Loretto Housing

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended

31 March 2018

Loretto Housing Association Limited

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

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2018.

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 Group").

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.

The principal office of Loretto Housing is Lipton House, 2nd Floor, 170 Crown Street, Glasgow, G5 9XD.

OPERATING REVIEW

Our year at Loretto – Annual Highlights 2017/18

It has been another great year at Loretto Housing as we continued to invest in new homes, our communities and the support services we provide to our tenants and their families.

One of the highlights has been watching a range of new-build developments take shape across our communities.

We also continued to improve and maintain our existing homes and, by working closely with our partners in our parent company Wheatley Group, we expanded the opportunities available to tenants to improve their lives. This included job and training opportunities, help to get ready for work for those facing the biggest challenges, advice on managing money and accessing benefits and help to get online.

But at Loretto Housing we never stand still and I know our dedicated staff will be working just as hard in 2018/19 as we continue our mission to create better homes, better lives.

You can read about some of the highlights for 2017/18 here.

OPERATING REVIEW (Continued)

A year of success

We improved our performance in a range of areas including customer satisfaction, one of the most important barometers of our success as a landlord.

Of tenants surveyed, 88% said they were satisfied overall with Loretto. This is the highest ever and up from 86% the previous year. Other performance highlights included:

- Tenants satisfied with the standard of home when moving in remains at 100% for the second year in a row
- Tenants satisfied with the quality of their existing home improved from 89% to 94%
- Rent lost due to properties being empty improved from 0.45% to 0.39%
- 100% of our homes meet the Scottish Housing Quality Standard.

Our repairs service

More tenants were happy with the repairs and maintenance service in 2017/18. A total of 91% of tenants reported being satisfied with the service, up from 84% in 2016/17. Emergency and non-emergency repair timescales continued to improve with non-emergency repairs taking an average of 4.4 days instead of 5.4 days. During the year, 100% of medical adaptations were completed with timescales averaging 15 days, down from 19 days.

This came after we rolled out our new repairs service delivered by City Building (Glasgow) LLP (CBG") which has been jointly owned, since April 2017, by our parent company Wheatley Group and Glasgow City Council.

Improvements include new local teams, closer working between repairs teams and our housing staff and greater focus on customer service.

Building and improving homes

Loretto built 77 new homes over the year at Barclay Street in Springburn, Glasgow. Of the homes, built in two phases, 60 were for social rent and 17 for mid- market rent. Mid-market homes provide a good alternative for people looking for affordable housing but who perhaps don't have priority for a social home.

Work progressed on another 44 new homes in the city's Wallacewell Quadrant, Balornock, Glasgow.

And work also started on 42 new Loretto homes in Shawbridge Street, Pollokshaws, and 28 at Buckley Street, Ashfield, both also in Glasgow.

We also invested £2.2m in improvements to existing homes. The improvement works carried out included 142 new kitchens, 148 new boilers and central heating upgrades, 113 new windows and doors, six new controlled door entry upgrades, improving access and security for 82 customers.

OPERATING REVIEW (Continued)

Investing in neighbourhoods

We worked hard over the year to keep our neighbourhoods clean, tidy and safe. Satisfaction with neighbourhoods increased from 83.9% to 86%.

The newly launched gardener service improved previously unused or dilapidated areas in our neighbourhoods to give customers a better outlook.

Our Community Improvement Partnership ("CIP") sees police and fire officers seconded to Wheatley Group to work closely with housing staff to keep local communities safe. It was further strengthened with a number of new roles including five new behaviour change officers to support young people in trouble to turn their lives around and two new fire safety officers.

Fire safety in our communities remained a top priority for us and we launched a "Stay Safe" campaign to encourage all tenants to get a home fire safety visit.

Rents and value for money

We want people to feel they get good value for money at Loretto and were delighted the percentage of tenants who felt their rent represented good value increased from 82% to 86%.

Gross rent arrears improved from 5.48% in 2016/17 to 4.8% this year and our rent collection improved to over 99%.

Engaging with customers

We continued to engage with customers across a range of channels, listening to their feedback and using it to improve services. Tenants who feel Loretto Housing is good at keeping them informed about services and decisions remains high at 92%. The percentage of tenants who were satisfied with opportunities to participate in decision-making at Loretto was 86%, down on the previous year's 90.5%. This is something we are focusing on over the next year, listening carefully to our customers to improve opportunities for them to participate.

Over the year, we consulted customers formally on a new allocations policy – due to be introduced later in 2018 as part of "MyHousing", our new housing advice, information and letting service – with their feedback influencing the final service. We also consulted tenants on three options for rent charges for 2018/19 and on proposals for new services at our sheltered housing complexes.

We held a range of community events across all our areas and continued to involve tenants in local decisions through our scrutiny panel and forums.

We also reached out to more tenants through online channels, with over 1000 followers on our social media channels and our website audience growing to around 2000 visitors a month. A total of 125 tenants were registered for online self-service at the end of the financial year with people finding it quick and convenient to pay rent, check their account, book a repair or request a service. Since then we have simplified the sign-up process, encouraging dozens more tenants to register and use online self-service.

OPERATING REVIEW (Continued)

Supporting our customers

We supported our tenants and their families to get the most out of their lives through a range of services and projects, many of which are funded through the Wheatley Foundation, our charitable trust. This included providing jobs and training opportunities, support to get ready for work for those facing the biggest challenges, help with money, budgeting and benefits, access to bursaries to go to university and access to arts and sports projects.

