



DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2014

Wheatley Housing Group Limited

Scottish Housing Regulator Registration No. 363
Registered No. SC426094

CHAIR'S REPORT

The founding members of Wheatley – GHA, Cube, YourPlace and Lowther Homes – had a shared vision. It was that every Wheatley partner would remain rooted in their local communities and retain their own individual identity, while benefiting from the scale, size and capacity of Scotland's largest housing, care and community regeneration organisation.

I am pleased to report we are turning that shared vision into reality and that the full weight and resources of Wheatley are being deployed to very positive effect across 12 Central Scotland local authority areas.

We have been strengthened considerably by the arrival of two new partners, West Lothian Housing Partnership (WLHP) and Loretto Housing and Care. In providing the highest levels of specialist care, Loretto augments and strengthens our ability to offer a wider range of support services to vulnerable customers, while WLHP extends Wheatley's footprint across Scotland, creating development opportunities and adding hundreds of quality units to the Group's social housing stock.

On behalf of the Board, can I thank all Group staff for their unstinting efforts over the past year in "Making Homes and Lives Better" for our 100,000 tenants, service users and factored homeowners. It is due to their commitment Wheatley is gaining unprecedented external recognition.

The array of awards and accreditations achieved ranges from Wheatley being named one of the best places to work in the UK in the Sunday Times' Top 100 Not-For-Profit Companies List to GHA winning the "Leading with Vision, Inspiration and Integrity" prize at the European Foundation for Quality Management finals in Vienna.

Our ground-breaking culture-change programme, "ThinkYes", earned "Business Transformation of the Year" at the prestigious UK Housing Awards, while Cube gained Customer Service Excellence accreditation and Loretto achieved Investors in People (IiP) Gold for the third consecutive time. Group Chief Executive Martin Armstrong was also named the UK's "Leader of the Year" at the inaugural IiP awards in London, while GHA was named "Large Employer of the Year".

I would also like to pay tribute to my fellow Wheatley Board members and the directors of all partner organisations for their hard work and dedication. In doing so, I would like to recognise the many years of excellent service given by John Grant, the long-serving GHA Board member and, more recently, Wheatley and Lowther Homes Director, who is standing down.

The "Wheatley Way" involves all staff and Board members uniting on a journey to excellence and in the year ahead we will continue to do all we can to make a positive difference to the homes and lives of our customers and their families.

Alastair Dempster CBE

Chair of Wheatley Housing Group Board

CHIEF EXECUTIVE'S REPORT

The worlds of affordable housing and care continue to change apace. The challenge this creates - for sectors critical to the health and wellbeing of Scotland ensure staff retain current and relevant skill sets that enable them to provide the excellent services customers need and deserve.

In housing, core competencies such as rent collection and allocations and void management remain essentials. However, today's housing professionals also need to be skilled problem solvers, vigorous customer advocates and talented negotiators. They need to be expert communicators, delivering advice on an expanding range of issues.

With patch sizes of around 200 homes, we expect our housing professionals not only to know their neighbourhoods intimately, but to have informed relationships with the people they serve. Equipping and supporting them to meet today's challenges is a key priority at Wheatley, and where our focus has been this past year.

In welcoming Loretto to the Group, we have the perfect platform to expand the range of care services we offer to people who are at risk of, or experiencing mental-health problems, addictions or homelessness. Our aim is to ensure those in need receive the highest level of care and support to live fulfilled and independent lives.

Too many of our customers continue to live daily with hardship. That is why we have been determined to provide practical solutions for the people who live in the 75,000 homes we own and manage across central Scotland.

This has ranged from our Home Comforts service, which helps people in need set up home by supplying recycled furniture and Wheatley Pledge, which is creating hundreds of jobs and training opportunities to Loretto Care's new Tenancy Support Service, aimed at the most vulnerable tenants.

Our "Think Yes" culture-change programme has empowered staff to use their professional judgment to "do the right thing" for our customers. It has reduced bureaucracy with staff designing and delivering services tailored to individual customers. At GHA, where it all began two years ago, customer satisfaction has risen to 90% and staff satisfaction to 87%.

Our journey to excellence has resulted in Wheatley receiving a host of external accreditations and accolades including being named in the top 40 Best Places to Work in the Sunday Times not-for-profit companies list.

We set out last year to establish Wheatley as Scotland's leading housing, care and community regeneration organisation. Much has been achieved; much needs to be done. We will not be found lacking.

Martin Armstrong
Wheatley Housing Group Chief Executive

OPERATING REVIEW

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2014.

Wheatley is Scotland's leading housing, care and regeneration group. It comprises four Registered Social Landlords; Glasgow Housing Association (GHA), Cube Housing Association, West Lothian Housing Partnership (WLHP) and Loretto Housing Association; a care provider in Loretto Care and two commercial subsidiaries, YourPlace and Lowther Homes.

The Group spans 12 local authority areas across central Scotland, providing homes and award-winning services to over 100,000 tenants and factored homeowners, and has a commercial property portfolio of almost 300 shops and offices.

The Group provides services to support the efficient operation of its subsidiaries, helping to deliver savings and an integrated approach across the Group. Key highlights for the year include:

Our award-winning services

Wheatley Housing Group and its partner organisations have won a string of awards for their work over the past year.

Wheatley was named one of the best places to work in the UK. We were placed 36th in the Sunday Times Top 100 Not for Profit Companies List and awarded two stars, which categorises Wheatley as an "Outstanding Organisation".

The European Foundation for Quality Management (EFQM) recognised GHA as an international industry leader with a track record of continuous improvement. GHA was presented with EFQM's "Leading with Vision, Inspiration and Integrity" prize at the 2013 EFQM Finals. GHA also won the "Business Transformation of the Year" award for its ground-breaking "Think Yes" staff campaign at the prestigious UK Housing Awards, organised by the Chartered Institute of Housing.

Cube and WLHP staff were recognised for delivering excellent customer service by a national accreditation scheme overseen by the Government's Cabinet Office. Customer Service Excellence (CSE) is the national standard for excellence in customer service. This was the first time Cube and WLHP had been assessed for the standard - GHA and YourPlace have been awarded CSE five years in a row.

Loretto Housing and Loretto Care – our newest partners – achieved Investors in People (IiP) Gold for the third time in a row.

Working together to create better lives

The Group used its combined strength to help its customers - particularly those experiencing hardship - and to give them additional support to feel settled in their home.

The Group continued to deliver a range of measures designed to help tenants deal with changes to their benefits through Welfare Reform.

We also launched innovative new services to help tenants in need. An example of this is our new Home Comforts service which sees second-hand furniture collected, refurbished, recycled and distributed, by our own in-house team, to tenants who need help to set up home. Up to the end of April, 225 tenants were supported by the scheme.

OPERATING REVIEW (continued)

For the second year in a row, we awarded bursaries of up to £1,500 to tenants and their families who are studying at university or college. The grants help people from our communities with their costs while they are studying. In total we provided 370 bursaries over the year to tenants of GHA, Cube and West Lothian Housing Partnership.

Giving customers a say

We believe in giving our customers a real say on local decisions affecting their communities and this year our partner organisations launched new ways for people to get involved. We set up new Polish and African Forums to involve more people from housing associations across the Group. Our new Scrutiny Panel also gives tenants a hands-on role in assessing how we deliver our services. And our partner organisations also use social media to reach out to younger customers.

Joining forces to offer more job opportunities

Together we created 250 new training places for people in our communities and supported 293 people into employment. This included opportunities created through the Community Janitors scheme and Modern Apprenticeships.

In addition, we helped create a further 100 jobs or training opportunities through our new Wheatley Pledge initiative. We launched the scheme to increase opportunities for tenants, owners and their families by encouraging our contractors and suppliers to do more to help. As an incentive, Wheatley gives companies which sign up to the pledge a contribution towards wages and training costs for every new opportunity they create. Opportunities so far have included trade apprenticeships, internships, admin and hospitality jobs. Cloud computer firm iomart also offered sports kits for clubs in our communities as part of Wheatley Pledge.

Academy inspires staff

The Academy, our learning and training centre for all Group staff, moved to the ground floor of Wheatley House in September 2013. The Academy has since hosted a major programme of interactive workshops to engage and inspire all staff on the future of the Group. The 'Wheatley Way' sessions, led by the Executive Team, brought staff together to discuss how the Group can better work together to deliver excellent services for our customers and our communities.

Induction training was delivered to more than 50 Loretto Care managers and 19 members of the Loretto Housing Team. And, in response to a staff review, Priority Management training was delivered to 250 frontline employees.

Through various accreditation programs, the Academy has helped more than 260 members of staff gain professional qualifications such as the ILM Certificate in Leadership and Management and the CIH Level 2 Certificate in Housing Practice.

A key team member at the Academy, June Divers, was named the 'Most Inspiring Front Liner' at the 2013 WOW awards in London, which celebrate excellence in service among organisations across the UK. June was nominated for her award by more than 100 Wheatley Housing Group customers.

OPERATING REVIEW (continued)

Raising the profile of housing – and standards too

We are committed to working with a range of partners to support the sectors in which we work and raise the profile of housing on national agendas. Through our participation in national conferences, round-table discussions and other events, we continue to push for housing to be recognised as an urgent issue of the highest national significance, and for housing's voice, as a major transformational force for good, to be heard and valued by leaders and influencers of every persuasion. We also agreed a new Scottish Corporate Partnership with the Chartered Institute of Housing, which will see CIH provide a range of services including staff development, policy and research. One of the first pieces of work has been research into the future role of frontline housing staff.

No place like our 'new' home

Wheatley Housing Group Services, a range of centralised support teams which help our partner organisations deliver excellent services, moved to a new home in Wheatley House in Glasgow city-centre. For some GHA staff and tenant board members, it felt like moving home. Before the transfer of Glasgow's council housing stock to GHA in 2003, the building in Cochrane Street was the housing department's base, and it remained under GHA ownership. A refurbishment was carried out and in September support staff relocated from Granite House. The move has allowed the Group to save on office rental costs and created bright modern offices and meeting spaces for tenants and visitors.

Review of subsidiary activity

The Glasgow Housing Association Limited ("GHA")

GHA is firmly rooted in the communities it serves and is committed to delivering '*better homes, better lives and a better Glasgow*'.

Staff work locally with tenants to create homes and communities people feel proud to live in. GHA is constantly reviewing the services it provides and is looking at how to deliver more and better opportunities to help customers get on in life.

Great strides have been made in delivering safer communities via a ground-breaking partnership that sees police and fire officers work closely with GHA housing officers. GHA was able to report earlier this year that no accidental fire deaths had occurred in its properties for over two and a half years as a result of the Community Improvement Partnership.

Tenant participation is at the heart of everything GHA does and this year, efforts to give tenants a greater say have intensified. New forums have been set up to complement the 27 local committees and three Area Committees and followers of GHA on Facebook increased to almost 10,000.

Commitment to customer satisfaction was recognised by tenants and GHA exceeded 90% overall customer satisfaction for the first time.

In recognition of its work, GHA won a prestigious EFQM award for "Leading with Vision, Inspiration and Integrity" as well as the Chartered Institute of Housing's award for "Business Transformation of the Year".

Highlights of the year include:

OPERATING REVIEW (continued)

New-build homes

A total of 248 new homes were built and full go-ahead was given to start work on 614 more. In total GHA has now completed 1,079 homes and is on track to deliver thousands more.

Homes were completed in Duke Street/High Street near the city centre, Capelrig in the South Side, Gallowgate and Conisborough Road in Easterhouse.

Work has now started on 141 homes in Sighthill, 100 in Toryglen and 157 in Barmulloch. All three sites are in Transformational Regeneration Areas (TRAs) – areas of the city which have been identified as priorities for regeneration. GHA is working in partnership with Scottish Government and Glasgow City Council to deliver these large-scale regeneration projects.

Home improvements

With its £1.2 billion programme to modernise 70,000 former council homes complete, focus is now turning to making sure homes remain warm and comfortable well into the future. This includes replacing windows, heating systems, boilers, kitchens and bathrooms as they reach the end of their lifespan. This year GHA invested £63.2 million in home improvements.

GHA delivered:

- 478 central heating systems
- 1084 new bathrooms
- 1096 new kitchens.

GHA also overclad 443 homes, reroofed 473 and rewired 1093.

A total of 95% of GHA's homes now reach the Scottish Housing Quality Standard (SHQS).

Jobs and training

GHA continued to push ahead with its mission to help people from its communities into jobs and training. Over the past year GHA created 147 new training places for people in GHA homes through its Community Janitors scheme and Modern Apprenticeships. It also supported 105 people from its homes into employment through employability schemes and clauses in contracts.

In addition, 60 GHA customers landed jobs or training through Wheatley Pledge, our new Group-wide initiative to encourage our contractors and suppliers to do more to help people in our communities.

Tenant Participation

We redoubled our efforts to give more tenants a real say in shaping what happens in their communities. GHA has 27 Local Housing Organisation Committees across Glasgow and three Area Committees – all led by tenants. We know sitting on committees doesn't work for everyone. New forums for minority groups were established including a Polish Forum, an African Forum and a Deaf Forum. Our new Scrutiny Panel also gives tenants a hands-on role in assessing how we deliver our services. Our GHA Facebook page is now followed by nearly 10,000 people and gives customers, particularly younger people, another effective way to communicate with us or pass on feedback.

Safer Communities

Our ground-breaking Community Safety Partnership (CIP) is saving lives.

The CIP sees GHA, Scottish Fire and Rescue Service and Police Scotland work side by side to keep GHA neighbourhoods safe. A Team of 15 police officers and a Watch Commander from the fire service are seconded to work with us. Housing Officers identify people whose lifestyles put

OPERATING REVIEW (continued)

them at risk of having a fire in their home, and then work with the fire service to help keep the tenant safe.

Before the introduction of the CIP in 2011, GHA experienced an average of seven fire deaths a year in our homes.

There have been no accidental fire deaths in GHA properties for over two and a half years.

Digital inclusion

GHA is challenging historically low levels of broadband take-up among social housing tenants in Glasgow and this year launched a number of projects to help tenants get online.

Working with the Scottish Government, BT, Power Ethernet and other partners, GHA carried out pilot projects in Pollok and Knightswood which saw tenants in tenement flats and in a multi-storey block given a computer and broadband access. Its ultimate aim is to find a way of providing affordable internet access in all our homes for social rent.

A ground-breaking partnership with Glasgow Kelvin College has also created 24 'Click & Connect' computer learning centres to help tenants get online.

A great start for younger people

GHA also introduced new projects to help younger people get on in life. This included supporting 347 GHA tenants or people in their families through their college and university studies through Better Futures bursaries of up to £1,500.

GHA also worked with pupils from St Roch's in Royston and Smithycroft Secondary in Riddrie to help them gain a CIH Level 2 Community Action in Housing qualification and supported young people through a range of youth projects in local areas. One example in the South Side saw 14 people offered training for careers in fitness – from zumba and yoga to outdoor fitness. The project was a partnership with Glasgow Life and will see the young people provide free training sessions to others in their community.

Supporting people

Welfare reform together with the on-going economic climate has left many customers struggling to make ends meet. GHA supported them in a wide range of ways over this year including:

- working with others in Wheatley to launch a new furniture recycling scheme which has seen 182 GHA tenants get help to furnish their home
- launching a pilot 'Eat Well' project in the east end of Glasgow which gives people in real need free deliveries of surplus supermarket food and support to get their finances back on track
- offering tailored benefits and money advice through a team of specialist advisors
- providing fuel advice to help tenants cut the costs of heating their home.

