	(88)
Factoring	-	60	60	(27)	33	36
Development & construction of property activities	-	-	-	(1,602)	(1,602)	(1,673)
Other agency/ management service	-	268	268	(120)	148	93
Commercial rent	-	69	69	-	69	67
Adaptations income	-	65	65	(72)	(7)	(19)
Leasing fee	-	1,571	1,571	-	1,571	1,339
MM grant amortisation	-	210	210	-	210	175
Mid Market (MM) properties depreciation	-	-	-	(604)	(604)	(502)
Gift Aid	-	-	-	-	-	-
Other activities	-	337	337	(554)	(217)	38
Total from other activities	117	2,580	2,697	(3,699)	(1,002)	(534)
Total 2019	81	2,030	2,111	(2,645)	(534)	

6. Surplus on ordinary activities before taxation

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation is stated after:				
Depreciation	5,108	4,789	5,068	4,792
Amortisation	32	22	32	21
Auditor's remuneration				
Audit services	29	21	17	14
Non-audit services	72	32	66	31

7. Key management personnel

Members of the Leadership Team, consisting of the Chief Executive, 3 Directors and a Head of Department are defined as the key management of the Association. No emoluments were paid to any member of the Board of Management during the year and details of emoluments paid to key management follow. Emoluments are inclusive of one company vehicle.

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
Total emoluments of key management [excluding pension contributions but including benefits in kind for the year being a company vehicle]	438	406	400	406
Pension contributions on above	54	58	54	58

	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
The emoluments of the highest paid officer, excluding pension contributions	106	102	106	102
Pension contributions on above	17	17	17	17

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

	Group		Association	
	2020	**2019**	**2020**	**2019**
	No	No	No	No
£60,001 to £70,000	1	1	1	1
£70,001 to £80,000	-	3	-	3
£80,001 to £90,000	2	-	2	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	1	1	1	1

Expenses payable to Board Members for out of pocket expenses amounted to £291 (2019: £nil).

8. Employee information

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
Staff costs (including key management personnel) during the year were as follows: -				
Wages and salaries	4,597	3,115	3,539	3,007
Social security costs	446	323	354	305
Pension costs	386	324	352	331
Pension liability remeasurement	14	854	14	854
Temp staff cost	175	120	175	120
	5,618	4,736	4,434	4,617

Pension costs do not include past deficit contributions of £372k (2019: £343k) which are now charged to the defined benefit pension deficit liability under FRS 102 (see note 24).

The average monthly number of persons employed by the Association during the year (including part-time staff) was as follows:

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
Office staff	114	99	82	99
Cleaning Team staff	17	-	17	-
Sheltered Accommodation Staff	7	7	7	7
Total Staff	138	106	106	106
Full-time equivalent total staff	130	98	99	98

9. Interest

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
Interest receivable and similar income				
Interest receivable on bank balances	88	35	100	46
	88	35	100	46
Interest payable and similar charges				
Interest payable on loans & Hire Purchase	2,148	1,869	2,148	1,869
Less: capitalised	(322)	(134)	(322)	(134)
	1,826	1,735	1,826	1,735
Net finance costs on defined benefit pension (see note 24)	52	53	52	53
	1,878	1,788	1,878	1,788

10. Taxation

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
(a) Tax expense included in comprehensive income			-	-
Current tax on surplus on ordinary activities				
UK corporation tax	98	-	-	-
Total current tax (note 10(b))	98	-	-	-
Tax on ordinary activities	98	-	-	-

(b) Reconciliation of tax expense included in comprehensive income

The tax on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation	2,624	2,464	1,970	2,415
Tax calculated at 19 % (2018: 19%)	499	468	374	459
Exempt charitable activities	(401)	(452)	(374)	(459)
Group relief claimed		(16)	-	-
Adjustment to tax charge in respect of previous period		-	-	-
Tax expense (refund) for the year (note 10(a))	98	-	-	-

