PORT OF LEITH HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP ACCOUNTS

For the year ended 31 March 2021

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BOARD, EXECUTIVE and ADVISORS

Board of Management

Members of the Board of Management during the year as at 29 July 2021 were as follows:

Caitlin McCorry	(Chair)
Gordon Munro	
Helen Phillips	
Brian Reilly	
Anthony Gillespie	
Kevin Anderson	
David Welsh	
Liz McLean	
Campbell Whyte – (co-opted 30.7.20; elected 4.9.20)	
Alan Armstrong – (co-opted 18.3.21)	
Nicola Dobson – (co-opted 18.3.21)	
Leigh Eardley – (co-opted 18.3.21)	

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	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP
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 2021.

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

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

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

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

Caitlin McCorry	(Chair)
Richard Bolton – (resigned 28.5.20)	
Gordon Munro	
Philip Neaves – (resigned 4.9.20)	
Helen Phillips	
Brian Reilly	
Anthony Gillespie	
Kevin Anderson	
Jenny Neville – (resigned 14.8.20)	
Gurmit Singh – (resigned 12.3.21)	
Jakub Stojek – (resigned 28.5.20)	
David Welsh	
Liz McLean	
Campbell Whyte – (co-opted 30.7.20, elected 4.9.20)	
Alan Armstrong – (co-opted 18.3.21)	
Nicola Dobson – (co-opted 18.3.21)	
Leigh Eardley – (co-opted 18.3.21)r	

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
Mike Beniston	Director of Group Organisational Development and Placemaking
Ngeme Ntuli	Director of Group Finance and Business Support
Gordon Cameron	Director of Group Operations

The composition of the Board of Management changed during the year resulting from five resignations and four 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.

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 PoLHA Group”, is “Our communities are brilliant” and it is the PoLHA Group’s mission “To make a positive impact on people’s lives in Leith and north Edinburgh by providing affordable homes and services, and creating brilliant communities.

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

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

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

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

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

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

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

- The UK wide Welfare Benefit Reforms may cause an increase in both arrears and bad debt. This risk still sits in the 'moderate' exposure level, primarily because of the likelihood score over which we have no control. The controls in place have mitigated the impact and so we tolerate this risk.
- The Defined Benefit Pension Scheme represents 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.
- Public spending cuts / Government austerity measures may result in a reduction in available HAG meaning more private funding would need to be obtained. 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 reduced the impact and we continue to monitor and 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

There were no new build handovers during 2020-21. This was due to programme delays as a result of Covid-19 and the three-month long site closure which commenced at the start of lockdown in March 2020. The 199 units at Bonnington Mill, Heron Place (Plot 3, Granton Harbour) and Waterfront Plaza will now complete in Summer/Autumn 2021. During the year the Association commenced the

construction of 310 units on its site at Plot S, Granton Harbour, of which 226 will be retained by PoLHA, and 84 will be developed for others. The 43 flats at Bath Road, developed under a Section 75 agreement, also started on site in 2020-21. The Association also continued to project manage future developments on the PoLHA-owned sites at Wellington Place and Constitution Street, and negotiated three Section 75 developments at Ashley Place, Iona Street and Telford Drive.

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

Property management
In 2020-21, 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. 97.78% of our total number of homes in ownership meet SHQS and currently 89.24% of the Association's properties meet the requirements of the EESSH 2020 standard.

Major repair works to properties were largely suspended during 2020-21 due to the COVID-19 pandemic restrictions. No programmed works within occupied properties were undertaken. Some limited external and common area works were undertaken including 2 passenger lift upgrades.

The Association has continued to face challenges in relation to the City of Edinburgh Council's Shared Repairs Service and is continuing 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 33 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 2 projects including 34 Association properties. We also have 22 smaller projects where owners are leading the project negotiations.

In December 2015 the Association received approval from the City of Edinburgh Council and Scottish Government to dispose of 113 pre-1919 tenement flats over a 10 year period. 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 57 properties were sold with a further 3 properties sold during 2020-21 fully removing the Association's liability to a total of 29 common stairs. Board approval was granted during 2020 for the disposal of a further 136 properties over the next 10 years.

Customer feedback
The Association continued to assess its customer requirements and undertook the usual annual postal satisfaction survey of all tenants and sharing owners in autumn 2020. A total of 385 surveys were completed which equates to a 16% response rate. Overall, 89% of households have expressed being very/fairly satisfied with PoLHA as their landlord. While this compares favourably with our peers, the survey also provides some very important pointers towards improving our service further in future and will be used to help shape how our services should be developed and tailored to meet these in future.

The Association also monitors customer satisfaction for key services on an ongoing basis throughout the year. Due to Covid restrictions and the requirements to work from home we were unable to issue customer satisfaction survey for reactive repairs. The Association also asked our customers how likely they were to recommend the Association to a family member, friend or colleague as a way of measuring customer loyalty, known as Net Promotor Score. In 2020, the Association scored 45, which means the majority of our customers would recommend us.

