



ANNUAL REPORT AND FINANCIAL STATEMENTS

for the Year Ended

31 March 2018

Lowther Homes Limited

Registered number SC402836

DIRECTORS' REPORT

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

Principal activities

Lowther Homes Limited (Lowther" or "the Company") is a wholly owned subsidiary of Wheatley Housing Group Limited ("Wheatley Group"). Lowther provides mid and full-market rent homes to let. It owns a growing portfolio of over 600 full market rent homes in communities from Inverkip to Leith and manages a further 900 mid market rent homes owned by fellow Wheatley Group subsidiaries, The Glasgow Housing Association Limited ("GHA"), Cube Housing Association Limited ("Cube") and Dunedin Canmore Housing Limited ("Dunedin Canmore").

Lowther Homes annual highlights

It has been another year of progress at Lowther Homes as we continued to grow our portfolio of affordable homes and provide round-the-clock services to customers.

At the end of the financial year, Lowther owned or managed 1591 homes across 11 local authorities with rents ranging from £340 to £1450 per month.

In April 2017, Dunedin Canmore, our sister organisation based in Edinburgh, appointed Lowther Homes to manage its mid-market and full-market homes. This increased the number of customers we provide services to by 669.

Mid-market rent

We are appointed to let and manage 908 homes for mid market rent, including 194 new-build homes on behalf of Wheatley Group subsidiaries, including GHA, Cube and Dunedin Canmore.

In Glasgow these new homes included:

- 30 homes at MacBeth/MacDuff Street in the East End;
- 20 homes at Harvey Street in Ibrox;
- 38 homes at Burnmouth Road in Barlanark; and
- 17 homes at Broomfield Drive in Springburn.

Our new mid-market homes in Glasgow proved very popular with all 20 in Ibrox let in one day and 500 notes of interest in the homes at Barlanark.

We also took on the letting and managing of new homes in the East of Scotland including:

- 14 at North Berwick;
- 16 at Muirhouse, 37 at Craigmillar and 12 at Gilmerton, all Edinburgh; and
- 10 at Dewar Park in Gorebridge.

Full-market rent

We increased our portfolio of homes for full-market rent with two acquisitions. We bought 40 in the Ferry Village, at Braehead, with sitting tenants. We also bought a further 16 at Ferry Village direct from the developer, Bellway.

DIRECTORS' REPORT (CONTINUED)

Further developments under way

Work progressed during the year on a number of other developments which will result in further growth for Lowther Homes.

These include a stable block, once home to dozens of working horses in Glasgow, which is being turned into flats for mid-market rent. Our partners at GHA are behind the refurbishment of the Bell Street Stables in the Merchant City, a category B listed building. It housed the horses which pulled Glasgow City Cleansing Department's refuse collection carts, as well as the city's police horses.

GHA's plans for 52 flats involve restoring the existing façade with the original stable dividers from the upper floors transformed into cycle-storage areas. The development is due to be complete in November 2018 with Lowther letting and managing the homes.

Business performance

We continued to achieve a strong business performance with mid-market rent properties taking, on average, seven days to let. Full market properties took around 20 days to let, which compares well with the industry average of 34 days.

We also continued to deliver a good financial performance with results above expectations. We exceeded our target for net rental income in the year at £10.0m against a target of £9.9m.

Lowther Homes also prepared for and implemented the changes for letting agents that resulted from the Private Housing (Tenancies) (Scotland) Act 2016 which came into effect on 1 December 2017, principally replacing the old Short Assured Tenancy agreement with the new Private Residential Tenancy Agreement.

Improving our repairs service

We rolled out a new repairs service with closer working between staff and a greater focus on customer service.

The service is delivered for customers in the West of Scotland by City Building (Glasgow) LLP which has been jointly owned, since April 2017, by our parent company Wheatley Group and Glasgow City Council. For our customers in the East of Scotland, the repairs service is delivered by Dunedin Canmore's Property Services team.

