

Hjaltland Housing Association Limited

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2026

Registered Housing Association No Hal 127
Financial Conduct Authority No 1832R(S)
Scottish Charity No SC031954

Hjaltland Housing Association Limited

Management Committee, Executives and Advisers **For the year ended 31 March 2026**

Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number 1832R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number 127
Charity Number	SC031954

Management Committee

C Nicholson	Chairperson & Treasurer
K Eunson	Vice Chairperson

Committee Members

N Manson	A Tallack
P Shead	R Bell
R Hunter	R Abernethy
S Holroyd	J Clarkson

Executive Officers

B Leask	Chief Executive/Secretary
P Leask	Director of Assets
I Bray	Director of Housing
J Thomason	Director of Finance

Registered Office

6 North Ness Business Park
Lerwick
Shetland
ZE1 0LZ

Auditor

RSM UK Audit LLP
3rd Floor
2 Semple Street
Edinburgh
EH3 8BL

Hjaltland Housing Association Limited

Management Committee, Executives and Advisers For the year ended 31 March 2026

Bankers

Bank of Scotland
117 Commercial Street
Lerwick
Shetland
ZE1 0DN

Royal Bank of Scotland
81 Commercial Street
Lerwick
Shetland
ZE1 0AD

Nationwide Building Society
Kings Park Road
Moulton Park
Northampton
NN3 6NW

Solicitors

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

Internal Auditor

Quinn Internal Audit Services Ltd
GF 4 Grosvenor Gardens
Edinburgh
Midlothian
EH2 5JU

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2026

The Management Committee presents their report and the audited financial statements for the year ended 31 March 2026.

Mission, Vision & Values

Our Vision:

Providing homes, supporting communities.

Our Mission

We will provide high-quality, affordable homes and services in communities where people are proud to live and work.

Our mission explains in more detail how we are going to try to achieve our vision. It sets out what we are going to do, for whom, and how we'll go about it. We have five key strategic objectives that underpin our mission and articulate exactly how we will achieve it.

1. To provide good quality, affordable homes that offer value for money.
2. To assist people in need through a range of services.
3. To provide opportunities for people to participate and influence decisions.
4. To support communities throughout Shetland.
5. To maintain financial strength and grow the business sustainably.

Our values

Our values are integral to our success. They help us by shaping our behaviour and are integrated into our appraisal and recruitment practices.

- **Teamwork** – Working together as one team to the benefit of our customers. To demonstrate and extend trust in each other.
- **Openness** – We offer a people-focused service that is centred in fairness and integrity. We believe in being open, honest and respectful in everything we do.
- **Ownership** – We expect our staff to take responsibility for their actions and give them the freedom to do their job in a positive working environment.
- **Quality** – We value quality in everything we do from the standard of our product to the level of service we provide. We take pride in making a difference in communities and providing continuous improvement.
- **Innovation** – We seek new ways of working to ensure our services and assets are fit for the future.

Legal Status

Hjaltland Housing Association Limited (Hjaltland) is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2026

Principal Activities

Hjaltland's objective is to provide good quality, affordable homes that offer value for money. We will look to increase access to housing across Shetland, within funding constraints.

The table below shows the property we own: -

Managed Properties	2026	2025
Tenanted Property	843	843
Managed on behalf of others	2	2
Shared Ownership Properties	36	40
Total	881	885

Financial Review

Hjaltland made a surplus of £662,939 (2025 £1,304,551) during the year. The 2025 surplus was significantly higher due to income from the sale of shared equity units. Planned and cyclical maintenance costs increased after two years of reduced works to offset lower rent increases as a response to the cost-of-living crisis, to £1,584,263 (2025: £625,033). Works included one-off extensive blockwork repairs, energy improvements, cyclical painting, etc. This expenditure is written off in the year it is incurred and not capitalised.

In addition to the expenditure charged to the Statement of Comprehensive Income, £213,504 of costs spent on existing properties have been capitalised. Of the amount capitalised £150,364 (2025 - £23,875) related to the replacement of components and £63,140 (2025 - £39,711) related to improvements. The depreciation charge for the year is £1,307,755 compared to £1,347,711 in 2024/25.

The Statement of Financial Position includes a provision for the net defined benefit liability representing the Association's share of the SHAPS assets and liabilities. The liability as at 31 March 2025 was £349,000. In the year to 31 March 2026, due to an actuarial gain of £102,000 (2025 gain £41,000), employer contributions of £5,000 (2025 - £5,000) and interest and expenses of £25,000 (2025 - £23,000) this liability is now £267,000. See note 23 for details.

The financial results of Hjaltland are as follows: -

Financial Results	2026	2025
	£000s	£000s
Surplus for the year before pension remeasurement	663	1,305
Other comprehensive income	102	41
Revenue Reserves	14,391	13,626

Having a strong financial position with Capital and Reserves of £14.4m allows Hjaltland to continue to deliver its planned maintenance programme.

Going Concern

The Management Committee expects the Association to have adequate resources to continue in operation for the foreseeable future, based on the Association's long-term financial plans and cash-flow forecasts, and available loan finance. Accordingly, we continue to adopt the going concern basis in preparing the annual financial statements.

Operational Review

1 Corporate Governance

Hjaltland has a Management Committee who are elected by the members of the Association. (See below for details). It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Management Committee are unpaid.

The Executive Team of Hjaltland is responsible for achieving the strategy set and undertaking the operational activities in line with the policies set.

The governing body is the Management Committee, which is responsible to the wider membership. Committee Members serve in a voluntary capacity, and they recognise that this puts even more onus on them to ensure that they set and achieve high standards of professionalism in the Association's work. They take governance very seriously and regularly review governance arrangements to ensure that the Committee and Association are fit for purpose. The internal auditors also review Committee structure and governance as part of their remit.

2 Corporate Issues

Hjaltland's customers deserve excellent service and support to help them protect their health and wellbeing. Our priorities are to deliver services that are responsive to customers' needs, whilst ensuring that they are treated with respect and encouraged to be independent. Practical steps that will be taken include meeting and aiming to exceed the expectations of the Scottish Social Housing Charter and the Care Inspectorate, maintaining the One Stop Shop service and continuing our pursuit of delivering excellent customer service.

Hjaltland shall seek to provide opportunities for people to participate and influence decisions. A tenant satisfaction survey is carried out regularly with the purpose of finding out from our customers what they want from us and using these comments to drive service improvement. The Tenant Focus Group will also be supported to provide scrutiny on the Association's activity.

Hjaltland is also committed to involving staff in decision-making and policymaking and is proud to have achieved the Investors in People Platinum award and to have held continuous Investors in People accreditation for over 20 years.

Due to ongoing economic uncertainty, it is essential that the Association continues to review its stress testing techniques to ensure financial strength and viability. Hjaltland is in a strong financial position and is well placed to meet its lender covenants and withstand periods of adverse economic conditions.