Housing management and support
The Association let 167 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. It continued to work in partnership with other social landlords in the City (including housing associations and the City Council), letting its available social housing through the established Edindex system.

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

The Association has a tenant advice team, consisting of a Money Advice Worker, two Welfare Rights Officers and two Tenancy Sustainment Officers who together provide advice and assistance to tenants with debt, benefit and help and advice on practical issues to help people sustain their tenancies in a positive way. The Scottish Government Debt Advice Levy Fund provided £15,000 for a part time money advisor.

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 1200 adults in Leith and North Edinburgh have received support and training to gain employment, education, qualifications or to improve their prospects of securing better paid, more secure employment. Working in close partnership with Job Centre Plus and a wide range of local providers such as Dr. Bell's, Community Renewal, Street Soccer, Turning Point Scotland and many more. The service has so far delivered an outcome rate of 67%, with many service users gaining permanent employment through its support.

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

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

The Association is also active with its partners as a Board member of the Leith Neighbourhood Partnership, working alongside the City Council, Lothian Health and range of 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 £22,4m (2020: £22,1m) offset by operating costs of £18,3m (2020: £17,7m), leading to an operating surplus of £4,1m (2020: £4,4m) and a net surplus of £224k (2020: £4,5m).

The SHAPS pension scheme's defined benefit liability as at 31 March 2021 is £1,185k (2020: £110k), resulting in an increase in the liability of £1,273k. This has also resulted in an actuarial loss through other comprehensive income of £1,471k (2020: actuarial gain of £1,993k).

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 £43,413k to

£43,739k as at 31 March 2021. 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 Group Chief Executive and 3 Group Directors 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 2021 (2020: £nil). During the year there were no charitable donations made to housing related charities (2020: £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.

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 2021, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Rent Arrears

Management has a preventative measure for managing rent arrears. Information is given to tenants which reinforces responsibility for payment of rent, the possible consequences of falling into arrears and the action we will take if in arrears. Balances are checked on a monthly basis to identify cases where accounts have fallen into arrears and/or arrangements have been broken, allowing for prompt follow up action. We attempt to find out if there are any underlying causes for the arrears 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.

Internal Financial Control

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

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

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

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

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

BY ORDER OF THE BOARD OF MANAGEMENT

Signature

CAITLIN MCCORRY
Chairperson

16 August 2021

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 2021 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Changes in Reserves, Consolidated Statement of Financial Position, Consolidated and Association Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2021 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

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 10, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the group and the Association operate in and how the group and the Association are complying with the legal and regulatory frameworks;

- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Housing SORP 2018, the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the Scottish Housing Regulator's Regulatory Framework (published 2019), the Housing (Scotland) Acts 2006 and 2014 and those in relation to employment, including health and safety. We performed audit procedures to inquire of management whether the Association is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at: https://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
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
Edinburgh
EH3 9QG

Date: 20 August 2021

REPORT BY THE AUDITOR TO THE MEMBERS OF
PORT OF LEITH HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS
For the year ended 31 March 2021

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

Date: 20 August 2021

PORT OF LEITH HOUSING ASSOCIATION LIMITED
CONSOLIDATED AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2021

	Notes	Group		Association	
		2021	**2020**	**2021**	**2020**
		£'000	£'000	£'000	£'000
Turnover	**2/3**	22,432	22,070	19,332	19,776
Operating expenditure	**3**	(18,311)	(17,656)	(15,043)	(16,028)
Operating surplus		4,121	4,414	4,289	3,748
Gain on sale of non-property fixed asset		2	-	2	-
Interest receivable and similar income	**9**	25	88	32	100
Interest payable and similar charges	**9**	(2,457)	(1,878)	(2,452)	(1,878)
Surplus on ordinary activities before taxation		1,691	2,624	1,871	1,970
Taxation on ordinary activities	**10**	4	(98)	-	-
Surplus on ordinary activities after taxation		1,695	2,526	1,871	1,970
Actuarial gains (losses) in respect of pension scheme		(1,471)	1,993	(1,471)	1,993
Total comprehensive income for the year		224	4,519	400	3,963

CONSOLIDATED AND ASSOCIATION STATEMENT OF CHANGES IN RESERVES
For the year ended 31 March 2021

	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 2020	3,409	40,004	43,413	3,409	38,980	42,389
Opening Balance Adjustment	**-**	102	102	-	-	-
Surplus from statement of comprehensive income	**-**	224	224	-	400	400
Transfers (note 27)	454	(454)	-	454	(454)	-
Balance at 31 March 2021	3,863	39,876	43,739	3,863	38,926	42,789

All results relate to continuing activities.

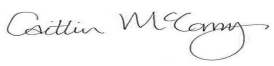
The notes on pages 20 to 45 form part of these financial statements.

