

**HARBOUR HOMES SCOTLAND LIMITED**  
**(formerly Port of Leith Housing Association)**

**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2024**

**CT:**

**HARBOUR HOMES SCOTLAND LIMITED**

**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2024**

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**REPORT of the BOARD of MANAGEMENT**

**For the year ended 31 March 2024**

**BOARD, EXECUTIVE and ADVISORS**

**Board of Management**

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

David Welsh (Elected as Chair from 20 September 2023)  
Caitlin McCorry (Resigned from Chair 20 September 2023))  
Brian Reilly  
Anthony Gillespie  
Kevin Anderson  
Liz McLean  
Campbell Whyte  
Leigh Eardley  
Jim Sherval  
Iain MacPhail

**Registered Office**

108 Constitution Street  
Leith  
Edinburgh  
EH6 6AZ

**Chief Executive & Secretary**

Heather Kiteley

**Auditor**

Chiene + Tait LLP (trading as CT)  
Chartered Accountants and Statutory Auditor  
61 Dublin Street  
Edinburgh  
EH3 6NL

**Internal Auditor**

Wbg  
168 Bath Street  
Glasgow  
G2 4TP

**Solicitors  
House**

TC Young Melrose  
  
69a George Street  
Edinburgh  
EH2 2JG

**Bankers**

Bank of Scotland  
Leith Branch  
PO Box 1000  
BX2 1LB

**Charity Number**

SC 027945

**Scottish Housing Regulator Registration Number**

HAL 170

**Letting Agent Registration**

LARN1811003

## **HARBOUR HOMES SCOTLAND LIMITED**

### **REPORT of the BOARD of MANAGEMENT**

#### **For the year ended 31 March 2024**

##### **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 9 members. In addition to the main Board, there is one sub-Committee for Finance and Risk (formerly Group Audit and Remuneration)

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

##### **Directors**

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

David Welsh (Elected as Chair from 20 September 2023)  
Caitlin McCorry (Resigned from Chair 20 September 2023)  
Brian Reilly  
Anthony Gillespie  
Kevin Anderson  
Liz McLean  
Campbell Whyte  
Leigh Eardley  
Jim Sherval  
Iain MacPhail

##### **Key management personnel**

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

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

The composition of the Board of Management is unchanged from the previous year. Board members undertook an assessment of their learning and development needs to inform a programme of activity in support of their role to provide strategic direction and oversight of performance.

The Board meets four times a year and has an additional special board meeting following the Annual General Meeting in September. Twice a year, the Board meets with the Boards of its subsidiary companies, Harbour Lettings Limited, Harbour Connections and Harbour Multi-Trades, to discuss future strategy, planning priorities and addressing risks.

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

##### **Objectives and Principal Activities**

The principal activities of Harbour Homes are the provision of high-quality accommodation at affordable rents for those in housing need and the provision of support services for those in necessitous circumstances including due to age, infirmity, disability, or economic hardship.

## **HARBOUR HOMES SCOTLAND LIMITED**

### **REPORT of the BOARD of MANAGEMENT (continued)**

#### **For the year ended 31 March 2024**

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

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

The Association acquired Harbour Multi-Trades (formerly TB Mackay) an energy services company on 13 December 2019. The principal activities of Harbour Multi-Trades are to provide a repairs and maintenance service.

#### **Vision, Mission and Strategy**

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

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

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

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

The Group maintains a 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 five key strategic hazards that the Group faces with resulting risks that have medium or high-risk exposure. These risks, all relating to the Association, have been specifically addressed as part of the business planning process and are detailed below. It should be noted that although Harbour Lettings, Harbour Connections and Harbour Multi-Trades have strategic risks the impact of these on the group are lower than when considered for the subsidiaries on their own.

**REPORT of the BOARD of MANAGEMENT (continued)**

**For the year ended 31 March 2024**

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

- The continued rollout of Universal Credit, the expected migration of all legacy cases from Housing Benefit to Universal Credit and other UK wide Welfare Benefit Reforms may cause an increase in both arrears and bad debt. This risk still sits in the 'moderate' exposure level, primarily because of the likelihood score over which we have no control. The controls in place have mitigated the impact and so we tolerate this risk.
- The Defined Benefit Pension Scheme represents a significant financial liability to the organisation. The scheme was closed to new members from April 2014 and closed to future accrual from January 2018 however the liability may grow further increasing past deficit contributions on an annual basis because actuarial assumptions and stock market performance is unpredictable / volatile. This risk still sits in the 'moderate' exposure level as it is considered that we have no affordable option to further mitigate this risk and so we tolerate it.
- The cost-of-living crisis and potential for future rent freezes or rent cap will restrict the income for tenants and Harbour Homes. The risk still sits in the 'moderate' exposure level primarily because of the likelihood score over which we have no control. The controls in place mitigate the impact and so we tolerate this risk.
- The threat of a cyber attack on the organisation's IT system may cause the IT security to be compromised. This risk still sits in the 'moderate' exposure level. The controls in place have mitigated the impact and so we tolerate this risk.
- The risk that Harbour Multi-Trades continues to make a loss resulting in an impairment review of the investment and goodwill, may result in a covenant breach to Harbour Homes. The controls in place have mitigated the impact and we continue to monitor and tolerate this risk.

**Business Review**

**Achievements and Performance**

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

More information on Lettings, Connections and Multi-Trades activities can be found in their separate Annual Accounts.

The Association has, over the past year, continued with its ambition to support the regeneration and wellbeing of the community including being very active in developing new additional affordable housing in the City. This has presented challenges due to inflationary cost increases, the continued pressure on public spending and restrictions on the availability of public subsidy, for that reason the Association has paused its development programme for the foreseeable future following the completion of any currently committed developments.

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

We continue to be an accredited Scottish Living Wage employer.

In February 2022 the Association was successful in maintaining the Investors in Diversity Award following a rigorous reassessment exercise. We retain this award for two years and are currently going through the reaccreditation process.

**REPORT of the BOARD of MANAGEMENT (continued)**

**For the year ended 31 March 2024**

**New development**

Two projects were completed during 2023-24: Telford Drive and Iona Street. In addition, the project at Plot S, Granton Harbour was partially completed. Telford Drive comprises 11 mid-market rent flats, completed in April 2024. Iona Street comprises 20 social rent flats, completed in February 2024. At Plot S, a total of 33 social rent homes were completed for Harbour Homes and 89 homes for Harbour Lettings phased across the period December 2023 to March 2024. The remaining 63 social rent homes for Harbour Homes and 41 homes for Harbour Lettings will be completed in the first quarter of 2024-25.

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

In addition, during 2023-24 the Development Team provided development project management and clerk of works agency services to the following organisations:

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

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

As the need and demand for affordable housing in Edinburgh is still very high, Harbour Homes continues to work closely with Edinburgh City Council, the Scottish Federation of Housing Associations (SFHA) and developers, to explore alternative ways to finance additional new affordable housing in the city.

**Property management**

In 2023-24, the organisation continued to maintain properties to the Scottish Housing Quality Standard (SHQS) which now fully incorporates the Energy Efficiency Standard for Social Housing (EESH). 86.43% of our total number of homes in ownership meet the now combined SHQS.

Various major repair projects have been delivered with 88 properties receiving internal refurbishment along with continuing to deliver external and common area works including 2 passenger lift upgrades and 201 properties receiving new windows.

The organisation has continued to face challenges in relation to the delivery of common repairs to multi tenure properties predominantly pre-1919 tenement stairs with the programme continuing to be hampered by owners financial struggles during the pandemic and now the cost of living crisis, resulting in no projects being taken to site. During the year this co-ordinated activity has focused on 3 projects involving 3 separate stairs, affecting 22 flats in the Association's ownership and which are at various stages of progress to complete necessary repair works. We also have 3 smaller projects of 15 properties where owners are leading the project delivery, For one of these projects at Shaw's Colonies we have assisted the owners in accessing partial grant funding from the Edinburgh World Heritage (EWH) Conservation Funding Programme

In December 2015 the organisation received approval from the City of Edinburgh Council and Scottish Government to dispose of 113 pre-1919 tenement flats, with further Board approval granted during 2020 for the disposal of an additional 136 properties over the next 10-year period. In previous years 98 properties were sold with a further 27 properties sold during 2023-24 fully removing the Association's liability to a total of 43 common stairs.

**Customer feedback**

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

**REPORT of the BOARD of MANAGEMENT (continued)**

**For the year ended 31 March 2024**

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

During the year Harbour Homes obtained feedback from residents living in the three developments completed the previous year, Ramage Square (also known as Ocean Drive), Telford Drive and Bath Road. The results have not yet been analysed but have generally been very positive.

**Housing management and support**

The Association let 152 homes in Leith and North Edinburgh through the city's Choice Based Lettings scheme during the year, all of which were re-lets of existing properties, as well as 33 new properties. It continued to work in partnership with other social landlords in the City (including housing associations and the City Council), letting its available social housing through the established Edindex system.

The Association owns and manages three sheltered housing developments for older people, with a housing support service which is registered with the Care Inspectorate. The Association is currently graded the top Grade 6 (excellent) for the quality of care and support provided to the residents. They also received Recognition for Excellence in Older Peoples Services by Age Scotland in the last year.

The Association has a tenant advice team, consisting of a Money Advice Worker, two Welfare Rights Officers and two Tenancy Sustainment Officers who together provide advice and assistance to tenants with debt, benefit and help and advice on practical issues to help people manage and sustain their tenancies in a positive way. We secured match funding from the Big Lottery in conjunction with our ARCHIE partners and employed 2 energy advisers who have provided energy advice to our tenants and secured over £131K of funding to tenants across the ARCHIE group.

**Placemaking**

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

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

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

**Reserves**

The Harbour Group needs to have reserves to ensure the organisation can function into the future and meet its future liabilities. This includes keeping up with the rising cost of major repairs, cyclical maintenance, retrofitting, maintaining properties to Scottish Housing Quality Standard (SHQS) which now fully incorporates the Energy Efficiency Standard for Social Housing (EESH) and the rising cost of developing new properties to achieve Scottish Government standards. The revenue reserve of £45.1m reflects primarily the past investment in the housing stock and reserves for future major repairs and development. The Harbour Group has a cash level of £20.7m to support its future plans and operating requirements. The Harbour Group reviews its maintenance spending plans regularly and re-assesses them in relation to reserves and cash flows.