Hjaltland must continue to ensure long-term economic strength through careful financial management and robust scenario planning.

Performance Management

The Association is conscious that staff performance is the key to quality service delivery. In support of this, training needs are considered for all staff through the staff development system.

Benchmarking

The Association engages in the benchmarking of its performance against the performance of other Registered Social Landlords within its peer group as defined within the Annual Report on the Charter produced by the Scottish Housing Regulator. The purpose of this benchmarking is to enable the Association to identify areas of performance where we can do better. A report on the outcome of this benchmarking is presented annually to the Management Committee, and the results are used to inform our target setting for the delivery of services.

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2026

Performance Targets

The Association sets Performance Targets for its key activities annually and monitors performance every quarter through the Management Committee. The targets set are informed by a review of the previous year's outcomes and benchmarking data.

A comprehensive set of KPI's for the Association is included in the Annual Return on the Charter (ARC) to the Scottish Housing Regulator, the details of which are publicly available [Hjaltland Housing Association Ltd | Scottish Housing Regulator](#). The Association meets the Scottish Housing Regulator regulatory requirements, including the Standards of Governance and Financial Management.

The principal KPI's and results against target are set out below:

Principal KPI's	2025/26 Target	2025/26 Actual	2024/25 Actual	2024/25 Scottish Average
Rent and service charge income collected	100%	101.29%	101.35%	100%
Gross rent arrears	4.5%	2.98%	2.82%	4.1%
Rent not collected: empty homes	<0.3%	0.10%	0.15%	0.9%
Average time taken to re-let units	<7 days	6.32 days	6.17 days	40.4 days
No units meeting Scottish Housing Quality Standards	100%	100%	100%	91.9%
Overall tenant satisfaction	-	93.44%	91.3%	88.1%
Development – Unit completions	-	-	4	-
Repair or maintenance satisfaction	-	95.50%	96.82%	87.1%
Emergency repairs – average time taken	<6 hrs	2.72hrs	2.78hrs	4.0 hrs
Non-emergency – average time taken	<10 days	6.65 days	6.08 days	8.3 days
Financing – Net Debt per unit	£20,504	£20,625	£20,814	-

Internal Audit

The Association is committed to a rolling programme of internal audit, and the Action Plan identifies operational areas to be examined during the period. Generally, the areas to be examined are those activities which expose the Association to the greatest risk if they are operationally weak and the outcomes of the Internal Audit reports are considered regularly by the Audit and Risk Sub Committee, the Finance Sub Committee, and the Management Committee, where Action Plans are approved.

Best use of resources

We regularly conduct risk assessments and take any action necessary to reduce or limit risk. We are continuing with a programme of major investment in our housing stock, which is by far our most costly asset. This includes carrying out major planned maintenance programs to ensure that our properties are maintained to a high standard and can meet the current standards. We are continually updating

**Report of the Management Committee
For the year ended 31 March 2026**

our stock condition information to ensure that our long-term financial planning reflects our future investment requirements. We continue with our program of best value reviews to look for efficiencies and economies in the way that we carry out business processes.

3 Development

Hjaltland remains committed to maintaining its track record of developing high-quality, affordable homes for those most in need. We continue to be very successful in securing grant funding for new projects, and with the benefit of improved benchmark funding levels, social rented housing remains the mainstay of the programme. Effective private finance is also an essential element of our development programme, and we secure the most cost-effective short and long-term funding to support it.

Building on our success of previous years, we remain determined in our efforts to continue developing affordable homes to help meet the increasing levels of need. The Association has set a strategic target of completing 60 new homes by March 2031. In the year 2025/26, no new homes were completed, and 1 home was refurbished in Lerwick. The Staneyhill infrastructure works commenced in December 2023 and continued to make good progress throughout the year.

The development spend for 2025/26 was £7,470k (2025 - £6,031k), of this spending £7,493k (2025 - £6,031k) was funded by grants received from the Scottish Government and £0k (2025 - £nil) was funded by grants received from other sources.

4 Housing Issues

The Association continues to work on minimising the period taken to re-let or let new properties to ensure that we maintain our effectiveness in housing people in need and reduce our costs. The rent loss due to empty properties decreased to £4,910 from £6,956 in the previous year, and the average length of time taken to re-let a property has increased to 6.32 days from 6.17 days in the previous year. Net rent arrears have decreased to 0.79%, (previous year 1.18%). Given the current economic conditions, it is an excellent performance to have kept this figure so low.

5 Property Maintenance

The performance of the Association's repair service remains very strong, with all emergency repairs being completed in an average of 2.72 hours. On average, the non-emergency repairs took 6.65 days to complete, which is within the 10-day target.

6 Support Services

The sheltered service continues to be regulated under the Care Inspectorate as a housing support service. An inspection was carried out by the Care Inspectorate in October 2023, which graded both areas inspected as Grade 5 – Very Good. The Association also provides support services via a Financial Inclusion Officer.

7 Finance and IT

One new loan facility, for £5m, was arranged during the financial year and is expected to be drawn down in 2027.

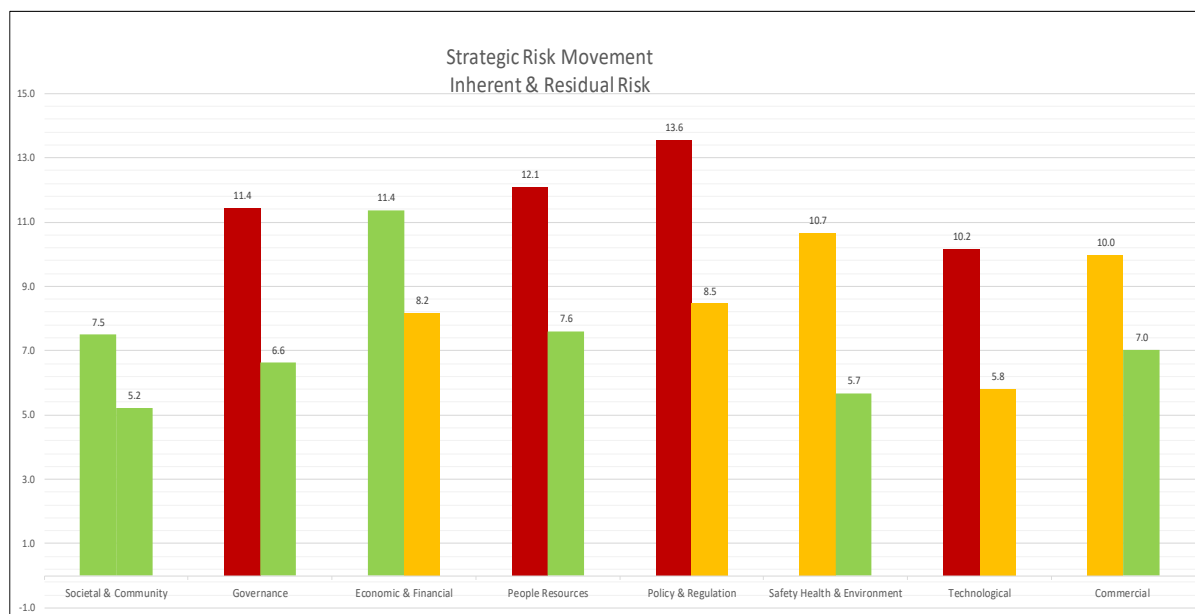
During 2026, the Association will transition to a new IT provider. The change is intended to improve service delivery, resilience, and support arrangements, whilst also reducing risk. A managed transition plan will be prepared to minimise disruption to users and business operations.

