



ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended

31 March 2017

Wheatley Housing Group Limited

Scottish Housing Regulator Registration No. 363
Registered No. SC426094

CHAIR'S REPORT

Wheatley held a steady course throughout what was a turbulent year on the national and international front, navigating several key landmarks in the Group's five year strategy, "Investing in Our Futures".

These included:

- agreeing to become - with Glasgow City Council – joint owners of City Building (Glasgow) LLP, heralding a radical new approach to the way in which repairs and maintenance services are delivered;
- laying strong foundations for Scotland's largest affordable house-building programme;
- and establishing a new charitable trust, the Wheatley Foundation.

All three, in different ways, are game changers. Welcoming City Building (Glasgow) LLP to the Wheatley family from 1 April 2017 eradicated what was a traditional client-contractor relationship, giving us not only the opportunity to embed our "Think Yes" culture with all staff involved in repairs, but to introduce even more innovation, flexibility and agility into this most important of services. Critically, it enables us also to integrate housing, repairs and environmental staff at a truly local level.

Wheatley's development programme – ranging across Scotland from West Dunbartonshire to Edinburgh and the Lothians – continued to make steady progress, with a total of 298 homes completed during the year. The platform was built for even stronger growth, with no fewer than 1355 homes on site at the end of March 2017 and 1360 more in the pipeline for Board approval. The ongoing diversification of the Group's tenancy range was highlighted both by the growth of Lowther's mid-market portfolio and the addition of 281 houses - completed or on site - designed to meet the needs of older people.

Wheatley Foundation was launched in Glasgow by Scotland's Cabinet Secretary for Communities, Social Security and Equalities, Angela Constance MSP, with the Board meeting for the first time in May, 2016, under its Chair, the highly-respected former Chief Medical Officer of Scotland, Sir Harry Burns.

The Foundation's multiple "Better Lives" programmes are designed to support the thousands of vulnerable people Wheatley works for across the country. No fewer than 7500 benefited, through everything from jobs, apprenticeships, training and bursaries to receiving all sorts of financial advice and support and access to a range of cultural and sporting opportunities.

Foundation funding comes from external sources, such as The Big Lottery, European Structural Funds and the Scottish Government, as well as Wheatley partner organisations, including over £1.5million of Gift Aid from our commercial subsidiaries. Encouragingly, a total of over £6.8million has been secured externally to date, and the strategic aim is to continue to diversify this funding as much as possible.

Across the Group, business performance and financial management continued on a strong footing, with net rental income outperforming budget. The commercial subsidiaries, Lowther Homes and YourPlace Property Management, exceeded their income targets, while Loretto Care successfully tendered for places on six new frameworks, creating opportunities that put our care services in a strong position to secure sustainable growth.

CHAIR'S REPORT (continued)

No review of the year would be complete without paying tribute to two stalwart tenant champions, Gordon Sloan and Liz Ruine, who retired as Chairs of GHA and Cube respectively, and welcoming their successors, Bernadette Hewitt and Peter Kelly. Bernadette is a proud GHA tenant and former Chair of the North East Area Committee, while Peter is an experienced businessman and partner in the leading Scottish law firm Brodie's. Both are tremendous assets to their respective RSLs and Wheatley Board.

During his six years at the GHA helm, Gordon played a significant role in the creation of Wheatley, campaigned strongly against the UK Government's welfare reforms and attended hundreds of community events. During his chairmanship, GHA completed the legally-binding tenant promises made at the time of stock transfer, £1.2 billion was invested in modernising over 70,000 former council homes, customer satisfaction improved to 90 per cent, hundreds of new homes were built and GHA won a string of national and international awards and accreditations.

Liz, who was Cube Chair for five years, was another great social landlord ambassador, who worked tirelessly and with great dedication and passion on behalf of tenants. During her time as Chair, Cube launched a £40 million investment project in existing homes, as well as a major new-build programme. She too leaves a strong legacy and we wish both Liz and Gordon all the very best for the future.

Gordon, however, is not retiring altogether. Although he has stepped down from the GHA and Wheatley boards, he is continuing as a Lowther Board member and will put all of his considerable experience to good use as the first Chair of City Building (Glasgow).

In summary, Wheatley Group ended the financial year 2016/17 in good shape and with renewed determination to achieve the ambitious aims set out in the "Investing in Our Futures" strategy that takes us through to 2020.



Alastair MacNish OBE

Chair of Wheatley Housing Group Board

CHIEF EXECUTIVE'S REPORT

As the people we work for - and the people who work for Wheatley - know only too well, "we don't do standing still" on our never-ending Journey to Excellence. That said, as 2017 marks the Group's fifth birthday anniversary, it is timely perhaps to reflect not only on the last financial year, but on how far we have come in the past half decade.

Customers, staff, Board members and strategic partners can look back, I believe, with pride on what has been achieved so far:

- over £1.5 billion invested in existing homes;
- the biggest new-build programme of its kind under way in Scotland;
- the creation of hundreds of jobs, apprenticeships and training places for disadvantaged people;
- an award-winning range of personalised care services supporting the most vulnerable in our communities;
- and a string of national and international accreditations recognising the great work we do across Scotland.

However, as I said, "we don't do standing still" and the focus is firmly on not only completing the objectives outstanding over the final three years of our "Investing In Our Futures" strategy, but beginning the task of plotting an even more ambitious course beyond 2020.

It is this unrelenting ambition to do more for Wheatley communities that defined 2016/17, ensuring the Group recorded another solid year of strong operational business and financial performance. Wheatley's social landlords are on target to be in the top quartile in Scotland in 80% of our performance measures, Loretto Care won and retained new contracts and achieved top inspection grades from the Care Inspectorate. Turnover rose to £276 million, yielding an operating surplus of £46 million.

The Group's strong financial standing was underscored by one of the world's leading credit rating agencies, Standard and Poor's, who revised upwards Wheatley's outlook from A+(negative) to A+(stable). Even more importantly, our Stand-Alone Credit Profile was upgraded from B to A. Another vote of confidence came from the financial sector in May 2017, in the form of £100 million of new private investment, secured for our new-build programme from BlackRock Real Assets, the world's largest investment management company.

The completion of the joint venture ("JV") with Glasgow City Council at the start of April, this year, in which we took joint ownership and control of City Building (Glasgow) LLP was another major milestone. It is hugely significant, not because the deal over the course of a 30-year business plan is valued at £3.7 billion and not because it secures hundreds of jobs in Glasgow and beyond, vital though that is. It is because it offers us a rich opportunity to improve yet further the all-important repairs and maintenance services we provide to tens of thousands of tenants and factored homeowners across Scotland.

The JV provided us with the opportunity to consult customers not just in the West, but across the Group's footprint about what THEY want and expect. The message - from West Dunbartonshire through Glasgow to the Lothians, Fife and Edinburgh - was clear: a locally-based service, a responsive service, an agile service. One that is dependable and efficient, friendly and personable.

CHIEF EXECUTIVE'S REPORT (continued)

One that offers good value for money and one in which communication with the customer is live, constant and accurate.

That priceless feedback, married to our ThinkYes culture, has been used to redesign the services being provided by City Building in the west and Dunedin Canmore's Property Services Team in the east.

The Group's care provision was strengthened and expanded by the arrival in April 2016, of Barony, providing care to 700 people in the east of the country. Loretto and Barony are establishing themselves quickly as leading providers of innovative and highly personalised support services through our award-winning "W.E.Care" model.

The way in which housing and care staff are working ever more closely to offer specialised support to our most vulnerable tenants is another major development. Wheatley's ground-breaking Tenancy Support Service, which supported almost 2000 people over the year, complements and augments the wide range of "wrap-around" services already offered. These include financial, budgeting, fuel and welfare advice; help to get online; the provision of free recycled furniture; bursaries to go to college and university; and employment, apprenticeship and training opportunities.

The new Changing Lives programme, launched by Scotland's Minister for Employability and Training, Jamie Hepburn MSP, gave 52 tenants who had found it almost impossible to find a job the opportunity to join our environmental teams. One young man, who arrived in Glasgow as a refugee in 2015, had applied for 955 jobs before being accepted into the programme. Within five months, he had earned a full-time job with GHA. Other initiatives, targeted at younger tenants and the children of tenants, resulted in the recruitment of 45 Environmental Apprentices and 38 Modern Apprentices in housing, care, and horticulture.

Wheatley's reputation as one of the UK's leading housing, care and property management groups was enhanced further by a new set of national and international accreditations. The highlights included retaining Customer Service Excellence, with a record 19 Compliance Plus marks, up from the 16 gained in the previous year. Wheatley also was ranked 47 in the Sunday Times list of best not-for-profit organisations to work for in the UK. The Group's largest subsidiary, Glasgow Housing Association, won the European Foundation for Quality Management ("EFQM") prize for Best in Europe for Building Organisational Capability.

Finally, although the horror of the Grenfell Tower fire in London in June 2017 happened outwith the financial year, it would be remiss of me not to extend our deepest sympathies to all involved and to offer assurances about the level of priority Wheatley attaches to fire safety. Our sector-leading approach is built on a formal strategic partnership established with the Scottish Fire and Rescue Service ("SFRS") six years ago. The key aims remain to:

- establish and enhance good practice in fire safety within our properties;
- raise fire-safety awareness among all employees who visit our homes;
- share expertise, knowledge and all relevant operational intelligence;

CHIEF EXECUTIVE'S REPORT (continued)

- and, ultimately, to assist both organisations achieve their corporate priorities: “Protection, Community and Partnership” for SFRS and “Making Homes and Lives Better” for Wheatley.

SFRS personnel have been seconded to our Community Improvement Partnership (“CIP”) since its launch in 2011, working with housing staff to prevent and mitigate fire risks. Quarterly Fire Risk Assessments are undertaken by the SFRS, with reports highlighting improvements and actions reviewed constantly by the CIP. Also, over 1000 Home Fire Safety Visits have been undertaken since 2014/15 and daily Fire Risk Assessments (SFRS approved) are carried out by the concierges based at our multi-storey blocks 365 days a year.

Most multi-storey blocks have been, or are being, fitted with external wall insulation as part of our huge investment programme. The systems used are designed to prevent the spread of fire and are manufactured with non-combustible materials. There are no aluminium composite material cladding panels with a plastic core of the type used in Grenfell Tower.

The result has been a huge reduction in fire fatalities within our communities. There were none in GHA stock from July, 2011, – 2015 and there have been no fire fatalities in our multi-storey flats since 2009/10. Notwithstanding this, we are continuing to work with partners, including SFRS and Scottish Government, to improve further all efforts to keep tenants safe in their homes and to expand and strengthen our resources and capabilities in this regard across the Group.

In conclusion, I would like to pay tribute to the excellence and dedication of our staff. In their daily working lives, they embrace our values of Excellence, Community, Trust and Ambition and ensure they remain the DNA that drives forward Wheatley, a Group that like all great customer-focused enterprises, refuses to stand still.

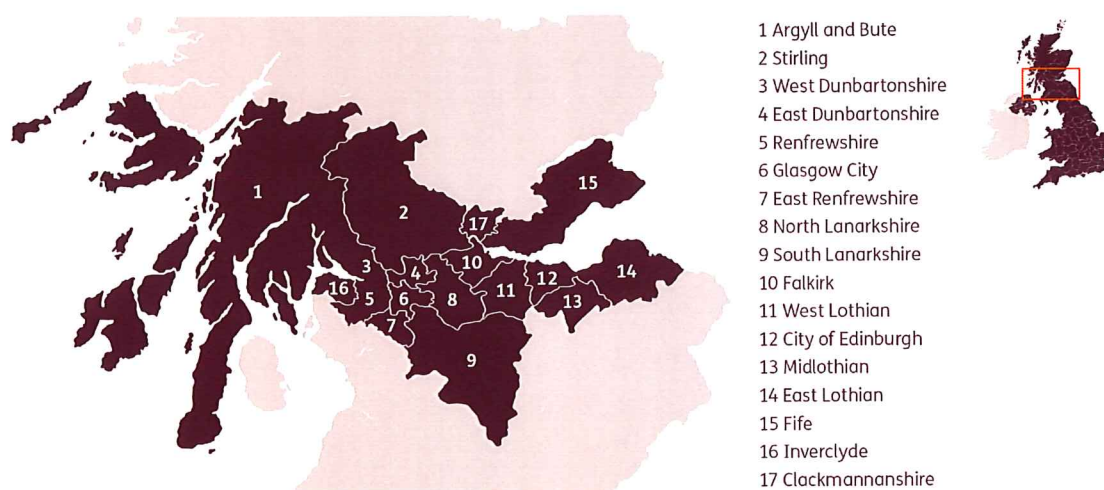
Martin Armstrong

Wheatley Housing Group Chief Executive

STRATEGIC REPORT

Who we are and where we operate

Headquartered in Glasgow, we now serve over 200,000 people in 17 local authority areas across central Scotland through our Registered Social Landlords, care organisations and commercial subsidiaries. Barony Housing Association joined the Group on 1 April 2016, bringing a strong care presence in the east of Scotland. Each part of the Wheatley family is focused on delivering excellence no matter what they do and each remains firmly rooted in their communities, providing services tailored to the needs of their individual customers.



The Group comprised, as at 31 March 2017:

- Seven Registered Social Landlords:
 - Wheatley Housing Group Limited – the Group parent does not own any homes, but is registered with the Scottish Housing Regulator.
 - The Glasgow Housing Association Limited (“GHA”) – Scotland’s largest Registered Social Landlord, with 39,272 homes in Glasgow (excluding properties classified for demolition).
 - Cube Housing Association Limited (“Cube”) – with 3,499 properties across the west of Scotland.
 - West Lothian Housing Partnership Limited (“WLHP”) – which owns and manages 381 affordable homes in West Lothian.
 - Loretto Housing Association Limited (“LHA” or “Loretto Housing”) – a specialist provider of supported accommodation with 1,347 properties in west and central Scotland.
 - Dunedin Canmore Housing Limited (“DCH” or “Dunedin Canmore”) – with 5,759 affordable rented properties across Edinburgh, the Lothians and Fife.

STRATEGIC REPORT (continued)

- Barony Housing Association Limited (“Barony”) – owning 353 social rented homes and providing care and support services to over 700 people in east and central Scotland.
- Loretto Care, which supports over 1,000 people with specialist needs, many of whom live in properties owned by its parent entity, Loretto Housing Association Limited.
- Three commercial entities:
 - YourPlace Property Management Limited (a subsidiary of Wheatley Enterprises Ltd) – providing factoring (common property management services) to over 27,700 customers.
 - Lowther Homes Limited which has a portfolio of 555 private rented homes and provides management services to the Group’s mid-market rented homes.
 - Wheatley Solutions, a new subsidiary providing support services, ranging from finance, IT and procurement to governance, assurance, and communications and marketing, to the Group’s partner organisations.
- Three funding entities:
 - Wheatley Funding No.1 Limited (“WFL1”) – the treasury vehicle which draws funds from bank lenders and our bond issuer vehicle and on-lends these to the Group’s Registered Social Landlords (“RSLs”).
 - Wheatley Group Capital plc – a subsidiary of Wheatley Funding No.1 Ltd, this is the entity which issued our bonds on the London Stock Exchange.
 - Wheatley Funding No.2 Limited (“WFL2”) – the treasury vehicle for our commercial entities.
- In April 2016, a new entity, Wheatley Foundation Limited was established as a new provider for our community and better lives activity.