**Financial Review Overall results**

Group turnover was £29.4m (2023: £27.9m) offset by operating costs of £21.3m (2023: £22.4m), leading to an operating surplus of £8.1m (2023: £5.5m) and a net surplus of £5.2m (2023: £2.5m).

The SHAPS pension scheme's defined benefit liability as at 31 March 2024 is £1.098k (2023: £456k), resulting in an increase in the liability of £642k. This has also resulted in an actuarial loss through other comprehensive income of £619k (2023: actuarial loss of £680k).

The increase in operating surplus is attributable to an increase in rent income from affordable letting activities, increase in gain on sale of pre1919 properties and growth in the mid-market letting activities of Harbour Lettings, 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.

## **HARBOUR HOMES SCOTLAND LIMITED**

### **REPORT of the BOARD of MANAGEMENT (continued)**

#### **For the year ended 31 March 2024**

The surplus has resulted in an increase in the value of net assets over the year, from £49,418k to £54,608k as at 31 March 2024. The Group's liquidity remains strong with a significant number of unencumbered properties available as security for further funding if required.

#### **Going Concern**

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

Matters which are taken into account in this process include:

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

Our approach to see the business through the short and long-term period, involves careful planning.

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

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

#### **Plans for the Future**

The Harbour Vision is: Our communities are brilliant.

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

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

It is also a period of significant change and challenge, most notably from the continued roll out of Universal Credit, the reduction in discretionary housing payments, and the declaration of the Housing Emergency within Edinburgh.

#### **Funds Held on Behalf of Others**

The Group holds no funds on behalf of other organisations.

#### **Employees**

The Association's policy is to discuss and consult with employees, through a staff representative group, on all matters likely to affect employees' interests. Information regarding the Association is provided through staff team meetings and reports including a monthly business progress update report. This seeks to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Association's performance. The Group encourages all staff to participate in reviewing its strategic direction and key priorities during its business planning process. The Group strives to afford equal opportunities to all individuals and sections of the community and the policy is to

**REPORT of the BOARD of MANAGEMENT (continued)**

**For the year ended 31 March 2024**

encourage the recruitment of disabled people for all suitable vacancies. All necessary assistance with initial training courses is given. Arrangements are made, where possible, for re-training employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Members of the Group Leadership Team, consisting of the Group Chief Executive and 2 Group Directors are defined as the key management of the Group. Remuneration for all staff is based on salary scales, except for the Group Leadership Team who are on spot salaries. The salaries are all benchmarked and approved by the Finance & Risk 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 2024 (2023: £nil). During the year there were no charitable donations made to housing related charities (2023: £nil).

**Treasury Management**

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

The Group, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2024, the Group has a mix of fixed and variable rate finance, which it considers appropriate at this time.

**Rent Arrears**

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

**Other Activities (Association)**

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

**Statement of Board of Management's Responsibilities**

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

In preparing these 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.

**REPORT of the BOARD of MANAGEMENT (continued)**

**For the year ended 31 March 2024**

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 2024. The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of 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.

**Statement on Internal Financial Control**

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

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

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

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

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

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

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

**BY ORDER OF THE BOARD OF MANAGEMENT**

**DAVID WELSH**  
Chairperson



**For the year ended 31 March 2024**

**Opinion**

We have audited the financial statements of Harbour Homes Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2024 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Changes in Reserves, Consolidated Statement of Financial Position, Consolidated and Association Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2024 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – 2024.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

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

**Other information**

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

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

For the year ended 31 March 2024

We have nothing to report in this regard.

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

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

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

**Responsibilities of the Board**

As explained more fully in the Board's responsibilities statement set out on pages 10 to 11, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

**For the year ended 31 March 2024**

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

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

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

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

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

**Use of our report**

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



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

29 August 2024

For the year ended 31 March 2024

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

**Basis of Opinion**

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

**Opinion**

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



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

29 August 2024

# HARBOUR HOMES SCOTLAND LIMITED

## CONSOLIDATED and ASSOCIATION STATEMENT of COMPREHENSIVE INCOME

For the year ended 31 March 2024

|                                                       | Notes | 2024<br>£'000 | Group<br>2023<br>£'000 | 2024<br>£'000 | Association<br>2023<br>£'000 |
|-------------------------------------------------------|-------|---------------|------------------------|---------------|------------------------------|
| <b>Turnover</b>                                       | 2/3   | 29,448        | 27,960                 | 25,771        | 24,070                       |
| Operating expenditure                                 | 3     | (21,321)      | (22,478)               | (17,368)      | (18,286)                     |
| <b>Operating surplus</b>                              |       | 8,127         | 5,482                  | 8,403         | 5,784                        |
| Gain on sale of non-property fixed asset              |       |               |                        |               |                              |
| Interest receivable and similar income                | 9     | 462           | 321                    | 457           | 326                          |
| Interest payable and similar charges                  | 9     | (2,815)       | (2,583)                | (2,799)       | (2,580)                      |
| <b>Surplus on ordinary activities before taxation</b> |       | 5,774         | 3,220                  | 6,061         | 3,530                        |
| Taxation on ordinary activities                       | 10    | 35            | -                      | -             | -                            |
| <b>Surplus on ordinary activities after taxation</b>  |       | 5,809         | 3,220                  | 6,061         | 3,530                        |
| Actuarial losses in respect of pension Scheme         |       | (619)         | (680)                  | (619)         | (680)                        |
| <b>Total comprehensive income for the year</b>        |       | 5,190         | 2,540                  | 5,442         | 2,850                        |

## CONSOLIDATED and ASSOCIATION STATEMENT of CHANGES IN RESERVES

For the year ended 31 March 2024

|                                                | Group               |                                               |                            | Association         |                                               |                            |
|------------------------------------------------|---------------------|-----------------------------------------------|----------------------------|---------------------|-----------------------------------------------|----------------------------|
|                                                | Restricted<br>£'000 | Income and<br>Expenditure<br>Reserve<br>£'000 | Total<br>Reserves<br>£'000 | Restricted<br>£'000 | Income and<br>expenditure<br>Reserve<br>£'000 | Total<br>Reserves<br>£'000 |
| <b>Balance at 1 April 2023</b>                 | 6,224               | 43,194                                        | 49,418                     | 6,224               | 42,887                                        | 49,111                     |
| Opening balance adjustment                     |                     |                                               |                            |                     |                                               |                            |
| Surplus from statement of comprehensive income | 3,268               | 1,922                                         | 5,190                      | 3,268               | 2,174                                         | 5,442                      |
| Transfers (note 27)                            |                     |                                               |                            |                     |                                               |                            |
| <b>Balance at 31 March 2024</b>                | 9,492               | 45,116                                        | 54,608                     | 9,492               | 45,061                                        | 54,553                     |

All results relate to continuing activities.

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

# HARBOUR HOMES SCOTLAND LIMITED

## CONSOLIDATED and ASSOCIATION STATEMENT of FINANCIAL POSITION

For the year ended 31 March 2024

|                                                                | Notes | 2024<br>£'000 | Group<br>2023<br>£'000 | 2024<br>£'000 | Association<br>2023<br>£'000 |
|----------------------------------------------------------------|-------|---------------|------------------------|---------------|------------------------------|
| <b>Fixed assets</b>                                            |       |               |                        |               |                              |
| Housing properties                                             | 11    | 241,989       | 236,908                | 241,989       | 236,908                      |
| Other tangible fixed assets                                    | 12    | 2,465         | 2,548                  | 2,199         | 2,294                        |
| Intangible assets                                              | 12    | 1,492         | 523                    | 1,492         | 523                          |
| Goodwill                                                       | 13    | 1,715         | 2,018                  | -             | -                            |
|                                                                |       | -----         | -----                  | -----         | -----                        |
|                                                                |       | 247,661       | 241,997                | 245,680       | 239,725                      |
|                                                                |       | -----         | -----                  | -----         | -----                        |
| <b>Investments</b>                                             | 14    | -             | -                      | 3,821         | 3,821                        |
| <b>Current assets</b>                                          |       |               |                        |               |                              |
| Stock and work in progress                                     | 15    | 174           | 269                    | -             | -                            |
| Debtors                                                        | 16    | 2,929         | 1,122                  | 2,784         | 1,159                        |
| Cash and cash equivalents                                      |       | 20,718        | 26,355                 | 18,785        | 24,358                       |
|                                                                |       | -----         | -----                  | -----         | -----                        |
|                                                                |       | 23,821        | 27,746                 | 21,569        | 25,517                       |
| <b>Creditors: amounts falling due within one year</b>          | 17    | (11,095)      | (12,005)               | (10,737)      | (11,667)                     |
|                                                                |       | -----         | -----                  | -----         | -----                        |
| <b>Net current assets</b>                                      |       | 12,726        | 15,741                 | 10,832        | 13,850                       |
|                                                                |       | -----         | -----                  | -----         | -----                        |
| <b>Total assets less current liabilities</b>                   |       | 260,387       | 257,738                | 260,333       | 257,396                      |
|                                                                |       | -----         | -----                  | -----         | -----                        |
| <b>Creditors: amounts falling due after more than one year</b> | 18    | (204,681)     | (207,864)              | (204,682)     | (207,829)                    |
| Defined benefit pension obligations                            | 22    | (1,098)       | (456)                  | (1,098)       | (456)                        |
|                                                                |       | -----         | -----                  | -----         | -----                        |
| <b>Total net assets</b>                                        |       | 54,608        | 49,418                 | 54,553        | 49,111                       |
|                                                                |       | =====         | =====                  | =====         | =====                        |
| <b>Capital and reserves</b>                                    |       |               |                        |               |                              |
| Restricted reserves                                            |       | 9,492         | 6,224                  | 9,492         | 6,224                        |
| Revenue reserves                                               |       | 45,116        | 43,194                 | 45,061        | 42,887                       |
|                                                                |       | -----         | -----                  | -----         | -----                        |
| <b>Total capital and reserves</b>                              | 27    | 54,608        | 49,418                 | 54,553        | 49,111                       |
|                                                                |       | =====         | =====                  | =====         | =====                        |