**Report of the Management Committee
For the year ended 31 March 2026**

8 Policies and Procedures and Risk Management

Risk Events and Risk Management Policy

The Association re-visits its Business Continuity Plan annually and makes amendments based on any lessons learned during the year. The Committee has continued to operate a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process, the Committee have reviewed the adequacy of the Association's current internal controls, and this continues to be kept under review. The chart and table below provide a summary of our significant risks:



This chart shows the impact of mitigations on each risk category. The Association operates a 3-stage mitigation process: Departmental (senior management), management (through Audit and Risk or Finance sub-committees, and/or the Management Committee), and independent (through internal/external audit and regulators).

The table below shows the identified high residual risks and mitigation controls. All risks are detailed within the full risk register.

High Residual Risks	Main mitigation controls
Breach of covenants, or failure to comply	Timely and accurate monitoring/reporting including covenant compliance reports. Annual covenant compliance certification to lenders, regulatory returns to regulator, internal and external audit. Seek professional advice from consultants and solicitors regarding business plans and assumptions.
Interest rate fluctuations	Monitoring of rates in line with Golden Rules as per the Treasury Management Policy, and other economic factors. Reporting regularly to the Finance sub-committee and the Management Committee.

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Report of the Management Committee For the year ended 31 March 2026

Fraud occurs in procurement or contract management processes	Detailed policies are in place and reviewed regularly (Procurement Annual Report, Policy and procedure, Anti-Bribery Policy, Financial Regulations and control procedures, Delegated Authority Policy, EPB Policy, Fraud Register, and Dealing with Fraud Policy), and internal and external audits are completed. Insurance is in place.
Government policy and legislative changes	Membership of umbrella bodies i.e. SFHA, CIH etc. Seek professional advice from solicitors, etc. Staff are members of professional bodies. Industry update reports provided to Management Committee, and all guidance issued.
Impact of BBC Droitwich transmitter switch-off	In partnership with the local authority, and in discussion with network suppliers, network and local contractors, and politicians, to promote need for an island solution. Technical staff working to investigate works required when meters are changed. CEO is a member of Scottish RTS working group with Ofgem, Scottish Gov't, DCC, and the DNO's.
Construction cost inflation, supply chain disruption, insufficient workforce and contractor dependency	Detailed Tendering Policy and procedures in place, and at least 2 competitive quotes required for sums over £8,500, and tenders for £15,000+. Regular team meetings are held, and current and projected projects across Shetland are monitored for impact on capacity. Maintain dialogue and relationships with contractors, suppliers, etc. Delay or bring forward works to maximise budgets. Regular reporting to all committees.
Geopolitical change and instability, which may disrupt supply chains, increase costs, reduce economic stability, and negatively influence societal cohesion, workforce resilience, and business continuity	Scenario planning and financial stress testing to reflect geopolitical volatility, active monitoring of supply chains, contracts and market conditions. Proactive staff and tenant communications to manage uncertainty and support wellbeing and engagement. Board and committee scrutiny through strategy, budget, and risk cycles. External assurance via audit, treasury advisers, and sector benchmarking. Regulatory engagement and compliance monitoring.

Credit Payment Policy

Hjaltland's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is within thirty days.

Rental Income

The Association's Rent Policy is a points formula system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The point's value is reviewed annually to ensure that the rents cover costs. This policy follows the generally accepted practice/principles of the Housing Movement and was reviewed in consultation with the tenants.

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2026

Maintenance Policies

Hjaltland seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs and maintenance are carried out in the medium term to deal with the gradual and predictable deterioration of building components and comply with tenant safety requirements.

In addition, Hjaltland has a long-term programme of major repairs to cover work which has become necessary since the original development was completed, including works required for subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives.

Budget Process

Each year the Management Committee approves the annual budget and rolling five-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Management Committee of variances from budget and year-end forecasts, together with information on key risk areas. Approval procedures are in place in respect of major areas of risk, such as major contract tenders, expenditure and treasury management.

Treasury Management

Hjaltland has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Management Committee. Hjaltland manages its borrowing arrangements to ensure it can always meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. As at 31 March 2026, Hjaltland had one loan facility agreed but undrawn.

Hjaltland, as a matter of policy, does not enter transactions of a speculative nature. At 31 March 2026, Hjaltland had a mix of fixed and variable rate finance, which it considers appropriate at this time. During the year, the proportion of fixed rates to variable rates continued to be kept under review.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High-quality personnel are seen as an essential part of the control environment, and the ethical standards expected are communicated through the Chief Executive.

Equality & Diversity

There is an Equality & Diversity policy in place, which is kept under review and has been amended to ensure compliance with legislative changes. All reasonable adjustments will be made to assist those with a disability through the application process and throughout the course of their employment.

Committee and Officers' Insurance

Hjaltland has purchased and maintains insurance to cover its Management Committee and officers against liabilities in relation to their duties on behalf of Hjaltland, as authorised by the Association's rules.

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2026

Management Committee during the year to 31 March 2026 & up to date of signing		Sub-Committee Member		Status
		Finance	Audit & Risk	
C Nicholson	Chair & Treasurer	●		
K Eunson	Vice Chair	●		
L Lawson	Treasurer	●		Resigned 17/11/2025
A Lyall	Committee Member		●	Resigned 22/04/2026
N Manson	Committee Member		●	
R McGeady	Committee Member		●	Resigned 23/06/2026
E Perring	Committee Member	●		Resigned 24/10/2025
P Shead	Committee Member	●		
T Smith	Committee Member		●	Resigned 28/08/2025
A Tallack	Committee Member	●		
R Hunter	Committee Member		●	
R Bell	Committee Member		●	
R Abernethy	Committee Member	●		
S Holroyd	Committee Member		●	Co-opted 18/12/2025
J Clarkson	Committee Member	●		Co-opted 19/02/2026

Each member of the Management Committee holds one fully paid share of £1 in Hjaltland. The executive officers of Hjaltland, although not having the legal status of “director”, act as executives within the authority delegated by the Committee.

Auditors

RSM UK Audit LLP have agreed to offer themselves for re-appointment as auditors of Hjaltland.

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.



