



FUNDING No.1 LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2018

Wheatley Funding No. 1 Limited

Registered number SC469961

Wheatley Funding No. 1 Limited

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

DIRECTORS' REPORT

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

OPERATING REVIEW

Principal activities

The principal activity of Wheatley Funding No. 1 Limited is the administration of the Wheatley Group loan facilities agreement. The loan facility finances the Group's Registered Social Landlord subsidiaries ("RSL subsidiaries"). The Company is limited by guarantee and has no share capital.

Business review

The Company is a wholly owned subsidiary of the Wheatley Housing Group Limited. It administered the banking facilities for all of Wheatley Group's RSL subsidiaries during the year, collectively referred to as the "RSL Borrower Group".

During the year the Company has recharged the Group's RSL subsidiaries for banking fees incurred and for the administration of the loan facility and for the bond finance.

Proposed dividend

The directors do not recommend payment of a dividend.

Directors and directors' interests

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

Ronnie Jacobs
Alastair MacNish
Steven Henderson

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

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.

Wheatley Funding No. 1 Limited

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

DIRECTORS' REPORT (continued)

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.

FINANCIAL REVIEW

Turnover

Turnover for the year ended 31 March 2018 was £3,509k (2017: £1,825k) for the Company. This was, in the main, generated through charges to the parent company of bank commitment fees incurred.

Expenditure

Administrative expenses incurred for the year of £3,504k (2017: £1,821k) comprised the cost of bank commitment fees levied by the lenders.

Finance income and costs

Finance costs incurred on the Company borrowings for the year of £53,921k (2017: £49,921k) were charged to the members of the RSL Borrower Group.

Going concern

As a special purpose vehicle set up to administer the Wheatley Group housing loans for the RSL subsidiaries, the financial viability of the Company reflects that of the RSL subsidiaries. The RSL subsidiaries have access to sufficient funds to meet their current 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.

On behalf of the Board



Alastair MacNish
Director
29 August 2018

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

Wheatley Funding No. 1 Limited

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

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.



Alastair MacNish
Director
29 August 2018

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

Wheatley Funding No. 1 Limited

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHEATLEY FUNDING NO. 1 LIMITED

Opinion

We have audited the financial statements of Wheatley Funding No. 1 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 2.

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 result 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
- 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.

Wheatley Funding No. 1 Limited
Annual report and financial statements for the year ended 31 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHEATLEY FUNDING NO. 1 LIMITED (Continued)

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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

Wheatley Funding No. 1 Limited
Annual report and financial statements for the year ended 31 March 2018

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £000	2017 £000
Turnover		3,509	1,825
Administrative expenses	3	(3,504)	(1,821)
Operating profit		5	4
Finance income	6	53,921	49,921
Finance costs	7	(53,921)	(49,921)
Profit on ordinary activities before taxation		5	4
Tax on profit on ordinary activities	8	2	(1)
Profit for the financial year	13	7	3
Other comprehensive income		-	-
Total comprehensive income for the financial year		7	3

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

	Revenue Reserve £000	Total Equity £000
Profit for the financial year	3	3
Balance at 31 March 2017	8	8
Profit for the financial year	7	7
Balance at 31 March 2018	15	15

All amounts relate to continuing operations for the current year.

The notes on pages 9 to 14 form part of these financial statements.

Wheatley Funding No. 1 Limited
Annual report and financial statements for the year ended 31 March 2018

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	2018	2017
		£000	£000
Fixed Assets:			
Investments		12	12
Debtors: amounts falling due after more than one year	9	1,050,000	957,200
Current assets:			
Debtors falling due within one year	10	3,190	7,619
Cash and cash equivalents		14,552	7,960
		<u>17,742</u>	<u>15,579</u>
Creditors: amounts falling due within one year	11	<u>(2,865)</u>	<u>(6,747)</u>
Net current assets		14,877	8,832
Total assets less current liabilities		1,064,889	966,044
Creditors: amounts falling due after more than one year	12	(1,064,874)	(966,036)
Net assets		<u>15</u>	<u>8</u>
Capital and reserves			
Called up share capital		-	-
Revenue Reserve	13	15	8
Total reserves		<u>15</u>	<u>8</u>

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006, and a cash flow statement has not been presented.