These financial statements were approved and authorised for issue on 22 August 2024 by the Board of Management and signed on its behalf by:



Chairperson  
David Welsh



Board Member  
Anthony Gillespie



Secretary  
Heather Kiteley

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

**HARBOUR HOMES SCOTLAND LIMITED**
**CONSOLIDATED and ASSOCIATION STATEMENT of CASH FLOWS**
**For the year ended 31 March 2024**

|                                                               | Notes | 2024<br>£'000 | Group<br>2023<br>£'000 | 2024<br>£'000 | Association<br>2023<br>£'000 |
|---------------------------------------------------------------|-------|---------------|------------------------|---------------|------------------------------|
| <b>Net cash generated from operating activities</b>           | 21    | 5,468         | 5,738                  | 5,446         | 5,276                        |
| <b>Cash flow from investing activities</b>                    |       |               |                        |               |                              |
| Purchase of tangible fixed assets                             |       | (11,926)      | (21,728)               | (11,807)      | (21,610)                     |
| Purchase of intangible assets                                 |       | (981)         | (403)                  | (981)         | (403)                        |
| Proceeds from sale of tangible fixed assets                   |       | 4,602         | 4,672                  | 4,558         | 4,658                        |
| Purchase of subsidiary                                        |       | -             | -                      | -             | -                            |
| Grants received in year                                       |       | 1,366         | 240                    | 1,366         | 240                          |
| Grants repaid in year                                         |       | (524)         | (538)                  | (524)         | (538)                        |
| Interest received                                             |       | 462           | 321                    | 457           | 326                          |
| Net cash used in investing activities                         |       | (7,001)       | (17,436)               | (6,931)       | (17,327)                     |
| <b>Cash flow from financing activities</b>                    |       |               |                        |               |                              |
| Interest paid                                                 |       | (2,815)       | (2,583)                | (2,799)       | (2,580)                      |
| Repayments of borrowings                                      |       | (1,289)       | (1,311)                | (1,289)       | (1,311)                      |
| New secured borrowings                                        |       | -             | -                      | -             | -                            |
| Net cash used in financing activities                         |       | (4,104)       | (3,894)                | (4,088)       | (3,891)                      |
| <b>Net change in cash and cash equivalents</b>                |       | (5,637)       | (15,592)               | (5,573)       | (15,942)                     |
| <b>Cash and cash equivalents at the beginning of the year</b> |       | 26,355        | 41,947                 | 24,358        | 40,300                       |
| <b>Cash and cash equivalents at the end of the year</b>       |       | 20,718        | 26,355                 | 18,785        | 24,358                       |

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

**HARBOUR HOMES SCOTLAND LIMITED**

**CONSOLIDATED and ASSOCIATION STATEMENT of CASH FLOWS**

**For the year ended 31 March 2024**

| <b>Net debt reconciliation (Group)</b> | <b>1 April<br/>2023<br/>£'000</b> | <b>Cashflow<br/>£'000</b> | <b>Other non<br/>Cash<br/>changes<br/>£'000</b> | <b>31 March<br/>2024<br/>£'000</b> |
|----------------------------------------|-----------------------------------|---------------------------|-------------------------------------------------|------------------------------------|
| Cash                                   | 26,355                            | (5,637)                   | -                                               | 20,718                             |
| <b>Borrowings</b>                      | 26,355                            | (5,637)                   | -                                               | 20,718                             |
| Debt due within one year               | (1,295)                           | 1,274                     | (1,260)                                         | (1,281)                            |
| Debt due after one year                | (90,226)                          | -                         | 1,260                                           | (88,966)                           |
|                                        | (91,521)                          | 1,274                     | -                                               | (90,247)                           |
|                                        | (65,166)                          | (4,363)                   | -                                               | (69,529)                           |
|                                        | =====                             | =====                     | =====                                           | =====                              |

| <b>Net debt reconciliation (Association)</b> | <b>1 April<br/>2023<br/>£'000</b> | <b>Cashflow<br/>£'000</b> | <b>Other non<br/>Cash<br/>changes<br/>£'000</b> | <b>31 March<br/>2024<br/>£'000</b> |
|----------------------------------------------|-----------------------------------|---------------------------|-------------------------------------------------|------------------------------------|
| Cash                                         | 24,358                            | (5,573)                   | -                                               | 18,785                             |
| <b>Borrowings</b>                            | 24,358                            | (5,573)                   | -                                               | 18,785                             |
| Debt due within one year                     | (1,295)                           | 1,274                     | (1,260)                                         | (1,281)                            |
| Debt due after one year                      | (90,226)                          | -                         | 1,260                                           | (88,966)                           |
|                                              | (91,521)                          | 1,274                     | -                                               | (90,247)                           |
|                                              | (67,163)                          | (4,299)                   | -                                               | (71,462)                           |
|                                              | =====                             | =====                     | =====                                           | =====                              |

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

**NOTES to the GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2024**

**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 financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UKGAAP), including Financial Reporting Standard 102 (FRS 102) and in compliance with the Statement of Recommended Practice for Registered Social Housing Providers (Housing SORP 2018) and the Scottish Housing Regulator's Determination of Accounting Requirements (2024). The accounts are prepared on the historical cost basis of accounting modified to include the fair value of fixed assets at the date of a transfer of engagements.

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

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

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

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

**Critical Accounting Estimates and Areas of Judgement**

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

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 22). The net defined benefit pension liability at 31 March 2023 was £456k.

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

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

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

**Going concern**

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

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

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

**1. Accounting Policies (continued)**

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

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

**Financial Instruments**

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

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

*Financial Assets – Debtors*

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

*Financial Liabilities – Trade Creditors*

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

*Borrowings*

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

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

**Basis of consolidation**

The Association has a wholly owned non-charitable subsidiary, Harbour Lettings Limited; a community interest company, Harbour Connections CIC and an energy services & repair company Harbour Multi-Trades. These group financial statements consolidate those of the Association and its subsidiaries on a line by line basis.

**Turnover**

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

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**1. Accounting Policies (continued)****Fixed assets and depreciation**

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

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

**Housing properties**

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

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

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

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

Useful economic lives for identified components are as follows:

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

**Works to existing properties**

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

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

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

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

**1. Accounting Policies (continued)**

**Housing Association Grant and other capital grants**

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

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

**Impairment**

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

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

**Taxation**

Harbour Homes as a registered charity is not subject to corporation tax on its charitable activities, but is subject to corporation tax on its non-charitable trading activities. Harbour Lettings Limited; Harbour Connections CIC and Harbour Multi-Trades Limited are subject to corporation tax. Taxation is accrued based on taxable profits for the year.

**Pension Costs**

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

As at the year ended 31 March 2024, the net defined benefit pension deficit liability was £1,098k, which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2024, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 22 for more details.

**Operating leases**

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

**Business Combinations**

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

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

**1. Accounting Policies (continued)**

**Contingent consideration**

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

**Intangible assets – Goodwill**

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

**Work in Progress**

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

**2. Turnover**

|                                      | <b>2024</b>   | <b>Group</b>  | <b>Association</b> |               |
|--------------------------------------|---------------|---------------|--------------------|---------------|
|                                      | <b>2023</b>   |               |                    |               |
|                                      | <b>£'000</b>  | <b>£'000</b>  | <b>2024</b>        | <b>2023</b>   |
|                                      |               |               | <b>£'000</b>       | <b>£'000</b>  |
| Income from lettings                 | 19,019        | 17,404        | 15,220             | 14,418        |
| Rent losses from voids               | (200)         | (169)         | (170)              | (146)         |
|                                      | -----         | -----         | -----              | -----         |
|                                      | 18,819        | 17,235        | 15,050             | 14,272        |
| Management services and other income | 10,629        | 10,725        | 10,721             | 9,798         |
|                                      | -----         | -----         | -----              | -----         |
| <b>Total turnover</b>                | <b>29,448</b> | <b>27,960</b> | <b>25,771</b>      | <b>24,070</b> |
|                                      | =====         | =====         | =====              | =====         |

|                                                                            |                 |                  | <b>2024</b>      | <b>2023</b>      |
|----------------------------------------------------------------------------|-----------------|------------------|------------------|------------------|
|                                                                            |                 |                  |                  |                  |
| <b>3(a). Turnover, operating costs, operating</b>                          |                 | <b>Operating</b> | <b>Operating</b> | <b>Operating</b> |
| <b>Surplus: Group</b>                                                      | <b>Turnover</b> | <b>Costs</b>     | <b>Surplus</b>   | <b>Surplus</b>   |
|                                                                            | <b>£'000</b>    | <b>£'000</b>     | <b>£'000</b>     | <b>£'000</b>     |
| <b>Income and expenditure from affordable letting and other activities</b> |                 |                  |                  |                  |
| Affordable letting activities – note 4(a)                                  | 25,558          | (14,694)         | 10,864           | 10,144           |
| Other activities – note 5(a)                                               | 3,890           | (6,627)          | (2,737)          | (4,662)          |
|                                                                            | -----           | -----            | -----            | -----            |
| <b>Total 2024</b>                                                          | <b>29,448</b>   | <b>(21,321)</b>  | <b>8,127</b>     | <b>5,482</b>     |
|                                                                            | =====           | =====            | =====            | =====            |
| <b>Total 2023</b>                                                          | <b>27,960</b>   | <b>(22,478)</b>  | <b>5,482</b>     |                  |
|                                                                            | =====           | =====            | =====            |                  |