Extra help for older people

We know our older people can often need a bit of extra support to live independently. The GHA Handyperson services continued to prove popular, with 1,495 people accessing the free service in the past year. Tenants over 60 and those with a disability get odd jobs done around the home such as putting up shelves, hanging curtains or changing plugs.

OPERATING REVIEW (continued)

More than 300 people over 60 took part in fitness and arts and crafts classes through Silver Deal Active. The classes are delivered in partnership with Glasgow Life and Glasgow City Community Health Partnership and run in sheltered housing complexes and community venues.

GHA carried out 4,483 free WinterReady home checks for our older tenants to make sure their home was in good shape to deal with the cold weather. The home check is carried out by a plumber who tests the boiler, pipes and taps and bleeds the radiators.

Legacy projects

GHA played its part in helping create a legacy for the people of Glasgow from the 2014 Commonwealth Games.

GHA supported a range of projects designed to involve local people in the buzz of the games and encourage them to lead more active lives. This included The FARE Mini Olympics for 920 primary pupils from the East End and the Gold Medal Programme which provided funding for sport or cultural projects in schools and nurseries.

Area Committees

GHA's Area Committees, made up of tenants and other local representatives, took decisions about what their communities needed to make them better places to live. Each of the three committees, in the North East, North West and South, had £1.5million to spend on local environmental projects identified as priorities. Projects ranged from replacing fencing and paths to creating new community gardens and allotments.

They also supported local grass-roots projects through their £150,000 Community Funds.

Customer satisfaction

GHA exceeded 90% overall customer satisfaction for the first time.

Other highlights in performance included:

- More than 90% of anti-social behaviour cases were resolved in full and to agreed timescales
- 95% of repairs right first time
- 87% customer satisfaction with repairs

However, satisfaction with the way GHA handled complaints was low and this will be an area of focus in the year ahead.

Awards

It was a great year for GHA in gaining external recognition for the work it does.

GHA won one of Europe's most prestigious prizes for business excellence and a top UK award for the staff campaign, "Think Yes".

OPERATING REVIEW (continued)

The European Foundation for Quality Management (EFQM) recognised GHA as an international industry leader with a track record of continuous improvement, awarding GHA the “Leading with Vision, Inspiration and Integrity” prize at the 2013 EFQM Finals in Austria.

GHA won the award for “Business Transformation of the Year” for the ground-breaking “Think Yes” staff campaign at the UK Housing Awards, organised by the Chartered Institute of Housing to recognise excellence across the housing sector.

There was more success for GHA at the Association of Gas Safety Managers' inaugural Gas Safety Awards, where it won the award for “Gas Safety Initiative of the Year” and “Safety / Training Skills Initiative”.

Cube Housing Association Limited (“Cube”)

It has been a transformational year for Cube. This was the year when Cube's staff and board members listened to its customers and reviewed and improved just about every area of its services.

The new repairs service was launched in November 2013 and customers are finding the service – which now offers weekend and evening appointments – to be an important improvement.

Housing staff were reorganised so they are better placed to spend more time in their communities, helping people in every way they can. During the year it launched a new way of advertising available properties to make it easier and more convenient for people looking for a new home and even took to Facebook to offer younger tenants a new way to engage.

Plans were kickstarted to build hundreds of new affordable homes, it improved performance across a range of measures and continued with programmes to help tenants into work, training and education.

Cube also moved offices to new premises in Maryhill Burgh Halls - a well-placed new base for the team and a welcoming place for customers to drop in and meet staff.

Cube staff were recognised for their hard work by Customer Service Excellence, a national accreditation scheme overseen by the UK Government's Cabinet Office. Employees were assessed on all aspects of customer focus and it was a great achievement to reach the CSE standard at the first attempt.

Other key highlights of Cube's year include:

New repairs service launched

Cube introduced a new improved repairs service, run by City Building, in November last year.

Customers are now given appointments at a time which suits them best – including in the evenings and at weekends. This means customers don't have to wait at home for long periods for the repairs team to call. In the first five months of the new service, 3,681 appointments were offered to customers compared with only 618 in the previous seven months.

Customers can also call our Customer Service Centre, 24-hours a day every day of the year to book a repair. Here's how Cube did this year:

- 99.52% of emergency repairs were completed within timescale, with the average timescale standing at 4 hours 44 minutes;

OPERATING REVIEW (continued)

- 7,717 non-emergency repairs were completed with an average completion time of 6.3 working days;
- 88.8% of repairs were carried out right first time;
- 100% of annual gas services were carried out;
- 84% tenants reported being satisfied with their repair.

New-build homes

Cube joined forces with Barratt West Scotland to provide brand new one and two bedroom flats in a flourishing new community in Clydebank.

Cube bought 33 flats on Barratt's 'The Scholars' development in Clydebank with support from West Dunbartonshire Council and the Scottish Government.

The site is allowing Cube to provide more small, good-quality homes at affordable rents for local people.

Plans for hundreds more

Cube is now working on plans which could see hundreds more new build homes for social and mid-market rent over the next few years. Work is expected to start later this year on 46 homes in Ruchazie. Further homes are planned, subject to approvals, in Kelvindale Road, Maryhill and Dalmuir.

Cube will also lead the delivery of hundreds of new affordable homes in West Dunbartonshire after Wheatley Group agreed a strategic partnership with West Dunbartonshire Council.

Discussions are being held over an arrangement that will see homes built at the sites of the former Bonhill Primary School and St Columba's and St Andrews' High Schools in Clydebank.

Land at Singer Street and Second Avenue in Clyde bank and a Croft Street and Raglan Street, Bonhill are also earmarked for development as part of a 10-year regeneration programme.

The agreement will see 393 new social rented homes built by Cube with the Council receiving 100% nomination rates for all of the properties.

Customer satisfaction up

Customers are more satisfied than ever before with Cube's services. Cube's overall customer satisfaction was 86% for 2013/14, up from 80% the previous year. Cube also resolved 97% of all complaints they received within agreed timescales (for most complaints this is five days) and, despite the Welfare Benefits changes and difficult economic climate, reduced rent arrears from 4.6% to 3.7%.

Better services

Cube reorganised its teams to help provide a better service to its customers.

The changes mean Housing Officers now spend more time out and about in their communities, doing more for customers. They have small patches of around 230 homes, giving them time to build stronger relationships with customers and deal with any issues straight away.

OPERATING REVIEW (continued)

The improvements also included:

- New Welfare Benefits and Fuel Advisors to give customers the tailored support they need to make the most of their tenancy;
- Access to Wheatley's 24/7 Customer Service Centre, allowing customers to report a repair or pay their rent round-the-clock and giving our frontline staff more time to talk to customers in their homes;
- New environmental teams to provide extra cleaning and new night-mobile caretaking service to help residents feel safer.

Better lives

In common with all partner organisations in Wheatley, Cube continued with its mission to improve the lives of its customers. As well as providing tailored advice and support through Welfare Benefits and Fuel Advisors services, Cube customers also benefited from Wheatley-wide schemes such as Home Comforts, which sees second-hand furniture collected, refurbished, recycled and distributed to tenants in need. 36 Cube tenants received help with furnishing their home through Home Comforts.

Wheatley Housing Group also supported a range of community-based projects to help our tenants such as the Lone Parents Advice Network which ran in Knightswood and Maryhill and which offered single parents help with money, benefits and getting online.

Support for young people

Cube provided support for younger members of households in a range of ways. The Gold Medal Programme, a £55,000 fund, saw nursery and school-age children in its Glasgow communities take part in a range of sporting and cultural activities through their schools.

Schools, learning centres and nurseries were invited to bid for cash award to stage their commonwealth-inspired activities. All the projects involved included youngsters from Cube or GHA neighbourhoods.

Through Wheatley Housing Group's Better Futures Bursary scheme Cube also helped 21 tenants through their university studies by providing a grant of £1,500.

Helping older people

More than 70 Cube tenants have taken advantage of the new Handyperson Service to get odd jobs done around their home.

The service, which is open to all tenants over 60 or those with a disability, is proving very popular. Some residents have found it so useful they've called on the handyperson team three or four times with different jobs.

The team calls round and helps with a range of tasks including: changing plugs and sockets, cleaning internal windows, furniture assembly and basic plumbing.

Nine older Cube tenants have taken part in Silver Deal Active classes. And more than 170 had a WinterReady home checks carried out to make sure their home, including their boiler and radiators, was all geared up for winter.

OPERATING REVIEW (continued)

Jobs and training

Cube is determined to provide its tenants with more opportunities to get on in life. This year it began offering jobs or training opportunities to people in its homes – with a total of 10 getting a step into employment so far. Seven Cube tenants secured a year-long training place on the Community Janitors scheme while one school leaver landed a Modern Apprenticeship. A further two Cube tenants were recruited through our Group's Wheatley Pledge which encourages contractors and suppliers to do more for people in our communities.

Greener homes and communities

Cube's work to help create greener homes continued over the year. The district heating scheme on the Wyndford estate in Glasgow - which was designed and built by SSE Heat Networks - picked up a prestigious prize at the Combined Heat and Power Association (CHPA) Awards.

The heating system provides low-cost heating and hot water to more than 1,500 tenants and around 300 owners, and is part of a £27million regeneration of the estate in Maryhill.

Meanwhile major improvements to more than 1,000 homes on the estate were given the go-ahead after British Gas vowed to complete the £10million overcladding programme - despite changes to UK energy efficiency funding. The energy-improvement work on the remaining five multi-storey blocks and 12 low rise blocks – totalling 1,025 homes – in Wyndford is expected to be complete in 2015.

Letting homes

Cube introduced a new improved way of advertising available properties in November 2013. Homes are now advertised on the Homefinder website and available in a printed publication for people who are not online.

Anyone who is looking for a home can now go online, or call, 24 hours a day and note an interest in properties they would like to live in. They are also able to see a wider range of properties which are available from sister landlords such as GHA.

Cleaner and tidier neighbourhoods

Cube carry out estate walkabouts with senior staff to help understand issues affecting its communities. Walkabouts were managed across all Cube neighbourhoods from West Dunbartonshire to North Lanarkshire and Renfrewshire.

Residents helped to identify any problems and improvements. Cube took action on concerns including building maintenance, stair cleaning, unkempt gardens and tree stumps left in open spaces.

Customer Service Excellence

Cube staff were recognised for delivering excellent customer service by a national accreditation scheme overseen by the Government's Cabinet Office.

This was the first time Cube had been assessed for the Customer Service Excellence (CSE), which is the national standard for excellence in customer service and focuses on areas which matter to customers such as delivery of services, information, professionalism and staff attitude.

Cube was awarded three 'Compliance Plus' marks – the highest grade that can be achieved.

OPERATING REVIEW (continued)

New office

Cube head office moved into a new home of its own in Maryhill Burgh Halls. All out frontline services moved from the Gatehouse in Wyndford and our Firhill office to the newly restored Halls in Gairbraid Avenue.

The move means that staff such as Housing Officers, Project Officers, Clerk of Works, Welfare Benefits, Fuel and Money Advisors are now all based under the same roof.

Tenants can pop in to report a repair, pick up information on our services and speak to staff. The new office has been fully refurbished with private interview rooms and meeting rooms.

New ways to contact us

Cube wants customers to get in touch when and where it suits them best. That's why we introduced new ways for people to engage with us. We went live on Facebook, refreshed our website and made it easy for customers to call us any time of the day by providing 24/7 access to our friendly advisors at the Group's Customer Service Centre. Our Housing Officers can visit tenants in their home if they get in touch.

Liz's EVH award

Cube Chair, Liz Ruine was recognised with a prestigious award for volunteering. Liz picked up the Helen McGregor Award 2013 from the Employers in Voluntary Housing (EVH) for more than two decades of volunteer work.

The award recognises people from all over Scotland who give freely of their own time to improve local communities.

Liz, from Dumbarton, has been Chair of Cube since 2012 but has been volunteering for 23 years.

Liz was also chosen to carry the Queen's Baton as it passed through Dumbarton. Liz was nominated by Wheatley Group Director of Partnerships Lynn McCulloch for the work she does for people in her community and all Cube tenants.

Loretto Housing Limited and Loretto Care ("Loretto")

In January 2014 – after listening to the views of customers and stakeholders - Loretto became a partner in Wheatley Group.

Loretto Housing has more than 1000 tenants and its subsidiary company, Loretto Care, provides specialist care and support services to a further 1,000 people in partnership with seven local authorities.

Although just a few months into the partnership with Wheatley, the business is already sharing services, expertise and costs to do more to help and support the people it works for.

OPERATING REVIEW (continued)

Some older and disabled customers are making good use of the new Handyperson Service for help with odd jobs around the home. All customers can now take advantage of the Group's 24/7 Customer Service Centre to speak to an advisor at any time.

Another key new service is Home Comforts which provides recycled furniture to people who need help to settle into a new home.

Loretto's expertise in care and support is already benefiting the wider Wheatley Housing Group. Currently rolling out - across Wheatley's housing associations - is a new Tenancy Support Service so that vulnerable tenants needing extra help to stay in their homes can access the right services and advice.

Just ahead of joining Wheatley, Loretto opened a £4.7million specialist care home in Tollcross in Glasgow to support the recovery of people with alcohol-related brain damage. Also completed were a number of new-build projects including 55 low-carbon homes in Paisley and 22 flats in Lambhill in North Glasgow.

Key achievements this year in Loretto include:

New build completed

Four major new build and regeneration projects were completed. They are:

- Charleston Square, a sustainable, low-carbon development of 53 homes on the site of the former South Primary School in Paisley. The development of 1-4 bedroom flats and houses includes amenity and wheelchair standard accommodation and a courtyard building with 10 supported flats for young adults
- Balmore Road in Lambhill in North Glasgow which comprises 22 two, three and four bed flats - two of which are wheelchair accessible and eight of which were designed specifically for adults with learning disabilities or mental health issues. Support for these tenants is provided in partnership with Glasgow City Council Social Work Services. The project was part funded with a £1.22m from the Scottish Government's Investment and Innovation Fund
- a £4.7million specialist care home in Tollcross in Glasgow, the Fullarton Service, to support the recovery of people with alcohol-related brain damage. The facility houses 22 people and offers round-the-clock nursing care
- a £1.5m upgrade to homes at St John Court in Partickhill, Glasgow. The flats were refurbished to make them warmer, more modern and energy efficient with new kitchens and doors, insulation and a communal heating system.

Minister for Public Health Michael Matheson opened the Fullarton Service in Tollcross.

Award-winning service

Loretto was recognised for excellence through a number of prestigious awards. The organisation as a whole achieved Investors in People (IiP) Gold status for the third year running and continues in their role as IiP Champions - leading organisations which help and inspire other organisations in their bid for IiP accreditation.

OPERATING REVIEW (continued)

At Loretto Care, 100% of Housing Support Services received good, very good or excellent grades from the Scottish Care Commission.

Loretto retained Healthy Working Lives Gold accreditation at their annual review along with a renewal of their Mental Health Commendation.

Loretto continues to be both an accredited 'Mindful Employer' and a 'Positive about Disabled' employer.

Loretto Housing Performance

Loretto Housing achieved strong performance across a range of indicators. This included:

- 103 new build properties let to tenants in 2013/14, compared to none in 2012/13
- a decrease in rent lost on empty properties from 2.35% to 0.74%
- a drop in average time taken to let all properties of five days from 39 to 34 days
- 91.5% of tenants reporting Loretto was good at keeping them informed about their homes and tenancy.