Over 2017/18 we:

- supported 13 Loretto Housing customers into jobs or training;
- helped three people from our homes go to college or university through Wheatley Foundation's bursary scheme which provides people with up to £1500 funding a year;
- provided vital support to 28 newer tenants to help them manage their finances and settle into their community through Wheatley Group's "My Great Start" service;
- gave seven customers upcycled furniture through our "Home Comforts" service.

Loretto Care

It was another successful year for Loretto Care as we grew and improved our services to the people we work for and performed well against all our business targets.

Our strong relationship and reputation for excellence with local authority commissioners meant we were able to negotiate extensions to contracts in two local authority areas without the need for retender. Our approach of providing truly personalised services earned praise from commissioners of our Glasgow Self Directed Support Service ("SDS") and meant more referrals from all over the city, increasing our income and service capacity.

We redesigned our services, working in partnership with local authority commissioners, and our colleagues in Wheatley Group, to offer added value to purchasers.

We supported over 6500 people over the year, helping them get the most out of their lives and achieve their own personal outcomes. One focus was introducing technology in our services and, in particular, using it to help people remain safe and well in their homes.

All of this helped us end the year with a good performance against our business plan targets.

Awards and accreditations

Loretto Care, and our dedicated staff, continued to be recognised externally from a number of leading business accreditation schemes for the work we do.

We were awarded the European Foundation Quality Management's Recognised for Excellence 5-star award in June 2017 and went on to secure a Best Practice Award for "Succeeding through the Talent of People".

We were also awarded Investors in People ("IiP") platinum, the highest IiP level available to employers, in December 2017.

OPERATING REVIEW (Continued)

Our Fullarton Service in Tollcross in Glasgow, which provides support for people with alcohol related brain damage, won a Scottish Social Services Award for thought leadership while our 415 Project in Nitshill, set up to explore new ways of supporting older people live active and independent lives through technology, scooped a prestigious Laing Buisson Innovation in Care award.

The Tenancy Support Service was shortlisted for a CIH Excellence in Health and Wellbeing Award and for the CIH Housing Heroes Frontline Team of the Year award.
Our Fordneuk Service in Glasgow and our Alcohol Outreach service were both shortlisted for the Scottish Care Awards Care Home Carer of the Year while Fordneuk was also a finalist in the Scottish Social Services Council Awards, Head above the Parapet category.

Supporting people achieve their outcomes

Throughout the year Loretto Care supported 6510 people, an increase of 1,897 people on the previous year.

Progress made by people we work for with the support they receive is measured through their view of whether they have travelled a 'positive distance' on their individual outcomes.

This is measured through the use of Outcome Star, an assessment tool which focuses on specific outcomes individuals want to achieve in their lives.

At the end of the financial year, 68.6% of the people we work for reported a positive distance travelled in relation to their mental health with 65.3% reporting a positive distance travelled in relation to their physical health.

This is against targets of 62% in these areas.

The percentage of people who either travelled a positive distance – or maintained previous levels – for employability, further education or volunteering was 50.76%, against a target of 40%. This reflects the focus Loretto has put on volunteering and the number of projects available through Wheatley's charitable trust Wheatley Foundation.

Staff recruitment

Working in partnership with colleagues in human resources we adopted a new approach to recruiting staff which saw us offer more flexible working hours to fit in with people's lifestyles. We also promoted the benefits of working at Wheatley Group and of a career in care. Our new approach saw us successfully recruit the right people into a number of vacancies during the year, substantially reducing our reliance on agency staff and leading to cost savings as well as a much better quality of services for the people we work for.

Managing complaints

We listen carefully to complaints and use the feedback to further improve our services. There were 20 complaints received throughout the year compared with 22 last year. Five complaints made at a local level were partially upheld.

There were three complaints made to the Care Inspectorate with none of these upheld.

Leaders use learning from complaints to promote continuous best practice throughout our workforce.

OPERATING REVIEW (Continued)

Care inspections

There were nine Care Inspections carried out with eight of them achieving grades of very good (5) or excellent (6) across each theme inspected.

Of all themes inspected, there were three excellent grades, 15 very good grades awarded and one good. The picture nationally is that 50% of services receive very good grades and only 8% excellent.

Loretto Care's Fordneuk Service received Grade 6 in both Quality of Care and Support and Quality of Staffing. The Care Inspectorate said: "The service rigorously focuses on positive outcomes achieved daily to an excellent standard. Service users are enthusiastic about how staff supports them with for example, finances, physical and mental health issues and accessing alternative accommodation. External agencies provided many additional excellent examples why this service is exemplary."

Tenancy support service

The Tenancy Support Service ("TSS") has been established to provide support to Wheatley tenants in maintaining their tenancy. The number of tenants across the Wheatley Group who have received the Tenancy Support Service in the year was 2,215 against a target of 1,950.

At the end of the financial year, 80% of people had sustained their tenancy for over 12 months after using the service, in line with our target.

The 327 people who did not sustain their tenancy for at least the 12-month period included over 100 people who moved on to another home in Wheatley Group and 58 who passed away.

Reshaping services for older people

We worked closely with our partners in Wheatley Group to redesign services for older people living in sheltered complexes in Glasgow. The new Livingwell services were designed after consultation with tenants and started on 1 April 2018. Aimed at supporting people live independently in their home, they involve a mix of personal, face-to-face support from housing staff and Livingwell teams, a range of social activities and volunteering opportunities and the use of technology.

Independent Auditor

A resolution for the reappointment of KPMG as auditor is to be proposed at the forthcoming Annual General Meeting.