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

|                                                                            |          |                 | 2024              | 2023              |
|----------------------------------------------------------------------------|----------|-----------------|-------------------|-------------------|
| 3(b). Turnover, operating costs, operating Surplus: Association Turnover   | Turnover | Operating Costs | Operating Surplus | Operating Surplus |
|                                                                            | £'000    | £'000           | £'000             | £'000             |
| <b>Income and expenditure from affordable letting and other activities</b> |          |                 |                   |                   |
| Affordable letting activities – note 4(b)                                  | 21,789   | (13,598)        | 8,191             | 7,938             |
| Other activities – note 5(b)                                               | 3,982    | (3,770)         | 212               | (2,154)           |
|                                                                            | -----    | -----           | -----             | -----             |
| <b>Total 2024</b>                                                          | 25,771   | (17,368)        | 8,403             | 5,784             |
|                                                                            | =====    | =====           | =====             | =====             |
| <b>Total 2023</b>                                                          | 24,070   | (18,286)        | 5,784             |                   |
|                                                                            | =====    | =====           | =====             |                   |

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

|                                                               | Housing Accom'n | Shared Ownership Accom'n | Mid-market Accom'n | 2024   | 2023   |
|---------------------------------------------------------------|-----------------|--------------------------|--------------------|--------|--------|
|                                                               | £'000           | £'000                    | £'000              | £'000  | £'000  |
| <b>Income from affordable letting activities</b>              |                 |                          |                    |        |        |
| Rent receivable net of identifiable service charges           | 14,393          | 387                      | 2,985              | 17,765 | 16,278 |
| Service charges receivable                                    | 1,245           | 9                        | -                  | 1,254  | 1,126  |
|                                                               | -----           | -----                    | -----              | -----  | -----  |
| <b>Gross rents receivable</b>                                 | 15,638          | 396                      | 2,985              | 19,019 | 17,404 |
| Less: Rent losses from voids                                  | (174)           | (4)                      | (22)               | (200)  | (169)  |
|                                                               | -----           | -----                    | -----              | -----  | -----  |
| <b>Net rents receivable</b>                                   | 15,464          | 392                      | 2,963              | 18,819 | 17,235 |
| Grants released from deferred income (social)                 | 2,811           | 90                       | -                  | 2,901  | 2,712  |
| Gain from the disposal of properties                          | 3,838           | -                        | -                  | 3,838  | 3,834  |
| Supporting People Income Receivable                           | -               | -                        | -                  | -      | -      |
|                                                               | -----           | -----                    | -----              | -----  | -----  |
| <b>Total income from affordable letting activities</b>        | 22,113          | 482                      | 2,963              | 25,558 | 23,781 |
| <b>Expenditure on affordable letting activities</b>           |                 |                          |                    |        |        |
| Services                                                      | 895             | -                        | -                  | 895    | 701    |
| Management and maintenance administration costs               | 3,754           | 85                       | 38                 | 3,877  | 2,442  |
| Reactive maintenance                                          | 1,988           | 43                       | 121                | 2,152  | 2,542  |
| Planned and cyclical maintenance including major repair costs | 2,800           | 27                       | 7                  | 2,834  | 3,347  |
| Rent losses from bad debts                                    | 56              | -                        | 3                  | 59     | (5)    |
| Housing Depreciation                                          | 4,768           | 109                      | -                  | 4,877  | 4,610  |
|                                                               | -----           | -----                    | -----              | -----  | -----  |
| <b>Total expenditure on affordable letting activities</b>     | 14,261          | 264                      | 169                | 14,694 | 13,637 |
|                                                               | -----           | -----                    | -----              | -----  | -----  |
| <b>Operating surplus on affordable letting activities</b>     | 7,852           | 218                      | 2,794              | 10,864 | 10,144 |
|                                                               | =====           | =====                    | =====              | =====  | =====  |
| <b>Operating surplus 2023</b>                                 | 7,328           | (1)                      | 2,817              | 10,144 |        |
|                                                               | =====           | =====                    | =====              | =====  |        |

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**4(b). Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities: Association**

|                                                               | <b>Housing<br/>Accom'n<br/>£'000</b> | <b>Shared<br/>Ownership<br/>Accom'n<br/>£'000</b> | <b>2024<br/>£'000</b> | <b>2023<br/>£'000</b> |
|---------------------------------------------------------------|--------------------------------------|---------------------------------------------------|-----------------------|-----------------------|
| <b>Income from affordable letting activities</b>              |                                      |                                                   |                       |                       |
| Rent receivable net of identifiable service charges           | 13,575                               | 392                                               | 13,967                | 13,292                |
| Service charges receivable (see below)                        | 1,243                                | 10                                                | 1,253                 | 1,126                 |
|                                                               | -----                                | -----                                             | -----                 | -----                 |
| <b>Gross rents receivable</b>                                 | 14,818                               | 402                                               | 15,220                | 14,418                |
| Less: Rent losses from voids                                  | (169)                                | (1)                                               | (170)                 | (146)                 |
|                                                               | -----                                | -----                                             | -----                 | -----                 |
| <b>Net rents receivable</b>                                   | 14,649                               | 401                                               | 15,050                | 14,272                |
| Grants released from deferred income (social)                 | 2,811                                | 90                                                | 2,901                 | 2,712                 |
| Gain from the disposal of properties                          | 3,838                                | -                                                 | 3,838                 | 3,834                 |
| Supporting People Income Receivable                           | -                                    | -                                                 | -                     | -                     |
|                                                               | -----                                | -----                                             | -----                 | -----                 |
| <b>Total income from affordable letting activities</b>        | 21,298                               | 491                                               | 21,789                | 20,818                |
|                                                               | -----                                | -----                                             | -----                 | -----                 |
| <b>Expenditure on affordable letting activities</b>           |                                      |                                                   |                       |                       |
| Services (see below)                                          | 774                                  | -                                                 | 774                   | 619                   |
| Management and maintenance administration costs               | 3,559                                | 80                                                | 3,639                 | 2,270                 |
| Reactive maintenance                                          | 1,789                                | 56                                                | 1,845                 | 2,210                 |
| Planned and cyclical maintenance including major repair costs | 2,380                                | 27                                                | 2,407                 | 3,171                 |
| Rent losses from bad debts                                    | 56                                   | -                                                 | 56                    | -                     |
| Housing Depreciation                                          | 4,768                                | 109                                               | 4,877                 | 4,610                 |
| Housing impairment                                            | -                                    | -                                                 | -                     | -                     |
|                                                               | -----                                | -----                                             | -----                 | -----                 |
| <b>Total expenditure on affordable letting activities</b>     | 13,326                               | 272                                               | 13,598                | 12,880                |
|                                                               | -----                                | -----                                             | -----                 | -----                 |
| <b>Operating surplus on affordable letting activities</b>     | 7,972                                | 219                                               | 8,191                 | 7,938                 |
|                                                               | =====                                | =====                                             | =====                 | =====                 |
| <b>Operating surplus 2023</b>                                 | 7,943                                | (5)                                               | 7,938                 |                       |
|                                                               | =====                                | =====                                             | =====                 |                       |

**Services**

Included within the service charges receivable above are amounts relating to non-eligible housing benefit amounting to £14k (2023: £14k). 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.

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

**For the year ended 31 March 2024**

**5(a). Other Activities: Group**

|                                                   |               |               |                 |                  | <b>2024</b>      | <b>2023</b>      |
|---------------------------------------------------|---------------|---------------|-----------------|------------------|------------------|------------------|
|                                                   | <b>Grants</b> | <b>Other</b>  | <b>Total</b>    | <b>Operating</b> | <b>Operating</b> | <b>Operating</b> |
|                                                   | <b>£'000</b>  | <b>Income</b> | <b>Turnover</b> | <b>Costs</b>     | <b>Surplus/</b>  | <b>Surplus</b>   |
|                                                   |               | <b>£'000</b>  | <b>£'000</b>    | <b>£'000</b>     | <b>(deficit)</b> | <b>(deficit)</b> |
|                                                   |               |               |                 |                  | <b>£'000</b>     | <b>£'000</b>     |
| Wider role activities                             | 114           | -             | 114             | (606)            | (492)            | (680)            |
| Factoring                                         | -             | 82            | 82              | (3)              | 79               | 72               |
| Development & construction of property activities | -             | -             | -               | (1,223)          | (1,223)          | (3,100)          |
| Other agency/ management service                  | -             | 665           | 665             | (466)            | 199              | 39               |
| Commercial rent                                   | -             | 73            | 73              | -                | 73               | 71               |
| Adaptations income                                | -             | 59            | 59              | (42)             | 17               | (9)              |
| MM grant amortisation                             | -             | 271           | 271             | -                | 271              | 271              |
| Mid-market Depreciation                           | -             | -             | -               | (1,024)          | (1,024)          | (840)            |
| Other activities                                  | -             | -             | -               | (1,812)          | (1,812)          | (1,569)          |
| HMT subsidiary repairs and maintenance            | -             | 2,626         | 2,626           | (1,451)          | 1,175            | 1,083            |
| <b>Total from other Activities</b>                | <b>114</b>    | <b>3,776</b>  | <b>3,890</b>    | <b>(6,627)</b>   | <b>(2,737)</b>   | <b>(4,662)</b>   |
| <b>Total 2023</b>                                 | <b>136</b>    | <b>4,043</b>  | <b>4,179</b>    | <b>(8,841)</b>   | <b>(4,662)</b>   |                  |