Loretto Care services

Loretto Care received good, very good or excellent grades for all care inspections carried out in its housing support services.

The Care Inspectorate – Loretto Care's regulatory body – grades services based on four 'quality themes' – care and support, environment, staffing, and leadership and management.

Of the 13 inspections carried out, two received excellent grades for the quality of care and support delivered by the service. These were for Renfrewshire Housing Support and Supported Living and for Glasgow resettlement services.

Delivering training

Loretto's Training and SVQ Team delivered a total of 119 courses on 15 different topics covering statutory and foundation training to over 1100 participants. Loretto also coordinated 675 eLearning packages.

Of the participants who completed a course, 94.8% felt the course would enable them to perform their job better; 95.8% felt their understanding of the subject had improved as a result of the course and 98.3% felt the course was clear and well presented. Loretto's strategy is to fully qualify the workforce to SSSC standards by 2020.

Tenancy Support Service

Loretto Care's successful Tenancy Support service is being rolled out across Wheatley Housing Group. The service provides short-term, low-level support to help tenants who are vulnerable, at risk or in crisis to develop the skills they need to make a success of their tenancy. The aim is to help people sustain their tenancy and reduce the risk of homelessness.

OPERATING REVIEW (continued)

This is the first service designed by Loretto to be rolled out to all subsidiaries in Wheatley Housing Group.

Support for young people

Loretto Care offered a range of courses to help the young people it supports to live settled and independent lives.

The courses, on topics such as cookery and budgeting, are designed to help participants gain valuable skills and experience. One course this past year saw formerly homeless young people in Stirling and Falkirk complete a seven-week furniture recycling course, learning practical new skills, working as part of a team and building confidence and interpersonal skills.

New services

Loretto introduced a number of new services after joining Wheatley Housing Group. These included a new Handyperson Service for over 60s and disabled tenants where they can receive help with odd jobs round the home. Over 60s can also access free fitness and arts classes. A new furniture recycling scheme which helps tenants setting up home was launched by Wheatley Housing Group in 2014 with Loretto tenants also being able to access this.

Sharing knowledge

Loretto Care has formed a partnership with the University of the West of Scotland to share knowledge, education and training. The 'University-Industry Partnership Agreement' will see the two organisations working together on a range of projects and exploring the potential for future research links and joint research projects. This partnership will result in improved training and development opportunities for staff within Loretto. It will also enable Loretto Care to absorb world-class academic research and knowledge into their work.

West Lothian Housing Partnership Limited ("WLHP")

West Lothian Housing Partnership is one of the newer Wheatley partners, formally joining the Group in July 2013. It has been busy and exciting time for the business, as Wheatley group-wide services are extended to tenants.

WLHP manages 381 homes across the West Lothian area – most of which are less than 10 years old. There are plans to move to a new housing office in Bathgate later this year to be closer to tenants. There are three housing officers, who work out and about in our communities.

Joining Wheatley Housing Group is already reaping benefits for tenants as savings and efficiencies are beginning to be made by sharing costs and central services. This will allow more investment in communities and services. Already, it is providing a better deal for tenants through the provision of all the extra services and opportunities that being part of Scotland's largest housing, care and regeneration group brings.

Their commitment to delivering first-class customer services was recognised this year when WLHP gained Customer Service Excellence (CSE) accreditation at the first attempt. CSE is the national standard for excellence in customer service in public sector organisations overseen by

OPERATING REVIEW (continued)

the Government's Cabinet Office. Gaining this recognition for its customer service focus is a real tribute to the team of five hard-working staff and this was all achieved at the first attempt.

Customers can already take advantage of Wheatley's handyperson service for help with odd jobs around the home; some have accessed bursaries to help with the cost of going to university or college and all tenants can talk with a Welfare Benefits or Fuel Advisor for support in managing their money and bills.

A further great benefit for tenants is that they can now report a repair or pay a bill 24-hours a day, seven days a week, thanks to the Customer Service Centre. This is freeing up more of housing officers' time, meaning they can spend more time out and about in their patch, meeting directly with tenants.

Satisfied customers

WLHP holds regular Tenant Satisfaction Surveys to find out how satisfied its customers are with their homes, environments and services. During the year, survey data showed 88% of respondents were satisfied with WLHP as their landlord and 82% are happy with their neighbourhood as a place to live. On repairs, 91% reported being satisfied with the service they received and 77% are satisfied with the way WLHP deals with day-to-day repairs and maintenance.

WLHP also resolved more than 90 % of anti-social behaviour cases.

Improving lives in communities

WLHP Housing Officers have been out and about in their neighbourhoods, identifying potential projects as part of their work to improve and strengthen communities and to help people to live better lives.

This is a new role for WLHP Housing Officers and it's an important time for WLHP as it engages with tenants to seek out areas where it can drive real improvements.

Finding a home

WLHP carried out a review of its allocations policy – the way it lets its homes – and consulted residents on their views. New proposals will see a new way of letting homes introduced over the next year which will give customers more of a say in where they live.

WLHP will advertise its available homes through Homefinder – an online portal which gives people who are registered for housing the chance to look at available homes and note an interest in any they want to live in. The list of available homes will also be available in printed format for anyone who requests it. WLHP are also seeking to be included in West Lothian Council's Common Housing list.

Giving tenants a voice

WLHP Housing Officers worked closely with tenants and the Wheatley Housing Group Community Governance team to involve more tenants in having a say. WLHP has set up new local tenant forums which will enable it to hear more from tenants and put them at the heart of decisions affecting their communities.

Some WLHP tenants have also joined forums which can influence services and decision-making across Wheatley Housing Group. These include the Polish Forum, the Scrutiny Panel and a Welfare Advisor Panel.

OPERATING REVIEW (continued)

Winter Ready checks

This past year WLHP was able to offer free Winter Ready checks to all tenants over the age of 60 to help make sure their homes were in good shape for the cold winter months. In total, 12 tenants took up the offer with a plumber visiting the home, checking the boiler and radiators and offering tips on staying warm and reducing energy bills.

Support and advice

All WLHP tenants can now access the support of a Welfare Benefits Advisor who can offer free, impartial advice to tenants on all matters relating to benefits and welfare reform. Fuel Advisors are also available to offer free advice on reducing fuel bills.

Help with higher education

WLHP offered bursaries of up to £1,500 to help people who live in its homes go to college or university. Two tenants were able to get help while they study as a result of this scheme.

Help in the home

The Group's Home Comforts scheme helps people settle in their homes by collecting unwanted furniture, restoring it and recycling it before distributing it to tenants in need. Three WLHP tenants have already benefited from this new scheme.

The new handyman service is available for tenants who are over 60 or disabled to help with odd jobs around the home. This includes tasks like changing plugs, basic plumbing, fitting shelves or cleaning internal windows.

Jobs and training

WLHP has been actively promoting the Wheatley Pledge scheme to its customers which will in time create employment opportunities for more tenants. Wheatley Pledge encourages contractors and suppliers to create more jobs and apprenticeships for people in communities across the Wheatley Housing Group. WLHP is also learning about how it can create more jobs and training opportunities for people in its areas and are looking forward to making progress in this area over the coming year.

Joining Facebook

WLHP made the step of signing up for social media with the launch of its own Facebook page, which allows tenants to stay in touch digitally. The page carries all the latest news and updates from WLHP as well as a link to enable them to pay rent online and, importantly, it allows tenants to get in touch with any feedback.

Our customer focus

In July 2014 WLHP gained Customer Service Excellence (CSE) accreditation at its first attempt. The scheme recognises excellence in customer services and is overseen by the Cabinet Office.

All five staff were assessed across a number of areas including delivery of services, information, professionalism and staff attitude. WLHP was considered to be 'compliance plus' – the highest grading available – in four areas.

OPERATING REVIEW (continued)

The assessor noted “areas of considerable strength in the customer service approach” and said the service “benefits from many well motivated staff who fully involve themselves in continuous improvement”. They also said staff “demonstrated a highly customer-focused approach”.

YourPlace Property Management (“YourPlace”)

Known as Scotland’s “Feel Good Factor”, YourPlace is one of Scotland’s leading property management companies with over 25,000 customers across the Central Belt.

As Wheatley’s largest commercial subsidiary, YourPlace makes a significant contribution to the diversification and commercialisation of the Group’s operations.

Its core business is delivering an excellent factoring service to homeowners in wholly-owned blocks and blocks shared with tenants. This involves maintaining common areas to a high standard, providing round-the-clock customer service and ensuring owners vote on factoring issues and meet their share of responsibilities, in particular, paying their share of costs.

A wide range of services can be accessed via multiple channels including: digitally via the websites and a smart phone app; by telephone through Wheatley’s 24/7 customer service centre and in person at the shop in Trongate, Glasgow.

Over the past year YourPlace’s business has grown. It now provides factoring services for Cube Housing and has increased the number of new private sector customers from 183 to 516.

YourPlace continues to focus on delivering exceptional customer satisfaction for all customers. In October this year, customer satisfaction with repairs rose to 97%.

YourPlace is committed to driving up standards in the sector as a leading member of Glasgow City Council’s Factoring Commission.

YourPlace employs 52 staff, including those in the Group shop and Common Repairs Team.

Financial Highlights

By further improving the efficiency and effectiveness of our services, YourPlace is delivering better value for money for our customers. It benchmarks performance against other property factors and achieved its objective of remaining in the top quartile in 2013/14.

YourPlace’s profits are routed straight back into the Group, to continue developing services for customers. Gift Aid can be claimed on these profits and in 2013/14, YourPlace generated £1m of Gift Aid, exceeding its target by £272,000 and reaching the £1million mark two years ahead of schedule.

Keeping customers happy

The latest customer satisfaction survey for YourPlace owners shows an overall satisfaction rate of 67% – exceeding the 65% target set and a steady rise from satisfaction of 40% in 2006. However there is still room to improve this and YourPlace aims to do so over the coming years.

The figures come from a telephone survey of more than 1,000 customers – the results of which will help improve standards and to shape future services.

The Common Repairs Team has had a major impact on customer satisfaction, with 97% of customers reporting they were happy with their repairs in October 2013.

OPERATING REVIEW (continued)

These findings are the result of the hard work by YourPlace staff and across the Group. The results give YourPlace important information to help focus on improvements, as part of a continuing journey towards customer excellence.

Group-wide factoring services

As the Wheatley Housing Group grows, YourPlace is taking on the provision of factoring services across a number of subsidiaries.

During 2013/14, YourPlace took on factoring services for Cube Housing Association. This has streamlined services and has meant some savings for customers due to the Group's size and scale.

YourPlace continues to grow its customer base, with 333 new customers from the private sector choosing YourPlace to provide their factoring services over the past year.

Advice for customers

YourPlace customers looking for help to manage their money can now access Wheatley Housing Group's dedicated team of Welfare, Benefit and Money advisors based in a shop in the Trongate in Glasgow.

Advisors can offer customers useful budgeting advice as well as helping to make sure they are claiming all the benefits they are entitled to. Advisors can also go through income and expenditure forms to help people manage their finances more effectively.

Optional services

YourPlace continues to improve the optional services available to customers.

Plans are under way to expand the home improvements service to offer customers the option of replacement double glazed windows. YourPlace has also changed its supplier for gas and boiler cover following customer feedback. The service is now provided by Saltire.

YourPlace has also introduced a land maintenance service offering a grass cutting service to new build developments. The service is already proving popular, with hundreds of homes signing up.

Speeding up repairs

The Common Repairs Team continues to provide an excellent service. Customer satisfaction averaged 88% over the year and reached 97% in October 2013.

The team are also working their way across the city, completing 876 Property Maintenance Reports this year and sending these to customers. This gives customers an insight into the condition of their property and helps them plan for any future repairs and maintenance required.

Opportunities for customers

Ten young people from YourPlace homes secured an apprenticeship or job through the Wheatley Pledge scheme. The Wheatley Pledge, launched in August last year, encourages our contractors and suppliers to offer people in our communities new employment or training opportunities. YourPlace customers or their families took up 10 of the 100 opportunities created in the first eight months of the scheme.

Of the 10, six secured an electrician or painter and decorator apprenticeship with City Building.

Recognising excellent service

YourPlace achieved 'Recognised for Excellence' accreditation, a Europe-wide scheme designed for high-performing organisations that are well on their way to excellence.

OPERATING REVIEW (continued)

YourPlace gained the award after being assessed by Quality Scotland.

Many staff met with the assessors as they gathered information and evidence during their week-long visit in March. This success follows YourPlace gaining Investors in People (IiP) Gold last year.

Lowther Homes Limited ("Lowther")

Lowther Homes' portfolio of full and mid-market homes for rent has grown rapidly in the past year – from 195 last year to 381 today. That means that the Wheatley Housing Group is now offering a wider range of options for people to access affordable, good-quality homes across our communities.

The biggest development has been the multi-million pound refurbishment of 98 mid-market rent flats at Ibroxholm Oval in the South Side of Glasgow, all of which were let well ahead of schedule.

The portfolio has grown through a number of acquisitions and refurbishments with two further refurbishment projects in Glasgow under way. Lowther Homes is also working in partnership with its sister organisation GHA on its first new-build development in Croftfoot in the South Side of Glasgow. All this will bring Lowther Homes' portfolio to almost 500 properties.

Over the coming year, Lowther is committed to working hard to understand its customers better through satisfaction information and doing more to meet their needs. Growing Lowther Homes is helping Wheatley Housing Group to diversify and expand the range of tenures for people looking for a home.

Many people struggle to get on the property ladder or to pay full-market rent and often don't qualify for social housing. Lowther Homes aims to provide these people with a new option to get a good-quality home they can afford.

Stylish flats at Ibroxholm Oval

The multi-million pound refurbishment of Ibroxholm Oval was completed in October 2013. The £7million makeover involved overcladding the outside of the block, installing new windows, kitchens and bathrooms and building a stylish, new glass foyer at the front. A combined heat-and-power system heats the homes through a network of underground pipes. The development also has new lifts, secure parking, a new bike shed, CCTV and video entry. Environmental work was carried out over the summer to add finishing touches to the development.

These one and two bedroom apartments have proved very popular with key workers and young professionals. All 98 flats were snapped up eight months ahead of schedule.

More homes refurbished

Work has already started on the refurbishment of 40 two-bedroom tenement flats at Shawbridge Street on Glasgow's South Side. The flats, previously earmarked for demolition, will benefit from improved energy efficiency through the addition of sun spaces, energy efficient boilers, solar panels and enhanced levels of insulation. The site, which attracted funding from the Scottish Government, will be for mid-market rent and is due for completion in December 2014.

OPERATING REVIEW (continued)

New build homes

New homes are being built at a £3.6million development in Croftfoot Road on the South side of Glasgow.

The site, due for completion in Spring 2015, will have 24 two and four bedroom semi-detached and terraced houses for mid-market rent, and eight two bedroom flats for shared equity ownership. Lowther Homes is working in partnership with its sister organisation, GHA, who will build the homes in partnership with contractor City Building, with Lowther responsible for letting and managing them.

Almost £1million of funding was secured through the Scottish Government's Greener Homes Innovation Scheme. The funding bid was also supported by Glasgow City Council who sold the land to GHA. The houses are being specially designed with energy-saving features which will reduce residents' energy bills significantly.

Glasgow's Lord Provost Sadie Docherty helped mark the start of the work on the site of the old St Julie's Primary School in Croftfoot Road.