On behalf of the Management Committee

Mr B Leask

Secretary

6 North Ness Business Park

Lerwick, Shetland

Date: 27 August 2026

Statement of Management Committee's Responsibilities
For the year ended 31 March 2026

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Management Committee to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Management Committee is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is not appropriate to presume that the Association will continue in business.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Management Committee must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Management Committee is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website.

**Management Committee's Statement of Internal Financial Control
For the year ended 31 March 2026**

The Management Committee 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.

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial misstatement or loss or failure to meet objectives. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for the important business functions, and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared, which allow the Management Team and Management Committee to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee;
- the Management Committee receives reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed, and that a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal and external audit reports.

The effectiveness of the Association's system of internal financial control has been reviewed by the Management Committee for the year ended 31 March 2026. No weaknesses were found in internal financial controls, which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By Order of the Management Committee



C Nicholson

Chairperson

Date: 27 August 2026

Opinion

We have audited the financial statements of Hjaltland Housing Association Limited (the 'Association') for the year ended 31 March 2026 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows 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 Association's affairs as at 31 March 2026 and of its income and expenditure 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, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under those Acts.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Management Committee'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 about 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 Management Committee with respect of 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 Management Committee 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.

**Independent Auditors' Report to the members of Hjaltland Housing Association Limited
For the year ended 31 March 2026**

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

Opinion on other matters under the Co-operative and Community Benefit Societies Act 2014

In our opinion, the following continued to apply throughout the year of account:

- the reason given by the Management Committee in respect of a previous year of account for Hjaltland Trading Limited to not be dealt with in the financial statements (having been approved by the FCA under section 99, subsection (3)); and
- the grounds given by the Management Committee for that reason.

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 section 75; or
- a satisfactory system of control over transactions has not been maintained by the association in accordance with section 75; or
- the income account and the balance sheet are not in agreement with the books of account of the association; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we consider necessary for the purposes of our audit.

Responsibilities of the Management Committee

As explained more fully in the Management Committee's responsibilities statement set out on page 13, the Management Committee 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 Management Committee 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 Management Committee 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 Management Committee either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the 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;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

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

The most significant laws and regulations that have an indirect impact on the financial statements are the Housing (Scotland) Acts 2006, 2014 and 2025, the Co-operative and Community Benefit Societies Act 2014, the Scottish Housing Regulator's regulatory framework and the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls and the valuation of other income recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgements and estimates and testing a sample of other income to supporting documentation to corroborate the value recorded in the financial statements.

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

Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

Date: 21/09/26

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**Report by the Auditors to the members of Hjaltland Housing Association Limited on Corporate Governance Matters
For the year ended 31 March 2026**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 14 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 through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. 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 14 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
3rd Floor
2 Semple Street
Edinburgh
EH3 8BL

Date: 21/09/26

Hjaltland Housing Association Limited**Statement of Comprehensive Income
For the year ended 31 March 2026**

	Notes	2026 £	2025 £
Turnover	2	6,777,604	7,559,229
Operating expenditure	2	(5,513,545)	(5,437,735)
Operating surplus	7	1,264,059	2,121,494
Gain on disposal of property, plant and equipment	8	234,536	87,620
Interest receivable		82,753	101,969
Interest and financing costs	6	(918,409)	(1,006,532)
Surplus before tax		662,939	1,304,551
Taxation		-	-
Surplus for the year		662,939	1,304,551
Other comprehensive income			
Actuarial gains in respect of pension scheme	22	102,000	41,000
Total comprehensive income		764,939 =====	1,345,551 =====

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

Statement of Financial Position
For the year ended 31 March 2026

	Notes	2026 £	2025 £
Fixed assets			
Housing properties	10.A	105,743,279	99,542,997
Other fixed assets	10.B	1,398,778	1,455,983
		<u>107,142,057</u>	<u>100,998,980</u>
Current assets			
Stock	11	6,626	6,907
Trade and other debtors	13	1,350,981	656,409
Cash and cash equivalents		3,630,415	4,199,134
		<u>4,988,022</u>	<u>4,862,450</u>
Current liabilities			
Creditors: amounts falling due within one year	14	(4,264,272)	(2,237,299)
Net current assets		<u>723,750</u>	<u>2,625,151</u>
Total assets less current liabilities		<u>107,865,807</u>	<u>103,624,131</u>
Creditors: Amounts falling due after more than one year	15	(93,207,909)	(89,649,174)
Total net assets excluding pension liability		<u>14,657,898</u>	<u>13,974,957</u>
Provisions for liabilities			
Pension defined benefit net liability	22	(267,000)	(349,000)
Total net assets		<u>14,390,898</u>	<u>13,625,957</u>
		=====	=====
Reserves			
Share capital	18	92	90
Income and expenditure reserve		14,390,806	13,625,867
Total reserves		<u>14,390,898</u>	<u>13,625,957</u>
		=====	=====

The financial statements on pages 20 to 46 were approved by the Management Committee and Authorised for issue on 27 August 2026 and are signed on its behalf by:

Vice Chairperson:
K Eunson



Secretary:
B Leask



Chairperson:
C Nicholson



Hjaltland Housing Association Limited**Statement of Changes in Equity
For the year ended 31 March 2026**

	Income and Expenditure reserve £	Share Capital £	Total £
Balance at 1 April 2024	12,280,316	92	12,280,408
Surplus for the year	1,304,551	-	1,304,551
Other comprehensive income	41,000	-	41,000
Shares issued	-	4	4
Shares cancelled	-	(6)	(6)
Balance at 31 March 2025	13,625,867	90	13,625,957
Surplus for the year	662,939	-	662,939
Other comprehensive income	102,000	-	102,000
Shares issued	-	4	4
Shares cancelled	-	(2)	(2)
Balance at 31 March 2026	14,390,806	92	14,390,898
	=====	=====	=====

Hjaltland Housing Association Limited

Statement of Cashflows For the year ended 31 March 2026

	Notes	2026 £	2025 £
Net cash generated from operating activities	19	1,596,943	2,837,957
Cash flow from investing activities			
Purchase of tangible fixed assets		(7,790,157)	(6,342,191)
Proceeds from sale of tangible fixed assets		442,250	145,000
Grants received		6,993,313	6,001,034
Grants repaid		(148,712)	-
Interest received		82,753	102,665
Net cash used in investing activities		(420,553)	(93,491)
Cash flow from financing activities			
Interest paid		(850,727)	(965,668)
New secured loans		-	-
Repayments of borrowings		(894,387)	(873,963)
Issue of shares (net)		2	4
Net cash used in financing activities		(1,745,110)	(1,839,627)
Net (decrease) / increase in cash and cash equivalents		(568,720)	904,840
Cash and cash equivalents at beginning of year		4,199,134	3,294,294
		=====	=====
Cash and cash equivalents at end of year	19	3,630,415	4,199,134
		=====	=====

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2026

1. ACCOUNTING POLICIES

LEGAL STATUS

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The address of the Company's registered office and principal place of business is 6 North Ness Business Park, Lerwick, Shetland, ZE1 0LZ.