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

**5(b). Other Activities: Association**

|                                                   |               |               |                 |                  | <b>2024</b>      | <b>2023</b>      |
|---------------------------------------------------|---------------|---------------|-----------------|------------------|------------------|------------------|
|                                                   | <b>Grants</b> | <b>Other</b>  | <b>Total</b>    | <b>Operating</b> | <b>Operating</b> | <b>Operating</b> |
|                                                   | <b>£'000</b>  | <b>Income</b> | <b>Turnover</b> | <b>Costs</b>     | <b>Surplus/</b>  | <b>Surplus</b>   |
|                                                   |               | <b>£'000</b>  | <b>£'000</b>    | <b>£'000</b>     | <b>(deficit)</b> | <b>(deficit)</b> |
|                                                   |               |               |                 |                  | <b>£'000</b>     | <b>£'000</b>     |
| Wider role activities                             | 114           | -             | 114             | (542)            | (428)            | (615)            |
| Factoring                                         | -             | 82            | 82              | (3)              | 79               | 72               |
| Development & construction of property activities | -             | -             | -               | (1,058)          | (1,058)          | (2,845)          |
| Other agency/ management service                  | -             | 231           | 231             | (441)            | (210)            | (193)            |
| Commercial rent                                   | -             | 73            | 73              | -                | 73               | 71               |
| Adaptations income                                | -             | 59            | 59              | (42)             | 17               | (9)              |
| Leasing fee                                       | -             | 2,714         | 2,714           | -                | 2,714            | 2,206            |
| MM grant amortisation                             | -             | 271           | 271             | -                | 271              | 271              |
| Mid-market Depreciation                           | -             | -             | -               | (1,024)          | (1,024)          | (840)            |
| Gift Aid                                          | -             | 53            | 53              | -                | 53               | 37               |
| Other activities                                  | -             | 385           | 385             | (660)            | (275)            | (309)            |
| <b>Total from other Activities</b>                | <b>114</b>    | <b>3,868</b>  | <b>3,982</b>    | <b>(3,770)</b>   | <b>212</b>       | <b>(2,154)</b>   |
| <b>Total 2023</b>                                 | <b>136</b>    | <b>3,116</b>  | <b>3,252</b>    | <b>(5,406)</b>   | <b>(2,154)</b>   |                  |

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

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**6. Surplus on ordinary activities before taxation**

|                                                                        | <b>Group</b> |             | <b>Association</b> |             |
|------------------------------------------------------------------------|--------------|-------------|--------------------|-------------|
|                                                                        | <b>2024</b>  | <b>2023</b> | <b>2024</b>        | <b>2023</b> |
|                                                                        | £'000        | £'000       | £'000              | £'000       |
| <b>Surplus on ordinary activities before taxation is stated after:</b> |              |             |                    |             |
| Depreciation                                                           | 6,098        | 5,666       | 6,022              | 5,555       |
| Amortisation                                                           | 315          | 347         | 12                 | 45          |
| <b>Auditor's remuneration</b>                                          |              |             |                    |             |
| Audit services                                                         | 38           | 33          | 25                 | 21          |
| Non-audit services                                                     | 8            | 25          | 8                  | 20          |
|                                                                        | =====        | =====       | =====              | =====       |

**7. Key management Personnel**

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

|                                                                             | <b>Group</b> |             | <b>Association</b> |             |
|-----------------------------------------------------------------------------|--------------|-------------|--------------------|-------------|
|                                                                             | <b>2024</b>  | <b>2023</b> | <b>2024</b>        | <b>2023</b> |
|                                                                             | £'000        | £'000       | £'000              | £'000       |
| Total emoluments of key management [excluding pension contributions]        | 521          | 371         | 317                | 304         |
|                                                                             | =====        | =====       | =====              | =====       |
| Pension contributions on above                                              | 47           | 37          | 37                 | 37          |
|                                                                             | =====        | =====       | =====              | =====       |
| The emoluments of the highest paid officer, excluding pension contributions | 126          | 120         | 126                | 120         |
|                                                                             | =====        | =====       | =====              | =====       |
| Pension contributions on above                                              | 13           | 13          | 13                 | 13          |
|                                                                             | =====        | =====       | =====              | =====       |

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

|                      | <b>Group</b> |             | <b>Association</b> |             |
|----------------------|--------------|-------------|--------------------|-------------|
|                      | <b>2024</b>  | <b>2023</b> | <b>2024</b>        | <b>2023</b> |
|                      | £'000        | £'000       | £'000              | £'000       |
| £60,001 to £70,000   | 3            | -           | -                  | -           |
| £70,001 to £80,000   | -            | -           | -                  | -           |
| £80,001 to £90,000   | -            | -           | -                  | -           |
| £90,001 to £100,000  | 2            | 2           | 2                  | 2           |
| £100,001 to £110,000 | -            | -           | -                  | -           |
| £110,001 to £120,000 | -            | -           | -                  | -           |
| £120,001 to £130,000 | 1            | 1           | 1                  | 1           |
|                      | =====        | =====       | =====              | =====       |

Expenses payable to Board Members for out of pocket expenses amounted to £Nil (2023: £Nil).

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

**8. Employee information**

|                                                                                     | <b>Group</b> |             | <b>Association</b> |             |
|-------------------------------------------------------------------------------------|--------------|-------------|--------------------|-------------|
|                                                                                     | <b>2024</b>  | <b>2023</b> | <b>2024</b>        | <b>2023</b> |
|                                                                                     | £'000        | £'000       | £'000              | £'000       |
| Staff costs (including key management personnel) during the year were as follows: - |              |             |                    |             |
| Wages and salaries                                                                  | 5,887        | 6,355       | 3,425              | 3,719       |
| Social security costs                                                               | 592          | 634         | 346                | 378         |
| Pension costs                                                                       | 326          | 361         | 263                | 296         |
| Pension liability remeasurement                                                     | 51           | 24          | 51                 | 24          |
| Temp staff cost                                                                     | 74           | 184         | 74                 | 184         |
|                                                                                     | -----        | -----       | -----              | -----       |
|                                                                                     | 6,930        | 7,558       | 4,159              | 4,601       |
|                                                                                     | =====        | =====       | =====              | =====       |

Pension costs do not include past deficit contributions of £nil (2023: £224k) 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:

|                                  | <b>Group</b> |             | <b>Association</b> |             |
|----------------------------------|--------------|-------------|--------------------|-------------|
|                                  | <b>2024</b>  | <b>2023</b> | <b>2024</b>        | <b>2023</b> |
|                                  | No.          | No.         | No.                | No.         |
| Office staff                     | 156          | 202         | 79                 | 90          |
| Cleaning Team staff              | 20           | 19          | 20                 | 19          |
| Sheltered Accommodation Staff    | 7            | 7           | 7                  | 7           |
|                                  | -----        | -----       | -----              | -----       |
| Total Staff                      | 183          | 228         | 106                | 116         |
|                                  | =====        | =====       | =====              | =====       |
| Full-time equivalent total staff | 174          | 193         | 99                 | 107         |
|                                  | =====        | =====       | =====              | =====       |

**9. Interest**

|                                                            | <b>Group</b> |             | <b>Association</b> |             |
|------------------------------------------------------------|--------------|-------------|--------------------|-------------|
|                                                            | <b>2024</b>  | <b>2023</b> | <b>2024</b>        | <b>2023</b> |
|                                                            | £'000        | £'000       | £'000              | £'000       |
| <b>Interest receivable and similar income</b>              |              |             |                    |             |
| Interest receivable on bank balances                       | 426          | 321         | 457                | 326         |
|                                                            | -----        | -----       | -----              | -----       |
| <b>Interest payable and similar charges</b>                |              |             |                    |             |
| Interest payable on loans & Hire Purchase                  | 3,365        | 2,941       | 3,349              | 2,938       |
| Less: capitalised                                          | (527)        | (355)       | (527)              | (355)       |
|                                                            | -----        | -----       | -----              | -----       |
|                                                            | 2,838        | 2,586       | 2,822              | 2,583       |
| Net finance costs on defined benefit pension (see note 22) | (23)         | (3)         | (23)               | (3)         |
|                                                            | -----        | -----       | -----              | -----       |
|                                                            | 2,815        | 2,583       | 2,799              | 2,580       |
|                                                            | =====        | =====       | =====              | =====       |

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

**10. Taxation**

|                                                        | <b>2024</b>  | <b>Group</b> | <b>Association</b> |              |
|--------------------------------------------------------|--------------|--------------|--------------------|--------------|
|                                                        | <b>2023</b>  | <b>2023</b>  | <b>2024</b>        | <b>2023</b>  |
|                                                        | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>       | <b>£'000</b> |
| (a) Tax expense included in comprehensive income       |              |              |                    |              |
| Current tax on surplus on ordinary activities          |              |              |                    |              |
| UK corporation tax                                     | -            | -            | -                  | -            |
| Adjustment to tax charge in respect of previous period | (35)         | -            | -                  | -            |
|                                                        | -----        | -----        | -----              | -----        |
| Total current tax (note 10(b))                         | (35)         | -            | -                  | -            |
|                                                        | -----        | -----        | -----              | -----        |
| Tax on ordinary activities                             | -            | -            | -                  | -            |
|                                                        | =====        | =====        | =====              | =====        |

(b) Reconciliation of tax expense included in comprehensive income

The tax on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 25% (2021: 19%). The differences are reconciled below:

|                                                         | <b>2024</b>  | <b>Group</b> | <b>Association</b> |              |
|---------------------------------------------------------|--------------|--------------|--------------------|--------------|
|                                                         | <b>2023</b>  | <b>2023</b>  | <b>2024</b>        | <b>2023</b>  |
|                                                         | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>       | <b>£'000</b> |
| Surplus on ordinary activities before taxation          | 5,774        | 3,220        | 6,061              | 3,530        |
|                                                         | =====        | =====        | =====              | =====        |
| Tax calculated at 25% (2023: 19%)                       | 1,444        | 612          | 1,515              | 671          |
| Exempt charitable activities                            | (1,414)      | (612)        | (1,515)            | (671)        |
| Group relief claimed(14)                                | -            | -            | -                  | -            |
| Gift Aid distribution                                   | (16)         | -            | -                  | -            |
| Adjustment to tax charge in respect of previous period  | (35)         | -            | -                  | -            |
|                                                         | -----        | -----        | -----              | -----        |
| <b>Tax expense / (refund) for the year (note 10(a))</b> | <b>(35)</b>  | <b>-</b>     | <b>-</b>           | <b>-</b>     |
|                                                         | =====        | =====        | =====              | =====        |