Expanding its portfolio

In order to increase its diverse range of homes to let, this year Lowther has acquired a number of properties in and around the Glasgow area.

These include:

- nine two bedroom City centre flats in The Metropole building in Dunlop Street with secure underground parking,
- The Dell, a 35 home retirement complex in Giffnock on the outskirts of Glasgow. This development is geared for older residents and is made up of a mixture of one and two bedroom flats, along with communal facilities including a residents lounge.
- 12 brand new two bedroom flats at The Sidings in Baillieston. These flats come with a parking space and are close to the M8 and ideally located for commuters to both Glasgow and Edinburgh.

Lowther will continue to grow its portfolio with further acquisitions planned for 2014/15.

STRATEGIC REPORT

Overview of performance and future outlook

The Group continued to grow this year with West Lothian Housing Partnership and Loretto Housing and Care joining as subsidiaries. The environment in which the Group operates faced a number of challenges including changes to welfare benefits relating to under occupancy limits. However through early planning and continued focus on the achievement of cost efficiencies, financial performance remained strong. The Group is well placed to continue to deliver a stable and secure future for the organisation, its customers and staff.

Income

Wheatley Group turnover for 2013/14 (excluding loss on sale of fixed assets and interest received) was £195.4m (£193.3m, 2012/13). The principal source of income was net rental income of £167.4m (£162.6m, 2012/13). Income was also earned from the provision of factoring services, commercial property rental income, care activities in the new subsidiary Loretto Care and the recharge of owners' improvements.

In addition, the Group received grant income totalling £45.4m (£43.7m, 2012/13). Sales under Right-to-Buy legislation totalled £4.3m (£3.6m, 2012/13).

Expenditure

Total revenue expenditure was £202.5m (£193.4m, 2012/13) comprising the following main items:

- Letting activity management and maintenance administration costs were £51.7m (£59.2m, 2012/13)
- Planned and cyclical maintenance costs of £26.0m (£23.2m, 2012/13)
- Reactive maintenance costs of £32.6m (£29.9m, 2012/13)
- Depreciation and amortisation of £30.1m (£27.4m, 2012/13)
- Net expenditure on other activities including demolition works and wider role activities (not directly part of social letting activity) rose to £32.1m (£21.8m, 2012/13)

At the end of the year, rent arrears were £13.3m (£13.6m, 2012/13) and bad debt provisions of £4.2m (£4.3m, 2012/13).

Balance Sheet

At the year end, Wheatley Housing Group Limited had a net asset position of £401.6m (£194.9m, 2012/13). Investment during the year in tenants' homes totalled £92.4m (£109.8m, 2012/13). The value of housing stock was £1,079.0m (£790.2m, 2012/13).

Glasgow Housing Association participates in the Strathclyde Pension Fund with its share of deficit at year end being £43.7m (£33.5m deficit, 2012/13). This movement reflects the results from the FRS 17 actuarial valuation which incorporate the change in future inflation assumptions.

STRATEGIC REPORT (continued)

Housing assets

All Registered Social Landlord subsidiaries in the Group carry social housing properties at valuation using an Existing Use Value for Social Housing (EUV-SH) basis. Prior year comparatives have been restated to reflect the introduction of this policy for Cube Housing Association and the two new RSL subsidiaries, West Lothian Housing Partnership and Loretto Housing Association.

Lowther Homes' policy is to value housing properties on an open market basis subject to tenancies. The valuation is provided by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors. Lowther Homes classifies housing properties for market rent as investment properties on its balance sheet.

Cash flows

Wheatley Housing Group cash flows are shown on page 43. Net cash inflow from operating activities was £33.7m (£18.4m, 2012/13). The increase in net cash of £19.2m (£2.1m, 2012/13) was after grants of £40.7m (£35.8m, 2012/13) and loan receipts of £75.5m (£85.1m, 2012/13). The principal cash outflows were operating costs and investment in assets, particularly housing stock of £92.4m (£109.8m, 2012/13).

Liquidity

Wheatley Housing Group's short-term liquidity has further improved in the year to show net current liabilities of £7.0m (£9.9m, 2012/13). Creditors falling due after more than one year have increased to £710.9m from £619.3m in 2012/13 with the main movements being additional bank loans to fund investments in tenants' homes and West Lothian Housing Partnership and Loretto Housing and Care joining the Group during the financial year.

Going concern

There are no uncertainties related to events or conditions that cast doubt upon the entity's ability to continue as a going concern.

Capital Structure and Treasury Policy

The activities of the largest Group subsidiary, Glasgow Housing Association, are funded on the basis of a Business Plan which is updated annually. The main elements of Glasgow Housing Association's long-term funding are a 30-year loan facility with a syndicate of banks and capital grants and loan provided by the Scottish Government.

The syndicated loan facility allows Glasgow Housing Association to borrow up to £700m and is to be fully repaid by 2040. In broad terms, the current Business Plan assumes that GHA will increase its borrowings each year until it completes the remaining significant capital investment programme in the early years of the Plan. The debt is progressively paid off in subsequent years and is projected to be fully paid off by 2040/41. An amount of £30m of the GHA syndicated loan facility is for on-lending to Lowther Homes Limited.

The GHA Business Plan assumes total capital grants of £470m from the Scottish Government made up of the following funds:

i) Secured repayable grant

An amount of £370m was originally assumed to be repayable in 2040. However, since Glasgow Housing Association successfully achieved certain targets in respect of its performance and second stage transfers ("SST"), this grant was fully written off by agreement with the Scottish Government during the year.

STRATEGIC REPORT (continued)

ii) Contingent Efficiencies Grant

The Scottish Government has made available £100m of Contingent Efficiencies Grant. Which has been received up to 31 March 2014. This Grant is repayable in 2040/41.

The Business Plan also includes Scottish Government funding for specific elements of our investment programme in respect of new build works.

Cube Housing Association is funded by a combination of long and medium term bilateral bank loans totalling £44.9m. Similar to GHA, Cube will increase its borrowing to fund its capital investment programme. All the loans will be repaid by 2040/41.

West Lothian Housing Partnership had bank loans outstanding of £8.6m as at 31 March 2014. No further undrawn borrowing facilities existed, and outstanding borrowings are repayable in instalments over periods of up to 35 years.

Loretto Housing Association is funded by loans provided by their banking syndicate and has a £15.0m facility available. As at 31 March 2014, a total of £10.0m has been drawn against this arrangement and is repayable in instalments.

Wheatley Housing Group manages its interest rate risk by entering into hedging arrangements, which have the effect of fixing the interest rate on a proportion of the projected debt levels each year. The interest rate on the remainder of the debt will vary in accordance with market interest rates. We regularly review our arrangements with respect to the hedge on our loans to ensure that we achieve adequate protection for our projected debt profile as it evolves. The Board receives updates each quarter which detail the debt, cash and interest received and paid. Changes to banking arrangements and bank signatories are approved by the Board.

The Group Treasury Management Policy sets down the framework for investing and managing of cash, raising loans, interest rate management and the use of financial derivatives by the Group. A key objective of the Policy is to ensure that the Group's loan portfolio represents the optimum balance of risk in interest rate, loan maturity and fixed rate exposure. In turn, it ensures that Group officers have the authority to take the necessary action as and when required in response to changes in the financial markets. The overriding objective of this Policy is to be risk averse, whilst at the same time maximising return on funds invested within laid down agreed parameters.

Longer term business planning

Each year the Group and its subsidiaries produce a 30-year Business Plan which details and costs long-term plans. This document, which is approved by the Board and reviewed by external auditors, demonstrates our longer-term viability and regeneration plans.

Financial risk management

The Group's operations expose it to a variety of financial risks as discussed below. The Wheatley Housing Group has a detailed risk management framework that seeks to limit the adverse effect of such risks on financial performance. The Group also has a centralised treasury function which ensures there is sufficient liquidity available to meet any cash requirements the Group may have.

STRATEGIC REPORT (continued)

Liquidity and funding risk

The Group has sufficient facilities in place to meet its funding requirements. At the balance sheet date the Group had facilities in place totalling £768.5m with £161.4m remaining undrawn. These facilities are spread across a number of counterparties. Further details can be found in Note 22 of the financial statements. As noted above, the Group prepares a 30 year business plan on an annual basis. As part of this, liquidity and funding are reviewed to ensure sufficient funding is in place to deliver this plan.

Credit risk

The risk of counterparties defaulting on amounts owed to the Group in relation to cash deposits and financial instruments is minimised by selecting counterparties with high credit ratings.

Interest rate risk

The Group's treasury management policy requires that interest rate risk is minimised through a balance of fixed and floating rates. The policy states that the Group's target is a measure of between 50-70%. As at the balance sheet date, the Group's rate was 69.3% fixed. The Group also hedges against interest rate risk through the use of embedded hedges within its facilities.

Employee Policies

Equal Opportunity

The Wheatley Housing Group remains committed to the principle of equal opportunity and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, race, age, colour, nationality, religion, HIV status, disability or sexuality. Policies are in place to support any staff member who becomes disabled through modification of duties or retraining and support.

Employee Relations

Wheatley's subsidiaries recognise three trade unions: Unison, Unite and GMB and engage in collective bargaining and consultation with them. Wheatley continues to work closely with our trade union partners in ensuring policies remain relevant, fit for purpose and compliant with all relevant legislation. The Group Human Resources team develops training programmes to ensure consistent implementation of these policies throughout the organisation and to empower staff to use the policies to make informed decisions.

The Academy

People are at the heart of delivering everything Wheatley does across all the services it offers through its subsidiaries – be it social landlords, factoring or market rental businesses. Wheatley ensures that staff access all the development and support they need to be able to deliver to customers. Wheatley has developed a new induction process where everyone new to the Group attends a corporate induction which takes place over two and a half days. This concentrates on the Group vision, values and customers' experience.

Apprenticeship Programme

Wheatley provides a tailored two year work placement supported by a programme of development for modern apprentices where they achieve Chartered Institute of Housing Level 2 in Housing Practice and SVQ Level 2 in Business Administration.

Graduate Trainees

There are four graduate trainees undertaking a two year work placement. They develop their skills and knowledge in housing management by working across the Group.

STRATEGIC REPORT (continued)

Bursaries for staff

Wheatley has 26 members of staff undertaking external further education courses with funding support from the Group.

Accredited Development

Wheatley now offers three different accredited CIH qualifications and two accredited leadership development programmes in-house at The Academy and is continuing to develop and extend the number of CIH qualifications on offer.

Partnerships

Partnerships with Colleges and Universities are being continually developed to provide continuing professional development for staff.

Tenants and their families

The Better Lives Strategy is supported by creating learning and development opportunities for tenants and their families to build their educational attainment and their employability. This includes providing bursaries for tenants and their families to go to university, offering paid work placements through our Community Janitors programme and clauses in our contracts which require our contractors to offer local people jobs and training.

WHEATLEY BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

As at 31 March 2014 Wheatley's Articles of Association allowed for the appointment of up to twelve Directors as follows:

- Up to five Non-Executive Directors
- Up to two GHA nominated Directors
- Up to four co-opted Directors
- One "other" Director

At 31 March 2014 there were eleven Directors.

The Directors of the Board during the year are listed below:

Name	Joined Board	Re-elected/ re-appointed	Left Board	Committees/ Group Directorships
Alastair Dempster	17 September 2012	-	-	Glasgow Housing Association Limited, GHA Enterprises Limited, GHA (Funding) Limited, Group Remuneration, Appointments, Appraisals & Governance Committee and Group Strategic Development Committee
Martin Armstrong	17 September 2012	-	-	GHA Enterprises Limited
Mike Blyth	17 September 2012	-	-	Glasgow Housing Association Limited, Glasgow Housing Association (Funding) Limited, Group Audit Committee, Group Remuneration, Appointments, Appraisals & Governance Committee and Group Strategic Development Committee
John Grant	17 September 2012	-	-	Glasgow Housing Association Limited, Lowther Homes Limited and Group Strategic Development Committee
Ronnie Jacobs	17 September 2012	-	-	Lowther Homes Limited and Group Strategic Development Committee
Alastair MacNish	17 September 2012	-	-	GHA Enterprises Limited, Glasgow Housing Association (Funding) Limited, Lowther Homes Limited, Group Audit Committee and Group Strategic Development Committee

Gordon Sloan	17 September 2012	-	-	Glasgow Housing Association Limited, GHA Enterprises Limited, Lowther Homes Limited, Glasgow Housing Association (Funding) Limited, Group Remuneration, Appointments, Appraisals & Governance Committee, Group Strategic Development Committee and Group Audit Committee
Elizabeth Walford	17 September 2012	-	-	Glasgow Housing Association Limited, GHA (Management) Limited trading as YourPlace, Glasgow Housing Association (Funding) Limited, Group Audit Committee & Group Strategic Development Committee
Lesley McInnes	28 September 2012	-	-	Cube Housing Association Limited, Group Audit Committee
Sheila Gunn	6 November 2012	-	-	Glasgow Housing Association Limited, GHA (Management) Limited trading as YourPlace and GHA Enterprises Limited
Margaret Dunlop	28 August 2013	-	-	West Lothian Housing Partnership Limited

The Board is responsible for the strategic direction of the Group and financial planning.

Key responsibilities are:

- approval of the Group strategy;
- approval of the Group Business Plan, budget and any variations and amendments to them, together with other matters which fall within the role of the Group Board;
- approval of the creation of new subsidiaries and partnerships;
- approval of the Group governance arrangements, systems of internal control and delegations;
- defining and ensuring compliance with our values and objectives as a registered social landlord; and
- approving each year's Group financial statements.

The Board also delegates authority to its Committees as follows:

Audit Committee

Responsible for:

- reviewing the Group's system of internal control, compliance assurance and risk management system;
- providing an overview of the internal and external audit functions;
- scrutinising the financial statements;
- appoint and agree the remuneration of external auditors;

- monitoring the implementation of internal audit recommendations and external audit reports and management letters;
- reviewing the internal audit plan and scope of work; and
- reviewing the effectiveness of the overall risk strategy.

Group Remuneration, Appointments, Appraisals and Governance Committee

Responsible for:

- approving the process for recruitment, selection, succession planning and appraisal of Board members;
- ensuring Board members within the Group have the necessary balance of skills and experience to fulfil their roles;
- evaluation and review of Group's governance framework; and
- to make recommendations to the Group Board regarding the appointment and remuneration of the Group Chief Executive.

Group Strategic Development Committee

Responsible for:

- oversight of performance within the Group on key strategic measures;
- reviewing the Group's strategic and financial planning arrangements;
- oversight of the implementation of agreed Group strategies; and
- review business rationale for any new major strategic projects.

TENANT PARTICIPATION

Wheatley's social landlords are led by tenants. Our objectives, strategies and services are shaped by what our tenants tell us is important to them, their families and communities.

We listen to our tenants and engage with them on a day to day basis, across the range of our engagement activities and through our satisfaction surveys and focus groups. We value and learn from the comments and complaints that we receive and use this to inform our learning and to develop services that meet their requirements.

We regularly consult with our tenants on a range of formal and informal issues, including allocations, rent setting, investment priorities and service development. We also consult with tenant representatives including local housing committees and registered tenant groups.

Our engagement structures are diverse and provide opportunities for tenants to participate with us in ways that are meaningful to them. We encourage and enable participation through capacity and skill building programmes that include accredited learning qualifications with the associated benefits of transferable skills for the workplace or volunteering.