PORT OF LEITH HOUSING ASSOCIATION LIMITED
CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION
For the year ended 31 March 2021

	Notes	Group		Association	
		2021	**2020**	**2021**	**2020**
		£'000	£'000	£'000	£'000
Fixed assets					
Housing properties	11	204,028	195,873	204,028	195,873
Other tangible fixed assets	12	2,630	2,662	2,392	2,392
Intangible assets	12	93	134	93	134
Goodwill	13	2,623	2,977	-	-
		209,374	201,646	206,513	198,399
Investments	14	-	-	3,821	3,772
Current assets					
Stock and work in progress	15	1,487	177	1,339	-
Debtors	16	4,243	3,048	4,231	2,027
Cash and cash equivalents		47,250	17,111	45,218	15,790
		52,980	20,336	50,788	17,817
Creditors: amounts falling due within one year	17	(10,255)	(10,459)	(10,017)	(9,499)
Net current assets		42,725	9,877	40,771	8,318
Total assets less current liabilities		252,099	211,523	251,105	210,489
Creditors: amounts falling due after more than one year	18	(207,175)	(168,000)	(207,131)	(167,990)
Defined benefit pension obligations	22	(1,185)	(110)	(1,185)	(110)
Total net assets		43,739	43,413	42,789	42,389
Capital and reserves					
Restricted reserves		3,863	3,409	3,863	3,409
Revenue reserves		39,876	40,004	38,926	38,980
Total capital and reserves	**27**	43,739	43,413	42,789	42,389

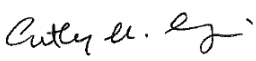
These financial statements were approved and authorised for issue on 29 July 2021 by the Board of Management and signed on 16 August 2021 on its behalf by:

Signature



Chairperson
Caitlin McCorry

Signature



Board Member
Anthony Gillespie

Signature

Secretary
Heather Kiteley

The notes on pages 20 to 45 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 2021

	Notes	Group		Association	
		2021	**2020**	**2021**	**2020**
		£'000	£'000	£'000	£'000
Net cash generated from operating activities	**21**	2,802	5,785	2,544	5,342
Cash flow from investing activities					
Purchase of tangible fixed assets		(13,449)	(19,077)	(13,401)	(19,011)
Purchase of intangible assets		-	(14)	-	(14)
Proceeds from sale of tangible fixed assets		452	1,940	450	1,940
Purchase of subsidiary		(48)	(3,500)	(48)	(3,772)
Grants received in year		4,144	10,282	3,633	10,282
Grants repaid in year		(85)	(369)	(85)	(369)
Interest received		25	88	32	100
Net cash from/ (used in) investing activities		(8,961)	(10,650)	(9,419)	(10,844)
Cash flow from financing activities					
Interest paid		(2,457)	(1,878)	(2,452)	(1,878)
Repayments of borrowings		(1,245)	(983)	(1,245)	(983)
New secured borrowings		40,000	974	40,000	974
Net cash from/(used in) financing activities		36,298	(1,887)	36,303	(1,887)
Net change in cash and cash equivalents		30,139	(6,752)	29,428	(7,389)
Cash and cash equivalents at the beginning of the year		17,111	23,863	15,790	23,179
Cash and cash equivalents at the end of the year		47,250	17,111	45,218	15,790

The notes on pages 20 to 45 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 2021

Net Debt Reconciliation (Group)

	01/4/2020 £'000	Cashflow £'000	Other non cash changes £'000	31/3/2021 £'000
Cash	17,111	30,139	-	47,250
	17,111	30,139	-	47,250
Borrowings				
Debt due within one year	(1,295)	1,245	(1,248)	(1,298)
Debt due after one year	(54,119)	(40,000)	1,209	(92,910)
	(55,414)	(38,755)	(39)	(94,208)
	(38,303)	(8,616)	(39)	(46,958)

Net Debt Reconciliation (Association)

	01/4/2020 £'000	Cashflow £'000	Other non cash changes £'000	31/3/2021 £'000
Cash	15,790	29,428	-	45,218
	15,790	29,428	-	45,218
Borrowings				
Debt due within one year	(1,295)	1,245	(1,248)	(1,298)
Debt due after one year	(54,119)	(40,000)	1,209	(92,910)
	(55,414)	(38,755)	(39)	(94,208)
	(39,624)	(9,327)	(39)	(48,990)

The notes on pages 20 to 45 form part of these financial statements.

1. Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

1. Accounting Policies (Contd.)

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:

- 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.
- Forecasts that cover 12 months from the signing of the accounts.

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; a community interest company, Quay Community Improvements CIC and an energy services & repair company TB Mackay. These group accounts consolidate those of the Association and its subsidiaries on a line by line basis.

Turnover

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

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 2021, the net defined benefit pension deficit liability was £1,185k, which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2021, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 22 for more details.