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

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

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

|                                               | Housing properties held for letting<br>£'000 | Shared Ownership held for Properties letting<br>£'000 | Housing Properties in course of construction<br>£'000 | Housing Properties Total<br>£'000 |
|-----------------------------------------------|----------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|-----------------------------------|
| <b>Cost</b>                                   |                                              |                                                       |                                                       |                                   |
| At 1 April 2023                               | 258,411                                      | 7,078                                                 | 42,209                                                | 307,698                           |
| Additions – properties under construction     | -                                            | -                                                     | 11,236                                                | 11,236                            |
| Capitalised improvements including components | 309                                          | 237                                                   | -                                                     | 546                               |
| Disposals including replaced components       | (1,316)                                      | -                                                     | -                                                     | (1,316)                           |
| Schemes and components completed              | 4,742                                        | -                                                     | (4,742)                                               | -                                 |
|                                               | -----                                        | -----                                                 | -----                                                 | -----                             |
| At 31 March 2024                              | 262,146                                      | 7,315                                                 | 48,703                                                | 318,164                           |
|                                               | -----                                        | -----                                                 | -----                                                 | -----                             |
| <b>Depreciation</b>                           |                                              |                                                       |                                                       |                                   |
| At 1 April 2023                               | 69,170                                       | 1,620                                                 | -                                                     | 70,790                            |
| Charged for the year                          | 5,862                                        | 39                                                    | -                                                     | 5,901                             |
| Disposals including replaced components       | (516)                                        | -                                                     | -                                                     | (516)                             |
|                                               | -----                                        | -----                                                 | -----                                                 | -----                             |
| At 31 March 2024                              | 74,516                                       | 1,659                                                 | -                                                     | 76,175                            |
|                                               | -----                                        | -----                                                 | -----                                                 | -----                             |
| <b>Net book value</b>                         |                                              |                                                       |                                                       |                                   |
| At 31 March 2023                              | 187,630                                      | 5,656                                                 | 48,703                                                | 241,989                           |
|                                               | =====                                        | =====                                                 | =====                                                 | =====                             |
| At 31 March 2023                              | 189,241                                      | 5,458                                                 | 42,209                                                | 236,908                           |
|                                               | =====                                        | =====                                                 | =====                                                 | =====                             |

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

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

For major repairs during the year the Association spent £2,747k (2023: £3,236k); £1,808k (2023: £1,760k) was capitalised for replacement components; and £939k (2023: £1,476k) was expensed through operating costs in the Statement of Comprehensive Income.

Interest capitalised in the year amounted to £527k (2023: £652k). 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 3.73% (2023: 3.58%).

Fixed assets pledged as security amount to £142m (2023: £139m).

The value of land amounts to £16.6m (2023: £16.8m).

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**12a. Other fixed assets – Group**

|                           | Heritable<br>property<br>£'000 | Computer<br>equipment<br>£'000 | Office<br>furniture<br>and<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Other<br>£'000 | Total<br>£'000 |
|---------------------------|--------------------------------|--------------------------------|--------------------------------------------------|----------------------------|----------------|----------------|
| <b>Cost</b>               |                                |                                |                                                  |                            |                |                |
| At 1 April 2023           | 3,330                          | 1,031                          | 238                                              | 913                        | 2              | 5,514          |
| Opening restated          | -                              | (2)                            | 2                                                | -                          | -              | -              |
| Additions during year     | -                              | 29                             | 2                                                | 114                        | -              | 145            |
| Disposals during the year | -                              | -                              | -                                                | (166)                      | -              | (166)          |
| At 31 March 2024          | 3,330                          | 1,058                          | 242                                              | 861                        | 2              | 5,493          |
| <b>Depreciation</b>       |                                |                                |                                                  |                            |                |                |
| At 1 April 2023           | 1,179                          | 905                            | 220                                              | 660                        | 2              | 2,966          |
| Opening restated          | (1)                            | (3)                            | 3                                                | 1                          | -              | -              |
| Charged during year       | 66                             | 54                             | 6                                                | 71                         | -              | 197            |
| Disposals during the year | -                              | -                              | -                                                | (135)                      | -              | (135)          |
| At 31 March 2024          | 1,244                          | 956                            | 229                                              | 597                        | 2              | 3,028          |
| <b>Net book value</b>     |                                |                                |                                                  |                            |                |                |
| At 31 March 2024          | 2,086                          | 102                            | 13                                               | 264                        | -              | 2,465          |
| At 31 March 2023          | 2,151                          | 126                            | 18                                               | 253                        | -              | 2,548          |

**12b. Other fixed assets – Association**

|                           | Heritable<br>property<br>£'000 | Computer<br>equipment<br>£'000 | Office<br>furniture<br>and<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|---------------------------|--------------------------------|--------------------------------|--------------------------------------------------|----------------------------|----------------|
| <b>Cost</b>               |                                |                                |                                                  |                            |                |
| At 1 April 2023           | 3,330                          | 974                            | 198                                              | 129                        | 4,631          |
| Additions during year     | -                              | 26                             | -                                                | -                          | 26             |
| Disposals during the year | -                              | -                              | -                                                | -                          | -              |
| At 31 March 2024          | 3,330                          | 1,000                          | 198                                              | 129                        | 4,657          |
| <b>Depreciation</b>       |                                |                                |                                                  |                            |                |
| At 1 April 2024           | 1,178                          | 857                            | 195                                              | 107                        | 2,337          |
| Charged during year       | 66                             | 49                             | 1                                                | 5                          | 121            |
| Disposals during the year | -                              | -                              | -                                                | -                          | -              |
| At 31 March 2024          | 1,244                          | 906                            | 196                                              | 112                        | 2,458          |
| <b>Net book value</b>     |                                |                                |                                                  |                            |                |
| At 31 March 2024          | 2,086                          | 94                             | 2                                                | 17                         | 2,199          |
| At 31 March 2023          | 2,152                          | 117                            | 3                                                | 22                         | 2,294          |

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**12c. Intangible assets – Group and Association****£'000****Cost**

At 1 April 2023 719

Additions during year 981

At 31 March 2024 1,700

**Amortisation**

At 1 April 2023 196

Charged during year 12

At 31 March 2024 208

**Net book value**

At 31 March 2024 1,492

At 31 March 2023 523

**13. Goodwill****£'000****GROUP****Cost**

As at 1 April 2023 3,026

Discount adjustment -

As at 31 March 2024 3,026

**Amortisation**

As at 1 April 2023 1,008

Amortisation recognised in the statement of comprehensive income 303

As at 31 March 2024 1,311

**Carrying amount**

As at 31 March 2024 1,715

As at 31 March 2023 2,018

The amortisation of goodwill is included in other activities.

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

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**14. Investments – Association**

The financial statements consolidate the results three wholly owned subsidiaries; a non-charitable subsidiary Harbour Lettings Ltd; a Community Interest Company Harbour Connections; and a repairs & maintenance company Harbour Multi-Trades Ltd from the 13 December 2019. The association has the right to appoint members to the boards of the three subsidiaries and thereby exercise control over them.

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

|                                  | <b>Total<br/>£'000</b> |
|----------------------------------|------------------------|
| <b>Cost</b>                      |                        |
| At 31 March 2023                 | 3,821                  |
| Discount adjustment              | -                      |
|                                  | -----                  |
| At 31 March 2024                 | 3,821                  |
|                                  | -----                  |
| <b>Provisions for impairment</b> |                        |
| At 31 March 2023                 | -                      |
| Impairment loss                  | -                      |
|                                  | -----                  |
| At 31 March 2024                 | -                      |
|                                  | -----                  |
| <b>Carrying amount</b>           |                        |
| At 31 March 2024                 | 3,821                  |
|                                  | =====                  |
| At 31 March 2023                 | 3,821                  |
|                                  | =====                  |

**15. Stock**

|                                     | <b>2024</b> | <b>Group</b> | <b>2024</b> | <b>Association</b> |
|-------------------------------------|-------------|--------------|-------------|--------------------|
|                                     | £'000       | 2023         | 2024        | 2023               |
|                                     | £'000       | £'000        | £'000       | £'000              |
| Finished goods and goods for resale | 174         | 269          | -           | -                  |
|                                     | -----       | -----        | -----       | -----              |
|                                     | 174         | 269          | -           | -                  |
|                                     | =====       | =====        | =====       | =====              |

**16. Debtors**

|                                          | <b>2024</b> | <b>Group</b> | <b>2024</b> | <b>Association</b> |
|------------------------------------------|-------------|--------------|-------------|--------------------|
|                                          | £'000       | 2023         | 2024        | 2023               |
|                                          | £'000       | £'000        | £'000       | £'000              |
| Arrears of rent                          | 742         | 582          | 643         | 553                |
| Less: bad debt provision                 | (210)       | (154)        | (196)       | (143)              |
|                                          | -----       | -----        | -----       | -----              |
|                                          | 532         | 428          | 447         | 410                |
|                                          | -----       | -----        | -----       | -----              |
| Group debtors – Intercompany Loan to QCI | -           | -            | 84          | 124                |
| Group debtors – Other                    | -           | -            | 328         | 352                |
| Other debtors and prepayments            | 164         | 649          | 1,765       | 228                |
| Accrued income                           | 2,233       | 45           | 160         | 45                 |
|                                          | -----       | -----        | -----       | -----              |
|                                          | 2,929       | 1,122        | 2,784       | 1,159              |
|                                          | =====       | =====        | =====       | =====              |

The Association is due £84k from Harbour Connections (2023: £114k). £59k of this is due after more than a year (2023: £104k).