All of these entities are direct subsidiaries of the Wheatley Housing Group Ltd unless otherwise stated above.

The total number of housing properties owned by the Group at 31 March was:

	2017	2016
General needs	47,705	47,435
Shared ownership	393	398
Supported housing	1,719	1,527
Housing approved/planned for demolition	311	340
Market rent	1,349	1,268
Total Units	51,477	50,968

STRATEGIC REPORT (continued)

The year under review

The year to March 2017 marked the second stage of our work to realise our ambitions in our five-year strategy "Investing in Our Futures".

Our five strategic platforms are:

- Customer Service Excellence
- Asset Growth and Partnerships
- Transforming the Care Environment
- Building Shared Capability
- A Strong and Diverse Funding Base.

The key achievements during the year, under each area of our strategy, are detailed in the sections which follow.

Customer service excellence

Transforming repairs and environments

Our ambition to create a modern, local and more efficient repairs and maintenance service took a major step forward over 2016/17 when we agreed a new joint venture with Glasgow City Council – which then went live on 1 April 2017.

Becoming 50:50 joint owner of City Building (Glasgow) LLP has given us the opportunity to reshape our repairs service, designing a service which delivers consistent excellence for customers. Work on this began in 2016 and involved consulting with tenants in all our partner organisations.

City Building (Glasgow) LLP employs more than 2000 staff, is responsible for an annual housing repairs budget of £33 million and investment budget of £27 million, and carries out £30 million of repairs on behalf of the city council each year.

The jointly owned partnership is providing repairs and investment work to our homes in the West of Scotland, while in the East, our repairs service is provided by Dunedin Canmore's Property Services Team. Our aim is that all customers, no matter where they are, will receive the same outstanding level of service.

We also invested in strengthening our environmental services, restructuring the teams and recruiting almost 200 new staff including apprentices and trainees. As part of our mission to create communities people are proud to live in, we also launched a new partnership with Keep Scotland Beautiful which is involving tenants in assessing, grading and improving neighbourhoods.

STRATEGIC REPORT (continued)

Improving performance

Across all areas of the Group, we reported improving performance. Our target for our Registered Social Landlords ("RSLs") is to achieve 80% of measures in the top quartile of returns to the Scottish Housing Regulator. All of our RSLs made good progress towards this with Cube and Dunedin Canmore both making significant progress.

Some highlights included:

- West Lothian Housing Partnership, Dunedin Canmore and Barony achieved overall customer satisfaction of above 90% with GHA at 89%;
- Tenancies sustained for more than a year across Group reached 91.47% against a target of 91%;
- Average time to complete an emergency repair was 2.8 days against a target of 3.5 days;
- Average time to let a property was 13.9 days against a target of 14.5 days.

More customers go online

We launched three new websites as we continued to encourage and support our customers to go online. The websites for GHA, Cube and West Lothian Housing Partnership were designed in consultation with tenants and within a few months saw the number of online visitors increase. Websites for the other parts of Wheatley are being rolled out.

The new websites are mobile friendly, easy to navigate and feature engaging content. Our target is to see 30% of all customer transactions carried out online and the new websites played a part in increasing the numbers of customers registering and using our online self services.

Over 2016/17, a total of 1371 people signed up for online self-service bringing the total number of registered users to over 5000. A total of £2.66 million was paid by customers through the online channel over the 12-month period.

Awards and accreditations

Our journey to excellence continued to be recognised and rewarded through a wide range of awards and accreditations. Over 2016/17, Wheatley:

- regained Customer Service Excellence accreditation with 19 'compliance plus' marks, a record number and up from 16 the previous year;
- was ranked no. 47 in the Sunday Times list of best not-for-profit organisations to work for;
- made it into 24 Housing magazine's top 10 social landlords in the UK; and
- won the Institute of Internal Communication ("IOIC") gold award for use of writing in its publications and online channels.

STRATEGIC REPORT (continued)

Wheatley's largest partner – GHA – won the European Foundation for Quality Management (“EFQM”) prize for Best in Europe for Building Organisational Capability while Loretto Care, West Lothian Housing Partnership and Cube were all recognised for excellence at Quality Scotland's national awards for business excellence.

Growing our assets to provide more affordable housing

Building affordable housing

Our plans to increase the supply of affordable housing across all our communities made progress with a total of 231 new homes completed for social rent and 67 for mid-market rent.

We marked completed developments over the year including:

- 55 new homes in Lambhill, Glasgow, by Loretto Housing;
- 34 in Ruchill and 46 in Yoker, both Glasgow, by Cube;
- 21 in Bilston in Edinburgh, by Dunedin Canmore; and
- 50 in Kingsway in Scotstoun, 47 in Pollokshaws and 45 in Royston, all Glasgow, by GHA.

At the end of the financial year we were on site building a further 1355 homes, including 111 at Craigmillar in Edinburgh, and a further 1360 were in development.

Wheatley's work to regenerate communities and build more affordable homes earned a series of accolades throughout 2016. One of GHA's flagship new-build developments at Sighthill was recognised as Affordable Housing Development of the Year in the Homes for Scotland Awards and as Large Affordable Housing Development of the Year in the Scottish Home Awards.

At the Herald Property Awards GHA's North Toryglen new-build project won the title of Affordable Housing Development of the Year while the Best Housing Regeneration Project went to Cube for its Milncroft Road development in Ruchazie. Best Small Affordable Housing Development at the Scottish Home Awards went to Loretto Housing for its Mossspark development, a partnership with Southside Housing Association.

Lowther Homes

Lowther Homes, our commercial subsidiary, further increased its portfolio over the year.

It bought 21 two-bedroom flats from Barratt Homes West Scotland at Silverbells in Hamilton for full-market rent and bought a further 17 two bedroom flats at Scholars Wynd in Beith, Ayrshire.

Lowther also took on the management of 46 new homes for mid-market rent for Cube in Yoker.

At the end of the year, Lowther Homes was appointed by Dunedin Canmore to let and manage 545 homes for full and mid-market rent and 48 commercial properties.

It continued to achieve a strong business performance with mid-market rent properties taking, on average, 7.5 days to let. Full market properties took around 20 days to let, which compares well with the industry average of 28 days. A total of 85% of Lowther customers are satisfied with their overall service, up from 81%.

STRATEGIC REPORT (continued)

Homes for older people

Loretto Housing's Mossspark development in Glasgow was one example of amenity housing we built at the tail end of 2015/16 as part of our aim to increase people's housing choices as they grow older. The 21 homes have special design features to help people with dementia or mobility issues and there are communal areas to reduce isolation. In total over the year we built, or began work on, 281 units of amenity housing.

Investing in homes and neighbourhoods

We continued our work to modernise and maintain our homes, investing £71.7 million in upgrades right across our communities. The work included replacing kitchens and bathrooms, new heating, roofs, doors and windows.

We also invested in neighbourhoods, upgrading communal areas such as foyers in multi-storey flats, backcourts, stairwells, green spaces and community gardens.

Jobs and training opportunities

The scale of our new-build and investment programmes, together with schemes supported by our charitable trust Wheatley Foundation, means we can support hundreds of opportunities for people from our communities to access jobs and training. This year we supported a total of 619 new jobs and training opportunities.

Some of these are created through clauses in our contracts which oblige our contractors to give opportunities to people in our communities. Our new charitable trust, Wheatley Foundation, also funds a range of employability initiatives targeted at tenants, owners and their families. These include apprenticeships, traineeships and "Wheatley Pledge", a scheme which incentivises our suppliers to do even more for our communities.

In 2016/17 we took on 89 Modern Apprenticeships across our business including in environmental services, created 49 jobs or training opportunities through "Wheatley Pledge" and launched 52 Changing Lives traineeships to help people needing extra support to get on the job ladder. A total of 166 opportunities for work or training were created through the community benefit clauses in our contracts.

STRATEGIC REPORT (continued)

Transforming the care environment

Growing services and income

Our care services were strengthened and extended in 2016/17 as we welcomed Barony Housing Association, which cares for 700 people, into Wheatley, and Loretto Care, which supports 2200 people each week, established financial stability and its reputation as a leader in the sector.

Loretto Care successfully secured places on six new local authority care frameworks in Lanarkshire, Falkirk, East Renfrewshire and Glasgow, opening up new opportunities for our care services.

While turnover remained constant compared with 2015/16 these new opportunities, in addition to a range of new grant funded services, including two employability projects developed in partnership with Wheatley Foundation, mean our care subsidiaries are strongly positioned to secure sustainable growth in line with our ambitions set out in "Investing in Our Futures".

Leader in the sector

Our ambition is for the Wheatley subsidiaries, Loretto Care and Barony, to become care sector leaders by 2020. Over 2016/17, Loretto Care cemented its reputation for delivering highly personalised services, tailored around the needs of the individual, through our "W.E. Care" approach. A Care Conference hosted by Loretto Care in March on the theme of innovation in care delivery was attended by representatives from across the sector in Scotland. Loretto Care showcased some of its work including: using technology to support people at home; working more closely with housing providers to care for vulnerable people; animal assisted therapy; and tackling mental health stigma through song-writing.

Through the Scottish Social Services Council's Step into Leadership programme, Loretto Care has embedded the idea of everyone, whether staff member or service user, being a leader in their life. Loretto Care was invited to share the story of its successful journey on leadership at conferences, in video and on the Scottish Social Services Council's website.

Our care services also won a number of national awards over the year. This included Loretto Care's Fullarton Service in Glasgow, which supports people with alcohol related brain damage, winning Dementia and Specialist Service of the Year at the Scottish Care Awards 2016. Loretto Care gained EFQM 4 star 'Recognised for Excellence' and won a Quality Scotland Good Practice Award for "Adding Value for Customers".

Performance and satisfaction

We measure performance in our care services through the 'positive distance travelled' by people during their time receiving support with us.

At the end of 2016/17, 70.59% of Loretto Care's "people we work for" reported a positive distance travelled in relation to their mental health with 68.31% reporting a positive distance travelled in relation to their physical health. This is against targets of 60%.

The 30% target for those reporting a positive distance travelled in relation to employability, further education and/or volunteering, was also exceeded with performance sitting at 43.11%. This does not include figures for any of our Older People Services.

STRATEGIC REPORT (continued)

Care Inspectorate gradings

Our strategic ambition is to achieve Care Inspectorate gradings of 5 (very good) or 6 (excellent) for all our services by 2020. We are now well on the road to achieving that with all 13 of Loretto Care's services which were graded this year awarded 5 or 6 on all themes assessed. Barony's five service areas registered with the Care Inspectorate were also assessed with the services receiving seven grade 5s and three grade 4s.

The first year of Barony joining Group saw efforts focus primarily on integrating housing services into the Group. Work has now begun on maximising the opportunities created by having two care providers working together in Wheatley. This will involve staff from the two organisations sharing expertise, experience and resource to embed the "W.E. Care" approach across all areas and introduce further innovations in the ways we deliver care and support to vulnerable people.

Care and housing working together

Bringing care and housing together in one group is allowing us to identify and support vulnerable people in our communities in ways we could not before. We launched the Tenancy Support Service ("TSS") in 2015 with the aim of helping people maintain their tenancy and get more of life. In 2016/17, 1998 tenants who were struggling to cope received support for periods of up to eight weeks, exceeding the target of 1685. Of tenants who returned a questionnaire, 100% said they were satisfied with the service they received.

Supporting older people

Our "415 Project" is one example of how we are leading the way in care. The project, based at a multi-storey in Nitshill in Glasgow, has been set up to support people over the age of 65 who are facing isolation and loneliness, as well as medical conditions, crisis or a change in circumstance that means they are having trouble living full and active lives.

We set up two demonstrator flats in the block, and are using these to showcase the different ways older people can be supported to live independently in their own homes for longer, for example through technology, special adaptations and a range of gadgets. The flats have generated enormous interest with 1000 stakeholders attending for a tour.

The "415 Project", which is run by Loretto Care and supported by Glasgow Housing Association and the Glasgow Health and Social Care Partnership, also arranges activities and events for older people in the area.

Building the capability of our people

Academy expands

First Minister Nicola Sturgeon formally launched our new innovative learning centre designed to welcome people receiving care and support. The new Academy is made up of different learning zones to give a relaxed and welcoming feel. It also has features such as special sensory lighting for people who are visually impaired, wide spaces for wheelchair users and a dementia-friendly colour scheme.

STRATEGIC REPORT (continued)

The new Academy at Loretto's headquarters in the Gorbals in Glasgow builds on the success of our flagship Academy in the city centre, a training and conference facility, and smaller learning centres at our offices in Maryhill, Dumbarton and Bathgate. A further Academy is being built at Dunedin Canmore and Barony's base in Edinburgh and will be complete later in 2017.

In 2016/17 a total of 371 training courses were facilitated by the Academy with 3928 staff and customers participating.

Recognising our staff

Our mission to trust, empower and inspire our 2500 staff continued over the year with the roll out of our new "W.E. Excel" Awards which have been designed – in consultation with staff – to recognise teams and colleagues for outstanding work. A total of 40 events were held in 2016 by teams to celebrate their local successes. In 2017 the individual partner organisations then held their own more formal events with awards for the winning entries. A Wheatley wide "W.E. Excel" event is planned for later in 2017 where the overall winners will be announced.

Developing our people

Everyone at Wheatley is encouraged to develop to their full potential and this year we refreshed and relaunched our online tool which supports managers and staff to review their individual contributions and to identify the next stages of their development. A total of 78% of staff have engaged with My Contribution over 2016/17.

Supporting young people

Creating opportunities for young people from our communities is one of our priorities and we have set out to create 150 Modern Apprenticeships between 2015 and 2020.

In 2016/17, thanks to our new charitable trust Wheatley Foundation, we provided 89 new apprenticeship places, 45 of them in environmental services. This means that since 2015/16 we have provided 110 Modern Apprenticeship opportunities to people from our communities. We also aim to support 100% of our apprentices who complete their training programme into employment. Over the year, 25 Modern Apprentices secured roles with Wheatley, one of our partners or another employer.

Investing in people

External recognition for how we support, develop and recognise our staff continued this year with a number of accreditations and awards. GHA won the European Foundation for Quality Management ("EFQM") prize for Best in Europe for Building Organisational Capability and Investors in People's ("IiP") Gold Employer of the Year award. This came after it achieved IiP Platinum, one of only a few companies to do so, earlier in 2016.

Wheatley as a whole was ranked 47 in the Sunday Times Best 100 Companies (not-for-profit) to work for and also achieved a Healthy Working Lives Gold award for creating healthy workplaces.

STRATEGIC REPORT (continued)

Establishing a strong and diverse funding base

Strengthening position

We continued to deliver a strong financial performance in 2016/17 with results in line with expectations. We drove efficiencies and continued with our prudent approach to budgeting to create better value for money for our customers. We delivered turnover of £276m, generating an operating surplus of £46.4m, at a margin of 17%.

Our commercial services showed a strong performance against their income and growth targets. YourPlace delivered £1.6m in gift aid to the Group, exceeding its target of £1.1m. Lowther Homes also exceeded its target for net rental income in the year at £5.1m against a target of £5m with a further £7.7m generated from commercial properties and market rent properties.

Wheatley's strengthening financial position is evidenced by the recent revisions to the Group's credit rating which was carried out by, Standard and Poor's. The Group's outlook was revised upwards from A+(negative) to A+(stable), and the Stand-Alone Credit Profile was also upgraded, from B to A.

