

# Loretto Housing

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended

31 March 2016

**Loretto Housing Association Limited**

(Co-operative & Community Benefit Society No. 1920RS)  
(Scottish Housing Regulator Registration No. 154)  
(Scottish Charity No. SC07241)

## **OPERATING REVIEW**

The directors present their annual report and the audited consolidated financial statements for the year ended 31<sup>st</sup> March 2016.

### **Principal activities**

The principal activities are the provision and management of affordable rented accommodation and the provision of care and support services. Loretto Housing Association Limited and its subsidiary, Loretto Care, together the “Loretto Group”, is a wholly owned subsidiary of The Wheatley Housing Group Limited (“WHG” or “Wheatley”).

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 No.1920RS. The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC07241.

The Association’s wholly owned subsidiary, Loretto Care, is a charitable company (charity number SC034584) incorporated as a company limited by guarantee (company number SC252526). Loretto Care is governed by a Memorandum and Articles of Association under the Companies Act.

### **Review of Business and Future Developments**

#### **Our year at Loretto – Annual Highlights 2015-16**

It has been another year of exciting developments at Loretto Housing Association with more new homes and further improvements to services.

We introduced new online services for customers, enabling them to do much more when and where it suits them and launched a new way of letting that is fairer, more open and easier to use.

We continued our mission to improve our communities, and widen the choice of housing available to people, with work starting on new developments from Falkirk through to Cardonald in Glasgow. Our investment in existing homes continued with £1.3million of improvements.

Above all, it was the year in which we worked with our sister organisations in Wheatley to develop a five-year group strategy - Investing in our Futures.

Investing in Our Futures spells out Wheatley Group’s vision and aims between now and 2020. For Loretto, this is an important milestone because it means we now have clear and ambitious plans for the future.

Over the next five years Loretto will invest £46 million building more than 450 new affordable homes. We’ll invest £8m in improving existing homes. And we will also continue to expand services – including improved online services and more services for tenants with care needs – all while keeping rents affordable.

Tenants have been involved throughout the year, in a range of ways, in shaping our services and, after listening to their feedback, we developed a local plan which spells out what Investing in Our Futures means for our communities. To read more about this, visit our website at [www.lorettoha.co.uk](http://www.lorettoha.co.uk)

#### **Overview of performance**

We delivered a high level of business performance over the year, maintaining positive results in many of the areas where we were already doing well and improving in others. Some of our performance highlights include:

## **OPERATING REVIEW (continued)**

- Satisfaction among tenants who feel their rent provides value for money increased from 68% to 80%;
- Repairs completed right first time increased from 84% to 96%;
- Anti-social behaviour cases resolved within timescale rose from 66% to 93%;
- Medical adaptations timescales are down from 69 to 43 days;
- Average time to re-let properties has reduced from 35 days to meet the target of 19 days.

The number of properties meeting the Scottish Housing Quality Standard has been maintained at 99.7%. This is the maximum Loretto can achieve based on its stock and regulatory exemptions.

In Loretto Care, performance was also strong, the highlights include:

- 93.03% of the people we work for said they were satisfied with support they receive;
- 80% of carers and families surveyed felt the services achieved positive outcomes for individuals;
- 97% of agencies surveyed agree services achieve positive outcomes for people we work for;
- 93% of agencies surveyed believe staff have correct skills and knowledge to support people we work for;
- 80% of our staff would recommend the workplace as a good place to work; and
- Our staff retention rate was 85.5% compared to an industry average of 78%.

Loretto Care also measures performance through a number of other indicators including the percentage of people we work for who report having experienced a positive journey in relation to their health and their employability. In 2015-16, 905 people we work for saw a positive distance travelled with their physical or mental health while 402 saw a positive distance travelled in relation to employability, training or volunteering.

Examples of a positive journey in health could include requiring less support or medication, while a positive journey in employability includes people securing a job or apprenticeship, attending education or building confidence to volunteer.

### **New build**

During the year, Loretto Housing Association completed 47 new homes across our communities and started work on 104 more. We have a further 167 homes in development. Among the new developments were 26 new energy-efficient homes at Falkirk.

The modern homes, which have high levels of insulation and solar panels, are designed to cut tenants' fuel bills.

Built on the site of a former farm steading at Bissett Court, Hallglen, the houses range in size from one to five bedrooms. They include eight amenity flats designed to suit older people and four houses for large families.

The development enjoys open country views with easy access to the Union Canal and the nearby children's play park.

Loretto tenant Lee Feeney, 36, moved into her three-storey, five-bedroom house in Bissett Court a few weeks ago with her three daughters, three sons and dog Violet. She said: "I really love my new house. The space is amazing, considering that we've come from a three-bedroom house in West Lothian. The kids are very happy now they have their own rooms, especially since they are getting older."

## **OPERATING REVIEW (continued)**

The £3.2m development was built with £1.6m grant support from the Scottish Government.

### **Investment work**

We invested almost £1.3million in improving our homes. The work included new kitchens, boilers and bathrooms.

Hundreds of tenants from Grangemouth to Lanark are enjoying the improvements and benefiting from lower gas and electricity bills too.

Tenant David Smith and his wife Liz, from Thomson Street, Johnstone, got a new kitchen installed before Christmas 2015.

David, 58, a computer technician, said: “The guys were polite, friendly and clean. They did a good job and it all went very smoothly. “I’ve lived here for 20 years and we got our central heating upgraded last year and a new boiler installed. We’re already saving money on our fuel bills.”

### **Fuel advice slashes bills**

Tenants across our communities saved around £5,000 in the past year thanks to our fuel advice service.

Free expert advice from our fuel advisors helps tenants cut their bills and access the cheapest tariffs.

Between 1 April and 31 March this year, our fuel advisors carried out 38 visits to Loretto tenants at home.

They helped people:

- reduce payments;
- get on a lower tariff;
- apply for a Warm Homes Discount payment; and
- reduce debt.

### **Customers have a say**

Tenants are at the heart of what we do and we want to give them real influence in local decisions. Over the year we held a number of events for tenants including one in Glasgow where customers from across Wheatley Group learned about our scrutiny panel and tenant-led inspection teams. The scrutiny panel looks in detail at how Loretto performs – for example in environmental services –and reports back to Loretto bosses. Inspection teams look at services from a tenant’s perspective and report back on what works well and not so well. We are continuing to work with our sister organisations in Wheatley to engage more people from our communities in local decision-making. This will include new groups at our developments in Yoker and Springburn.

### **Loretto goes to Hollywood**

A Touch of Hollywood glamour came to Loretto when tenants, staff and the people we work for got together for this year’s AGM.

More than 100 people gathered at the People’s Palace and Winter Gardens in Glasgow for the yearly event.

And, after the official proceedings were over, everyone got down to the more serious business of having fun, with a feast of singing, poetry, comedy and dancing.



## **OPERATING REVIEW (continued)**

Every tenant can become a member of Loretto and help plan the AGM. They can join Loretto for just £1 – and becoming a member means they can vote on the Board and the Chair and help determine Loretto's priorities for the year ahead.

During the year, Douglas Robin was appointed as our new Chair, after Michael Burns stepped down following many years of dedicated service to Loretto. We thank Michael for his work during a vital time for Loretto; in particular steering the organisation through the period of joining the Wheatley Group.

### **Online services**

More than 70 tenants have signed up for our new improved online services which went live in summer 2015.

Tenants can now see their account, with details of all their payments and charges, as well as pay their rent or other bills, book a repair or request other services.

The online services are part of our drive to give people more choice about how they get in touch and transact with us.

Up to April 2016, tenants who registered had made a total of £59,000 of payments to their accounts using the new online services.

### **Customer service excellence**

Our focus on customer service excellence was again recognised this year when Wheatley was awarded accreditation to a prestigious UK scheme.