Operating leases

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

Business Combinations

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

Contingent consideration

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

Intangible assets – Goodwill

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

Work in Progress

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

2. Turnover

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	£'000	£'000	£'000
Income from lettings	16,003	15,310	13,649	13,075
Rent losses from voids	(249)	(94)	(204)	(84)
	15,754	15,216	13,445	12,991
Management services and other income	6,678	6,854	5,887	6,785
Total turnover	22,432	22,070	19,332	19,776

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

	Turnover £'000	**Operating Costs £'000**	**2021 Operating Surplus £'000**	**2020 Operating Surplus £'000**
Income and expenditure from affordable letting and other activities				
Affordable letting activities – note 4(a)	18,618	(10,646)	7,972	6,682
Other activities – note 5(a)	3,814	(7,665)	(3,851)	(2,268)
Total 2021	22,432	(18,311)	4,121	4,414
Total 2020	22,070	(17,656)	4,414	

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

	Turnover £'000	**Operating Costs £'000**	**2021 Operating Surplus £'000**	**2020 Operating Surplus £'000**
Income and expenditure from affordable letting and other activities				
Affordable letting activities – note 4(b)	16,310	(10,192)	6,118	4,750
Other activities – note 5(b)	3,022	(4,851)	(1,829)	(1,002)
Total 2021	19,332	(15,043)	4,289	3,748
Total 2020	19,776	(16,028)	3,748	

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

	Housing Accom-modation £'000	Shared Ownership Accom-modation £'000	Mid Market Accom-modation £'000	2021 £'000	2020 £'000
Income from affordable letting activities					
Rent receivable net of identifiable service charges	12,901	394	1,765	15,060	14,400
Service charges receivable (see pg 26)	766	177	-	943	915
Gross rents receivable	13,667	571	1,765	16,003	15,315
Less: Rent losses from voids	(213)	(10)	(26)	(249)	(94)
Net rents receivable	13,454	561	1,739	15,754	15,221
Grants released from deferred income (social)	2,385	94	-	2,479	2,463
Gain from the disposal of properties	342	-	-	342	1,578
Supporting People Income Receivable	43	-	-	43	46
Total income from affordable letting activities	16,224	655	1,739	18,618	19,308
Expenditure on affordable letting activities					
Services (pg 26)	563	-	-	563	710
Management and maintenance administration costs	2,265	99	23	2,387	2,611
Reactive maintenance	1,599	105	-	1,704	1,763
Planned and cyclical maintenance including major repair costs	1,505	61	-	1,566	3,079
Rent losses from bad debts	18	-	12	30	103
Housing Depreciation	4,283	113	-	4,396	4,360
Housing impairment	-	-	-	-	-
Total expenditure on affordable letting activities	10,233	378	35	10,646	12,626
Operating surplus on affordable letting activities	5,991	277	1,704	7,972	6,682
Operating surplus 2020	3,860	623	2,199	6,682	

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

	Housing Accom-modation £'000	Shared Ownership Accom-modation £'000	2021 £'000	2020 £'000
Income from affordable letting activities				
Rent receivable net of identifiable service charges	12,332	375	12,707	12,162
Service charges receivable (see below)	932	11	943	913
Gross rents receivable	13,264	386	13,650	13,075
Less: Rent losses from voids	(204)	-	(204)	(84)
Net rents receivable	13,060	386	13,446	12,991
Grants released from deferred income (social)	2,385	94	2,479	2,463
Gain from the disposal of properties	342	-	342	1,578
Supporting People Income Receivable	43	-	43	47
Total income from affordable letting activities	15,830	480	16,310	17,079
Expenditure on affordable letting activities				
Services (see below)	513	-	513	671
Management and maintenance administration costs	2,103	93	2,196	2,538
Reactive maintenance	1,390	194	1,584	1,667
Planned and cyclical maintenance including major repair costs	1,389	97	1,486	2,986
Rent losses from bad debts	17	-	17	108
Housing Depreciation	4,283	113	4,396	4,359
Housing impairment				-
Total expenditure on affordable letting activities	9,695	497	10,192	12,329
Operating surplus on affordable letting activities	6,135	(17)	6,118	4,750
Operating surplus 2020	4,473	277	4,750	

Services

Included within the service charges receivable above are amounts relating to non-eligible housing benefit amounting to £13k (2020: £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 £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2021 Operating Surplus/ (deficit) £'000	2020 Operating Surplus/ (deficit) £'000
Wider role activities	268	-	268	(931)	(663)	(610)
Factoring	-	137	137	(1)	136	32
Development & construction of property activities	-	-	-	(2,843)	(2,843)	(1,611)
Other agency/ management service	-	304	304	(332)	(28)	1,660
Commercial rent	-	68	68	-	68	69
Adaptations income	-	68	68	(46)	22	(7)
Leasing fee	-	-	-	-	-	-
MM grant amortisation	-	221	221	-	221	210
Mid Market (MM) properties depreciation	-	-	-	(629)	(629)	(604)
Other activities	-	-	-	(1,347)	(1,347)	(1,529)
TBM subsidiary repairs and maintenance	-	2,208	2,208	(1,536)	672	122
TBM Coronavirus job retention scheme	-	540	540	-	540	-
Total from other Activities	268	3,546	3,814	(7,665)	(3,851)	(2,268)
Total 2020	117	2,645	2,762	(5,030)	(2,268)	