The operations of Dunedin Canmore Enterprise Limited ("DCE") transferred into Dunedin Canmore Housing ("DCH") on 30 March 2017. This means Dunedin Canmore is now one organisation working together, with the other partners in Wheatley Group, to deliver homes and services.

YourPlace has been appointed to provide factoring services to customers who previously received services from Dunedin Canmore Property Management, part of DCE. Dunedin Canmore factoring staff joined YourPlace but continue to be based at New Mart Road in Edinburgh. Lowther Homes was appointed to manage and provide letting services for the Dunedin Canmore full and mid-market rental properties.

Success for charitable trust

Our charitable trust, Wheatley Foundation, set up in April 2016 to fund our 'Better Lives' programme of work has won £6.8m of external funding to date, representing good progress towards achieving the target of £15m by 2020. This included:

- £4.2m of funding from the Big Lottery and the European Structural Fund over three years to provide a money advice service to vulnerable people in Glasgow;
- £250,000 support from Scottish Government to provide a number of community projects;
- £473,000 from HM Treasury through Libor funds to deliver a new support service for ex service personnel; and
- £733,000 from the European Structural Fund to provide a new employability service.

In total 7455 people benefited over the year from Wheatley Foundation programmes which cover five key areas; tackling poverty, supporting people into work, improving access to education, digital inclusion and helping people participate in sport and art.

STRATEGIC REPORT (continued)

Financial performance

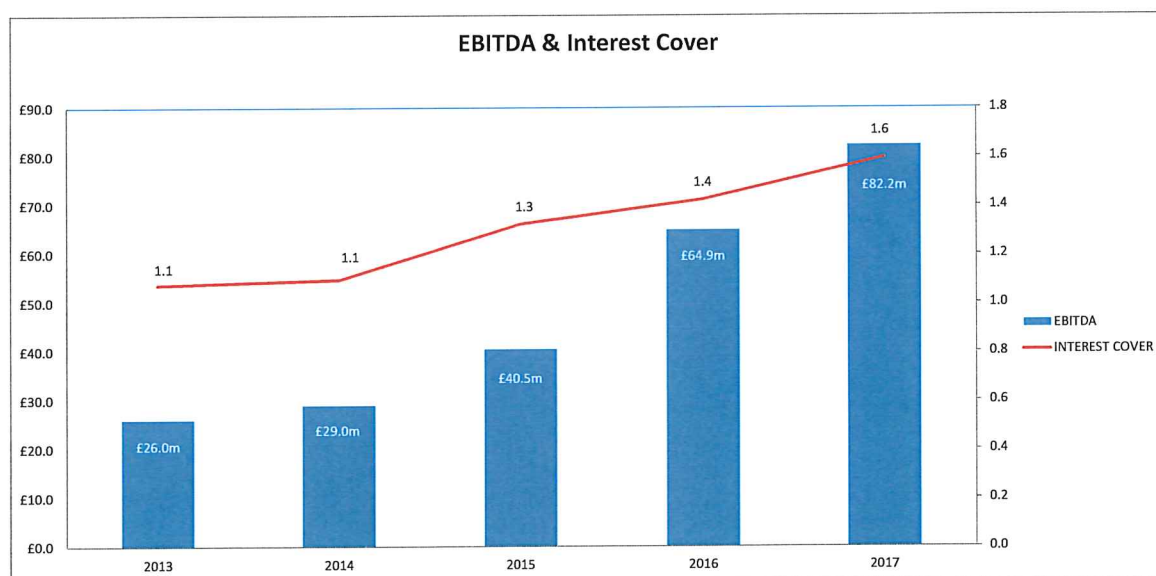
The financial statements have been prepared using the Statement of Recommended Practice (SORP) for Social Housing Providers 2014.

Comprehensive Income

The year to 31 March 2017 delivered a robust financial performance across the core business streams of social letting and the provision of care services. Turnover of £275.7m (2016: £281.2m) included rent and service charge income of £208.4m (2016: £196.3m). In our key performance measures, the Group achieved an operating surplus of £46.3m (17% margin), this included £0.4m generated by Barony Housing Association which joined the Group on 1 April 2016.

In the key financial performance indicators of operating surplus, interest cover and relationship of surplus to the amounts required to maintain and improve housing properties, the Group has continued an improving trend in 2016/17.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”), adjusted to remove the impact of revaluation adjustments, gains on business combinations and grant income on new build properties is one key measure used by the Group to assess underlying financial performance. The trend in adjusted EBITDA has been one of consistent improvement over recent years, with 2016/17 producing an adjusted EBITDA of £82.2million - an increase of 27% in the year. The ability of the Group to meet its interest payments due on borrowings from surplus earned in the year is referred to as interest cover. This measure also shows improving trends with adjusted EBITDA covering interest in 2016/17 by a factor of 1.6 times, up from 1.4 times in 2015/16. The five year trend in both measures is shown in the chart below, demonstrating significant strengthening of the Group’s financial position.



STRATEGIC REPORT (continued)

The Group continues to make good progress towards its target of adjusted EBITDA covering interest and all capitalised component replacement costs. In 2016/17, adjusted EBITDA of £82.2million represented 1.15 times the £71.7million capitalised investment in major improvements to the Group's social housing properties.

Income from non-social housing sources continued to represent a relatively small proportion of the Group's activity in financial terms, and grew from £50.6m to £54.2m. Loretto Care and Barony, the Group's care and support subsidiaries, reported turnover from external care contracts of £11.5m (4.0% of Group turnover) and posted a surplus of £0.1m, while income from investment/commercial property was £12.8m (5.0% of Group turnover).

Financial Position

The Group Statement of Financial Position shows an increase in the value of housing properties during the year of £89.8m as a result of the investment in customer's homes and our new build programme. Properties with a value of £13.3m were also added with the Barony partnership. Capital and reserves have reduced from £686.0 million to £678.7 million, a result of the movement of the actuarial valuations on the Groups Defined Benefit pension arrangements.

Debt levels remain prudent and sustainable, funding the Group's new build programme. Long term housing loans in the Statement of Financial Position were £996m (2016: £937m) with gearing, based on the prudent measure of net debt / balance sheet property values (with social housing assets valued at Existing Use Value – Social Housing), of 64%. Gross debt per unit was £19,421, below the majority of large UK housing groups.

Cash flow and liquidity

The Group Cash Flow Statement demonstrates another year with strong operating cash generation. Net cash inflow from operating activities was £66.0million in 2017.

The Group's strong liquidity position is further supported by its continuing annual access to new build grant income under long-term agreements with the Scottish Government, of which £42.6million was drawn down during the year (2016: £20.1m). Net cash of £26.7million (2016: £61.7m) was held at 31 March 2017.

Long term debt facilities

As at 31 March 2017, Wheatley Group had £1,183.5m of bond and bank funding facilities in place with total Group drawn debt balances of £1,014.2m.

The debt facilities of GHA, Cube, West Lothian Housing Partnership, Loretto Housing, Dunedin Canmore and Barony were provided through intra-Group arrangements with our RSL Group treasury vehicle, Wheatley Funding No.1 Ltd ("WFL1"). The funding facilities of WFL 1 consisted of bank facilities from a syndicate of three commercial lenders, as well as a European Investment Bank loan facility and bond funding raised on the debt capital markets. These loans were secured on property assets of these RSLs through a security trust structure. In addition,

STRATEGIC REPORT (continued)

Cube had a bilateral loan facility with the Scottish Partnership for Regeneration of Urban Centres ("SPRUCE").

Until 31 March 2016, Dunedin Canmore Housing ("DCH") retained its own bank facilities outside of the WFL 1 structure. These were consolidated into WFL 1, with the exception of a £16.5m loan from The Housing Finance Corporation ("THFC"), on 1 April 2016.

Wheatley Funding No.2 Ltd ("WFL 2") is the funding vehicle for the commercial side of the Wheatley Group. It provided £50m of facilities to Lowther Homes Limited for acquisition of properties for private market rent and £9.5m to Dunedin Canmore Enterprise for its portfolio of mid-market rent properties. On 30 March 2017, the business of Dunedin Canmore Enterprise was transferred to Dunedin Canmore Housing by means of a transfer of engagements. The £9.5m facility remained with WFL2, on-lent to Dunedin Canmore Housing at 31 March 2017, and was consolidated into the main WFL 1 syndicate loan agreement at the end of June 2017.

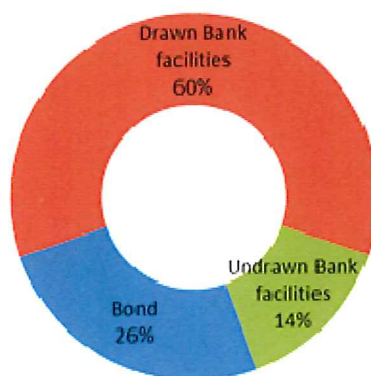
The funding facilities in place on 31 March 2017 comprised the following:

<u>Group Co</u>	<u>Facility</u>	<u>Principal</u>
WFL1	Public bond issued 2014/15	£300.0m
WFL1	Commercial bank facility	£678.8m
WFL1	European Investment Bank facility	£123.7m
DCH	THFC facilities	£16.5m
WFL2	Private rented sector bank facilities	£59.5m
Cube	SPRUCE (unsecured) loan	<u>£5.0m</u>
		£1,183.5m

Group RSLs had drawn £973.7m from WFL1 at 31 March 2017. On the WFL 2 side, Lowther Homes had drawn £17.2m of its £50m facility, while Dunedin Canmore Enterprise had fully drawn its facility and repaid £0.2m of loan principal during the year.

STRATEGIC REPORT (continued)

As at 31 March 2017, 14% (£169.3m) of borrowing facilities were undrawn (2016: 19%, £221.8m).



The weighted average duration of drawn debt across the Group is 18.8 years. Under the Group Treasury Management Policy, the Group structures its business plan and future fundraising activities such that it will not have to refinance material amounts of debt in any one year. None of the Group's loan facilities need to be refinanced over the short term. The next point of significant refinancing risk will arise in 2021/22 in relation to £50m of bank loan facilities for the Group's commercial subsidiary, Lowther Homes. The historic weighted average cost of drawn debt, inclusive of margins and hedging activities, was 5.06% at 31 March 2017 on an annual effective rate basis (2016: 5.33%)

Asset value (for debt security purposes) was £1.5bn at 31 March 2017, of which £211m (14%) remained unencumbered.

The principal cash outflows were operating costs and investment in assets, particularly in development of new housing stock of £74.5m (2016: £52.6m) and investment in existing stock of £71.7m (2015: £73.1m).

Counterparty risk

The notional pooling of surplus cash across RSLs is used to enhance the Group's ability to earn interest on cash balances. Cash balances are held in accounts that earn interest and minimise balances held in zero interest accounts.

The Group operates a conservative counterparty risk management strategy that aims to minimise the risk of a financial loss, reputational loss or liquidity exposure as the result of counterparty to any treasury transaction becoming insolvent. As at 31 March 2017, all cash investments are held with counterparties who meet the criteria of the Group Treasury Management Policy.

STRATEGIC REPORT (continued)

Interest rate risk

The Group's Treasury Management Policy sets out an on-going objective in relation to the proportion of fixed versus floating rate debt, with the target proportion in the policy specified at 70% across the term of the debt. At 31 March 2017, 92% of Group borrowings were at fixed rates reducing from 97% at 31 March 2016. This was due to the Group completing a funding restructure in November 2014, which included repaying variable rate bank loans and replacing these with capital markets bond funding. Over time, the proportion of variable rate funding is projected to rise again while the Group will benefit from locking in low fixed rates on the bonds over the medium to long term.

In respect of bank loans, the Group hedges against interest rate risk principally through the use of embedded hedges within its bank facilities, the terms of which permit these loans to be classified as "basic" financial instruments under FRS 102.

WFL 2, on behalf of Lowther Homes, entered into stand alone interest rate swaps which provided fixed rates on £17m of drawn facilities.

No margin call clauses existed in any loan or derivative contracts entered into by Group entities.

Currency risk

The Group borrows and invests surplus cash only in sterling and does not have any foreign currency risk.

Loan covenant compliance

Loan covenants relate to interest cover, borrowing levels relative to surplus generation and per unit, and asset cover, based on social housing asset values. Covenants are monitored monthly and were comfortably met throughout the year and at the year-end for all loan facilities.

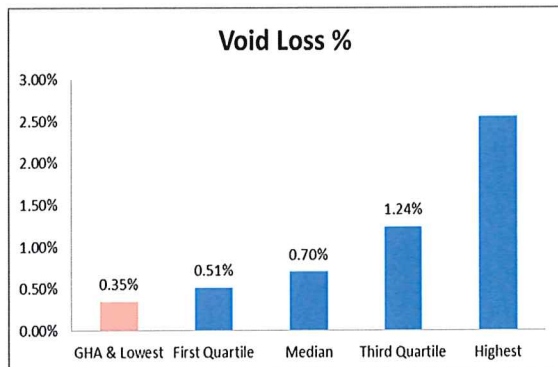
STRATEGIC REPORT (continued)

Value for Money – understanding costs versus performance

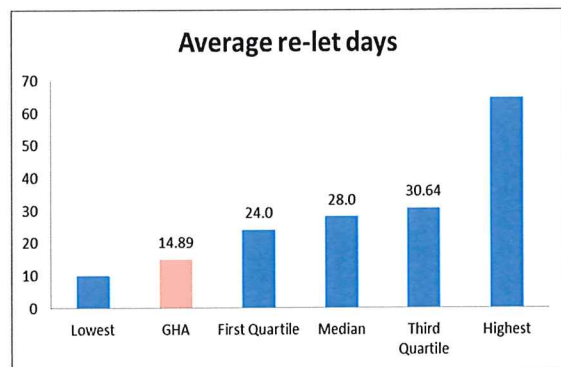
Detailed cost and performance benchmarking is a key element of our approach to assessing Value for Money and a number of key performance indicators (“KPIs”) monitored by the Group link through value for money measures. We combine the use of Scottish Social Housing Charter indicators with in-depth analysis of annual accounts information, supported by our partners at Housemark, to understand our costs, how efficient we are, and performance drivers.

Housemark once again benchmarked our largest subsidiary, Glasgow Housing Association, for 2015/16 against 18 other English peer housing associations. The Housemark VFM scorecard for GHA for 2015/16 shows that the Association remained well placed within the peer group across the business and financial KPIs measured. GHA’s relative position against the HouseMark peer group is shown across a range of housing management and value for money measures in the graphs below. In total 4 out of the 5 measures placed GHA in the top quartile.

Housing Management measures



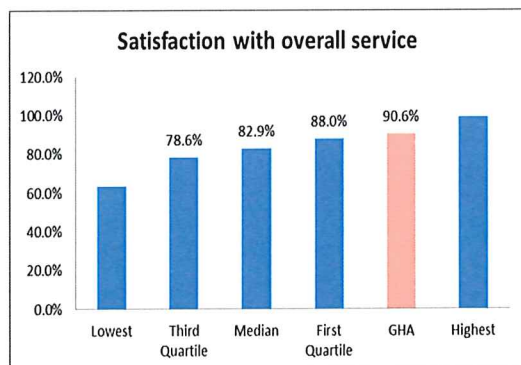
Source: Housemark UK peer group benchmarking 2015/16



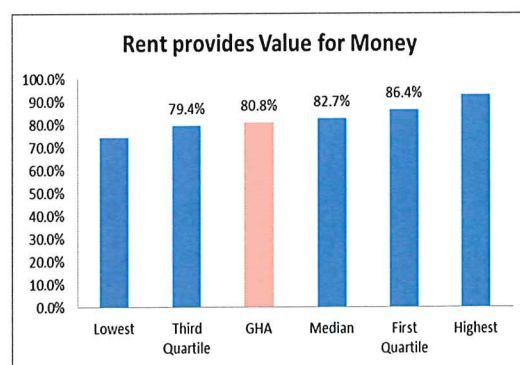
Source: Housemark UK peer group benchmarking 2015/16

Value for money measures

While we compare 2015/16 results below, being the latest with available comparator data, satisfaction with the value for money of rent has continued to rise. The Annual Return on the Scottish Social Housing Charter for 2016/17 shows that this again increased to 84% for GHA, giving a cumulative rise of 9% over the last two years.