FINANCIAL REVIEW

Income
The Group's turnover for the year ended 31 March 2018 totalled £25.2m (2017 £24.4m). The main source of income for the Group includes the provision of care and support services of £13.5m (2017: £13.8m). The remainder of the Group's income is primarily derived from the social rental of housing property, with net rental income of £5.5m (2017: £5.3m).

Expenditure
Operating costs of the Group in the year totalled £19.6m (2017: £20.5m), largely comprising of the following:

- Care and support activity costs of £12.9m (2017: £13.4m), which are primarily employee costs.
- Management and maintenance administration costs associated with affordable letting activities totalling £0.8m (2017: £0.8m).
- £0.6m of reactive maintenance costs to our social letting properties (2017: £0.6m).
- £0.6m of planned and cyclical maintenance costs including major repair costs to improve our social housing properties (2017: £0.5m)
- Depreciation expenditure for social and non-social housing assets of £2.6m (2017: £2.5m).

The Group generated an operating surplus of £4.6m or 18% (2017: £4.0m or17%) after a £1.0m (2017: £nil) loss on investment properties, relating to the valuation of newly completed mid-market rent units.

Other expenditure in the year includes £1.2m of interest due on loan funding (2017: £0.6m).

Total comprehensive expenditure for the year of £2.1m (2017: expenditure of £0.8m) includes a decrease in valuation of social housing properties of £5.4m (2017: decrease of £2.6m) and a loss of £0.2m (2017: loss of £0.9m) in respect of the annual actuarial valuation of the SHAPS pension scheme.

Cashflows
The cash flow statement of the Group is shown on page 21. Loretto Group generated £3.0m from operating activities (2017: £2.6m), an increase of £0.5m from the prior year. Cash and cash equivalents in the year increased by £2.6m (2017: decreased by £0.8m).

Rental debtors
At the statement of financial position date, the Group had rent arrears of £0.3m offset by bad debt provisions of £0.1m (2017: £0.4m and £0.2m respectively).

Liquidity
The Group's net current liability at 31 March 2018 totalled £4.3m, a decrease of £2.8m 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 with Wheatley Funding No1 Limited ("WFL1") 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 WFL1.

FINANCIAL REVIEW (continued)

Investment in tenants' homes

During the year we invested £2.2m in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £52.9m (2017: £51.9m)

New Build

During the financial year we completed 60 new build properties for social rent across two developments along with 17 new mid-market rent properties. Our new build programme invested £8.8m in the year. The Business Plan includes a further projected spend of £11.7m 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 reserve includes 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.

FINANCIAL REVIEW (continued)

Principal risks facing the Association

The Board are responsible for assessing the risks facing Loretto Housing Group. As a subsidiary of Wheatley Housing Group, the principal risks are broadly similar to those facing the Group and can be seen in the consolidated financial statements of the Group.

By order of the Board

[redacted]

Douglas Robin, Chair
29 August 2018

Wheatley House
25 Cochrane Street
Glasgow G1 1HL

LORETTO HOUSING ASSOCIATION BOARD, COMMITTEE STRUCTURE 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:

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Committees/Group Directorships
Douglas Robin (chair)	31 October 2012	19 September 2016	-	Wheatley Solutions
Bill O'Neil	01 June 2007	25 September 2013	18 September 2017	-
Gordon Findlay	31 October 2012	19 September 2016	18 September 2017	-
Alex McKay*	15 June 2015	21 September 2015	-	-
Alex Robertson	15 June 2015	21 September 2015	-	-
Allan McGinness*	10 August 2015	21 September 2015	-	-
Eric Gibson	10 August 2015	21 September 2015	-	Wheatley Foundation
Cecil Buekor*	18 September 2017	-	-	-
Jean Fyfe	18 September 2017	-	-	-
Nesta Gilliland	18 September 2017	-	-	-
Jacqui Mallin	18 September 2017	-	-	-
Pauline Gilmore*	18 September 2017	-	-	-

* 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 auditor is 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 auditor is aware of that information.

LORETTO HOUSING ASSOCIATION BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS (continued)

DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL

The Directors acknowledge their responsibility for ensuring that the company has in place systems of control that are appropriate to its business environment. These controls are designed to give reasonable assurance with respect to:

- 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.

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.

LORETTO HOUSING ASSOCIATION BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS (continued)

STATEMENT OF BOARD'S RESPONSIBILITIES FOR A REGISTERED SOCIAL LANDLORD THAT IS A CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETY

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standard FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure 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 UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

[redacted]

29 August 2018

Wheatley House
25 Cochrane Street
Glasgow G1 1HL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LORETTO HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Loretto Housing Association Limited ("the association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2018 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The association's Board is responsible for the other information, which comprises the Board's Annual Report, the Statement on Internal Financial Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on page 12 does not provide 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; or
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LORETTO HOUSING ASSOCIATION LIMITED (continued)

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 13, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at

www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010 and to the charity's trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

[redacted]

Andrew Shaw
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow G2 5AS

7 September 2018

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018 - GROUP

	Notes	Total 2018 £'000	Total 2017 £'000
Turnover	3	25,166	24,410
Operating expenditure	3	(19,552)	(20,455)
Loss on investment properties	14	(992)	-
Operating surplus		4,622	3,955
Finance income	9	1	5
Finance charges	10	(1,163)	(632)
Decrease in valuation of housing properties	13	(5,412)	(2,618)
Decrease in valuation of office properties	13	-	(627)
(Deficit)/surplus for the year		(1,952)	83
Actuarial loss in respect of pension schemes		(185)	(908)
Total comprehensive expenditure for the year		(2,137)	(825)

All amounts relate to continuing operations.