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

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

	Housing Properties held for Letting	Shared Ownership Properties held for Letting	Housing Properties in course of Construction	Housing Properties Total
	£'000	£'000	£'000	£'000
Cost/Valuation				
At 1 April 2019	211,204	7,189	16,872	235,265
Additions – properties under construction	-	-	18,584	18,584
Capitalised improvements including components	234	-	132	366
Disposals including replaced components	(1,133)	(176)		(1,309)
Schemes and components completed	7,950	-	(7,950)	-
At 31 March 2020	218,255	7,013	27,638	252,906
Depreciation				
At 1 April 2019	51,637	1,285	-	52,922
Charged for the year	4,850	113	-	4,963
Disposals including replaced components	(835)	(17)	-	(852)
At 31 March 2020	55,652	1,381	-	57,033
Net book value				
At 31 March 2020	162,603	5,632	27,638	195,873
At 31 March 2019	159,567	5,904	16,872	182,343

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

Housing properties includes properties developed for mid-market rent and leased to Persevere Developments Limited (note 27).

For major repairs during the year the Association spent £2,357k (2019: £3,442k): £366k (2019: £1,929k) was capitalised for replacement components; and £1,991k (2019: £1,261k) was expensed through operating costs in the Statement of Comprehensive Income.

Interest capitalised in the year amounted to £322k (2019: £135k). The interest capitalised was in respect of the interest paid on loans used specifically for new development expenditure.

Interest capitalised on fixed assets is capitalised at a rate of 3.84% (2019: 3.9%).

Fixed assets pledged as security amount to £93m (2019: £75m).

The value of land amounts to £15,1m (2019: £15,1m).

12 a. Other fixed assets – Group

	Heritable Property	Computer Equipment	Office Furniture & Equipment	Motor Vehicles	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost/Valuation						
At 1 April 2019	3,407	800	198	112	2	4,519
TBM opening balances 13 December 2019	-	91	46	663		800
Additions during year	61	1	4	60	-	126
Reversal of accrual	(160)	-	-	-	-	(160)
Disposals during the year	-	-	-	(20)	-	(20)
At 31 March 2020	3,308	892	248	815	2	5,265
Depreciation						
At 1 April 2019	914	759	187	61	1	1,922
TBM Opening balances 13 December 2019	-	63	28	463	-	554
Charged during year	66	25	6	47	1	145
Disposals during the year	-	-	-	(18)	-	(18)
At 31 March 2020	980	847	221	553	2	2,603
Net book value						
At 31 March 2020	2,328	45	27	262	-	2,662
At 31 March 2019	2,493	41	11	51	-	2,597

12b. Other fixed assets – Association

	Heritable Property	Computer Equipment	Office Furniture & Equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost/Valuation					
At 1 April 2019	3,407	800	198	112	4,517
Additions during year	61	-	-	-	61
Reversal of accrual	(160)	-	-	-	(160)
Disposals during the year	-	-	-	-	-
At 31 March 2020	3,308	800	198	112	4,418
Depreciation					
At 1 April 2019	914	759	187	61	1,921
Charged during year	66	22	4	13	105
Disposals during the year	-	-	-	-	-
At 31 March 2020	980	781	191	74	2,026
Net book value					
At 31 March 2020	2,328	19	7	38	2,392
At 31 March 2019	2,493	41	11	51	2,596

12c. Intangible assets – Group and Association

	£'000
Cost/Valuation	
At 1 April 2019	189
Additions during year	14
At 31 March 2020	203
Amortisation	
At 1 April 2019	37
Charged during year	32
At 31 March 2020	69
Net book value	
At 31 March 2020	134
At 31 March 2019	152

13. Goodwill

	£'000
GROUP	
Cost	
As at 1 April 2019	-
Addition on acquisition of trade and assets (note 15)	2,977
As at 31 March 2020	2,977
Amortisation	
As at 1 April 2019	-
Amortisation recognised in the statement of comprehensive income	-
As at 31 March 2020	-
Carrying amount	
31 March 2020	2,977
31 March 2019	-

The amortisation of goodwill is included in other activities.