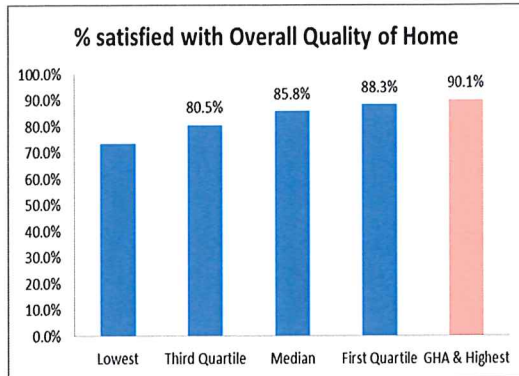


Source: Housemark UK peer group benchmarking 2015/16



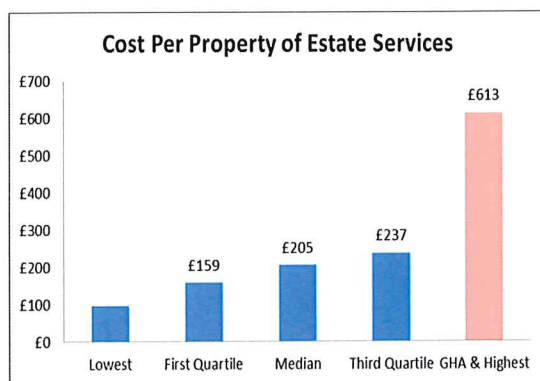
Source: Housemark UK peer group benchmarking 2015/16

STRATEGIC REPORT (continued)



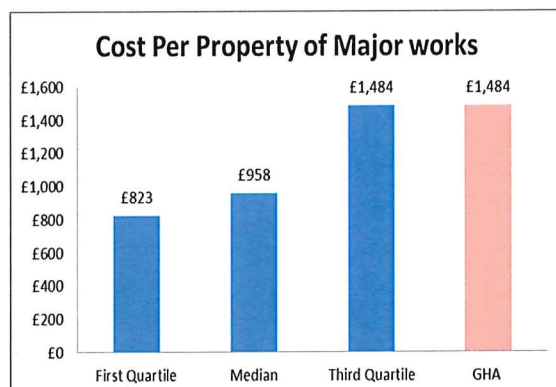
Source: Housemark UK peer group benchmarking 2015/16

Improving the fabric of customers' homes and the environment around them has been an area where GHA has chosen to prioritise investment and this shows when spend on the wider environment is compared, with GHA investing the highest per property of all the peer group organisations. This continues to be an important element of improving customer satisfaction levels, with GHA achieving customer satisfaction levels of over 90%.



Source: Housemark UK peer group benchmarking 2015/16

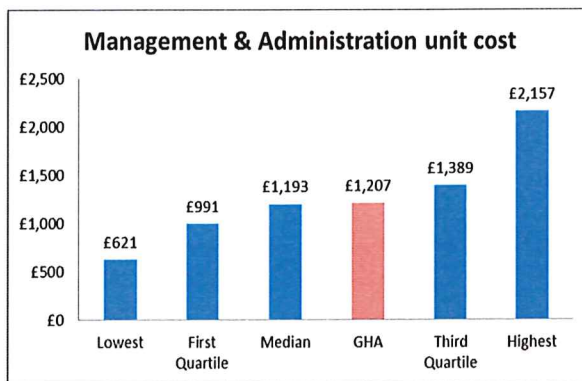
A strong investment programme across all the Group's RSLs also delivers financial benefits through a strengthening of the value of our asset base. Investment spend relative to the HouseMark peer group is shown in the table below.



Source: Housemark UK peer group benchmarking 2015/16

STRATEGIC REPORT (continued)

In Scotland, the costs of management and administration overheads are reported in note 4 to these financial statements. Comparator data across the Scottish sector is gathered and published by the Scottish Housing Regulator. GHA operates with a network of local area offices, a 24/7 customer contact centre and delivers a significant concierge function throughout its multi-storey flatted estate. Despite these underlying factors, GHA's management and administration costs were around the median level for mainstream RSLs with a majority of stock classed as general needs in 2015/16. This reflects the efficient nature of back-office and other group services provided by Wheatley Solutions, as well as the reduction in head count which has taken place in GHA in recent years – where FTE headcount has fallen by 25%, from 1,981 in 2010/11 to 1,489 in 2016/17.



Source: Scottish Housing Regulator comparison of Scottish RSL unit costs

On behalf of the Board

Alastair MacNish OBE, Chair
30 August 2017

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2017.

Result for the year

The result for the year and an analysis of the performance of the Group has been included within the Strategic Report.

Wheatley Board, Committee structure and related matters

Wheatley Housing Group ("the company") is the parent company of the Group which comprises a range of subsidiaries, referred hereafter as 'partners'. Our partners include six Registered Social Landlords and three commercial subsidiaries. Following the year-end, the Group also became a 50:50 joint venture partner with Glasgow City Council in City Building (Glasgow) LLP.

All members of the Group work collaboratively to ensure that each member can achieve more for their customers and communities through being part of the Group than they could on their own.

The Group is regulated by the Scottish Housing Regulator ("SHR") and complies with the SHR's Regulatory Framework and Regulatory Standards of Governance. The Group Board undertook a 'Board Effectiveness Review' during the course of the year which was independently facilitated by the Institute of Directors ("IoD"). The review identified a number of areas of strong governance. The IoD made minor recommendations as to how we could further strengthen our governance, which we are in the process of implementing.

We also agreed a strategic partnership with the Institute of Directors

As at 31 March 2017, the company's Articles of Association allowed for the appointment of up to fifteen directors as follows:

- Up to seven Independent Non-Executive Directors
- Up to two GHA Nominated Directors
- Up to five Co-opted Directors
- Up to one 'Other' Director.

The Directors of the Group Board from 1 April 2016 to the date of signing the financial statements are listed below, together with any Group Committees served on at any point over the same period:

DIRECTORS' REPORT (continued)

Group board membership details, remuneration during the year and meeting attendance

Name	Directorship type	Group Board	Group Audit Committee	Group Remuneration, Appointments, Appraisals and Governance Committee	Group Strategic Development Committee	Attendance at Group Board meetings
Alastair MacNish	Non-Executive	Chair		Chair	Chair	6/6
Martin Armstrong*	Other	•				6/6
Mike Blyth	Non-Executive	•	Chair	•	•	5/6
Ronnie Jacobs	Non-Executive	•				6/6
Gordon Sloan	GHA Nominated (retired 7 October 2016)	•	•	•	•	3/3
Elizabeth Walford	Non-Executive	•	•		•	6/6
Sheila Gunn	Non-Executive	Vice-Chair	•	•	•	5/6
Kate Willis	GHA Nominated	•				5/6
Jo Armstrong	Non-Executive	•	•		•	6/6
Peter Kelly	Co-opted	•	•			5/6
John Hill	Co-opted	•				6/6
James Muir	Co-opted	•				4/6
Dr Thomas Mitchell	Co-opted	•				5/6
Martin Kelso	Co-opted (appointed 1 June 2016)	•				4/5
Bernadette Hewitt	GHA Nominated (appointed 25 October 2016)	•	•	•	•	3/3

Notes

*No additional remuneration to that disclosed in note 7 to the financial statements

DIRECTORS' REPORT (continued)

The Group 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 main activities of the Group Board during the year were:

- considering the potential impact of the EU referendum result;
- entering into a joint venture with City Building (Glasgow) LLP to deliver our repairs service;
- effecting the changes agreed as part of a Group governance refresh;
- raising additional finance from the capital markets;
- approving new strategies and policy frameworks in core business areas;
- approval of large scale new build developments; and
- oversight of partner financial and operational performance.

The Board is supported in discharging its duties by three sub-Committees: Remuneration, Appointments, Appraisal & Governance; Group Audit; and Group Strategic Development.

The role and remit of the Committees are set out below:

Group Audit Committee

The Committee is made up of up to seven members from the Group Board and co-opted members. The Committee is 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;
- appointing and agreeing 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.

The main activities of the Group Audit Committee during the year were:

- Oversight of the due diligence programme for entering a joint venture with City Building (Glasgow) LLP;
- Oversight of the 2016/17 financial statements;
- Oversight of the external audit tender process;
- Approving the Group's strategic assurance plan;
- Review of the Group's assurance related policies; and
- Oversight of performance across the Group in implementing Internal Audit recommendations.

DIRECTORS' REPORT (continued)

The Committee reports to the Group Board via its Chair.

Group Remuneration, Appointments, Appraisals and Governance Committee

The Committee is made up of up to five members inclusive of the Group Chair, Vice-Chair, and the Chairs of GHA and the Group Audit Committee.

It is 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;
- making recommendations to the Group Board regarding the appointment and remuneration of the Group Chief Executive and Group Board Directors; and
- based on reports and advice from the Group Chief Executive determining the remuneration and conditions of the Executive Team.

The main activities of the Remuneration, Appointments, Appraisals and Governance Committee during the year were:

- oversight of the governance refresh on behalf of the Board;
- development of recommendations to the Board in respect of the Group's governance framework;
- review of the Group's approach to Board appraisal;
- initiation of an independent Board Effectiveness Review for the Group Board;
- oversight of the Group's Board member recruitment, including the appointment of a new Group Board Non-Executive Director; and
- review of the Group pensions strategy.

The Committee reports to the main Board via its Chair.

Group Strategic Development Committee

The Committee is made up of up to seven members of the Group Board.

It is responsible for reviewing any new major strategic projects and initiatives on behalf of the Group Board.

The main activity of the Strategic Development Committee during the year was the raising of finance via capital markets.

The Committee reports to the Group Board via its Chair.

DIRECTORS' REPORT (continued)

Statement on Internal Financial Control

1. Corporate Governance Statement

The Group complies with the Regulatory Standards of Governance and Financial Management issued by the Scottish Housing Regulator. In accordance with the UK Listing Authority's Listing Rule 17, details of the administrative, management and supervisory bodies which govern the Group, including Wheatley Group Capital plc, are set out on pages 25 to 28.

The internal control and risk management systems which cover the Group's consolidated annual financial statements are set out below.

2. 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 on-going 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.

3. 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;
- 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;

DIRECTORS' REPORT (continued)

- an Internal Audit function with an annual Internal Audit Plan and producing an annual Internal Audit Report Opinion;
- 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;
- 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.

4. Role of Internal Audit

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 advises 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 2016/17. The overall Internal Audit opinion provided in this statement is detailed below:

“Based on our Group wide work undertaken in 2016/17 a substantial level of assurance can be given that there is a sound system of internal control, designed to support achievement of relevant organisational objectives. However, some weaknesses in the design and/or consistent application of controls exist. Management have agreed to the improvements to the control environment and the progress of implementing these additional controls will be reported to the Group Audit Committee.”

5. 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

DIRECTORS' REPORT (continued)

controls we need to prevent or limit these consequences; in accordance with agreed levels of risk appetite.

As the parent company, Wheatley Housing Group oversees the governance arrangements to address the risks associated with control of activities, 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.

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 Board has overall responsibility for ensuring the effectiveness of this framework. In addition to this, the Board agreed risk appetite levels which are embedded within risk registers and used to determine the Group's approach to managing risk.

The Executive Team is the facilitator of the Risk Management Framework and processes. Its 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.

Principal risks facing the Group

The most significant risks facing the Group are as follows:

Government policy:

Risk: potential for changes in government policy in respect of rents may reduce, or limit, income

Comments and mitigation: The measures in England with respect to 1% rent reductions for social housing for four years do not apply to Scotland. There are no centrally-imposed rent formulae or caps in Scotland for affordable housing providers. Further, the Right to Buy has been removed under the Housing (Scotland) Act 2014, and the "pay to stay" provisions of the UK Government budget do not apply in Scotland, where housing is a devolved policy matter.

DIRECTORS' REPORT (continued)

Welfare reform:

Risk: Impact of welfare reform, including Universal Credit and the Local Housing Allowance cap, on income collection.

Comments and risk mitigation: Devolution of new powers to the Scottish Parliament has given Scottish Ministers the power to continue payment of housing benefit directly to social landlords as well as to create new benefits. This will help mitigate a significant business risk associated with Universal Credit.

Nevertheless, the Group continues to work closely with local authorities and the Scottish Government to understand the impact of welfare reform and identify customers who are most likely to be affected in the interim period. We have dedicated staff resources to make sure our customers are aware and prepared for any impact they may face, and our gross rent arrears have reduced again during the 2016/17 financial year.

New staff procedures to promote effective rent collection across the Group take into consideration the impact of welfare reform and Universal Credit for our customers and facilitate early arrears management. The reduction in the benefit cap to £20,000 will have an impact on a small number, currently estimated to be under 200 households. We continue to work closely with partner agencies to support our customers in sustaining their tenancies and through our own programmes and initiatives such as wrap around services and the development of financial management tools for our customers.

In respect of housing benefit for social tenants being capped at the local housing allowance (LHA) level, we have carried out detailed analysis on the impact on our tenancies. Rents across the Wheatley Group are significantly lower in most cases than the LHA, with the exception of some supported accommodation. As at 31 March 2017, GHA has fewer than 20 tenancies above the LHA rate, all of which were supported in nature. The introduction of the cap will take place in 2019/20. Recently, the UK Government has confirmed that supported accommodation will be subject to the LHA cap, with devolved funding provided to the Scottish Government to assist with the application of the cap. The Shared Accommodation Rate will not be applied to under 35s in supported housing.

The allocations policy places an emphasis on the ongoing affordability of housing in light of the reforms and in particular to minimise under-occupancy for younger single tenants facing restrictions under the introduction of the Shared Accommodation Rate.

Brexit vote:

Risk: Potential for adverse impact following the UK referendum vote to leave the European Union

Comments and mitigation: the Wheatley Group is a traditional housing and care group, with no current programme of build for sale housing and no reliance in our business plan placed on sales receipts (nor shared ownership receipts). The Group is therefore not directly exposed to the risk of any potential future downturn in the housing market following the leave vote. In respect of any potential future borrowing, UK gilt rates have fallen following the referendum and although there is some uncertainty in the markets, the fundamental strength of the Wheatley Group, our low-risk business model and the strong and supportive policy framework in Scotland mean we are

DIRECTORS' REPORT (continued)

well placed to continue to secure private finance as and when required in support of our future development programme. Since the vote to leave the EU, the Group has issued a new £100m private placement bond with Blackrock. With the UK ceasing to be a shareholder in the European Investment Bank this means the loss of a potential lender to the Group, although as demonstrated by the new facility with Blackrock a number of other alternatives are available, including the debt capital markets. During the year, the Group's credit rating was revised upwards from A+(negative) to A+(stable), and the Stand-Alone Credit Profile was upgraded, from B to A, providing a strong investment grade rating as a platform for raising future funding from the markets.