Wheatley gained Customer Service Excellence (CSE) accreditation - the national standard for excellence in customer service in public sector organisations - with one of the best ratings in the scheme's history.

CSE accreditation is overseen by the UK Government's Cabinet Office and recognises how organisations serve the people they work for.

Loretto Housing was part of the assessment which saw Wheatley awarded 16 ratings of Compliance Plus and 34 ratings of Full Compliance. It is understood that only one other organisation has achieved a higher number of Compliance Plus ratings in the history of the Standard.

### **New way of letting**

Our new way of letting homes, introduced in April last year, is fairer, more open and easier to use.

Instead of the old housing list, people who want to rent a home with Loretto are now placed in a priority group based on their housing need and circumstances.

People need to register with us before they get a registration number and applicant group. They can then note an interest on the available properties we advertise each week on our Homefinder <https://home-finder.org.uk> website.

Home Finder also includes homes from Loretto's partner organisations - GHA, Cube, West Lothian Housing Partnership and Lowther Homes – so people have more choice than before.

## **OPERATING REVIEW (continued)**

### **New repairs service**

The improvements in our repairs performance came after we introduced a new repairs service and a new contractor – City Building - in April 2015.

The new service means customers can book an appointment for a repair at a time and day that suits them – and not have to sit and wait for long periods for a tradesman to turn up. We also improved the way we monitored the quality of work.

### **Jobs and training**

Across our parent organisation Wheatley Group, we created a total of 564 jobs and training places for people in our communities over the year. One training place went to a tenant from Loretto.

We create jobs and training through employability schemes, Modern Apprenticeships and through clauses in our new-build and investment contracts which require contractors to provide employment opportunities for local people.

We also create opportunities through our Wheatley Pledge scheme, which incentivises contractors and suppliers to do more for our communities.

### **Our Academy opens its doors**

Our new Academy has taken shape at our headquarters in Lipton House in Glasgow. The new Academy builds on the success of Wheatley Group's flagship Academy at Wheatley House and has been designed to welcome staff, tenants and people we work for. Its flexible, modular furniture means the space can be adapted to create a variety of learning areas suitable for the needs of different groups and people. A programme of workshops, training, engagement events and conferences began in March with an official launch due later in 2016.

### **Handyperson service a hit**

Tenants are loving getting a helping hand with odd jobs around the home.

Our Handyperson service is there to help tenants who are over 60 or disabled with small jobs around the home.

It proved a big hit this year with 84 people using the service between 1 April 2015 and 31 March 2016 and 337 jobs carried out.

Jobs ranged from hanging curtains to plumbing in washing machines and assembling flat-pack furniture.

### **Loretto Care**

The main activities of Loretto Housing's subsidiary, Loretto Care, continue to be the provision of care and housing support under contracts with local authorities. Speciality services are provided to people with mental health difficulties; learning difficulties; addiction difficulties; people experiencing alcohol related brain damage and/or dementia and people who are homeless. Key developments in Care during the year were:

#### Care Inspectorate

Two of our services which help vulnerable homeless people maintain tenancies and lead independent lives were awarded the highest grades by care inspectors.

## **OPERATING REVIEW (continued)**

The Young Persons Intensive Outreach and the Carlisle Road Outreach Housing Support services in Hamilton, South Lanarkshire, received a six-star excellent rating from the Care Inspectorate in each of the three areas inspected.

The percentage of our services which are graded very good (5) or above by the Care Inspectorate is one of the key ways we measure the quality of our services. Over the year, a total of 13 inspections were finalised and saw us achieving an average grade of 5, or very good, across services.

### Getting financially stronger

Loretto Care continued to improve financial performance, building on strong foundations in 2014-15 when more services were brought back to a break-even position.

The efficiencies generated by sharing resources with our partners in Wheatley Group, helps us to keep improving our care services while reducing the overall costs.

This strengthening financial performance has allowed us to pay all our staff the Living Wage, and again pay a consolidated pay increase. This year staff also gained access to the Wheatley benefits package, which was warmly received.

### Tenancy Support Service

A total of 1142 vulnerable tenants have now benefited from our new Tenancy Support Service.

The Tenancy Support Service was set up to provide support to vulnerable tenants in Wheatley's registered social landlords who may be struggling with their tenancy. It was fully rolled out in September 2015 with Loretto Care staff now working closely with housing officers in Wheatley's communities to support people to stay in their home.

When an individual or family is referred to the service, the team works with them over eight weeks, providing personalised support. They can help with everything from booking a doctor's appointment to getting help with mental health issues or addiction. It could be help with budgeting or benefit claims, filling in forms or job applications. For some it is about supporting them to reduce isolation by increasing their opportunities for social contact.

### **Awards and recognition**

Loretto Care's Fullarton Service - which provides life-changing support for people with alcohol-related brain damage - picked up a top Scottish Care award.

It was named Scottish Care's 'Specialist Service of the Year' at the industry awards. Our staff at the Glasgow-based service, including nurses and social care specialists, were commended for their commitment to the people they work for and their innovative services.

One of the people we work for at the Fullarton Service, Stanley Muir, also picked up a prestigious 'Service User Achievement' award for his commitment to charity and volunteer work in his local community."

### **Independent Auditors**

The directors appointed PricewaterhouseCoopers LLP to act as auditors of the financial statements for the year ended 31 March 2016. In accordance with Section 485 of the Companies Act 2006, a resolution for the appointment of KPMG is to be proposed at the forthcoming Annual General Meeting.

## FINANCIAL REVIEW

### Income

The Group's turnover for the year ended 31 March 2016 totalled £22.3m (2015: £19.9m). The main source of income for the Group includes the provision of care services of £13.7m (2015: £11.6m). The remainder of the Group's income is primarily derived from the social rental of housing property, with net rental income of £5.1m (2015: £4.8m).

### Expenditure

Operating costs of the Group in the year totalled £18.8m (2015: £17.6m), largely comprising of the following:

- Care activity costs of £13.7m (2015: £11.4m), which are primarily employee costs.
- Management and maintenance administration costs associated with affordable letting activities totalling £0.9m (2015: £1.3m).
- £0.5m of reactive maintenance costs to our social letting properties (2015: £0.7m).
- £0.3m of planned and cyclical maintenance costs including major repair costs to improve our social housing properties (2015: £0.2m)
- Depreciation expenditure for social and non-social housing assets of £2.2m (2015: £2.2m).

The Group generated an operating surplus of £3.6m (16%) (2015: £2.3m (11%)).

Other expenditure in the year includes £0.6m of interest due on loan funding (2015: £0.8m).

Total comprehensive income for the year of £2.3m (2015: £1.5m) includes a decrease in valuation of social housing properties of £1.9m (2015: decrease of £2.6m) and a gain of £1.3m (2015: gain of £2.6m) in respect of the SHAPS pension scheme.

### Cashflows

The cash flow statement of the Group is shown on page 23. Loretto Group generated £3.2m from operating activities, an increase of £1.8m from the prior year, driven by the reduction in operating costs as a result of becoming fully integrated with Wheatley Housing Group systems. Cash and cash equivalents in the year increased by £0.1m (2015: decreased by £0.3m).

### Rental debtors

At the statement of financial position date, the Group had rent arrears of £0.3m offset by bad debt provisions of £0.2m (2015: £0.3m and £0.1m respectively).

### Liquidity

The Group's net current liability at 31 March 2016 totalled £4.9m, an increase of £2.1m in the year. This is due to the investment programme on existing properties and the development of new build properties within the Association. The Association has access to funding through a Group facility which ensures the Group does not default on liabilities as they fall due.