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

14. Investments – Association

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

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

Cost	**Total £'000**
At 31 March 2019	-
Additions	3,772
At 31 March 2020	3,772
Provisions for impairment	
At 31 March 2019	-
Impairment loss	-
At 31 March 2020	-
Carrying amount	
At 31 March 2020	3,772
At 31 March 2019	-

15. Acquisition

On 13 December 2019, Port of Leith Housing Association acquired 100 per cent of the issued share capital of T.B Mackay energy services. T.B Mackay is a company incorporated in the UK which provides heating, electrical and plumbing services. The cost of the acquisition comprised cash consideration of £1,407k; acquisition costs of £167k and contingent consideration of £2,198k. The contingent consideration is based on the attainment of future earnings in excess of profits of £280k by 30 November on each of the next three years, the maximum and minimum amounts payable are £1.9m and £nil, respectively over the three years. If profits to 30 November 2020 were between £281k to £460k for period to 30 November 2020 then £633k would be paid out (being the first of three years of earn-out pay-outs recognised). Profits in excess of this can be carried forward or back; profits less than this wold attract no payout.

Consolidated turnover and consolidated profit after tax comprise turnover of £2,464k and profit after tax of £337k contributed by T.B Mackay between the 13 December 2019 and the 31 March 2020.

The goodwill arising on acquisition of £2,977k is considered to have a useful life of 10 years.

T.B Mackay has been accounted for using the purchase method of accounting. At 13 December 2019, the assets and liabilities of T.B Mackay were consolidated at their fair values to the Port of Leith Group, as set out below:

15. Acquisition (Contd.)

	Initial book value	Fair value adjustment	Fair value at date of acquisition
	£'000	£'000	£'000
Intangible fixed assets	-	-	
Tangible fixed assets	246	-	246
Investments	-	-	-
Stocks	169	-	169
Trade debtors	832	-	832
Other debtors	338	-	338
Prepayments	29	-	29
Cash at bank	273	-	273
Total assets	1,887	-	1,887
Bank loans	-	-	-
Trade creditors	308	-	308
Other creditors	637	-	637
Accruals			
Provisions:	-	-	-
- Pensions	-	-	-
-Tax	147	-	147
Total liabilities	1,092	-	1,092
Net assets	795	-	795

	Fair value at date of acquisition
	£'000
Goodwill	2,977
Total consideration	3,772

Satisfied by:

Cash	1,407
Contingent consideration	2,198
Acquisition costs	167
	3,772

16.Stock

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
	177	-	-	-
Finished goods and goods for resale	177	-	-	-

17. Debtors

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
Arrears of rent	598	457	593	458
Less: bad debt provision	(235)	(184)	(181)	(174)
	363	273	412	284
Group debtors – Intercompany Loan to QCI	-	-	174	174
Group debtors - Other	-	-	46	12
Other debtors and prepayments	2,685	277	1,395	253
Accrued income – property sale proceeds	-	190	-	190
	3,048	740	2,027	913

The Association is due £174k from Quay Community Improvements. £164k of this is due after more than a year.

18. Creditors: amounts falling due within one year

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
Housing loans (note 19)	1,295	756	1,295	756
Prepaid rent	447	373	449	376
Contractors for retentions unpaid and certified work	679	410	679	410
HAG recycled	243	119	243	119
Group creditors	-	-	492	5
Trade creditors	731	242	702	231
Sundry creditors	2,189	1,222	927	1,212
Maintenance and general accruals	1,124	2,496	1,059	2,465
Other Creditors	1,001	-	1,001	-
Deferred capital grant (note 20)	2,652	2,634	2,652	2,634
Corporation tax	98	-	-	-
	10,459	8,252	9,499	8,208

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

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
Housing loans	54,119	54,833	54,119	54,833
Deferred Tax	-	-	-	-
Other Creditors	1,206	-	1,196	-
Deferred capital grant (note 20)	112,675	105,304	112,675	105,304
	168,000	160,137	167,990	160,137