HEALTH AND SAFETY

Reporting and Prevention of Accidents

Wheatley is committed to providing a safe, secure and pleasant environment for our tenants and colleagues. Our Boards, as part of their governance roles, are provided with quarterly reports in respect of reportable accidents/incidents that occur at work (Reporting of Injuries Diseases and Dangerous Occurrences Regulations – RIDDOR – 1995 Updated 2012). The Health and Safety team has an extensive remit in respect of colleagues' health and safety and is primarily concerned with the design, implementation and audit of a bespoke safety management system for our sites. Training including Health and Safety and Fire Awareness packages are an integral part of the team's remit and are designed and delivered by the team. In addition the team investigates accident/incident causation and provides competent guidance and advice as required.

There were no incidents to report during the year.

Employee Support

Wheatley has a customised Occupational Health Contract in place for staff including an Employee Assistance Programme.

SUSTAINABILITY

We continue to implement initiatives on recycling, energy efficiency and reclamation of materials from demolished properties.

POLITICAL AND CHARITABLE DONATIONS

There were no political or charitable donations made by any of the Wheatley subsidiaries during the year.

DISCLOSURE OF INFORMATION TO AUDITORS

The Board members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Group'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 Group's auditors are aware of that information.

STATEMENT OF INTERNAL CONTROLS

1. Introduction – background and responsibility

The system of internal controls is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:-

- Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised;
- Manage them efficiently, effectively and economically;
- Safeguard assets against unauthorised use or disposition; and
- Manage the maintenance of proper accounting records.

2. Overview of main features of the system of Internal Control

The Board of Wheatley Housing Group is responsible for ensuring that an effective system of internal control is maintained within all members of the Group. This system of internal control can provide reasonable but not absolute assurance against material misstatement or loss.

The key methods by which the Board establishes the framework for providing effective internal control are as follows:

- Corporate Governance arrangements as outlined in the Corporate Governance Statement;
- Regular meetings of the Board, and Subsidiary Boards, which have a schedule of matters which are specifically reserved for approval and which are the subject of regular standard reports as required;
- Arrangements under terms of reference for the Group Audit Committee to meet regularly and receive reports from management and internal and external auditors on the system of internal control in operation across the Group, and to provide reasonable assurance that control procedures are in place and are being followed;
- Arrangements under terms of reference for Group Strategic Development Committee to meet regularly and receive reports from Finance Management on the soundness of financial management and to provide reasonable assurances prudent practices are in place and being followed;
- Written policies and procedures including Standing Orders setting out delegated authorities across Group subsidiaries;
- An organisational structure to support business processes and with clear lines of responsibility;
- The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal personal development programme;
- An Internal Audit function with an annual Internal Audit plan and producing an annual Internal Audit Report;
- Adoption of a risk based approach to internal control through evaluating the likelihood and significance of identified corporate risks, vesting responsibility for risk management and internal control with designated owners and with an ongoing process of monitoring and reporting progress against the company's key risks established through the corporate risk management function.

WHEATLEY BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

- A Business Plan and Budget supporting strategic and operational plans, financial targets, regularly revised forecasts, a comparison of actual with budget and with forecast on a quarterly basis, operating cash flow and variance statements, and key performance indicators, all of which are reviewed by the Board; and
- Measurement of financial and other performance against the Delivery Plan objectives and key performance indicators and targets.

3. Role of Internal Audit and Management

The Internal Audit function has a central role in the process of developing this Statement of Internal Controls. As part of Internal Audit work, reviews are directed using a risk based approach to assess the robustness of the implementation of the Group's key system of internal control.

Internal Audit provides information on the various strengths and weaknesses on the approach we have adopted, and advise where improvements are necessary and desirable for good governance. Management across the Group are responsible for the implementation of improvements identified through the audit process.

In line with good practice, Internal Audit provides the Audit Committee with an Annual Internal Audit Report and Statement, which summarises all the work completed during 2013/14. The overall Internal Audit opinion provided in this statement is detailed below:

“Based on our programme of audit work undertaken during the year, assurance can be given that the Group's systems of internal control are generally working soundly to ensure effective, economic and efficient management”.

4. Risk and Control Framework

Wheatley Housing Group recognises the importance of effective identification, evaluation and management of all key strategic and operational risks, and this is a requirement set out by the Scottish Housing Regulator's Regulatory Standards.

“The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.”

Risk management is a key element of the Group's overarching governance arrangements as it demonstrates that we have considered what might go wrong with our plans, that we have analysed the consequences of things going wrong and that we have thought through the actions and controls we need to prevent or limit these consequences.

As the parent company, Wheatley Housing Group oversees the governance arrangements to address the risks associated with control of activities of, and managing the risks of, all subsidiaries; to ensure that there is an appropriate use of funds across the Group; to ensure that risks to the core business of the Group are managed and mitigated and that strong governance arrangements are upheld by all subsidiaries to protect the reputation of the Group.

Risk Management covers the whole spectrum of risks and not just those associated with finance, health and safety, business continuity and insurance. It also includes risks associated with service provision, effectiveness and continuity, public image (reputation), compliance with legislation and regulation and environment.

WHEATLEY BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

Roles and Responsibilities

Risk Management is the responsibility of everyone in the organisation, whether or not they have a formally defined role in the process.

To ensure the successful implementation of the Risk Management Policy and Strategy, clear roles and responsibilities for the Risk Management process have been established.

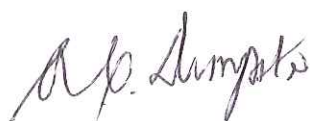
The Executive Team is the facilitator of the Risk Management Framework and processes. Their role is to ensure that Departmental Managers comply with the Risk Management Framework including monitoring of the risk registers on Covalent; which is the Group's performance management system. This ensures that Departmental Managers keep their risk registers up to date, new and emerging risks are identified and risk scores are challenged.

Risk Management is an integral part of the culture and way we are run. Risk Management plans are incorporated and embedded into business plans of all applicable sections of the organisation (e.g. service improvement plans, project plans, team plans, individual plans). In this way, Risk Management is not the responsibility of senior management alone, but more appropriately the responsibility of all colleagues.

The significant risks facing the Group are detailed below; mitigating actions are in place to control the risk exposure to an acceptable level.

- Proposed Welfare Reforms reduce guaranteed income streams;
- Failure to transform services by the innovative use of Information and Communications Technology;
- Future fundraising activity by the Group does not raise the anticipated levels of finance or expected cost of funds;
- The Group does not have adequate or tested business continuity / disaster recovery plan;
- The governance structure is not clearly defined, with lack of appropriate skills at Board and Committee levels;
- Assumptions in the Business Plan are not robust and the expected level of income is not achieved or cost base increases;
- The failure of key commercial business activities such as Lowther Homes and YourPlace reduces stakeholder confidence.

On behalf of the Board



ALASTAIR DEMPSTER CBE, CHAIR
27th August 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's and of the company's affairs as at 31 March 2014 and of the Group's deficit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group and company financial statements (the "financial statements"), which are prepared by Wheatley Housing Group Limited, comprise:

- the Group and company balance sheet as at 31 March 2014;
- the Group and company income and expenditure account for the year then ended;
- the Group statement of total recognised surpluses and deficits for the year then ended;
- the Group cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have 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.

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 company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Group, or returns adequate for our audit have not been received from branches not visited by us; or
- the company's financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 69 of the Housing (Scotland) Act 2010 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.



Lindsey Paterson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
27th August 2014

- (a) The maintenance and integrity of the Wheatley Housing Group Limited website is the responsibility of the directors; 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.

**GROUP INCOME AND EXPENDITURE ACCOUNT
 FOR THE YEAR ENDED 31 MARCH 2014**

	Notes	2014 £ 000	2013 restated £ 000
Turnover	3	195,392	193,310
Operating costs	3	(202,471)	(193,357)
Gain on business combination	9	27,887	-
Operating surplus/(deficit)		20,808	(47)
Gain on sale of fixed assets – housing properties	10	2,306	2,194
Interest receivable and similar income	11	292	1,173
Interest payable and similar charges	12	(26,549)	(24,321)
Deficit on ordinary activities before taxation		(3,143)	(21,001)
Taxation on deficit for the year	13	194	13
Deficit for the year	25	(2,949)	(20,988)

**GROUP STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
 FOR THE YEAR ENDED 31 MARCH 2014**

		2014 £000	2013 restated £000
Deficit for the year	25	(2,949)	(20,988)
Unrealised gain on revaluation of fixed assets	25	219,017	65,198
Actuarial loss on pension assets and liabilities	26	(9,417)	(14,414)
Total recognised surpluses for the year		206,651	29,796

All amounts relate to continuing operations. There is no material difference between the deficit for the year stated above and the historical cost equivalents.

The notes on pages 44 to 73 form part of these financial statements.

**COMPANY INCOME AND EXPENDITURE ACCOUNT
 FOR THE YEAR ENDED 31 MARCH 2014**

	Notes	2014 £ 000	From incorporation to 31 March 2013 £ 000
Turnover	3	14,919	-
Operating costs	3	(14,919)	-
Operating surplus/(deficit)		-	-
Interest receivable and similar income		-	-
Interest payable and similar charges		-	-
Deficit on ordinary activities before taxation		-	-
Taxation on deficit for the year		-	-
Deficit for the year		-	-

All amounts relate to continuing operations. There is no material difference between the deficit for the year stated above and the historical cost equivalents.

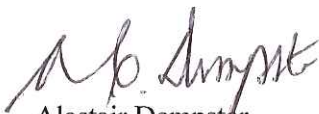

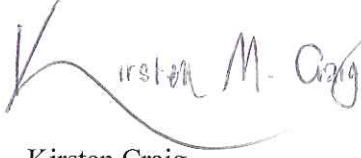
The company has no recognised gains or losses other than the results for the periods as set out above and, accordingly, no statement of total recognised gains and losses is shown.

The notes on pages 44 to 73 form part of these financial statements.

GROUP BALANCE SHEET AT 31 MARCH 2014

	<i>Notes</i>	2014 £000	2013 restated £000
Tangible fixed assets			
Housing properties	16	1,078,985	790,183
Other tangible fixed assets	17	39,948	28,025
Fixed asset investments	18	72	72
		1,119,005	818,280
Investment properties	19	28,607	23,537
Debtors due after more than one year	20	159,621	205,576
Current assets			
Debtors due within one year	20	28,399	30,098
Cash at bank and in hand		30,904	14,548
		59,303	44,646
Creditors: amounts falling due within one year	21	(66,334)	(54,588)
Net current liabilities		(7,031)	(9,942)
Total assets less current liabilities		1,300,202	1,037,451
Creditors: amounts falling due after more than one year	22	(710,884)	(619,304)
		589,318	418,147
Provisions for liabilities and charges	23	(142,767)	(188,364)
Government grant		(1,308)	(1,344)
Net assets excluding pension liability		445,243	228,439
Pension liability	26	(43,663)	(33,510)
Net assets including pension liability		401,580	194,929
Capital and reserves			
Share capital	24	-	-
Revenue reserve excluding pension reserve	25	93,638	95,851
Pension reserve	25	(43,663)	(33,510)
Revenue reserve including pension reserve	25	49,975	62,341
Revaluation reserves	25	351,605	132,588
Consolidated funds		401,580	194,929

These financial statements were approved by the Board on 27th August 2014 and were signed on its behalf by:

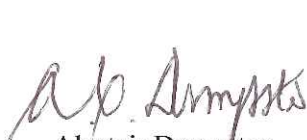
 Alastair Dempster Chair	 Alastair MacNish Director	 Kirsten M. Craig Secretary
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The notes on pages 44 to 73 form part of these financial statements.

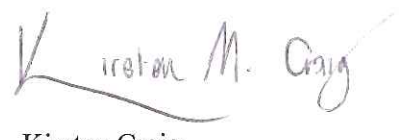
COMPANY BALANCE SHEET AT 31 MARCH 2014

	<i>Notes</i>	2014	2013
		£000	£000
Fixed assets			
Investment in Group undertakings	30	-	-
Debtors: amounts falling due within one year	20	1,778	-
Creditors: amounts falling due within one year	21	(1,778)	-
Net current assets		<u>-</u>	<u>-</u>
Total assets less current liabilities		-	-
Net assets excluding pension liability		<u>-</u>	<u>-</u>
Pension liability		-	-
Net assets including pension liability		<u>-</u>	<u>-</u>
Capital and reserves			
Share capital	24	-	-
Company funds		<u>-</u>	<u>-</u>

These financial statements were approved by the Board on 27th August 2014 and were signed on its behalf by:


 Alastair Dempster
 Chair


 Alastair MacNish
 Director


 Kirsten Craig
 Secretary

The notes on pages 44 to 73 form part of these financial statements.

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	<i>Notes</i>	2014 £000	2013 restated £000
Net cash inflow from operating activities	29	33,719	18,405
Returns on investment and servicing of finance			
Right to buy and Second Stage Transfer proceeds	10	4,257	3,582
Interest received	11	72	49
Interest paid	12	(26,549)	(24,321)
Net cash outflow from returns on investment and servicing of finance		(22,220)	(20,690)
Capital expenditure and financial investment			
Improvement of properties	16	(92,430)	(109,792)
Purchase of other fixed assets	17	(15,079)	(6,568)
Purchase of investment properties	19	(4,916)	(1,422)
Capital grants received	27	40,739	35,778
Net cash outflow from capital expenditure and financial investment		(71,686)	(82,004)
Financing			
Cash at acquisition		3,895	1,331
Loan drawn down	22	75,521	85,065
Net cash inflow from financing		79,416	86,396
Increase in net cash	29	19,229	2,107

The notes on pages 43 to 73 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1. Legal status

Wheatley Housing Group Limited (“Wheatley”, “Wheatley Group” or “the Company”) is a housing association registered with Scottish Housing Regulator under the Housing (Scotland) Act 2010. The Company and its subsidiaries are referred to as “the Group”. The Group’s subsidiaries include housing associations, incorporated entities and charities. The Company was incorporated on 13 June 2012.

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 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, Accounting by Registered Social Landlords Update 2010 (“SORP 2010”), issued by the National Housing Federation.

Whilst the Group Balance Sheets show net current liabilities, the Group has in place arrangements, through its subsidiaries loan facilities as explained in note 22, which allow the borrowing of sufficient funds to meet current liabilities as they fall due. Accordingly the financial statements have been prepared on a going concern basis.

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March 2014. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 2 - Accounting for subsidiary undertakings.

New subsidiaries joining the Group are accounted for using acquisition accounting. Any gain on acquisition is recognised through the income and expenditure statement as a gain on business combination. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. On joining the Group, an exercise is undertaken to align subsidiary accounting policies to the Group policies which may result in a restatement of comparative figures in the subsidiary results prior to consolidation.

Related party disclosures

The Company is exempt under the terms of FRS 8 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. In respect of the Group income and expenditure account, turnover also includes factoring 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 grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is deducted from the cost of housing properties in accordance with the SORP 2010.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

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.

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.

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

Glasgow Housing Association participates in the Strathclyde Pension Fund ("the Fund"). The Fund is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. All existing and new employees have the option of joining the Fund. The Fund is a defined benefit one, providing benefits based on final pensionable pay, which is contracted out of the State Second Pension. Assets and liabilities of the Fund are held separately from those of the Association.

Glasgow Housing Association accounts for its participation in the Fund in accordance with 'FRS 17 Retirement benefits' ("FRS 17"), which requires disclosures presented for both the current and comparative period. FRS 17 also requires that quoted securities are valued at their current bid-price rather than their mid-market value.