The Association's principal activities are shown in the Report of the Management Committee. Hjaltland Housing Association Limited is a Public Benefit Entity.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Social Housing Providers" and they comply with the Determination of Accounting Requirements 2019, and under the historical cost convention.

Hjaltland Housing Association Limited and its subsidiary (Hjaltland Trading Limited) comprise a group. The Association has obtained an exemption from the Financial Conduct Authority from producing Consolidated Financial Statements. The financial statements reflect only the transactions of Hjaltland Housing Association Limited and not of the group.

The financial statements are prepared in sterling. Monetary amounts in these financial statements are rounded to the nearest £.

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, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below.

Critical accounting estimates

Useful lives of property – Management reviews its estimate of the useful lives of depreciable assets at each reporting date. Major components of housing properties are depreciated over specific economic lifespans. There have been no changes in the useful lives or economic lifespans of components in the year.

Components of housing properties – the cost of housing developments is allocated between major components using a model that provides a reasonable estimate of the actual cost of each component. Each component is then depreciated over its own specific economic lifespan as described above.

Obligations under a defined benefit pension scheme – 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 23). The net defined benefit pension liability at 31 March 2026 was £267,000 (2025 £349,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

1. ACCOUNTING POLICIES (CONTINUED)

Critical areas of judgement

Categorisation of housing properties as investment property or property, plant and equipment – Properties held for social housing lets are considered to be property, plant and equipment. Other lets are assessed based on the characteristics of the lease and classified as property, plant and equipment or investment property as appropriate. At present management have classified all properties as property, plant and equipment.

GOING CONCERN

The Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months after the date of signing the financial statements, based upon consideration of long-term financial plans including cash-flow forecasts, and the continuation of loan finance at affordable rates of interest and repayment periods that are appropriate for Hjaltland's business. As such, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

TURNOVER AND REVENUE RECOGNITION

Turnover comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sale of properties built for sale, other services provided at the invoice value (excluding VAT) and revenue grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

GOVERNMENT GRANTS

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

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.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant, a liability is included in the Statement of Financial Position to recognise this obligation.

OTHER GRANTS

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

1. ACCOUNTING POLICIES (CONTINUED)

OTHER INCOME

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

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

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period. Retentions are excluded from the cost and are only recognised when they fall due for payment. These retentions are included in capital commitments.

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 assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

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

The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

DONATED LAND AND OTHER ASSETS

Land or other assets which have been donated by a government source is added to the cost of assets at the fair value of the land at the time of the donation. The difference between the fair value of the asset donated and the consideration paid is treated as a non-monetary government grant and included within the Statement of Financial Position as a liability. The terms of the donation are considered to be performance-related conditions. Where the donation is not from a public source, the value of the donations less the consideration, is included in income.

DEPRECIATION OF HOUSING PROPERTIES

Freehold land or assets under construction are not depreciated.

The Association separately identifies the major components of its housing properties and charges depreciation to write down the cost of each component to its estimated residual value, on a straight-line basis over the following years:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

1. ACCOUNTING POLICIES (CONTINUED)

Structure	100 years
Land	Nil
Assets under construction	Nil
Windows	30 years
External doors	30 years
Kitchens	15 years
Roof	45 years
Heating systems	20 years

A full year's depreciation is charged on these assets in the year of purchase/ completion, but no charge is made in the year of disposal.

IMPAIRMENT OF FIXED ASSETS

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the RSL estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

OTHER TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset to its estimated residual value on a straight-line basis over its expected useful life, as follows:

Premises	60 years
Furniture and equipment	Between 3 and 25 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such time as the properties are ready for their intended use or sale.

All other borrowing costs are expensed as incurred.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Materials for repairs with a cost of below £300 are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

1. ACCOUNTING POLICIES (CONTINUED)

TAXATION

Hjaltland Housing Association Limited has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

VAT

The Association is VAT registered, however a large proportion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of VAT.

DEPOSITS AND LIQUID RESOURCES

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

LEASES

The Association as lessee – Operating leases

Operating leases are charged to income and expenditure on a straight-line basis over the lease term.

Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement as at 31 March 2026. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the RSL is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

RETIREMENT BENEFITS

Defined contribution plans

For defined contribution schemes, the amount charged to income and expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

1. ACCOUNTING POLICIES (CONTINUED)

Defined benefit plans

The Association can identify its share of the scheme assets and scheme liabilities and therefore has applied defined benefit accounting. 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 resulting net difference of £102,000 gain (2025 - £41,000) was recognised in other comprehensive income. The Statement of Financial Position includes a provision for the net defined benefit liability representing the Association's share of the SHAPS assets and liabilities. The liability at 31 March 2025 was £349,000. In the year to 31 March 2026, due to actuarial gain of £102,000 (2025 - £41,000), employer contributions of £5,000 (2025 - £5,000) and expenses of £25,000 (2025 - expenses of £23,000) this liability is now £267,000. See note 23 for details.

In the year ended 31 March 2026, 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 23 for more details.

FINANCIAL INSTRUMENTS

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, 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 legally 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

1. ACCOUNTING POLICIES (CONTINUED)

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.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

PROVISIONS

Provisions are recognised when the RSL has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

RESERVES

The Association establishes restricted funds for specific purposes where their use is subject to restrictions imposed by third parties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

		Turnover	Operating costs	2026 Operating surplus	2025 Operating surplus
	Notes	£	£	£	£
Affordable letting activities	3	6,325,790	(5,254,852)	1,070,938	2,031,266
Other activities	4	451,814	(258,693)	193,121	90,228
Total		<u>6,777,604</u>	<u>(5,513,545)</u>	<u>1,264,059</u>	<u>2,121,494</u>
Total for previous reporting period		<u>7,559,229</u> =====	<u>(5,437,735)</u> =====	<u>2,121,494</u> =====	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**For the year ended 31 March 2026****3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES**