19. Creditors: amounts falling due after more than one year (cont.)

Housing loans from building societies and banks are secured by specific charges on the Association's housing properties and are repayable at interest rates varying from 1.20% to 5.52% (2019: 3.31% to 5.52%) over a period of between 4 and 19 years in instalments due as follows:

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
In one year or less	1,295	756	1,295	756
Between one and two years	1,295	1,136	1,295	1,136
Between two and five years	3,883	3,407	3,883	3,407
In five or more years	48,941	50,291	48,941	50,291
	55,414	55,590	55,414	55,590
Amounts falling due within one year	1,295	756	1,295	756
Amounts falling due after more than one year	54,119	54,833	54,119	54,833
	55,414	55,589	55,414	55,589

20. Deferred capital grant

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
At 1 April	107,938	106,586	107,938	106,586
Grant received during the year	10,282	4,255	10,282	4,255
Grant repaid during the year	(369)	(465)	(369)	(465)
Released to income in the year	(2,524)	(2,438)	(2,524)	(2,438)
At 31 March	115,327	107,938	115,327	107,938

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

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
In one year or less	2,652	2,634	2,652	2,634
In more than one year	112,675	105,304	112,675	105,304
	115,327	107,938	115,327	107,938

21. Share capital

	2020	2019
	£'000	£'000
At 1 April	177	190
Issued during the year	3	8
Surrendered during the year	(19)	(21)
At 31 March	161	177

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

22. Cash flow from operating activities

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Surplus for the year after tax	2,526	2,464	1,970	2,413
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	5,108	4,789	5,068	4,792
Amortisation of tangible fixed assets	32	22	32	21
Decrease/(Increase) in stock	(8)	-	-	-
(Decrease)/increase in trade and other debtors	(1,109)	49	(1,116)	470
Increase/(decrease) in trade and other creditors	1,828	960	2,092	942
Pension cost less contributions payable	(309)	(302)	(309)	(302)
Pension Remeasurement	-	-	-	-
Carrying amount of tangible fixed asset disposals	-	-	-	-
Tax provided	-	-	-	-
Adjustments for investing or financing activities:				
Proceeds from the sale of tangible fixed assets	(1,481)	(833)	(1,483)	(866)
Government grants utilised in the year	(2,524)	(2,438)	(2,524)	(2,439)
Interest payable	1,878	1,788	1,878	1,788
Interest received	(88)	(35)	(100)	(46)
Loan at deemed cost	(166)	-	(166)	-
Cash generated from operating activities	5,687	6,464	5,342	6,773
Tax paid	98	(27)	-	-
Net cash generated from operating activities	5,785	6,437	5,342	6,773

23. Pension Provision (Group and Association)

	31 March 2020	31 March 2019
	£'000	£'000
Provision at start of period	-	1,397
Unwinding of the discount factor (interest expense)	-	-
Deficit contributions paid	-	-
Remeasurements – impact of any change in assumptions	-	-
Remeasurements – amendments to the contribution schedule	-	-
Change in accounting (Note 24)	-	(1,397)
Provision at end of period	-	-

24. Pension Obligations

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.
The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

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

Sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2015 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2020 by a qualified independent actuary.

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

	2020	**2019**
	£'000	£'000
Fair value of plan assets	11,769	11,138
Present value of defined benefit obligation	(11,879)	(13,550)
(Deficit) in plan	(110)	(2,412)
Unrecognised surplus	-	-
Defined benefit (liability) / asset to be recognised	(110)	(2,412)
Deferred tax	-	-
Net defined benefit (liability)/asset to be recognised	(110)	(2,412)

Reconciliation of the impact of the asset ceiling

	2020	**2019**
	£'000	£'000
Impact of asset ceiling at start of period	-	-
Effect of the asset ceiling included in net interest cost	-	-
Actuarial losses (gains) on asset ceiling	-	-
Impact of asset ceiling at end of period	-	-

24. Pension Obligations (Contd.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2020 £'000	2019
Defined benefit obligation at start of period	13,550	13,285
Current service cost	-	-
Expenses	11	11
Interest expense	311	332
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	(268)	(165)
Actuarial losses (gains) due to changes in demographic assumptions	(77)	37
Actuarial losses (gains) due to changes in financial assumptions	(1,404)	895
Benefits paid and expenses	(244)	(845)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	11,879	13,550

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

	2020 £'000	2019
Fair value of plan assets at start of period	11,138	11,045
Interest income	259	279
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	244	297
Contributions by the employer	372	362
Contributions by plan participants	-	-
Benefits paid and expenses	(244)	(845)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	11,769	11,138

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £503k.