The Fund liabilities are 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. Glasgow Housing Association's share of the Fund surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Fund surplus / deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association and Loretto Care participated in the Pensions Trust Scottish Housing Association Pension Scheme (SHAPS) Defined Benefits Pension Scheme in the year. 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. Loretto transferred to the SHAPS Defined Contribution Scheme on 1 July 2013 with Cube and West Lothian remaining in the Defined Benefits Scheme at 31 March 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

Tangible Fixed Assets – housing properties

In accordance with SORP 2010, the Group operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

Valuation of Social Housing Stock

All social housing properties owned by the Group and its subsidiaries are valued on an Existing Use Value for Social Housing (EUV-SH) basis by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Housing stock has been split into two streams of property for valuation purposes, namely housing retained for letting and demolition programme properties. This separation into categories is on the basis of the Group's 30 year Business Plan which identifies the core stock which will be the subject of the Group's investment expenditure going forward and the stock which forms part of the demolition programme until 2016, and consequently has limited investment expenditure attached to it.

The cost of properties is their purchase price together with the cost of capitalised improvement works. Included in the cost of repairs are the direct costs of staff engaged in the investment programme.

Donated assets

All donated assets are separately disclosed. Properties donated from Glasgow City Council are valued at EUV-SH basis. The difference between the EUV-SH value and the transfer price is treated as a government grant. Government grants are written-off against the value of the asset over the estimated useful life of the asset being 50 years.

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 Group has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation. Application of this has required a prior year restatement to the depreciation charge in note 16.

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

	Economic Life
Land	n/a
Bathrooms	25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 yrs
Internal works & common areas	20 yrs
Kitchens	20 yrs
Mechanical, Electrical & Plumbing	25 yrs
Structure & roofs	50 yrs
Windows and doors	30 yrs

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

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 unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses.

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;
- 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.

Non-housing properties

The Group owns a number of non-housing properties. The Group applies the same capitalisation and component life approach as stated under Housing Properties unless otherwise stated below.

Commercial properties

Commercial properties are stated at existing use value and are subject to revaluation at least every five years.

Housing Association Grant and other capital grants

Housing Association Grant ("HAG") is received from central government agencies and local authorities and is utilised to reduce the capital costs of housing properties.

HAG due or received in advance is included as a current asset or liability. HAG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

Properties are disposed of under the appropriate legislation and guidance. All HAG relating to the share of property sold are removed from the financial statements at the date of sale. Any HAG received that cannot be repaid from the proceeds of sale is abated and the grant 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 fixed 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
Commercial properties	50 yrs
Combined Heat & Power plant	30 yrs
Furniture, fittings and office equipment	5 to 7 yrs
Computer equipment	3 to 4 yrs

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

Investment Properties - Housing for Market Rent

Housing for Market Rent properties are valued on an open market value subject to tenancies basis at the balance sheet date by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation and are held as investment properties and not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised improvement works.

Depreciation is charged on all housing properties on a straight-line basis to write down the value of freehold properties, plus capital additions net of grants over their estimated expected useful economic lives. The average life of Lowther Homes Limited housing stock is estimated to be 50 years. Application of this has required a prior year restatement (note 19).

Taxation

As charities, Glasgow Housing Association, Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association and Loretto Care are exempt from corporation tax on their 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. A charge for taxation is made in the Group's non-charitable subsidiary companies, based on their profit for the year. In accordance with FRS 19 Deferred Tax, full provision is made for all material timing differences.

Value Added Tax

The Group is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT. VAT on Glasgow Housing Association refurbishment works expenditure included in the development works agreement with Glasgow City Council is substantially recoverable. Expenditure on these works is shown net of VAT.

Development Agreement

Glasgow Housing Association has entered into agreements with Glasgow City Council whereby the undertaking of catch up repairs and improvement works remained with the City Council, with that obligation sub-contracted to Glasgow Housing Association. This has been shown on the Group's Balance Sheet as a debtor offset by a provision of an equal amount. As work progresses, both amounts will be reduced by the appropriate amount.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

3. Particulars of turnover, operating costs and operating surplus

Group

	2014			Operating surplus/ (deficit) £ 000	2013 Operating surplus/ (deficit) restated £ 000
	Turnover £ 000	Operating Costs £ 000	Gain on acquisition £ 000		
Social lettings (note 4)	167,399	(142,396)	-	25,003	21,790
Other activities (note 5)	27,993	(60,075)	-	(32,082)	(21,837)
Gain on business combination (note 9)	-	-	27,887	27,887	-
Total	195,392	(202,471)	27,887	20,808	(47)

Company

	2014		Operating surplus/ (deficit) £ 000	2013 Operating surplus/ (deficit) £ 000
	Turnover £ 000	Operating Costs £ 000		
Social lettings (note 4)	-	-	-	-
Other activities (note 5)	14,919	(14,919)	-	-
Total	14,919	(14,919)	-	-

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

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

Group	General Needs	Supported Housing	Shared Ownership	2014 Total	2013 Total restated
	£ 000	£ 000	£ 000	£ 000	£ 000
Rent receivable net of service charges	159,965	4,464	124	164,553	159,223
Service charges	3,941	328	1	4,270	4,473
Gross income from rents and service charges	163,906	4,792	125	168,823	163,696
Less rent losses from voids	(1,325)	(99)	-	(1,424)	(1,120)
Net income from rents and service charges	162,581	4,693	125	167,399	162,576
Total turnover from social letting activities	162,581	4,693	125	167,399	162,576
Management and maintenance administration costs	50,549	1,171	6	51,726	59,235
Service costs	6,376	145	1	6,522	5,960
Planned and cyclical maintenance including major repairs costs	25,336	668	-	26,004	23,194
Reactive maintenance costs	31,720	898	-	32,618	29,869
Bad debts – rents and service charges	1,013	26	-	1,039	1,273
Depreciation of social housing	23,857	619	11	24,487	21,255
Operating costs from social letting activities	138,851	3,527	18	142,396	140,786
Operating surplus from social lettings	23,730	1,166	107	25,003	21,790

There were no activities in the Wheatley Housing Group Limited entity results classified as social letting.

The disclosure of management and maintenance administration costs, service costs, planned and cyclical maintenance including major repair costs, and reactive maintenance costs have been restated to better reflect the allocation of costs to social letting, repairs and maintenance and other activities in notes 4 and 5. This is in line with the definition of other activities within the SORP 2010 and guidance issued by the Scottish Housing Regulator.

Costs incurred in relation to financing activities have been moved from management and maintenance administration costs and are now included within interest payable (note 12).

Comparative figures have been restated on the same basis.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

5. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities

Group

	Grants From Scottish Ministers £ 000	Other Revenue £ 000	Supporting People Income £ 000	Total Turnover £ 000	Total Operating Costs £ 000	2014 Operating Surplus /(Deficit) £ 000	2013 Operating Surplus /(Deficit) restated £ 000
Wider role activities to support the community	-	-	-	-	17,977	(17,977)	(9,958)
Care activities	-	2,796	-	2,796	2,889	(93)	-
Factoring	-	8,912	-	8,912	7,783	1,129	848
Commercial Property	-	2,063	-	2,063	511	1,552	2,080
Support activities	-	-	1,519	1,519	2,268	(749)	(346)
Owners' improvement activities	-	3,427	-	3,427	3,677	(250)	127
Demolition activities	4,656	-	-	4,656	13,746	(9,090)	(606)
Other income	-	4,620	-	4,620	-	4,620	2,813
Depreciation – Non Social Housing Organisation	-	-	-	-	4,967	(4,967)	(4,830)
Restructuring	-	-	-	-	3,890	(3,890)	(8,252)
Development & Construction of Property Activities	-	-	-	-	2,367	(2,367)	(3,713)
Total from other activities	4,656	21,818	1,519	27,993	60,075	(32,082)	(21,837)

Company

	Grants From Scottish Ministers £ 000	Other Revenue £ 000	Supporting People Income £ 000	Total Turnover £ 000	Total Operating Costs £ 000	2014 Operating Surplus /(Deficit) £ 000	2013 Operating Surplus /(Deficit) restated £ 000
Provision of Group services	-	14,919	-	14,919	14,919	-	-
Total from other activities	-	14,919	-	14,919	14,919	-	-

6. Board members' emoluments

Board members received emoluments of £50,250 (2012/13: £nil) in respect of their services to Wheatley Housing Group Limited. These amounts are fully recharged to operational subsidiaries.

Emoluments were paid to the following Board members.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

	2014
	£
Alastair Dempster (Chair)	8,250
Mike Blyth	5,500
Ronnie Jacobs	5,500
Alastair MacNish	5,500
Gordon Sloan	5,500
Elizabeth Walford	5,500
Lesley McInnes	5,500
Sheila Gunn	5,500
Margaret Dunlop (part-year)	3,500
	50,250

In addition, £2,754 was paid to Board members for reimbursement of expenses.

7. Officers' emoluments

	2014	2013
	£ 000	£ 000
Aggregate emoluments payable to senior officers (including pension contributions and benefits in kind)	1,007	1,029
Emoluments payable to the Chief Executive (excluding pension contributions)	216	196

During the periods the senior officers' emoluments (excluding pension contributions) fell within the following band distributions:

More than £60,000 but not more than £70,000	1	-
More than £70,000 but not more than £80,000	1	-
More than £80,000 but not more than £90,000	1	-
More than £90,000 but not more than £100,000	1	-
More than £100,000 but not more than £110,000	1	-
More than £110,000 but not more than £120,000	-	1
More than £120,000 but not more than £130,000	1	3
More than £130,000 but not more than £140,000	1	1
More than £140,000 but not more than £150,000	1	-
More than £150,000 but not more than £160,000	-	1
More than £160,000 but not more than £190,000	-	1
More than £190,000 but not more than £200,000	1	-
More than £200,000 but not more than £220,000	1	-

The senior officers are defined for this purpose as the Chief Executive and any person reporting directly to the Chief Executive earning at the rate of over £60,000 per annum. Senior officers' duties extend across the Group with emoluments paid by the employing subsidiary company and not directly by Wheatley Housing Group Limited.

The senior officers are eligible to join the pension scheme of the Group subsidiary company by which they are employed and employer's contributions are paid on the same basis as other members of staff.

During the year two senior officers resigned and two new senior officers were appointed, with the total number remaining at six.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

8. Employees

In the year to 31 March 2014, the full time equivalent number of employees of the Group, including senior officers, was 2,073 (2013:1,621). Employee costs include staff employed by West Lothian Housing Partnership Limited, Loretto Housing Association Limited and Loretto Care who joined the Group during the year. No staff are directly employed by the Company.

Group	2014	2013
	£ 000	restated £ 000
Staff costs (for the above persons)		
Wages and salaries	51,429	48,476
Social security costs	3,991	4,081
Employer's pension costs	7,532	5,735
	<u>62,952</u>	<u>58,292</u>

9. Gain on business combination

	2014	2013
	£000	£000
West Lothian Housing Partnership Limited:		
Fair value of net assets acquired	6,017	-
Consideration	-	-
Gain on business combination	<u>6,017</u>	<u>-</u>
Loretto Housing Association Limited:		
Fair value of net assets acquired	21,870	-
Consideration	-	-
Gain on business combination	<u>21,870</u>	<u>-</u>
Total gain on business combination	<u>27,887</u>	<u>-</u>

These entities joined the Group during the year within the normal course of the Group's operations, with no fundamental reorganisation or restructuring occurring as a result. In accordance with FRS 3, the gain arising on business combination is therefore recognised within operating surplus.

10. Surplus on sale of fixed assets – housing properties

This represents net income from the sale of properties under tenants' Right-to-Buy (RTB) entitlement. Sales were made in Glasgow Housing Association and Cube Housing Association.

Group	2014	2013
	£ 000	£ 000
Right-to-Buy		
Proceeds from disposal of properties	4,257	3,582
Value of properties disposed	<u>(1,951)</u>	<u>(1,388)</u>
Surplus on sale of fixed assets	<u>2,306</u>	<u>2,194</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

11. Interest receivable and similar income

Group	2014	2013
	£000	£000
Bank interest receivable on deposits in the year	72	49
Net return on pension asset	220	1,124
Total	<u>292</u>	<u>1,173</u>

12. Interest payable and similar charges

Group	2014	2013 restated
	£000	£000
Bank interest payable	24,496	22,590
Other financing costs	2,053	1,731
Total	<u>26,549</u>	<u>24,321</u>

Prior year comparative has been restated to disclose bank fees and other costs related to the provision of finance to the Group previously reported in operating costs.

13. Tax on deficit on ordinary activities

Group	2014	2013 restated
	£000	£000
Corporation tax:		
UK Corporation Tax on income for the year	13	207
Adjustments in respect of prior years	(207)	(220)
	<u>(194)</u>	<u>(13)</u>

The charitable status of Glasgow Housing Association, Cube Housing Association, West Lothian Housing Partnership and Loretto Housing Association means that no corporation tax is payable on their activities. Tax is payable on the profits from the activities of the Group's other non-charitable subsidiary companies.

Factors affecting the tax charge/(credit) for the current period

Group	2014	2013 restated
	£000	£000
Current tax reconciliation		
Loss on ordinary activities of subsidiary undertakings	(3,143)	(21,001)
Current Tax at 23% (2013: 24%)	(723)	(5,040)
Effects of:		
Charitable losses not deductible for tax purposes	547	5,057
Charitable donation against prior period liabilities	189	190
Over provision in prior year	(207)	(220)
Total current tax credit	<u>(194)</u>	<u>(13)</u>

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

14. Auditors' remuneration

	2014	2013
	£000	£000
The remuneration of the auditors (excluding VAT) is as follows:		
Audit of these financial statements	15	13
Audit of financial statements of subsidiaries pursuant to legislation	118	104
Other services	66	140

15. Financial commitments

Capital commitments

All capital commitments of the Group were as follows:

Group	2014	2013
	£000	£000
Expenditure contracted for, but not provided in the financial statements	59,792	39,524
Expenditure authorised by the Board but not contracted	23,738	26,613
	83,530	66,137

Operating leases

At 31 March 2014 the Group had annual commitments under non-cancellable operating leases as follows:

Group	2014	2014	2013	2013
	Land and Buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000
Operating leases that expire:				
Within one year	346	380	1,372	-
In the second to fifth years inclusive	631	168	286	518
Over five years	598	-	696	-
	1,575	548	2,354	518

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

16. Tangible fixed assets - Housing Properties

Group	Core Stock £ 000	Donated Assets £ 000	Housing Under Construction £ 000	Shared Owner- ship £ 000	Total £ 000
Cost or Valuation					
At 1 April 2013 (restated)	961,993	1,347	24,991	1,752	990,083
Acquisitions	103,092	-	15,186	192	118,470
Additions	67,212	-	25,217	-	92,429
Disposals	(2,114)	-	(5)	-	(2,119)
Transfers	37,487	-	(37,487)	-	-
Revaluation	192,309	56	-	42	192,407
At 31 March 2014	1,359,979	1,403	27,902	1,986	1,391,270
Grants					
At 1 April 2013 (restated)	180,642	-	16,628	1,168	198,438
Acquisitions	64,304	-	8,797	93	73,194
Received / receivable for year	24,681	-	16,058	-	40,739
Disposals	(86)	-	-	-	(86)
Transfers	16,671	-	(16,671)	-	-
At 31 March 2014	286,212	-	24,812	1,261	312,285
Depreciation					
At 1 April 2013 (restated)	(1,441)	-	-	(21)	(1,462)
Acquisitions	-	-	-	-	-
Charge for year	(24,975)	(24)	-	(12)	(25,011)
Disposals	16	-	-	-	16
Revaluation	26,400	24	-	33	26,457
At 31 March 2014	-	-	-	-	-
Net Book Value					
At 31 March 2014	1,073,767	1,403	3,090	725	1,078,985
At 31 March 2013 (restated)	779,910	1,347	8,363	563	790,183

Comparative figures have been restated to reflect the change in accounting policy in Cube Housing Association where housing properties are now carried at valuation as opposed to cost, and housing held for market rent which is reported under investment properties. All subsidiaries in the Wheatley Housing Group Limited account for housing properties at valuation.