The notes on pages 23 to 47 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018 – ASSOCIATION

	Note	**Total 2018 £'000**	**Total 2017 £'000**
Turnover	3	12,582	10,922
Operating expenditure	3	(7,148)	(7,088)
Loss on investment properties	14	(992)	-
Operating surplus		4,442	3,834
Finance income	9	1	5
Finance charges	10	(1,149)	(620)
Decrease in valuation of housing properties	13	(5,412)	(2,618)
Decrease in valuation of office properties	13	-	(627)
Deficit for the year		(2,118)	(26)
Actuarial loss in respect of pension schemes		(94)	(749)
Total comprehensive expenditure for the year		(2,212)	(775)

All amounts relate to continuing operations.

The notes on pages 23 to 47 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2018 – GROUP

	Total Reserves £'000
Balance at 1 April 2016	22,012
Surplus for the year	83
Actuarial loss in respect of pension schemes	(908)
Balance at 1 April 2017	21,187
Deficit for the year	(1,952)
Actuarial loss in respect of pension schemes	(185)
Balance at 31 March 2018	19,050

All amounts relate to continuing operations.

The notes on pages 23 to 47 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2018 – ASSOCIATION

	Total Reserves £'000
Balance at 1 April 2016	20,538
Loss for the year	(26)
Actuarial loss in respect of pension schemes	(749)
Balance at 1 April 2017	19,763
Loss for the year	(2,118)
Actuarial loss in respect of pension schemes	(94)
Balance at 31 March 2018	17,551

All amounts relate to continuing operations.

The notes on pages 23 to 47 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018 – GROUP

	Notes	**2018 £'000**	**2017 £'000**
Fixed assets			
Social housing properties	13	52,877	51,930
Investment properties	14	1,315	-
Other tangible fixed assets	13	1,238	1,454
		55,430	53,384
Current assets			
Trade and other debtors	15	1,586	1,156
Cash and cash equivalents		4,233	1,681
		5,819	2,837
Creditors: amounts falling due within one year	16	(10,168)	(9,876)
Net current liabilities		(4,349)	(7,039)
Total assets less current liabilities		51,081	46,345
Creditors: amounts falling due after more than one year	17	(29,667)	(22,513)
Provisions for liabilities			
Pension liability	19	(2,364)	(2,645)
Total net assets		19,050	21,187
Reserves			
Share capital	18	-	-
Revenue reserve including pension reserve		19,050	21,187
Total reserves		19,050	21,187

[redacted]s were approved by the Board on 21 August 2018 and were signed on its [redacted] by:

[redacted]

Chair

Alex Robertson
Board Member

[redacted]
Secretary

The notes on pages 23 to 47 form part of these financial statements.

Charity registration number SC07241

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018 - ASSOCIATION

	Notes	**2018 £'000**	**2017 £'000**
Fixed assets			
Social housing properties	13	52,877	51,930
Investment properties	14	1,315	-
Other tangible fixed assets	13	1,238	1,454
		55,430	53,384
Current assets			
Trade and other debtors	15	470	422
Cash and cash equivalents		2,411	476
		2,881	898
Creditors: amounts falling due within one year	16	(9,189)	(9,822)
Net current liabilities		(6,308)	(8,924)
Total assets less current liabilities		49,122	44,460
Creditors: amounts falling due after more than one year	17	(29,667)	(22,513)
Provisions for liabilities			
Pension liability	19	(1,904)	(2,184)
Total net assets		17,551	19,763
Reserves			
Share capital	18	-	-
Revenue reserve including pension reserve		17,551	19,763
Total reserves		17,551	19,763

[redacted]were approved by the Board on 20 August 2018 and were signed on its
[redacted]y:

[redacted] [redacted] [redacted]

Alex Robertson
Board Member

[redacted]
Secretary

The notes on pages 23 to 47 form part of these financial statements.

Charity registration number SC07241

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018 - GROUP

	Notes	**2018 £'000**	**2017 £'000**
Net cash generated from operating activities	21	2,984	2,561
Cash flow from investing activities			
Improvement of properties – housing stock	13	(2,241)	(2,234)
New build	13	(8,787)	(8,838)
Purchase of other fixed assets	13	(14)	(274)
Grants received	17	5,547	4,590
Finance income	9	1	5
		(5,494)	(6,751)
Cash flow from financing activities			
Finance charges		(1,096)	(559)
Financing draw down		6,158	3,992
		5,062	3,433
Net change in cash and cash equivalents		2,552	(757)
Cash and cash equivalents at beginning of the year		1,681	2,438
Cash and cash equivalents at end of the year		4,233	1,681
Cash and cash equivalents at 31 March			
Cash		4,233	1,681
Bank overdraft		-	-
		4,233	1,681

The notes on pages 23 to 47 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018 - ASSOCIATION

	Notes	**2018 £'000**	**2017 £'000**
Net cash generated from operating activities	21	2,442	1,720
Cash flow from investing activities			
Improvement of properties – housing stock	13	(2,241)	(2,234)
New build	13	(8,787)	(8,838)
Purchase of other fixed assets	13	(14)	(274)
Grants received	17	5,470	4,523
Finance income	9	1	5
		(5,571)	(6,818)
Cash flow from financing activities			
Finance charges		(1,094)	(559)
Financing draw down		6,158	3,992
		5,064	3,433
Net change in cash and cash equivalents		1,935	(1,665)
Cash and cash equivalents at beginning of the year		476	2,141
Cash and cash equivalents at end of the year		2,411	476
Cash and cash equivalents at 31 March			
Cash		2,411	476
Overdraft		-	-
		2,411	476

The notes on pages 23 to 47 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. Legal status

Loretto Housing Group Limited ("Loretto" or "the Company") is a wholly owned subsidiary of The Wheatley Housing Group ("WHG"). The Association is registered under the Co-operative and Community Benefit Societies Act 2014 No.1920RS and is a registered Scottish Charity No.SC07241. Loretto is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principle activity of the Group is the provision of social housing and associated housing management and care services.