### Capital structure and treasury

The Group's activities are funded on the basis of a Business Plan which is updated annually. Loretto Housing Association's long-term funding is provided through the Group financing subsidiary Wheatley Funding No. 1 Limited, as detailed in note 17. The Association has access to an intra-group facility of £32.8m. Interest rate risk is managed at a group level by Wheatley Funding No. 1 Limited.



## FINANCIAL REVIEW (continued)

### Investment in tenants' homes

During the year we invested £1.6m in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £45.6m (2015: £39.9m)

### New Build

During the financial year we completed 47 new build properties across two developments. Our new build programme invested £8.0m in the year. The Business Plan includes a further projected spend of £24.6m on the new build programme in Loretto Housing Association over the next five years.

### Reserves policy

Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, the Association may operate with up to three principal reserves; a revenue reserve, a revaluation reserve and a pension reserve.

#### Revenue reserve

Revenue reserves include historic grant received in respect of the following:

- new build housing properties
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in the Association's Statement of Financial Position. The Association has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not the Association's policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to the Association's charitable purpose.

The residual amount of revenue reserves, not represented by grant, may be invested by the Association in line with its 30-year business plan financial projections. Such investment is subject to the Association maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Association's business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply to the Wheatley RSL Borrower Group, as well as the impact of sensitivity analysis and other risk factors which may apply.

#### Revaluation reserve

The revaluation reserve represents, to the extent applicable, the increase in valuation which has occurred over and above the cost of additions to the Association's property. This reserve is therefore also not realisable, on the basis that to do so would involve selling social housing assets and would therefore undermine the Association's core charitable purpose.

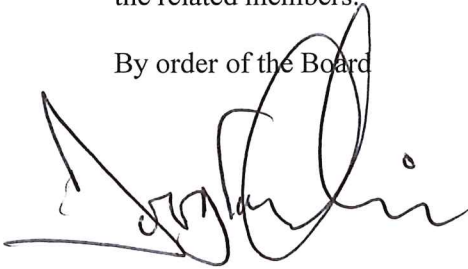
#### Pension reserve

The pension reserve is not a cash reserve available for investment. It represents the amount by which the actuarial valuation of the Association's share of defined benefit pension assets exceeds or is less than its notional pension liabilities. Under FRS 102, the reserve contained within the Statement of Financial Position assumes there is no cessation/exit from the Scottish Housing Associations Pension Scheme in relation to past service liabilities, even though the scheme is closed to new joiners. Fully withdrawing from the scheme would involve liabilities being

**FINANCIAL REVIEW (continued)**

revalued onto an “exit” basis, with a significant additional premium attached to compensate the pension fund for the risk of reduced membership and inability to seek future contributions from the related members.

By order of the Board

A handwritten signature in black ink, appearing to read 'Douglas Robin', written over the text 'By order of the Board'.

**Douglas Robin, Director**

31 August 2016

Wheatley House  
25 Cochrane Street  
Glasgow G1 1HL

## LORETTO HOUSING ASSOCIATION BOARD AND RELATED MATTERS

### Directors and directors' interests

The directors of the Association who held office during the year and up to the signing of the financial statements were:

Douglas Robin (chair)	
Tom Connelly*	
Bill O'Neil	
Gordon Findlay	
Eric Gibson	(appointed 10 August 2015)
Allan McGinness	(appointed 10 August 2015)
Alex McKay*	(appointed 15 June 2015)
Alex Robertson	(appointed 15 June 2015)
Michael Burns	(resigned 21 September 2015)
Margo McCann	(resigned 21 September 2015)
Laura Forbes	(resigned 21 September 2015)
Ruth Henderson	(resigned 21 September 2015)
Pauline Hamilton	(resigned 21 September 2015)

\* tenant of the Association

No directors who held office during the year held any disclosable interest in the shares of the company.

The Directors are also trustees of the charity and are appointed by the members of the Association at its Annual General Meeting. Loretto Care is governed by a separate Board, although certain Directors participate in both Boards.

A full list of Loretto Care Trustees is available in its annual financial statements.

### Political donations

No political donations were made by the Loretto Group in the year.

### Creditor payment policy

Loretto Group agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

### Disclosure of information to auditor

The Board members who held office at the date of approval of these statements confirm that, so far as they are each aware, there is no relevant information of which the Company's auditors are unaware; and each Board member has taken all the steps that he/she ought to have taken as a Board member to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL

The directors acknowledge their responsibility for ensuring that the company and all subsidiaries included in these group financial statements has in place systems of control that are appropriate to its business environment.

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

**LORETTO HOUSING ASSOCIATION BOARD AND RELATED MATTERS (continued)**

The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cashflow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.



## STATEMENT OF BOARD'S RESPONSIBILITIES

The Board is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

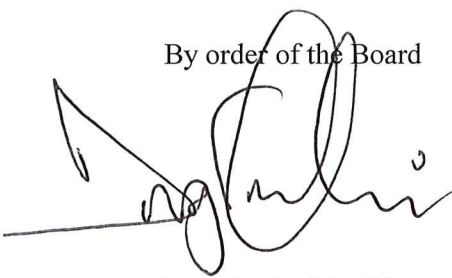
The Co-operative and Community Benefit Society Act 2014 and registered social housing legislation require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the registered social landlord ("RSL") and of the surplus or deficit for that period. In preparing these financial statements, 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RSL will continue in business.

The board is responsible for keeping proper accounting records that are sufficient to show and explain the RSL's transactions and disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is also responsible for safeguarding the assets of the RSL 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 Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



**Douglas Robin, Director**

31 August 2016

Wheatley House  
25 Cochrane Street  
Glasgow G1 1HL

**REPORT BY THE INDEPENDENT AUDITORS TO THE MEMBERS OF LORETTO HOUSING ASSOCIATION LIMITED ON THE STATEMENT ON INTERNAL FINANCIAL CONTROL**

In addition to our audit of the Financial Statements, we have examined the Association's Statement on Internal Financial Control on pages 11 and 12 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 examination having regard to the guidance on corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council, through enquiry of certain members of the Board 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 pages 11 and 12 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.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants  
Glasgow  
31 August 2016

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LORETTO HOUSING ASSOCIATION LIMITED**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Loretto Housing Association Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the registered provider's affairs as at 31 March 2016 and of the registered provider's surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### **What we have audited**

The financial statements comprise:

- the group and registered provider's statements of financial position as at 31 March 2016;
- the group and registered provider's statements of comprehensive income and statements of changes in reserves for the year then ended;
- the group and registered provider's statements of cash flows for the year then ended; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Board has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of books of account and information and explanations received**

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the information given in the Annual Report is inconsistent in any material respect with the financial statements; or
- a satisfactory system of control over transactions has not been maintained; or
- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the registered provider; or
- the registered provider financial statements are not in agreement with the books of account.

We have no exceptions to report arising from this responsibility.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LORETTO HOUSING ASSOCIATION LIMITED (continued)**

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the Board**

As explained more fully in the Statement of Board's Responsibilities set out on page 13, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the registered provider's members as a body in accordance with Part 6 section 69 of the Housing (Scotland) Act 2010, Section 87 (2) and Section 98(7) of the Co-operative and Community Benefit Societies Act 2014, section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the registered provider's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the board; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LORETTO HOUSING ASSOCIATION LIMITED (continued)**

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
31 August 2016

- (a) The maintenance and integrity of the Loretto Housing Association Limited website is the responsibility of the board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31  
MARCH 2016 - GROUP**

		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<b>£'000</b>	<b>£'000</b>
Turnover	3	22,330	19,931
Operating expenditure	3	(18,768)	(17,646)
Operating surplus		3,562	2,285
Finance income	9	8	11
Finance charges	10	(622)	(830)
Movement in fair value of financial instruments		-	1
Decrease in valuation of housing properties	13	(1,892)	(2,583)
Surplus/(Deficit) for the year		1,056	(1,116)
Actuarial gain in respect of pension schemes		1,283	2,618
Total comprehensive income for the year		<u>2,339</u>	<u>1,502</u>

All amounts relate to continuing operations.