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**17. Creditors: amounts falling due within one year**

|                                                      | <b>Group</b> |             | <b>Association</b> |             |
|------------------------------------------------------|--------------|-------------|--------------------|-------------|
|                                                      | <b>2024</b>  | <b>2023</b> | <b>2024</b>        | <b>2023</b> |
|                                                      | £'000        | £'000       | £'000              | £'000       |
| Housing loans (note 18)                              | 1,281        | 1,295       | 1,281              | 1,295       |
| Prepaid rent                                         | 675          | 644         | 630                | 585         |
| Contractors for retentions unpaid and certified work | 1,455        | 1,771       | 1,455              | 1,771       |
| Group creditors                                      | -            | -           | 420                | 320         |
| Trade creditors                                      | 467          | 559         | 139                | 138         |
| Sundry creditors                                     | 1,733        | 1,204       | 1,628              | 1,200       |
| Maintenance and general accruals                     | 1,899        | 2,845       | 1,608              | 2,671       |
| Other Creditors                                      | 613          | 613         | 613                | 612         |
| Deferred capital grant (note 19)                     | 2,964        | 2,931       | 2,964              | 2,932       |
| HAG Repayable                                        | -            | 143         | -                  | 143         |
| CIS tax                                              | 8            | -           | -                  | -           |
|                                                      | -----        | -----       | -----              | -----       |
|                                                      | 11,095       | 12,005      | 10,738             | 11,667      |
|                                                      | =====        | =====       | =====              | =====       |

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

|                                  | <b>Group</b> |             | <b>Association</b> |             |
|----------------------------------|--------------|-------------|--------------------|-------------|
|                                  | <b>2024</b>  | <b>2023</b> | <b>2024</b>        | <b>2023</b> |
|                                  | £'000        | £'000       | £'000              | £'000       |
| Housing loans                    | 88,966       | 90,226      | 88,966             | 90,226      |
| Deferred Tax                     | -            | 35          | -                  | -           |
| Other Creditors                  | -            | -           | -                  | -           |
| Deferred capital grant (note 20) | 115,715      | 117,603     | 115,715            | 117,603     |
|                                  | -----        | -----       | -----              | -----       |
|                                  | 204,681      | 207,864     | 204,681            | 207,829     |
|                                  | =====        | =====       | =====              | =====       |

Housing loans from building societies and banks are secured by specific charges on the Association's housing properties and are repayable at interest rates varying from 2.84% to 7.0% (2023: 2.84% to 5.52%) over a period of between 4 and 17 years in instalments due as follows:

|                                              | <b>Group</b> |             | <b>Association</b> |             |
|----------------------------------------------|--------------|-------------|--------------------|-------------|
|                                              | <b>2024</b>  | <b>2023</b> | <b>2024</b>        | <b>2023</b> |
|                                              | £'000        | £'000       | £'000              | £'000       |
| In one year or less                          | 1,281        | 1,295       | 1,281              | 1,295       |
| Between one and two years                    | 1,089        | 1,295       | 1,089              | 1,295       |
| Between two and five years                   | 3,264        | 3,369       | 3,264              | 3,369       |
| In five or more years                        | 84,613       | 85,562      | 84,613             | 85,562      |
|                                              | -----        | -----       | -----              | -----       |
|                                              | 90,247       | 91,521      | 90,247             | 91,521      |
|                                              | =====        | =====       | =====              | =====       |
| Amounts falling due within one year          | 1,281        | 1,295       | 1,281              | 1,295       |
| Amounts falling due after more than one year | 88,966       | 90,226      | 88,966             | 90,226      |
|                                              | -----        | -----       | -----              | -----       |
|                                              | 90,247       | 91,521      | 90,247             | 91,521      |
|                                              | =====        | =====       | =====              | =====       |

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**19. Deferred capital grant**

|                                | <b>2024</b> | <b>Group</b> | <b>2024</b> | <b>Association</b> |
|--------------------------------|-------------|--------------|-------------|--------------------|
|                                | <b>2023</b> | <b>2023</b>  | <b>2023</b> | <b>2023</b>        |
|                                | £'000       | £'000        | £'000       | £'000              |
| At 1 April                     | 120,535     | 123,421      | 120,535     | 123,421            |
| Grant received during the year | 1,366       | 240          | 1,366       | 240                |
| Grant repaid during the year   | (524)       | (538)        | (524)       | (538)              |
| HAG disbursed                  | -           | -            | -           | -                  |
| Released to income in the year | (2,698)     | (2,588)      | (2,698)     | (2,588)            |
|                                | -----       | -----        | -----       | -----              |
| At 31 March                    | 118,679     | 120,535      | 118,679     | 120,535            |
|                                | =====       | =====        | =====       | =====              |

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

|                       | <b>2024</b> | <b>Group</b> | <b>2024</b> | <b>Association</b> |
|-----------------------|-------------|--------------|-------------|--------------------|
|                       | <b>2023</b> | <b>2023</b>  | <b>2023</b> | <b>2023</b>        |
|                       | £'000       | £'000        | £'000       | £'000              |
| In one year or less   | 2,964       | 2,932        | 2,964       | 2,932              |
| In more than one year | 115,715     | 117,603      | 115,715     | 117,603            |
|                       | -----       | -----        | -----       | -----              |
|                       | 118,679     | 120,535      | 118,679     | 120,535            |
|                       | =====       | =====        | =====       | =====              |

**20. Share capital**

|                             | <b>2024</b> | <b>2023</b> |
|-----------------------------|-------------|-------------|
|                             | £           | £           |
| At 1 April                  | 134         | 144         |
| Issued during the year      | -           | 2           |
| Surrendered during the year | (3)         | (12)        |
|                             | -----       | -----       |
| At 31 March                 | 131         | 134         |
|                             | =====       | =====       |

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

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**21. Cash flow from operating activities**

|                                                           | <b>2024</b>  | <b>Group</b> | <b>Association</b> |              |
|-----------------------------------------------------------|--------------|--------------|--------------------|--------------|
|                                                           | <b>2023</b>  | <b>2023</b>  | <b>2024</b>        | <b>2023</b>  |
|                                                           | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>       | <b>£'000</b> |
| Surplus for the year after tax                            | 5,809        | 3,220        | 6,061              | 3,530        |
| <i>Adjustments for non-cash items:</i>                    |              |              |                    |              |
| Depreciation of tangible fixed assets                     | 6,098        | 5,666        | 6,022              | 5,555        |
| Amortisation of tangible fixed assets                     | 315          | 347          | 12                 | 45           |
| Decrease/(Increase) in stock                              | 95           | (71)         | -                  | -            |
| Decrease/(increase) in trade and other debtors            | (1,809)      | 1,195        | (1,627)            | 849          |
| Increase/(decrease) in trade and other creditors          | (913)        | (316)        | (932)              | (385)        |
| Pension cost less contributions payable                   | 23           | (227)        | 23                 | (227)        |
| Carrying amount of tangible fixed asset disposals         | 832          | 922          | 801                | 901          |
| Tax provided                                              | (35)         | -            | -                  | -            |
| <i>Adjustments for investing or financing activities:</i> |              |              |                    |              |
| Proceeds from the sale of tangible fixed assets           | (4,602)      | (4,672)      | (4,558)            | (4,658)      |
| Government grants utilised in the year                    | (2,698)      | (2,588)      | (2,698)            | (2,588)      |
| Interest payable                                          | 2,815        | 2,583        | 2,799              | 2,580        |
| Interest received                                         | (462)        | (321)        | (457)              | (326)        |
| Loan at deemed cost                                       | -            | -            | -                  | -            |
| Cash generated from operating activities                  | 5,468        | 5,738        | 5,446              | 5,276        |
| Tax paid                                                  | -            | -            | -                  | -            |
| Net cash generated from operating activities              | 5,468        | 5,738        | 5,446              | 5,276        |

**22. Pension Obligations**

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

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

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

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from 31 March to 28 February inclusive. The latest accounting valuation was carried out with an effective date of 30 September 2023. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2024 to 28 February 2025 inclusive.

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**22. Pension Obligations (continued)****Present values of defined benefit obligation, fair value of assets and defined benefit liability**

|                                                           | <b>2024</b>  | <b>2023</b>  |
|-----------------------------------------------------------|--------------|--------------|
|                                                           | <b>£'000</b> | <b>£'000</b> |
| Fair value of plan assets                                 | 8,282        | 8,899        |
| Present value of defined benefit obligation               | (9,380)      | (9,355)      |
|                                                           | -----        | -----        |
| (Deficit) in plan                                         | (1,098)      | (456)        |
| Unrecognised surplus                                      | -            | -            |
|                                                           | -----        | -----        |
| Defined benefit (liability) / asset to be recognised      | (1,098)      | (456)        |
| Deferred tax                                              | -            | -            |
|                                                           | -----        | -----        |
| Net defined benefit (liability)/asset to be recognised    | (1,098)      | (456)        |
|                                                           | =====        | =====        |
| <b>Reconciliation of the impact of the asset ceiling</b>  |              |              |
| Impact of asset ceiling at start of period                | -            | -            |
| Effect of the asset ceiling included in net interest cost | -            | -            |
| Actuarial losses (gains) on asset ceiling                 | -            | -            |
|                                                           | -----        | -----        |
| Impact of asset ceiling at end of period                  | -            | -            |
|                                                           | =====        | =====        |

**Reconciliation of opening and closing balances of the defined benefit obligation**

|                                                                    |       |         |
|--------------------------------------------------------------------|-------|---------|
| Defined benefit obligation at start of period                      | 9,355 | 13,376  |
| Current service cost                                               | -     | -       |
| Expenses                                                           | 14    | 12      |
| Interest expense                                                   | 447   | 370     |
| Contributions by plan participants                                 | -     | -       |
| Actuarial losses (gains) due to scheme experience                  | 82    | (186)   |
| Actuarial losses (gains) due to changes in demographic assumptions | (59)  | (221)   |
| Actuarial losses (gains) due to changes in financial assumptions   | (31)  | (3,739) |
| Benefits paid and expenses                                         | (428) | (257)   |
| 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                        | 9,380 | 9,355   |
|                                                                    | ===== | =====   |

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

|                                                                           |       |         |
|---------------------------------------------------------------------------|-------|---------|
| Fair value of plan assets at start of period                              | 8,899 | 13,373  |
| Interest income                                                           | 424   | 373     |
| Experience on plan assets (excluding amounts included in interest income) |       |         |
| - gain (loss)                                                             | (627) | (4,826) |
| Contributions by the employer                                             | 14    | 236     |
| Benefits paid and expenses                                                | (428) | (257)   |
|                                                                           | ----- | -----   |
| Fair value of plan assets at end of period                                | 8,282 | 8,899   |
|                                                                           | ===== | =====   |

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2024 was (£203k).