24. Pension Obligations (Contd.)

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

	2020 £'000	2019 £'000
Current service cost	-	-
Expenses	11	11
Net interest expense	52	53
Losses (gains) on business combinations	-	-
Losses (gains) on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit costs recognised in statement of comprehensive income (SOCI)	63	64

Defined benefit costs recognised in other comprehensive income

	2020 £'000	2019 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	244	297
Experience gains and losses arising on the plan liabilities - gain (loss)	268	165
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	77	(37)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,404	(895)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	1,993	(470)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-	-
Total amount recognised in other comprehensive income - gain (loss)	1,993	(470)

24. Pension Obligations (Contd.)

Assets	**31 March 2020** £'000	**31 March 2019** £'000
Global Equity	1,619	1,792
Absolute Return	723	943
Distressed Opportunities	215	190
Credit Relative Value	283	193
Alternative Risk Premia	943	622
Fund of Hedge Funds	-	31
Emerging Markets Debt	418	357
Risk Sharing	373	323
Insurance-Linked Securities	316	289
Property	219	221
Infrastructure	694	467
Private Debt	233	144
Opportunistic Illiquid Credit	287	-
Corporate Bond Fund	860	781
Liquid Credit	308	-
Long Lease Property	288	135
Secured Income	653	389
Over 15 Year Gilts	149	286
Index Linked All Stock Gilts	-	-
Liability Driven Investment	3,099	3,963
Net Current Assets	89	12
Total assets	11,769	11,138

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

Key assumptions	**2020 % per annum**	**2019 % per annum**
Discount Rate	2.37%	2.31%
Inflation (RPI)	2.60%	3.29%
Inflation (CPI)	1.60%	2.29%
Salary Growth	2.60%	3.29%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

25. Capital commitments

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'m	£'m	£'m	£'m
Housing developments				
Capital expenditure that has been contracted for but has not been provided for in the accounts	12.26	17.42	12.26	17.42

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

26. Units of Accommodation

Group and Association	**At 1 April 2019**	**Additions**	**Disposals**	**At 31 March 2020**
Property held for letting				
General	2,118	60	(12)	2,166
Sheltered	113	-	-	113
Medium dependency	155	-	-	155
Wheelchair housing	60	-	-	60
Special needs	48	-	-	48
Mid-market rent	276	15	-	291
Shared ownership	128	-	(2)	126
	2,898	75	(14)	2,959

As at 31 March 2020 the number of properties the Association leased to Persevere Developments Limited for onward letting at mid-market rent was 291 (2019: 276).

27. Related party disclosure

The 2 tenant members (2019: 2) of the Board of Management during the year had tenancies on normal terms and the Board Members cannot use their position to their advantage. The amount of rents charged in the year ended 31 March 2020 in respect of the tenancies amounted to £13k (2019: £10k). The rent prepaid at 31 March was £542 (2019: £89).

The Association has leased to Persevere Developments Limited (PDL), its subsidiary company, those properties which it has developed for mid-market rent. Port of Leith Housing Association also provides staff and services to Persevere Developments under a Service Level Agreement (SLA). Under the terms of the lease and SLA quarterly charges commenced in the quarter commencing 1 April following commencement of the lease and will continue over the duration of the lease concluding with a final charge in the quarter following the termination of the lease and SLA. Management charges amounted to £176k (2019: £173k) and leasing fees totalled £1,571k (2019: £1,339k) in the year ended 31 March 2020. PDL owed POLHA £18k (2019: £3k) and POLHA owed PDL £53k (2019: Nil).