The valuation of housing properties is separated into two categories, namely those retained for letting and those properties which form part of the Group's demolition programme, as detailed in the Group's 30-year Business Plan for 2014/15. The demolition programme identifies 2,222 properties for demolition over the next few years, with no long term investment expenditure associated with these properties.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

Demolition programme stock has a negative valuation for accounting purposes due to the impact of demolition costs on the EUV-SH calculation, and so is held at nil on the balance sheet as under FRS 12 there is no constructive obligation at the balance sheet date to provide for these costs.

Retained stock for letting has been valued at £1,072.7 million.

Housing properties have been valued by Jones Lang LaSalle, an independent professional advisor 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 2014 on an Existing Use Valuation for Social Housing (EUV-SH). A discount rate of between 6.0%-6.5% (2013: 6.25% for retained and 8.0% for demolition stock) was used for retained stock dependant on the archetype. The valuation assumes an increase of RPI + 1% for retained stock from year 2 in line with the Group's 30 year Business Plan (2013/14). 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 2007/08 GHA received 30 properties from GCC at nil cost with 1 property subsequently sold. The 29 properties were valued by Jones Lang LaSalle at £1.403m as at 31 March 2014 (2013: £1.347m) on a EUV-SH basis. In line with our policy on donated assets the value of these properties has been treated as a government grant and written-off against the value of the asset across the economic life of the asset. The balance on the government grant account at 31 March 2013 was £1.008m (2013: £1.032m).

During the year the Group disposed of 121 properties (2013: 91 properties) to tenants under RTB entitlements. These properties were valued at £1.951m during the year (2013: £1.387m).

The number of units of accommodation owned and managed (excluding unlettable voids) by the Group at 31 March 2014 is shown below:

	2014	2013
Social Housing		
General needs	43,258	42,580
Shared ownership	50	49
Supported housing	1,335	831
Total Social Housing	<u>44,643</u>	<u>43,460</u>

The housing valuation has been based on the number of houses held for letting, approved for demolition and planned for demolition as per the approved business plan as follows:

	2014	2013
Housing Properties		
Housing held for long-term letting	44,152	42,287
Housing approved / planned for demolition	2,222	3,949
Total Units	<u>46,374</u>	<u>46,236</u>

The difference between total units and Total Social Housing is made up of unlettable voids mostly within the approved for demolition and planned for demolition categories.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

17. Tangible fixed assets - other tangible fixed assets

Group	Commercial Properties £ 000	Combined Heat & Power £ 000	Furniture, fittings and equipment £ 000	Computer Equipment £ 000	Total £ 000
Cost or valuation					
At 1 April 2013	20,431	4,932	11,344	24,886	61,593
Acquisitions	2,320	-	96	866	3,282
Additions	358	-	10,113	4,608	15,079
Disposals	-	-	-	(20)	(20)
At 31 March 2014	23,109	4,932	21,553	30,340	79,934
Depreciation					
At 1 April 2013	(2,494)	(2,561)	(9,648)	(18,865)	(33,568)
Acquisitions	(544)	-	(66)	(766)	(1,376)
Charge for year	(460)	(80)	(1,609)	(2,912)	(5,061)
Disposals	-	-	-	19	19
At 31 March 2014	(3,498)	(2,641)	(11,323)	(22,524)	(39,986)
Net Book Value					
At 31 March 2014	19,611	2,291	10,230	7,816	39,948
At 31 March 2013	17,937	2,371	1,696	6,021	28,025

Commercial properties belonging to Glasgow Housing Association were valued by an independent professional advisor, Ryden Property Consultants, on 31 March 2012 in accordance with the appraisal and valuation manual of the RICS. This process resulted in an elimination of £0.2m from the revaluation reserve in 2011/12. Commercial properties are subject to valuation at least every five years. No further revision was considered appropriate in the year 2013/14.

18. Fixed Asset Investments

Group	Shared Equity Properties £ 000
Cost	
At 1 April 2013	1,200
Additions	-
At 31 March 2014	1,200
Grants	
At 1 April 2013	1,128
Additions	-
At 31 March 2014	1,128
Net Book Value	
At 31 March 2014	72
At 31 March 2013	72

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

19. Investment properties

Group	Properties held for market rent £ 000
Valuation	
At 1 April 2013 (restated)	23,537
Additions	4,916
Revaluation	154
At 31 March 2014	<u>28,607</u>
Net Book Value	
At 31 March 2014	<u>28,607</u>
At 31 March 2013 (restated)	<u>23,537</u>

Properties held by Lowther Homes limited for market rent have been reclassified as investment properties having previously been reported within housing properties fixed assets in note 16. This is to better reflect the nature of the assets.

20. Debtors

Due after more than one year:

Group	2014 £ 000	2013 £ 000
Development agreement	141,148	186,717
Arrangement fees	18,012	18,859
Other	461	-
Total	<u>159,621</u>	<u>205,576</u>

Included in debtors is a balance of £141.1m (2013: £186.7m) in respect of the expected cost of the development work that Glasgow City Council has committed to undertake in order to refurbish the properties. The Council has sub-contracted Glasgow Housing Association to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure (note 23) and as work progresses both of these balances will be utilised when the work is actually undertaken.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

Due within one year:

	2014	2013
Group	£ 000	£ 000
Arrears of rent and service charges	13,282	13,592
Less: provision for bad and doubtful debts	(4,244)	(4,313)
	9,038	9,279
Prepayments and accrued income	1,632	2,321
Other debtors	17,729	18,498
Total	28,399	30,098

	2014	2013
Company	£ 000	£ 000
Amounts due from Group undertakings	1,778	-
Total	1,778	-

21. Creditors: amounts falling due within one year

	2014	2013
Group	£ 000	£ 000
Amounts falling due within one year:		
Trade creditors and accruals	23,603	31,194
Deferred Income	18,424	557
Rent and service charges received in advance	5,729	4,233
Salaries, wages, other taxation and social security	1,243	1,115
Corporation tax	14	208
Bank loans	874	-
Bank overdraft	5,865	8,738
Other creditors	10,582	8,543
Total	66,334	54,588
Company	2014	2013
	£ 000	£000
Amounts falling due within one year:		
Amounts due to Group undertakings	1,778	-
Total	1,778	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

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

Group	2014 £000	2013 £ 000
Scottish Government Loan	100,000	100,000
Bank loans	606,332	514,345
Other creditors	4,552	4,959
Total	710,884	619,304

The Scottish Government made available to Glasgow Housing Association £100.0m of contingent efficiencies grant over an eight year period. Under this agreement £100.0m (2013: £100.0m) has been received and is shown as an interest free loan with repayment due in 2040/41. The grant is however only repayable if agreement cannot be reached between Glasgow Housing Association, Glasgow City Council and the Scottish Government on a suitable re-investment proposal prior to the repayment date.

Bank lending facility

A committed facility of £700.0m (2013: £700.0m), secured on the Glasgow Housing Association's housing stock is available from a syndicate of banks. During the year an additional £72.4m was drawn down (2013: £82.0m) at an interest rate of 4.52% (2013: 4.8%). Of the £700.0m facility £30m is committed for onlending to Lowther Homes Limited which is secured on Lowther Homes' market rental stock. Of the £72.4m drawn during the year, onlending to Lowther Homes totalled £5m (2013: £2m) at an interest rate of 5.25% (2013: 5.25%). The bank loans are secured over the whole of the housing stock, including new build properties completed since stock transfer in March 2003 and certain other properties of the Group subsidiary entity, The Glasgow Housing Association Limited.

A committed facility of £44.9m (2013: £44.9m) secured on Cube Housing Association's housing stock is available from two banks under bilateral loan agreements. During the year an additional £1.8m was drawn down (2013: £3.1m) at an interest rate of 4.02% (2013: 3.91%). At the balance sheet date Cube borrowings under this facility were £34.1m (2013: £32.3m).

West Lothian Housing Partnership had fully drawn its loan facilities and a balance of £8.6m remained outstanding at the year end, fully secured on housing stock. These loans were provided by The Nationwide Building Society. During the year £0.5m was repaid (2013: £0.5m), with the remaining £8.6m repayable at interest rates varying from 0.875% to 5.69%.

Loretto Housing Association has committed secured bank facilities of £15.0m, with a total balance due of £10.0m at the balance sheet date. During the year £4.0m has been drawdown (2013: £0.6m) at an interest rate of 3.205%.

Borrowings are repayable as follows	2014 £ 000	2013 £ 000
In less than one year	870	-
In less than five years and more than one year	17,837	10,970
In more than five years	588,495	503,375
	607,202	514,345

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

23. Provisions for liabilities and charges

Group	Development Agreement £ 000	Insurance £ 000	Project equalisation £ 000	Total £ 000
At 1 April 2013	186,717	1,647	-	188,364
Acquired	-	-	731	731
Created in year	-	-	(295)	(295)
Released	-	-	228	228
Utilised	(45,569)	(499)	(193)	(46,261)
At 31 March 2014	141,148	1,148	471	142,767

Development Agreement

The provision represents the best estimate of the costs of contracted works for the repair of managed properties in 2003 less the cost of repairs carried out since that date. This agreement is part of the Development Agreement between Glasgow Housing Association and Glasgow City Council and as work progresses the provision will be utilised when the work is actually undertaken.

Insurance

A provision has been made in respect of the excess arising on all outstanding insurance claims.

Project equalisation

Under terms of Loretto Care's funding, surpluses arise from the provision of care services which may either be repayable or be used to fund the project in the future.

24. Share capital

Wheatley Housing Group Limited was incorporated on 13th June 2012 and is a Company Limited by Guarantee and therefore does not have any Share Capital.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

25. Reserves

Group- restated	Revenue reserve £ 000	Revaluation reserve - core housing stock restated £ 000	Revaluation reserve- donated assets £ 000	Revaluation reserve - commercial properties £ 000	Revaluation reserve- investment properties £ 000	Total £ 000
Opening Balance at 1 April 2013 (restated)	62,341	125,099	341	6,751	397	194,929
Deficit for the year	(2,949)	-	-	-	-	(2,949)
Revaluation during the year	-	218,783	80	-	154	219,017
Actuarial loss in respect of pension provision	(9,417)	-	-	-	-	(9,417)
Closing balance at 31 March 2014	49,975	343,882	421	6,751	551	401,580

The revaluation reserves opening balance has been restated to reflect the change in accounting policy for Cube housing stock which is now carried at valuation (note 16) and for the reclassification of Lowther housing for market rent now classed as investment property.

There were no balances in reserves for the company at 1 April 2013 and at 31 March 2014.

26. Pensions

Glasgow Housing Association

The Group subsidiary Glasgow Housing Association Limited participates in the Strathclyde Pension Fund which is administered by Glasgow City Council and is a defined benefit scheme. The assets of the scheme are held separately from those of the Association in investments under the overall supervision of the Fund Trustees.

The latest full actuarial valuation was carried out as at 31 March 2011. The next full actuarial valuation is due as at 31 March 2014, but is not yet available as at the date of these financial statements.

The assumptions that have the most significant effect on the results of the valuation 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 2014	31 March 2013
Discount rate	4.3%	4.5%
Expected rate of return on plan assets	6.0%	5.2%
Future salary increases	*5.1%	**5.1%
Inflation	2.8%	2.8%

* Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption thereafter.

** Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption thereafter.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

26. Pensions (continued)

In valuing the liabilities of the pension fund at 31 March 2014, 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: 21.0 years (male) (2013: 21.0 years), 23.4 years (female) (2013: 23.4 years).
- Future retiree upon reaching 65: 23.3 years (male) (2013: 23.3 years), 25.3 years (female) (2013: 25.3 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 GHA has been allocated a share of cost under an agreed policy throughout the periods shown.

	Value at 31 March 2014 £ 000	Value at 31 March 2013 £ 000
Present value of funded defined benefit obligations	(313,304)	(280,460)
Fair value of plan assets	269,641	246,950
	(43,663)	(33,510)
Net liability	(43,663)	(33,510)

Movements in present value of defined benefit obligation

	2014 £ 000	2013 £ 000
Opening defined benefit obligation	280,460	227,202
Current service cost	8,619	6,347
Interest cost	12,772	11,113
Loss on curtailment	1,208	5,365
Actuarial losses	13,252	33,416
Contributions by members	2,280	2,130
Estimated benefits paid	(5,287)	(5,113)
Closing defined benefit obligation	313,304	280,460

Movements in fair value of plan assets

	2014 £ 000	2013 £ 000
Opening fair value of plan assets	246,950	206,434
Expected return on plan assets	12,992	12,237
Actuarial gains	3,835	19,002
Contributions by the employer	8,871	12,260
Contributions by the members	2,280	2,130
Estimated benefits paid	(5,287)	(5,113)
Closing fair value of plan assets	269,641	246,950

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

26. Pensions (continued)

Expense recognised in the income and expenditure account

	2014	2013
	£000	£000
Current service cost	8,619	6,347
Losses on settlements or curtailments	1,208	5,365
Interest on defined benefit pension plan obligation	12,772	11,113
Expected return on defined benefit pension plan asset	(12,992)	(12,237)
	9,607	10,588
	9,607	10,588

The expense is recognised in the following line items in the profit and loss account

	2014	2013
	£000	£000
Operating costs	202,471	193,357
Interest receivable	292	1,173

The total amount recognised in the statement of total recognised surpluses and deficits in respective of actuarial gains and losses is £9.417m loss (2013: £14.414m loss).

Cumulative gains reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are losses of £50.901 million (2013: £41.484m loss).

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

	2014	2013
	£000	£000
Equities	204,927	187,681
Corporate bonds	32,357	34,573
Property	18,875	17,287
Cash	<u>13,482</u>	<u>7,409</u>
	269,641	246,950
Actual return on plan assets	16,826	31,299

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

26. Pensions (continued)

History of experience gains and losses

	2014	2013	2012	2011	2010
Balance Sheet	£000	£000	£000	£000	£000
Present value of scheme liabilities	(313,304)	(280,460)	(227,202)	(208,219)	(235,144)
Fair value of scheme assets	269,641	246,950	206,434	202,419	179,185
(Deficit)	(43,663)	(33,510)	(20,768)	(5,800)	(55,959)
	2014	2013	2012	2011	2010
Experience Adjustments	£'000 / %	£'000 / %	£'000 / %	£'000 / %	£'000 / %
Experience adjustments on scheme liabilities £'000	118	318	10,333	(72)	7
Experience adjustments on scheme liabilities %	0.0	0.1	4.5	0.0	0.0
Experience adjustments on scheme assets £'000	3,835	19,002	(14,795)	1,188	39,081
Experience adjustments on scheme assets %	1.4	7.7	(7.2)	0.6	21.8

Pensions Trust Scottish Housing Association Pension Scheme

Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association and Loretto Care participate in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS"). SHAPS is a multi-employer defined benefit scheme and is funded and contracted out of the State Pension Scheme.