The Company and its subsidiary Loretto Care are referred to as "Loretto Group". The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

Loretto Housing Group Limited is a public benefit entity.

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 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 2014, 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 social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000. The results of Loretto Care are prepared under the Charities SORP 2015.

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the Group and the preparation of long terms financial forecasts and plans which include an assessment of the availability of funding, the certainty of cash flow from the rental of social housing stock and care contracts. 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.

Discount rates have been used in the valuation of housing properties and in the assessment of the fair value of financial instruments. The rates used are subject to change and are influenced by wider economic factors over time.

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,
- Component accounting and the assessment of useful lives.
- The assessment of the fair value of financial instruments;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

- 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.
- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

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
The 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, under the terms of FRS 102, from disclosing related-party transactions with wholly owned entities that are part of the Wheatley Housing Group.

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 there is entitlement, any performance conditions attached have been met, it is probable income will be received and the amount can be realised reliability. Income received in advance is treated as deferred income.

Grant income
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, it 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.

Financial Instruments
Loans provided by Wheatley Funding Number 1 Limited ("WFL1"), are classed as basic financial instruments under the requirements of FRS 102, and are measured at amortised cost. In the case of

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

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.

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 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 - 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**

Housing properties are valued annually on an Existing Use Value for Social Housing ("EUV-SH") 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 and repairs that result in enhancement of the economic benefits of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

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
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

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 staff costs attributable to the delivery of the capital investment programme;
- The cost of packages of work completed on void properties; 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

Properties are disposed of under the appropriate legislation and guidance. 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 removed from the financial statements. 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 with the exception of office premises, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, 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
Furniture, fittings and office equipment (cost)	5 yrs
Computer equipment (cost)	3 yrs
Office Improvements (cost)	10 yrs

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made on a regular basis to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. Valuations are carried out at least every 5 years.

Provisions
The Loretto Group only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in the outflow of resources.

Taxation
The Group is considered to pass the tests as set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Group is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 1992 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Value Added Tax
Loretto Housing Association and Loretto Care are registered for VAT and are members of the Wheatley 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 2018 (continued)**

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

	Turnover £'000	Operating Costs £'000	Loss on Investment activities £'000	2018 Operating surplus/ (deficit) £'000	2017 Operatin surplus (deficit £'00
Affordable letting activities (note 4)	10,469	(4,850)	-	5,619	4,29
Other activities (note 5)	14,697	(14,702)	-	(5)	(344
Loss on investment properties (note 14)	-	-	(992)	(992)	
Total	**25,166**	**(19,552)**	**(992)**	**4,622**	**3,95**
Total for previous reporting period	24,410	(20,455)	-	3,955	

Particulars of turnover, operating costs and operating surplus – Association

	Turnover £'000	Operating Costs £'000	Loss on Investment activities £'000	2018 Operating surplus/ (deficit) £'000	201 Operatin surplus (deficit £'00
Affordable letting activities (note 4)	10,469	(4,850)	-	5,619	4,29
Other activities (note 5)	2,113	(2,298)	-	(185)	(465
Loss on investment properties (note 14)	-	-	(992)	(992)	
Total	**12,582**	**(7,148)**	**(992)**	**4,442**	**3,83**
Total for previous reporting period	10,922	(7,088)	-	3,834	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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

	General Needs £'000	Supported Housing £'000	Shared Ownership £'000	2018 Total £'000	2017 Total £'000
Rent receivable net of service charges	3,204	1,732	12	4,948	4,804
Service charges	456	247	2	705	622
Gross income from rents and service charges	**3,660**	**1,979**	**14**	**5,653**	**5,426**
Less rent losses from voids	(103)	(56)	-	(159)	(170)
Net income from rents and service charges	**3,557**	**1,923**	**14**	**5,494**	**5,256**
Grants released from deferred income	4,873	-	-	4,873	3,775
Other revenue grants	102	-	-	102	-
Total turnover from affordable letting activities	**8,532**	**1,923**	**14**	**10,469**	**9,031**
Management and maintenance administration costs	263	548	2	813	807
Service costs	155	216	1	372	476
Planned and cyclical maintenance including major repairs costs	395	212	-	607	538
Reactive maintenance costs	394	211	-	605	625
Bad debts – rents and service charges	59	32	-	91	102
Depreciation of affordable let properties	1,529	827	6	2,362	2,184
Operating costs from social letting activities	**2,795**	**2,046**	**9**	**4,850**	**4,732**
Operating surplus/(deficit) from social lettings	**5,737**	**(123)**	**5**	**5,619**	**4,299**
Operating surplus/(deficit) from social lettings for the previous reporting period	**4,728**	**(429)**	-		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (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	2018 Operating Surplus / (Deficit) £'000	2017 Operating Surplus / (Deficit) £'000
Support activities	-	-	596	596	(421)	175	(172)
Wider role activities to support the community	-	-	1,205	1,205	(1,454)	(249)	(78)
Care activities	88	10,583	2,189	12,860	(12,509)	351	410
Corporate services	-	-	-	-	-	-	-
Development & construction of property activities	-	-	36	36	(40)	(4)	(47)
Depreciation – non social housing	-	-	-	-	(230)	(230)	(314)
Organisation restructuring	-	-	-	-	(48)	(48)	(143)
Total from other activities	**88**	**10,583**	**4,026**	**14,697**	**(14,702)**	**(5)**	**(344)**
Total from other activities for the previous reporting period	**167**	**10,212**	**5,000**	**15,379**	**(15,723)**	**(344)**	