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

5(b). Other Activities: Association

	Grants £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2021 Operating Surplus/ (deficit) £'000	2020 Operating Surplus/ (deficit) £'000
Wider role activities	268	-	268	(861)	(593)	(603)
Factoring		137	137	(1)	136	33
Development & construction of property activities	-	-	-	(2,565)	(2,565)	(1,602)
Other agency/ management service	-	259	259	(309)	(50)	148
Commercial rent	-	68	68	-	68	69
Adaptations income	-	68	68	(46)	22	(7)
Leasing fee	-	1,625	1,625	-	1,625	1,571
MM grant amortisation	-	221	221	-	221	210
Mid Market (MM) properties depreciation				(629)	(629)	(604)
Gift Aid	-	190	190	-	190	-
Other activities	-	186	186	(440)	(254)	(217)
Total from other Activities	268	2,754	3,022	(4,851)	(1,829)	(1,002)
Total 2020	117	2,580	2,697	(3,699)	(1,002)	

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

6. Surplus on ordinary activities before taxation

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Surplus on ordinary activities before taxation is stated after:				
Depreciation	5,210	5,108	5,133	5,068
Amortisation	444	32	41	32
Auditor's remuneration				
Audit services	40	29	24	17
Non-audit services	41	72	33	66

7. Key management Personnel

Members of the Leadership Team, consisting of the Chief Executive, and 3 Directors 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	
	2021 £'000	**2020 £'000**	**2021 £'000**	**2020 £'000**
Total emoluments of key management [excluding pension contributions but including benefits in kind for the year being a company vehicle]	445	438	344	400
Pension contributions on above	41	54	41	54

	2021 £'000	**2020 £'000**	**2021 £'000**	**2020 £'000**
The emoluments of the highest paid officer, excluding pension contributions	108	106	108	106
Pension contributions on above	8	17	8	17

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

	Group		Association	
	2021 £'000	**2020 £'000**	**2021 £'000**	**2020 £'000**
£60,001 to £70,000	-	1	-	1
£70,001 to £80,000	2	-	2	-
£80,001 to £90,000	1	2	1	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 £0 (2020: £291).

8. Employee information

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Staff costs (including key management personnel) during the year were as follows: -				
Wages and salaries	5,567	4,597	3,166	3,539
Social security costs	548	446	324	354
Pension costs	358	386	297	352
Pension liability remeasurement	43	14	43	14
Temp staff cost	198	175	198	175
	6,714	5,618	4,028	4,434

Pension costs do not include past deficit contributions of £375k (2020: £372k) which are now charged to the defined benefit pension deficit liability under FRS 102 (see note 22).

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

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Office staff	169	114	81	82
Cleaning Team staff	16	17	16	17
Sheltered Accommodation Staff	7	7	7	7
Total Staff	192	138	104	106
Full-time equivalent total staff	184	130	99	99

9. Interest

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Interest receivable and similar income				
Interest receivable on bank balances	25	88	32	100
	25	88	32	100
Interest payable and similar charges				
Interest payable on loans & Hire Purchase	2,808	2,148	2,808	2,148
Less: capitalised	(355)	(322)	(355)	(322)
	2,453	1,826	2,453	1,826
Net finance costs on defined benefit pension (see note 22)	(1)	52	(1)	52
	2,452	1,878	2,452	1,878

10. Taxation

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
(a) Tax expense included in comprehensive income			-	-
Current tax on surplus on ordinary activities				
UK corporation tax	(4)	98	-	-
Total current tax (note 10(b))	(4)	98	-	-
Tax on ordinary activities	(4)	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% (2020: 19%). The differences are reconciled below:

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Surplus on ordinary activities before taxation	1,880	2,624	1,911	1,970
Tax calculated at 19% (2020: 19%)	357	499	363	374
Exempt charitable activities	(357)	(401)	(363)	(374)
Group relief claimed	-	-	-	-
Adjustment to tax charge in respect of previous period	(4)	-	-	-
Tax expense / (refund) for the year (note 10(a))	(4)	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 arises in the year on the Association's non-housing activities.

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

	Housing Properties held for Letting £'000	Shared Ownership Properties held for Letting £'000	Housing Properties in course of Construction £'000	Housing Properties Total £'000
Cost				
At 1 April 2020	218,255	7,013	27,638	252,906
Additions – properties under construction			13,018	13,018
Capitalised improvements including components	263	-	-	263
Disposals including replaced components	(240)	-	-	(240)
Schemes and components completed	-	-	-	-
At 31 March 2021	218,278	7,013	40,656	265,947
Depreciation				
At 1 April 2020	55,652	1,381	-	57,033
Charged for the year	4,912	113	-	5,025
Disposals including replaced components	(139)	-	-	(139)
At 31 March 2021	60,425	1,494	-	61,919
Net book value				
At 31 March 2021	157,853	5,519	40,656	204,028
At 31 March 2020	162,603	5,632	27,638	195,873

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

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

For major repairs during the year the Association spent £1,452k (2020: £2,357k): £263k (2020: £366k) was capitalised for replacement components; and £893k (2020: £1,991k) was expensed through operating costs in the Statement of Comprehensive Income.

Interest capitalised in the year amounted to £355k (2020: £322k). 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 3.38% (2020: 3.84%).

Fixed assets pledged as security amount to £126m (2020: £93m).