Lowther customers should see significant improvements to the repairs service as the new ways of working become embedded.

Online services

We launched our new website in November 2017. It is aimed at engaging existing tenants, making it easy for them to get information and advice and to access online self-service for payments and booking appointments.

It is also designed to attract new customers and help them find out more about our homes and services.

DIRECTORS' REPORT (CONTINUED)

Our website audience is growing with up to 3,500 visitors a month. Over 260 customers were registered for online self-service at the end of the financial year with people finding it quick and convenient to pay rent, check their account, book a repair or request a service. Since then we have simplified the sign-up process, encouraging dozens more tenants to register and use online self-service.

Directors

The Directors of the Company who were in office during the financial year and up to the date of the financial statements were:

Ronnie Jacobs (Chair)

Tom Barclay

Steven Henderson

Ian Wall

Gordon Sloan

Tom Mitchell

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 aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

Basis of preparation

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. As such, the Company has taken exemption from preparing a strategic report.

Going concern

The £50m loan facility from The Royal Bank of Scotland Plc and Bank of Scotland Plc, together with operational cash generation, provides sufficient funds to allow the Company to meet its current liabilities and fund the on-going operation and maintenance of its existing investment property portfolio. Each year the Company updates its long-term business plan which sets out its long term financial forecasts including growth opportunities. This business plan demonstrates that sufficient funds are available to meet the Company's liabilities as they fall due. There are therefore no material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

DIRECTORS' REPORT (CONTINUED)

Political contributions

The company made no political donations or incurred any political expenditure during the year.

FINANCIAL REVIEW

Lowther Homes generated an operating surplus of £6.2m in 2018 (2017: £3.5m). This includes a £3.3m gain on the value of our investment properties held (2017: £1.1m).

Statement of Comprehensive Income

Turnover

Turnover, generated from rental income net of void losses, was £10.0m for the year ended 31 March 2018 (2017: £5.1m). The year on year growth was largely driven by growth in the managed portfolio transferred in April 2017 from Dunedin Canmore and the strategic acquisitions at Ferry Village (56 units).

Operating expenditure and finance charges

Operating expenditure and finance charges in the year totalled £11.0m (2017: £6.3m). This comprised:

- £7.2m administrative costs, which includes the maintenance costs of the property portfolio, associated with the full and mid-market letting activities (2017: £2.7m); and
- £3.9m in financing charges in relation to the unsecured finance facility provided by Glasgow Housing Association Limited and financing charges on the loan facility through Wheatley Funding No. 2 Ltd which is secured against our properties (2017: £3.6m).

A charge of £1.6m (2017: £1.2m) is included within financing charges as required under FRS 102 in respect of unwinding of the deemed discount on the convertible loan instrument with Glasgow Housing Association Limited.

Lowther made a gift aid payment of £369k to the Wheatley Foundation during the year.

Other gains recognised in Statement of Comprehensive Income

The strong letting performance of Lowther Homes' portfolio of private market rented properties, combined with favourable market conditions in its selected operating locations, resulted in a gain on revaluation of investment properties of £3.3m (2017: £1.1m). In accordance with FRS 102, this was recognised through the Statement of Comprehensive Income.

Statement of Financial Position

Properties held for investment at the end of 31 March 2018 were valued at £63.1m (2017: £54.2m). Strategic acquisitions of £5.7m were made in the year with the annual valuation by Jones Lang LaSalle reflecting a further increase of £3.3m. This gain has been recognised in the Statement of Comprehensive Income in the year.