These financial statements were approved by the board of directors on 29 August 2018 and signed on its behalf by:



Alastair MacNish
Director

The notes on pages 9 to 14 form part of these financial statements

Company number SC470001

Wheatley Funding No. 1 Limited

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

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

1 Legal status

Wheatley Funding No. 1 Limited ("WFL1" or "the Company") is a wholly owned subsidiary of Wheatley Housing Group Ltd ("WHG"). The Company is incorporated in the UK and registered under the Companies Act 2006.

2 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, on a going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards in United Kingdom and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under FRS 102 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a qualifying entity and its parent undertaking includes the Company in its own published consolidated financial statements.

Consolidated financial statements for WFL1 and its subsidiary Wheatley Group Capital plc have not been prepared by virtue of s400 of the Companies Act 2006, on the basis that both companies are included in the consolidated financial statements of the ultimate parent organisation, Wheatley Housing Group Limited.

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.

Turnover

Turnover represents income from management fees charged to the RSL subsidiaries in the UK.

Bank fees

Bank arrangement fees incurred on establishing the company's loan facility and on the 2010 restructuring of the loan facility, are passed onto the RSL subsidiaries and amortised over the projected period of the loan drawdown by the RSL subsidiaries. Other Bank fees are expensed and recovered from the RSL subsidiaries in the year in which they arise.

Finance income and finance costs

Interest receivable from group companies and payable to the funding syndicate and bond holders is recognised in the year in which it arises.

Creditors

Balances due on bank loans and on intra-group lending from Wheatley Group Capital plc are on-lent to the RSL subsidiaries who are related Group companies. No interest is charged by the company to the RSL subsidiaries over and above that payable to the funding syndicate and Wheatley Group Capital plc.

Wheatley Funding No. 1 Limited

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

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

Financial Instruments

The Company has elected to apply FRS 102 Section 11 and Section 12 in accounting for financial instruments. FRS 102 requires some financial instruments to be carried at fair value. Bank loans are classed as either basic or complex financial instruments. Loans that are classed as basic under the requirements of FRS 102, are measured at amortised cost. Loans classed as complex are carried at fair value. The fair value of complex financial instruments are provided by an independent professional advisor and are determined using valuation techniques that use primarily observable inputs such as short term rates, futures, swap rates, implied volatilities and market credit spreads for similar credit worthiness instruments. All loans are classed as basic.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the date of the Statement of Financial Position, except as otherwise required by FRS 102.

Value Added Tax

The company is not registered for VAT. Expenditure with irrecoverable VAT is shown inclusive of VAT.

3 Administrative expenses

	2018 £000	2017 £000
Bank commitment, audit and administrative fees	3,504	1,821

The Company has no employees (2017: nil).

4 Auditors remuneration

	2018 £000	2017 £000
The remuneration of the Auditors (excluding VAT) is as follows:		
- audit of these financial statements	4	4

5 Remuneration of directors

No remuneration was paid to the directors during the period (2017: nil).

6 Finance income

	2018 £000	2017 £000
Bank interest	9	122
Receivable from group undertakings	53,912	49,799
	53,921	49,921

Wheatley Funding No. 1 Limited
Annual report and financial statements for the year ended 31 March 2018

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

7 Finance costs

	2018	2017
	£000	£000
On bank loans	(40,796)	(36,796)
Payable to group undertakings	(13,125)	(13,125)
	<u>(53,921)</u>	<u>(49,921)</u>

8 Tax on profit on ordinary activities

	2018	2017
	£000	£000
Analysis of charge in year:		
UK corporation tax	-	1
Current tax on income for the year	1	-
Group tax relief	(3)	-
	<u>(2)</u>	<u>1</u>

Factors affecting the tax charge for the current and previous years

The current tax charge for small companies is equal to (2017: equal to) the standard rate of corporation tax in the UK of 19% (2017: 19%) as explained below.