The value of land amounts to £15m (2020: £15.1m).

12a. Other fixed assets – Group

	Heritable Property £'000	Computer Equipment £'000	Office Furniture & Equipment £'000	Motor Vehicles £'000	Other £'000	Total £'000
Cost						
At 1 April 2020	3,308	892	248	815	2	5,265
Additions during year	-	102	1	67	-	170
Disposals during the year	-	(1)	-	(56)	-	(57)
At 31 March 2021	3,308	993	249	826	2	5,378
Depreciation						
At 1 April 2020	980	847	221	553	2	2,603
Charged during year	66	35	6	78	-	185
Disposals during the year	-	-	-	(40)	-	(40)
At 31 March 2021	1,046	882	227	591	2	2,748
Net book value						
At 31 March 2021	2,262	111	22	235	-	2,630
At 31 March 2020	2,328	45	27	262	-	2,597

12b. Other fixed assets – Association

	Heritable Property £'000	Computer Equipment £'000	Office Furniture & Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 April 2020	3,308	800	198	112	4,418
Additions during year	-	100	-	20	120
Disposals during the year	-	-	-	(21)	(21)
At 31 March 2021	3,308	900	198	111	4,517
Depreciation					
At 1 April 2020	980	781	191	74	2,026
Charged during year	66	28	2	12	108
Disposals during the year	-	-	-	(9)	(9)
At 31 March 2021	1,046	809	193	77	2,125
Net book value					
At 31 March 2021	2,262	91	5	34	2,392
At 31 March 2020	2,328	19	7	38	2,596

12c. Intangible assets – Group and Association

	£'000
Cost	
At 1 April 2020	203
Additions during year	-
At 31 March 2021	203
Amortisation	
At 1 April 2020	69
Charged during year	41
At 31 March 2021	110
Net book value	
At 31 March 2021	93
At 31 March 2020	134

13. Goodwill

	£'000
GROUP	
Cost	
As at 1 April 2020	2,977
Discount adjustment	49
As at 31 March 2021	3,026
Amortisation	
As at 1 April 2020	-
Amortisation recognised in the statement of comprehensive income	403
As at 31 March 2021	403
Carrying amount	
As at 31 March 2021	2,623
As at 31 March 2020	2,977

The amortisation of goodwill is included in other activities.

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

14. Investments – Association

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

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

	Total
	£'000
Cost	
At 31 March 2020	3,772
Discount adjustment	49
At 31 March 2021	3,821
Provisions for impairment	
At 31 March 2020	-
Impairment loss	-
At 31 March 2021	-
Carrying amount	
At 31 March 2021	3,821
At 31 March 2020	3,772

15. Stock

	Group		**Association**	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Development costs incurred on behalf of Cairn HA & Dean Cauvin Young Peoples Trust	1,339	-	1,339	-
Finished goods and goods for resale	148	177	-	-
	1,487	177	1,339	-

16. Debtors

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Arrears of rent	560	598	515	593
Less: bad debt provision	(176)	(235)	(160)	(181)
	384	363	355	412
Group debtors – Intercompany Loan to QCI	-	-	174	174
Group debtors – Other	-	-	240	46
Other debtors and prepayments	3,810	2,685	3,413	1,395
Accrued income	49	-	49	-
	4,243	3,048	4,231	2,027

The Association is due £174k from Quay Community Improvements (2020: £174k). £164k of this is due after more than a year (2020: £164k).

17. Creditors: amounts falling due within one year

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Housing loans (note 18)	1,298	1,295	1,298	1,295
Prepaid rent	520	447	508	449
Contractors for retentions unpaid and certified work	989	679	989	679
HAG recycled	-	243	-	243
Group creditors	-	-	298	492
Trade creditors	754	731	549	702
Sundry creditors	1,425	2,189	1,344	927
Maintenance and general accruals	1,363	1,124	1,114	1,059
Other Creditors	1,267	1,001	1,267	1,001
Deferred capital grant (note 20)	2,650	2,652	2,650	2,652
Corporation tax	(11)	98	-	-
	10,255	10,459	10,017	9,499

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

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Housing loans	92,910	54,119	92,910	54,119
Deferred Tax	43	-	-	-
Other Creditors	613	1,206	612	1,196
Deferred capital grant (note 20)	113,609	112,675	113,609	112,675
	207,175	168,000	207,131	167,990

18. 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 1.07% to 5.52% (2020: 1.20% to 5.52%) over a period of between 4 and 19 years in instalments due as follows:

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less	1,298	1,295	1,298	1,295
Between one and two years	1,298	1,295	1,298	1,295
Between two and five years	3,869	3,883	3,869	3,883
In five or more years	87,743	48,941	87,743	48,941
	94,208	55,414	94,208	55,414
Amounts falling due within one year	1,298	1,295	1,298	1,295
Amounts falling due after more than one year	92,910	54,119	92,910	54,119
	94,208	55,414	94,208	55,414