The notes on pages 25 to 48 form part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31  
MARCH 2016 - ASSOCIATION**

		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<b>£'000</b>	<b>£'000</b>
Turnover	3	8,948	8,686
Operating expenditure	3	(5,519)	(6,787)
Operating surplus		<u>3,429</u>	<u>1,899</u>
Finance income	9	8	11
Finance charges	10	(601)	(782)
Movement in fair value of financial instruments		-	1
Decrease in valuation of housing properties	13	<u>(1,892)</u>	<u>(2,583)</u>
Surplus/(Deficit) for the year		944	(1,454)
Actuarial gain in respect of pension schemes		<u>1,065</u>	<u>2,157</u>
Total comprehensive income for the year		<u><u>2,009</u></u>	<u><u>703</u></u>

All amounts relate to continuing operations.

The notes on pages 25 to 48 form part of these financial statements.

**STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31  
MARCH 2016 – GROUP**

	<b>Total Reserves £'000</b>
Balance at 1 April 2014	18,171
Deficit for the year	(1,116)
Actuarial gain in respect of pension schemes	2,618
Balance at 1 April 2015	19,673
Surplus for the year	1,056
Actuarial gain in respect of pension schemes	1,283
Total comprehensive income for the year	22,012

All amounts relate to continuing operations.

The notes on pages 25 to 48 form part of these financial statements.

**STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31  
MARCH 2016 - ASSOCIATION**

	<b>Total Reserves £'000</b>
Balance at 1 April 2014	17,826
Deficit for the year	(1,454)
Actuarial gain in respect of pension schemes	2,157
Balance at 1 April 2015	18,529
Surplus for the year	944
Actuarial gain in respect of pension schemes	1,065
Total comprehensive income for the year	2,538

All amounts relate to continuing operations.


The notes on pages 25 to 48 form part of these financial statements.




**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016 - GROUP**

		<b>2016</b>	<b>2015</b>
	<i>Notes</i>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>			
Social housing properties	13	45,622	39,905
Other tangible fixed assets	14	2,121	1,898
		<u>47,743</u>	<u>41,803</u>
<b>Current assets</b>			
Trade and other debtors	15	2,684	2,223
Cash and cash equivalents		2,438	2,290
		<u>5,122</u>	<u>4,513</u>
<b>Creditors: amounts falling due within one year</b>	16	(10,060)	(7,303)
		<u>(4,938)</u>	<u>(2,790)</u>
<b>Net current liabilities</b>			
		42,805	39,013
<b>Creditors: amounts falling due after more than one year</b>	17	(18,623)	(15,517)
<b>Provisions for liabilities</b>			
Pension liability	19	(2,170)	(3,823)
<b>Net assets</b>		<u>22,012</u>	<u>19,673</u>
<b>Reserves</b>			
Share capital	18	-	-
Revenue reserve excluding pension reserve		24,182	23,496
Pension reserve	19	(2,170)	(3,823)
Revenue reserve		22,012	19,673
<b>Total reserves</b>		<u>22,012</u>	<u>19,673</u>

These financial statements were approved by the Board on 22nd August 2016 and signed on its behalf on 31 August 2016.

  
 Douglas Robin  
 Director

  
 Eric Gibson  
 Director

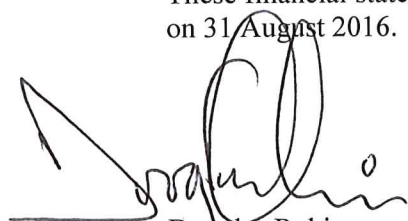
  
 Kirsten M. Craig  
 Secretary

The notes on pages 25 to 48 form part of these financial statements.

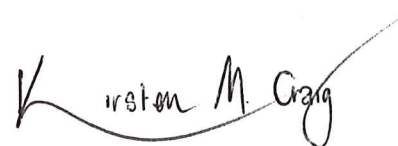
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016 -  
ASSOCIATION**

	<i>Note</i>	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Fixed assets</b>			
Social housing properties	13	45,622	39,905
Other fixed assets	14	2,121	1,898
		<u>47,743</u>	<u>41,803</u>
<b>Current assets</b>			
Trade and other debtors	15	1,113	804
Cash and cash equivalents		2,141	1,818
		<u>3,254</u>	<u>2,622</u>
<b>Creditors: amounts falling due within one year</b>	16	(10,044)	(7,217)
<b>Net current liabilities</b>		<u>(6,790)</u>	<u>(4,595)</u>
<b>Total assets less current liabilities</b>		40,953	37,208
<b>Creditors: amounts falling due after more than one year</b>	17	(18,623)	(15,517)
<b>Provisions for liabilities</b>			
Pension liability	19	(1,792)	(3,162)
<b>Net assets</b>		<u>20,538</u>	<u>18,529</u>
<b>Reserves</b>			
Share capital	18	-	-
Revenue reserve excluding pension reserve		22,330	21,691
Pension reserve	19	(1,792)	(3,162)
Revenue reserve		20,538	18,529
<b>Total reserves</b>		<u>20,538</u>	<u>18,529</u>

These financial statements were approved by the Board on 22 August 2016 and signed on its behalf on 31 August 2016.

  
Douglas Robin  
Director

  
Eric Gibson  
Director

  
Kirsten Craig  
Secretary

The notes on pages 25 to 48 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016 - GROUP**

		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<b>£'000</b>	<b>£'000</b>
<b>Net cash generated from operating activities</b>	21	3,163	1,427
<b>Cash flow from investing activities</b>			
Improvement of properties	13	(1,591)	(1,191)
New build	13	(7,961)	(7,622)
Purchase of other fixed assets	14	(466)	(302)
Grants received	16	4,517	4,060
Finance income	9	8	11
		(5,493)	(5,044)
<b>Cash flow from financing activities</b>			
Finance charges		(523)	(644)
Bank loan drawn down		3,001	4,101
Repayments of borrowings		-	(119)
		2,478	3,338
<b>Net change in cash and cash equivalents</b>		148	(279)
<b>Cash and cash equivalents at 1 April</b>		2,290	2,569
<b>Cash and cash equivalents at 31 March</b>		2,438	2,290

The notes on pages 25 to 48 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016 - ASSOCIATION**

		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<b>£'000</b>	<b>£'000</b>
<b>Net cash generated from operating activities</b>	21	<u>3,339</u>	<u>2,262</u>
<b>Cash flow from investing activities</b>			
Improvement of properties	13	(1,591)	(1,191)
New build	13	(7,961)	(7,622)
Purchase of other fixed assets	14	(466)	(302)
Grants received	16	4,494	4,006
Finance income	9	8	11
		<u>(5,516)</u>	<u>(5,098)</u>
<b>Cash flow from financing activities</b>			
Finance charges		(501)	(644)
Intra-group loan drawn down		3,001	4,101
Repayments of borrowings		-	(119)
		<u>2,500</u>	<u>3,338</u>
<b>Net change in cash and cash equivalents</b>		323	502
<b>Cash and cash equivalents at 1 April</b>		1,818	1,316
<b>Cash and cash equivalents at 31 March</b>		<u>2,141</u>	<u>1,818</u>

The notes on pages 25 to 48 form part of these financial statements.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

### **1. Legal status**

Loretto Housing Group Limited (“Loretto” or “the Company”) is a limited company incorporated in Scotland under the Companies Act 2006. It is a housing association registered with Scottish Housing Regulator under the Housing (Scotland) Act 2014.