	General Needs Social Housing £	Supported Social Housing Accommodation £	Shared Ownership Housing £	Total 2026 £	Total 2025 £
Rent receivable net of service charges	4,770,168	205,327	143,319	5,118,814	4,903,478
Service charges	92,563	9,060	5,235	106,858	99,989
Gross income from rents and service charges	4,862,731	214,387	148,554	5,225,672	5,003,467
Less voids	(4,911)	-	-	(4,911)	(6,956)
Net income from rents and service charges	4,857,820	214,387	148,554	5,220,762	4,996,511
Grants released from deferred income	1,087,968	-	17,060	1,105,028	1,110,266
Total turnover from affordable letting activities	5,945,789	214,387	165,614	6,325,790	6,106,777
Management and maintenance administration costs	1,586,702	57,277	38,190	1,682,169	1,559,187
Service costs	88,784	8,444	4,886	102,114	100,618
Planned and cyclical maintenance, including major repair costs	1,554,294	29,968	-	1,584,262	625,033
Reactive maintenance costs	511,990	19,666	-	531,656	455,412
Bad debts - rents and service charges	42,155	-	-	42,155	(12,450)
Cost of sale of properties	-	-	1,546	1,546	-
Depreciation of affordable let properties	1,214,228	43,153	53,569	1,310,950	1,347,711
Operating Costs for affordable letting activities	4,998,153	158,508	98,191	5,254,854	4,075,511
Operating surplus for affordable letting activities	947,636	55,879	67,423	1,070,938	2,031,266
Operating surplus for affordable letting activities for previous reporting period	1,879,629	118,056	33,582	2,031,266	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2026

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Other revenue grants £	Grant Scottish Ministers £	Other Income £	Total Turnover £	Other operating costs £	Operating (deficit) or surplus £	Operating (deficit) or surplus for previous reporting period £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	22,950	22,950	(40,780)	(17,830)	(21,010)
Factoring	-	-	11,068	11,068	(11,815)	(747)	(2,081)
Support activities	-	-	-	-	(18,744)	(18,744)	(17,373)
Development for sale to non-registered landlords (shared equity)	-	-	-	-	-	-	23,544
Other activities:							
Viking Fund	-	-	-	-	-	-	10,000
Miscellaneous	-	-	233,729	233,729	(3,037)	230,692	104,164
Hjaltland Trading Ltd Recharges	-	-	184,067	184,067	(184,317)	(250)	(7,016)
Total from other activities	-	-	451,814	451,814	(258,693)	193,122	90,228
	=====	=====	=====	=====	=====	=====	=====
Total from other activities for the previous reporting period	-	-	1,452,452	1,452,452	(1,362,224)	90,228	
	=====	=====	=====	=====	=====	=====	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026
5. ACCOMMODATION IN MANAGEMENT

	2026	2025
	Units	Units
General needs housing	816	814
Shared ownership	36	40
Supported housing	29	31
TOTAL UNITS IN MANAGEMENT	881	885
	=====	=====

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2026	2025
	£	£
Interest arising on:		
Bank loans and overdrafts	825,379	926,976
Deferred interest on other loans	76,593	73,887
Defined benefit pension charge (net)	20,000	18,000
	921,972	1,018,863
Less: Interest capitalised on housing properties under construction	(3,563)	(12,331)
	918,409	1,006,532
	=====	=====

Loans are assigned to schemes under development, and the interest is capitalised as it accrues during the period of construction at the rate in force for that borrowing.

7. OPERATING SURPLUS

	2026	2025
	£	£
Operating surplus is stated after charging:		
Depreciation of housing properties (note 10.A)	1,307,755	1,347,711
Depreciation of other tangible fixed assets (note 10.B)	68,181	68,159
Operating lease rentals (note 22)	1,987	2,286
	=====	=====

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services excluding VAT are as follows:

	2026	2025
	£	£
Audit services - statutory audit of the Association	23,050	16,875
	23,050	16,875
	=====	=====

8. SURPLUS OR DEFICIT ON SALE OF FIXED ASSETS – HOUSING PROPERTIES

	2026	2025
	£	£
Disposal proceeds	442,250	145,000
Carrying value of fixed assets	(172,383)	(32,829)
	269,867	112,171
Capital grant recycled	(32,376)	(16,714)
	237,491	95,457
Legal and other costs	(2,956)	(7,837)
	234,535	87,620
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

9. EMPLOYEES

	2026 No.	2025 No.
The average monthly number of full-time equivalent persons (including key management personnel) employed by the Association during the year was:	31 =====	31 =====
	£	£
Staff costs for the above persons:		
Wages and salaries	1,277,294	1,232,618
Social security costs	167,810	131,331
Other pension costs (defined contribution)	255,016	250,569
	<u>1,700,120</u> =====	<u>1,614,518</u> =====

Key management personnel are defined as the members of the management committee, the Chief Executive and any other person reporting directly to the management committee.

The number of key management personnel who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

	No.	No.
£60,000 - £70,000	- =====	1 =====
£70,000 - £80,000	3 =====	2 =====
£80,000 - £90,000	- =====	- =====
£90,000 - £100,000	1 =====	1 =====
	2026 £	2025 £
Aggregate emoluments for the above key management personnel (excluding pension contributions)	330,509 =====	302,276 =====
The emoluments of the Chief Executive (excluding pension contributions)	97,327	92,407
Employer's pension contributions	18,525	17,813
Total emoluments payable	<u>115,852</u> =====	<u>110,220</u> =====
Aggregate pension contributions in relation to the above key management personnel	60,642 =====	51,312 =====

No payment of fees or other remuneration was made to the Board members during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

10.A TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social Housing Properties Held for Letting £	Housing properties for letting under construction £	Completed Shared ownership housing properties £	Total housing properties £
Cost				
1 April 2025	103,686,141	10,364,820	2,586,491	116,637,452
Additions	213,504	7,470,112	-	7,683,616
Transfers	-	-	-	-
Disposals	(59,155)	-	(209,146)	(268,301)
31 March 2026	<u>103,840,489</u> =====	<u>17,834,932</u> =====	<u>2,377,345</u> =====	<u>124,052,766</u> =====
Depreciation and impairment				
1 April 2025	16,659,171	-	435,284	17,094,455
Depreciation charged in year	1,289,735	-	18,020	1,307,755
Released on disposal	(55,961)	-	(36,763)	(92,724)
31 March 2026	<u>17,892,945</u> =====	<u>-</u> =====	<u>416,541</u> =====	<u>18,309,487</u> =====
Net book value				
31 March 2026	<u>85,947,543</u> =====	<u>17,834,931</u> =====	<u>1,960,805</u> =====	<u>105,743,279</u> =====
31 March 2025	<u>87,026,970</u> =====	<u>10,364,820</u> =====	<u>2,151,207</u> =====	<u>99,542,997</u> =====

Land included under housing properties is all freehold.