It is still too early to assess the wider impact of potential future changes in legislation in areas such as procurement and environmental standards from the UK no longer being part of the European Union. However, any such future changes are unlikely to have a significant business impact in the short to medium term.

Care and Support Services

Risk: Impact of the political environment on care and support service standards

Comments and mitigation: the implementation of new legislation and budget cuts, in particular the introduction of self-directed support, can have a significant financial and service impact on the standard of care. Self-Directed Support legislation, together with the policy direction of supporting people in their own home, offers increased choice and control to people in how they receive their services, as individuals manage their own budgets. This impact has been managed through robust risk assessment, review and improvement of existing care services and working with people to produce a range of innovative support solutions, for example the introduction of telecare for our overnight support services. While there are challenges around our existing customer base of people at risk of mental health issues and homelessness, we have identified opportunities around the growth in the number of older people requiring support. Our aim is to ensure that Wheatley Group drives the provision of care services across Scotland to raise the standards in care. As a result of our approach, Loretto Care, for example, was successfully appointed during the year to care and support frameworks with major local authorities such as Glasgow City Council, Falkirk, East Renfrewshire and North Lanarkshire Council.

Business Continuity and Disaster Recovery:

Risk: Impact on service delivery due to serious loss of IT services

Comments and risk mitigation: Wheatley Group has invested in IT and is driven towards transforming services through the use of IT and communications technology. We therefore recognise the significant impact the downtime could have on our Group. We have Group back-up arrangements in place and IT disaster recovery arrangements. We are always reviewing our business continuity arrangement and we have a business continuity group which is our mechanism to identify and drive improvements through scrutinising and testing existing business continuity plans.

DIRECTORS' REPORT (continued)

Development and Growth:

Risk: Growth and maximisation of development opportunities and customer satisfaction is unmanageable by the Group

Comments and risk mitigation: Our growth model is centred round the Group's risk appetite. Strategic growth decisions are taken based on review against an established risk assessment, which includes cash flow, and a due diligence model. All growth opportunities are approved by the Board and Scottish Housing Regulator, as necessary. Risks related to growth are considered as they arise and we take necessary action, to mitigate specific risks on an individual basis. This includes implementation of the Joint Venture repairs vehicle, transforming our services through delivery of the Group's IT strategy and improving the customer experience through innovative use of digital services. In addition, there is a seven year commitment from the Scottish Government of funding to support our bond issue in delivering 2,800 new homes. Across the Scottish sector, benchmark levels of grant for social housing in Scotland continue to support the provision of new build housing, and these have recently increased further to over £70,000 for social housing.

Financial Risk Management:

Risk: Ongoing compliance with loan covenant and liquidity requirements

Comment and risk mitigation: The Group uses a series of Golden Rules relating to key financial metrics such as liquidity and interest cover. These are embedded within our financial management framework, being updated annually in our business planning process and reported in management accounts throughout the year. Our funding arrangements and business plans are approved and monitored throughout the year by our Group and Subsidiary Boards.

Other matters:

Employees

During the year, the policy of providing employees with information about the Group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Employees are encouraged to participate in regular discussions with their line managers as part of the Group's commitment to ensuring all staff are aware of their role in the Group's achievement of its five strategic platforms which make up "Investing in Our Futures" under the banner of "My Contribution". Regular meetings are also held between management and employees to allow a free flow of information and ideas.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

DIRECTORS' REPORT (continued)

Going concern

After making enquiries, the Group Board has a reasonable expectation that the Wheatley Housing Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the Group's financial statements.

Disclosure of information to auditor

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

Independent Auditor

A resolution to re-appoint KPMG LLP as auditor will be proposed at the forthcoming annual general meeting.

Post balance sheet events

On 1 April 2017 the Wheatley Housing Group became 50:50 joint owners of City Building (Glasgow) LLP with Glasgow City Council. This joint venture entity will provide repairs and investment works and services to the Wheatley Group and Glasgow City Council.

Wheatley Funding No. 1 Limited issued a £100m private placement bond to BlackRock Real Assets on 10 May 2017. This was issued at a fixed rate of 3.125% for 15 years.

Future developments

The Strategic Report sets out future strategic objectives and the process by which a revised Group strategy will be developed during 2017/18.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)[, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

On behalf of the Board



Alastair MacNish OBE, Chair
30 August 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED

We have audited the financial statements of Wheatley Housing Group Limited for the year ended 31 March 2017 set out on pages 39 to 80. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to 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. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 36, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2017 and of the loss of the Group and the result of the parent company for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Scottish Housing Regulator Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards we are required to report to you if, in our opinion the Statement on Internal Financial Control on page 29:

- does not provide the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; and
- is materially inconsistent with the knowledge acquired by us in the course of performing our audit.



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

7 September 2017

**GROUP STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	2017	2016
		£ 000	Restated £ 000
Turnover	3	275,729	281,157
Operating expenditure	3	(242,352)	(235,646)
Other income and gains	9	12,904	126,862
Operating surplus		46,281	172,373
Gain on disposal of fixed assets	10	3,156	2,817
Finance income	11	1,431	438
Finance charges	12	(53,508)	(48,220)
Movement in fair value of financial instruments		1,035	2,310
(Deficit)/surplus on ordinary activities before taxation		(1,605)	129,718
Taxation	13	(159)	(642)
(Deficit)/surplus for the financial year		(1,764)	129,076
Unrealised surplus/(deficit) on the valuation of housing properties	16	862	(7,039)
Unrealised surplus on the valuation of office properties	17	753	-
Actuarial (loss)/gain in respect of pension schemes	24	(7,083)	26,428
Total comprehensive (expenditure)/income for the year		(7,232)	148,465

All amounts relate to continuing operations.

The notes on pages 45 to 80 form part of these financial statements.

**COMPANY STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	2017	2016
		£ 000	£ 000
Turnover	3	2,820	27,718
Operating expenditure	3	(2,820)	(27,718)
Operating surplus		-	-
Finance income		-	-
Finance charges		-	-
Surplus on ordinary activities before taxation		-	-
Taxation on surplus for the year		-	-
Surplus for the financial year		-	-
Total comprehensive income for the year		-	-

All amounts relate to continuing operations.

The notes on pages 45 to 80 form part of these financial statements.

**GROUP STATEMENT OF CHANGES IN RESERVES
 FOR THE YEAR ENDED 31 MARCH 2017**

	Revenue Reserve Restated £ 000	Revaluation Reserve £ 000	Total Reserves Restated* £ 000
Balance at 1 April 2015	466,322	71,183	537,505
Total comprehensive income for the year	148,465	-	148,465
Transfer of reserves for the revaluation of housing properties	7,039	(7,039)	-
Balance at 31 March 2016	621,826	64,144	685,970
Total comprehensive expenditure for the year	(7,232)		(7,232)
Transfer of reserves for the revaluation of housing properties	(862)	862	-
Transfer of reserves for the revaluation of office properties	(753)	753	-
Balance at 31 March 2017	612,979	65,759	678,738

*See note 27. Balance at 31 March 2016 previously £603,900k before a prior year adjustment of £17,926k.

**COMPANY STATEMENT OF CHANGES IN RESERVES
 FOR THE YEAR ENDED 31 MARCH 2017**

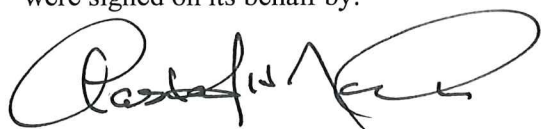
	Total Reserves £ 000
Balance at 1 April 2015	-
Total comprehensive income for the year	-
Transfer of reserves for the revaluation of housing properties	-
Balance at 31 March 2016	-
Total comprehensive expenditure for the year	-
Transfer of reserves for the revaluation of housing properties	-
Transfer of reserves for the revaluation of office properties	-
Balance at 31 March 2017	-

The notes on pages 45 to 80 form part of these financial statements.

GROUP STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	<i>Notes</i>	2017	2016
		£000	Restated £000
Fixed assets			
Social housing properties	16	1,551,404	1,461,569
Other tangible fixed assets	17	47,393	30,488
Investment property	18	148,298	143,381
		1,747,095	1,635,438
Pension asset	24	26,169	31,432
Current assets			
Stock		238	263
Trade and other debtors	19	105,253	132,714
Cash and cash equivalents		26,672	61,691
		132,163	194,668
Creditors: amounts falling due within one year	20	(89,919)	(86,115)
		42,244	108,553
Total assets less current liabilities		1,815,508	1,775,423
Creditors: amounts falling due after more than one year	21	(1,051,416)	(979,221)
		764,092	796,202
Provisions for liabilities			
Pension liability	24	(9,054)	(7,428)
Provision for other liabilities	22	(76,300)	(102,804)
Total net assets		678,738	685,970
Reserves			
Share capital	23	-	-
Revenue reserve		612,979	621,826
Revaluation reserve		65,759	64,144
Total reserves		678,738	685,970

These financial statements on pages 39 to 80 were approved by the Board on 30 August 2017 and were signed on its behalf by:



Alastair MacNish
Chair

The notes on pages 45 to 80 form part of these financial statements.

Company registration number SC426094.

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	<i>Notes</i>	2017 £000	2016 £000
Fixed assets			
Tangible fixed assets	17	-	4,917
Trade and other debtors	19	-	7,598
Cash and cash equivalents		15	1,717
		15	9,315
Creditors: amounts falling due within one year	20	(15)	(11,097)
Net current liabilities		-	(1,782)
Total assets less current liabilities		-	3,135
Creditors: amounts falling due after more than one year	21	-	(3,135)
Total net assets		-	-
Reserves			
Share capital	23	-	-
Total reserves		-	-

These financial statements were approved by the Board on 30 August 2017 and were signed on its behalf by:



Alastair MacNish
 Chair

The notes on pages 45 to 80 form part of these financial statements.

Company registration number SC426094.

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016
	<i>Notes</i>	£000	£000
Net cash generated from operating activities	26	66,042	70,707
Cash flow from investing activities			
Improvement of properties	16	(71,696)	(73,085)
Construction of new properties	16	(74,524)	(52,581)
Purchase of other fixed assets	17	(14,570)	(5,152)
Purchase of investment properties	18	(3,189)	(15,910)
Proceeds from sale of properties	10	11,721	8,385
Grants received	21	46,583	24,809
Finance income		547	108
		(105,128)	(113,426)
Cash flow from financing activities			
Finance charges		(52,096)	(45,749)
Cash obtained through acquisition		2,788	9,966
Bank loan drawn down		55,576	50,400
Repayments of bank loans		(2,200)	(10,893)
Taxation		(1)	(78)
		4,067	3,646
Net change in cash and cash equivalents		(35,019)	(39,073)
Cash and cash equivalents at 1 April		61,691	100,764
Cash and cash equivalents at 31 March		26,672	61,691
Cash and cash equivalents at 31 March			
Cash		26,672	61,691
Bank overdraft		-	-
		26,672	61,691

The notes on pages 45 to 80 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Legal status

Wheatley Housing Group Limited (“Wheatley”, “Wheatley Group” or “the Company”) is a limited company incorporated in Scotland under the Companies Act 2006. It is a housing association registered with the 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. The principal activity of the Group is the provision of social housing and associated housing management services. The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

2. Accounting policies

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

Basis of accounting

The financial statements of the Group and the Company are prepared in accordance with the Companies Act 2006, applicable accounting standards, the accounting requirements included within the Determination of Accounting Requirements 2012, and under the historical cost accounting basis, modified to include the revaluation of derivative financial investments, properties held for letting, investment properties and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 (“SORP 2014”), issued by the National Housing Federation and under FRS 102.

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

The Wheatley Housing Group Limited is a public benefit entity.

Accounting judgements and estimations

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

Judgements have been made in:

- determining the appropriate discount rates used in the valuation of housing and investment properties;
- component accounting and the assessment of useful lives;
- the assessment of the fair value of financial instruments;
- determining the value of the Group’s share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds; and
- allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March 2017. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

New subsidiaries joining the Group are accounted for under section 19.6 of FRS 102, as combinations that are in substance a gift. Any gain on acquisition is recognised through the Statement of Comprehensive Income 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 has taken advantage of the exemption, available under FRS 102, from disclosing related party transactions with wholly owned entities that are part of the Wheatley Housing Group.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, grants and other income. In respect of the Group Statement of Comprehensive Income, turnover also includes factoring, care contracts and income from market and commercial rental activities.

Income from social lettings, service charges, factoring, market and commercial rental activities is recognised when it is receivable. Grant income is recognised when any associated performance conditions have been met and care contract income is recognised when services are delivered to customers as required under the agreement with each service commissioner.

Grant income

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 recognised as income using the performance model in accordance with the SORP 2014. Prior to satisfying the performance conditions (e.g. on completion of new build properties), such grants are held as deferred income on the Statement of Financial Position.

Bad and doubtful debts

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

Supported housing

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Accounting policies (continued)

Financial instruments

Financial assets

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies, bond finance and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Housing loans are classed as either basic or complex financial instruments under FRS 102. Loans are provided to RSL subsidiary members of the Group by its lenders through Wheatley Funding No. 1 Limited ("WFL1"). Loans are provided to commercial subsidiaries of the Group by Wheatley Funding No. 2 Limited ("WFL2"). All arrangements are classed as basic under the requirements of FRS 102, and are measured at amortised cost, using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Accounting policies (continued)

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Deposits and liquid resources

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

Pensions

Glasgow Housing Association participates in a defined benefit pension scheme arrangement with the Strathclyde Pension Fund ("SPF"). The Strathclyde Pension Fund is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. Barony Housing Association participates in a defined benefit pension scheme arrangement with the Lothian Pension Fund ("LPF"). The Lothian Pension Fund is administered by Edinburgh City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. Both the SPF and LPF ("the Funds") provide benefits based on final pensionable pay, which is contracted out of the State Second Pension. Assets and liabilities of both Funds are held separately from those of the participating Associations.

Glasgow Housing Association and Barony Housing Association account for participation in the Funds in accordance with FRS 102 which requires disclosures presented for both the current and comparative period. FRS 102 also requires that quoted securities are valued at their current bid-price rather than their mid-market value.

The defined benefit 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 SPF and Barony Housing Association's share of the LPF pension fund surplus (to the extent that it is recoverable) or deficit is recognised in full. The assumptions used in valuing the defined benefit pension arrangements result in a pension asset being recognised on the Statement of Financial Position, on the basis that the future level of employers contributions so as to match the required funding level for the scheme. The pension asset would be realised in line with the assumptions relating to longevity. The movement in the Funds' surplus / deficit is split between operating charges, finance items and in the Statement of Comprehensive Income under actuarial gain or loss on pension schemes.

Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association, Loretto Care and Dunedin Canmore Enterprise previously participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") Defined Benefit Pension Scheme. Loretto members transferred to the SHAPS Defined Contribution Scheme on 1 July 2013 with Dunedin Canmore members transferring on 1 April 2014 and Cube and West Lothian members transferring on 1 September 2014. Following the transfer of the operations of Dunedin Canmore Enterprise on 30 March 2017, Dunedin Canmore Housing became the participating employer in SHAPS in place of Dunedin Canmore Enterprise. Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme. In respect of the defined benefit element of the scheme, payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Accounting policies (continued)

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

A Group defined contribution scheme arrangement administered by the Salvus Master Trust is available to employees in certain subsidiaries of the Group.