The Company and its subsidiary Loretto Care are referred to as “Loretto Group”. The principal activity of the Group is the provision of social housing and associated housing management and care services. The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

### **2. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### **Basis of accounting**

The financial statements of the Loretto Group and the Company are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2012, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 (“SORP 2014”), issued by the National Housing Federation and under FRS 102. The results of Loretto Care are prepared under the Charities SORP 2015.

Whilst the Statement of Financial Position shows net current liabilities, a loan facility is in place which allows the Loretto Group to borrow sufficient funds to meet its current liabilities as they fall due. Accordingly the financial statements have been prepared on a going concern basis.

#### **Accounting judgements and estimations**

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors.

Judgements have been made in determining the appropriate discount rates used in the valuation of housing properties, and in the assessment of the fair value of financial instruments. In determining the value of the Group’s share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

#### **Basis of Consolidation**

The Loretto Group Financial Statements incorporate the financial statements of the Group's parent Loretto Housing Association Limited and its subsidiary, Loretto Care. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

#### **Related party disclosures**

Loretto Housing Association is a wholly owned subsidiary of Wheatley Housing Group Limited and is included within the consolidated financial statements of Wheatley Housing Group Limited which are publicly available. Consequently, the Association and Group have taken advantage of the exemption contained in FRS 102 and have therefore not disclosed transactions or balances with wholly owned entities which form part of the Wheatley Housing Group Limited as related parties.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

### **2. Accounting policies (continued)**

#### **Turnover**

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, revenue grants and other income. Turnover is recognised when the related goods/services are delivered and any income received in advance is treated as deferred income.

#### **Grant income**

Grant income received is matched with the expenditure to which it relates. Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, which are held at valuation, the grant is recognised as income using the performance model in accordance with the Statement of Recommended Practice for Social Housing Providers 2014 (“SORP 2014”). Prior to satisfying the performance conditions, capital grants are held as deferred income on the statement of financial position.

#### **Bad and doubtful debts**

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

#### **Supported housing**

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation, except for staffing and running costs for which the level of expenditure is directly attributable.

#### **Financial Instruments**

Loans provided to Loretto Housing Association Limited by its lenders through the Wheatley Group subsidiary, Wheatley Funding No. 1 Limited (“WFL1”), are classed as basic under the requirements of FRS 102, and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments. All financial assets and liabilities are held at amortised cost.

#### **Deposits and liquid resources**

Cash, for the purpose of the cash flow statement, 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 values.

#### **Pensions**

Loretto Housing Association and Loretto Care previously participated in the Pensions Trust Scottish Housing Association Pension Scheme (SHAPS) Defined Benefit Pension Scheme. The scheme is now closed. Members transferred to the SHAPS Defined Contribution Scheme on 1 July 2013. Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**2. Accounting policies (continued)**

Associations taken as a whole. In accordance with FRS 102, the Loretto Group's share of the scheme assets and liabilities have been separately identified and are included in the Loretto Group's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Group's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the statement of comprehensive income as actuarial gain or loss on pension schemes.

**Fixed assets - Social housing properties**

In accordance with SORP 2014, the Loretto Group operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

• **Valuation of housing of properties**

Social housing properties are valued annually on an Existing Use Value for Social Housing (EUVS-H) basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation.

The cost of properties is their purchase price together with the cost of capitalised improvement works that result in incremental future benefits to the RSL from the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

• **Depreciation and Impairment**

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirement of Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Loretto Group has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter at the following annual rates.

	Economic life not depreciated
Land	
Bathrooms	25
External environment	20
External wall finishes	35
Heating system boiler	12
Internal works and common areas	20
Kitchens	20
Mechanical, electrical and plumbing	25
Structure and roofs	50
Windows and doors	30

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### 2. Accounting policies (continued)

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus.

#### • **New Build**

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

The Group's policy is to capitalise the following:

- Cost of acquiring land and buildings,
- Interest costs directly attributable;
- Development expenditure, including direct development staff costs; and
- Other directly attributable internal and external costs.

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

#### **Housing Association Grant and other capital grants**

Housing Association Grant (HAG) is received from central government and local authorities and contributes to the costs of housing properties.

HAG received is recognised as income in the Statement of Comprehensive Income when new build properties are completed or the capital work is carried out. HAG due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the provisions contained in the Housing (Scotland) Act 2014. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is abated and the grant is accounted for as a liability. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

#### **Other tangible fixed assets**

For other tangible assets, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, or valuation, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

	Economic Life
Computer equipment (cost)	3 yrs
Office Premises (cost)	5 yrs
Furniture, fittings and office equipment (cost)	3 yrs

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**2. Accounting policies (continued)**

**Provisions**

The Loretto Group only provides for liabilities at the year-end where there is a legal or constructive obligation incurred which will likely result in the outflow of resources.

**Taxation**

As charities, Loretto Housing Association and Loretto Care are exempt from corporation tax on its charitable activities by virtue of Section 505(1) Income & Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

**Value Added Tax**

The Loretto Housing Association and Loretto Care are registered for VAT as part of Wheatley Housing Group's VAT group. The majority of its income, including rental receipts, is exempt for VAT purposes, giving rise to no VAT liability.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**3. Particulars of turnover, operating costs and operating surplus - Group**

	Turnover	Operating Costs	2016 Operating surplus/ (deficit)	2015 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	8,084	(4,375)	3,709	2,348
Other activities (note 5)	14,246	(14,393)	(147)	(63)
<b>Total</b>	<b>22,330</b>	<b>(18,768)</b>	<b>3,562</b>	<b>2,285</b>
2015	19,931	(17,646)	2,285	

**Particulars of turnover, operating costs and operating surplus – Association**

	Turnover	Operating Costs	2016 Operating surplus/ (deficit)	2015 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	8,084	(4,375)	3,709	2,348
Other activities (note 5)	864	(1,144)	(280)	(449)
<b>Total</b>	<b>8,948</b>	<b>(5,519)</b>	<b>3,429</b>	<b>1,899</b>
2015	8,686	(6,787)	1,899	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**4. Particulars of turnover, operating costs and operating surplus from social letting activities – Group and Association**

	<b>General Needs £'000</b>	<b>Supported Housing £'000</b>	<b>Shared Ownership £'000</b>	<b>2016 Total £'000</b>	<b>2015 Total £'000</b>
Rent receivable net of service charges	3,220	1,432	6	4,658	4,337
Service charges	412	196	2	610	595
<b>Gross income from rents and service charges</b>	<b>3,632</b>	<b>1,628</b>	<b>8</b>	<b>5,268</b>	<b>4,932</b>
Less rent loss from voids	(116)	(35)	-	(151)	(112)
<b>Net income from rents and service charges</b>	<b>3,516</b>	<b>1,593</b>	<b>8</b>	<b>5,117</b>	<b>4,820</b>
Grants released from deferred income	2,967	-	-	2,967	2,505
Revenue grants	-	-	-	-	37
<b>Total turnover from affordable letting activities</b>	<b>6,483</b>	<b>1,593</b>	<b>8</b>	<b>8,084</b>	<b>7,362</b>
Management and maintenance administration costs	354	536	5	895	1,305
Service costs	377	280	2	659	662
Planned and cyclical maintenance including major repairs costs	163	105	-	268	171
Reactive maintenance costs	373	176	-	549	710
Bad debts – rents and service charges	22	39	-	61	114
Depreciation of social housing	1,195	745	3	1,943	2,052
<b>Operating costs from social letting activities</b>	<b>2,484</b>	<b>1,881</b>	<b>10</b>	<b>4,375</b>	<b>5,014</b>
<b>Operating surplus from social lettings</b>	<b>3,999</b>	<b>(288)</b>	<b>(2)</b>	<b>3,709</b>	<b>2,348</b>
Operating surplus/(deficit) from social lettings for the previous reporting period	2,795	(446)	(1)		