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	2018 Operating Surplus / (Deficit) £'000	2017 Operating Surplus / (Deficit) £'000
Support activities	-	-	596	596	(421)	175	(27)
Wider role activities to support the community	-	-	1,205	1,205	(1,454)	(249)	(163)
Corporate services	-	-	276	276	(132)	144	181
Development and construction of property activities	-	-	36	36	(40)	(4)	(48)
Depreciation – non social housing	-	-	-	-	(230)	(230)	(314)
Organisation restructuring	-	-	-	-	(21)	(21)	(94)
Total from other activities	-	-	**2,113**	**2,113**	**(2,298)**	**(185)**	**(465)**
Total from other activities for the previous reporting period	-	-	1,891	1,891	(2,356)	(465)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

6. Board members' emoluments – Group and Association

No Board members received remuneration or any reimbursed expenses (2017: nil).

7. Key Management Emoluments – Group

	2018 £'000	2017 £'000
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	277	173
Emoluments payable to highest paid key management	105	95
Employer pension contribution	5	8
Total emoluments payable to highest paid key management	110	103

During the periods the key management's emoluments (excluding pension contributions) fell within the following band distributions:

	No.	No.
£60,001 to £70,000	2	1
£90,001 to £100,000	-	1
£100,001 to £110,000	1	-

Key Management Emoluments – Association

	2018 £'000	2017 £'000
Aggregate emoluments payable to key management (including Pension Contributions and benefits in kind)	128	-
Emoluments payable to highest paid key management	65	-
Employer pension contribution	8	-
Total emoluments payable to highest paid key management	73	-

During the periods the key management's emoluments (excluding pension contributions) fell within the following band distributions:

	No.	No.
£60,001 to £70,000	1	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

8. Employees - Group

	2018	2017
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	487	417
The average total number of employees employed during the year was	599	531
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	11,143	10,733
Social security costs	879	874
Pension costs	840	904
Pension service credit	(533)	(506)
	12,329	12,005

Employees - Association

	2018	2017
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	73	30
The average total number of employees employed during the year was	81	31
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	1,851	1,032
Social security costs	164	103
Pension costs	493	473
Pension service credit	(442)	(418)
	2,066	1,190

9. Finance income – Group and Association

	2018 £'000	2017 £'000
Bank interest receivable on deposits in the year	1	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

10. Finance charges

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Interest on intra group loans	1,139	559	1,094	559
Net interest charges on pension liability	24	73	55	61
	1,163	632	1,149	620

11. Auditor's remuneration

The remuneration of the auditor (excluding VAT) is as follows:

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Audit of these financial statements	27	27	15	15

12. Financial commitments

Capital commitments – Group and Association

All capital commitments were as follows:

	2018	**2017**
	£'000	**£'000**
Expenditure contracted for, but not provided in the financial statements	10,871	2,877
Expenditure authorised by the Board but not contracted	-	9,216
	10,871	12,093

Capital commitments are funded through a combination of grant received from the Scottish Government in relation to our new build programme, operating surplus generated by the Association, and private funding.

Operating leases – Group and Association

At 31 March 2018 the Group had no annual commitments under non-cancellable operating leases (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

13. Tangible fixed assets

Social housing Properties

Group and Association

	Social Housing Properties £'000	Shared Ownership Properties £'000	Housing Under Construction £'000	Total £'000
Valuation				
At 1 April 2017	42,387	113	9,430	51,930
Additions	2,241	-	8,787	11,028
Transfer	8,136	-	(10,443)	(2,307)
Revaluation	(7,774)	-	-	(7,774)
At 31 March 2018	44,990	113	7,774	52,877
Accumulated Depreciation				
As at 1 April 2017	-	-	-	-
Charge for year	(2,358)	(4)	-	(2,362)
Revaluation	2,358	4	-	2,362
At 31 March 2018	-	-	-	-
Net Book Value - Valuation				
At 31 March 2018	44,990	113	7,774	52,877
At 31 March 2017	42,387	113	9,430	51,930
Net Book Value – Cost				
At 31 March 2017	69,933	386	7,774	78,093
At 31 March 2016	61,913	390	9,430	71,734

Total expenditure on repairs and capital improvements in the year on existing properties was £3,453k (2017: £3,397k). Of this, repair costs of £1,212k (2017: £1,163k) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £2,241k (2017: £2,234k) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £2,241k (2017: £2,234k) in the year include:

- £1,824k in relation to the replacement of components (2017: £1,643k); and
- £417k on the improvement of components (2017: £591k).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

13. Tangible fixed assets (continued)

Additions to housing under construction include capitalised interest costs of £350k (2017: £591k). Interest has been capitalised at the weighted average interest cost for the Association of 5.50% (2017: 5.56%)

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 2018 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, in line with the Association's 30 year Business Plan (2018/19).