Fixed assets – social housing properties

In accordance with SORP 2014, 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's subsidiaries are valued annually 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 2017, 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 that result in incremental future benefits to the landlord from the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

Increases in the valuation of social housing properties are reported as other comprehensive income, accumulated in equity and reported as a revaluation reserve. Revaluation decreases reduce the accumulated gains and thereafter are recognised in profit or loss. Subsequent valuation gains are recognised in profit or loss to the extent they reverse a valuation decrease previously recognised in profit or loss.

On disposal, the value of the property is offset against the proceeds of sale and the gain or loss on disposal is taken to the Statement of Comprehensive Income.

- **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 the 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.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

2. Accounting policies (continued)

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:

	<u>Economic Life</u>
Land	not depreciated
Bathrooms	24-25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12-15 yrs
Internal works and common areas	20 yrs
Kitchens	15-20 yrs
Mechanical, Electrical and Plumbing	25-30 yrs
Structure and roofs	50 -75 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.

Where there is evidence of impairment, the fixed assets are written down to the fair value after deducting costs to sell, and any write down is charged to operating surplus.

• **New Build**

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

The Group's policy is to capitalise the following:

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

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

• **Properties held for demolition**

Demolition programme housing properties have a negative valuation for accounting purposes due to the impact of demolition costs on the EUV-SH calculation, and so are held at nil on the Statement of Financial Position. Under FRS 102 there is no constructive obligation at the year-end to provide for these costs.

Investment properties

Housing for Mid Market and Market Rent is valued on an open market value subject to tenancies basis ("MV-T") at 31 March. The valuation is carried out by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. The properties are held as investment properties 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Accounting policies (continued)

Commercial properties are held as investment properties and not subject to depreciation, they are held at existing use value and are subject to revaluation by an independent professional advisor qualified by the Royal Institute of Chartered Surveyors to undertake valuation. Commercial properties are re-valued at least every five years.

Changes in the valuation of investment properties are reported in the Statement of Comprehensive Income in profit or loss and disclosed within other income and gains.

Housing Association Grant and other capital grants

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

HAG is recognised as income in the Statement of Comprehensive Income under the performance model. In the case of new build this will be when the properties are completed. HAG due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the provisions contained in the Housing (Scotland) Act 2010. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is accounted for as a liability. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

Other tangible fixed assets

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

	<u>Economic Life</u>
Office premises (valuation)	40 yrs
Combined Heat and Power plant (cost)	30 yrs
Furniture, fittings and office equipment (cost)	5 to 7 yrs
Computer equipment (cost)	3 to 7 yrs
Community Infrastructure (cost)	20 yrs

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

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Accounting policies (continued)

Taxation

As charities, Glasgow Housing Association Limited, Cube Housing Association Limited, West Lothian Housing Partnership Limited, Loretto Housing Association Limited, Loretto Care Dunedin Canmore Housing Limited and Barony Housing Association Limited are exempt from corporation tax on their charitable activities by virtue of Section 478 Corporation Tax Act 2010 and from capital gains tax by virtue of Section 256 Capital Gains Tax Act 1992. A charge for taxation is made in the Group's non-charitable subsidiary companies, based on their taxable profit for the year. In accordance with FRS 102, 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 Statement of Financial Position 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 2017 (continued)**

3. Particulars of turnover, operating costs and operating surplus

Group

	Turnover	2017		Operating surplus/ (deficit)	2016
		Operating Costs	Other income and gains		Operating surplus/ (deficit)
	£ 000	£ 000	£ 000	£ 000	£ 000
Social lettings (note 4)	222,240	(175,777)	-	46,463	64,913
Other activities (note 5)	53,489	(66,575)	-	(13,086)	(19,402)
Other income and gains (note 9)	-	-	12,904	12,904	126,862
Total	275,729	(242,352)	12,904	46,281	172,373
Total for previous reporting period	281,157	(235,646)	126,862	172,373	

Company

	Turnover	2017		2016
		Operating Costs	Operating surplus	Operating surplus/ (deficit)
	£ 000	£ 000	£ 000	£ 000
Other activities (note 5)	2,820	(2,820)	-	-
Total	2,820	(2,820)	-	-
Total for previous reporting period	27,718	27,718	-	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

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

Group	General Needs	Supported Housing	Shared Ownership	2017 Total	2016 Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Rent receivable net of service charges	197,619	6,563	103	204,285	192,573
Service charges	3,973	1,459	121	5,553	5,117
Gross income from rents and service charges	201,592	8,022	224	209,838	197,690
Less rent losses from voids	(1,295)	(108)	-	(1,403)	(1,393)
Net income from rents and service charges	200,297	7,914	224	208,435	196,297
Grants released from deferred income	13,203	105	-	13,308	33,154
Revenue grants from Scottish Ministers	416	-	-	416	1,100
Other revenue grants	81	-	-	81	-
Total turnover from social letting activities	213,997	8,019	224	222,240	230,551
Management and maintenance administration costs	55,704	1,898	151	57,753	55,085
Service costs	5,092	1,506	8	6,606	6,085
Planned and cyclical maintenance including major repairs costs	19,522	620	-	20,142	22,713
Reactive maintenance costs	33,326	865	-	34,191	32,592
Bad debts – rents and service charges	1,987	75	-	2,062	1,606
Depreciation of social housing	53,171	1,849	3	55,023	47,557
Operating costs from social letting activities	168,802	6,813	162	175,777	165,638
Operating surplus from social lettings	45,195	1,206	62	46,463	64,913
Operating surplus from social lettings for the previous reporting period	63,953	895	65	64,913	

Company

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

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

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

Group	Grants From		Supporting People Income	Total Turnover	Total Operating Costs	2017 Operating Surplus / (Deficit)	2016 Operating Surplus / (Deficit)
	Scottish Ministers	Other Income					
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Wider role activities to support the community	631	648	-	1,279	(10,149)	(8,870)	(14,022)
Care activities	-	11,479	-	11,479	(11,411)	68	138
Factoring	-	13,570	-	13,570	(12,089)	1,481	1,500
Investment Property	-	12,834	-	12,834	(4,074)	8,760	5,938
Support activities	167	4,321	776	5,264	(6,191)	(927)	(1,034)
Owners' improvement activities	-	2,338	-	2,338	(3,258)	(920)	(1,680)
Demolition activities	-	-	-	-	(5,855)	(5,855)	(7,162)
Other income	-	5,636	-	5,636	(293)	5,343	4,651
Depreciation – Non Social Housing	-	-	-	-	(7,119)	(7,119)	(5,021)
Organisation Restructuring	-	-	-	-	(3,587)	(3,587)	(1,556)
Development & Construction of Property Activities	28	1,061	-	1,089	(2,549)	(1,460)	(1,152)
Total from other activities	826	51,887	776	53,489	(66,575)	(13,086)	(19,400)
Total from other activities for the previous reporting period	764	48,584	1,258	50,606	(70,009)	(19,400)	
Company	Grants From Scottish Ministers	Other Revenue	Supporting People Income	Total Turnover	Total Operating Costs	2017 Operating Surplus	2016 Operating Surplus / (Deficit)
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Provision of Group services	-	2,820	-	2,820	(2,820)	-	-
Total from other activities	-	2,820	-	2,820	(2,820)	-	-
Total from other activities for the previous reporting period	-	27,718		27,718	(27,718)	-	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

6. Board members' emoluments

Board members received emoluments of £168,407 (2016: £150,761) 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.

	2017	2016
	£	£
Alastair MacNish	27,000	27,000
Sheila Gunn	17,000	13,000
Mike Blyth	13,000	13,000
Ronnie Jacobs	13,000	13,000
Jo Armstrong	10,000	7,692
Elizabeth Walford	13,000	13,000
Dr Thomas Mitchell	10,000	6,166
Peter Kelly	10,000	9,167
Gordon Sloan (part year)	8,826	17,000
Bernadette Hewitt (part year)	8,248	-
James Muir	10,000	2,938
John Hill	10,000	2,938
Kate Willis	10,000	10,000
Martin Kelso (part year)	8,333	-
Margaret Dunlop (part year)	-	5,833
Pauline Hamilton (part year)	-	5,000
John Fletcher (part year)	-	5,027
	168,407	150,761

In addition, £4,870 (2016: £4,944) was paid to Board members for reimbursement of expenses.

7. Officers' emoluments

	2017	2016
	£ 000	£ 000
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	1,156	1,175
Emoluments payable to the highest paid key management	250	236
Employer pension contributions	46	43
Total emoluments payable to the highest paid key management	296	279

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

More than £30,000 but not more than £40,000	1	-
More than £60,000 but not more than £70,000	2	-
More than £100,000 but not more than £110,000	1	-
More than £140,000 but not more than £150,000	-	3
More than £150,000 but not more than £160,000	3	1
More than £160,000 but not more than £170,000	-	1
More than £230,000 but not more than £240,000	-	1
More than £250,000 but not more than £260,000	1	-

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

7. Officers' emoluments (continued)

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. Emoluments include relocation expenses where appropriate.

The senior officers are eligible to join the Strathclyde Pension Fund and employer's contributions are paid on the same basis as other members of staff.

There were six senior officers in post at 31 March 2017. Key management personnel in the year were as follows:

Martin Armstrong	Group Chief Executive
Olga Clayton	Group Director of Housing and Care
Elaine Melrose	Group Director of Resources
Graham Isdale	Group Director of Corporate Affairs
Steven Henderson (appointed 16 May 2016)	Interim Group Director of Finance
Tom Barclay (appointed 2 October 2016)	Group Director of Property and Development
Mark Logan (dismissed 13 May 2016)	Group Director of Finance
Alex McGuire (resigned 6 May 2016)	Group Director of Property

8. Employees

In the year to 31 March 2017, the average full time equivalent number of employees of the Group, including senior officers, was 2,460 (2016: 2,321). Employee costs and numbers include staff employed by Barony Housing Association Limited from the date of joining the Group. No staff are directly employed by the Company.

Group	2017 £ 000	2016 £ 000
Staff costs (for the above persons)		
Wages and salaries	66,308	60,061
Social security costs	6,987	5,421
Employer's pension costs	10,100	9,463
	83,395	74,945

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

9. Other income and gains

	2017	2016
	£ 000	Restated £ 000
Gain/(loss) on revaluation of investment property:	2,800	(1,303)
Dunedin Canmore Group		
Fair value of net assets acquired	-	128,165
Consideration	-	-
Gain on business combination	-	128,165
Barony Housing Association Ltd		
Fair value of net assets acquired	10,104	-
Consideration	-	-
Gain on business combination	10,104	-
Total other income and gains	12,904	126,862

Barony Housing Association Limited joined the Group on 1 April 2016, with 100% acquired within the normal course of its operations. No fundamental reorganisation or restructuring occurred as a result. In accordance with FRS 102, the gain arising on business combination is therefore recognised within operating surplus.

The following amounts were recognised at the acquisition date:

	£ 000
Fixed assets	13,880
Current assets	3,265
Current liabilities	(1,680)
Net current assets	1,585
Long term liabilities	(4,339)
Provisions – pension liability	(1,022)
	10,104
Revenue reserve	10,104

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

10. Gain on disposal of fixed assets

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

Group	2017	2016
	£ 000	£ 000
Right-to-Buy		
Proceeds from disposal of properties	11,560	8,385
Value of properties disposed	<u>(8,412)</u>	<u>(5,568)</u>
Surplus on sale of fixed assets	<u>3,148</u>	<u>2,817</u>
Shared Ownership Properties		
Proceeds from disposal of properties	161	-
Value of properties disposed	<u>(153)</u>	<u>-</u>
Surplus on sale of fixed assets	<u>8</u>	<u>-</u>
Total gain on disposal of fixed assets	<u>3,156</u>	<u>2,817</u>

11. Finance income

Group	2017	2016
	£ 000	£ 000
Bank interest receivable on deposits in the year	262	108
Net return on pension asset	<u>1,169</u>	<u>330</u>
Total	<u>1,431</u>	<u>438</u>

12. Finance charges

Group	2017	2016
	£ 000	£ 000
Interest payable	50,965	45,749
Other financing costs	2,282	2,064
Net cost on pension	<u>261</u>	<u>407</u>
Total	<u>53,508</u>	<u>48,220</u>

Other financing costs include commitment, non-utilisation fees, the amortisation of transaction costs on the Group's funding arrangements and the amortised interest on the contingent efficiencies loan.

Interest of £2.0m (2016: £2.2m) has been capitalised at a weighted average interest rate of 5.56% (2016: 4.98%).

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

13. Tax on surplus on ordinary activities

Group	2017	2016
	£000	£000
Total tax expense recognised in the Statement of Comprehensive Income:		
<u>Current tax:</u>		
Current tax on income for the year	-	105
Adjustment in respect of prior periods	64	(7)
	<u>64</u>	<u>98</u>
<u>Deferred tax:</u>		
Origination and reversal of timing differences	138	-
Effects of changes in tax rates	(43)	-
	<u>95</u>	<u>544</u>
Total Tax	<u>159</u>	<u>642</u>

The Company has no tax charge for the year (2016: nil).

The charitable status of Glasgow Housing Association, Dunedin Canmore Housing, Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association and Barony 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 for the current period

Group	2017	2016
	£000	Restated £000
Reconciliation of effective tax rate		
(Deficit)/surplus for the year	(1,764)	129,076
Total tax expense	(159)	(642)
(Deficit)/surplus excluding taxation	<u>(1,605)</u>	<u>129,718</u>
Tax using the UK corporation tax rate of 20% (2016: 20%)	(321)	25,944
Effects of:		
Charitable surpluses not subject to tax	612	(25,192)
Qualifying charitable donations	(308)	(283)
Under provision in prior year	64	173
Expenses not deductible	252	-
Tax rate changes	(42)	-
Effect of indexation allowance on chargeable gains	(98)	-
Total tax expense included in Statement of Comprehensive Income	<u>159</u>	<u>642</u>

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

13. Tax on surplus on ordinary activities (continued)

The Company has no tax charge for the year (2016: nil).

14. Auditor's remuneration

	2017	2016
	£'000	£'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	13	27
Audit of financial statements of subsidiaries pursuant to legislation	158	196
Other audit related services	8	5
Other services	-	43

15. Financial commitments

Capital commitments

All capital commitments of the Group were as follows:

Group	2017	2016
	£000	£000
Expenditure contracted for, but not provided in the financial statements	78,633	51,226
Expenditure authorised by the Board but not contracted	81,408	68,090
	160,041	119,316

The Group has access to sufficient funding through cash or bank lending facilities to meet the capital commitments.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

Operating leases

At 31 March the Group had commitments under non-cancellable operating leases as follows; the company had no such commitments:

Group	2017 Land and Buildings	2017 Other	2016 Land and Buildings	2016 Other
	£000	£000	£000	£000
Operating lease payments due:				
Within one year	1,221	55	1,099	89
In the second to fifth years inclusive	2,589	33	2,826	45
Over five years	108	-	2,117	-
	3,918	88	6,042	134

Lease commitments include the timing of the full payment due under contract as required by FRS 102. The Group's social housing properties are held under operating leases and are tenanted under cancellable operating lease conditions. As such, no disclosure of tenant leases under FRS 102 section 20.30 is made.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

16. Fixed assets – Social Housing Properties

Group	Core Stock £ 000	Housing Under Construction £ 000	Shared Owner- ship £ 000	Total £ 000
At Valuation				
At 1 April 2016	1,401,648	43,341	16,580	1,461,569
Acquired in the year	13,274	-	-	13,274
Additions	71,650	74,524	46	146,220
Disposals	(8,457)	(100)	(775)	(9,332)
Transfers	27,063	(35,316)	718	(7,535)
Revaluation	(53,823)	-	1,031	(52,792)
At 31 March 2017	1,451,355	82,449	17,600	1,551,404
Depreciation				
At 1 April 2016	-	-	-	-
Acquired in the year	-	-	-	-
Charge for year	(54,622)	-	(28)	(54,650)
Disposals	994	-	2	996
Revaluation	53,628	-	26	53,654
At 31 March 2017	-	-	-	-
Net Book Value - valuation				
At 31 March 2017	1,451,355	82,449	17,600	1,551,404
At 31 March 2016	1,401,648	43,341	16,580	1,461,569
Net Book Value – historic cost equivalent				
At 31 March 2017	1,903,186	82,449	23,824	2,009,459
At 31 March 2016	1,870,011	43,292	23,630	1,807,921

All subsidiaries in the Wheatley Housing Group Limited account for social housing properties at valuation. Additions to housing under construction include capitalised interest costs of £2.0m (2016: £2.2m). Interest has been capitalised at the weighted average interest cost for the Group of 5.56% (2016: 4.98%).