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**5. Particulars of turnover, operating costs and operating surplus from other activities - Group**

	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2016 Operating Surplus / (Deficit) £'000	2015 Operating Surplus / (Deficit) £'000
Support Activities	-	-	497	497	(251)	246	231
Wider role activities to support the community	-	-	-	-	(71)	(71)	-
Care Activities	23	11,009	2,717	13,749	(13,713)	36	205
Corporate Services	-	-	-	-	-	-	-
Development & Construction of Property Activities	-	-	-	-	(114)	(114)	(116)
Depreciation – non social housing	-	-	-	-	(244)	(244)	(189)
Organisation Restructuring	-	-	-	-	-	-	(194)
<b>Total from other activities</b>	<b>23</b>	<b>11,009</b>	<b>3,214</b>	<b>14,246</b>	<b>(14,393)</b>	<b>(147)</b>	<b>(63)</b>
Total from other activities for the previous reporting year	50	10,478	2,041	12,569	(12,632)	(63)	

**Particulars of turnover, operating costs and operating surplus from other activities - Association**

	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2016 Operating Surplus / (Deficit) £'000	2015 Operating Surplus / (Deficit) £'000
Support Activities	-	-	497	497	(538)	(41)	50
Wider role activities to support the community	-	-	-	-	(71)	(71)	-
Corporate Services	-	-	367	367	(177)	190	-
Development and Construction of Property Activities	-	-	-	-	(114)	(114)	(116)
Depreciation – non social housing	-	-	-	-	(244)	(244)	(189)
Organisation restructuring	-	-	-	-	-	-	(194)
<b>Total from other activities</b>	<b>-</b>	<b>-</b>	<b>864</b>	<b>864</b>	<b>(1,144)</b>	<b>(280)</b>	<b>(449)</b>
Total from other activities for the previous reporting year	-	-	1,324	1,324	(1,773)	(449)	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**6. Board members' emoluments – Group and Association**

No Board members received remuneration or any reimbursed expenses (2015 – nil).

**7. Officers Emoluments – Group**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	161	157
Pension contributions made on behalf of officers with emoluments greater than £60,000	8	8
Emoluments payable to highest paid officer (excluding pension contributions)	94	91

The number of officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:

	<b>No.</b>	<b>No.</b>
£60,001 to £70,000	1	1
£90,001 to £100,000	1	1

**Officers Emoluments – Association**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding Pension Contributions, including compensation payable for loss of office)	-	-
Pension contributions made on behalf of officers with emoluments greater than £60,000	-	-
Emoluments payable to highest paid officer greater than £60,000 (excluding pension contributions and compensation for loss of office)	-	-

There were no officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 during the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**8. Employees - Group**

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
The average monthly number of full time equivalent persons employed during the year was	<u>407</u>	<u>451</u>
The average total number of employees employed during the year was	<u>508</u>	<u>494</u>
	<b>£'000</b>	<b>£'000</b>
Staff costs (for the above persons)		
Wages and salaries	11,246	10,089
Social security costs	820	756
Pension costs	784	733
Pension service credit	<u>(406)</u>	<u>(394)</u>
	<u>12,444</u>	<u>11,184</u>

**Employees - Association**

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
The average monthly number of full time equivalent persons employed during the year was	21	28
The average total number of employees employed during the year was	21	30
	<b>£'000</b>	<b>£'000</b>
Staff costs (for the above persons)		
Wages and salaries	719	1,256
Social security costs	70	99
Pension costs	449	437
Pension service credit	<u>(406)</u>	<u>(394)</u>
	<u>832</u>	<u>1,398</u>

**9. Finance income – Group and Association**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable on deposits in the year	<u>8</u>	<u>11</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**10. Finance charges**

	<b>Group</b>		<b>Association</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Interest payable on housing loans	500	554	500	554
Net interest charges on pension liability	122	276	101	228
	<u>622</u>	<u>830</u>	<u>601</u>	<u>782</u>

**11. Auditors' remuneration**

	<b>Group</b>		<b>Association</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Auditors' Remuneration - Audit Services	<u>32</u>	<u>32</u>	<u>16</u>	<u>16</u>

**12. Financial commitments**

**Capital commitments – Group and Association**

All capital commitments were as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure contracted for, but not provided in the financial statements	6,530	7,563
Expenditure authorised by the Board but not contracted	-	5,893
	<u>6,530</u>	<u>13,456</u>

**Operating leases – Group and Association**

At 31 March 2016 the Group had no annual commitments under non-cancellable operating leases (2015: nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**13. Social housing Properties**

**Group and Association**

	<b>Social Housing Properties £'000</b>	<b>Shared Ownership Properties £'000</b>	<b>Housing Under Construction £'000</b>	<b>Total £'000</b>
<b>At valuation</b>				
As at 1 April 2015	34,606	110	5,189	39,905
Additions	1,591	-	7,961	9,552
Disposals	-	-	-	-
Transfer	5,908	-	(5,908)	-
Revaluation	(3,845)	10	-	(3,835)
At 31 March 2016	<u>38,260</u>	<u>120</u>	<u>7,242</u>	<u>45,622</u>
<b>Depreciation</b>				
As at 1 April 2015	-	-	-	-
Charge for year	(1,940)	(3)	-	(1,943)
Disposals	-	-	-	-
Revaluation	1,940	3	-	1,943
At 31 March 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Book Value - valuation</b>				
At 31 March 2016	<u>38,260</u>	<u>120</u>	<u>7,242</u>	<u>45,622</u>
At 31 March 2015	<u>34,606</u>	<u>110</u>	<u>5,189</u>	<u>39,905</u>
<b>Net Book Value – cost</b>				
At 31 March 2016	<u>55,171</u>	<u>394</u>	<u>7,242</u>	<u>62,807</u>
At 31 March 2015	<u>49,612</u>	<u>397</u>	<u>5,189</u>	<u>55,198</u>

Additions to Core Stock of £1,591k in the year include:

- £1,254k in relation to the replacement of components; and
- £337k on the improvement of components.

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors (RICS) to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RCIS at 31 March 2016 on an Existing Use Valuation for Social Housing (EUV-SH). A discount rate of 5.75% to 6.50% was used and the valuation assumes a rental income increase of inflation + 0.5% for the next 3 years, line with the Association's 30 year Business Plan (2016-17).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**13. Social housing properties (continued)**

The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

During 2015-16 the Association did not dispose of any properties to tenants under Right to Buy entitlements (2014-15: nil).

The number of units of accommodation (excluding unlettable voids) held by the Group and Association at 31 March 2016 is shown below:

	2016 – number				2015 - number			
	Owned and managed	Owned and managed by others	Managed only	Total	Owned and managed	Owned and managed by others	Managed only	Total
General Needs	793	-	-	793	746	-	-	746
Supported Housing	222	170	101	493	222	170	101	493
Shared Ownership	4	-	-	4	4	-	-	4
<b>Total Social Housing</b>	<b>1,019</b>	<b>170</b>	<b>101</b>	<b>1,290</b>	<b>972</b>	<b>170</b>	<b>101</b>	<b>1,243</b>

The Association leases a number of properties to other providers (local authorities, RSLs or charitable bodies) who manage the properties on their behalf. No funding is payable by the Association to the other providers in respect of these units.