19. Deferred capital grant

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
At 1 April	115,327	107,938	115,327	107,938
Grant received during the year	3,633	10,282	3,633	10,282
Grant repaid during the year	(85)	(369)	(85)	(369)
Released to income in the year	(2,615)	(2,524)	(2,615)	(2,524)
At 31 March	116,260	115,327	116,260	115,327

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

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less	2,651	2,652	2,651	2,652
In more than one year	113,609	112,675	113,609	112,675
	116,260	115,327	116,260	115,327

20. Share capital

	2021 £'000	2020 £'000
At 1 April	161	177
Issued during the year	3	3
Surrendered during the year	(14)	(19)
At 31 March	150	161

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

21. Cash flow from operating activities

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Surplus for the year after tax	1,695	2,526	1,871	1,970
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	5,210	5,108	5,133	5,068
Amortisation of tangible fixed assets	444	32	41	32
Decrease/(Increase) in stock	(1,310)	(8)	(1,339)	-
(Decrease)/increase in trade and other debtors	(1,192)	(1,109)	(2,203)	(1,116)
Increase/(decrease) in trade and other creditors	(589)	1,828	(31)	2,092
Pension cost less contributions payable	(395)	(309)	(397)	(309)
Carrying amount of tangible fixed asset disposals	116	-	114	-
Tax provided	(4)	-	-	-
Adjustments for investing or financing activities:				
Proceeds from the sale of tangible fixed assets	(450)	(1,481)	(450)	(1,483)
Government grants utilised in the year	(3,155)	(2,524)	(2,615)	(2,524)
Interest payable	2,457	1,878	2,452	1,878
Interest received	(25)	(88)	(32)	(100)
Loan at deemed cost	-	(166)	-	(166)
Cash generated from operating activities	2,802	5,687	2,544	5,342
Tax paid	-	98	-	-
Net cash generated from operating activities	2,802	5,785	2,544	5,342

22. Pension Obligations

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £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 2018 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

	2021 £'000	2020 £'000
Fair value of plan assets	12,697	11,769
Present value of defined benefit obligation	(13,882)	(11,879)
(Deficit) in plan	(1,185)	(110)
Unrecognised surplus		-
Defined benefit (liability) / asset to be recognised	(1,185)	(110)
Deferred tax	-	-
Net defined benefit (liability)/asset to be recognised	(1,185)	(110)

Reconciliation of the impact of the asset ceiling

	2021 £'000	2020 £'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	-	-

22. Pension Obligations (Contd.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2021 £'000	2020 £'000
Defined benefit obligation at start of period	11,879	13,550
Current service cost	-	-
Expenses	13	11
Interest expense	278	311
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	(259)	(268)
Actuarial losses (gains) due to changes in demographic assumptions	-	(77)
Actuarial losses (gains) due to changes in financial assumptions	2,279	(1,404)
Benefits paid and expenses	(308)	(244)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	13,882	11,879

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

	2021 £'000	2020 £'000
Fair value of plan assets at start of period	11,769	11,138
Interest income	280	259
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	549	244
Contributions by the employer	407	372
Contributions by plan participants	-	-
Benefits paid and expenses	(308)	(244)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	12,697	11,769

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £829k.

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

	2021 £'000	2020 £'000
Current service cost	-	-
Expenses	13	11
Net interest expense	(2)	52
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)	11	63

22. Pension Obligations (Contd.)

Defined benefit costs recognised in other comprehensive income

	2021 £'000	2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	549	244
Experience gains and losses arising on the plan liabilities - gain (loss)	259	268
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	-	77
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(2,279)	1,404
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(1,471)	1,993
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)	(1,471)	1,993

Assets	**2021 £'000**	**2020 £'000**
Global Equity	1,964	1,619
Absolute Return	626	723
Distressed Opportunities	434	215
Credit Relative Value	366	283
Alternative Risk Premia	509	943
Fund of Hedge Funds	-	-
Emerging Markets Debt	512	418
Risk Sharing	454	373
Insurance-Linked Securities	265	316
Property	228	219
Infrastructure	709	694
Private Debt	299	233
Opportunistic Illiquid Credit	325	287
High Yield	333	-
Opportunistic Credit	347	-
Cash	5	-
Corporate Bond Fund	958	860
Liquid Credit	219	308
Long Lease Property	295	288
Secured Income	697	653
Over 15 Year Gilts	6	149
Index Linked All Stock Gilts	-	-
Liability Driven Investment	3,052	3,099
Net Current Assets	94	89
Total assets	12,697	11,769

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.