Principal risks facing the Company

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

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

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

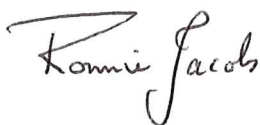
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board



Ronnie Jacobs, Director

29 August 2018

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOWTHER HOMES LIMITED

Opinion

We have audited the financial statements of Lowther Homes Limited ("the company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOWTHER HOMES LIMITED (CONTINUED)

- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



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 2018

Lowther Homes Limited
Annual report and financial statements for the financial year ended 31 March 2018

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	<i>Note</i>	2018 £'000	2017 £'000
Turnover		9,989	5,095
Operating expenses		(7,161)	(2,681)
Other income and gains	4	3,335	1,135
Operating profit	2	6,163	3,549
Gains on disposal of fixed assets	5	57	-
Finance charges	6	(3,880)	(3,557)
Profit/(loss) before taxation		2,340	(8)
Tax (charge)/credit	7	(252)	(174)
Profit/(loss)/ for the financial year		2,088	(182)

All amounts relate to continuing operations.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Revenue Reserve £'000	Investors' Equity £'000	Total £'000
Balance at 1 April 2016	2,867	8,174	11,041
Profit for the year	(182)	-	(182)
Movement in equity component of intragroup convertible loan	-	36	36
Balance at 31 March 2017	2,685	8,210	10,895
Profit for the year	2,088	-	2,088
Movement in equity component of intragroup convertible loan	-	38	38
Gift aid payment	(369)	-	(369)
Balance at 31 March 2018	4,404	8,248	12,652

The notes on pages 11 to 19 form part of these financial statements.

Lowther Homes Limited
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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	<i>Note</i>	2018 £'000	2017 £'000
Fixed Assets			
Property, plant and equipment	8	61	41
Investment properties	9	63,120	54,194
Total Fixed Assets		63,181	54,235
Current Assets			
Trade and other debtors	10	781	530
Cash at bank and in hand		390	531
Total Current Assets		1,171	1,061
Creditors: amounts falling due within one year	11	(3,301)	(3,101)
Net Current Liabilities		(2,130)	(2,040)
Total Assets		61,051	52,195
Creditors: amounts falling due after one year	12	(48,399)	(41,300)
Net Assets		12,652	10,895
Equity			
Investors' Equity		8,248	8,210
Revenue reserve		4,404	2,685
Equity and reserves		12,652	10,895

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The financial statements were approved by the Board of Directors on 20 August 2018 and signed on its behalf on 29 August 2018 by:



Ronnie Jacobs, Director

The notes on pages 11 to 19 form part of these financial statements.

Company Registration Number SC402836.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Lowther Homes Limited (the “Company”) is a private company incorporated, domiciled and registered in Scotland in the UK. The registered number is SC402836 and the registered address is Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company’s financial statements to all period presented in these financial statement.

Basis of preparation

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 and applicable accounting standards in United Kingdom including Financial Reporting Standard 102, under the historical cost convention modified to include the revaluation of properties held for letting and commercial properties. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s ultimate parent undertaking, Wheatley Housing Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Wheatley Housing Group are available to the public and may be obtained from Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period; and
- Cash Flow Statement and related notes.

As the consolidated financial statements of the ultimate parent undertaking include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.
- The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The £50m loan facility from The Royal Bank of Scotland Plc and Bank of Scotland Plc, together with operational cash generation, provides sufficient funds to allow the Company to meet its current liabilities and fund the on-going operation and maintenance of its existing investment property portfolio. Each year the Company updates its long-term business plan which sets out its long term financial forecasts including growth opportunities. This business plan demonstrates that sufficient funds are available to meet the Company’s liabilities as they fall due. There are therefore no material uncertainties related to events or conditions that cast significant doubt upon the Company’s ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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 investment properties;
- The assessment of useful lives for other fixed assets; and
- The assessment of the fair value of financial instruments.

Related party disclosures

The Company is a wholly-owned subsidiary of Wheatley Housing Group Limited and is included within the consolidated financial statements of Wheatley Housing Group Limited which are publicly available. Consequently, the Company has taken advantage of the exemption, under the terms of FRS 102, from disclosing related-party transactions with wholly owned entities that are part of the Wheatley Housing Group.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Value Added Tax

The Company is registered for VAT and is a member of the Wheatley VAT Group. Expenditure is shown net of VAT.