The housing valuation has been based on the number of houses held for letting outlined above, excluding properties that the Association manages on behalf of others. In addition to housing properties the Association owns and manages 32 office properties within housing developments and these are included in the valuation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**14. Other tangible fixed assets**

**Group and Association**

	<b>Computer Equipment £'000</b>	<b>Office Premises £'000</b>	<b>Furniture &amp; Equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April 2015	1,009	2,319	70	3,398
Additions	160	306	-	466
Disposals	(696)	-	(34)	(730)
At 31 March 2016	<u>473</u>	<u>2,625</u>	<u>36</u>	<u>3,134</u>
<b>Accumulated Depreciation</b>				
At 1 April 2015	782	660	58	1,500
Charge for year	177	58	8	243
Disposals	(696)	-	(34)	(730)
At 31 March 2016	<u>263</u>	<u>718</u>	<u>32</u>	<u>1,013</u>
<b>Net Book Value</b>				
At 31 March 2016	<u>210</u>	<u>1,907</u>	<u>4</u>	<u>2,121</u>
At 31 March 2015	<u>227</u>	<u>1,659</u>	<u>12</u>	<u>1,898</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**15. Trade and other debtors**

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Arrears of rent & service charges	348	303	348	303
Less: Adjustment to discount arrears balances with payments plans	(6)	(4)	(6)	(4)
Less: Provision for bad and doubtful debts	(160)	(142)	(160)	(142)
	<u>182</u>	<u>157</u>	<u>182</u>	<u>157</u>
Housing association grant receivable	-	510	-	510
Other Debtors	1,893	922	931	10
Prepayments and accrued income	-	64	-	64
Amount due from group undertakings	609	570	-	63
	<u>2,684</u>	<u>2,223</u>	<u>1,113</u>	<u>804</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**16. Creditors: amounts falling due within one year**

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade creditors	158	50	101	34
Accruals	2,459	1,019	2,290	854
Deferred income	5,708	4,037	5,500	3,973
Rent and service charges received in advance	315	304	315	304
Tax and social security	221	183	64	24
Other creditors	166	573	65	458
Amounts due to group undertakings	1,033	1,137	1,709	1,570
	<u>10,060</u>	<u>7,303</u>	<u>10,044</u>	<u>7,217</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**16. Creditors: amounts falling due within one year (continued)**

*Analysis of deferred income - Group*

	<b>Housing association grants £'000</b>	<b>Other grants/ income £'000</b>	<b>Total £'000</b>
Deferred income as at 31 March 2015	3,973	64	4,037
Additional income received	3,768	893	4,661
Released to Statement of comprehensive income	(2,967)	(23)	(2,990)
Deferred income as at 31 March 2016	<u>4,774</u>	<u>934</u>	<u>5,708</u>
Grant to be released to the Statement of Comprehensive Income:			
2016 - all due within one year	4,774	934	5,708
2015 - all due within one year	3,973	64	4,037

*Analysis of deferred income – Association*

	<b>Housing association grants £'000</b>	<b>Other grant/ income £'000</b>	<b>Total £'000</b>
Deferred income as at 31 March 2015	3,973	-	3,973
Additional income received	3,768	726	4,494
Released to Statement of comprehensive income	(2,967)	-	(2,967)
Deferred income as at 31 March 2016	<u>4,774</u>	<u>726</u>	<u>5,500</u>
Grant to be released to the Statement of Comprehensive Income:			
2016 – all due within one year	4,774	726	5,500
2015 – all due within one year	3,973	-	3,973

**17. Creditors: amounts falling due after more than one year – Group and Association**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Due to other group companies	16,955	13,954
Deferred Income	1,668	1,563
	<u>18,623</u>	<u>15,517</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**17. Creditors: amounts falling due after more than one year – Group and Association (continued)**

**Bank lending facility**

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility is made up of a committed facility of £526.0m from a syndicate of commercial banks, a committed facility of £132.5m from the European Investment Bank and £300.0m raised through the issue of a public bond. This provides total facilities of £958.5m for the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No.1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Ltd, with Loretto Housing Association having access to an intra-group facility of £32.8m secured on the Association's housing stock.

Borrowings are repayable as follows

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
In less than one year	-	-
In more than one year but less than five years	-	-
In more than five years	16,955	13,594
	16,955	13,594

**Deferred income**

The Group receives contributions towards future alarm and furniture replacements within service charge income. Income is received in advance and is deferred until the goods/services have been provided in accordance with the Statement of Recommended Practice for registered social housing providers 2014.

Due to the nature of the future spend, the timing is unpredictable, and therefore the full deferred amount has been included within long term liabilities without further maturity analysis.

**18. Share Capital**

<b>Shares of £1 each Issued and Fully Paid</b>	<b>£</b>
At 1st April 2015	276
Issued in year	1
At 31st March 2016	277

Each member of the Association holds one share of £1 in the Association. These shares carry 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 thereon becomes the property of the Association.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

### **19. Pension scheme**

#### **Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit**

Loretto Housing Association and Loretto Care participated in the Pensions Trust Scottish Housing Association Pension Scheme (“SHAPS”), a multi-employer defined benefit scheme. It is funded and contracted out of the State Pension Scheme. With effect from 1 July 2013 Loretto Housing Association and Loretto Care ceased to offer membership of the defined benefit scheme, with all active employee members transferred to the SHAPs Defined Contribution scheme.

The Trustee commissions an actuarial valuation of the Scheme every three years, with the last formal valuation of the Scheme being carried out at 30 September 2012, with the next full valuation due at 30 September 2015 currently underway.

The scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. FRS 102 requires the disclosure of the Group’s share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2016.

Following consideration of the results of the last valuation at 30 September 2012, it was agreed that the shortfall of £304m would be dealt with by the payment of additional contributions of 5.4% of pensionable salaries per annum with effect from 1st April 2014. Past service deficit contributions will increase each 1st April at a rate of 3%.

As a result of Pension Scheme legislation 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 buyout 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 currently participating 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**19. Pensions (continued)**

The assumptions that have the most significant effect on the results of the valuation of the Group defined benefit pension arrangements, are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	<b>31 March 2016</b>	<b>31 March 2015</b>
Discount rate	3.8%	3.4%
Future salary increases	*2.5%	**2.5%
Inflation	2.1%	2.0%

\* Salary increases are assumed to be 2% p.a. until 31 March 2019, 2.5% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2016, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.1 years (male) (2015: 22.1 years), 23.6 years (female) (2015: 23.6 years).
- Future retiree upon reaching 65: 24.8 years (male) (2015: 24.8 years), 26.2 years (female) (2015: 26.2 years).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The information disclosed below is in respect of the whole of the plans for which the Group has been allocated a share of cost under an agreed policy throughout the periods shown.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**19. Pensions (continued)**

*Movements in present value of defined benefit obligation*

	<b>Group 2016 £ 000</b>	<b>Association 2016 £ 000</b>
Opening defined benefit obligation	15,724	12,990
Current service cost	-	-
Interest cost	528	436
Loss on curtailment	-	-
Actuarial gains	(1,641)	(1,360)
Contributions by members	-	-
Estimated benefits paid	(425)	(351)
Closing defined benefit obligation	<b>14,186</b>	<b>11,715</b>

*Movements in fair value of plan assets*

	<b>Group 2016 £ 000</b>	<b>Association 2016 £ 000</b>
Opening fair value of plan assets	11,901	9,828
Expected return on plan assets	406	335
Actuarial losses	(358)	(295)
Contributions by the employer	509	420
Contributions by the members	-	-
Estimated benefits paid	(425)	(351)
Administration costs	(17)	(14)
Closing fair value of plan assets	<b>12,016</b>	<b>9,923</b>
<b>Net liability</b>	<b>(2,170)</b>	<b>(1,792)</b>

*Expense recognised in the statement of comprehensive income*

	<b>Group 2016 £ 000</b>	<b>Association 2016 £ 000</b>
Current service cost	-	-
Losses on settlements or curtailments	-	-
Net interest on defined benefit obligation	122	101
Administration costs	17	14
	<b>139</b>	<b>115</b>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**19. Pensions (continued)**

*The expense is recognised in the following line items in the statement of comprehensive income*

	<b>Group</b>	<b>Association</b>
	<b>2016</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Operating costs	(18,768)	(5,519)
Finance charges	(622)	(601)

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is Group: £2,618k gain, Association gain £2,157k (Group 2014: £947k loss, Association £782k loss).