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2026 £	2025 £
Improvement work capitalised	63,140	166,072
Replacement component spend capitalised	150,364	23,875
Amounts charged to income and expenditure	1,584,263	625,033
Total major repairs spend	<u>1,797,767</u> =====	<u>814,980</u> =====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

10.B TANGIBLE FIXED ASSETS – OTHER

	Office Accommodation £	Workshop/ Store £	Office Equipment £	Maintenance Equipment £	Total £
Cost					
1 April 2025	1,456,330	132,339	259,973	171,795	2,020,437
Additions	1,978	-	6,763	2,236	10,977
Reallocation	-	-	-	-	-
Disposals	(2,379)	-	(2,429)	-	(4,808)
31 March 2026	1,455,929	132,339	264,307	174,031	2,026,604
	=====	=====	=====	=====	=====
Depreciation and impairment					
1 April 2025	183,437	48,677	210,538	121,803	564,455
Depreciation charged in year	26,734	3,261	14,961	23,225	68,181
Released on disposal	(2,379)	-	(2,429)	-	(4,809)
31 March 2026	207,792	51,938	223,070	145,028	627,827
	=====	=====	=====	=====	=====
31 March 2026	1,248,137	80,401	41,237	29,003	1,398,778
	=====	=====	=====	=====	=====
31 March 2025	1,272,893	83,662	49,436	49,992	1,455,983
	=====	=====	=====	=====	=====

11. STOCK

	2026 £	2025 £
Raw materials	6,626	6,907
	=====	=====
Work in progress:		
Cost of developing properties (New supply shared equity)	-	-
	=====	=====

12. SUBSIDIARY UNDERTAKING

The RSL's subsidiary undertaking is:

Name of undertaking	Nature of Business
Hjaltland Trading Limited	Company limited by guarantee
	Property Management Services

Hjaltland Trading Limited returned a loss of £19,308 for the year ending 31 March 2026 (2025 - £26,402).

Hjaltland Trading Limited had net assets totalling £216,728 as at 31 March 2026 (2025 - £228,675).

During the year, the Association sold goods and services at cost to Hjaltland Trading Limited of £185,649 (2025 - £147,094). The amount due to the Association at year end was £260,444 (2025 - £48,478).

During the year, the Association bought goods and services at normal market rates from Hjaltland Trading Limited of £1,250 (2025 - £3,063). The amount due to the company at year end was £nil (2025 - £1,302).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

13. DEBTORS

	2026 £	2025 £
Amounts falling due within one year:		
Rent and service charges receivable	156,991	168,962
Less: provision for bad and doubtful debts	(154,829)	(132,231)
	<u>2,162</u>	<u>36,731</u>
Other debtors	64,973	60,773
Prepayments and accrued income	136,018	122,652
Development funding receivable	887,384	387,775
Amounts due from Group undertakings	260,444	48,478
	<u>1,350,981</u>	<u>656,412</u>
	=====	=====

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2026 £	2025 £
Debt (note 17)	2,766,259	871,230
Rent and service charges received in advance	41,413	32,352
Trade creditors	720,147	1,045,975
Other creditors	187,531	37,370
Accruals and deferred income	538,320	250,372
Other tax and social security	10,602	-
	<u>4,264,272</u>	<u>2,237,299</u>
	=====	=====

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2026 £	2025 £
Debt (note 17)	18,993,769	21,706,592
Deferred capital grant (note 16)	74,214,140	67,942,582
	<u>93,207,909</u>	<u>89,649,174</u>
	=====	=====

	2026 £	2025 £
Included in creditors are:		
Amounts repayable other than by instalments falling due after more than five years	361,308	346,978
Amounts repayable by instalments falling due after more than five years	8,554,009	13,517,732
	<u> </u>	<u> </u>

16. DEFERRED CAPITAL GRANT

	2026 £	2025 £
As at 1 April	67,942,582	63,005,624
Grant received in the year	7,492,922	6,030,510
Capital grant amortisation	(1,105,028)	(1,093,552)
Net book value of capital grants disposed	(116,336)	-
	<u>74,214,140</u>	<u>67,942,582</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

17. DEBT ANALYSIS – BORROWINGS

	2026 £	2025 £
Creditors: amounts falling due within one year:		
Bank loans	888,164	871,230
Other loans	1,878,095	-
	<u>2,766,259</u>	<u>871,230</u>
Creditors: amounts falling due after more than one year:		
Bank loans	18,696,846	19,608,084
Other loans	296,923	2,098,508
	<u>18,993,769</u>	<u>21,706,592</u>
Total	<u>21,760,028</u> =====	<u>22,577,822</u> =====

Other loans include rolled up interest of £530,094 (2025 - £453,584).

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest between 1.72% and 6.73%. (2025 – 1.72% and 6.73%) as follows:

	2026 £	2025 £
Due within one year	2,701,874	871,230
Due between one and two years	3,639,825	884,885
Due between two and five years	6,503,012	6,956,997
Due more than five years	8,915,317	13,864,710
	<u>21,760,028</u> =====	<u>22,577,822</u> =====

The Nationwide Building Society holds a number of standard securities over various properties owned by the Association.

The Royal Bank of Scotland holds a number of standard securities over various properties owned by the Association.

The Bank of Scotland holds a number of standard securities over various properties owned by the Association.

The Bank of Scotland holds a letter of pledge by the Association for all sums and a negative pledge over 5 properties owned by the Association.

The Secretary of State for Defence holds a standard security and a claw-back security over 10 properties owned by the Association.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2026

18. SHARE CAPITAL

	2026 Number	2025 Number
Number of members		
1 April 2024	90	92
Joined during the year	4	4
Left during year	(2)	(6)
31 March 2025	92	90
	====	====

Each member owns one fully paid share of £1 which is non-refundable and carries no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid becomes the property of the Association. Members are entitled to attend Annual General Meetings and can be elected to the Management Committee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**For the year ended 31 March 2026****19. RECONCILIATION OF TOTAL COMPREHENSIVE INCOME TO NET CASH GENERATED FROM OPERATIONS**

	2026	2025
	£	£
Surplus for the year	764,939	1,345,551
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,375,935	1,415,870
Amortisation of capital grants	(1,072,652)	(1,093,552)
Decrease in pension provision	(82,000)	(23,000)
Gain on disposal of tangible fixed assets	(266,673)	(112,171)
Interest receivable (investing not operating)	(82,753)	(101,969)
Interest payable (financing not operating)	918,409	1,006,532
Shares cancelled	2	(6)
Operating cash flows before movements in working capital	1,555,207	2,437,255
Decrease in stock	281	1,005,507
(Increase)/Decrease in trade and other debtors	(200,432)	14,784
Increase/(Decrease) in trade and other creditors	241,887	(619,589)
Cash generated from operations	1,596,943	2,837,957
	=====	=====

CASH AND CASH EQUIVALENTS

	2026	2025
	£	£
Cash and cash equivalents represent:		
Cash at bank and in hand	1,535,315	2,167,280
Short-term deposits	2,095,100	2,031,854
	3,630,415	4,199,134
	=====	=====

	1 April	Cash flows	Non-cash	31 March
	2025		Movements	2026
	£	£	£	£
Cash and cash equivalents	4,199,134	(568,719)	-	3,630,415
Bank borrowings due within one year	(871,230)	894,387	(2,725,031)	(2,701,874)
Bank borrowings due after more than one year	(19,608,084)	-	2,725,031	(16,883,053)
Other borrowings due after more than one year	(2,098,587)	-	(76,593)	(2,175,180)
Total borrowings due after more than one year	(21,706,671)	-	2,648,438	(19,058,233)
Net debt	(18,378,767)	325,668	(76,593)	(18,129,692)
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**For the year ended 31 March 2026****20. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS**