	2018	2017
	£000	£000
Reconciliation of effective tax rate:		
Profit for the year	7	3
Total tax expense	2	(1)
Profit excluding taxation	<u>5</u>	<u>4</u>
Tax using the UK corporation tax rate of 19% (2017:19%)	2	(1)
Expenses not allowable for tax purposes	-	-
Total tax expense included in profit or loss	<u>2</u>	<u>(1)</u>

9 Debtors: amounts falling due after more than one year

	2018	2017
	£000	£000
Amounts owed by group undertakings	1,050,000	957,200
	<u>1,050,000</u>	<u>957,200</u>
Of which:		
Debts falling due for repayment on an instalment basis in less than 5 years	9,050	-
Debts falling due for repayment on an instalment basis after 5 years	104,183	86,248
Debts falling due for repayment on a non-instalment basis after 5 years	936,767	870,952

Wheatley Funding No. 1 Limited
Annual report and financial statements for the year ended 31 March 2018

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

10 Debtors: amounts falling due within one year

	2018	2017
	£000	£000
Bank loans and intergroup loans	-	-
Amounts owed by group undertakings	3,190	7,619
	<u>3,190</u>	<u>7,619</u>

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	2017
	£000	£000
Corporation tax	-	2
Bank loans and intergroup loans	250	-
Accruals	1,818	1,024
Amounts owed to group undertakings	797	5,721
	<u>2,865</u>	<u>6,747</u>

Amounts owed by 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	2017
	£000	£000
Bank loans and intergroup loans	764,874	666,036
Loan from subsidiary undertaking	300,000	300,000
	<u>1,064,874</u>	<u>966,036</u>

Bank lending facility

The bank loans are secured over the housing stock and certain other properties of RSL subsidiaries. All loans are repayable by instalments and are secured by way of standard securities or other charges on certain of the RSL Borrowers' properties.

As at 31 March 2018, £610.9m (2017: £603.9m) of the loans were at fixed rates for a period of one year or more. The weighted average rate of interest was 4.28% (2017: 4.28%). The loans are currently at rates between 2.06% and 7.00% (2017: 2.86% and 6.73%).

The Company's activities expose it to interest rate risk. The Company uses interest rate derivatives to manage these exposures, and has a number of interest rate swaps in place. The financial instruments are not used for speculative purposes.

Wheatley Funding No. 1 Limited
Annual report and financial statements for the year ended 31 March 2018

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

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

The Company has loans of £58.6m (2017: £53.6m) under cancellable fixed rate arrangements, which were transferred when Dunedin Canmore Housing Association Limited joined the RSL Borrower Group on 1 April 2016. These loans are classified as basic financial instruments under FRS 102 and are carried at amortised cost.

Borrowings are repayable as follows:	2018	2017
	£000	£000
In less than one year	250	-
In more than five years	1,064,874	966,036
	<u>1,065,124</u>	<u>966,036</u>

The carrying value of financial assets and liabilities include:

	2018	2017
	£000	£000
Assets measured amortised cost	1,053,190	964,819
Liabilities measured at amortised cost	1,067,739	972,783

13 Revenue reserve

	2018	2017
	£000	£000
Opening reserves at 1 April	8	5
Profit for the financial year	<u>7</u>	<u>3</u>
Closing reserves at 31 March	<u>15</u>	<u>8</u>

14 Subsidiaries

The Company has one immediate wholly owned subsidiary, Wheatley Group Capital plc. This subsidiary is a vehicle for raising bond finance for the Wheatley Housing Group.

15 Ultimate parent organisation

The Company is a subsidiary undertaking of the 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.

Wheatley Funding No. 1 Limited
Annual report and financial statements for the year ended 31 March 2018

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

13 Revenue reserve

	2018	2017
	£000	£000
Opening reserves at 1 April	8	5
Profit for the financial year	7	3
	<hr/>	<hr/>
Closing reserves at 31 March	15	8
	<hr/>	<hr/>

14 Subsidiaries

The Company has one immediate wholly owned subsidiary, Wheatley Group Capital plc. This subsidiary is a vehicle for raising bond finance for the Wheatley Housing Group.

15 Ultimate parent organisation

The Company is a subsidiary undertaking of the 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.