Turnover

Turnover relates to rental of residential properties. Income from rental activities is recognised when it is receivable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Valuation of investment property

The directors consider that the interests in land and/or buildings are held for their investment potential rather than for consumption in the business operations. These are treated under FRS 102 as investment properties at fair value through the Statement of Comprehensive Income.

Investment properties in the course of construction are stated at cost. Those properties are transferred to completed properties when they are ready for letting. Investment properties are valued at market value subject to tenancies at the date of the Statement of Financial Position by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Where it is considered that there has been any impairment in value this is recognised in profit or loss in the period it arises. The cost of properties is their purchase price together with capitalised improvement works. No depreciation is provided in respect of investment properties applying the fair value model.

Improvements to investment properties

Improvement expenditure on investment properties is capitalised in circumstances where it is expected to provide incremental future benefits to the organisation, such as higher rent, reduced on-going maintenance costs or reduced re-let times for the properties.

Valuation of property, plant and equipment

Furniture & Fittings and Computer Equipment are stated at cost and depreciated on a straight-line basis as detailed below.

Depreciation

Property, plant and equipment depreciation is charged to the statement of comprehensive income on a straight-line basis over the expected useful lives of fixed assets to write off the cost, or valuation, less estimated residual values at the following annual rates. 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:

Furniture, fittings and office equipment (cost)	20%
Computer hardware and software (cost)	33.33%

Convertible debt and investors' equity

Proceeds of convertible loans are allocated between liability and equity components. The carrying value of the liability component is determined as the fair value of a similar liability that does not possess a conversion feature. For the purpose of determining an appropriate discount rate, advice was obtained from independent property and investment consultants in relation to the market rate of return on a similar unsecured loan instrument. The discount rate used was 10.8%. The residual amount once the liability component has been established is treated as an equity element, and transaction costs are allocated pro rata against the liability and equity components. This allocation shall not be revised in subsequent periods. The liability component is treated as a basic financial instrument.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Operating profit

	2018 £'000	2017 £'000
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Operating profit is stated after charging:

Auditor's remuneration in respect of the audit of these financial statements	8	8
Depreciation on fixed assets	21	14

The Company has no employees (2017: nil) as staff are employed by another group company and recharged.

3. Remuneration of directors

The directors did not receive any emoluments in respect of their services to the Company (2017: nil). Directors are employed by another group company and no recharge is made for their services.

4. Other income and gains

	2018 £'000	2017 £'000
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Gain on revaluation of investment property	3,335	1,135
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5. Gain on disposal of fixed assets

This represents net income from the disposal of fixed assets.

	2018 £'000	2017 £'000
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Proceeds from disposal of properties	164	-
Value of properties disposed	(107)	-
Gain on sale of fixed assets	57	-

6. Finance charges

	2018 £'000	2017 £'000
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Interest and related charges on intra-group loan	2,246	2,328
Amortisation of discount on fair value of convertible loan	1,634	1,229
	3,880	3,557

Lowther Homes Limited

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7. Tax charge

	2018	2017
	£'000	£'000
Total tax expense recognised in the profit and loss account		
<u>Current Tax:</u>		
Current tax on income for the year	120	15
Adjustment in respect of prior periods	3	65
	<u>123</u>	<u>80</u>
<u>Deferred Tax:</u>		
Origination and reversal of timing differences	265	137
Adjustments in respect of prior periods	(108)	-
Effects of changes in tax rates	(28)	(43)
	<u>129</u>	<u>94</u>
Total tax	<u>252</u>	<u>174</u>

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. Further reduction to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly. The deferred tax liability at 31 March 2018 has been calculated based on these rates.