	2026 £	2025 £
Capital expenditure contracted for but not provided in the financial statements	6,864,867 =====	13,754,565 =====
The above commitments will be funded through:		
Capital grant receivable	6,470,957	13,598,080
Shared ownership sales	-	13,656
Loans	-	142,829
	<u>6,470,957</u> =====	<u>13,754,565</u> =====

21. COMMITMENTS UNDER OPERATING LEASES

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

	2026 £	2025 £
Amounts due:		
Within one year	1,838	1,838
Between one and five years	1,269	3,107
After five years	-	-
	<u>=====</u>	<u>=====</u>

22. RETIREMENT BENEFITS**SCHEME: The Pensions Trust – Scottish Housing Associations' Pension Scheme**

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK. The Scheme is subject to the funding legislation outlined in the Pensions Act 2004, which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out at 30 September 2024. This valuation revealed a deficit of £79.5m. A Recovery Plan was put in place to eliminate the deficit which runs to 31 March 2030.

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

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 the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2025. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2026 to 28 February 2027 inclusive.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2026

22. RETIREMENT BENEFITS (CONTINUED)

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2026	31 March 2025
	(£000s)	(£000s)
Fair value of plan assets	2,571	2,514
Present value of defined benefit obligation	(2,838)	(2,863)
(Deficit)/Surplus in plan	(267)	(349)
Unrecognised surplus	-	-
Defined benefit liability to be recognised	(267)	(349)
Deferred tax	-	-
Net defined benefit liability to be recognised	(267)	(349)
	=====	=====

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended
	31 March 2026
	(£000s)
Defined benefit obligation at 1 April	2,863
Current service cost	-
Expenses	5
Interest cost	164
Contributions by scheme participants	-
Actuarial (gains/losses) net	(86)
Plan introductions, changes, curtailments and settlements	-
Benefits paid	(108)
Defined benefit obligation at 31 March	2,838
	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2026

22. RETIREMENT BENEFITS (CONTINUED)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLANS ASSETS

	Period ended 31 March 2026 (£000s)
Fair value of plan assets at start of period	2,514
Interest income	144
Experience on plan assets (excluding net interest on the defined benefit liability)	16
Contributions by employer (deficit contribution)	5
Benefits paid	(108)
Plan assets at 31 March	<u>2,571</u> =====

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2025 to 31 March 2026 was (£160,000) (2025: (£139,000)).

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)

	Period ended 31 March 2026 (£000s)
Current service cost	-
Expenses	5
Net interest expense	20
	<u>25</u> ===

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2026 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) – gain/(losses)	16
Experience gains and losses arising on the plan liabilities – gain/(loss)	56
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(30)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	60
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	<u>102</u>
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)	<u>102</u> =====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**For the year ended 31 March 2026****22. RETIREMENT BENEFITS (CONTINUED)**

ASSETS	31 March 2026	31 March 2025
	(£000s)	(£000s)
Global Equity	339	291
Absolute Return	-	-
Distressed Opportunities	-	-
Credit Relative Value	-	-
Alternative Risk Premia	-	-
Liquid Alternatives	492	463
Emerging Markets Debt	-	-
Risk Sharing	-	-
Insurance-Linked Securities	5	10
Property	134	124
Infrastructure	-	1
Private Equity	6	2
Real Assets	255	300
Private Debt	-	-
Opportunistic Illiquid Credit	-	-
Private Credit	331	314
Credit	117	107
Investment Grade Credit	108	115
Cash	1	13
Corporate Bond Fund	-	-
Liquid Credit	-	-
Long Lease Property	-	1
Secured Income	35	58
Liability Driven Investment	710	708
Currency Hedging	-	4
Net Current Assets	38	3
Total Assets	<u>2,571</u>	<u>2,514</u>
	=====	=====

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

KEY ASSUMPTIONS

	31 March 2026	31 March 2025
	% per annum	% per annum
Discount rate	6.14	5.85
Inflation (RPI)	3.29	3.09
Inflation (CPI)	3.03	2.79
Salary Growth	4.03	3.79
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2026 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2026	20.7
Female retiring in 2026	22.9
Male retiring in 2046	21.9
Female retiring in 2046	24.4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2026

23. RELATED PARTY TRANSACTIONS

One member of the Management Committee is a joint tenant of the Association. Their joint tenancy is on normal commercial terms. During the year, £5,414 of rent and service charges (2025 £5,186) was receivable from this tenant member. At the year-end, there was £nil of rent arrears due (2025 - £nil).

During the year, the Association engaged in transactions with Shetland Heat Energy and Power Ltd (SHEAP Ltd) for the provision of heat. A member of the Management Committee is employed by SHEAP Ltd, which provides the service. The total value of transactions with SHEAP Ltd was £5,397 during the year (2025 - £4,867). All transactions were conducted at arm's length and on normal commercial terms.

Both trustees declared their interests in accordance with the Association's Entitlements, Payments and Benefits Policy.

24. CONTINGENT LIABILITIES

Housing Association Grant received to fund developments may have to be repaid where the property has been disposed of.

Other grants may have to be repaid if conditions are breached or if too large a surplus is made on the particular activity.

The Board are aware that the Court of Appeal has upheld the decision in the Virgin Media vs NTL Pension Trustees II Limited case. The decision puts into question the validity of any amendments made in respect of the rules of a contracted-out pension scheme between 6 April 1997 and 5 April 2016. The judgment means that some historic amendments affecting s.9(2B) rights could be void if the necessary actuarial confirmation under s.37 of the Pension Schemes Act 1993 was not obtained.

The Association has also been notified by the Trustee of the Scheme that it has performed a review comparing the benefits provided to scheme members over recent years with the requirements of the Scheme documentation. Due to uncertainty as to the effect of some benefit changes, the Trustee has been advised by lawyers to seek clarification from the Court on potential changes to the pension liability alongside the Court's judgement in respect of the Virgin Media case referred to above, following the hearing of the case in February 2025 (Verity Trustees vs. Wood)

The Pension Schemes Act 2026 was enacted into law on 29 April 2026 and provided that evidence can be provided of there being retrospective confirmation of historic amendments to scheme rules as being compliant with the statutory requirements, it is expected that these additional liabilities will not materialise. However; due to the ongoing considerations in respect of the Virgin Media case and the Verity Trustees Limited vs. Wood case, it is recognised that there could still potentially be an impact to the value of Scheme liabilities.

Until the outcome of the ongoing Court process is known (which is currently expected to be autumn 2026), it is not possible to calculate the impact on the liabilities of this issue with any accuracy, particularly on an individual employer basis, for the purposes of the 31 March 2026 financial statements. Accordingly, no adjustment has been made in these financial statements in respect of this potential issue.