22. Pension Obligations (Contd.)

Key assumptions

	2021 % per annum	2020 % per annum
Discount Rate	2.18%	2.37%
Inflation (RPI)	3.27%	2.60%
Inflation (CPI)	2.87%	1.60%
Salary Growth	3.87%	2.60%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance required in 2021	75% of maximum allowance required in 2020

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.5
Female retiring in 2021	23.4
Male retiring in 2041	22.8
Female retiring in 2041	25.0

23. Capital commitments

	Group		Association	
	2021 £'m	2020 £'m	2021 £'m	2020 £'m
Housing developments				
Capital expenditure that has been contracted for but has not been provided for in the accounts	6.39	12.26	6.39	12.26

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

24. Units of Accommodation

Group and Association	At 1 April 2020	Additions	Disposals	Adjustment	At 31 March 2021
Property held for letting					
General	2,166	-	(3)	1	2,164
Sheltered	113	-	-	-	113
Medium dependency	155	-	-	-	155
Wheelchair housing	60	-	-	-	60
Special needs	48	-	-	-	48
Mid-market rent	291	-	-	-	291
Shared ownership	126	-	-	1	127
	2,959	-	(3)	2	2,958

As at 31 March 2021 the number of properties the Association leased to Persevere Developments Limited for onward letting at mid-market rent was 291 (2020: 291).
General and shared ownership properties were classed incorrectly at 1 April 2020, adjustments have been noted.

25. Related party disclosure

The 3 tenant members (2020: 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 2021 in respect of the tenancies amounted to £13k (2020: £13k). The rent prepaid at 31 March was £nil (2020: £542).

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 £220k (2020: £176k) and leasing fees totalled £1,625k (2020: £1,571k) in the year ended 31 March 2021. PDL owed POLHA £236k (2020: £18k) and POLHA owed PDL £124k (2020: £53k).

Quay Community Improvements provides cleaning services to Port of Leith Housing Association Limited. Invoices amounted to £nil (2020: £nil) in the period ended 31 March 2021. There is a balance due to Quay Community Improvement CIC at 31 March 2021 of £nil (2020: £nil). The Association has provided a loan to Quay Community Improvements, its subsidiary, and provides staff and services under a Service Level Agreement (SLA). Management charges amounted to £9k (2020: £9k) and recharges of staff costs amounted to £97k (2020: £113k) in the year ended 31 March 2021. Quay owed PoLHA £200k (2020: £202k). A loan of £174k (2020: £174k) is included in the amount owed.

In the year ended 31 March 2021 POLHA owed TB Mackay £174k in respect of outstanding invoices for maintenance and repair work. In the same period Persevere Developments Limited (PDL) owed TB Mackay £21k.

26. Contingent liabilities

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

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

A form of security in favour of the Pensions Trust for the buy-out liability, as an alternative to payment of the liability, was agreed during 2009. An "account security arrangement" has been entered into with the Pensions Trust and the Association placed on deposit in 2009 the sum of £520,507. The deposit held under the security arrangement must be amended as necessary to reflect the periodic revaluation of the buy-out debt. As at 31 March 2021 the Association has on deposit £1,124,687 being the latest estimate of the potential debt notified by the Pensions Trust based on the draft 2020 triennial valuation. This separate deposit account is included in these accounts.

Port of Leith Housing Association Limited – Pension Scheme
The Pensions Trust has notified the Association of the latest estimate of the debt on withdrawal potentially due by the Association based on the draft 2020 triennial actuarial valuation of the Scheme. This contingent liability, crystallization of which is considered remote due to the continued membership of the Scheme, is estimated at £9,095,606 and includes an amount in respect of Lorne Area Housing Association of £1,124,687.

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 18 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 2021 amounts to £2,615k.

27. Group and Association Reserves

Group	1 April 2020 £'000	Adjustment £'000	Income £'000	Expenditure £'000	Pension Actuarial (loss) £'000	Transfers In £'000	Transfers Out £'000	31 March 2021 £'000
Reserves								
Restricted pension	1,054	-	-	-	-	71	-	1,125
Restricted recycled proceeds	2,355	-	-	-	-	383	-	2,738
Total restricted	3,409	-	-	-	-	454	-	3,863
General	40,004	102	24,645	(22,950)	(1,471)	-	(454)	39,876
Total reserves	43,413	102	24,645	(22,950)	(1,471)	454	(454)	43,739

The adjustment of £102k is due to when the financial statements to 31 March 2020 for TB MacKay were signed. These were completed after the signing of the PoLHA Group statements to 31 March 2020, and this represents the difference in the opening balance figures that are consolidated.

Association	1 April 2020 £'000	Income £'000	Expenditure £'000	Pension Actuarial (loss) £'000	Transfers In £'000	Transfers Out £'000	31 March 2021 £'000
Reserves							
Restricted pension	1,054	-	-	-	71	-	1,125
Restricted recycled proceeds	2,355	-	-	-	383	-	2,738
Total restricted	3,409	-	-	-	454	-	3,863
General	38,980	19,366	(17,495)	(1,471)	-	(454)	38,926
Total reserves	42,389	19,366	(17,495)	(1,471)	454	(454)	42,789

28. Commitments under operating leases

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

Group	2021 £	2020 £
Amounts Due		
Within one year	76,850	73,464
Between one and five years	347,875	405,225
	424,725	478,689

Association	2021 £	2020 £
Amounts Due		
Within one year	19,500	16,114
Between one and five years	-	-
	19,500	16,114

29. PDL operating lease

POLHA charges PDL a lease fee for the properties that POLHA owns and PDL collects mid-market rental. This year it amounted to £1.625k (2020: £1.571k).