The valuation of social 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 2017/18. The demolition programme identifies 311 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 2017 (continued)**

16. Fixed assets – Social Housing Properties (continued)

Demolition programme stock has a negative valuation for accounting purposes due to the impact of demolition costs on the Existing Use for Valuation – Social Housing (“EUV-SH”) calculation, and so is held at nil on the Statement of Financial Position as under FRS 102 there is no constructive obligation at the year-end date to provide for these costs.

Social 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 2017 on an Existing Use Valuation for Social Housing EUV-SH. A discount rate of between 5.75% - 6.50% (2016: between 5.75% - 8.00%) was used for retained stock dependant on the archetype. The valuation assumes a rental income increase of RPI + 0.5% for retained stock for the next 3 years, in line with the Group’s 30-year Business Plan (2017/18). 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 the year the Group disposed of 232 properties (2016: 204 properties) to tenants under Right to Buy entitlements. These properties were valued at £6.495m during the year (2016: £5.568m).

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

	2017	2016
Social Housing		
General needs	47,705	47,616
Shared ownership	393	398
Supported housing	1,719	1,527
Housing held for long-term letting	49,817	43,842
Housing approved/planned for demolition	311	1,336
Total Units	50,128	45,178

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

17. Fixed assets - other tangible fixed assets

Group	Community Infra- structure	Office Premises £ 000	Combined Heat and Power £ 000	Furniture, fittings and equipment £ 000	Computer Equipment £ 000	Total £ 000
Cost						
At 1 April 2016	-	11,262	4,932	22,935	37,490	76,619
Acquired in the year	-	637	-	482	-	1,119
Additions	7,143	433	-	2,802	4,192	14,570
Disposals	-	-	-	(95)	(369)	(464)
Transfers	-	6,402	846	957	-	8,205
Revaluation	-	(1,006)	-	-	-	(1,006)
At 31 March 2017	7,143	17,728	5,778	27,081	41,313	99,043
Depreciation						
At 1 April 2016	-	(1,945)	(2,800)	(13,889)	(27,497)	(46,131)
Acquired in the year	-	(164)	-	(349)	-	(513)
Charge for year	(179)	(1,008)	(109)	(3,076)	(2,822)	(7,194)
Disposals	-	-	-	60	369	429
Transfers	-	193	-	(193)	-	-
Revaluation	-	1,759	-	-	-	1,759
At 31 March 2017	(179)	(1,165)	(2,909)	(17,447)	(29,950)	(51,650)
Net Book Value						
At 31 March 2017	6,964	16,563	2,869	9,634	11,363	47,393
At 31 March 2016	-	9,317	2,132	9,046	9,993	30,488

Company	Furniture, fittings and equipment £ 000	Computer Equipment £ 000	Total £ 000
Cost			
At 1 April 2016	205	5,714	5,919
Additions	-	-	-
Transferred	(205)	(5,714)	(5,919)
At 31 March 2017	-	-	-
Depreciation			
At 1 April 2016	(57)	(945)	(1,002)
Charge for year	-	-	-
Transferred	57	945	1,002
At 31 March 2017	-	-	-
Net Book Value			
At 31 March 2017	-	-	-
At 31 March 2016	148	4,769	4,917

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

18. Investment properties

Group	Properties held for market rent £ 000	Commercial properties £'000	Total £'000
Valuation			
At 1 April 2016	122,355	21,026	143,381
Additions	3,189	-	3,189
Transfers	6,689	(7,359)	(670)
Disposals	(402)	-	(402)
Revaluation	4,783	(1,983)	2,800
At 31 March 2017	136,614	11,684	148,298
Net Book Value			
At 31 March 2017	136,614	11,684	148,298
At 31 March 2016	122,355	21,026	143,381

Market rent properties were valued at market value subject to tenancy (MV-T) by an independent professional adviser, Jones Lang LaSalle, on 31 March 2017.

The number of properties held for market rent by the Group at 31 March were:

	2017	2016
Market Rent Properties		
Total Units	1,349	1,268

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

In determining the valuation of investment properties, it is assumed that there are no restrictions on the ability to realise the investment properties or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

19. Debtors

Group	2017	2016
	£ 000	£ 000
Due in more than one year:		
Development agreement	75,097	101,467
Other debtors	-	168
	<u>75,097</u>	<u>101,635</u>
Due within one year:		
Arrears of rent and service charges	13,359	14,059
Adjustment to discount arrears balances with payment plans	(74)	(30)
Less: provision for bad and doubtful debts	(2,827)	(2,929)
	<u>10,458</u>	<u>11,100</u>
Prepayments and accrued income	5,871	6,416
Other debtors	13,827	13,563
	<u>105,253</u>	<u>132,714</u>
Total		

Included in debtors is a balance of £75.1m (2016: £101.5m) in respect of the expected cost of the development work that Glasgow City Council has committed to undertake in order to refurbish the housing properties transferred. 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 22) and as work progresses both of these balances will be utilised when the work is actually undertaken.

Company	2017	2016
	£ 000	£ 000
Due in more than one year:		
Amounts due from Group undertakings	-	1,782
Due within one year:		
Prepayments and accrued income	-	981
Other debtors	-	10
Amounts due from Group undertakings	-	4,825
	<u>-</u>	<u>7,598</u>
Total		

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

20. Creditors: amounts falling due within one year

Group	2017	2016
	£ 000	£ 000
Amounts falling due within one year:		
Trade creditors	7,817	10,688
Accruals	34,013	40,091
Deferred income	33,378	18,956
Rent and service charges received in advance	7,917	7,629
Salaries, wages, other taxation and social security	1,581	1,600
Corporation tax	58	61
Housing loans	200	200
Other creditors	4,955	6,890
Total	89,919	86,115

Company	2017	2016
	£ 000	£000
Amounts falling due within one year:		
Trade creditors	-	619
Accruals	-	2,716
Corporation tax payable	-	-
Amounts due to Group undertakings	15	7,762
Total	15	11,097

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

Group	2017	2016
	£000	Restated £ 000
Scottish Government loan	27,315	26,980
Housing loans - bank facilities	697,131	638,169
Housing loans - bond finance	298,796	298,684
Deferred income	24,871	13,451
Other creditors	3,303	1,937
Total	1,051,416	979,221

Company	2017	2016
	£ 000	£ 000
Amounts due to Group undertakings	-	3,135
Total	-	3,135

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

21. Creditors: amounts falling due after more than one year (continued)

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 (2016: £100.0m) has been received and this is an interest-free loan with repayment due in 2040/41. The amount due of £27.3m at 31 March 2017 is the measurement of the liability after discounting for an equivalent interest bearing arrangement with the same repayment date.

Housing Loans

Borrowing arrangements are in place via a Group funding structure which consists of bank and capital markets debt, secured on charged properties owned by certain RSLs within the Wheatley Housing Group. Group funding was made up of a committed facility of £678.8m from a syndicate of commercial banks, a committed facility of £123.7m from the European Investment Bank, committed facilities from The Housing Finance Corporation of £16.5m and £300.0m raised through the issue of a public bond. This provided total facilities of £1,124m for the RSL borrowing group through Wheatley Funding No1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Ltd. The RSL borrowing group comprises Glasgow Housing Association, Cube Housing Association, West Lothian Housing Partnership, Dunedin Canmore Housing, Barony Housing Association and Loretto Housing Association.

Bond finance is repayable in 2044/45, and has a coupon rate of 4.375%. The bond finance is secured on certain of the social housing stock of the RSL borrowing group.

Dunedin Canmore Housing and Barony Housing Association joined the RSL borrowing group on 1 April 2016 and loans totalling £143.0m secured on the Associations' housing stock were transferred into the Group borrowing arrangement with WFL1 at that date.

During the year the operations of Dunedin Canmore Enterprise transferred to Dunedin Canmore Housing on 30 March 2017. The commercial facility of £9.5m provided by Wheatley Funding No. 2 Ltd ("WFL2") to Dunedin Canmore Enterprise also transferred to Dunedin Canmore Housing. This facility is fully drawn at 31 March 2017.

A further £50.0m facility is available to Lowther Homes Ltd provided through Wheatley Funding No.2 Ltd. A total of £17.2m has been drawn down from this facility at 31 March 2017.

Borrowings are repayable as follows	2017	2016
	£ 000	Restated
		£ 000
In less than one year	200	200
In less than five years and more than one year	-	107,452
In more than five years	995,927	829,401
	<hr/>	<hr/>
	996,127	937,053

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

21. Creditors: amounts falling due after more than one year (continued)

The deferred income balance is made up as follows:

	Housing Association Grant £ 000	Other £ 000	Total Deferred Income £ 000
Deferred income as at 1 April 2016	22,765	9,642	32,407
Acquired in the year	-	14	14
Additional income received	42,551	4,032	46,583
Released to the Statement of Comprehensive Income	(13,786)	(6,969)	(20,755)
Deferred income as at 31 March 2017	51,530	6,719	58,249

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

	2017 £ 000	2016 £ 000
Deferred income to be released to the Statement of Comprehensive Income:		
In less than one year	33,378	18,956
In more than one year but less than five years	24,871	13,451
In more than five years	-	-
	58,249	32,407

Financial instruments

	2017 £'000	2016 £'000
Financial assets:		
Measured at amortised cost:		
Debtors and accrued income	30,156	31,247
Total	30,156	31,247

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

21. Creditors: amounts falling due after more than one year (continued)

	2017	2016
	£ 000	Restated £ 000
Financial liabilities:		
Measured at amortised cost:		
Creditors, accruals and deferred income	117,893	101,303
Scottish Government loan	27,315	26,980
Bank loans	996,127	937,053
Total	1,141,335	1,065,336

Income earned and expense payable on the financial assets and liabilities is disclosed in note 11 and 12 respectively.

22. Provisions for liabilities and charges

	Development Agreement	Insurance	Deferred tax	Total
Group	£ 000	£ 000	£000	£ 000
At 1 April 2016	101,466	941	397	102,804
Utilised	(26,369)	(230)	95	(26,504)
At 31 March 2017	75,097	711	492	76,300

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.

Deferred tax

Deferred tax is provided to take account of timing differences between the treatment of certain items for financial statement purposes and their treatment for tax purposes. Deferred tax is provided for all material timing differences and for the unrealised gain or losses on investment properties in certain subsidiaries in the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

23. Share capital

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

There were no balances in reserves for the company at 31 March 2017.

24. Pensions

Strathclyde Pension Fund

The Group subsidiary Glasgow Housing Association Limited participates in the Strathclyde Pension Fund ("SPF") 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 with investments under the overall supervision of the Fund Trustees.

The latest full actuarial valuation was carried out as at 31 March 2014. The next full actuarial valuation is due as at 31 March 2017, but is not yet available as at the date of these financial statements.

Lothian Pension Fund

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

The latest full actuarial valuation was carried out as at 31 March 2014. The next full actuarial valuation is due as at 31 March 2017, but is not yet available as at the date of these financial statements.

Pensions Trust Scottish Housing Association Pension Scheme

Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association, Loretto Care and Dunedin Canmore Housing participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") defined benefit section. This is a multi-employer defined benefit scheme and is funded and contracted out of the State Pension Scheme. Loretto Housing Association Limited transferred to the SHAPS Defined Contribution scheme with effect from 1 July 2013, Cube Housing Association and West Lothian Housing Partnership transferred with effect from 1 September 2014 and Dunedin Canmore transferred on 1 April 2014.

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

The scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. FRS 102 requires the disclosure of the Group's

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

24. Pensions (continued)

share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2017.

Following consideration of the results of the last valuation at 30 September 2015, the shortfall in the scheme reduced from £304m to £198m. It was agreed that this would continue to be dealt with by the payment of additional contributions. These were previously set at 5.4% of pensionable salaries per annum with effect from 1st April 2014 for a period of 13 years and following the most recent valuation, the period over which the past service deficit contributions are payable has been shortened by 5 years to 8 years. Past service deficit contributions continue to increase each 1st April at a rate of 3%.

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the 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.

Wheatley Housing Group Defined Contribution Scheme

The Group also operates a defined contribution scheme through the Salvus Master Trust. These arrangements are open to all employees who are not members of the Strathclyde Pension Fund, Lothian Pension Fund or SHAPS defined benefit or defined contribution schemes.

Employer contributions vary pro rata with the level of contributions chosen by the individual employee member, and range from 8% to 12%. Employer contributions are capped at 12%.

Group Defined Benefit assets and obligations

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

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

24. Pensions (continued)

	31 March 2017	31 March 2016
Discount rate	2.8%	3.8%
Future salary increases	*2.0%	**2.5%
Inflation	2.3%	2.1%

* Salary increases are assumed to be 2.0% p.a.

** Salary increases are assumed to be 2.0% p.a. until 31 March 2019, 2.5% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.1 years (male) (2016: 22.1 years), 23.6 years (female) (2016: 23.6 years).
- Future retiree upon reaching 65: 24.8 years (male) (2016: 24.8 years), 26.2 years (female) (2016: 26.2 years).

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

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

Movements in present value of defined benefit obligation

	SPF 2017 £ 000	LPF 2017 £ 000	SHAPS 2017 £ 000
Opening defined benefit obligation	294,769	18,633	48,564
Current service cost	7,651	424	-
Interest cost	11,254	656	1,814
Loss on curtailment	1,123	43	-
Actuarial losses	70,791	50	13,993
Contributions by members	2,350	101	-
Estimated benefits paid	(8,300)	(316)	(1,663)
Closing defined benefit obligation	379,638	19,591	62,708

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

24. Pensions (continued)

Movements in fair value of plan assets

	SPF 2017 £ 000	LPF 2017 £ 000	SHAPS 2017 £ 000
Opening fair value of plan assets	326,201	17,611	41,136
Expected return on plan assets	12,423	620	1,565
Actuarial gains	63,487	3,382	10,882
Contributions by the employer	7,419	420	1,791
Contributions by the members	2,350	101	-
Estimated benefits paid	(8,300)	(316)	(1,662)
Administration costs	-	-	(58)
Closing fair value of plan assets	<u>403,580</u>	<u>21,818</u>	<u>53,654</u>
	SPF Value at 31 March 2017 £ 000	LPF Value at 31 March 2017 £ 000	SHAPS Value at 31 March 2017 £ 000
Present value of funded defined benefit obligations	(379,366)	(19,591)	(62,708)
Present value of unfunded defined benefit obligations	(272)	-	-
Fair value of plan assets	403,580	21,818	53,654
Net asset/ (liability)	<u>23,942</u>	<u>2,227</u>	<u>(9,054)</u>

Expense recognised in the Statement of Comprehensive Income

	SPF 2017 £ 000	LPF 2017 £ 000	SHAPS 2017 £ 000
Current service cost	7,651	424	-
Losses on settlements or curtailments	1,123	43	-
Net interest on defined benefit obligation	(1,169)	36	151
Administration costs	-	-	58
	<u>7,605</u>	<u>503</u>	<u>209</u>

The expense is recognised in the following line items in the Statement of Comprehensive Income

	2017 £ 000	2016 £ 000
Operating costs	(242,352)	(235,646)
Finance income	1,431	438
Finance charges	(53,508)	(48,220)

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is £7.083m loss (2016: £26.428m gain).