Quay Community Improvements provides cleaning services to Port of Leith Housing Association Limited. Invoices amounted to £nil (2019: £335,142) in the period ended 31 March 2020. There is a balance due to Quay Community Improvement CIC at 31 March 2020 of £nil (2019: £5k). The Association has provided a loan to Quay Community Improvements, its subsidiary, and also provides staff and services under a Service Level Agreement (SLA). Management charges amounted to £9k (2019: £38k) and recharges of staff costs amounted to £113k (2019:£19k) in the year ended 31 March 2020. Quay owed PoLHA £202k (2019: £183k). A loan of £174k (2019: £174k) is included in the amount owed.

The Association acquired TB Mackay the energy service company on the 13 December 2019. In the year ended 31 March 2020 POLHA owed TB Mackay £440k in respect of outstanding invoices for maintenance and repair work. In the period from 13 December 2019 to 1 March 2020 PDL has sales to POLHA of £719k.

28. Contingent liabilities

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

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

A form of security in favour of the Pensions Trust for the buy-out liability, as an alternative to payment of the liability, was agreed during 2009. An "account security arrangement" has been entered into with the Pensions Trust and the Association placed on deposit in 2009 the sum of £520,507. The deposit held under the security arrangement must be amended as necessary to reflect the periodic revaluation of the buy-out debt. As at 31 March 2020 the Association has on deposit £1,122,778 being the latest estimate of the potential debt notified by the Pensions Trust based on the draft 2015 triennial valuation. This separate deposit account is included in these accounts.

Port of Leith Housing Association Limited – Pension Scheme
The Pensions Trust has notified the Association of the latest estimate of the debt on withdrawal potentially due by the Association based on the draft 2015 triennial actuarial valuation of the Scheme. This contingent liability, crystallization of which is considered remote due to the continued membership of the Scheme, is estimated at £10,532,983 and includes an amount in respect of Lorne Area Housing Association of £1,112,771.

Housing Association Grant
Grants relating to assets are recognised as a liability which is then amortised or released to income over the lifetime of the related asset. The deferred capital grant disclosed at note 19 represents the remaining capital grants yet to be released to income. The original amounts of these grants become repayable on the sale or disposal of the related assets, unless there is a specific agreement in place to recycle the grant against new property development. Housing Association Grant amortised to 31 March 2020 amounts to £35.4m.

29. Group & Association Reserves

Group	1 April 2019	Income	Expenditure	Pension Actuarial Gain	Transfers In	Transfers Out	31 March 2020
Reserves							
Restricted pension	1,937	-	-	-	-	(883)	1,054
Restricted recycled proceeds	1,415	-	-	-	1,510	(570)	2,355
Total restricted	3,352	-	-	-	1,510	(1,453)	3,409
General	35,542	22,158	(19,632)	1,993	1,453	(1,510)	40,004
Total reserves	38,894	22,158	(19,632)	1,993	2,963	(2,963)	43,413

29. Group & Association Reserves (Contd.)

Association	1 April 2019	Income	Expenditure	Pension Actuarial Gain	Transfers In	Transfers Out	31 March 2020
Reserves							
Restricted pension	1,937	-	-	-	-	(883)	1,054
Restricted recycled proceeds	1,415	-	-	-	1,510	(570)	2,355
Total restricted	3,352	-	-	-	1,510	(1,453)	3,409
General	35,074	19,876	(17,906)	1,993	1,453	(1,510)	38,980
Total reserves	38,426	19,876	(17,906)	1,993	2,963	(2,963)	42,389

30. Commitments under operating leases

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

	2020 £	2019 £
Amounts Due		
Within one year	16,114	8,100
Between one and five years	-	-
	16,114	8,100

31. PDL operating lease

POLHA charges PDL a lease fee for the properties that POLHA owns and PDL collects mid-market rental. This year it amounted to amounted to £1,571k (2019: £1,339k).