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 2017/18 the Association did not dispose of any properties to tenants under Right to Buy entitlements (2016-17: nil).

The number of units of accommodation (excluding unlettable voids) held by the Group and Association at 31 March 2018 is shown below:

	2018 – number				2017 – 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	910	-	-	910	850	-	-	850
Supported Housing	222	170	86	478	222	170	101	493
Shared Ownership	4	-	-	4	4	-	-	4
Total Social Housing	1,136	170	86	1,392	1,076	170	101	1,347

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 30 office properties within housing developments and these are included in the valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

13. Tangible fixed assets (continued)

Other tangible fixed assets

Group and Association

	Office Premises £'000	Office Improvements £'000	Furniture, fittings & Equipment £'000	Computer Equipment £'000	Total £'000
Cost or valuation					
At 1 April 2017	475	1,092	118	497	2,182
Additions	-	-	10	4	14
At 31 March 2018	475	1,092	128	501	2,196
Accumulated Depreciation					
At 1 April 2017	-	303	8	417	728
Charge for year	42	109	23	56	230
At 31 March 2018	42	412	31	473	958
Net Book Value					
At 31 March 2018	433	680	97	28	1,238
At 31 March 2017	475	789	110	80	1,454

Office premises were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2017 in accordance with the appraisal and valuation manual of the RICS. Office premises are subject to valuation at least every five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

14. Investments

Investment Properties

Group and Association

	Properties held for market rent £'000
Valuation	
At 1 April 2017	-
Transfers between other fixed asset categories	2,307
Revaluation taken to operating surplus	(992)
At 31 March 2018	1,315
Net Book Value	
At 31 March 2018	1,315
At 31 March 2017	-

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2018.

The number of properties held for market rent by the Association at 31 March 2018 was:

	2018	2017
Mid Market Rent Properties		
Total Units	17	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

15. Debtors

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Arrears of rent & service charges	326	376	326	376
Adjustment to discount arrears balances with payments plans to NPV	(2)	(2)	(2)	(2)
Less: Provision for bad and doubtful debts	(162)	(164)	(121)	(164)
	162	210	203	210
Prepayments and accrued income	62	4	-	4
Other Debtors	1,159	922	226	208
Due from other group companies	203	20	41	-
	1,586	1,156	470	422

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	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Trade creditors	126	186	52	161
Accruals	3,066	1,261	2,721	1,072
Deferred income	4,977	5,420	4,856	5,264
Rent and service charges received in advance	424	361	424	361
Salaries, wages, other taxation and social security	311	273	91	84
Other creditors	72	120	12	60
Due to other group companies	1,192	2,255	1,033	2,820
	10,168	9,876	9,189	9,822

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 2018 (continued)

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

	2018	2017
	£'000	£'000
Deferred Income	2,562	1,566
Amount due to group company	27,105	20,947
	29,667	22,513

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 £658.14m from a syndicate of commercial banks, a committed facility of £106.25m from the European Investment Bank, £300m raised through the issue of a public bond, £100m private placement loan notes with Blackrock Real asses and £100m facility with HSBC. This provides total facilities of £1,264.4m for RSLs within 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 Limited, with Loretto Housing Association having access to an intra-group facility of £32.8m secured on the Association's housing stock. Interest in the year has been charged at 5.50% (2017: 5.56%).

Loretto Housing Association Limited has secured a major portion of its housing stock against this facility, however the remainder of its housing stock and any future new build properties will remain unsecured.

Borrowings are repayable as follows

	2018	2017
	£'000	£'000
In less than one year	52	-
In more than one year but less than two years	41	-
In more than two years but less than five years	77	-
In more than five years	26,987	20,947
		-
	27,157	20,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

17. Creditors: amounts falling due after more than one year (Continued)

Deferred income

Analysis of deferred income - Group

	Housing association grants £'000	Other grants/ income £'000	Total £'000
Deferred income as at 1 April 2017	5,264	1,658	6,922
Additional income received	5,470	77	5,547
Released to Statement of Comprehensive Income	(4,873)	(57)	(4,930)
Deferred income as at 31 March 2018	5,861	1,678	7,539

This is expected to be released to the Statement of Comprehensive Income in the following years:

Deferred income to be released to the Statement of Comprehensive Income:	2018 £'000	2017 £'000
In less than one year (note 16)	4,977	5,420
In more than one year but not less than five years	2,562	1,566
In more than five years	-	-
	7,539	6,986

Analysis of deferred income – Association

	Housing association grants £'000	Other grants/ income £'000	Total £'000
Deferred income as at 1 April 2017	5,264	-	5,264
Additional income received	5,470	-	5,470
Released to Statement of Comprehensive Income	(4,873)	-	(4,873)
Deferred income as at 31 March 2018	5,861	-	5,861

This is expected to be released to the Statement of Comprehensive Income in the following years:

Deferred income to be released to the Statement of Comprehensive Income:	2018 £'000	2017 £'000
In less than one year (note 16)	4,856	5,264
In more than one year but not less than five years	2,562	1,566
In more than five years	-	-
	7,418	6,830

Other Grants / 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, aged between one and five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

18. Share Capital

Shares of £1 each issued and fully paid	£
At 1 April	282
Issued in year	1
At 31 March	283

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.

19. Pensions

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 2015.

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 2018.