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	-	6	-	6
Arising on business combinations	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Unused tax losses	-	-	-	-	-	-
Other	-	-	620	485	620	485
Tax (assets) / liabilities	<u>-</u>	<u>-</u>	<u>620</u>	<u>491</u>	<u>620</u>	<u>491</u>
Net of tax liabilities/(assets)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net tax (assets) / liabilities	<u>-</u>	<u>-</u>	<u>620</u>	<u>491</u>	<u>620</u>	<u>491</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Property, plant and equipment

	2018 £'000
Cost	
At 1 April 2017	89
Additions	41
At 31 March 2018	<u>130</u>
Accumulated Depreciation	
At 1 April 2017	48
Charge for financial year	21
At 31 March 2018	<u>69</u>
Net Book Value	
At 31 March 2018	<u>61</u>
Net Book Value	
At 31 March 2017	<u>41</u>

9. Investment properties

	2018 £'000
Cost or Valuation	
At 1 April 2017	54,194
Additions	5,698
Disposals	(107)
Revaluation	3,335
At 31 March 2018	<u>63,120</u>
Net Book Value - valuation	
At 31 March 2018	<u>63,120</u>
At 31 March 2017	<u>54,194</u>
Net Book Value – historic cost	
At 31 March 2018	<u>54,668</u>
At 31 March 2017	<u>49,076</u>

The valuation of investment properties as at 31 March 2018 shown above of £63.1 million (2017: £54.2m) is the market value subject to tenancies, between a willing buyer and willing seller in an arm's length transaction. The valuation was carried out by Jones Lang LaSalle, a qualified professional valuer.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Investment properties (continued)

The number of properties held for market rent by Lowther Homes Ltd at 31 March 2018 was:

	2018	2017
Total Units	608	555

10. Trade and other debtors

Due within one year:	2018 £'000	2017 £'000
Trade debtors	230	31
Amounts owed by group undertakings	-	33
Other debtors	521	457
Corporation tax	30	9
	781	530

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

11. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	41	4
Accruals	352	412
Amounts owed to group undertakings	1,920	1,995
Other creditors	988	690
	3,301	3,101

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

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

	2018 £'000	2017 £'000
Financial liability component of intra-group convertible loan	25,389	23,649
Amounts owed to group undertakings	22,390	17,160
	47,779	40,809
Deferred tax	620	491
	48,399	41,300

The convertible loan with The Glasgow Housing Association Limited ("GHA") is not secured and is repayable in November 2021. During the year, £0.9m of interest was charged by GHA on this facility.

A bank facility of £50.0m was arranged through Wheatley Funding No. 2 Ltd, to fund the acquisition and development of investment properties. Each amount drawn down on this facility will be secured on the investment properties to which it relates. Interest in the year was charged at a rate of 4.33%.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Borrowings are repayable as follows:	2018 £'000	2017 £'000
In less than one year	2	3
In more than one year but less than two years	2	2
In more than two years but less than five years	47,775	23,653
In more than five years	-	17,162
	<hr/> 47,779	<hr/> 40,820 <hr/>

13. Financial instruments

Financial assets:	2018 £'000	2017 £'000
Measured at amortised cost:		
Debtors and accrued income	781	530
Instruments measured at fair value through income and expenditure	-	-
Total	<hr/> 781	<hr/> 530 <hr/>
Financial liabilities:	2018 £'000	2017 £'000
Measured at amortised cost:		
Creditors, accruals and amounts owed to group undertakings	26,311	20,741
Measured at fair value through income and expenditure:		
Intra-group convertible loan	25,389	23,660
Total	<hr/> 51,700	<hr/> 44,401 <hr/>

Expense payable on the financial liabilities is disclosed in note 5.

Lowther Homes Limited

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NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Called up share capital

	2018 £	2017 £
<i>Authorised</i>		
Equity: 100 (2017: 100) Ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
Equity: 100 (2017: 100) Ordinary share of £1	100	100

15. Ultimate parent organisation

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

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

SUPPLEMENTARY INFORMATION

Secretary and Registered Office

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25 Cochrane Street
Glasgow G1 1HL

Independent auditors

KPMG LLP
319 St Vincent Street
Glasgow G2 5AS

Bankers

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