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in
- Defined contribution scheme

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Cube Housing Association and West Lothian Housing Partnership have elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2008 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1st April 2008.

Loretto Housing Association also operated the final salary option at the start of the year and subsequently transferred to the SHAPS Defined Contribution scheme with effect from 1 July 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

26. Pensions (continued)

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Cube Housing Association Limited and West Lothian Housing Partnership paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%. Loretto Housing Association paid employer contributions of 9.6% of pensionable salaries whilst operating the final salary option up to 1 July 2013, and thereafter 5.0% of pensionable salaries to the defined contribution scheme.

Cube Housing Association Limited and West Lothian Housing Partnership will cease to offer membership of the defined benefit scheme with effect from 1 September 2014. From that date all active employee members will be transferred to the SHAPs defined contribution scheme which will offer a range of flexible funding options with contributions split between the employees and employer.

It is not possible to identify a specific share of underlying assets and liabilities belonging to individual participating employers as 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. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

26. Pensions (continued)

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Pensionable earnings growth (annual)	4.1
- Rate of price inflation	2.6
- Rate of consumer price inflation	2.0

In addition, latest mortality research has been taken into account.

Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable salaries)</i>
Final salary - 60ths	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

26. Pensions (continued)

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.

27. Scottish Government and other grants

The Scottish Government made available a secured repayable grant of £370m to Glasgow Housing Association, receivable over 13 years. The grant was subject to a number of specified conditions. These conditions were revised on 1 April 2009 to make the grant repayable under certain circumstances. If Glasgow Housing Association delivered all commitments to tenants made at the time of transfer in March 2003, and met the performance standards of the Scottish Housing Regulator by 31 March 2015 then no grant would be repayable. These conditions were met during the year and accordingly the Scottish Government agreed that this grant was not repayable. No provision for repayment is therefore required.

Additionally, the Scottish Government made available to Glasgow Housing Association a further £100m of Contingent Efficiencies Grant receivable over an eight year period from 2004/05. £100m has been received up to the 31 March 2014 and is shown as a loan (note 22).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

27. Scottish Government and other grants (continued)

A list of Scottish Government Grants and loans receivable for the year is given in the table below:

Grants & Loans	2014	2013
	£000	£000
Scottish Government Grants (Capital)		
Secured Repayable grant	22,326	21,656
Reprovisioning grant	16,058	11,002
Investment & innovation funding	-	-
Total Scottish Government Capital Grants	<u>38,384</u>	<u>32,658</u>
Other Capital Grants		
Energy Efficiency	2,355	3,146
Total Capital Grants	<u>40,739</u>	<u>35,804</u>
 Scottish Government Revenue Grants		
Demolition grant	4,636	7,931
 Total	 <u><u>45,375</u></u>	 <u><u>43,735</u></u>

28. Related party transactions

The company retains a register of members' interests. During the year there were no interests in related parties that require to be declared by Directors.

29. Cash Flow Analysis

Reconciliation of surplus to net cash inflow from operating activities

	2014	2013
	£000	restated
		£000
Surplus/(deficit) from operating activities	20,808	(47)
Gain on business combination	(27,887)	-
Depreciation charges	30,074	26,932
Decrease in debtors	3,186	6,745
Decrease in creditors and provisions	6,617	(14,642)
Release of grant	(36)	(36)
Pensions costs less contributions payable	957	(547)
 Net cash inflow from operating activities	 <u><u>33,719</u></u>	 <u><u>18,405</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

29. Cash Flow Analysis (continued)

Reconciliation of net cash flow to movement in net debt	2014	2013
	£000	£000
Net debt at 1 April	(608,536)	(496,297)
Increase in cash in the year	16,357	6,580
Decrease in overdraft	2,873	(4,473)
Cash inflow from debt due within one year	(870)	(10,970)
Cash inflow from debt due in more than one year and less than five	(6,867)	-
Cash inflow from debt due after more than five years	(85,120)	(103,375)
Net debt at 31 March	<u>(682,163)</u>	<u>(608,535)</u>

Analysis of changes in net debt	At 1 April	Cash flow	At 31 March
	2013		2014
	£000	£000	£000
Cash at bank and in hand	14,548	16,356	30,904
Overdraft	(8,738)	2,873	(5,865)
Movement in cash	<u>5,810</u>	<u>19,229</u>	<u>25,039</u>
Debt due within one year	-	(870)	(870)
Debt due in more than one year and less than five	(10,970)	(6,867)	(17,837)
Debt due after more than five years	<u>(603,375)</u>	<u>(85,120)</u>	<u>(688,495)</u>
Net debt	<u>(608,535)</u>	<u>(73,628)</u>	<u>(682,163)</u>

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

30. Subsidiary and associated undertakings

The ultimate parent company is Wheatley Housing Group Limited. The Company has eight immediate subsidiaries – Glasgow Housing Association Limited, Cube Housing Association Limited, West Lothian Housing Partnership Limited, Loretto Housing Association Limited, Glasgow Housing Association (Funding) Limited (“GFL”), GHA Enterprises Limited, Lowther Homes Limited and YourPlace Property Management Limited. Loretto Care is a subsidiary of Loretto Housing Association Limited. Wheatley Housing Group Limited retains constitutional control of all subsidiary undertakings.

The objectives of Glasgow Housing Association (Funding) Limited include the provision of finance to registered social landlords. GHA Enterprises Limited is a non-trading holding company overseeing commercial activity which, through Glasgow Housing Association (Management) Limited, delivers factoring services to homeowners. Lowther Homes Limited is involved in investment property acquisition and offers its properties for private and mid-market rent. YourPlace Property Management Limited is non-trading.

The results of Scotcash CIC have not been consolidated as an associate undertaking into these accounts as they are not material to the Group’s operations. Scotcash provides accessible and affordable finance to individuals with limited access to banking services. GHA has provided start up funding to Scotcash and has no outstanding obligations.

The legal form and share capital of each immediate subsidiary of the Wheatley Housing Group Limited is as follows:

Subsidiary	Legal status	Issued share capital
The Glasgow Housing Association Limited	Co-operative and Community Benefit Society	9 x £1 shares
Cube Housing Association Limited	Co-operative and Community Benefit Society	227 x £1 shares
The Glasgow Housing Association (Funding) Limited	Company Limited by Guarantee	No share capital
GHA Enterprises Limited	Company Limited by Shares	100 x £1 ordinary shares
Lowther Homes Limited	Company Limited by Shares	100 x £1 ordinary shares
YourPlace Property Management Limited	Company Limited by Shares	2 x £1 ordinary shares
Loretto Housing Association Limited	Co-operative and Community Benefit Society	259 x £1 shares
West Lothian Housing Partnership Limited	Company Limited by Guarantee	No share capital

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

The Company exercises its functions as parent of the entities listed above through ownership of 100% of the share capital in all Companies Limited by Shares, through the ownership of a parent share with controlling rights in all Co-operative and Community Benefit Societies, and through a controlling interest as a member of the Companies Limited by Guarantee.

Transactions between wholly owned Group companies and closing balances do not required to be disclosed under FRS 8.

31. Post balance sheet events

Discussions are ongoing with Dunedin Canmore Housing Association Limited regarding a partnership which would see Dunedin Canmore Housing Association Limited joining the Wheatley Housing Group Limited.

SUPPLEMENTARY INFORMATION

Secretary and Registered Office

Kirsten Craig
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Glasgow G1 1HL

Auditors

PricewaterhouseCoopers LLP
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Glasgow G2 7EQ

Bankers

Royal Bank of Scotland
Glasgow Corporate Office
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139 St Vincent Street
Glasgow G2 5JF

Lloyds Banking Group
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25 Gresham Street
London EC2V 7HN

Members of Loan Syndicate

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

Lloyds Banking Group
3rd Floor
25 Gresham Street
London EC2V 7HN

Nationwide Building Society
Housing Finance
Kings Park Road
Moulton Park
Northampton
NN3 6NW.

European Investment Bank
100 Boulevard Konrad
Adenauer L-2950
Luxembourg

BOARD MEMBERS AND EXECUTIVE TEAM INFORMATION

Alastair Dempster CBE, Chair (Non-Executive Director)

A career banker, Alastair held a number of senior positions, latterly as the Chief Executive of Lloyds TSB Scotland PLC for 6 years. A fellow and former President of the Chartered Institute of Bankers in Scotland, Alastair has held a number of non-executive director positions in the private and public sector, including 12 years as an independent Board member of GHA.

Liz Walford (Non-Executive Director)

Liz has held a number of executive positions within the housing sector in England, retiring as the Group Chief Executive of Walsall Housing Group in 2009 following 5 years in post. Liz has extensive experience of business transformation and change, having supported significant change programmes and provided expert governance advice and support as a regulatory appointee on a number of housing provider Boards.

Mike Blyth (Non-Executive Director)

A chartered accountant, Mike was a partner for 30 years in Baker Tilly where he held a number of senior management positions both locally and nationally. In addition, he headed up the not-for-profit group in the West of Scotland and, as such, provided audit and advisory services to a wide range of Registered Social Landlords the length and breadth of Scotland. Mike is also a trustee and Vice Chair of Erskine Hospital and Chairman of Anglo Pacific Group PLC.

Ronnie Jacobs (Non-Executive Director)

Ronnie is a qualified surveyor and has over 30 years experience in the private housing sector, in particular new build. He has held a number of senior positions in the private housing sector, including Managing Director of Persimmon Homes and Miller Homes in Scotland and he recently retired as Scottish Regional Chairman of Miller Homes. Ronnie has advised the Scottish Government on housing as part of the Housing Supply Task Force and has served on the Board of Homes For Scotland.

Alastair MacNish (Non-Executive Director)

Alastair spent his career in local government, initially in finance as a Chartered Accountant, and latterly he spent 5 years as the Chief Executive of South Lanarkshire Council, Scotland's third largest local authority at the time. He was formerly the Chairman of the Accounts Commission and Audit Scotland and has advised the Scottish Government on a wide range of issues, including being part of the review group for MSP remuneration, chairing the Leadership Advisory Panel on Local Government Leadership Capacity and providing evidence to the Scottish Parliament Local Government and Communities Committee on the budget setting.

Gordon Sloan (GHA nominated Director)

Gordon has been the Chairman of GHA since 2010. Gordon spent his career in the civil service, working as a Children's Reporter. Gordon has extensive experience in community governance, where he is a member of Keystone Management Committee. He is also a Chair of the NHS Trust Panel in Glasgow.

John Grant (GHA nominated Director)

John has a wide range of experience of not-for-profit and commercial non-executive roles. He is currently a director of social enterprise Scotcash CIC, a financial services company which provides loans to non-mainstream clients. John is also a non-executive director of Lowther Homes Limited, a private property development company and is a member of the GHA Board, chairing the West Area Committee.

BOARD MEMBERS AND EXECUTIVE TEAM INFORMATION

Lesley McInnes (Co-Optee)

Lesley has extensive senior experience in the housing sector, at Executive and Board level and is currently the Chief Executive of West Highland Housing Association. She also serves on the Board of Cube Housing Association and the Group Audit Committee.

Sheila Gunn (Co-Optee)

Sheila is a solicitor and has worked in legal private practice for 24 years, most recently as Partner and Head of Employment at Shepherd & Wedderburn. She has a track record of Board-level success as counsel to some of the UK's leading companies including Scottish Power, Cairn Energy and Ignis Asset Management. Sheila also has extensive experience in the housing sector having advised Ark Housing Association and Hanover Housing Association over many years on a wide range of issues and is also a director of GHA (Management) Limited trading as YourPlace.

Margaret Dunlop (Co-Optee)

Margaret spent her early career as Senior Industrial Engineer within a multi-national company where she analysed and designed systems. Subsequently, as Head of Department, she managed both academic and administrative resources college-wide for IT, Audio-visual, Theatre, Printing, Publishing and Library Services. Her Head of Department remit also involved the promotion, production and delivering of Learning Packages to Fire Services nationally and internationally including the design and implementation of a staff advancement learning system within the multi-national BAA company. Margaret is the Chair of West Lothian Housing Partnership.

Martin Armstrong (Director)

Martin is Group Chief Executive of Wheatley Housing Group. Martin has over 25 years of public sector experience with a track record in strategy formulation, performance management and change management. He has successfully led the transformation of GHA to the top performing landlord in Scotland, a recognised and valued partner at local and national level as well as achieving a wide range of external recognition.

EXECUTIVE TEAM

Martin Armstrong, Group Chief Executive

Martin sits on the Board of Wheatley Housing Group and also leads the Group's Executive team.

Mark Logan, Group Director of Finance

Mark, a Chartered Accountant, joined GHA in October 2009 from West of Scotland Housing Association where he was initially Director of Corporate Services before becoming Deputy Chief Executive. He was previously Assistant Director of Housing and Regeneration at Ernst & Young from 2000-2006 providing support to clients across the UK including large local authorities and housing organisations gaining a wealth of experience in stock and second stage transfer. Mark was appointed Group Director of Finance for the Wheatley Housing Group in June 2012. Mark serves as a director of Lowther Homes Limited and YourPlace Property Management.

Alex McGuire, Group Director of Property

Alex joined GHA in April 2008 and was appointed Group Director of Property in 2013. Alex had responsibility for Glasgow Housing Association's £1.2 billion Investment Programme – the largest of its kind in Europe – as well as repairs and maintenance. Alex, formerly a Housing Strategy Manager at West Lothian Council, set up and ran the West Lothian Housing Partnership. He is a director of Lowther Homes Limited.

Graham Isdale, Director of Corporate Affairs and Commercial

A former UK Board director of one of the world's largest communications companies, Graham joined Glasgow Housing Association in 2009. He was previously instrumental in building two of the biggest independent PR consultancies in the UK and has handled major crisis, issues-management and communications assignments for multi-nationals all over the world, as well as FTSE 100 companies and Government departments and agencies. Graham is also a former regional newspaper editor.

Olga Clayton, Group Director of Housing and Care

Olga joined Wheatley Housing Group in September 2013, and has over 25 years experience in Scottish social housing. As Head of Housing at North Ayrshire Council, Olga led the transformation of the service achieving an 'A' rating from the Scottish Housing Regulator, winning Quality Scotland's top award for Business Excellence and achieving COSLA's Gold award for innovation in services. Olga also has substantial experience of developing partnerships and delivering services in the care sector. As Head of Housing and Community Care in her final four years at North Ayrshire Council, she was responsible for commissioning and contracting for services to older people and people with disabilities, achieving excellent Care Inspectorate ratings and leading service integration with the Health Service. As well as having a strong operational track record, Olga has extensive experience of contributing to policy development at national level, most recently serving on the Ministerial Strategy Group on Homelessness and the national delivery group for the Integration of Health and Social Care.

Elaine Melrose, Group Director of Resources

Elaine joined Wheatley Housing Group in September 2013 from West Dunbartonshire Council where she was an Executive Director for Housing, Environmental and Economic Development. Elaine has wide strategic experience in everything from regeneration and community planning to infrastructure investments and has led key improvement activity in organisation culture and improving competitiveness.

Kirsten Craig, Company Secretary

Kirsten is a qualified solicitor and held the position of Company Secretary at Dumfries and Galloway Housing Partnership Limited prior to joining Wheatley Group in January 2014.