Following consideration of the results of the last valuation at 30 September 2015, the shortfall in the scheme reduced from £304m to £198m. It was agreed that this would continue to be dealt with by the payment of additional contributions. These were previously set at 5.4% of pensionable salaries per annum with effect from 1st April 2014 for a period of 13 years and following the most recent valuation, the period over which the past service deficit contributions are payable has been shortened by 5 years to 8 years. Past service deficit contributions continue to 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

19. Pensions (continued)

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.

Defined Benefit assets and obligations

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:

	31 March 2018	**31 March 2017**
Discount rate	2.7%	2.8%
Future salary increases	*2.1%	*2.5%
Inflation	2.2%	2.3%

* Salary increases are assumed to be 2.1% until 31 March 2019, 2.0% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2018, 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) (2017: 22.1 years), 23.6 years (female) (2017: 23.6 years).
- Future retiree upon reaching 65: 24.8 years (male) (2017: 24.8 years), 26.2 years (female) (2017: 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 2018 (continued)

19. Pensions (continued)

Movements in present value of defined benefit obligation

	Group 2018 £'000	Association 2018 £'000	Group 2017 £'000	Association 2017 £'000
Opening defined benefit obligation	**18,318**	**15,127**	**14,186**	**11,715**
Interest cost	505	417	530	438
Actuarial gains	736	212	4,088	3,375
Estimated benefits paid	(545)	(439)	(486)	(401)
Closing defined benefit obligation	**19,014**	**15,317**	**18,318**	**15,127**

Movements in fair value of plan assets

	Group 2018 £'000	Association 2018 £'000	Group 2017 £'000	Association 2017 £'000
Opening fair value of plan assets	**15,673**	**12,943**	**12,016**	**9,923**
Expected return on plan assets	438	362	457	377
Actuarial gains	551	118	3,180	2,626
Contributions by the employer	549	442	523	432
Estimated benefits paid	(545)	(439)	(486)	(401)
Administration costs	(16)	(13)	(17)	(14)
Closing fair value of plan assets	**16,650**	**13,413**	**15,673**	**12,943**
Net liability	**(2,364)**	**(1,904)**	**(2,645)**	**(2,184)**

Expense recognised in the statement of comprehensive income

	Group 2018 £'000	Association 2018 £'000	Group 2017 £'000	Association 2017 £'000
Current service cost	-	-	-	-
Losses on settlements or curtailments	-	-	-	-
Net interest on defined benefit obligation	67	55	73	61
Administration costs	16	13	17	14
	83	68	90	75

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

19. Pensions (continued)

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

	Group 2018 £'000	Association 2018 £'000	Group 2017 £'000	Association 2017 £'000
Operating costs	(19,552)	(7,148)	(20,455)	(7,088)
Finance charges	(1,163)	(1,149)	(632)	(620)

The total amount recognised in the statement of comprehensive income in respective of actuarial gains and losses is Group: £185k loss, Association £94k loss (Group 2017: £908k loss, Association £749k loss).

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

Group	**2018 £'000**	**2017 £'000**
Equities	2,997	5,486
Corporate bonds	7,493	5,486
Property	666	627
Alternatives	5,328	3,760
Cash	166	314
	16,650	15,673
Actual return on plan assets	480	3,637

Association	**2018 £ '000**	**2017 £'000**
Equities	2,414	4,530
Corporate bonds	6,036	4,530
Property	537	518
Alternatives	4,292	3,106
Cash	134	259
	13,413	12,943
Actual return on plan assets	480	3,003

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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.

Alex McKay
Allan McGinness
Cecil Bueker
Pauline Gilmore

Transactions entered into with members, and rent arrear balances outstanding at 31 March 2018 are as follows:

	2018
	£'000
Rent charged during the year	17
Arrear balances outstanding at 31 March 2018	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

21. Cash flow analysis

Cash flow from operating activities – Group

	2018 £'000	2017 £'000
(Deficit)/Surplus for the year	(1,952)	83
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	2,592	2,460
(Increase)/decrease in trade and other receivables	(429)	1,528
Increase in trade and other creditors	671	66
Pension costs less contributions payable	(533)	(506)
Adjustments for investing or financing activities:		
Government grants utilised in the year	(4,930)	(4,942)
Interest payable	1,163	632
Interest received	(1)	(5)
Decrease in valuation of housing properties	5,411	2,618
Decrease in valuation of office properties	-	627
Loss on investment activities	992	-
Net cash inflow from operating activities	**2,984**	**2,561**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

21. Cash flow analysis (continued)

Cash flow from operating activities – Association

	2018 £'000	2017 £'000
Deficit for the year	(2,118)	(26)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	2,592	2,460
(Increase)/decrease in trade and other debtors	(47)	690
Increase/(decrease) in trade and other creditors	363	(1,071)
Pension costs less contributions payable	(429)	(418)
Adjustments for investing or financing activities:		
Government grants utilised in the year	(5,470)	(3,775)
Interest payable	1,149	620
Interest received	(1)	(5)
Decrease in valuation of housing properties	5,411	2,618
Decrease in valuation of office properties	-	627
Loss on investment activities	992	-
Net cash inflow from operating activities	**2,442**	**1,720**

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 only group into which the results of the association are consolidated is Wheatley Housing Group Limited. The consolidated financial statements of 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

Anthony Allison
Loretto Housing Association Limited
Wheatley House
25 Cochrane Street
Glasgow G1 1HL

Independent Auditors

KPMG LLP
319 St Vincent Street
Glasgow G2 5AS

Bankers

Royal Bank of Scotland
Glasgow Corporate Office
Kirkstane House
129 St Vincent Street
Glasgow G2 5JF