*The fair value of the plan assets and the return on those assets were as follows:*

<b>Group</b>	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Equities	4,446	4,284
Corporate bonds	3,845	4,284
Property	601	595
Alternatives	2,884	2,618
Cash	240	120
	12,016	11,901
Actual return on plan assets	48	2,225
 <b>Association</b>	 <b>2016</b>	 <b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Equities	3,672	3,538
Corporate bonds	3,175	3,538
Property	496	492
Alternatives	2,382	2,162
Cash	198	98
	9,923	9,828
Actual return on plan assets	40	1,837

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**19. Pensions (continued)**

**Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit**

*Expense recognised in the statement of comprehensive income*

	<b>Group</b>	<b>Association</b>
	<b>2016</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Current service cost	246	36
	246	36

**20. Related party transactions – Group and Association**

Members of the Management Board are related parties of the Association as defined by FRS 102.

The Association retains a register of members' interests. The following interests in related parties are required to be declared:

**Tenant Board Members**

The following members are tenants of the Association and have tenancy agreements that are on the Association's normal terms and they cannot use their positions to their advantage.

Tom Connelly  
Alex McKay

Transactions and arrear balances outstanding at 31 March 2016 are as follows:

	<b>2016</b>
	<b>£'000</b>
Rent charged during the year	8
Arrear balances outstanding at 31 March 2016	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**21. Cash flow statement**

**Reconciliation of surplus to net cash inflow from operating activities – Group**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(Deficit) for the year	1,056	(1,116)
Depreciation of tangible fixed assets	2,186	2,234
Decrease/(increase) in trade and other receivables	384	(410)
Increase in trade and other creditors	512	350
Pension costs less contributions payable	(492)	(477)
 <i>Adjustments for investing or financing activities:</i>		
Government grants utilised in the year	(2,990)	(2,555)
Interest paid	623	830
Interest received	(8)	(11)
Reversal of previous decrease in valuation of housing properties	1,892	2,583
Movement in FV of financial instruments	-	(1)
<b>Net cash inflow from operating activities</b>	<b>3,163</b>	<b>1,427</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**21. Cash Flow Analysis (continued)**

**Reconciliation of surplus to net cash inflow from operating activities – Association**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(Deficit) for the year	944	(1,454)
Depreciation of tangible fixed assets	2,186	2,242
Decrease/(increase) in trade and other debtors	(308)	179
Increase/(decrease) in trade and other creditors	1,405	841
Pension costs less contributions payable	(406)	(394)
 <i>Adjustments for investing or financing activities:</i>		
Government grants utilised in the year	(2,967)	(2,505)
Interest paid	601	782
Interest received	(8)	(11)
Reversal of previous decrease in valuation of housing properties	1,892	2,582
<b>Net cash inflow from operating activities</b>	<b>3,339</b>	<b>2,262</b>

**22. Ultimate parent organisation**

The Association is a subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

The results of the Loretto Group are consolidated into the group financial statements of the Wheatley Housing Group Limited. The consolidated financial statements of the Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

## **SUPPLEMENTARY INFORMATION**

### **Secretary and Registered Office**

Kirsten Craig  
Loretto Housing Association Limited  
Wheatley House  
25 Cochrane Street  
Glasgow  
G1 1HL

### **Independent Auditors**

PricewaterhouseCoopers LLP  
141 Bothwell Street  
Glasgow  
G2 7EQ

### **Bankers**

Royal Bank of Scotland  
129 Bath Street  
Glasgow  
G2 4DR

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016 - GROUP**

		2016	2015
	<i>Note</i>	<b>£'000</b>	<b>£'000</b>
<b>Net cash generated from operating activities</b>	21	3,163	1,427
<b>Cash flow from investing activities</b>			
Improvement of properties	13	(1,591)	(1,191)
New build	13	(7,961)	(7,622)
Purchase of other fixed assets	14	(466)	(302)
Grants received	16	4,517	4,060
Finance income	9	8	11
		(5,493)	(5,044)
<b>Cash flow from financing activities</b>			
Finance charges		(523)	(644)
Bank loan drawn down		3,001	4,101
Repayments of borrowings		-	(119)
		2,478	3,338
<b>Net change in cash and cash equivalents</b>		148	(279)
<b>Cash and cash equivalents at 1 April</b>		2,290	2,569
<b>Cash and cash equivalents at 31 March</b>		2,438	2,290

The notes on pages 25 to 48 form part of these financial statements.



**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016 -  
ASSOCIATION**

	<i>Note</i>	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Fixed assets</b>			
Social housing properties	13	45,622	39,905
Other fixed assets	14	2,121	1,898
		47,743	41,803
<b>Current assets</b>			
Trade and other debtors	15	1,113	804
Cash and cash equivalents		2,141	1,818
		3,254	2,622
<b>Creditors: amounts falling due within one year</b>	16	(10,044)	(7,217)
<b>Net current liabilities</b>		(6,790)	(4,595)
<b>Total assets less current liabilities</b>		40,953	37,208
<b>Creditors: amounts falling due after more than one year</b>	17	(18,623)	(15,517)
<b>Provisions for liabilities</b>			
Pension liability	19	(1,792)	(3,162)
<b>Net assets</b>		20,538	18,529
<b>Reserves</b>			
Share capital	18	-	-
Revenue reserve excluding pension reserve		22,330	21,691
Pension reserve	19	(1,792)	(3,162)
Revenue reserve		20,538	18,529
<b>Total reserves</b>		20,538	18,529

These financial statements were approved by the Board on 22 August 2016 and signed on its behalf on 31 August 2016.

Douglas Robin  
Director

Eric Gibson  
Director

Kirsten Craig  
Secretary

The notes on pages 25 to 48 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016 - GROUP**

	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
<b>Net cash generated from operating activities</b>	21	3,163	1,427
<b>Cash flow from investing activities</b>			
Improvement of properties	13	(1,591)	(1,191)
New build	13	(7,961)	(7,622)
Purchase of other fixed assets	14	(466)	(302)
Grants received	16	4,517	4,060
Finance income	9	8	11
		(5,493)	(5,044)
<b>Cash flow from financing activities</b>			
Finance charges		(523)	(644)
Bank loan drawn down		3,001	4,101
Repayments of borrowings		-	(119)
		2,478	3,338
<b>Net change in cash and cash equivalents</b>		148	(279)
<b>Cash and cash equivalents at 1 April</b>		2,290	2,569
<b>Cash and cash equivalents at 31 March</b>		2,438	2,290

The notes on pages 25 to 48 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016 -  
ASSOCIATION**

	<i>Note</i>	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Fixed assets</b>			
Social housing properties	13	45,622	39,905
Other fixed assets	14	2,121	1,898
		47,743	41,803
<b>Current assets</b>			
Trade and other debtors	15	1,113	804
Cash and cash equivalents		2,141	1,818
		3,254	2,622
<b>Creditors: amounts falling due within one year</b>	16	(10,044)	(7,217)
<b>Net current liabilities</b>		(6,790)	(4,595)
<b>Total assets less current liabilities</b>		40,953	37,208
<b>Creditors: amounts falling due after more than one year</b>	17	(18,623)	(15,517)
<b>Provisions for liabilities</b>			
Pension liability	19	(1,792)	(3,162)
<b>Net assets</b>		20,538	18,529
<b>Reserves</b>			
Share capital	18	-	-
Revenue reserve excluding pension reserve		22,330	21,691
Pension reserve	19	(1,792)	(3,162)
Revenue reserve		20,538	18,529
<b>Total reserves</b>		20,538	18,529

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