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

24. Pensions (continued)

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

	2017	2016
	£ 000	£ 000
Equities	315,903	250,084
Corporate bonds	55,594	62,094
Property	68,736	44,463
Alternatives	12,877	9,873
Cash	25,942	823
	479,502	367,337
Actual return on plan assets	92,359	9,399

25. Related party transactions

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

Directors received emoluments for their services to Wheatley Housing Group Limited. Details are included in Note 6.

Tenant and factored homeowners Directors

The following Directors are tenants of Glasgow Housing Association and have tenancies or factoring agreements that are on the Association's normal terms and they cannot use their positions to their advantage:

Gordon Sloan
 Bernadette Hewitt
 Kate Willis

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

	2017
	£ 000
Rent charged during the year	13
Arrears balances outstanding at 31 March 2017	-

Other related parties

Related party interests and transactions during the year are as follows:

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

25. Related party transactions (continued)

	Invoiced in the year £ 000	Year end balance £ 000
2017		
Bernadette Hewitt - Transforming Communities Glasgow	1	-
Bernadette Hewitt - Barmulloch Community Development	3	-
Kate Willis - Scotcash CIC	(4)	-

All transactions were on commercial terms and at arm's length.

During the year GHA held nomination rights to a directorship of Transforming Communities: Glasgow ("TC:G"). Bernadette Hewitt serves as a GHA nominated director on the board of TC:G.

During the year GHA held nomination rights to a directorship of Scotcash CIC. These rights allow GHA to nominate up to two directors to the board of Scotcash with Kathleen Willis serving on the board during the year.

26. Cash Flow Analysis

Reconciliation of surplus to net cash inflow from operating activities

	2017 £ 000	2016 Restated £ 000
(Deficit)/surplus for the year	(1,764)	129,076
Less: gain on Barony partnership	(10,104)	-
Less: gain on Dunedin canmore partnership	-	(128,165)
	(11,868)	911
Depreciation of tangible fixed assets	61,851	52,578
Decrease/(increase) in stock	25	(119)
Decrease in debtors	2,965	2,767
(Decrease)/increase in creditors and provisions	(10,931)	9,909
Pensions costs less contributions payable	(331)	313
Adjustment for investing or financing activities:		
Gain from the sale of tangible fixed assets	(3,156)	(2,817)
Grants utilised in the year	(20,755)	(39,610)
Interest receivable	(1,431)	(438)
Interest payable	53,508	48,220
Movement in fair value of financial instruments	(1,035)	(2,310)
(Gain)/loss on investment activities	(2,800)	1,303
	66,042	70,707
Net cash inflow from operating activities		

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

27. Prior year adjustment

Loans under cancellable fixed rate agreements totalling £58.6m (2016: £58.6m) were acquired in 2016 when Dunedin Canmore Housing Limited and Dunedin Canmore Enterprise Limited joined the Group. These were previously accounted for as complex financial instruments and carried at fair value. These arrangements have been restated as basic arrangements to better reflect the nature of the underlying agreements, and have been measured post acquisition on an amortised cost basis.

	Reported in 2016 financial statements £ 000	Impact of restatement £ 000	Restated 2016 figures £ 000
<i>Statement of Financial Position</i>			
Creditors: amounts falling due after more than one year	(997,147)	17,926	(979,221)
Total net assets	(997,147)	17,926	(979,221)
Revenue reserve	603,900	17,926	621,826
Total reserves	603,900	17,926	621,826
<i>Statement of Comprehensive Income</i>			
Other income and gains	101,981	24,881	126,862
Movement in fair value of financial instruments	9,265	(6,955)	2,310
Surplus for the year	111,246	(17,926)	129,172

28. Subsidiary and associated undertakings

The ultimate parent company is Wheatley Housing Group Limited. The Company has fourteen 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”), Wheatley Funding No.1 Limited, Wheatley Funding No.2 Limited, Wheatley Enterprises Limited, Lowther Homes Limited, YourPlace Property Management Limited, Dunedin Canmore Housing Limited, Barony Housing Association Limited, Wheatley Foundation and Wheatley Solutions Limited. Loretto Care is a subsidiary of Loretto Housing Association Limited. Wheatley Housing Group Limited retains constitutional control of all subsidiary undertakings.

The objective of Wheatley Funding No.1 Limited is the provision of finance to the Registered Social Landlords in the Group. Wheatley Funding No.1 Limited is the parent of Wheatley Group Capital plc, the vehicle for raising bond financing. Financing services were previously provided to GHA by Glasgow Housing Association (Funding) Limited prior to the funding re-structure. Wheatley Enterprises Limited is a non-trading holding company overseeing commercial activity which, through YourPlace Property 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. Wheatley Funding No.2 Limited provides finance to Lowther Homes Limited. YourPlace Property Management Limited is non-trading.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

28. Subsidiary and associated undertakings (continued)

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	228 x £1 shares
Dunedin Canmore Housing Limited	Co-operative and Community Benefit Society	80 x £1 shares
The Glasgow Housing Association (Funding) Limited	Company Limited by Guarantee	No share capital
Wheatley Funding No.1 Limited	Company Limited by Guarantee	No share capital
Wheatley Funding No.2 Limited	Company Limited by Guarantee	No share capital
Wheatley 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	1 x £1 ordinary shares
Loretto Housing Association Limited	Co-operative and Community Benefit Society	282 x £1 shares
West Lothian Housing Partnership Limited	Company Limited by Guarantee	No share capital
Barony Housing Association Limited	Co-operative and Community Benefit Society	60 x £1 shares
Wheatley Solutions Limited	Company Limited by Shares	100 x £1 shares
The Wheatley Foundation Limited	Company Limited by Guarantee	No share capital

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

28. Subsidiary and associated undertakings (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 require to be disclosed under FRS 102.

29. Post balance sheet events

On 1 April 2017 the Wheatley Housing Group became 50:50 joint owners of City Building (Glasgow) LLP with Glasgow City Council. This joint venture entity will provide repairs and investment works and services to the Wheatley Group and Glasgow City Council.

Wheatley Funding No. 1 Limited issued a £100m private placement bond to BlackRock Real Assets, a global investment management company, on 10 May 2017. This was issued at a fixed rate of 3.125% for 15 years.

SUPPLEMENTARY INFORMATION

Secretary and Registered Office

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

Independent Auditor

KPMG LLP
319 St Vincent Street
Glasgow G2 5AS

Bankers

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

BOARD MEMBERS

Alastair MacNish OBE – Non-Executive Chairman

Alastair spent his career in local government, initially in finance as a Chartered Accountant and then five 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 chairing the Leadership Advisory Panel on Local Government Leadership Capacity and providing expert evidence to the Scottish Parliament Local Government and Communities Committee on budget setting.

Alastair holds external appointments as the Chairman of Greenock Medical Aid Society and The Royal Caledonian Curling Club, as well as being a director of the Scottish Curling Trust and Board director of British Curling.

Elizabeth Walford – Non-Executive Director

Liz, who holds a MA (Cantab) from the University of Cambridge, has held a number of executive positions within the housing sector in England. She retired as the Group Chief Executive of Walsall Housing Group in 2009 following five years in the 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.

Liz is the Chair of YourPlace and also serves on the Board of Shropshire Housing Group Limited.

Mike Blyth – Non-Executive Director

Mike, who holds a BSc from the University of St Andrews, is a Chartered Accountant. He was a partner for 30 years in RSM (formerly 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 holds an appointment as a Non Executive Director and immediate past Chairman of Anglo Pacific Group plc.

Sheila Gunn – Non-Executive Director

A qualified solicitor, holding a LLB (Hons) from the University of Glasgow, Sheila worked in legal private practice for 23 years as a partner and Head of Employment at leading Scottish legal firm Shepherd & Wedderburn. She has provided counsel to the Boards of leading UK companies, and has also worked in the housing sector, having advised a number of Housing Associations, as well as conducting investigations into other housing associations requested by the Scottish Housing Regulator.

Sheila holds appointments as a member of the Council of the Chartered Banker Institute, a member of the Ethics Committee of ICAS and as a Non-Executive Director of Airdrie Savings Bank.

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 development. 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

BOARD MEMBERS (continued)

Government on housing as part of the Housing Supply Task Force and has served on the Board of Homes For Scotland.

Ronnie is the Chair of Lowther Homes and a director of Transforming Communities: Glasgow. He holds an appointment as a director of Etive Technologies.

Jo Armstrong – Non-Executive Director

An independent business economist with an extensive professional career spanning financial services (in both London and Edinburgh, oil and gas and the Scottish civil service).

Currently, Jo has been appointed a Member of the Water Industry Commission for Scotland (Scotland's independent economic water regulator); is the Economist in OFGEM's Expert Panel for its Low Carbon Innovation Fund; and, is a Non-Executive Director of Social Investment Scotland (the charity and social enterprise that provides loans to social enterprises across Scotland).

Previously Jo was the Budget Advisor to the Scottish Parliament's Economy, Energy and Tourism Committee and the Local Government Committee.

Jo is an Honorary Professor of Public Policy at the Adam Smith Business School at Glasgow University; a Fellow of the Institute of Directors and a Fellow of the Royal Society of Arts. She holds two degrees in economics from the University of Strathclyde.

Gordon Sloan – GHA Appointee (retired 7 October 2016)

Gordon spent his career in the civil service, working as a Children's Reporter, specialising in complex and high profile cases prior to his retirement. Gordon is a GHA tenant, with extensive experience in community engagement. He was previously the Chair of an NHS Trust Panel in Glasgow. Gordon is the Chair of Glasgow Housing Association Limited.

Kate Willis – GHA Appointee

A GHA tenant, Kate has significant experience in community development, capacity building and regeneration. Her contribution to her community was recognised in 2010 when she won the 'Inspirational Board Member of the Year' at the 2010 Housing Heroes Awards, by Inside Housing and the Chartered Institute of Housing. Kate works for the Castlemilk Timebank.

Kate is a Board member of Glasgow Housing Association Limited and Chairs its North West and South Area Committees and is a director of Scotcash. She holds an appointment as a director of the Castlemilk and Carmunnock Community Windpark Trust.

Peter Kelly – Co-opted Director

Peter is a Banking Partner at Scotland's largest law firm, Brodies LLP, and holds both a LLB (Hons) and BAcc from the University of Glasgow. He acts for lenders and borrowers in leveraged, real estate and corporate finance transactions. Peter also specialises in healthcare, renewables and third sector deals and is recognised as a ranked individual for Banking and Finance by Chambers & Partners. Peter is a Board member of Cube Housing Association Limited and holds appointments as a Non-Executive director of Balhousie Holdings Limited and as the company secretary of Applecross.

John Hill – Director

A qualified accountant, John retired having been Depute Chief Executive of West Lothian Council. He has significant experience at executive and senior management level in local government, including senior roles leading the council's operational services; housing,

BOARD MEMBERS (continued)

construction and building services; Direct Labour Organisation, and business services. John has experience in Non-Executive and Board roles, including having served on the Improvement Service PSIF Board, Chairing West Lothian Recycling Ltd and as Scottish Secretary of the Association for Public Service Excellence.

James Muir – Director

James is an experienced business leader with over 20 years' experience in financial, operational and strategic roles across a range of sectors including utilities, health, financial and marine services. He is currently the Group Business Development Director at V.Group. James is co-opted to Wheatley Board from the Board of Loretto Care which he joined in 2011 and where he serves as Chair.

Dr Thomas Mitchell – Director

Tom is a chartered accountant and is Chair of the Dunedin Canmore Housing Board. His specialisms include governance, risk and financial management and control in regulated sectors, principally in housing and charities, gained as an auditor as well as his experience as a Chartered Accountant. Tom is a member of the Institute of Chartered Accountant technical committee on Charities and a trustee of Royal Zoological Society Scotland.

Martin Kelso – Director (appointed 1 June 2016)

Martin was appointed as a director in June 2016. A Chartered Accountant, also holding a MBA from Cranfield University, he has substantial senior experience in financial, general and change management roles including Interim Strategic Finance Director of Virgin Money, Finance Director of Intelligent Finance (HBOS) and commercial lending and finance roles at Halifax. Martin currently provides expert financial and change management consultancy services across a range of sectors as well as Chairing Barony Housing Associating, a subsidiary of the Wheatley Group.

Bernadette Hewitt – Director (appointed 25 October 2016)

Bernadette joined the GHA Board in May 2014 and was elected Chair in October 2016. Bernadette is also Chair of GHA's North East Area Committee. Bernadette is a Board member of the Barmulloch Community Development Company with a strong understanding of the public funding system. She is also a Committee member of the Unity Local Housing Organisation. Bernadette joined the Wheatley Board in October 2016.

Martin Armstrong – Director

Martin is the Chief Executive of Wheatley Housing Group Limited, having been appointed upon the Group's creation in 2012. He holds a BSc in Social Administration & Housing Management from the University of Ulster, a PGD in Management and is a Fellow of the Royal Institute of Chartered Surveyors. Martin has over 25 years of public sector experience with a track record in strategy formulation, performance management and business transformation. Prior to joining, initially, Glasgow Housing Association Limited, he held senior posts at West Lothian Council, including Head of Housing and Customer Services and latterly Director of Customer & Support services. Martin is also a Board member of Quality Scotland.

EXECUTIVE TEAM

Martin Armstrong, Group Chief Executive

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

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.

Graham Isdale, Group Director of Corporate Affairs

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.

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.

Steven Henderson, Interim Group Director of Finance

Steven Henderson joined Wheatley as Director of Finance in August 2013. He previously worked for the European Investment Bank in Luxembourg. An experienced Chartered Accountant, Steven has specialised in housing and regeneration finance throughout his career. He worked for PricewaterhouseCoopers in Glasgow and also held a senior position with Ernst & Young before moving to the European Investment Bank, where he was responsible for investment of £250 million of EU Structural Funds, as well as lending activity for the Bank in the social housing and water sectors in the UK.

Tom Barclay, Group Director Property and Development

Tom was previously chief executive of Clyde Valley Group (CVG) in Lanarkshire, one of Scotland's largest affordable housing developers. Co-chair of the Scottish Government's Joint Housing Policy and Delivery Group, he led CVG to number five on the Sunday Times' Top 100 Companies in the UK to Work For and Best Companies' three-star employee engagement status. A chartered quantity surveyor, he has extensive experience in project management, change management and organisational development. Tom, who has a MBA, is a former Scotland Chairman of the Royal Institute of Chartered Surveyors (RICS) and is Scotland representative on the RICS Global Board.