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**22. Pension Obligations (continued)****Defined benefit costs recognised in statement of comprehensive income (SOCl)**

|                                                                              | <b>2024</b> | <b>2023</b> |
|------------------------------------------------------------------------------|-------------|-------------|
|                                                                              | £'000       | £'000       |
| Expenses                                                                     | 14          | 12          |
| Net interest expense                                                         | 23          | (3)         |
|                                                                              | -----       | -----       |
| Defined benefit costs recognised in statement of comprehensive income (SOCl) | 37          | 9           |
|                                                                              | =====       | =====       |

**Defined benefit costs recognised in other comprehensive income**

|                                                                                                                                     |       |         |
|-------------------------------------------------------------------------------------------------------------------------------------|-------|---------|
| Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)                                           | (627) | (4,826) |
| Experience gains and losses arising on the plan liabilities - gain (loss)                                                           | (82)  | 186     |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)      | 59    | 221     |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)        | 31    | 3,739   |
|                                                                                                                                     | ----- | -----   |
| Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)               | (619) | (680)   |
| 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)                                                                 | (619) | (680)   |
|                                                                                                                                     | ===== | =====   |

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

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

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

In May 2021 the Scheme Trustee (TPT Retirement Solutions) notified employers of a review of historic scheme benefit changes, and this review has raised legal questions regarding whether and when some historic benefit changes should take effect, the outcome of which could give rise to an increase in liabilities for some employers. The Scheme Trustee has determined that it is prudent to seek clarification from the Court on these items, and a date for this has now been set for 2025.

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

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**23. Capital commitments**

|                                                                                                | 2024<br>£'000 | Group<br>2023<br>£'000 | 2024<br>£'000 | Association<br>2023<br>£'000 |
|------------------------------------------------------------------------------------------------|---------------|------------------------|---------------|------------------------------|
| <b>Housing developments</b>                                                                    |               |                        |               |                              |
| Capital expenditure that has been contracted for but has not been provided for in the accounts | 2             | 8.6                    | 2             | 8.6                          |
|                                                                                                | =====         | =====                  | =====         | =====                        |

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

**24. Units of Accommodation**

| Group and Association            | At 1<br>April<br>2023<br>£'000 | Additions<br>£'000 | Disposals<br>£'000 | Adjustment<br>£'000 | At 31<br>March<br>2024<br>£'000 |
|----------------------------------|--------------------------------|--------------------|--------------------|---------------------|---------------------------------|
| <b>Property held for letting</b> |                                |                    |                    |                     |                                 |
| General                          | 2,236                          | 52                 | (27)               | 1                   | 2,262                           |
| Sheltered                        | 113                            | -                  | -                  | -                   | 113                             |
| Medium dependency                | 154                            | -                  | -                  | -                   | 154                             |
| Wheelchair housing               | 65                             | 1                  | -                  | -                   | 66                              |
| Special needs (Bed spaces)       | 48                             | -                  | -                  | -                   | 48                              |
| Mid-market rent                  | 423                            | 100                | -                  | -                   | 523                             |
| Shared ownership                 | 125                            | -                  | (3)                | -                   | 122                             |
|                                  | -----                          | -----              | -----              | -----               | -----                           |
|                                  | 3,164                          | 153                | (30)               | 1                   | 3,288                           |
|                                  | =====                          | =====              | =====              | =====               | =====                           |

As at 31 March 2024 the number of properties the Association leased to Harbour Lettings Limited for onward letting at mid-market rent was 523 (2023: 423).

**25. Related party disclosure**

The 1 tenant members (2023: 1) of the Board of Management during the year had tenancies on normal terms and the Board Members cannot use their position to their advantage. The amount of rents charged in the year ended 31 March 2024 in respect of the tenancies amounted to £6k (2023: £6k). The rent prepaid at 31 March 2024 was £Nil (2023: £Nil).

The Association has leased to Harbour Lettings, its subsidiary company, those properties which it has developed for mid-market rent. Harbour Homes also provides staff and services to Harbour Lettings under a Service Level Agreement (SLA). Under the terms of the lease and SLA quarterly charges commenced in the quarter commencing 1 April following commencement of the lease and will continue over the duration of the lease concluding with a final charge in the quarter following the termination of the lease and SLA. Management charges amounted to £48k (2023: £47k) and leasing fees totalled £2,714k (2023: £2,206k) in the year ended 31 March 2024. Lettings owed Homes £328k (2023: £308k) and Homes owed Lettings £5k (2023: £14k).

Harbour Connections provides cleaning services to Harbour Homes Limited. Invoices amounted to £Nil (2023: £Nil) in the period ended 31 March 2023. There is a balance due to Harbour Connections CIC at 31 March 2024 of £Nil (2023: £Nil). The Association has provided a loan to Harbour Connections, its subsidiary, and provides staff and services under a Service Level Agreement (SLA). Management charges amounted to £10k (2023: £9k) and recharges of staff costs amounted to £162k (2023: £93k) in the year ended 31 March 2024. Connections owed Homes £83k (2023: £158k) at 31 March 2024. A loan of £84k (2023: £114k) is included in the amount owed.

In the year ended 31 March 2024 Homes owed Multi-Trades £415k in respect of outstanding invoices for maintenance and repair work. In the same period Harbour Lettings Limited owed Harbour Multi-Trades £12k. Multi-Trades provided services to the value of £2,683k to Harbour Homes and £264k to Harbour Lettings up to 31 March 2024.

**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 Harbour Homes 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 2024 the Association has on deposit £1,171,039 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 financial statements.

**Harbour Homes Limited – Pension Scheme**

The Pensions Trust has notified the Association of the latest estimate of the debt on withdrawal potentially due by the Association based on the draft 2020 triennial actuarial valuation of the Scheme. This contingent liability, crystallization of which is considered remote due to the continued membership of the Scheme, is estimated at £2,953,628 and includes an amount in respect of Lorne Area Housing Association of £306,291.

**Housing Association Grant**

Grants relating to assets are recognised as a liability which is then amortised or released to income over the lifetime of the related asset. The deferred capital grant disclosed at note 19 represents the remaining capital grants yet to be released to income. The original amounts of these grants become repayable on the sale or disposal of the related assets unless there is a specific agreement in place to recycle the grant against new property development. Housing Association Grant amortised to 31 March 2024 amounts to £2,698k.

HARBOUR HOMES SCOTLAND LIMITED

NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

27. Group and Association Reserves

| Group                        | 30<br>April<br>2023<br>£'000 | Income<br>£'000 | Expen-<br>diture<br>£'000 | Pension<br>Actuarial<br>(loss)<br>£'000 | In<br>£'000 | Transfers<br>Out<br>£'000 | 31<br>March<br>2024<br>£'000 |
|------------------------------|------------------------------|-----------------|---------------------------|-----------------------------------------|-------------|---------------------------|------------------------------|
| <b>Reserves</b>              |                              |                 |                           |                                         |             |                           |                              |
| Restricted pension           | 539                          | -               | -                         | -                                       | -           | (233)                     | 306                          |
| Restricted recycled proceeds | 5,685                        | -               | -                         | -                                       | 3,501       | -                         | 9,186                        |
|                              | -----                        | -----           | -----                     | -----                                   | -----       | -----                     | -----                        |
| Total restricted             | 6,224                        | -               | -                         | -                                       | 3,501       | (233)                     | 9,492                        |
| General                      | 43,194                       | 29,910          | (24,101)                  | (619)                                   | (3,268)     | -                         | 45,116                       |
|                              | -----                        | -----           | -----                     | -----                                   | -----       | -----                     | -----                        |
| Total reserves               | 49,418                       | 29,910          | (24,101)                  | (619)                                   | 233         | (233)                     | 54,608                       |
|                              | =====                        | =====           | =====                     | =====                                   | =====       | =====                     | =====                        |

| Association                  | 30<br>April<br>2023<br>£'000 | Income<br>£'000 | Expen-<br>diture<br>£'000 | Pension<br>Actuarial<br>(loss)<br>£'000 | In<br>£'000 | Transfers<br>Out<br>£'000 | 31<br>March<br>2024<br>£'000 |
|------------------------------|------------------------------|-----------------|---------------------------|-----------------------------------------|-------------|---------------------------|------------------------------|
| <b>Reserves</b>              |                              |                 |                           |                                         |             |                           |                              |
| Restricted pension           | 539                          | -               | -                         | -                                       | -           | (233)                     | 306                          |
| Restricted recycled proceeds | 5,685                        | -               | -                         | -                                       | 3,501       | -                         | 9,186                        |
|                              | -----                        | -----           | -----                     | -----                                   | -----       | -----                     | -----                        |
| Total restricted             | 6,224                        | -               | -                         | -                                       | 3,501       | (233)                     | 9,492                        |
| General                      | 42,887                       | 26,228          | (20,167)                  | (619)                                   | (3,268)     |                           | 45,061                       |
|                              | -----                        | -----           | -----                     | -----                                   | -----       | -----                     | -----                        |
| Total reserves               | 49,111                       | 26,228          | (20,167)                  | (619)                                   | 233         | (233)                     | 54,553                       |
|                              | =====                        | =====           | =====                     | =====                                   | =====       | =====                     | =====                        |

## NOTES to the GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024**28. Commitments under operating leases**

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

| <b>Group</b>               | <b>2024</b>     | <b>2023</b>     |
|----------------------------|-----------------|-----------------|
|                            | £               | £               |
| <b>Amounts Due</b>         |                 |                 |
| Within one year            | 82,918          | 76,850          |
| Between one and five years | 182,508         | 290,525         |
|                            | -----           | -----           |
|                            | 265,426         | 367,375         |
|                            | =====           | =====           |
| <br><b>Association</b>     | <br><b>2024</b> | <br><b>2023</b> |
|                            | £               | £               |
| <b>Amounts Due</b>         |                 |                 |
| Within one year            | 19,748          | 19,845          |
| Between one and five years | -               | -               |
|                            | -----           | -----           |
|                            | 19,748          | 19,845          |
|                            | =====           | =====           |

**29. Harbour Lettings operating lease**

Harbour Homes charges Harbour Lettings a lease fee for the properties that Homes owns and Lettings collects mid-market rental. This year it amounted to £2,714k (2023: £2,212k).